ADIB مصرف أبوظبي الإسلامي

# Abu Dhabi Islamic Bank – Egypt (S.A.E.)

# Consolidated Financial Statements and

# The Limited Review Report Thereon

# For the Period ended September 30th, 2013

# Limited Review Report

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

**Introduction**

We have reviewed the accompanying consolidated statement of financial position of Abu Dhabi Islamic Bank - Egypt S.A.E as of 30th September 2013 and the related consolidated statements of income, change in shareholders' equity and cash flow for the Nine months then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for preparation and fair presentation of these consolidated financial statements, in accordance with the instructions of preparation and presentation of financial statements for Egyptian banks' issued by the Central Bank of Egypt on December 16th, 2008, as well as with relevant Egyptian laws and regulations. Our responsibility is to express a conclusion on these consolidated financial statements based on our review.

**Scope of the Limited Review**

We conducted our review in accordance with the Egyptian standard on limited review no. 2410 "*Review of Interim Financial information Performed by the Independent Auditor*". A review of consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Audit Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on these consolidated financial statements.

**Bases for our qualified conclusion:**

1- Tax provision shortfall has amounted to LE 117mn as September 30th, 2013 (December 31st, 2012: LE95mn). we have issued a qualified opinion on the consolidated financial statement regarding this for the year ended 31st December 2012.

2- National Glass and Crystal Company (S.A.E) - subsidiary- as September 30th ,2013 has not prepared a technical study to determine the inventory value impairment and the end of service compensation value, therefore we could not determine the sufficiency of the provision for both, and issued a qualified opinion on the consolidated financial statement for the year ended 31st December 2012.

**Qualified Opinion**

In our opinion, except for the effect on the financial statement, referred to in the previous two paragraphs, the Consolidated Financial Statements give a true and fair view, in all material aspects of the financial position of Abu Dhabi Islamic Bank - Egypt S.A.E and of its financial performance, cash flows for the Nine months then ended in accordance with the instructions of the preparation and the presentation of Consolidated Financial Statements of the Egyptian Banks issued by the Central Bank of Egypt on December 16th, 2008, as well as with relevant Egyptian laws and regulations .

**Emphasis of matter :**

1- Without qualifying our report, we draw your attention to Note (2-b) of the notes to the Consolidated Financial Statements, despite that the Bank's accumulated losses have reached LE 3.56bn which exceeds half of the issued capital (31st December 2012: LE 3.69bn) In accordance to article no. 69 of the companies Law no. 159 of 1981, shareholders extraordinary general assembly meeting should be held to decide the continuity of the Bank. The Consolidated Financial Statements have been prepared based on the going concern principal based on the assumption that the Bank's shareholders paid amounts under capital increase by an amount of LE 1,861mn as of 30th September 2013. Shareholders extraordinary general assembly meeting was held on 29th April 2013 which decides the continuity of the Bank.

## Auditors

| | |
|---|---|
| **Hossam Zaki Nasr** | **Mohamed Elsayed Abdelhakim** |
| FESAA – FEST | FESAA - FEST |
| R.A.A (12254) | R.A.A (3960) |
| **Allied for Accounting and Auditing E&Y** | **BDO & CO** |

4th November 2013.

**Cairo**

Abu Dhabi Islamic Bank - Egypt (S.A.E)

## Consolidated Statement of Financial Position

**As at September 30th, 2013**

**Translation of Consolidated Financial Statements originally issued in Arabic**

| | Note No | September 30th , 2013 LE '000 | "Restated " December 31st, 2012 LE '000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and due from Central Bank of Egypt (CBE) | 13 | **919,436** | 1,133,648 |
| Due from banks | 14 | **1,439,066** | 1,716,098 |
| Treasury bills | 15 | **3,134,596** | 3,453,471 |
| Financial assets held for trading | 16 | **424,802** | 13,294 |
| Facilities to Banks ( Net) | 1/17 | - | 31,577 |
| Conventional Financing to customers ( Net) | 2/17 | **298,283** | 391,381 |
| Financing to customers ( Net) | 2/17 | **5,644,513** | 4,703,185 |
| **Financial Investments:** | | | |
| -Available for sale | 1/18 | **1,235,310** | 1,099,726 |
| -Held to maturity | 2/18 | **16,689** | 18,754 |
| Net investments in Associates | 19 | **38,822** | 65,812 |
| Intangible assets | 20 | **8,016** | 11,325 |
| Other assets | 21 | **686,290** | 503,576 |
| Inventory | 22 | **28,554** | 26,042 |
| Projects under construction | 23 | **11,567** | 11,683 |
| Fixed assets | 24 | **444,943** | 446,452 |
| Investment property (Net) | 25 | **2,461** | 0 |
| Leased Assets (Net) | 26 | **115,084** | 0 |
| Deferred tax asset | 32 | **780,087** | 810,361 |
| **TOTAL ASSETS** | | **15,228,519** | 14,436,385 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY :** | | | |
| **LIABILITIES :** | | | |
| Due to banks | 27 | **670,837** | 337,733 |
| Customers' deposits | 28 | **12,910,638** | 12,963,029 |
| Subordinated Financing | 29 | **204,647** | 180,777 |
| Other liabilities | 30 | **801,568** | 430,912 |
| Other provisions | 31 | **42,798** | 44,049 |
| **TOTAL LIABILITIES** | | **14,630,488** | 13,956,500 |
| **SHAREHOLDERS' EQUITY:** | | | |
| Issued and paid-up capital | 2/33 | **1,999,503** | 1,999,503 |
| Paid under capital increase | 3/33 | **1,861,418** | 1,861,418 |
| Reserves | 34 | **226,791** | 229,376 |
| Difference between Face value and Present value (Subordinated Financing) | | **56,467** | 64,189 |
| Accumulated losses | 4/34 | **(3,565,337)** | (3,692,963) |
| | | **578,842** | 461,523 |
| Non Controllable Interest | | **19,189** | 18,362 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **598,031** | 479,885 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **15,228,519** | 14,436,385 |
| **Contingent Liabilities & Commitments** | 36 | **15,228,519** | 14,436,385 |

**Chairman , Chief Executive Officer&**
**Managing Director**
**Nevine Loutfy**

**Chief Financial Officer**
**Michael Murray**

**Abu Dhabi Islamic Bank - Egypt (S.A.E)**
**Consolidated Income Statement**
**For the period ended September 30th, 2013**
**Translation of Consolidated Financial Statements originally issued in Arabic**

| | Note No | Nine Months Ended September 30th , 2013 LE '000 | Nine Months Ended September 30th , 2012 LE '000 | Three Months Ended September 30th , 2013 LE '000 | Three Months Ended September 30th , 2012 LE '000 |
|---|---|---|---|---|---|
| Profit/Interest and Similar Income | 5 | **885,186** | 459,812 | **598,137** | 241,932 |
| Cost of deposits and similar costs | 5 | **(614,496)** | (334,985) | **(415,229)** | (171,644) |
| **Net Profit/Interest Income** | | **270,690** | 124,827 | **182,908** | 70,288 |
| Fees and commission income | 6 | **87,953** | 29,454 | **65,481** | 14,779 |
| Fees and commission expense | 6 | **(2,295)** | (601) | **(2,047)** | (208) |
| **Net fees and commission income** | | **85,658** | 28,853 | **63,434** | 14,571 |
| Dividend income | | **4,082** | 2,916 | **3,932** | 2,916 |
| Net trading income | 7 | **41,285** | 13,306 | **34,590** | 6,464 |
| Administrative expenses | 8 | **(371,376)** | (200,718) | **(252,715)** | (104,631) |
| Other operating expenses | 9 | **7,740** | (32,691) | **9,447** | (20,278) |
| Cost of Credit | 10 | **62,787** | (164,963) | **42,145** | (82,349) |
| Share of associates results | | **4,789** | 125 | **7,557** | 709 |
| Gain from sale of financial investments | 3/18 | **2,113** | 543 | **1,251** | 295 |
| **Loss before tax** | | **107,768** | (227,802) | **92,549** | (112,015) |
| Tax expense | 11 | **(31,916)** | 48,375 | **(26,970)** | 23,289 |
| **Net loss for the period** | | **75,852** | (179,427) | **65,579** | (88,726) |
| **Divided as follows:** | | | | | |
| Bank's share | | **73,374** | (181,799) | **63,385** | (89,916) |
| Non controllable interest share | | **2,478** | 2,372 | **2,194** | 1,190 |
| | | **75,852** | (179,427) | **65,579** | (88,726) |
| **Loss per share** | 12 | **0.37** | (0.91) | **0.32** | (0.45) |

ADIB مصرف أبوظبي الإسلامي

**Abu Dhabi Islamic Bank - Egypt (S.A.E)**
**Consolidated Statement of Changes in Equity**
**For the period ended September 30th, 2013**
**Translation of Consolidated Financial Statements originally issued in Arabic**

