

**QNB ALAHLI**  
**(Egyptian Joint Stock Company)**

**Consolidated Financial Statements  
For The Period Ended March 31, 2014  
Together With Limited Review Report**

Deloitte - Saleh, Barsoum & Abdel Aziz  
Accountants & Auditors

Allied for Accounting and Auditing – EY  
Accountants & Consultants

**Report on Limited Review of Interim Financial Statements**

**To: The Board of Directors of QNB ALAHLI Bank (S.A.E)**

***Introduction***

We have performed a limited review for the accompanying statement of consolidated financial position of QNB ALAHLI Bank (S.A.E) and its subsidiaries (the group) as of March 31, 2014 and the related consolidated statements of income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with the Central Bank of Egypt's rules issued on December 16, 2008, Egyptian Accounting Standards and the prevailing Egyptian laws. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

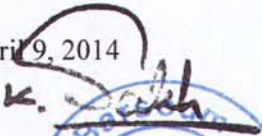
***Scope of Limited Review***

We conducted our limited review in accordance with the Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Bank, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing 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 interim consolidated financial statements.

***Conclusion***


Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the group as of March 31, 2014, and its consolidated financial performance and its consolidated cash flows for the three-month period then ended in accordance with the Central Bank of Egypt's rules issued on December 16, 2008, the Egyptian Accounting Standards and the prevailing Egyptian laws.

Cairo, April 9, 2014

  
Kamel Magdy Saleh  
(Deloitte - Saleh, Barsoum & Abdel Aziz)  
Accountants & Auditors



**Auditors**


  
Ehab Morad Azer  
Allied for Accounting and Auditing - EY  
Public Accountants & Consultants



**QNB ALAHLI S.A.E**  
**Consolidated Statement of Financial Position**  
**As at 31 March 2014**

(All amounts are shown in Egyptian Pounds)

	Note	March 31, 2014	December 31, 2013
<b>Assets:</b>			
Cash and due from Central Bank of Egypt (CBE)	(15)	5,470,596,326	5,706,342,342
Due from banks	(16)	3,773,222,835	2,973,758,039
Treasury bills	(17)	18,230,914,037	15,742,232,766
Trading investments	(18)	221,064,075	-
Loans and credit facilities to customers, net	(19)	39,901,208,670	38,891,440,323
Financial derivatives	(20)	13,178,520	12,200,178
<b>Financial Investments:</b>			
- Available-for-sale	(21)	14,280,470,952	13,178,504,967
- Held to maturity	(21)	139,523,265	65,000,000
Investments in associates	(22)	2,961,641	33,913,288
Intangible assets	(23)	111,985,394	119,359,094
Other assets	(24)	1,882,314,963	1,577,347,518
Deferred tax assets	(33)	165,464,959	165,463,782
Assets leased under finance lease arrangements, net	(25)	1,902,565,847	1,875,977,861
Property and Equipment	(26)	1,035,856,917	917,310,547
<b>Total assets</b>		<b>87,131,328,401</b>	<b>81,258,850,705</b>
<b>Liabilities and equity:</b>			
<b>Liabilities:</b>			
Due to banks	(27)	1,502,923,927	325,390,473
Customers' deposits	(28)	71,123,040,248	67,686,386,964
Other loans	(29)	390,865,780	384,921,527
Other liabilities	(30)	1,501,830,261	1,288,677,135
Other provisions	(31)	612,439,644	597,679,030
Insurance policyholders' rights	(32)	594,094,776	-
Current income tax payable		965,725,286	791,595,264
Defined benefits obligation	(34)	184,166,152	174,667,322
<b>Total liabilities</b>		<b>76,875,086,074</b>	<b>71,249,317,715</b>
<b>Equity:</b>			
Issued and paid-up capital	(35)	4,878,894,920	4,878,894,920
Reserves	(37)	4,745,967,788	3,233,356,448
Reserve for employee stock ownership plan (ESOP)	(36)	17,653,165	17,653,165
Profit for the period / year and retained earnings	(37)	613,712,872	1,879,615,469
<b>Total equity attributable to equity holders of the bank</b>		<b>10,256,228,745</b>	<b>10,009,520,002</b>
Non-controlling interests		13,582	12,988
<b>Total equity</b>		<b>10,256,242,327</b>	<b>10,009,532,990</b>
<b>Total liabilities and equity</b>		<b>87,131,328,401</b>	<b>81,258,850,705</b>



