ADIB مصرف أبوظبي الإسلامي

Consolidated Financial Statements and

The Auditors' Report Thereon

For the period ended September 30th, 2014

Allied for accounting and auditing
E & Y

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

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ADIB مصرف أبوظبي الإسلامي

Translation of Financial Statements originally issued in Arabic

Consolidated Balance sheet as at September 30th, 2014

All amounts are in thousand Egyptian pounds

	Note	30 September 2014	Restated 31 December 2013
Assets			
Cash and due from Central Bank of Egypt (CBE)	13	**1,058,941**	1,696,497
Due from banks	14	**684,174**	1,269,980
Treasury bills	15	**4,164,956**	3,272,961
Financial assets held for trading	16	**19,113**	14,351
Conventional financing to customers, Net	17/2	**238,577**	294,736
Islamic financing to customers, Net	17/2	**7,660,827**	6,037,440
Financial investments			
Available for sale	18/1	**1,617,390**	1,252,372
Held to maturity	18/2	**7,630**	12,181
Investments in associates, Net	19	**34,899**	27,525
Intangible assets, Net	20	**5,900**	5,685
Other assets	21	**971,850**	761,501
Projects under construction	22	**26,412**	24,955
Fixed assets, Net of accumulated depreciation	23	**544,209**	428,520
Investment property, Net	24	**126,595**	129,443.00
Leased assets, Net	25	**113,079**	110,128.00
Deferred tax asset	31	**849,255**	959,926
Total assets		**18,123,807**	16,298,201
Liabilities :			
Due to banks	26	**538,855**	1,099
Customers' deposits	27	**15,498,976**	14,588,317
Subordinated financing	28	**360,168**	209,023
Other liabilities	29	**775,236**	780,787
Other provisions	30	**68,550**	88,198
Employees Benefits		**44,818**	34,553
Total liabilities		**17,286,603**	15,701,977
Shareholders' equity:			
Issued and paid-up capital		**1,999,503**	1,999,503
Paid under capital increase	32/2	**1,861,418**	1,861,418
Reserves	32/3	**242,513**	257,436
Difference between face value and present value (Subordinated financing)	33	**135,806**	53,777
Accumulated losses		**(3,410,133)**	(3,581,839)
		829,107	590,295
Non controllable interest		**8,097**	5,929
Total shareholders' equity		**837,204**	596,224
Total liabilities and shareholders' equity		**18,123,807**	16,298,201
Contingent liabilities & commitments		**1,009,918**	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**

ADIB مصرف أبوظبي الإسلامي

Translation of Financial Statements originally issued in Arabic

Consolidated Statement of Income for the Period Ended September 30th, 2014

All amounts are in thousand Egyptian pounds

	Note	**Nine Months Ended 30 September 2014**	Nine Months Ended 30 September 2013	**Three Months Ended 30 September 2014**	Three Months Ended 30 September 2013
Income from Murabaha, Musharaka, Mudaraba and other similar income	5	**1,043,815**	885,287	**370,948**	295,175
Cost of deposits and similar costs	5	**(610,228)**	(614,395)	**(210,551)**	(212,365)
Net Profit Income		**433,587**	270,892	**160,397**	82,810
Fees and commission income	6	**197,608**	87,953	**62,148**	29,777
Fees and commission expense	6	**(10,177)**	(2,295)	**354**	(1,687)
Net fees and commission income		**187,431**	85,658	**62,502**	28,090
Dividend income		**7,176**	4,419	**357**	1,362
Net trading income	7	**51,008**	40,582	**22,957**	24,410
Administrative expenses	8	**(455,260)**	(389,020)	**(173,146)**	(148,678)
Other operating expenses	9	**(10,735)**	21,813	**12,751**	23,062
Reversal of loan impairment charged	10	**67,946**	62,787	**(1,434)**	21,500
Share of associates results		**5,740**	4,992	**5,695**	5,144
Profit from financial investments	18/3	**980**	(679)	**(578)**	(1,651)
Profit before income tax		**287,873**	101,444	**89,501**	36,049
Income tax	11	**(110,756)**	(32,147)	**(26,657)**	(9,780)
Net profit for the year		**177,117**	69,297	**62,844**	26,269
Divided as follows:					
Bank's share		**174,950**	66,654	**62,256**	24,265
Non controllable interest share		**2,167**	2,643	**588**	2,004
		177,117	69,297	**62,844**	26,269
Basic earnings per share attributable to ordinary share (E(	12	**0.87**	0.33	**0.31**	0.12

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

Translation of Financial Statements originally issued in Arabic

Consolidated statement of change in equity for the Period ended September 30th, 2014

All amounts are in thousand Egyptian pounds

	Capital	Paid under capital increase	Reserves					Difference between face value and present value of subordinated financing	Accumulated losses	Total	Non-controlling interests	Total
			Legal reserve	General reserve	Special reserve	Investments available for sale fair value reserve	General banking risk reserve					
Balance at 1 January 2013 as published	1,999,503	1,861,418	22,878	42,522	26,257	23,539	106,115	64,189	(3,692,058)	454,363	18,889	473,252
Prior year adjustments	-	-	-	-	-	13,781	-	-	(16,144)	(2,363)	(16,551)	(18,914)
Balance at 1 January 2013	1,999,503	1,861,418	22,878	42,522	26,257	37,320	106,115	64,189	(3,708,202)	452,000	2,338	454,338
Transfer to general banking risk reserve	-	-	-	-	-	-	(53,909)	-	53,909	-	-	-
Net change in fair value of investments available for sale	-	-	-	-	-	44,519	-	-	-	44,519	-	44,519
Difference of face value from present value for subordinated loan	-	-	-	-	-	-	-	(7,722)	7,722	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	66,654	66,654	2,643	69,297
Balance at 30 September 2013	1,999,503	1,861,418	22,878	42,522	26,257	81,839	52,206	56,467	(3,579,917)	563,173	4,981	568,154
Balance at 1 January 2014 as published	**1,999,503**	**1,861,418**	**22,878**	**42,522**	**26,257**	**105,463**	**61,424**	**53,777**	**(3,562,687)**	**610,555**	**18,685**	**629,240**
Prior year adjustments	-	-	-	-	-	**(1,107)**	-	-	**(19,154)**	**(20,261)**	**(12,755)**	**(33,016)**
Balance at 1 January 2014 adjusted	**1,999,503**	**1,861,418**	**22,878**	**42,522**	**26,257**	**104,356**	**61,424**	**53,777**	**(3,581,841)**	**590,294**	**5,930**	**596,224**
Paid up under capital increase	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to general banking risk reserve	-	-	-	-	-	-	**14,979**	-	**(14,979)**	-	-	-
Net change in fair value of available for sale investments	-	-	-	-	-	**(29,903)**	-	-	-	**(29,903)**	-	**(29,903)**
Difference between face value from present value for subordinated loan amortization	-	-	-	-	-	-	-	**(11,737)**	**11,737**	-	-	-
Closure of subordinated loan given on 27-dec-2012	-	-	-	-	-	-	-	**(51,038)**	-	**(51,038)**	-	**(51,038)**
Difference of fair value from present value of subordinated loan	-	-	-	-	-	-	-	**144,804**	-	**144,804**	-	**144,804**
Net profit of the period	-	-	-	-	-	-	-	-	**174,950**	**174,950**	**2,167**	**177,117**
Balance at 31 December 2013	**1,999,503**	**1,861,418**	**22,878**	**42,522**	**26,257**	**74,453**	**76,403**	**135,806**	**(3,410,133)**	**829,107**	**8,097**	**837,204**

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

Translation of Financial Statements originally issued in Arabic

Consolidated statement of cash flows for the Period ended September 30th, 2014

All amounts are in thousand Egyptian pounds

	Note	30 September 2014	Restated 30 September 2013
Cash flows from operating activities			
Profit before tax		**287,873**	101,444
Adjustment to reconcile profit before tax to cash flows from operating activities:			
Depreciation of fixed assets	23	**46,384**	46,735
Amortization of intangible assets	20	**12,199**	13,996
Depreciation of investment property	24	**2,848**	50
Depreciation of leased assets	25	**31,578**	40,200
Impairment charged for credit losses and held to maturity investments	10	**28,183**	9,996
Other provisions charged	30	**30,268**	13,842
Provisions no longer required	17	**(96,151)**	(73,435)
Other Provisions no longer required			
Foreign currency revaluation of held to maturity investments	18/2	**(150)**	(845)
Foreign currency revaluation of available for sale investments	18/2	**(398)**	(1,381)
Foreign currency revaluation of assets held for trading	7	**(1,979)**	(646)
Foreign currency revaluation of other provisions	30	**(5)**	(36)
Foreign currency revaluation of loans and facilities Provisions	17	**476**	29,858
Gain on sale of assets reverted to the bank	9	**-**	(16,160)
Gain on sale of fixed assets	9	**(2,813)**	(7,116)
Gain on sale of assets held for trading	7	**(1,090)**	(353)
Gain on sale of treasury bills	18/3	**(1,918)**	(2,113)
Gain on sale of AFS investments		**(77)**	-
Impairment loss of investment in associates	3/18	**-**	2,792
Impairment loss of investment in AFS	3/18	**1,015**	-
Share of associates' results		**(5,740)**	(4,992)
Dividends income		**(7,176)**	(4,419)
Amortization of subordinated loan using EIR method	28	**11,737**	7,722
Difference of foreign valuation of subordinated loan	28	**-**	16,148
Operating profit before changes in assets and liabilities utilized in operational activities		**335,064**	171,287
Net decrease (increase) in assets & liabilities			
Due from banks		**608,814**	399,340
Treasury bills due more than 30 days		**(87,786)**	606,836
Assets held for trading		**(1,645)**	(406,467)
Loans and islamic facilities to customers & banks		**(1,619,111)**	14,687
Other assets		**(58,182)**	(436,701)
Due to banks		**537,756**	333,104
Customers' deposits		**935,319**	(60,201)
Other liabilities		**162,255**	351,371
Employees Benefits		**10,265**	(123)
Tax paid		**(99)**	-
Net cash flows resulting from operating activities		**822,650**	973,133
Used provisions - Other than loan provisions	30	**(49,911)**	(19,882)
Used provisions - loan provisions	17/2	**(10,034)**	(618,472)
Net cash flows resulting from operating activities		**762,705**	334,779

Translation of Financial Statements originally issued in Arabic

Consolidated statement of cash flows for the Period ended September 30th, 2014 Cont.