Value in LE thousands

| | Capital | Paid Under Capital Increase | Reserves: Legal Reserve | Reserves: General Reserve | Reserves: Special Reserve | Reserves: AFS Investments F.V. Reserve | Reserves: General Banking Risk Reserve | Difference between Face value and Value of Subordinated Financing | Accumulated losses | Total | Non-controllable interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2012 as published** | 1,999,503 | 1,173,321 | 22,878 | 42,522 | 26,257 | (6,869) | 64,637 | - | (2,766,365) | 555,884 | 23,402 | 579,286 |
| **Prior year adjustments** | - | - | - | - | - | - | - | - | (2,341) | (2,341) | - | (2,341) |
| **Balance at 1 January 2012 adjusted** | 1,999,503 | 1,173,321 | 22,878 | 42,522 | 26,257 | (6,869) | 64,637 | - | (2,768,706) | 553,543 | 23,402 | 576,945 |
| Paid Under Capital increase | - | 245,000 | - | - | - | - | - | - | - | 245,000 | - | 245,000 |
| Transfer to general banking risk Reserve | - | - | - | - | - | - | 11,606 | - | (11,606) | - | - | - |
| Change at Fair Value for AFS investments | - | - | - | - | - | (12,834) | - | - | - | (12,834) | - | (12,834) |
| Net Loss for the period | - | - | - | - | - | - | - | - | (181,799) | (181,799) | 2,372 | (179,427) |
| **Balance at 30 September 2012** | 1,999,503 | 1,418,321 | 22,878 | 42,522 | 26,257 | (19,703) | 76,243 | - | (2,962,111) | 603,910 | 25,774 | 629,684 |
| **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** | **-** | **-** | **-** | **-** | **-** | **8,065** | **-** | **-** | **(906)** | **7,159** | **(526)** | **6,633** |
| **Balance at 1 January 2013 adjusted** | **1,999,503** | **1,861,418** | **22,878** | **42,522** | **26,257** | **31,604** | **106,115** | **64,189** | **3,692,964-** | **461,522** | **18,363** | **479,885** |
| Transfer to general banking risk Reserve | **-** | **-** | **-** | **-** | **-** | **-** | **(53,909)** | **-** | **53,909** | **-** | **-** | **-** |
| Net change at Fair Value for AFS investments | **-** | **-** | **-** | **-** | **-** | **44,519** | **-** | **-** | **-** | **44,519** | **-** | **44,519** |
| Net profit for the period | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **73,374** | **73,374** | **2,478** | **75,852** |
| Amortization of subordinated financing using EIR method | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(7,722)** | **7,722** | **-** | **-** | **-** |
| Consolidation adjustment (ADI Lease Co.) | **-** | **-** | **-** | **-** | **-** | **6,805** | **-** | **-** | **(7,382)** | **(577)** | **(1,651)** | **(2,228)** |
| **Balance at 30 June 2013** | **1,999,503** | **1,861,418** | **22,878** | **42,522** | **26,257** | **82,928** | **52,206** | **56,467** | **(3,565,341)** | **578,838** | **19,190** | **598,028** |

Abu Dhabi Islamic Bank - Egypt (S.A.E)

## Statement of Consolidated Cashflow

### For period ended September 30th , 2013

**Translation of Consolidated Financial Statements originally issued in Arabic**

| | Note No | September 30th , 2013 LE '000 | "Restated " September 30th , 2012 LE '000 |
|---|---|---|---|
| **Operational activities** | | | |
| Loss before tax | | **107,768** | (227,802) |
| **Non cash adjustment to reconcile loss before tax to cash flows** | | | |
| Depreciation of fixed assets | | **47,259** | 27,180 |
| Amortization of intangible assets | | **13,996** | 6,958 |
| Depreciation of investment propert | | **50** | - |
| Depreciation of Leased assets | | **40,200** | - |
| Impairment losses | | **9,996** | 164,963 |
| Other provisions | | **14,512** | 41,656 |
| MTM of Assets held for trading | | **686** | (1,062) |
| Other provision used | | **(17,598)** | (40,554) |
| Loans provision used | | **(618,472)** | (18,700) |
| Loan loss provisions no longer required | | **(73,435)** | (4,995) |
| Foreign currency revaluation of held to maturity investments | | **(844)** | (85) |
| Foreign currency revaluation of other provisions | | **(36)** | 16 |
| Foreign currency revaluation of Loan Loss provisions | | **29,858** | 1,547 |
| Foreign currency revaluation of available for sale investments | | **(1,381)** | (67) |
| Gains on sale of fixed assets | | **(7,096)** | (11,391) |
| Gains on sale of assets reverted to the bank | | **(16,159)** | (3,581) |
| Gains on sale of Leased assets | | **58** | - |
| Impairment loss of investment in associates | | **1** | - |
| Profit /loss from sale of Assets held for trading | | **(261)** | (439) |
| Profit/loss from sale of treasury bills | | **(2,438)** | (543) |
| Amortization of subordinated loan using EIR method | | **7,722** | - |
| Share of Associates' results | | **(4,789)** | (125) |
| Dividends income | | **(3,856)** | (2,911) |
| Foreign currency revaluation of subordinated financing | | **16,148** | - |
| **Operating loss prior changes in assets and liabilities utilized in** | | **(458,111)** | (69,935) |
| **Net decrease (increase) in assets & liabilities** | | | |
| Due from banks | | **399,340** | 312,903 |
| Treasury bills | | **608,628** | (168,457) |
| Assets held for trading | | **(411,944)** | 702 |
| Loans and Islamic facilities to customers & Banks | | **14,687** | (565,553) |
| Inventory | | **(102,129)** | 2,086 |
| Other assets | | **(312,505)** | 210 |
| Due to banks | | **333,104** | (527,616) |
| Customers' deposits | | **(60,202)** | (994,630) |
| Other liabilities | | **350,125** | 66,486 |
| **Net cash flows resulting from (Used in) operating activities** | | **360,992** | (1,943,804) |
| **Cash flows from investing activities** | | | |
| Payments for the purchase of investments available for sale | | **(271,002)** | (275,686) |
| Proceeds from Investments available for sale | | **192,032** | 31,748 |
| Payments for the purchase of fixed assets | | **(54,015)** | (56,597) |
| Payments for the purchase of intangible assets | | **(8,637)** | (9,801) |
| Payments for the purchase of Leased assets | | **(50,124)** | - |
| Proceeds from sale of fixed assets | | **15,834** | 3,646 |
| Proceeds from sale of Leased assets | | **1,480** | - |
| Projects under construction | | **116** | 725 |
| Proceeds from sale of treasury bills | | **2,439** | 543 |
| Proceeds from investments Held to maturity | | **3,160** | 3,787 |
| Payments to purchase investment in associates | | **(22,906)** | - |
| Proceeds from Investments in associates | | **11,510** | (4,980) |
| Dividends income | | **3,856** | 2,911 |
| **Net cash flows used in) / resulting from investing activities** | | **(176,256)** | (303,704) |
| **Cash flows from financing activities** | | | |
| Paid under Capital Increase | | - | 245,000 |
| **Net cash flows resulting from financing activities** | | - | 245,000 |
| Net increase (decrease) in cash and cash equivalents during the | | **184,736** | (2,002,507) |
| Cash and cash equivalents at the beginning of the year | | **(109,252)** | 2,424,669 |
| **Cash and cash equivalents at the end of the year** | | **75,483** | 422,162 |
| **Cash and cash equivalents at end of year are represented in :** | | | |
| Cash and due from Central Bank of Egypt | | **919,436** | 1,191,534 |
| Due from banks | | **1,439,066** | 1,091,070 |
| Treasury bills | | **3,134,596** | 2,668,465 |
| Due from banks (deposits matured more than 3 months) | | **(1,213,979)** | (1,042,008) |
| Treasury bills with maturity more than 3 months | | **(4,203,635)** | (3,486,899) |
| **Cash and cash equivalents at end of the year** | | **75,483** | 422,162 |

## BACKGROUND:

Abu Dhabi Islamic Bank - Egypt (formerly – National Bank for Development – SAE) was established as an (S.A.E) in 1974 and in accordance with Investment Law no 43 of 1974 and its executive regulations and the amendments thereon. The bank provides all banking services related to its activities of corporate, retail and investments, through its head office located in Cairo and its **69** branches served by **2,224** staff at the date of the financial statements. The Bank is listed on the Egyptian Stock Exchange (EGX).

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 the transactions and products it provides 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 new banking transactions.

As per the Extraordinary General Assembly meeting dated 3 September 2007, an approval is being taken to amend the name of “National Bank for Development” to “Abu Dhabi Islamic Bank - Egypt”. The name will be amended after converting the Bank’s activity to be Shari’a compliant in accordance with Shari’a standards.

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 three months ended September 30th , 2013 have been approved by the Bank’s Board of Directors on 31st of October 2013.

## 1- SIGNIFICANT ACCOUNTING POLICIES:

### A) Basis for preparation

These consolidated Financial Statements are 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, the subordinated financing and available for sale financial assets.

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.

The bank’s consolidated Financial Statements can be acquired from management.

### B) Significant accounting principle:

Although accumulated losses were LE **3,565mn** at September 30th , 2013 (December 31st, 2012: LE **3,693**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 |
| Assiot Islamic company for trading and development | 55.13% | Commercial |
| Cairo national company for investment | 75.56% | Investment |
| ADI Lease for Financial Lease | 60.06% | Financial Lease |
| Abu Dhabi Islamic holding company | 99.85% | Investment |
| Abu Dhabi Islamic Capital | 98.86% | 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 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/6 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 December 31st, 2012.