**Mohamed Osman El-Dib**  
Chairman and Managing Director

The accompanying notes from (1) to (41) are an integral part of these Consolidated financial statements.  
(Limited review report attached).



**QNB ALAHLI S.A.E**  
**Consolidated Income Statement**  
**For the Three Months Period Ended 31 March 2014**

(All amounts are shown in Egyptian Pounds)

	Note	From 01/01/2014 To 31/03/2014	From 01/01/2013 To 31/03/2013
Interest on loans and similar income	(6)	1,812,302,508	1,414,258,662
Cost of deposits and similar expense	(6)	(986,763,568)	(727,628,609)
Net interest income		825,538,940	686,630,053
Fee and commission income	(7)	276,798,474	236,105,896
Fee and commission expense	(7)	(18,292,149)	(9,937,865)
Net interest, fee and commission income		1,084,045,265	912,798,084
Dividend income	(8)	5,017,666	5,569,626
Net trading income	(9)	19,659,703	55,239,984
Gain on financial investments	(21)	487,370	3,456,368
Impairment credit losses	(12)	(128,438,843)	(102,932,862)
Administrative expenses	(10)	(341,845,951)	(353,975,364)
Other operating revenues (expenses)	(11)	67,590,084	73,709,640
Share of profits of associates		(10,631)	2,594,407
Profit before income tax		706,504,663	596,459,883
Income tax expense	(13)	(172,970,348)	(133,391,168)
Net profit for the period		533,534,315	463,068,715
Attributable to:			
Owners of the bank		533,533,721	461,558,805
Non-controlling interests		594	1,509,910
Net profit for the period		533,534,315	463,068,715
Earnings per share	(14)	0.88	0.82



**Mohamed Osman El-Dib**  
**Chairman and Managing Director**

The accompanying notes from (1) to (41) are an integral part of these Consolidated financial statements.

QNB ALAHLI S.A.E  
 Consolidated Statement Of Changes In Shareholder's Equity  
 For the Three Months Period Ended 31 March 2014

(All amounts are shown in Egyptian Pounds)