All amounts are in thousand Egyptian pounds

	Note	30 September 2014	30 September 2013
Cash flows from investing activities			
Payments for the purchase of fixed assets	23	(162,155)	(38,414)
Proceeds from sale of fixed assets		2,895	15,854
Payments for the purchase of intangible assets	20	(12,414)	(8,636)
Payments for the purchase of Leased assets		(35,025)	(50,124)
Proceeds from sale of Leased assets		435	1,480
Projects under construction		(1,457)	116
Payments for the purchase of available for sale investments	18	(517,708)	(275,215)
Proceeds from sale of available for sale investments	18	122,171	192,032
Payments for the purchase of Investments in associates		(7,000)	-
Proceeds from Investments in associates		484	-
Proceeds from sale of treasury bills	3/18	1,918	2,113
Proceeds from investments Held to maturity	2/18	5,355	3,160
Gain on sale of investment in associates			
Dividends income		3,628	4,419
Net cash flows used in investing activities		(598,873)	(153,215)
Cash flows from financing activities			
Paid under Capital Increase	3/32	-	5,000
Net cash flows resulting from financing activities		-	5,000
Net increase (decrease) in cash and cash equivalents during the period		163,892	186,622
Cash and cash equivalents at the beginning of the Period		1,124,910	(111,443)
Cash and cash equivalents at the end of the period		1,288,802	75,179
Cash and cash equivalents at end of year are represented in :			
Cash and due from Central Bank of Egypt		1,058,941	919,712
Due from banks		684,174	1,439,485
Treasury bills		4,164,956	3,134,596
Due from banks (matured over than 3 months)		(522,638)	(1,213,979)
Treasury bills (matured over than 3 months)		(4,096,630)	(4,204,635)
Cash and cash equivalents at end of the period	34	1,288,802	75,179

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

Notes to Consolidated Financial Statements for the Period ended September 30th, 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 September 2014.

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

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

The Consolidated financial statements for the Nine months ended September 30th, 2014 have been approved by the bank's board of directors on 10 November 2014.

2- Summary of significant accounting policies:

A) Basis of preparation

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

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

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

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

B) Significant accounting principle:

Although accumulated losses were LE **3,410mn** at September 30th, 2014 (December 31st, 2013: LE **3,582**mn), which exceeds the paid up capital in addition to the effect of the shortfall of tax provisions, the consolidated financial statements have been prepared on the going concern basis as shareholders undertake to continue providing financial support to the bank.

As per article no. 69 of company's law no. 159 for year 1981. An extraordinary general assembly meeting approved the bank's continuity as a going concern.

C) Basis of consolidation:

C/1 Subsidiaries:

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

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

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

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

Company	Ownership	Industry
National company for Glass	86.08%	Manufacturing
National company for trading and development (ENTAD)	54.64%	Commercial
Assuit Islamic company for trading and development	55.13%	Commercial
Cairo national company for investment	75.56%	Financial Investment
ADI Lease for Financial Lease	76.56%	Financial Lease
Abu Dhabi Islamic holding company	99.85%	Holding
Abu Dhabi Islamic Capital	98.86%	Investment
Abu Dhabi Islamic Properties	97.88%	Real estate
Alexandria National Company for Financial Investments	56.61%	Financial Investment
Cairo National Company for Brokerage & Securities	42.65%	Financial Investment

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

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

C/2 Transactions with Non-controlling interests:

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

C/3 Associates:

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

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

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

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

C/4 Inventory:

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

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

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

C/5 Real Estate Investment:

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

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

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

C/6 Projects under construction:

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

C/7 Defined benefit system:

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

C/8 Segment reporting:

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

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

D) Foreign Currency Transactions:

D/1 Trade and presentation currency:

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

D/2 Transactions and balances in foreign currency:

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

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

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

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

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

E) Financial assets:

The bank classifies its financial assets into the following groups:

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

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

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

Financial assets include:

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

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

E-2 Financings and receivables:
Financings and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those:

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

- That the bank upon initial recognition designates as available for sale or for which the bank may not recover substantially all of its initial investment, other than because of a credit deterioration of the issuer.

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

E-3 Investments held to maturity

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

E-4 Financial investments available for sale

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

The following principles are followed for the financial assets:

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

- Financial assets that are not classified as designated at fair value through profit and loss at initial measurement are recognize at fair value plus directly attributable costs of acquisition or issue while financial assets designated at fair value through profit and loss at initial measurement are recognized only at fair value, any directly attributable acquisition or issue costs are recorded in the "net trading income" in the income statement.
- Financial assets are de-recognized where the rights to receive cash flows from the asset have expired or the bank has transferred all the risks and rewards of the asset to another party, while a financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

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

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

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

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

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

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

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

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

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

- Interest/profit calculated using the effective interest/profit method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement, Dividends on available for sale equity instruments are recognized in the income statement when the entities right to receive payment is established.

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

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

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

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

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

F) Offset of financial assets and financial liabilities:

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

REPO and reverse REPO agreements represent by net in balance sheet under treasury bills caption.

G) Profit/Interest income and expenses:

G/1 Interest income and expense for all interest/profit-bearing financial instruments, except for those classified as held for trading or designated as at fair value through profit or loss, are recognized within 'profit/interest income' and 'profit/interest expense' in the income statement using the effective profit/interest rate method, The effective profit/interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the profit/interest income or profit/interest expense over the relevant year.
The effective profit/interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective profit/interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective profit/interest rate, transaction costs and all other premiums or discounts. Profit/interest income on financings is recognized on accrual basis except for the interest income on non-performing financings, which ceases to be recognized as revenue when the recovery of interest or principle is in doubt.

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

- When collected and after recovery of all areas for retail financings, personal financings, real estate financings for personal housing and financings to small business.

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

H) Fe**es and commission income:**

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

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

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

H/3 A syndication fee received by the bank that arranges financing and retains no part of the financing package for itself (or retains a part at the same effective profit/interest rate for comparable risk as other participants) is compensation for the service of syndication. Such a fee is recognized as revenue when the syndication has been completed.
Fees and commissions resulting from direct negotiations or participation in such negotiations for the benefit of or on behalf of another party, such as those earned on the allotment of shares or other financial assets to a client or acquisition or disposal of entities for a client, are recognized as revenue when the specific transaction has been completed.

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

I) Dividends:

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

J) REPO and reverse REPO agreements:

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

K) Impairments of financial assets:

K-1 Financial assets held with cost to depreciation:

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of assets is impaired. A financial asset or a portfolio of assets is impaired and impairment losses is incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet data ('a Loss Event') and that loss event or events has had an impact on the estimated cash flow of the financial asset or the portfolio of financial assets that can be reliably estimated. Objective evidence that a financial asset or a portfolio of financial assets is impaired includes observable data that comes to the attention of the bank about the following loss events:

- Significant financial difficulty of the issuer or the obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It becomes probable that the borrower will enter bankruptcy or liquidation.
- Deterioration of Financial position of the borrower.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- Impairment in the value of guarantee.
- Deterioration of creditworthiness.

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

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

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

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

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

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

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

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

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

- The bank ensures that estimates of changes in future cash flow reflects 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.

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

At each balance sheet date, the bank assesses whether there is objective evidence that any financial asset or group of financial assets that are classified as available for sale has been impaired. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment.

Such decline is presumed to be significant for the equity instruments if it reaches 10% of the cost of the financial instrument, whereas it is presumed a prolonged decline when it extends for a period of more than 9 months.

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

L) Intangible assets

Software (computer programs):

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

- Upgrade costs are recognized and added to the original cost of the software when it is likely that such costs will increase the efficiency or enhance the performance of the computers software beyond their original specification.

- Cost of the computer software recognized as an asset shall be amortized over the period of expected benefits which shall not exceed three years.

M) Fixed assets:

Lands and buildings comprise the head office premises and branches. All fixed assets are carried at historical cost net of accumulated depreciation and accumulated impairment losses.

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

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

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

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.

N) Leased assets

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

O) Investment property

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

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

P) Impairment of non-financial assets:

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

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

The recoverable amount of an asset is the higher of the asset’s net realizable value or value in use. For the purpose of estimating the impairment loss, where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

At each balance sheet date, non-financial assets for which an impairment loss is recognized shall be reviewed to assess whether or not such impairment losses should be reversed through profit or loss.

Q) Leasing:

This is calculated as per law no. 95 for the year 1995, 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.

O-1 Rent

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

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

R) Cash and cash equivalents

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

S) Other provisions

Provisions for obligations are recognized based on the present value of the best estimate of the consideration required to settle the present obligation at the balance sheet date.
For obligations due, provisions are calculated based on undiscounted expected outflows unless the time value of money has a significant impact on the amount on provision, then it is measured at the present value.