**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 (equity securities) held at fair value though income is also reported through the income statement whereas for those classified as available-for-sale the income is recorded directly in equity within "Net unrealized gains and losses on available-for-sale assets" item.

**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 derecognized 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.

- Gains and losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognized in the income statement in the year in which they arise, Gains and losses arising from changes in the fair value of "Available for Sale Financial Assets" are recognized directly in equity, until the financial asset is derecognized or impaired, at which time, the cumulative gain or loss previously recognized in equity is recognized in income statement.

- 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:**

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

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

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

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

### H) Fees and Commission Income:

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

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.

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.

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.

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 date ('a Loss Event') and that loss event or events has had an impact on the estimated cash flow of the financial asset or the portfolio of financial assets that can be reliably estimated. Objective evidence that a financial asset or a portfolio of financial assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

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

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

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

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

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

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

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

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

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

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

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

**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) Comparative figures

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

Value in LE thousands

| | Class | December 31st, 2012 Balance before Adjustment | Debit / (Credit) | December 31st, 2012 Balance after Adjustment |
|---|---|---|---|---|
| Cah and Balance with CBE | Assets | 182,506 | 500 | 183,006 |
| Due from Banks | Assets | 1,715,977 | 121 | 1,716,098 |
| Financial investments Available for sale | Assets | 1,092,884 | 6,842 | 1,099,726 |
| Other Assets | Assets | 503,560 | 16 | 503,576 |
| Inventory | Assets | 25,960 | 82 | 26,042 |
| Fixed Assets | Assets | 446,561 | (109) | 446,452 |
| Deferred Tax Assets | Assets | 810,466 | (105) | 810,361 |
| Other Liabilities | Liabilities | 430,795 | 117 | 430,912 |
| Other Provisions | Liabilities | 43,449 | 600 | 44,049 |
| Accumulated Loss | Shareholders' Equity | (3,692,055) | (908) | (3,692,963) |
| AFS Revaluation Reserve | Shareholders' Equity | 23,539 | 8,065 | 31,604 |
| Non controlling interest | Shareholders' Equity | 18,889 | (526) | 18,363 |

## 2- MANAGEMENT OF FINANCIAL RISKS

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

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

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

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

**3/1 Credit risk**

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

**3/1/1 Measurement of Credit Risk**

**Financings and facilities to clients:**

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

- Probability of default
- Exposure at default
- Loss given default

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

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

**Internal Categories:**

| Category | Description |
|---|---|
| 1 | Good debts |
| 2 | Regular Follow Up |
| 3 | Special Follow Up |
| 4 | Bad debts |

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.

### 3/1/2 Minimization and avoidance of risk:

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

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

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

**Collaterals:**

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

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

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

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

**Master netting arrangements:**

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

**Commitments related to credits:**

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

### 3/1/3 Impairment & Provisioning Policies

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

| | September 30th , 2013 | |
|---|---|---|
| **Banks Rating** | **Loans and Facilities** | **Impairment loss provisions** |
| | **%** | **%** |
| Good debts | 52.18% | 0.94% |
| Regular Follow Up | 12.83% | 1.24% |
| Special Follow Up | 0.81% | 0.30% |
| Bad debts | 34.18% | 97.51% |
| | **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.

### 3/1/4Model 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:

| | September 30th , 2013 | Value in LE thousands<br>December 31st, 2012 |
|---|---|---|
| **Balance Sheet items exposed to Credit Risks** | | |
| Treasury Bills | **3,398,253** | 3,745,117 |
| **Loans and Financing to customers and Banks** | | |
| Retail loans | | |
| - Overdraft | **3,928** | 7,785 |
| - Covered Cards | **108,379** | 9,456 |
| - Personal Financing | **2,823,463** | 2,532,552 |
| - Real Estate mortgage | **6,819** | 11,670 |
| Corporate Loans: | | |
| - Overdraft | **557,396** | 344,043 |
| - Direct Financing | **5,846,884** | 5,944,727 |
| - Syndicated Financing | **411,273** | 714,291 |
| **Financial Investments:** | | |
| Debt instruments | **1,551,290** | 1,041,921 |
| **Total** | **14,707,685** | 14,351,562 |
| | | |
| **Off balance sheet items exposed to credit risks** | | |
| Financing Commitment | **2** | 66,145 |
| Letters of credit (Import & confirmed Export ) | **257,885** | 208,429 |
| Letters of guarantee | **274,507** | 278,445 |
| Documentary credit | **32,874** | 86,959 |
| Bank guarantees | **379,115** | 329,629 |
| **Total (Note 34)** | **944,383** | **969,607** |

The above table represents the maximum limit of risks to be exposed to at the end of September 30th, 2013 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, **66.35** %( December 31st, 2012: **66.64**%) of the maximum limit exposed to credit risk results from financings and facilities to customers, while investments in debt instruments represents **10.55**%(December 31st, 2012: **7.26**%).

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:

- **64.03**% (December 31st, 2012: **55.40**%) of the financings and facilities portfolio are rated on the highest 2 levels of the internal rating.
- **53.64**% (December 31st, 2012: **51.23**%) of the financing portfolio and facilities having no arrears or indicators of impairment.
- Financings and facilities valued on a standalone basis amounting to LE **3,429mn** (December 31st, 2012: LE **4,180**mn) with impairment less than **35.14%** from its value against (December 31st, 2012: LE **43.70**%).

- The Bank applied more prudential selection process on granting financings and facilities during the financial period ended at September 30th, 2013.

- More than **99.79**% 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:

Value in LE thousands

| | September 30th , 2013 | | | December 31st, 2012 | | |
|---|---|---|---|---|---|---|
| | Financing to customers | Facilities to Banks | Total | Financing to customers | Facilities to Banks | Total |
| Not having arrears and not subject to impairment | **5,234,054** | **0** | **5,234,054** | 4,868,452 | 31,597 | 4,900,049 |
| Arrears not subject to impairment | **1,094,963** | **-** | **1,094,963** | 484,795 | - | 484,795 |
| Subject to impairment | **3,429,125** | **-** | **3,429,125** | 4,179,680 | - | 4,179,680 |
| **Total (note 17)** | **9,758,142** | **0** | **9,758,142** | 9,532,927 | 31,597 | 9,564,524 |
| **Less:** | | | | | | |
| Impairment loss provision | **(2,854,057)** | **0** | **(2,854,057)** | 3,505,882- | (19) | (3,505,901) |
| Interest in suspense | **(340,270)** | **-** | **(340,270)** | (462,815) | - | (462,815) |
| Deferred profits | **(621,018)** | **-** | **(621,018)** | (469,664) | - | (469,664) |
| **Net (note 17)** | **5,942,797** | **0** | **5,942,797** | 5,094,566 | 31,578 | 5,126,144 |

**Financing to customers and Banks:**

Value in LE thousands

September 30th , 2013

| Rating | Retail | | | | Corporate | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Overdraft | Covered Cards | Personal Financing | Real Estate mortgage | Overdraft | Personal Financing | Syndicated Financing | |
| Good debts | 3,928 | 106,803 | 2,576,357 | 5,089 | 557,179 | 1,947,198 | 37,499 | 5,234,053 |
| Regular follow up | - | 847 | 39,580 | 76 | 171 | 670,637 | 302,467 | 1,013,778 |
| Special follow up | - | 523 | 7,392 | - | 46 | 1,917 | 71,307 | 81,185 |
| Bad debts | - | 206 | 200,134 | 1,654 | - | 3,227,132 | - | 3,429,126 |
| **Total** | 3,928 | 108,379 | 2,823,463 | 6,819 | 557,396 | 5,846,884 | 411,273 | 9,758,142 |

Guaranteed financings are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees.
Financings and facilities portfolio has increased as of September 30th, 2013 by **2.80**% (December 31st, 2011: **18.27**%).

Value in LE thousands

December 31st, 2012

| Rating | Retail | | | | Corporate | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Overdraft | Covered Cards | Personal Financing | Real Estate mortgage | Overdraft | Personal Financing | Syndicated Financing | |
| Good debts | 7,785 | 9,328 | 2,203,834 | 9,751 | 279,579 | 1,835,694 | 554,078 | 4,900,049 |
| Regular follow up | - | 87 | 39,146 | 293 | 64,461 | 209,094 | 85,277 | 398,358 |
| Special follow up | - | 26 | 10,587 | 11 | 5 | 872 | 74,936 | 86,437 |
| Bad debts | - | 16 | 279,045 | 1,615 | - | 3,899,004 | - | 4,179,680 |
| **Total** | 7,785 | 9,457 | 2,532,612 | 11,670 | 344,045 | 5,944,664 | 714,291 | 9,564,524 |

**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 LE thousands

| September 30th , 2013 | Retail | | | | |
|---|---|---|---|---|---|
| | Overdraft | Covered Cards | Personal Financing | Real Estate mortgage | Total |
| 30 to 60 days arrears | - | 847 | 39,580 | 76 | 40,503 |
| 60 to 90 days arrears | - | 523 | 7,392 | - | 7,915 |
| **Total** | - | 1,370 | 46,972 | 76 | 48,418 |

| | Corporate | | | |
|---|---|---|---|---|
| | Overdraft | Personal Financing | Syndicated Financing | Total |
| 30 to 60 days arrears | 171 | 670,637 | 302,468 | 973,276 |
| 60 to 90 days arrears | 45 | 1,917.00 | 71,307 | 73,269 |
| **Total** | 216 | 672,554 | 373,775 | 1,046,545 |