	Capital	Legal Reserve	General Reserve	Special Reserve	Capital Reserve	Reserve For Transactions Under Common Control	AFS Investments Revaluation Reserve	General Banking Risk Reserve	Hedging Reserve - Cash Flow Hedge (CFH)	Reserve For Employee Stock Ownership Plan (ESOP)	Retained Earnings	Net Profit For The Year / Period	Equity Attributable To Owners Of The Bank	Non-Controlling Interests	Total
<b>March 31, 2013</b>															
Balance at 1 January 2013	4,435,359,020	393,780,178	1,358,999,206	173,681,968	8,675,144	354,675	118,535,515	123,047,602	7,418,829	15,663,771	256,278,924	1,536,476,349	8,428,271,181	80,114,725	8,508,385,906
Net unrealized gain/(loss) on AFS investments, after deducting gains recycled to profit or loss relating to sold AFS investments as well as taxes – Note No.37	-	-	-	-	-	-	(34,041,837)	-	-	-	-	-	(34,041,837)	-	(34,041,837)
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	461,558,805	461,558,805	1,509,910	463,068,715
Business combination under common control	-	-	-	-	-	3,645,808	-	-	-	-	-	-	3,645,808	(81,613,809)	(77,968,001)
Cost of employee stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	-	1,989,394	-	-	1,989,394	-	1,989,394
Net unrealized gain/(loss) on CFH , net of tax	-	-	-	-	-	-	-	-	163,695	-	-	-	163,695	-	163,695
Transfer from general banking risk reserve	-	-	-	-	-	-	-	(62,042,893)	-	-	62,042,893	-	-	-	-
<b>Balance at 31 March 2013</b>	<b>4,435,359,020</b>	<b>393,780,178</b>	<b>1,358,999,206</b>	<b>173,681,968</b>	<b>8,675,144</b>	<b>4,000,483</b>	<b>84,493,678</b>	<b>61,004,709</b>	<b>7,582,524</b>	<b>17,653,165</b>	<b>318,321,817</b>	<b>1,998,035,154</b>	<b>8,861,587,046</b>	<b>10,826</b>	<b>8,861,597,872</b>
<b>March 31, 2014</b>															
Balance at 1 January 2014	4,878,894,920	470,582,501	1,860,793,096	173,681,968	9,208,496	4,000,483	652,508,025	57,798,678	4,783,201	17,653,165	103,583,437	1,776,032,012	10,009,520,002	12,988	10,009,532,990
Transfer to reserves and retained earnings	-	87,015,332	1,536,084,676	-	10,538	-	-	-	-	-	(29,534,090)	(1,593,576,456)	-	-	-
Remuneration for board members and Employees' profit share from Profit distribution for year 2013	-	-	-	-	-	-	-	-	-	-	-	(182,455,556)	(182,455,556)	-	(182,455,556)
Net unrealized gain/(loss) on AFS investments, after deducting gains recycled to profit or loss relating to sold AFS investments as well as taxes – Note No.37	-	-	-	-	-	-	(103,580,527)	-	-	-	-	-	(103,580,527)	-	(103,580,527)
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	533,533,721	533,533,721	594	533,534,315
Net unrealized gain/(loss) on CFH , net of tax	-	-	-	-	-	-	-	-	(788,895)	-	-	-	(788,895)	-	(788,895)
Transfer from general banking risk reserve	-	-	-	-	-	-	-	(6,129,784)	-	-	6,129,784	-	-	-	-
<b>Balance at 31 March 2014</b>	<b>4,878,894,920</b>	<b>557,597,833</b>	<b>3,396,877,772</b>	<b>173,681,968</b>	<b>9,219,034</b>	<b>4,000,483</b>	<b>548,927,498</b>	<b>51,668,894</b>	<b>3,994,306</b>	<b>17,653,165</b>	<b>80,179,151</b>	<b>533,533,721</b>	<b>10,256,228,745</b>	<b>13,582</b>	<b>10,256,242,327</b>

Mohamed Osman El-Dib  
 Chairman and Managing Director

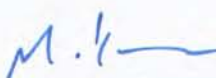
The accompanying notes from (1) to (41) are an integral part of these Consolidated financial statements.



QNB ALAHLI S.A.E  
 Consolidated Statement Of Cash Flows  
 For the Three Months Period Ended 31 March 2014

(All amounts are shown in Egyptian Pounds)