When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income/expenses.
Provisions for obligations due within more than 12 months from the balance sheet date are recognized based on the present value of the best estimate of the consideration required to settle the present obligation at the balance sheet date. An appropriate pre-tax discount rate that reflects the time value of money is used to calculate the present value of such provisions. For obligations due within less than twelve months from the balance sheet date, provisions are calculated based on undiscounted expected outflows unless the time value of money has a significant impact on the amount of provision, then it is measured at the present value.

T) Taxes

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

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

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

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

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

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

U) Employees Benefits

Employees saving insurance fund:

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

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

U) Employees Benefits Continued

Legacy staff medical benefit plan

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

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

V) Comparative figures

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

		Note	31-Dec-13 Before adjustment EGP '000	Increase /Decrease EGP '000	31-Dec-13 After adjustment EGP '000
Cash and balances with CBE	**Assets**	13	1,696,467	**30**	1,696,497
Due from banks	**Assets**	14	1,274,776	**(4,796)**	1,269,980
Treasury bills	**Assets**	15	3,270,614	**2,347**	3,272,961
Assets held for trading	**Assets**	16	13,941	**410**	14,351
Financing to customer (Net of impairment)	**Assets**	17/2	6,033,083	**4,357**	6,037,440
AFS investments	**Assets**	18/1	1,250,865	**1,507**	1,252,372
Investments in associates	**Assets**	19	37,711	**(10,186)**	27,525
Other assets	**Assets**	21	757,980	**3,521**	761,501
Fixed assets (Net)	**Assets**	23	427,652	**868**	428,520
Investments property (Net)	**Assets**	24	130,850	**(1,407)**	129,443
Leased assets (Net)	**Assets**	25	114,877	**(4,749)**	110,128
Deffered tax assets	**Assets**	31	959,979	**(53)**	959,926
			15,968,795	**(8,151)**	15,960,644
Customer deposits	**Liabilities**	27	14,537,894	**50,423**	14,588,317
Other liabilities	**Liabilities**	29	833,838	**(53,051)**	780,787
Other provisions	**Liabilities**	30	95,259	**(7,061)**	88,198
Employees Benefits	**Liabilities**	37	-	**34,553**	34,553
			15,466,991	**24,864**	15,491,855
Reserves	**Equity**	33	258,545	**(1,109)**	257,436
Accumulated Loss	**Equity**	33/4	(3,562,691)	**(19,148)**	(3,581,839)
Minority	**Equity**		18,686	**(12,757)**	5,929
			(3,285,460)	**(33,014)**	(3,318,474)

3- Management of financial risks

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

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

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

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

3/1 Credit risk

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

3/1/1 Measurement of credit risk

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

To evaluate credit risk relating to financings and facilities to banks and/or clients, 3 components are to be considered:
-Probability of default: by the client or counter party on its contractual obligations

-Exposure at default: current exposure to the counter party and its likely future developments from which the bank derive the exposure at default.

-Loss given default

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

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

Internal categories:

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

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

Debt instruments and treasury bills:

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

3/1/2 Minimization and avoidance of risk

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

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

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

Collaterals

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

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

Usually the long term facilities are related to corporate, while short term facilities or credit for retail to minimize any losses to minimal. The bank seeks extra collaterals from related parties if a sign of impairment of any financing or facility occurs.
Collaterals depend mainly on type of facility, treasury bills and securities are usually with no collaterals, except for financial pools covered by asset-backed securities and similar guaranteed by financial instruments.

Master netting arrangements:

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

Commitments related to credits:

The major need for commitments related to credits is for the client to have liquidity when needed. Guarantees and standby letters of credit issued by the bank on behalf of the client, to grantee a third party the right to withdrawal from the clients account within a certain limit.
Usually this is guaranteed by shipped merchandise or goods therefore the risk weight is less than direct financings.
Credit commitments represent the hidden unused part of the risk tolerated by the bank such as granting financings, LCs and LGs, the bank then is subject to losses to equal value of credits. Losses indorsed by unused credits are less than the value, due to facilities being granted for possible commitments for a specific client with certain conditions. The bank observes the credits till maturity date (long term credits hold a higher risk weight).

3/1/3 Impairment & provisioning policies

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

	30 September 2014		31 December 2013	
Banks rating	**Loans and facilities**	**Impairment loss provisions**	Loans and facilities	Impairment loss provisions
Assets	**%**	**%**	%	%
Good debts	**78.75%**	**20.07%**	76.74%	11.98%
Due from banks	**16.85%**	**14.24%**	15.69%	14.93%
Treasury bills	**0.08%**	**0.94%**	1.46%	3.18%
Bad debts	**4.32%**	**64.74%**	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 on the client, such as: activity, financial position, payment stability.

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

Such reserve is always adjusted, on a regular basis, by any increase or decrease so that the reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution (note 32) and shows the movement on the general reserve for banking risks during the financial period.

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

CBE rating	CBE rating description	Required provision %	Internal rating	Internal rating description
1	Low risk	0%	1	Good debts
2	Moderate risk	1%	1	Good debts
3	Satisfactory risk	1%	1	Good debts
4	Appropriate risk	2%	1	Good debts
5	Acceptable risk	2%	1	Good debts
6	Marginally acceptable risk	3%	2	Regular Follow up
7	Risk needs special attention	5%	3	Special Follow up
8	Substandard	20%	4	Bad debts
9	Doubtful debts	50%	4	Bad debts
10	Bad debts	100%	4	Bad debts

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

5/A Maximum limit for credit risk before guarantees:

	30 September 2014	31 December 2013
Balance sheet items exposed to credit risks		
Treasury bills	**4,418,238**	3,470,303
Loans and financing to customers and banks		
Retail loans		
- Overdraft	**1,382**	1,749
- Covered cards	**336,669**	143,854
- Personal financing	**3,757,617**	3,020,518
- Real estate mortgage	**1,428**	6,332
Corporate Loans:		
- Overdraft	**1,054,888**	614,716
- Direct financing	**3,815,838**	3,170,719
- Syndicated financing	**234,641**	332,321
Financial investments:		
Debt instruments	**1,506,188**	1,149,033
Total	**15,126,889**	11,909,545
Off balance sheet items exposed to credit risks		
Letters of credit (Import & confirmed export)	**240,888**	288,566
Letters of guarantee	**398,044**	300,071
Documentary credit	**137,333**	75,711
Bank guarantees	**233,653**	333,897
Total (Note 34)	**1,009,918**	998,245

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

As shown in the preceding table, **60.14** %(December 31st, 2013: **61.21** %) of the maximum limit exposed to credit risk results from financings and facilities to customers, while investments in debt instruments represents **10.99** % (December 31st, 2013: **9.65** %).

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:

- **94.04** % (December 31st, 2013: **92.14**%) of the financings and facilities portfolio are rated on the highest 2 levels of the internal rating.
- **82.11** % (December 31st, 2013: **79.64**%) of the financing portfolio and facilities having no arrears or indicators of impairment.

- Financings and facilities valued on a standalone basis amounting to LE **456k** (December 31st, 2013: LE **462mn**) with impairment less than **5.86%** from its value against (December 31st, 2013: LE **6.34**%).

- The bank applied more prudential selection process on granting financings and facilities during the financial period ended at September 30th, 2014.

- More than **99.90**% 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 financing in terms of credit rating is as follows:

	30 September 2014	31 December 2013
	Value in EGP '000	
	Financing to customers	Financing to customers
Not having arrears and not subject to impairment	**7,481,675**	5,806,147
Arrears not subject to impairment	**1,310,554**	1,021,946
Subject to impairment*	**410,234**	462,116
Total (note 17)	**9,202,463**	7,290,209
Less:		
Impairment loss provision**	**(245,015)**	(229,181)
Interest in suspense	**(21,405)**	(34,392)
Deferred profits	**(1,036,640)**	(694,460)
Net (note 17)	**7,899,403**	6,332,176

-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 decreased as of September 30th, 2014 by **23.78**% (December 31st, 2011: **18.27**%).

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

** The impairment loss provision for the legacy bad debts amounted 107 mm (3,401 mm as of 31 December 2013) because of bank wrote off some of legacy bad debts, the write off amounted 3,235 mm

Notes to Consolidated Financial Statements for the Period ended September 30th, 2014 Cont.

Financing to customers and banks:

Value in EGP '000

30 September 2014

Rating	Retail Overdraft	Retail Covered cards	Retail Personal financing	Retail Real estate mortgage	Corporate Overdraft	Corporate Direct financing	Corporate Syndicated financing	Total
Good debts	1,382	331,643	3,637,355	1,287	554,147	2,950,230	5,631	7,481,675
Regular follow up	-	4,240	32,924	92	500,741	536,252	229,010	1,303,259
Special follow up	-	558	5,368	35	-	1,334	-	7,295
Bad debts	-	228	81,970	14	-	328,022	-	410,234
Total	1,382	336,669	3,757,617	1,428	1,054,888	3,815,838	234,641	9,202,463

Value in EGP '000

31 December 2013

Rating	Retail Overdraft	Retail Covered cards	Retail Personal financing	Retail Real estate mortgage	Corporate Overdraft	Corporate Direct financing	Corporate Syndicated financing	Total
Good debts	1,749	142,297	2,903,923	472	614,525	2,105,681	37,500	5,806,147
Regular follow up	-	1,149	31,919	4,650	190	578,652	294,821	911,381
Special follow up	-	290	4,284	-	1	105,990	-	110,565
Bad debts	-	118	80,392	1,210	-	380,396	-	462,116
Total	1,749	143,854	3,020,518	6,332	614,716	3,170,719	332,321	7,290,209

Financings 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.