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 LE thousands

| December 31st, 2012 | Retail | | | | |
|---|---|---|---|---|---|
| | Overdraft | Covered Cards | Personal Financing | Real Estate mortgage | Total |
| 30 days arrears | - | 0 | 0 | | 0 |
| 30 to 60 days arrears | - | 87 | 39,146 | 293 | 39,526 |
| 60 to 90 days arrears | - | 26 | 10,587 | 11 | 10,624 |
| Total | - | 113 | 49,733 | 304 | 50,150 |

| | Corporate | | | |
|---|---|---|---|---|
| | Overdraft | Personal Financing | Syndicated Financing | Total |
| 30 to 60 days arrears | 64,461 | 209,094 | 85,277 | 358,832 |
| 60 to 90 days arrears | 5 | 872 | 74,936 | 75,813 |
| Total | 64,466 | 209,966 | 160,213 | 434,645 |

**Financings subject to individual impairment:**

Financings to clients and Banks as follows:

Value in LE thousands

| September 30th , 2013 | Retail | | | Corporate | Total |
|---|---|---|---|---|---|
| | Credit Cards | Personal Financing | Real Estate Mortgage | Direct Financing | |
| Financings subject to individual impairment | 206 | 200,133 | 1,654 | 3,227,132 | 3,429,125 |
| | 206 | 200,133 | 1,654 | 3,227,132 | 3,429,125 |

| December 31st, 2012 | Retail | | | Corporate | Total |
|---|---|---|---|---|---|
| | Credit Cards | Personal Financing | Real Estate Mortgage | Direct Financing | |
| Financings subject to individual impairment | 16 | 279,045 | 1,615 | 3,899,003 | 4,179,679 |
| | 16 | 279,045 | 1,615 | 3,899,003 | 4,179,679 |

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

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

Value in LE thousands

| September 30th , 2013 | Treasury Bills | Investments in Debt Instruments | Total |
|---|---|---|---|
| Less than A- | 3,398,253 | 1,551,290 | 4,949,543 |
| | 3,398,253 | 1,551,290 | 4,949,543 |

### 3/1/8Geographical sectors:

Value in LE thousands

| | Arab Republic of Egypt | | | | Other Countries | |
|---|---|---|---|---|---|---|
| | Cairo | Alex, Delta & Sinai | Upper Egypt | Total | | Total |
| Treasury bills | 3,398,253 | - | - | 3,398,253 | - | 3,398,253 |
| HT investment | 424,801 | - | - | 424,801 | - | 424,801 |
| Debt instruments in AFS and HTM | 1,551,290 | - | - | 1,551,290 | - | 1,551,290 |
| Facilities to Banks | - | - | - | 0 | - | 0 |
| **Loans and Financing to customers** | | | | | | |
| **Retail:** | | | | | | |
| Overdraft | 3,566 | 263 | 99 | 3,928 | - | 3,928 |
| Covered cards | 108,379 | - | - | 108,379 | - | 108,379 |
| Personal Financing | 1,452,462 | 1,037,477 | 332,308 | 2,822,247 | 1,217.00 | 2,823,464 |
| Real Estate Mortgage | 6,819 | - | - | 6,819 | - | 6,819 |
| **Corporate loans:** | | | | | | |
| Overdraft | 557,259 | 121 | 1.00 | 557,381 | - | 557,381 |
| Direct Financing | 5,845,066 | 1,809 | 8 | 5,846,883 | 14 | 5,846,897 |
| Syndicated Financing | 383,748 | - | - | 383,748 | 27,526 | 411,274 |
| **Total as of 30 September 2013** | 13,731,643 | 1,039,670 | 332,416 | 15,103,729 | 28,757 | 15,132,486 |

### 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 **1,041,938K** (December 31st, 2012: LE **1,041,921**K). The quality of the value at risk model is evaluated regularly, through testing results of portfolio held for trade. Reports are presented after wards to management and board of directors.

**B. Stress Testing:**

Stress testing gives an indication of the loss that may arise from sharp change in circumstances. Stress testing is designed to understand the impact, using standard analysis for specific scenarios.
The Bank undertakes various scenarios using risk analysis, such as compressing risk factors, by predicting crucial movements on each risk category, as well as developing country testing, due to special circumstances such as currency floating. Stress testing results are reviewed by management and the board of directors.

**3/2/2 VAR summary :**

Value in LE thousands

| | **9 months to 30 September 2013** | | | 12 months to 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | **Average** | **More** | **Less** | Average | More | Less |
| Interest rate risk | **1,551,290** | **-** | **-** | 1,041,921 | - | - |
| **Total value upon interest rate risk** | **1,551,290** | **-** | **-** | 1,041,921 | - | - |

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 December 31st, 2012.Included in the table are the financial instruments at carrying amount, categorized by currency.

Value in LE thousands

| September 30th , 2013 | LE | USD | Euro | Sterling | Yen | Others | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and due from CBE | 896,323 | 18,933 | 260 | 2,413 | 3 | 1,502 | 919,434 |
| Due from banks | 23,136 | 1,287,903 | 20,149 | 79,829 | 590 | 27,459 | 1,439,066 |
| Treasury bills | 3,060,619 | 309,672 | - | 27,962 | - | - | 3,398,253 |
| Financial assets held for trading | 424,801 | - | - | - | - | - | 424,801 |
| Facilities to Banks | - | - | - | - | - | - | - |
| Loans and Financing to clients | 8,391,570 | 1,356,729 | - | 9,842 | - | 1 | 9,758,142 |
| **Financial Investments** | | | | | | | |
| Available for sale | 1,204,132 | 31,178 | - | - | - | - | 1,235,310 |
| Held to maturity | 6,368 | 10,322 | - | - | - | - | 16,690 |
| Investments in Associates | 38,822 | - | - | - | - | - | 38,822 |
| **Total Financial Assets** | 14,045,771 | 3,014,737 | 20,409 | 120,046 | 593 | 28,962 | 17,230,518 |
| **Liabilities** | | | | | | | |
| Dues to banks | 670,366 | 379 | - | - | - | 92 | 670,837 |
| Customers deposits | 11,986,944 | 756,935 | 20,379 | 117,495 | 577 | 28,308 | 12,910,638 |
| Subordinated Financing | - | 204,647 | - | - | - | - | 204,647 |
| **Total financial Liabilities** | 12,657,310 | 961,961 | 20,379 | 117,495 | 577 | 28,400 | 13,786,122 |
| **Net financial position** | 1,388,461 | 2,052,776 | 30 | 2,551 | 16 | 562 | 3,444,396 |

### 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 LE thousands

| September 30th , 2013 | Up to 1 Month | 1-3 months | 3-12 Months | 1-5 years | Non - Profit Bearing | Total |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash and due from CBE | 785 | - | - | 786,401 | 132,250 | **919,436** |
| Due from banks | 1,343,282 | 95,784 | - | - | - | **1,439,066** |
| Treasury bills | - | 778,117 | 2,620,136 | - | - | **3,398,253** |
| Financial assets held for trading | 411,840 | - | - | 12,961 | - | **424,801** |
| Facilities to banks | - | - | - | - | - | **-** |
| Loans and Financing to clients | 573,169 | 875,133 | 1,795,814 | 2,663,508 | - | **9,758,142** |
| Financial Investments | | | | | | |
| Available for sale | 19,100 | 34,600 | 114,660 | 951,950 | - | **1,235,310** |
| Held to maturity | - | - | - | 16,689 | - | **16,689** |
| Investments in Associates | 38,822 | - | - | - | - | **38,822** |
| **Total Financial Assets** | **2,386,998** | **1,783,634** | **4,530,610** | **4,431,509** | **132,250** | **17,230,519** |
| **Financial Liabilities** | | | | | | |
| Dues to banks | 670,837 | - | - | - | - | **670,837** |
| Customers deposits | 1,720,909 | 966,896 | 1,662,394 | 7,960,208 | - | **12,910,637** |
| Subordinated Financing | - | - | - | 204,647 | - | **204,647** |
| **Total Financial Liabilities** | **2,391,746** | **966,896** | **1,662,394** | **8,164,855** | **-** | **13,786,121** |

### 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.

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| **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 | **(3,473,834)** | (3,540,844) |
| Dedcut: Financial Institutions Investment | **(959)** | (1,357) |
| **Total Tier 1 - Part A** | **452,025** | 384,617 |
| **Tier 1 - Part B** | | |
| Differnce between FV and PV for Sub ordinated Loan | **56,466** | 64,189 |
| Current period profit | **74,938** | - |
| **Total Tier 1 - Part B** | **131,404** | 64,189 |
| **Total qualifying Tier 1 (Part A+B)** | **583,429** | 448,806 |
| **Tier 2** | | |
| General Provision | **70,063** | 47,857 |
| Subordinated Loan | **204,647** | 180,777 |
| 45 % of the increase in fair value compared to carrying amount of available for sale investment, investments held to maturity & investments in affiliates | **32,796** | 17,002 |
| 45% of Special Reserve | **7,724** | 7,724 |
| **Total qualifying Tier 2** | **315,230** | 253,360 |
| **Capital Base (Tier 2 +Tier2)** | **898,659** | 702,166 |
| Risk - weighted Assets | **7,293,745** | 6,978,626 |
| Market Risk | **216,242** | 145,452 |
| Operation Risk | **455,103** | 455,103 |
| **Total Risk - Weighted assets** | **7,965,090** | 7,579,181 |
| ***Capital Adequacy ratio ( % )** | **11.28%** | 9.26% |

*Based on the consolidated financial statements (banking group) as per the CBE instructions issued on24th of December 2012.