	Note	March 31, 2014	March 31, 2013
<b>Cash flows from operating activities</b>			
Profit before tax		706,504,663	596,459,883
<b>Adjusted by:</b>			
Property and equipment depreciation and Intangible assets amortization		35,649,804	33,488,163
Leased assets depreciation		116,732,247	107,431,221
Impairment credit losses	(12)	128,438,843	102,932,862
Utilized loans provision		(2,701,523)	(256,236)
Recovery from loans previously written off		1,149,590	3,580,946
Net formed / (reversed) other provisions		10,888,033	37,331,496
Utilized provisions other than loans provision		(1,008,772)	(88,542)
Translation differences of other provisions in foreign currencies		134,728	3,636,974
Formed insurance policyholders' rights provisions		27,514,742	-
(Gain) on sale of property and equipment		-	(7,038)
Dividends income	(8)	(5,017,666)	(5,569,626)
Share of profits of associates applying the equity method		10,631	(2,594,407)
(Gain) on sale of Available-for-sale investments	(21)	(487,370)	(3,456,368)
Negative goodwill resulting from acquiring subsidiaries		(35,156,301)	-
Cost of share based payments		-	1,989,394
<b>Operating profits before changes in assets and liabilities resulting from operating activities</b>		<b>982,651,649</b>	<b>874,878,722</b>
<b>Net decrease / increase in assets and liabilities</b>			
Due from banks		74,040,946	(22,113,302)
Treasury bills		(3,204,312,397)	(858,381,291)
Trading investments		(7,844,530)	-
Loans and credit facilities to customers		(1,136,655,257)	(1,341,719,425)
Financial derivatives		(2,030,202)	8,878,673
Other assets		(294,130,129)	(217,091,907)
Due to banks		1,177,533,454	(390,466,120)
Customers' deposits		3,682,921,634	2,740,463,990
Other liabilities		140,891,141	109,816,793
Defined benefits obligation		9,498,830	2,587,539
Leased assets - Lease contracts settlement		38,370,733	(21,038,376)
Paid income tax		(2,737,833)	(1,000,000)
<b>Net cash flows resulting from operating activities (1)</b>		<b>1,458,198,039</b>	<b>884,815,296</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment and branches preparation		(144,091,253)	(36,489,935)
Proceeds from sale of property and equipment		-	7,038
Proceeds from sale of Fin. investments other than held for trading investments		486,238,083	505,190,032
Acquisition of Fin. Inv. other than held for trading investments		(1,766,516,512)	(621,143,024)
Acquisition of leased assets		(201,749,964)	(173,795,406)
Proceeds from leased assets		20,058,998	73,758,846
Acquisition of Subsidiaries, net of cash acquired		(49,924,607)	(77,968,000)
Dividend received		200,000	400,000
<b>Net cash flows used in investing activities (2)</b>		<b>(1,655,785,255)</b>	<b>(330,040,449)</b>
<b>Cash flows from financing activities</b>			
Long term loans		5,944,253	(49,071,016)
Subordinated loan		-	(884,660,000)
Dividends paid		(143,949,346)	-
<b>Net cash flows used in financing activities (3)</b>		<b>(138,005,093)</b>	<b>(933,731,016)</b>
<b>Net decrease in cash and cash equivalents during the period (1+2+3)</b>		<b>(335,592,309)</b>	<b>(378,956,169)</b>
Cash and cash equivalents at the beginning of the period		6,451,444,041	6,136,661,535
<b>Cash and cash equivalents at the end of the period</b>	(38)	<b>6,115,851,732</b>	<b>5,757,705,366</b>
<b>Cash and cash equivalents at end of the period are represented in :</b>			
Cash and due from Central Bank of Egypt	(15)	5,470,596,326	4,927,873,286
Due from banks	(16)	3,773,222,835	4,617,687,493
Treasury bills		18,230,914,037	12,571,790,379
Balances with Central Bank of Egypt (mandatory reserve)		(3,826,770,457)	(3,492,711,084)
Balances due from banks with maturities more than 3 months		(237,166,000)	(1,130,040,052)
Treasury bills with maturity more than 3 months		(17,294,945,009)	(11,736,894,656)
<b>Cash and cash equivalents at end of the period</b>		<b>6,115,851,732</b>	<b>5,757,705,366</b>

  
 Mohamed Osman El-Dib  
 Chairman and Managing Director

The accompanying notes from (1) to (41) are an integral part of these Consolidated financial statements.

**QNB ALAHLI S.A.E**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Period Ended 31 March 2014**

(All amounts are shown in Egyptian Pounds)

**1. Background:**

QNB ALAHLI "S.A.E" was incorporated as an investment and commercial Bank on April 13, 1978, in accordance with the provisions of the Investment Law no 43 of 1974 and its Executive Regulations and the amendments thereon. The Bank provides all Banking services related to its activity, through its Head Office located in 5 Champlion Street - Downtown - Cairo and its 170 branches served by 4,622 staff at the date of the financial statements. The Bank is listed on the Egyptian Stock Exchange (EGX).