Financings having arrears and not subject to impairment:

They are financing having arrears until 90 days and they are not subject to impairment unless there is information to the contrary. Financings and facilities to customers having arrears and not subject to impairment and fair value of related guarantees are represented as follows:

Value in EGP '000

30 September 2014			**Retail**		
	Overdraft	**covered cards**	**Personal financing**	**Real estate mortgage**	**Total**
30 to 60 days arrears	**-**	**4,240**	**32,924**	**92**	**37,256**
60 to 90 days arrears	**-**	**558**	**5,368**	**35**	**5,961**
Total	**-**	**4,798**	**38,292**	**127**	**43,217**

31 December 2013			Retail		
	Overdraft	Covered cards	Personal financing	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

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

Value in EGP '000

30 September 2014			**Corporate**	
	Overdraft	**Direct financing**	**Syndicated financing**	**Total**
30 to 60 days arrears	**500,741**	**536,252**	**229,010**	**1,266,003**
60 to 90 days arrears	**-**	**1,334**	**-**	**1,334**
Total	**500,741**	**537,586**	**229,010**	**1,267,337**

Value in EGP '000

31 December 2013			Corporate	
	Overdraft	Direct financing	Syndicated financing	Total
30 to 60 days arrears	190	578,654	294,822	873,666
60 to 90 days arrears	-	105,988	-	105,988
Total	190	684,642	294,822	979,654

Financings subject to individual impairment:

Financings to clients and banks as follows:

Value in EGP '000

30 September 2014	**Retail**			**Corporate**	**Total**
	Credit cards	**Personal financing**	**Real estate mortgage**	**Direct financing**	
Financings subject to individual impairment	**226**	**81,969**	**14**	**328,022**	**410,231**

31 December 2013	Retail			Corporate	Total
	Credit cards	Personal financing	Real estate mortgage	Direct financing	
Financings subject to individual impairment	118	80,392	1,211	380,394	462,115

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

The following table represents breakdown of debt instruments and treasury bills, as per rating agencies at the end of the financial period.

Value in EGP '000

30 September 2014	**Treasury bills**	**Investments in debt instruments**	**Total**
Less than A-	**4,418,238**	**1,506,188**	**5,924,426**

Activities segmental analysis:

Value in LE '000

30 September 2014	***Wholesale Banking***	***Capital Banking***	***Retail Banking***	***Other Operation***	***Total***
Revenue and expense according to segmental analysis					
Revenue from segmental activities	**400,659**	**490,893**	**412,790**	**-**	**1,304,342**
Expenses of segmental activities	**(83,413)**	**(33,176)**	**(426,157)**	**(473,724)**	**(1,016,469)**
Profit before tax for the period	**317,246**	**457,717**	**(13,367)**	**(473,724)**	**287,873**
Tax	**-**	**-**	**-**	**(110,756)**	**(110,756)**
Profit for the period	**317,246**	**457,717**	**(13,367)**	**(584,480)**	**177,117**
Assets and liabilities according to segmental activities					
Assets of segmental activities	**5,403,242**	**6,553,715**	**4,097,096**	**-**	**16,054,053**
Non-Classified assets	**-**	**-**	**-**	**2,069,754**	**2,069,754**
Total assets	**5,403,242**	**6,553,715**	**4,097,096**	**2,069,754**	**18,123,807**
Liabilities of segmental activities	**4,057,685**	**899,023**	**11,454,269**	**-**	**16,410,977**
Non-classified liabilities	**-**	**-**	**-**	**875,626**	**875,626**
Total liabilities	**4,057,685**	**899,023**	**11,454,269**	**875,626**	**17,286,603**

Value in LE '000

31 December 2013	*Wholesale Banking*	*Capital Banking*	*Retail Banking*	*Other Operation*	*Total*
Revenue and expense according to segmental analysis					
Revenue from segmental activities	384,534	645,975	378,244	-	1,408,753
Expenses of segmental activities	(88,117)	(64,935)	(400,061)	(927,702)	(1,480,816)
Profit before tax for the period	296,416	581,040	(21,818)	(927,702)	(72,063)
Tax	-	-	-	147,786	147,786
Profit for the period	296,416	581,040	(21,818)	(779,916)	75,723
Assets and liabilities according to segmental activities					
Assets of segmental activities	4,846,717	5,504,882	3,861,550	-	14,213,149
Non-Classified assets	-	-	-	2,085,052	2,085,052
Total assets	4,846,717	5,504,882	3,861,550	2,085,052	16,298,201
Liabilities of segmental activities	3,065,387	210,122	11,284,722	-	14,560,231
Non-classified liabilities	-	-	-	1,141,746	1,141,746
Total liabilities	3,065,387	210,122	11,284,722	1,141,746	15,701,977

Notes to Consolidated Financial Statements for the Period ended September 30th, 2014 Cont.

3/1/8 Geographical sectors:

Value in EGP '000

	Arab republic of Egypt				Other countries	
	Cairo	*Alex, Delta & Sinai*	*Upper Egypt*	*Total*		*Total*
Treasury bills	**4,913,539**	**-**	**-**	**4,913,539**	**-**	**4,913,539**
HT investment	**19,113**	**-**	**-**	**19,113**	**-**	**19,113**
Debt instruments in AFS and HTM	**1,506,188**	**-**	**-**	**1,506,188**	**-**	**1,506,188**
Facilities to Banks	**-**	**-**	**-**	**-**	**-**	**-**
Financing to customers						
Retail:						
Overdraft	**945**	**319**	**118**	**1,382**	**-**	**1,382**
Covered cards	**336,669**	**-**	**-**	**336,669**	**-**	**336,669**
Personal financing	**2,094,574**	**1,231,326**	**431,717**	**3,757,617**	**-**	**3,757,617**
Real estate mortgage	**1,428**	**-**	**-**	**1,428**	**-**	**1,428**
Corporate						
Overdraft	**1,054,835**	**53**	**-**	**1,054,888**	**-**	**1,054,888**
Direct financing	**3,814,043**	**1,787**	**8**	**3,815,838**	**-**	**3,815,838**
Syndicated financing	**234,641**	**-**	**-**	**234,641**	**-**	**234,641**
Total as of 30 September 2014	**13,975,976**	**1,233,485**	**431,843**	**15,641,304**	**-**	**15,641,304**
Total as of 31 December 2013	10,530,657	1,060,051	332,778	11,923,486	-	11,923,486

3/1/9 Activities segment

Value in LE '000

30 September 2014	***Wholesale Banking***	***Capital Banking***	***Retail Banking***	***Other Operation***	***Total***
<u>Revenue and expense according to segmental analysis</u>					
Revenue from segmental activities	**400,659**	**490,893**	**412,790**	**-**	**1,304,342**
Expenses of segmental activities	**(83,413)**	**(33,176)**	**(426,157)**	**(473,724)**	**(1,016,469)**
Profit before tax for the period	**317,246**	**457,717**	**(13,367)**	**(473,724)**	**287,873**
Tax	**-**	**-**	**-**	**(110,756)**	**(110,756)**
Profit for the period	**317,246**	**457,717**	**(13,367)**	**(584,480)**	**177,117**
<u>Assets and liabilities according to segmental activities</u>					
Assets of segmental activities	**5,403,242**	**6,553,715**	**4,097,096**	**-**	**16,054,053**
Non-Classified assets	**-**	**-**	**-**	**2,069,754**	**2,069,754**
Total assets	**5,403,242**	**6,553,715**	**4,097,096**	**2,069,754**	**18,123,807**
Liabilities of segmental activities	**4,057,685**	**899,023**	**11,454,269**	**-**	**16,410,977**
Non-classified liabilities	**-**	**-**	**-**	**875,626**	**875,626**
Total liabilities	**4,057,685**	**899,023**	**11,454,269**	**875,626**	**17,286,603**

Value in LE '000

31 December 2013	*Wholesale Banking*	*Capital Banking*	*Retail Banking*	*Other Operation*	*Total*
<u>Revenue and expense according to segmental analysis</u>					
Revenue from segmental activities	384,534	645,975	378,244	-	1,408,753
Expenses of segmental activities	(88,117)	(64,935)	(400,061)	(927,702)	(1,480,816)
Profit before tax for the period	296,416	581,040	(21,818)	(927,702)	(72,063)
Tax	-	-	-	147,786	147,786
Profit for the period	296,416	581,040	(21,818)	(779,916)	75,723
<u>Assets and liabilities according to segmental activities</u>					
Assets of segmental activities	4,846,717	5,504,882	3,861,550	-	14,213,149
Non-Classified assets	-	-	-	2,085,052	2,085,052
Total assets	4,846,717	5,504,882	3,861,550	2,085,052	16,298,201
Liabilities of segmental activities	3,065,387	210,122	11,284,722	-	14,560,231
Non-classified liabilities	-	-	-	1,141,746	1,141,746
Total liabilities	3,065,387	210,122	11,284,722	1,141,746	15,701,977

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.

3/2/1Market 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 1,426,358**k** (December 31st, 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 EGP '000

	Last 3 months to 31 march 2014			Last 12 months to 31 December 2013		
	Average	**More**	**Less**	Average	More	Less
Interest rate risk	**1,506,188**	**-**	**-**	1,149,033	-	-
Total value upon interest rate risk	**1,506,188**	**-**	**-**	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.