## 3- 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.

## 4- NET PROFIT INCOME

| | Nine Months Ended September 30th , 2013 | Nine Months Ended September 30th , 2012 (Value in LE thousands) | Three Months Ended September 30th , 2013 | Three Months Ended September 30th , 2012 (Value in LE thousands) |
|---|---|---|---|---|
| **Profit on Financing and similar income** | | | | |
| Facilities to banks | **309** | 103 | **81** | 103 |
| Loans and Financing to customers | **448,460** | 207,553 | **302,125** | 108,291 |
| Treasury bills and bonds | **432,697** | 249,028 | **293,181** | 131,929 |
| Deposits and current accounts | **3,719** | 3,128 | **2,749** | 1,609 |
| **Total** | **885,185** | 459,812 | **598,136** | 241,829 |
| **Cost of Deposits and similar Costs** | | | | |
| Deposits and Current Accounts: | | | | |
| To Banks | **(54,239)** | (5,129) | **(39,778)** | (1,651) |
| To Customers | **(560,255)** | (329,856) | **(375,449)** | (169,993) |
| **Total** | **(614,494)** | (334,985) | **(415,227)** | (171,644) |
| **Net** | **270,691** | 124,827 | **182,909** | 70,185 |

## 5- NET FEES & COMMISSION INCOME

| | Nine Months Ended September 30th , 2013 | Nine Months Ended September 30th , 2012 (Value in LE thousands) | Nine Months Ended September 30th , 2013 | Nine Months Ended September 30th , 2012 (Value in LE thousands) |
|---|---|---|---|---|
| **Fees and commissions income:** | | | | |
| Fees and commissions related to Financing | **16,261** | 2,068 | **16,261** | 2,068 |
| Corporate finance | **40,308** | 10,912 | **40,308** | 10,912 |
| Other fees | **31,384** | 16,474 | **31,384** | 16,474 |
| **Total** | **87,953** | 29,454 | **87,953** | 29,454 |
| **Fees and commissions expenses:** | | | | |
| Other fees paid | **(2,295)** | (601) | **(2,295)** | (601) |
| **Net** | **85,658** | 28,853 | **85,658** | 28,853 |

## 6- NET TRADING INCOME

| | | Value in LE thousands | | Value in LE thousands |
|---|---|---|---|---|
| | **Nine Months Ended September 30th , 2013** | Nine Months Ended September 30th , 2012 | **Nine Months Ended September 30th , 2013** | Nine Months Ended September 30th , 2012 |
| Foreign currencies operations | | | | |
| Gain from foreign currencies exchange | **40,400** | 11,787 | **40,400** | 11,787 |
| MTM of Held for Trading | **623** | 1,062 | **623** | 1,062 |
| Gain on sale of Held for Trading | **262** | 457 | **262** | 457 |
| **Total** | **41,285** | 13,306 | **41,285** | 13,306 |

## 7- ADMINISTRATIVE EXPENSES

| | | Value in LE thousands | | Value in LE thousands |
|---|---|---|---|---|
| | **Nine Months Ended September 30th , 2013** | Nine Months Ended September 30th , 2012 | **Nine Months Ended September 30th , 2013** | Nine Months Ended September 30th , 2012 |
| Salaries and wages* | **(212,554)** | (118,625) | **(212,554)** | (118,625) |
| Social insurance | **(9,636)** | (4,725) | **(9,636)** | (4,725) |
| Depreciation and amortization | **(48,615)** | (27,846) | **(48,615)** | (27,846) |
| Other administrative expenses | **(100,571)** | (49,522) | **(100,571)** | (49,522) |
| **Total** | **(371,376)** | (200,718) | **(371,376)** | (200,718) |

* Salaries and wages for the period ended 30th September 2013 includes an amount of LE **14,392K** (for the period ended 30th September 2012: LE **13,131K**) which represents average total top 20 salaries paid during the period.

## 8- OTHER OPERATING EXPENSES

| | | Value in LE thousands | | Value in LE thousands |
|---|---|---|---|---|
| | **Nine Months Ended September 30th , 2013** | Nine Months Ended September 30th , 2012 | **Nine Months Ended September 30th , 2013** | Nine Months Ended September 30th , 2012 |
| Gain on sale of assets reverted to Bank | **16,160** | 3,581 | **16,160** | 3,581 |
| Gain on sale of fixed assets | **7,096** | 11,391 | **7,096** | 11,391 |
| Gain on sale of sell & lease back assets | **-** | 1,167 | **-** | 1,167 |
| Software cost | **(2,947)** | (519) | **(2,947)** | (519) |
| Operating lease | **(36,654)** | (36,246) | **(36,654)** | (36,246) |
| Impairment loss for assets reverted to bank | **-** | - | **-** | - |
| Other provision | **(14,511)** | (36,729) | **(14,511)** | (36,729) |
| Others | **38,596** | 24,665 | **38,596** | 24,665 |
| **Total** | **7,740** | (32,691) | **7,740** | (32,691) |

## 9- COST OF CREDIT

| | | Value in LE thousands | | Value in LE thousands |
|---|---|---|---|---|
| | **Nine Months Ended September 30th , 2013** | Nine Months Ended September 30th , 2012 | **Nine Months Ended September 30th , 2013** | Nine Months Ended September 30th , 2012 |
| Impairment losses Banks | **19** | (18) | **19** | (18) |
| Impairment losses Clients | **62,518** | (165,682) | **62,518** | (165,682) |
| Held to maturity investment | **250** | 737 | **250** | 737 |
| **Total** | **62,787** | (164,963) | **62,787** | (164,963) |

## 10- TAX EXPENSES

| | | Value in LE thousands | | Value in LE thousands |
|---|---|---|---|---|
| | **Nine Months Ended September 30th , 2013** | Nine Months Ended September 30th , 2012 | **Three Months Ended September 30th , 2013** | Three Months Ended September 30th , 2012 |
| Income tax | **(50)** | **-** | **(50)** | **-** |
| Deferred tax * | **(31,866)** | **48,375** | **(26,920)** | **23,289** |
| | **(31,916)** | **48,375** | **(26,970)** | **23,289** |

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

## 11- LOSS 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.

| | | Value in LE thousands | | Value in LE thousands |
|---|---|---|---|---|
| | **Nine Months Ended September 30th , 2013** | Nine Months Ended September 30th , 2012 | **Three Months Ended September 30th , 2013** | Three Months Ended September 30th , 2012 |
| Net profit / (loss) for the period (1) | **73,374** | (181,799) | **63,385** | (89,916) |
| Weighted average for the issued common stocks (2) | **199,950** | 199,950 | **199,950** | 199,950 |
| **Profit / (Loss) Per Share (1:2)** | **0.37** | (0.91) | **0.32** | (0.45) |

## 12- CASH AND DUE FROM CENTRAL BANK OF EGYPT

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| Cash* | **134,991** | 183,006 |
| Due From Central Bank (mandatory reserve) | **784,445** | 950,642 |
| | **919,436** | 1,133,648 |
| Profit free balances | **919,436** | 1,133,648 |
| | **919,436** | 1,133,648 |

* Cash as at September 30th, 2013 includes an amount of LE 76K which represents Purchased checks due on CBE in favor of one of the bank's clients.

## 13- DUE FROM BANKS

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| Current accounts | **223,506** | 100,722 |
| Deposits | **1,215,560** | 1,615,376 |
| **Total** | **1,439,066** | 1,716,098 |
| Central Bank (including the required reserve percentage) | **110,898** | 391,365 |
| Local Banks | **594,793** | 1,202,066 |
| Foreign Banks | **733,375** | 122,667 |
| **Total** | **1,439,066** | 1,716,098 |
| Profit free balances | **224,087** | 104,449 |
| Fixed Profit balances | **1,214,979** | 1,611,649 |
| **Total** | **1,439,066** | 1,716,098 |

## 14- TREASURY BILLS

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| 91 days maturity | **5,600** | 44,500 |
| 182 days maturity | **278,750** | 702,275 |
| 274 days maturity | **1,240,925** | 1,578,375 |
| 364 days maturity | **2,947,584** | 2,822,621 |
| | **4,472,859** | 5,147,771 |
| Unearned revenues | **(263,657)** | (291,646) |
| **Total (1)** | **4,209,202** | 4,856,125 |
| **Repo's** | | |
| Repo's matured during 1 week | **(1,074,606)** | (1,402,654) |
| **Total (1+2)** | **3,134,596** | 3,453,471 |

## 15- FINANCIAL ASSETS HELD FOR TRADING

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| **Equity Instruments** | | |
| Domestic Companies Shares | **10,541** | 11,032 |
| Mutual Funds | **2,420** | 2,262 |
| | **424,801** | 13,294 |