These Financial statements have been submitted by board of directors in 9 April 2014.

**2. Summary of significant accounting policies:-**

**2.1 Basis of preparation of the consolidated financial statements**

These consolidated financial statements are prepared in accordance with Egyptian accounting standards issued in 2006 and its amendments and in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on 16 December 2008 that are compliant with the standards referred; to under the historical cost convention, as modified by the measurement of financial assets and financial liabilities at fair value or amortized cost, as appropriate, including financial assets classified as at fair value through profit or loss, Available-for-sale financial assets, held to maturity financial assets, loans and receivables and all derivative instruments. These consolidated financial statements have been prepared in accordance with the Egyptian relevant local laws.

**2.2.1 Basis of Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method unless the transaction does not constitute an acquisition in form or substance. Application of the purchase method involves the following steps:

- Identifying an acquirer,
- Measuring the cost of the business combination.
- And allocating, at the acquisition date, the cost of the combination to the assets acquired And liabilities And contingent liabilities assumed.

On acquisition date where control is obtained, the cost of the business combination is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree, in addition to any costs directly attributable to the business combination.

Thus, the acquirer recognizes the acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, that are recognized and measured at the lower of their carrying amounts, or fair value less costs to sell.

Goodwill arising on acquisition date is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The non-controlling interest in an acquiree is initially measured at the non-controlling interest proportionate share in the fair value of the assets, liabilities and contingent liabilities recognized at acquisition date.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

A business combination agreement may allow for adjustments to the cost of the combination that are contingent on one or more future events. The acquirer usually estimates the amount of any such adjustment at the time of initially accounting for the combination, even though some uncertainty exists. If the future events do not occur or the estimate needs to be revised, the cost of the business combination is adjusted accordingly.

However, when a business combination agreement provides for such an adjustment, that adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.

In case of a business combination - made through step acquisitions for a Group reorganization purposes - involving entities or businesses under common control in which all of the combining entities or businesses are ultimately controlled by the same party or parties, both before and after the business combination, the acquirer recognizes the identifiable assets, liabilities and contingent liabilities that meet the recognition criteria at their carrying amounts previously reported at the books of the Group with common control.

Any difference between the consideration paid or transferred and the carrying amounts of the acquiree's net assets and contingent liabilities is reflected within equity as a reserve for transactions under common control. This policy is also applied in case of the groups' full or partial acquisition of shares held by the non-controlling interests in a subsidiary or the partial disposition of the Group's interest in a subsidiary while retaining control over that subsidiary.

**QNB ALAHLI S.A.E**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Period Ended 31 March 2014**

(All amounts are shown in Egyptian Pounds)

Therefore, no adjustments are made to reflect new fair value at the date of the combination; rather fair value for net assets, and contingent liabilities acquired in such cases shall be determined based on the fair value that was previously determined when control was initially obtained, as adjusted by any changes in equity components that have occurred during the period from the date when control was initially obtained up to the date when control has increased or decreased.

Since combinations of entities or businesses under common control are scoped out of the CBE basis of preparation and presentation of the banks financial statements, EAS (29) and IFRS (3) Business Combinations, management applied the requirements of EAS (5) and IAS (8), which allows it, in the absence of a specific Standard or Interpretation specifically addressing certain transaction, event or other circumstances, to set and develop an appropriate accounting policy that results in information that is more reliable and relevant to the economic decisions making needs of the financial statements users.

**2.2.2 Transactions Eliminated on Consolidation**

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**2.2.3 Loss of Control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments, depending on the level of influence retained.

**2.2.4 Basis of presentation of consolidation**

The consolidated financial statements of the Group incorporate the financial statements of QNB ALAHLI (Parent) and entities controlled by the bank (its Subsidiaries) at the end of each reporting date.