3/2/3Foreign 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 31st, 2013. Included in the table are the financial instruments at carrying amount, categorized by currency.

30 September 2014 — Value in EGP '000

	LE	*USD*	*Euro*	*Sterling*	*Yen*	*Others*	*Total*
Assets							
Cash and due from CBE	1,041,189	12,249	589	2,331	50	2,533	1,058,941
Due from banks	12,397	548,811	23,260	72,017	41	27,648	684,174
Treasury bills	4,565,250	321,305	-	26,984	-	-	4,913,539
Financial assets held for trading	19,113	-	-	-	-	-	19,113
Loans and financing to clients	7,631,628	1,555,437	-	15,396	-	2	9,202,463
Financial investments							
Available for sale	1,593,359	24,031	-	-	-	-	1,617,390
Held to maturity	7,630	-	-	-	-	-	7,630
Investments in associates	34,899	-	-	-	-	-	34,899
Total financial assets	14,905,465	2,461,833	23,849	116,728	91	30,183	17,538,149
Liabilities							
Dues to banks	260,952	277,807	-	-	-	96	538,855
Customers deposits	14,427,411	897,327	24,066	120,846	520	28,806	15,498,976
Long-term loans	-	360,168	-	-	-	-	360,168
Total financial liabilities	14,688,363	1,535,302	24,066	120,846	520	28,902	16,397,999
Net financial position	217,102	926,531	(217)	(4,118)	(429)	1,281	1,140,150

31 December 2013

Total financial assets	#########	2,667,745	22,774	114,536	558	26,711	15,805,557
Total financial liabilities	#########	957,572	23,017	118,901	549	26,517	14,748,017
Net financial position	(648,228)	1,710,173	(243)	(4,365)	9	194	1,057,540

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 September 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	-	-	-	940,040	-	118,901	1,058,941
Due from banks	684,174	-	-	-	-	-	684,174
Treasury bills	-	840,010	4,073,529	-	-	-	4,913,539
Financial assets held for trading	-	-	19,113	-	-	-	19,113
Loans and financing to clients	822,918	1,690,122	2,379,722	3,555,611	754,090	-	9,202,463
Financial investments							
Available for sale	9,896	20,000	363,626	1,163,868	60,000	-	1,617,390
Held to maturity	-	-	-	7,630	-	-	7,630
Investments in associates	-	-	-	-	34,899	-	34,899
Total financial assets	1,516,988	2,550,132	6,835,990	5,667,149	848,989	118,901	17,538,149
Financial liabilities							
Dues to banks	538,855	-	-	-	-	-	538,855
Customers deposits	2,213,403	999,339	1,939,068	10,345,707	1,459	-	15,498,976
Subordinated financing	-	-	-	-	360,168	-	360,168
Total financial liabilities	2,752,258	999,339	1,939,068	10,345,707	361,627	-	16,397,999

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

Operations carried out by the department are as follows:
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 behind managing 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 observatory authorities regulations (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 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 (deposits) 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.

Notes to Consolidated Financial Statements for the Period ended September 30th, 2014 Cont.

Basel II	30 September 2014 EGP '000	31 December 2013 EGP '000
Tier 1 - part A		
Capital shares	**2,000,000**	2,000,000
Paid under capital increase	**1,861,418**	1,861,418
Reserves	**65,400**	65,400
Accumulated loss	**(3,578,688)**	(3,409,296)
Dedcut: financial institutions investment (banks or companies) and insurance companies	**(3,429)**	(978)
Total tier 1 - part A	**344,701**	516,544
Tier 1 - part B		
Difference between FV and PV for subordinated financing	**135,805**	53,777
Current year profit	**186,985**	-
Total tier 1 - part B	**322,790**	53,777
Total qualifying tier 1 (Part A+B)	**667,491**	570,321
Tier 2		
General provision	**87,947**	70,331
Subordinated loan	**333,745**	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	**32,121**	53,438
45% of special reserve	**7,724**	7,724
Total qualifying Tier 2	**461,537**	340,516
Capital base (Tier 2 +Tier2)	**1,129,028**	910,837
Risk - weighted assets	**8,856,141**	8,057,828
Market risk	**104,569**	52,690
Operation risk	**647,672**	647,672
Total risk - weighted assets	**9,608,382**	8,758,190
***Capital adequacy ratio (%)**	**11.75%**	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. 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:

	Nine Months Ended 30 September 2014 EGP '000	Nine Months Ended 30 September 2013 EGP '000	**Three Months Ended 30 September 2014 EGP '000**	Three Months Ended 30 September 2013 EGP '000
Profit on financing and similar income				
Facilities to banks	**-**	310	**-**	1
Loans and financing to customers	**611,384**	448,460	**223,002**	143,497
Treasury bills and bonds	**431,259**	432,870	**147,586**	150,326
Deposits and current accounts	**1,172**	3,647	**360**	1,350
Total	**1,043,815**	885,287	**370,948**	295,174
Cost of deposits and similar costs				
Deposits and current accounts:				
To banks	**(33,884)**	(54,239)	**(11,965)**	(19,224)
To customers	**(576,344)**	(560,156)	**(198,586)**	(193,140)
Total	**(610,228)**	(614,395)	**(210,551)**	(212,364)
Net	**433,587**	270,892	**160,397**	82,810

6- Net fees and commission income:

	Nine Months Ended 30 September 2014 EGP '000	Nine Months Ended 30 September 2013 EGP '000	**Three Months Ended 30 September 2014 EGP '000**	Three Months Ended 30 September 2013 EGP '000
Fees and commissions income:				
Fees and commissions related to financing	**23,031**	16,261	**9,575**	2,333
Corporate finance	**124,460**	40,308	**36,631**	17,037
Other fees	**50,117**	31,384	**15,942**	10,407
Total	**197,608**	87,953	**62,148**	29,777
Fees and commissions expenses:				
Other fees paid	**(10,177)**	(2,295)	**354**	(1,687)
Net	**187,431**	85,658	**62,502**	28,090

7- Net trading income

	Nine Months Ended 30 September 2014 EGP '000	Nine Months Ended 30 September 2013 EGP '000	**Three Months Ended 30 September 2014 EGP '000**	Three Months Ended 30 September 2013 EGP '000
Foreign currencies operations				
Gain from foreign currencies exchange	**47,939**	39,584	**22,336**	21,483
MTM of held for trading	**1,979**	646	**70**	2,713
Gain on sale of held for trading	**1,090**	352	**551**	214
Total	**51,008**	40,582	**22,957**	24,410

8- Administrative expenses

	Nine Months Ended 30 September 2014 EGP '000	Nine Months Ended 30 September 2013 EGP '000	**Three Months Ended 30 September 2014 EGP '000**	Three Months Ended 30 September 2014 EGP '000
Salaries and wages*	**(210,987)**	(216,160)	**(73,936)**	(80,696)
Social insurance	**(9,389)**	(9,649)	**(3,070)**	(3,375)
Employees Benefits				
Defined Contribution Plan	**(5,738)**	-	**(2,197)**	-
Defined Benefit Plan	**(5,673)**	(90)	**(2,707)**	3,051
Depreciation and amortization	**(61,430)**	(60,780)	**(27,429)**	(29,274)
Other administrative expenses	**(162,043)**	(102,341)	**(63,807)**	(38,384)
Total	**(455,260)**	(389,020)	**(173,146)**	(148,678)

* Salaries and wages for the period ended September 30th, 2014 includes an amount of LE **4,823K** (for the period ended September 30th, 2013: LE **4,368K**) which represents average total top 20 salaries paid during the period.

9- Other operating expenses

	Nine Months Ended 30 September 2014 EGP '000	Nine Months Ended 30 September 2013 EGP '000	**Three Months Ended 30 September 2014 EGP '000**	Three Months Ended 30 September 2014 EGP '000
Gain on sale of assets reverted to bank	**-**	16,160	**-**	6
Gain on sale of fixed assets	**2,813**	7,096	**120**	1,656
Software cost	**(4,226)**	(2,947)	**(2,143)**	(1,119)
Operating lease	**(14,052)**	(36,654)	**(4,879)**	(11,302)
Early retirement costs*	**(1,861)**	-	**(1,861)**	-
Other provision	**(30,268)**	(13,842)	**47**	(1,284)
Others	**36,859**	52000	**21467**	35,105
Total	**(10,735)**	21,813	**12,751**	**23,062**

10- Cost of credit

	Nine Months Ended 30 September 2014	Nine Months Ended 30 September 2013	**Three Months Ended 30 September 2014**	Three Months Ended 30 September 2014
	EGP '000	EGP '000	**EGP '000**	EGP '000
Impairment losses banks	**-**	19	**-**	-
Impairment losses clients	**67,293**	62,518	**(1,434)**	20,619
Held to maturity investment	**653**	250	**-**	881
Total	**67,946**	62,787	**(1,434)**	21,500

11- Tax expenses

	Nine Months Ended 30 September 2014 EGP '000	Nine Months Ended 30 September 2013 EGP '000	**Three Months Ended 30 September 2014 EGP '000**	Three Months Ended 30 September 2014 EGP '000
Income tax	**(116)**	(219)	**(17)**	(199)
Deferred tax *	**(110,640)**	(31,928)	**(26,640)**	(9,581)
	(110,756)	(32,147)	**(26,657)**	(9,780)

*Additional Information on the deferred tax is detailed in note No. 32.