## 16- FINANCING

### 17-1 FINANCING TO BANKS

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| Syndicated financing | - | **31,596** |
| | - | **31,596** |
| Impairment losses Provision | - | **(19)** |
| **Net** | - | **31,577** |
| **Impairment loss Provision** | | |
| Balance at the beginning of the year | **19** | **-** |
| Impairment loss charge within the period | **1** | **19** |
| No longer required | **(20)** | **-** |
| | **0** | **19** |

## 17-2 FINANCING TO CUSTOMERS

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| **Retail** | | |
| Overdraft | **3,928** | 7,785 |
| Covered Cards | **108,379** | 9,456 |
| Personal Financing | **2,823,463** | 2,398,687 |
| Real Estate Mortgage | **6,819** | 10,273 |
| **Total (1)** | **2,942,589** | 2,426,201 |
| **Corporate (including SMEs)** | | |
| Overdraft | **557,396** | 344,043 |
| Direct Financing | **5,846,884** | 6,334,483 |
| Syndicated Financing | **411,273** | 428,200 |
| **Total (2)** | **6,815,553** | 7,106,726 |
| **Total Financing (1 + 2)** | **9,758,142** | 9,532,927 |
| Impairment losses for loans | **(2,854,056)** | (3,505,882) |
| Profit in suspense * | **(340,273)** | (462,815) |
| Deferred profit | **(621,018)** | (469,664) |
| **Net** | **5,942,795** | 5,094,566 |
| **Net distributed as follows:** | | |
| Conventional Financing (Net) | **298,283** | 391,381 |
| Islamic Financing (Net) | **5,644,513** | 4,703,185 |
| **Net** | **5,942,796** | 5,094,566 |

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

### Impairment losses for financing movement

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| **Impairment loss Provision** | | |
| Balance at the beginning of the period / year | **3,505,882** | 2,878,240 |
| Impairment loss charge for the period / year | **10,245** | 979,636 |
| Recoveries during the period / year | **(42)** | 160 |
| Usage during the period / year | **(618,472)** | (368,815) |
| Transferred from other provisions | **-** | 1,682 |
| No longer required | **(73,415)** | - |
| Foreign currency revaluation differences | **29,858** | 14,979 |
| **Balance at the end of period / year** | **2,854,056** | 3,505,882 |

## Movement for impairment losses for Financing as per type:

Value in LE thousands

| 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 period | - | 785 | 51,754 | (83) | 52,456 |
| Usage during the period | - | (244) | (137,729) | - | (137,973) |
| Recoveries during the period | - | (8) | (134) | - | (142) |
| **Balance at 30 September 2013** | - | 579 | 202,359 | 1,539 | 204,477 |

| CORPORATE | Overdraft | Direct Financing | Syndicated Financing | | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2013 | 2,979 | 3,203,140 | 9,627 | | 3,215,746 |
| Impairment loss charge within the period | (2,124) | (40,726) | 1,989 | | (40,861) |
| Usage during the period | - | (480,499) | - | | (480,499) |
| No longer required | - | (73,415) | - | | (73,415) |
| Foreign currency revaluation differences | - | 28,823 | 1,035 | | 29,858 |
| **Balance at 30 September 2013** | 855.00 | 2,636,073 | 12,651.00 | | 2,649,579 |

Value in LE thousands

| RETAIL | Overdraft | Covered Cards | Personal Financing | Real Estate Mortgage | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2012 | - | 1,085 | 86,191 | 344 | 87,620 |
| Impairment loss charge within the year | - | 82 | 36,134 | (118) | 36,099 |
| Usage during the year | - | (1,142) | (692) | - | (1,833) |
| Recoveries during the year | - | 54 | 103 | - | 157 |
| Balance at 31 December 2012 | - | 80 | 121,737 | 226 | 122,042 |

| CORPORATE | Overdraft | Direct Financing | Syndicated Financing | | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2012 | 2,610 | 2,784,265 | 3,744 | - | 2,790,620 |
| Impairment loss charge within the year | 366 | 936,436 | 6,736 | - | 943,538 |
| Usage during the year | - | (366,982) | - | - | (366,982) |
| Foreign currency revaluation differences | - | - | 14,979 | - | 14,979 |
| Balance at 31 December 2012 | 2,976.5 | 3,355,404 | 25,459.2 | | 3,383,840 |

## 17- FINANCIAL INVESTMENTS

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| **18/1 Available for Sale Investment** | | |
| **Debt instruments - at Fair value** | | |
| Listed | **1,128,998** | 1,029,153 |
| **Equity instruments - at fair value** | | |
| Listed | **19,982** | 20,768 |
| Unlisted | **86,330** | 49,805 |
| **Total available for sale investments (1)** | **1,235,310** | 1,099,726 |
| **18/2 Financial Investment Held to maturity** | | |
| **Debt Instruments- at amortized cost** | | |
| Listed | **10,452** | 12,768 |
| Sanabel Fund (*) | **6,237** | 5,986 |
| **Total Investments held to maturity (2)** | **16,689** | 18,754 |
| **Total Financial Investments (1 + 2)** | **1,251,999** | 1,118,480 |
| **Categorized as follows:** | | |
| Current | **1,159,432** | 1,062,689 |
| Non-Current | **92,567** | 55,791 |
| **Total** | **1,251,999** | 1,118,480 |
| **Categorized as follows:** | | |
| Fixed Income debt instruments | **1,125,675** | 1,019,580 |
| Variable Income debt instruments | **20,011** | 28,327 |
| Variable Income equity instruments | **106,313** | 70,573 |
| **Total** | **1,251,999** | 1,118,480 |

**(*) 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 75,000** certificates with a par value of **LE 100**. The acquisition cost amounted to **LE 7,635,000.**

The value per certificate as 30th Sep 2013 amounted of LE **83.15** (31 December 2012: LE **79.82**)

## 18- FINANCIAL INVESTMENTS (continued)

Value in LE thousands

| | Financial Investment AFS | Financial Investment HTM | Total |
|---|---|---|---|
| Balance at 1 January 2013 | **1,099,726** | **18,754** | **1,118,480** |
| Additions | **282,164** | **-** | **282,164** |
| Disposals (sales/redemption) | **(192,032)** | **(3,160)** | **(195,192)** |
| Foreign currency revaluation difference | **1,222** | **845** | **2,067** |
| Change in the fair value | **44,230** | **-** | **44,230** |
| Impairment loss recoveries | **-** | **250** | **250** |
| **Balance at 30 September 2013** | **1,235,310** | **16,689** | **1,251,999** |
| | | | |
| Balance at 1 January 2012 | 735,541 | 23,602 | 759,143 |
| Additions | 445,459 | - | 445,459 |
| Disposals (sales/redemption) | (107,823) | (6,946) | (114,769) |
| Foreign currency revaluation difference | 704 | 734 | 1,438 |
| Change in the fair value | 38,296 | - | 38,296 |
| Impairment loss | (12,451) | 1,364 | (11,087) |
| **Balance at 31 December 2012** | 1,099,726 | 18,754 | 1,118,480 |

## 18/3 Gain from Financial Investment

| | | Value in LE thousands | | Value in LE thousands |
|---|---|---|---|---|
| | **Nine Months Ended September 30th , 2013** | Nine Months Ended September 30th , 2012 | **Three Months Ended September 30th , 2013** | Three Months Ended September 30th , 2012 |
| Gain on Sale of Treasury Bills | **2,113** | 543 | **2,113** | 543 |
| Gain on Sale of Investments in Associates | **-** | - | **-** | - |
| | **2,113** | 543 | **2,113** | 543 |

## 19- INVESTMENTS IN ASSOCIATE (Net)

Value in LE thousands

| | September 30th , 2013 | | December 31st, 2012 | |
|---|---|---|---|---|
| | Value | Share % | Value | Share % |
| ADI Lease leasing Company | 1 | 0.00% | 38,939 | 86.22% |
| Cairo National Company for Brokerage & Securities | 2,067 | 32.00% | 2,106 | 32.00% |
| Alexandria National Company for Financial Investments | 17,927 | 84.98% | 12,665 | 50.00% |
| Arab Mashriq Company for Takaful Insurance | 16,557 | 20.00% | 11,343 | 20.00% |
| Youth Company For investment and General Services (SERVICO) | 1,640 | 23.80% | 126 | 0.00% |
| Upper Egypt National Company for construction | 633 | 22.76% | 633 | 22.76% |
| Upper Egypt Company For Clay Bricks and Construction Materials | - | 0.00% | 0 | 0.00% |
| **investment in associated companies** | 38,825 | | 65,812 | |

## 20- INTANGIBLE ASSETS

Value in LE thousands

| Computer software | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| Net Book value at the beginning of the year | 11,325 | 10,357 |
| Additions | 10,687 | 15,504 |
| Amortization | (13,996) | (14,536) |
| **Net book value at end of year** | 8,016 | 11,325 |

## 21- OTHER ASSETS

Value in LE thousands

| | September 30th , 2013 | " Restated" December 31st, 2012 |
|---|---|---|
| Accrued revenues | 114,777 | 88,437 |
| Pre-paid expenses | 45,408 | 31,205 |
| Due From Related Parties* | 154,901 | - |
| Down payments under purchase fixed assets | 7,287 | 9,412 |
| Assets reverted to the Bank in settlement of debts (Net of Impairment) | 11,209 | 124,427 |
| Deposits & custody | 3,870 | 3,330 |
| Due from Tax Authority ** | 245,190 | 155,179 |
| Settlement Account- Leasing | 7,900 | - |
| Other debit balances | 95,748 | 91,586 |
| **Total** | 686,290 | 503,576 |

* On September 23rd, 2013, Assets reverted to the bank which cost amounted to LE 138,148 thousands and fair value of LE 154,066 thousand were sold to ADI Properties Co. resulting in a gain on sale of LE 15,918 thousand.