A Subsidiary is an entity (including Special Purpose Entities) that is controlled, directly or indirectly, by the bank (Parent). Control exists when the bank has the power, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This is usually achieved when the bank owns, directly or indirectly, through subsidiaries, more than half of the voting power of an entity, the existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

The Group fully consolidates its subsidiaries from the effective date in which control is obtained and deconsolidates them when such control ceases to exist.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of a Group entity to bring its accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. Losses applicable to owners of the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that owners of the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

Since QNB ALAHLI incorporated QNB ALAHLI Factoring Company in which it owns 99.9% of its capital, increased its interest in QNB ALAHLI Leasing Company to 100%, and increased in NSGB Life Insurance to Company 100%, therefore, the full consolidation basis has been used for the preparation of the Group accompanying consolidated financial statements which comprise the financial statements of QNB ALAHLI (the parent) and its subsidiaries, QNB ALAHLI Factoring, QNB ALAHLI Leasing Company and NSGB Life Insurance from the date in which control over each subsidiary was obtained.

Non-controlling interest in these consolidated financial statements represents interests held by investors other than QNB ALAHLI in the subsidiaries. Information on subsidiaries is set out below.

Company name	Origin Country	Company Capital EGP	Year of Controlling (Acquisition or Incorporation)	Bank Stake %
QNB ALAHLI Factoring Company	Egypt	50,000,000	2012	99.98
QNB ALAHLI Leasing Company	Egypt	80,000,000	2012	100
NSGB LIFE Insurance Company	Egypt	60,000,000	2014	100



**QNB ALAHLI S.A.E**  
**Notes to the Consolidated Financial Statements**  
**For the Three Months Period Ended 31 March 2014**

(All amounts are shown in Egyptian Pounds)

**2.2.5 Investments in associates**

An associate is an entity over which the Group has significant influence that is not control or joint control. Significant influence exists where the bank holds voting rights of 20% to 50% in an entity.

Acquisitions of Associates are accounted for using the purchase method; goodwill arising on acquisition of an associate, if any, is not presented separately, but is rather included within the carrying amount of the investment. Investments in associates are accounted for subsequently in the consolidated financial statements using the equity method.

According to the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and is subsequently adjusted to recognize the Group's share in profit or loss, and other changes in the net assets, of the associate.

**2.3 Segment reporting**

An operating segment is a group of assets and operations providing products or services whose risks and benefits are different from those associated with products or services provided by other operating segments. A geographical segment provides products or services within a specific economic environment characterized by risks and benefits different from those related to other geographical segments operating in a different economic environment.

The Bank is divided into two main business lines, which are Corporate Banking and Retail Banking. In addition, a Corporate Center acts as a central funding department for the Bank's core businesses. The dealing room, proprietary activity and other noncore businesses are reported under the Corporate Banking business line.

For the purpose of preparation of segment reporting by geographical region, segment profit and loss and assets and liabilities are presented based on the location of the branches. Given that the bank does not have any entity abroad, and unless otherwise stated in a specific disclosure, all equity and debt instruments of the bank issued by foreign institutions and credit facilities granted to foreign counterparties are reported based on the location of the domestic branch where such assets are recorded.

**2.4 Foreign currency translation**

**2.4.1 Functional and presentation currency**

The consolidated financial statements of the group are presented in the Egyptian pound which is the bank's functional and presentation currency.

**2.4.2 Transactions and balances in foreign currencies**

The Bank maintains its accounting records in Egyptian pound. Transactions in foreign currencies during the period are translated into the Egyptian pound using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at end of reporting period at the exchange rates then prevailing. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items:

- Net trading income from held for trading assets And liabilities.
- Other operating revenues (expenses) from the remaining assets and liabilities.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as Available-for-sale assets are analyzed into differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument. Differences resulting from changes in the amortized cost are recognized and reported in the income statement in 'Interest on loans and similar income' whereas differences resulting from changes in foreign exchange rates are recognized and reported in 'other operating revenues (expenses)'. The remaining differences resulting from changes in fair value are recognized in equity and accumulated in the 'revaluation reserve of available-for-sale investments'.