	Nine Months Ended 30 Sept 2014	Nine Months Ended 30 Sept 2013
The settlement actual price for income tax		
Income before tax	**287,873**	101,444
Income tax based on applied tax price	**86,362**	25,361
Taxable effect Per each of :		
Non-deductible expenses	**1,756**	7,045
Provisions	**151,951**	56,609
Provisions used	**(165,449)**	(17,337)
Profits in suspense	**(12,840)**	(122,548)
Fixed assets depreciation	**7,422**	6,028
Accumulated tax losses	**(272,446)**	(30,720)
Taxable income	**-**	-
Income tax according to actual tax price	**-**	**-**

12- Basic earnings per share

The loss per share during period was calculated by using the weighted average method for the numbers of the outstanding shares during the period.

	Nine Months Ended 30 September 2014 EGP '000	Nine Months Ended 30 September 2013 EGP '000	**Three Months Ended 30 September 2014 EGP '000**	Three Months Ended 30 September 2013 EGP '000
Net profit for the period	**174,950**	66,654	**62,256**	24,265
Weighted average for the issued common stocks (2)	**199,950**	199,950	**199,950**	199,950
Profit Per Share (1:2)	**0.87**	0.33	**0.31**	0.12

* 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.

13- Cash and due from central bank of Egypt

	30 September 2014	31 December 2013
	EGP '000	EGP '000
Cash*	**121,455**	175,799
Due from Central Bank (mandatory reserve)	**937,486**	1,520,698
	1,058,941	1,696,497
Profit free balances	**1,058,941**	1,696,497
	1,058,941	1,696,497

14- Due from banks

	30 September 2014	31 December 2013
	EGP '000	EGP '000
Current accounts	**159,942**	142,052
Deposits	**524,232**	1,127,928
Total	**684,174**	1,269,980
Central bank (including the required reserve percentage) of the foreign currencies balances	**94,232**	93,584
Local banks	**24,141**	227,456
Foreign banks	**565,801**	948,940
Total	**684,174**	1,269,980
Profit free balances	**160,404**	142,514
Fixed profit balances	**523,770**	1,127,466
Total	**684,174**	1,269,980

15- Treasury bills

	30 September 2014	31 December 2013
	EGP '000	EGP '000
91 days maturity	10,475	15,000
182 days maturity	481,425	94,550
273 days maturity	1,558,150	1,524,650
364 days maturity	2,863,489	2,597,608
	4,913,539	4,231,808
Unearned revenues	(253,282)	(199,742)
Total (1)	4,660,257	4,032,066
Repo's		
Repo's matured during 1 week	(495,301)	(759,105)
Total (2)	(495,301)	(759,105)
Total (1+2)	4,164,956	3,272,961

16- Financial assets held for trading

	30 September 2014	31 December 2013
	EGP '000	EGP '000
Equity Instruments		
Domestic companies shares	14,166	11,793
Mutual funds	4,947	2,558
Total	19,113	14,351
	19,113	14,351

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

17- Financing and Facilities

17-1-Loans and facilities to Banks

	30 September 2014 EGP '000	31 December 2013 EGP '000
Overdraft	-	-
Syndicated financing	-	-
	-	-
Impairment losses Provision	-	-
Profit in suspense	-	-
Deferred profit	-	-
Net	-	-
Impairment loss Provision		
Balance at the beginning of the period	-	19
Impairment loss charge within the period	-	1
No longer required	-	(20)
	-	-

17-2-Financing to customers

	30 September 2014 EGP '000	31 December 2013 EGP '000
Retail		
Overdraft	1,382	1,749
Covered cards	336,669	143,854
Personal financing	3,757,617	3,020,518
Real estate mortgage	1,428	6,332
Total (1)	4,097,096	3,172,453
Corporate (including SMEs)		
Overdraft	1,054,888	614,716
Direct financing*	3,815,838	3,170,719
Syndicated financing	234,641	332,321
Other Loans	-	-
Total (2)	5,105,367	4,117,756
Total financing	9,202,463	7,290,209
Impairment losses for loans	(245,014)	(229,180)
Profit in suspense **	(21,405)	(34,392)
Deferred profit	(1,036,640)	(694,461)
Net	7,899,404	6,332,176
Net distributed as follows:		
Conventional financing (Net)	238,577	294,736
Islamic financing (Net)	7,660,827	6,037,440
Net	7,899,404	6,332,176

17-2-Financing to customers Continued

Impairment losses for financing movement

	30 September 2014	31 December 2013
	EGP '000	EGP '000
Impairment loss provision		
Balance at the beginning of the period	**229,180**	3,501,612
Impairment loss charge for the period	**28,836**	12,075
Recoveries during the period	**91,536**	-
Usage during the period	**(10,034)**	(3,235,252)
No longer required	**(96,151)**	(79,090)
Foreign currency revaluation differences	**476**	31,786
Balance at the end of period	**245,014**	229,180

* 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

Movement for impairment losses for financing as per type:

Value in EGP '000

30 September 2014			**Retail**		
	Overdraft	**Covered cards**	**Personal financing**	**Real estate mortgage**	**Total**
Balance at 1 January 2013	**-**	**431**	**92,263**	**1,213**	**93,907**
Impairment loss charge within the Period	**-**	**686**	**1,758**	**(629)**	**1,815**
Usage during the period	**-**	**(55)**	**(1,587)**	**(497)**	**(2,139)**
Recoveries during the period	**-**	**107**	**155**	**-**	**262**
No longer required	**-**	**(107)**	**(471)**	**-**	**(578)**
Balance at 31 December 2013	**-**	**1,062**	**92,118**	**87**	**93,267**

31 December 2013			Retail		
	Overdraft	Covered 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)
Provisions no longer required	-	-	(81)	-	(81)
Balance at 31 December 2013	-	431	92,263	1,213	93,907

30 September 2014			**Corporate**		
	Overdraft	**Direct financing**	**Syndicated financing**	**Others**	**Total**
Balance at 1 January 2013	**1,196**	**125,671**	**8,406**	**-**	**135,273**
Impairment loss charge within the period	**5,328**	**23,302**	**(1,609)**	**-**	**27,021**
Usage during the period	**-**	**(7,895)**	**-**	**-**	**(7,895)**
Provisions no longer required	**-**	**(95,572)**	**-**	**-**	**(95,572)**
Foreign currency valuation differences	**-**	**457**	**18**	**-**	**475**
Balance at 31 December 2013	**6,524**	**138,408**	**6,815**	**-**	**151,747**

31 December 2013			Corporate		
	Overdraft	Direct financing	Syndicated financing	Others	Total
Balance at 1 January 2013	2,979	3,198,870	9,627	-	3,211,476
Impairment loss charge within the year	(1,783)	1,029	(1,692)	-	(2,446)
Usage during the year	-	(3,024,583)	-	-	(3,024,583)
Transferred to other liabilites	-	(1,951)	-	-	(1,951)
Provisions no longer required	-	(79,009)	-	-	(79,009)
Foreign currency valuation differences	-	31,315	471	-	31,786
Balance at 31 December 2013	1,196	125,671	8,406	-	135,273

18- Financial investments:

	30 September 2014 EGP '000	31 December 2013 EGP '000
18/1 Available for sale investment		
Debt instruments - at fair value		
Listed	**1,506,058**	1,143,699
Equity instruments - at fair value		
Unlisted	**110,207**	107,251
Total available for sale investments (1)	**1,617,390**	1,252,372
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)	**1,625,020**	1,264,553
Categorized as follows:		
Current	**1,507,313**	1,150,455
Non-current	**117,707**	114,098
Total	**1,625,020**	1,264,553
Categorized as follows:		
Fixed income debt instruments	**1,503,721**	1,140,377
Variable income debt instruments	**9,967**	15,503
Variable income equity instruments	**111,332**	108,673
Total	**1,625,020**	1,264,553

(*) Sanabel islamic mutual fund:

The investments held to maturity include the bank's investment in Sanabel islamic mutual fund in association with ABC bank, managed by Prime for Investment, on 25 December 2011 the fund management was transferred to HC company.

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

The value per certificate as September 30th, 2014 amounted of LE **98.58** (December 31st, 2013: LE **79.82**)

18- Financial investments (continued)

	Financial investment AFS	Financial investment HTM	Total
			Value in EGP '000
Balance at 1 January 2013	**1,252,372**	**12,181**	**1,264,553**
Additions	**517,708**	**-**	**517,708**
Disposals (sales/redemption)	**(122,171)**	**(5,355)**	**(127,526)**
Foreign currency revaluation difference	**399**	**150**	**549**
Change in the fair value	**(29,903)**	**-**	**(29,903)**
Impairment loss recoveries	**(1,015)**	**654**	**(361)**
Balance at 31 December 2013	**1,617,390**	**7,630**	**1,625,020**
Balance at 1 January 2013	1,115,583	18,754	1,134,337
Additions	346,160	-	346,160
Disposals (sales/redemption)	(259,495)	(8,321)	(267,816)
Foreign currency revaluation difference	1,521	888	2,409
Change in the fair value	51,647	-	51,647
Impairment loss	(3,044)	860	(2,184)
Balance at 31 December 2013	1,252,372	12,181	1,264,553

18/3 Loss from financial investment

	Nine Months Ended 30 September 2014	Nine Months Ended 30 September 2013
	EGP '000	EGP '000
Gain from sale of assets AFS	**77**	-
Impairment loss of Investments Available for Sale	**(1,015)**	-
Gain on sale of treasury bills	**1,918**	2,113
	980	(679)

19- Investments in associates (Net)