** Represents amounts under settlements in dispute with the Tax Authority (Note 39).

## 22- INVENTORY

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| Raw Materials | **2,591** | 4,280 |
| Spare parts | **13,748** | 12,914 |
| Packing Materials | **834** | 560 |
| Fuel, Oils & Supplies | **2,266** | 1,968 |
| Work in Progress | **152** | 152 |
| Finished goods | **10,203** | 7,843 |
| **Total** | **29,794** | 27,717 |
| Impairment in inventory value | **(1,240)** | (1,675) |
| **Net** | **28,554** | 26,042 |

## 23- PROJECTS UNDER CONSTRUCTION

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| Balance for beginning of the year | **11,683** | 12,408 |
| Additions | **475** | 35 |
| Disposal | **-** | (740) |
| Transfer to fixed assets | **(591)** | (20) |
| **Net** | **11,567** | 11,683 |

## 24- FIXED ASSETS - NET OF ACCUMULATED DEPRECIATION

Value in LE thousands

| | Land& Premises | Machinery & Equipment | Other Assets | Total |
|---|---|---|---|---|
| Net Book value at 1 January 2013 | **95,067** | **82,787** | **268,598** | **446,452** |
| Additions | **35,146** | **967** | **18,425** | **54,538** |
| Disposals | **(10,100)** | **-** | **(140)** | **(10,240)** |
| Depreciation | **(2,990)** | **(6,300)** | **(38,017)** | **(47,307)** |
| Depreciation related to disposal | **1,473** | **-** | **27** | **1,500** |
| **Net Book value at 30 September 2013** | **118,596** | **77,454** | **248,893** | **444,943** |
| Cost | **123,410** | **89,478** | **324,527** | **537,415** |
| Accumulated depreciation | **(4,814)** | **(12,024)** | **(75,634)** | **(92,472)** |
| **Net Book value at 30 September 2013** | **118,596** | **77,454** | **248,893** | **444,943** |

- Fixed Assets after depreciation include LE **10.3**mn (December 31st, 2012: LE **10.3**mn) represent assets not registered yet. Legal procedures are under progress for them to be registered.

- Total value of fully depreciated assets as September 30th , 2013 amounting to LE **100mn**.

## 24- FIXED ASSETS - NET OF ACCUMULATED DEPRECIATION(continued)

Value in LE thousands

| | Land& Premises | Machinery & Equipment | Other Assets | Total |
|---|---|---|---|---|
| Net Book value at 1 January 2012 | 98,102 | 88,164 | 241,721 | 427,987 |
| Additions | 839 | 3,800 | 71,924 | 76,563 |
| Disposals | (577) | (3,453) | (7,403) | (11,433) |
| Depreciation | (3,340) | (7,106) | (44,782) | (55,228) |
| Depreciation related to disposal | 43 | 1,382 | 7,138 | 8,563 |
| **Net Book value at 31 December 2012** | 95,067 | 82,787 | 268,598 | 446,452 |
| | | | | |
| Cost | 98,364 | 88,511 | 306,242 | 493,117 |
| Accumulated depreciation | (3,297) | (5,724) | (37,644) | (46,665) |
| **Net Book value at 31 December 2012** | 95,067 | 82,787 | 268,598 | 446,452 |

## 25- INVESTMENT PROPERTY (NET)

Value in LE thousands

| | **Land** | **Premises** | **Total** |
|---|---|---|---|
| **Cost** | | | |
| **Balance at 1 January 2013** | - | - | - |
| Additions | **969** | **2,181** | **3,150** |
| **Balance at 30 September 2013** | **969** | **2,181** | **3,150** |
| | | | |
| **Accumulated Depreciation** | | | |
| **Balance at 1 January 2013** | - | - | - |
| Depreciation | - | **(689)** | **(689)** |
| **Balance at 30 September 2013** | - | **(689)** | **(689)** |
| | | | |
| **Net Book Value** | | | |
| September 30th , 2013 | **969** | **1,492** | **2,461** |
| December 31st, 2012 | - | - | - |

## 26- FINACIAL LEASED ASSETS (NET)

| | Value in LE thousands | |
|---|---|---|
| | **September 30th , 2013** | December 31st, 2012 |
| | **Vechiles** | Vechiles |
| **Cost** | | |
| **Balance at 1 January 2013** | - | - |
| Additions | 195,276 | - |
| Disposals | (2,812) | - |
| **Balance at 30 September 2013** | 192,464 | - |
| **Accumulated Depreciation** | | |
| **Balance at 1 January 2013** | - | - |
| Depreciation | (78,654) | - |
| Disposals | 1,274 | - |
| **Balance at 30 September 2013** | (77,380) | - |
| **Net Book value at 30 September 2013** | 115,084 | - |

## 27- DUE TO BANKS

| | | Value in LE thousands |
|---|---|---|
| | **September 30th , 2013** | December 31st, 2012 |
| Current accounts | **837** | 21,783 |
| Deposits | **670,000** | 315,950 |
| **Total** | **670,837** | 337,733 |
| Foreign banks | **724** | 12,204 |
| Local banks | **670,113** | 325,529 |
| | **670,837** | 337,733 |
| Non-interest bearing balances | **837** | 21,783 |
| Interest bearing balances | **670,000** | 315,950 |
| | **670,837** | 337,733 |

## 28- CUSTOMERS' DEPOSITS

| | | Value in LE thousands |
|---|---|---|
| | **September 30th , 2013** | December 31st, 2012 |
| Demand deposits | **2,404,006** | 1,725,519 |
| Time deposits & call accounts | **2,283,043** | 3,576,807 |
| Term saving certificates | **4,859,644** | 4,330,825 |
| Savings deposits | **3,181,949** | 3,176,869 |
| Other deposits | **181,996** | 153,009 |
| | **12,910,638** | 12,963,029 |
| Classified as follows: | | |
| Corporate deposits | **2,440,481** | 3,927,139 |
| Retail deposit | **10,470,157** | 9,035,890 |
| | **12,910,638** | 12,963,029 |
| Profit free balances | **1,752,054** | 1,143,750 |
| Variable Profit balances | **11,158,584** | 11,819,279 |
| | **12,910,638** | 12,963,029 |
| Current balances | **8,050,995** | 8,632,204 |
| Non-current balances | **4,859,643** | 4,330,825 |
| | **12,910,638** | 12,963,029 |

## 29- SUBORDINATED FINANCING

| | **Profit rate** | **September 30th , 2013** | Value in LE thousands December 31st, 2012 |
|---|---|---|---|
| Subordinated Financing (*) | **5.30%** | 204,647 | 180,777 |
| **Total** | | **204,647** | **180,777** |

| | | Value in LE thousands |
|---|---|---|
| | **September 30th , 2013** | December 31st, 2012 |
| Face value of the subordinated financing | **180,777** | 244,966 |
| Difference between face value and present value | **-** | (64,189) |
| Amortization of subordinated using EIR method | **7,722** | - |
| Foreign currency revaluation difference | **16,148** | - |
| **Total** | **204,647** | **180,777.00** |

* The subordinated financing by amount of USD **39mn** equivalent to LE **241mn** granted by ADIB- UAE under Wakala investment agreement for tenor of six years starts on 27th December 2012 with a profit rate of 0.125% form the investment amount and the expected profit equals to Libor USD on any extension period after six years.

The bank have recognize the subordinated financing by the present value using discount rate of 5.3% and the difference between the face value and the present value in the agreement date by an mount EGP 64,189K was added to equity statement as per the CBE regulations .

## 30- OTHER LIABILITIES

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| Accrued profit | **64,579** | 42,880 |
| Unearned revenues from the sale & leaseback assets | **148** | 0 |
| Accrued expenses | **4,905** | 4,599 |
| Leased Assets Suppliers | **7,181** | 0 |
| Down Payment - Leasing Clients | **22,225** | 0 |
| Due to Tax Authority * | **245,190** | 155,179 |
| Due to Tax Related parties | **0** | 75,440 |
| Other credit balances | **457,340** | 152,814 |
| **Total** | **801,568** | 430,912 |

* Represents amounts under settlements in dispute with the Tax Authority (Note 39)

## 31- OTHER PROVISIONS

Value in LE thousands

| | Provision for Contingent Claims | Provision for Tax | Provision for Contingent Liabilities | Other Provision | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2013 | **13,001** | **15,899** | **9,206** | **5,943** | **44,049** |
| Formed during the period | **2,178** | **9,952** | **2,980** | **1,273** | **16,383** |
| Amount used during the period | **(1,240)** | **(16,097)** | **-** | **(261)** | **(17,598)** |
| Foreign currencies revaluation difference | **-** | **-** | **(36)** | **-** | **(36)** |
| **Balance at 30 September 2013** | **13,822** | **9,871** | **12,150** | **6,955** | **42,798** |
| | | | | | |
| Balance at 1 January 2012 | 17,612 | 429 | 8,043 | 5,307 | 31,391 |
| Formed during the year | 5,256 | 63,801 | 1,879 | 772 | 71,708 |
| Amount used during the year | (3,989) | (48,331) | - | (136) | (52,456) |
| Provision no longer required | (4,995) | - | - | - | (4,995) |
| Transferred from Contingent Liabilities to contingent claims | (915) | - | (767) | - | (1,682) |
| Foreign currencies revaluation difference | 32 | - | 51 | - | 83 |
| **Balance at 31 December 2012** | 13,001 | 15,899 | 9,206 | 5,943 | 44,049 |