	30 September 2014		31 December 2013	
	Value	**Share %**	Value	Share %
Arab Mashriq company for Takaful insurance	**30,714**	**20%**	17,724	20%
Youth company For investment and general services (SERVICO)	**23**	**2%**	25	2%
Upper Egypt national company for construction	**633**	**23%**	633	23%
Assuit national company for agricultural development	**3,010**	**22%**	8,605	22%
United group for trading and engineering	**519**	**24%**	538	24%
investment in associated companies	**34,899**		27,525	

Value in LE '000

	Country of company	Company's Assets	Company's liabilities(with out equity)	Company's revenues	Net profit/loss for company	Contribution percentage
Contribution in associates						
Arab Mashriq Company for Takaful Insurance	Egypt	368,773	228,902	120,372	17,350	20.00%
Youth Company For investment and General Services (SERVICO)	Egypt	36,008	14,516	211	(145)	1.83%
Total		404,780	243,418	120,583	17,205	

20- Intangible assets

	30 September 2014	31 December 2013
Computer software	**EGP '000**	EGP '000
Net book value at the beginning of the period	**5,685**	13,376
Additions	**12,414**	9,646
Depreciation for the period	**(12,199)**	(17,337)
Net book value at the end of the period	**5,900**	5,685

21- Other assets

	30 September 2014 EGP '000	31 December 2013 EGP '000
Accrued revenues	**148,687**	99,273
Pre-paid expenses	**87,377**	84,878
Due from related parties*	**-**	-
Down payments under purchase fixed assets	**36,280**	23,361
Assets reverted to the bank in settlement of debts (Net of impairment)	**124,440**	10,028
Deposits & custody	**4,764**	4,455
Due from tax authority **	**369,839**	271,010
Settlement account- leasing	**10,522**	7,419
Inventory	**30,263**	38,859
Other debit balances	**159,678**	222,218
Total	**971,850**	761,501

** Represents amounts under settlements in dispute with the tax authority (Note 3

22- Projects under construction

	30 September 2014 EGP '000	31 December 2013 EGP '000
Balance for beginning of the Period	**24,955**	11,683
Additions	**1,630**	14,013
Disposal	**-**	(741)
Transfer to fixed assets	**(173)**	-
Net at the end of the period	**26,412**	24,955

23- Fixed assets – Net of accumulated depreciation

Value in EGP '000

	Land& premises	*Machinery & equipment*	*Other assets*	*Total*
Net Book value at 1 January 2014	107,236	77,283	244,001	428,520
Additions	107,436	1,998	52,721	162,155
Disposals	(593)	(453)	(90)	(1,136)
Depreciation	(4,894)	(4,251)	(37,240)	(46,385)
Depreciation related to disposal	593	453	9	1,055
Net Book value at 30 September 2014	209,778	75,030	259,401	544,209
Cost	215,637	86,997	342,971	645,605
Accumulated depreciation	(5,859)	(11,967)	(83,570)	(101,396)
Net Book value at 30 September 2014	209,778	75,030	259,401	544,209

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

- Fully depreciated assets as September 30th, 2014 and still in use have amounted to EGP **108mn**.

- On 27th February 2014 the bank exercised the right to buy the assets sold with a leaseback system using the present value of the financial lease contract in the date of exercising this right amounted to EGP 115mn has been booked as fixed assets with the same value and will be amortized on a reconstruction estimated residual for those assets.

23- Fixed assets net of accumulated depreciation (continued)

Value in EGP '000

	Land& premises	*Machinery & equipment*	*Other assets*	*Total*
Net Book value at 1 January 2013	95,583	82,793	268,671	447,047
Additions	31,225	2,956	26,004	60,185
Disposals	(18,014)	(297)	(4,335)	(22,646)
Depreciation	(3,969)	(8,466)	(50,629)	(63,064)
Depreciation related to disposal	2,411	297	4,290	6,998
Net Book value at 31 December 2013	107,236	77,283	244,001	428,520
Cost	108,794	85,452	290,340	484,586
Accumulated depreciation	(1,558)	(8,169)	(46,339)	(56,066)
Net Book value at 31 December 2013	107,236	77,283	244,001	428,520

- **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.

24- Investment property (Net)

	Land	Premises	Others	Total
				Value in EGP '000
Cost				
Balance at 1 January 2014	**34,765**	**94,028**	**650**	**129,443**
Depreciation exp	**(33)**	**(2,746)**	**(69)**	**(2,848)**
30 September 2014	**34,732**	**91,282**	**650**	**126,595**
Accumulated depreciation				
Balance at 1 January 2013	969	1,541	-	2,510
Additions	33,796	93,926	684	128,406
Depreciation	-	(1,439)	(34)	(1,473)
Balance at 31 December 2013	34,765	95,467	684	129,443

25- Financial leased assets (Net)

	30 September 2014	31 December 2013
	EGP '000	EGP '000
	Vechiles	Vechiles
Cost		
Balance at the beginning of period	**197,568**	145,152
Additions	**35,025**	60,059
Disposals	**(26,044)**	(7,643)
Balance at the end of period	**206,549**	197,568
Accumulated Depreciation		
Balance at 1 January 2014	**(87,440)** -	38,453
Depreciation	**(31,578)**	(55,021)
Disposals	**25,548**	6,034
Balance at 31 December 2013	**(93,470)**	(87,440)
Net Book value at 30 September 2014	**113,079**	110,128

26- Due to banks

	30 September 2014	31 December 2013
	EGP '000	EGP '000
Current accounts	**27,334.00**	1,099
Deposits	**511,521**	-
Total	**538,855**	1,099
Local banks	**490,112**	185
Foreign banks	**48,743**	914
	538,855	1,099
Non-interest bearing balances	**27,334**	1,099
	538,855	1,099

27- Customers' deposits

	30 September 2014	31 December 2013
	EGP '000	EGP '000
Demand deposits	**3,513,611**	2,364,309
Time deposits & call accounts	**2,236,819**	3,502,062
Term saving certificates	**5,628,838**	5,014,688
Savings deposits	**3,829,264**	3,508,599
Other deposits	**290,444**	198,659
Total	**15,498,976**	14,588,317
Classified as follows:		
Corporate deposits	**4,044,707**	4,123,340
Retail deposit	**11,454,269**	10,464,977
	15,498,976	14,588,317
Profit free balances	**2,544,255**	1,504,479
Variable profit balances	**12,954,721**	13,083,838
	15,498,976	14,588,317
Current balances	**9,870,138**	9,573,628
Non-current balances	**5,628,838**	5,014,689
Total	**15,498,976**	14,588,317

28- Subordinated financing

	30 September 2014	31 December 2013
	EGP '000	EGP '000
Face value of the subordinated financing	**209,023**	180,777
Difference between face value and present value	**11,737**	10,411
Amortization of subordinated using EIR method	**9,502**	17,835
Foreign currency revaluation difference	**(212,316)**	-
Transfer to paid under capital increase*	**342,222**	-
Total	**360,168**	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.

29- Other liabilities

	30 September 2014 EGP '000	31 December 2013 EGP '000
Accrued profit	**42,765**	47,580
Unearned revenues from the sale & leaseback assets	**122**	139.00
Accrued expenses	**92,275**	67,060
Leased assets suppliers	**6,395**	3,339
Down payment - leasing clients	**27,070**	25,443
Due to tax authority *	**369,839**	271,010
Due to tax related parties	**44,167**	239,183
Other credit balances	**192,603**	127,033
Total	**775,236**	780,787

* Represents amounts under settlements in dispute with the Tax Authority (Note 39)
* Due to related parties represents the amount due to Abu Dhabi-Islamic bank-Emirates.

30- Other provisions

Value in EGP '000

	Provision for Contingent Claims	Provision for Tax	Provision for Contingent Liabilities	Other Provision	Total
Balance at 1 January 2014	**10,158**	**65,236**	**11,965**	**839**	**88,198**
Assets	**4,989**	**26,047**	**(1,141)**	**373**	**30,268**
Amount used during the period	**(1,614)**	**(48,297)**	**-**	**-**	**(49,911)**
Treasury bills	**-**	**-**	**(5)**	**-**	**(5)**
Balance at 31 December 2013	**13,533**	**42,986**	**10,819**	**1,212**	**68,550**
Balance at 1 January 2013	11,003	18,263	9,206	1,593	40,065
Formed during the year	922	62,995	2,763	26	66,706
Amount used during the year	(1,650)	(16,139)	-	(906)	(18,695)
Transferred from contingent liabilities to contingent claims	(117)	117	-	-	-
Foreign currencies revaluation difference	-	-	(4)	126	122
Balance at 30 September 2014	10,158	65,236	11,965	839	88,198

31- Deferred tax

The deferred tax has been calculated on the differences based on the liability using the actual tax rate of 20%.

The deferred tax asset resulting from retained loss is not recognized unless a future tax profit is estimated and it is expected the bank can benefit from the losses in the short run.
Following is the deferred asset and liabilities:

	30 September 2014	31 December 2013
	EGP '000	EGP '000
	Assets / (Liabilities)	Assets / (Liabilities)
Assets	**(25,107)**	(26,790)
Provisions (other than the impairment loss for loans)	**5,761**	5,492
Due from banks	**5,750**	8,598
Treasury bills	**862,851**	972,626
Net tax of which an asset arises	**849,255**	959,926

Movement of deferred tax assets and liabilities method:

Beginning balance	**959,926**	811,954
Additions	**13,511**	330,420
Disposals	**(124,182)**	(182,448)
Closing Balance	**849,255**	959,926

The deferred tax asset resulting from retained loss is not recognized unless a future tax profit is estimated and it is expected the bank can benefit from the losses in the short run
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.

32- Capital

32/1 Authorized capital

The authorized capital amounts to LE **4.0**bn (December 31st, 2013: LE **4.0**bn)

32/2 Issued and paid-In capital:

The issued and paid in capital amounted to LE **1,999,502,500** (December 31st, 2011: LE **1,999,502,500**) represented by **199**mn shares with a nominal value of LE 10 each after eliminate the shares owned by minority interest.

32/3 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 28th December 2011 ADIB – UAE approved to transfer the full amount of subordinated financing of **LE 199mn** to amounts paid under capital increase.

33- Reverses and retained earnings

Reserves	30 September 2014	31 December 2013
	EGP '000	EGP '000
Legal reserves	**22,878**	22,878
Assets	**42,522**	42,522
Special reserves	**26,257**	26,257
Fair value reserve – available for sale investments	**74,452**	104,355
General Banking Risk Reserve	**76,404**	61,424
Total Reserves	**242,513**	257,436

33/1 Special reserves

	30 September 2014	31 December 2013
	EGP '000	EGP '000
Adjustments for change in the measurement policy for AFS Investments related to previous years	**17,165**	17,165
Adjustments for change in the measurement policy of impairment loss for loans and facilities (note 2/A)	**9,092**	9,092
	26,257	26,257

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

33/2 Fair value reserve – Available for sale investments

	30 September 2014	31 December 2013
	EGP '000	EGP '000
Beginning balance	**104,355**	37,319
Change in fair value	**(28,181)**	66,306
Profit transferred to income statement for AFS disposals	**(1,722)**	730
	74,452	104,355

Distribution from this reserve is only allowed with CBE approval

33/3General banking risk reserves

	30 September 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 loans and facilities	**14,980**	6,122
10% provision based on the value of assets reverted to the bank	**-**	(50,812)
	76,404	61,424
Balance of general bank risk reserve		
General Bank Risk Reserve for loans & facilities	**76,404**	61,424
	76,404	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 Note (3/1/4).

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

33/4 Accumulated loss

	30 September 2014 EGP '000	31 December 2013 EGP '000
Balance at the beginning of the period	**(3,581,841)**	(3,708,198)
Net income for the period	**174,950**	71,255
Transferred to general banking risk reserve	**(14,979)**	44,690
Difference in FV from PV of subordinated loan	**-**	10,412
Amortization of Difference in FV from PV of subordinated loan	**11,737**	-
	(3,410,133)	(3,581,841)

34- Cash and cash equivalent

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

	30 September 2014 EGP '000	30 September 2013 EGP '000
Cash and due from CBE(13)	**1,058,941**	919,712
Due from banks (14)	**684,174**	1,439,485
Treasury bills (15)	**4,164,956**	3,134,596
Due from banks maturities more than3 months	**(522,638)**	(1,213,979)
Treasury bills maturities more than 3 months	**(4,096,630)**	(4,204,635)
	1,288,802	75,179

35- Contingent liabilities and commitments

A- Capital commitments:

The banks contracts for capital commitments reached LE **4,694K** as of September 30th, 2014(December 31st, 2013: LE **2,278**k), representing purchases of fixed assets and the management is adequately confident that net profit shall be realized and finance shall be made available for covering these commitments.

B- Contingent liabilities

	30 September 2014 EGP '000	31 December 2013 EGP '000
Letter of credit (Import- Export)	**240,888**	288,566
Letter of guarantee	**398,044**	300,071
Documentary credit	**137,333**	75,711
Bank guarantees	**233,653**	333,897
	1,009,918	**998,245**

C- Operating lease commitment

	30 September 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

36- Related party transactions

36/1 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 September 2014				
Due from banks	**-**	**-**	**12,655**	**12,655**
Other assets	**-**	**-**	**464**	**464**
	-	**-**	**13,120**	**13,120**
Due to banks	**-**	**-**	**21,617**	**21,617**
Customers' deposits	**-**	**89,103**	**-**	**89,103**
Paid under capital increase	**-**	**-**	**1,861,418**	**1,861,418**
Subordinated financing	**-**	**-**	**360,168**	**360,168**
Other liabilities	**-**	**-**	**44,167**	**44,167**
Difference between face value and present value of subordinated loan	**-**	**-**	**135,805**	**135,805**
	-	**89,103**	**2,423,175**	**2,512,279**
31 December 2013				
Due from banks	-	-	60,455	60,455
Other assets	-	-	425	425
	-	-	60,880	60,880
Due to banks	-	-	914	914
Customers' deposits	-	5	-	5
Paid under capital increase	-	-	1,861,418	1,861,418
Subordinated financing	-	-	209,023	209,023
Other liabilities	-	-	226,023	226,023
	-	5	2,297,378	2,297,384

36/2 During the year significant transactions with related parties included in the consolidated income statement are as follows:

	Directors EGP '000	Subsidiaries and associates EGP '000	Major shareholder EGP '000	Total EGP '000
30 September 2014				
Salaries and short term benefits	**-**	**-**	**-**	**-**
Cost of subordinated loan using EIR	**-**	**-**	**-**	**-**
30 September 2013				
Salaries and short term benefits	3,370	-	-	3,370
Cost of subordinated loan using EIR	-	-	-	-

37- Employees Benefits:

Retirement benefits obligations

	30 September 2014	Value in EGP '000 31 December
Liabilities listed on balance sheet:		
Pension benefits	**11,354**	-
Therapeutic benefits after retirement	**30,559**	30,559
	41,913	30,559
Amounts recognized in the income statement		
Pension benefits	**(5,441)**	-
Therapeutic benefits after retirement	**(5,673)**	(4,545)
	(11,114)	(4,545)

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 stuff 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)

38- Tax position

38- 1 Tax position for ADIB - EG

Corporate tax:

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

- 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.

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.

38- Tax position (continued)

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.

38-2 Tax position for NGF

Corporate tax:
- Tax inspections for the years prior 2006have been fully completed and all due taxes have been paid.
- Company books have not been inspected from beginning of their activities from 2007till 2010.

Sales tax:
- Tax inspections for the years prior 2007 have been fully completed and all due taxes have been paid.
- Company books have not been inspected from 2008 till 2010.

Salary tax:
- Tax inspections for the years prior 2004 have been fully completed and all due taxes have been paid.
- Company books have not been inspected from 2007 till 2010.

Stamp duty tax:
- Tax inspections for the years prior 2006 have been fully completed and all due taxes have been paid.
- Company books have not been inspected from 2007 till 2010.

38-3 Tax position for national company for trading and development (ENTAD):

Sales tax:
- Tax inspection has been completed up to 31 December 2007. The company received form (15) which includes the inspection results and presented cheques to pay all due amounts.
- The company filed law suit no. 8131 for 2009 related to the period 2004/2006 and another law suit related to 2007.

Stamp duty tax and development fees:
- Tax inspection for the periods prior to 31 December 2003 has been fully completed and all due taxes have been paid.
- Tax inspection for period starting 1 January 2004 to 31 December 2005 has been fully completed. The company received form (3) and filed an appeal, internal committee is in process.

Salary tax:
- Tax inspection for the periods prior to 31 December 2000 has been fully completed and all due taxes have been paid.
- Tax inspection from 1 January 2001 till 31 December 2009 is being set for tax inspection.

38- Tax position (continued)

Corporate tax:

- Taxes due on paper factory, file number 8/264
- Tax inspection for the periods from 1 January 1985 to 31 December 1989 has been fully completed and an appeal has been filed. Disputes are being studied by the court.
- Periods from 1 January 1994 to 31 December 1998 tax due amounted to LE 4 mn of which the company paid 1.3 mn.
- Tax inspection for the periods from 1 January 1999 to 31 December 2001 has been fully completed and an appeal has been filed. Disputes are being studied by the court.
- Tax inspection for the periods from 1 January 2002 to 31 December 2004 has not been inspected.

38 -4Tax position for Cairo national company for investment

Corporate tax:

- Tax inspection from 1995 to 2004 has been fully completed and all due taxes have been paid.
- The tax return was prepared and delivered to tax authority from 2005 to 2010 and the Tax inspection for the previous periods have not been inspected

Salary tax:

- Tax inspection from 1995 till 2007 has been fully completed and all due taxes have been paid.
- The taxes paid monthly and in regular basis.

Stamp duty tax:

- Tax inspection from 1995 to 2006 has been fully completed and all due taxes have been paid.

38- Tax position (continued)

38 -5 Tax position for Assiut islamic company for trading and development

Salary tax:
Salary tax was paid till 31 December 1994; Tax inspection for the remaining years have not been inspected. And the tax paid according to company books monthly and in regular basis till the date of financial statements.

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

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

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

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

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

For the years 2003 and 2004:

- Tax inspection for these years has not been inspected.

Withholding tax:

- All due taxes have been paid till 30 September 2005.

38 -6 Tax position for ADIB capital

Commercial & Industrial income tax

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

Salary tax

- Company is subject to tax law no. 91 year 2005 and its amendments.
- Salary tax is prepaid on monthly basis according to law.

Stamp tax

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

38- Tax position (continued)

38 -7 Tax position for ADI Holding

Corporate tax

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

Salary tax

- Salary tax is paid on monthly payments
- No tax inspection has been carried out up till date.

Stamp tax

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

38 -8 Tax position for ADI properties

Corporate tax

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

Salary taxes

- The company is subject to the corporate tax No.91 for 2005 and its amendments.
- The company pays regularly the salary tax on monthly basis.

Sales taxes

- The company is not subject to the sales tax.

Stamp duty taxes

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

38 -9 Tax position for ADI lease

Corporate tax

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

38- Tax position (continued)

Salary tax

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

Stamp tax

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