## 32- 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:

| | **September 30th , 2013** **Assets / (Liabilities)** | December 31st, 2012 Assets / (Liabilities) |
|---|---|---|
| Fixed Assets | **(24,879)** | (27,774) |
| Provisions (other than the impairment loss for loans) | **5,807** | 4,714 |
| Profit in suspense | **85,067** | 115,704 |
| Retained tax losses | **714,092** | 717,717 |
| **Net tax of which an asset arises** | **780,087** | 810,361 |

**Movement of deferred tax assets and liabilities method:**

| | **September 30th , 2013** **Assets / (Liabilities)** | December 31st, 2012 Assets / (Liabilities) |
|---|---|---|
| Beginning balance | **810,361** | 535,753 |
| Additions | **279** | 354,858 |
| Disposals | **(32,173)** | (80,250) |
| ADI Lease Deferred tax effect | **1,621** | 0 |
| **Closing Balance** | **780,087** | 810,361 |

## 33- CAPITAL

### 33/1Authorized Capital

The authorized capital amounts to LE **4.0**bn (December 31st, 2012: LE **4.0**bn)

### 33/2 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.

### 33/3 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 199, 020K** to amounts paid under capital increase.

| | | Value in LE thousands |
|---|---|---|
| | **September 30th , 2013** | December 31st, 2012 |
| Beginning balance | **1,861,418** | 1,173,321 |
| Amounts Paid Under Capital Increase | **-** | 688,097 |
| | **1,861,418** | 1,861,418 |

## 34- RESERVES AND RETAINED LOSSES

| **Reserves** | | Value in LE thousands |
|---|---|---|
| | **September 30th , 2013** | December 31st, 2012 |
| Legal Reserves | **22,878** | 22,878 |
| General Reserves | **42,522** | 42,522 |
| Special Reserves | **26,257** | 26,257 |
| Fair Value Reserves - Investments available for sale | **82,929** | 31,605 |
| General Banking Risk Reserve | **52,205** | 106,114 |
| **Total Reserves** | **226,791** | 229,376 |

### 34/1 Special Reserves

| | | Value in LE thousands |
|---|---|---|
| | **September 30th , 2013** | December 31st, 2012 |
| 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.

### 34/2 Fair value reserve – Available for Sale Investments

| | September 30th , 2013 | Value in LE thousands<br>December 31st, 2012 |
|---|---|---|
| Beginning balance | **31,605** | (6,869) |
| Change in fair value | **44,519** | 37,677 |
| Loss transferred to income statement for AFS disposals | **-** | 797 |
| Consolidation Adjustments (ADI Lease ) | **6,805** | - |
| | **82,929** | 31,605 |

Distribution from this reserve is only allowed with CBE approval

### 34/3General Banking Risk Reserves

| | September 30th , 2013 | Value in LE thousands<br>December 31st, 2012 |
|---|---|---|
| Beginning balance | **106,114** | 64,637 |
| Adjustments for change in the measurement policy of impairment loss for loans and facilities | **(3,097)** | 35,994 |
| 10% provision based on the value of assets reverted to the Bank | **50,812-** | 5,483 |
| | **52,205** | 106,114 |
| **Balance of General Bank Risk Reserve** | | |
| General Bank Risk Reserve for loans & facilities | **52,205** | 55,302 |
| General Bank Risk Reserve for assets reverted to the Bank | **-** | 50,812 |
| | **52,205** | 106,114 |

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.

### 34/4 Retained Losses

| | September 30th , 2013 | " Restated"<br>Value in LE thousands<br>December 31st, 2012 |
|---|---|---|
| Balance at the beginning of the period | **(3,692,963)** | (2,778,143) |
| Net (income) Loss for the period / year | **73,374** | (872,737) |
| Transferred to general banking risk reserve | **53,909** | (41,477) |
| Cost of the subordinated loan using EIR | **7,722** | - |
| Prior year adjustments | **-** | (606) |
| Consolidation Adjustments (ADI Lease ) | **(7,382)** | - |
| | **(3,565,340)** | (3,692,963) |

## 35- CASH AND CASH EQUIVALENT

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

Value in LE thousands

| | **September 30th , 2013** | September 30th , 2012 |
|---|---|---|
| Cash and Due from CBE | **919,436** | 1,191,534 |
| Due from banks | **1,439,066** | 1,091,070 |
| Treasury Bills | **3,134,596** | 2,668,465 |
| Due from Banks maturities more than3 months | **(1,213,979)** | (1,042,008) |
| Treasury bills maturities more than 3 months | **(4,203,635)** | (3,486,899) |
| | **75,483** | 422,162 |

## 36- CONTINGENT LIABILITIES AND COMMITMENTS

### A- Capital commitments:

The Banks contracts for capital commitments reached LE **4,694K** as of September 30th, 2013 (December 31, 2012: 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

Value in LE thousands

| | **September 30th , 2013** | December 31st, 2012 |
|---|---|---|
| Financing commitment | **2** | 66,145 |
| Letter of credit | **257,885** | 208,429 |
| Letter of guarantee | **274,507** | 278,445 |
| Documentary credit | **32,874** | 86,959 |
| Bank guarantees | **379,115** | 329,629 |
| | **944,383** | **969,607** |

### C- Operating Lease Commitment

Value in LE thousands

| | **September 30th , 2013** | December 31st, 2012 |
|---|---|---|
| From 1 year up to 5 yaers | **44,957** | 21,987 |
| More than 5 years | **23,003** | 23,951 |
| | **67,960** | 45,938 |

## 37- RELATED PARTY TRANSACTIONS

### 37/1 Financings and facilities to related parties:

Value in LE thousands

| | September 30th , 2013 Associates | December 31st, 2012 Associates |
|---|---|---|
| **Loans outstanding at the end of the financial year** | **100,675** | 131,207 |

### 37/2 Deposits from Related Parties:

Value in LE thousands

| | September 30th , 2013 Associates | December 31st, 2012 Associates |
|---|---|---|
| **Deposits outstanding at the end of the financial year** | **2,677** | 769 |

- The pervious deposits are of variable interest and upon demand.

### 37/3 ADIB – UAE

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| Due from Banks | **77,509** | 7,728 |
| Dues to Banks | **724** | 316,653 |
| Amounts paid under capital increase | **1,861,418** | 1,861,418 |
| Subordinated Financing | **204,647** | 180,777 |

### 37/4 ADI Properties

Value in LE thousands

| | September 30th , 2013 | December 31st, 2012 |
|---|---|---|
| Amounts due on sale of Assets reverted to the bank | **154,066** | - |

### 37/5 Board Members and Senior Management benefits

Value in LE thousands

| | Nine Months Ended September 30th , 2013 | Nine Months Ended September 30th , 2012 |
|---|---|---|
| Salaries and short term benefits | **3,370** | 1,538 |

## 38- SALES OF FIXED ASSETS RE-RENTED ON LEASING BASIS:

**March 30th, 2009:**

The Banks management has sold a land and building owned by the Bank which comprise of 29 branches of the Bank on a leasing contract basis with a total value of LE 214,659,243 resulting in "Profit from sales of fixed assets with a value of LE 194,791,863. An agreement with the CBE was reached to use this amount to decrease the operating losses of the first quarter 2009, instead of amortizing on the leasing period that is on condition that the Bank doesn't grant any facilities to the leasing company to finalize the deal. The Bank has also finalized a leasing agreement dated March 30th, 2009 to re-rent these facilities with a value of LE 321mm to be paid on 120 monthly installments starting April 30th, 2009.

## 39- TAX POSITION

### 39-1 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 2011 have been presented to tax authority as per law no. 91 for the year 2005.
- Tax return for the year 2007/ 2008 was inspected and an internal committee is being set.
- The bank didn't pay the tax (20%) regarding T-bill and T-bonds income from September 2010 till now.

**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 (17 branches) have been finalized from opening of the branches to 31/7/2006 with all tax liabilities settled.
- Inspections of 14 out of 20 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 15 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 5 branches are still under settlement after tax disputes.

- An appeal in the court is in process For 47 branch for which the tax liability was determined. Partial settlement of these liabilities was made to avoid delay penalties since the court appeal does not stop the tax liability.
- As for the remaining 11 bank branches, coordinating between tax authorities is in process to start inspection for years prior to 31/7/2006.

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

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

**Sales Tax:**
- Inspections of the bank branches up to 31/12/2006 and due tax was paid.
- Years 1/1/2007 to 31/12/2010 is currently under preparation for future inspection.

## 39-2 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.

## 39-3 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.

## 39-TAX POSITION(continued)

**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.

**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.

### 39 -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.

### 39 -5Tax Position for Assiot 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.

## 39-TAX POSITION(continued)

**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 have not been inspected

**Withholding Tax:**

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