Valuation differences arising on the measurement of non-monetary items at fair value include gains or losses resulting from changes in foreign currency exchange rates used to translate those items. Total fair value changes arising on the measurement of equity instruments classified as at fair value through profit or loss are recognized in the income statement, whereas total fair value changes arising on the measurement of equity instruments classified as available-for-sale financial assets are recognized directly in equity in the 'revaluation reserve of available-for-sale investments'.

Leased assets denominated in foreign currency which the group leases to others are measured at historical cost and translated to Egyptian pound using the exchange rates prevailing at the dates of the initial recognition.

**2.5 Financial assets**

**The Bank classifies its financial assets into the following categories:**

Financial assets classified as at fair value through profits or loss, loans and receivables, held to maturity financial assets, and Available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined by management at the time of initial recognition.

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**2.5.1 Financial assets classified as at fair value through profit or loss**

This category includes financial assets held for trading, and financial derivatives.

A financial instrument is classified as an instrument held for trading if it is primarily acquired for the purpose of the sale in the short term or if it represents a part of a portfolio of specific financial instruments that are managed together and there is evidence of recent actual transactions that resulted in short-term profit taking, or it is a derivative that is not designated and effective as a hedging instrument.

**2.5.2 Loans and receivables**

Loans 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 group intends to sell immediately or in the short term, which are classified as held for trading.
- The group upon initial recognition designates as Available-for-sale.
- The group may not recover substantially all of its initial investment, other than because of deterioration in the credit worthiness of the issuer.

**2.5.3 Held to maturity financial assets**

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity. The group will not classify any financial assets as held to maturity if the group has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held to maturity investments before maturity other than those allowed in specific circumstances.

**2.5.4 Investments held for trading**

Investments held for trading, including investment portfolios managed by others and investment in Mutual Funds not issued by Insurance Companies and acquired for trading purposes, are valued at fair value (market value or redemption value) at the balance sheet date. Profit / Loss arising from revaluation is recorded under Net trading income.

**2.5.5 Available-for-sale financial assets**

Available-for-sale financial assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

**The following is applied in respect of all financial assets**

- Regular-way purchases And sales of financial assets classified as at fair value through profit or loss, loans And receivables, held to maturity And Available-for-sale are recognized using the settlement-date, which is the date that an asset is delivered to or by the entity.
- All financial assets, other than those classified as at fair value through profit or loss, are initially recognized at fair value plus transaction costs. Financial assets classified as at fair value through profit or loss are initially recognized at fair value. Transaction costs associated with those assets are expensed and reported in the income statement in 'net trading income'.
- The group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial liabilities are derecognized when they are extinguished; that is when the obligation is discharged, cancelled or it expires.
- Available-for-sale, held for trading And financial assets designated as at fair value through profit or loss are subsequently measured at fair value. loans And receivables And held-to-maturity investments are subsequently measured at amortized cost.
- Gains and losses arising from changes in the fair value of the financial assets classified as at fair value through profit or loss are recognized in the income statement in the period 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 the income statement.
- Interest income calculated using the amortized cost method, and gains and losses arise from the foreign currency on monetary financial assets classified as available-for-sale financial investments shall be recognized in the income statement. Dividends resulted from the equity instruments classified as available-for-sale shall be recognized in the income statement when the entity's right to receive payment is established.
- The fair value of quoted investments in an active market is based on current bid prices. If there is no active market for a financial asset, it is measured at cost less of any impairment losses.

**2.6 Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset when the group has a legally enforceable right to offset the recognized amounts and it intends to settle these amounts on a net basis, or realize the asset and settle the liability simultaneously.

Items of purchase agreements of treasury bills with the obligation to resell and sale agreement of treasury bills with the obligation to repurchase (repos and reverse repos) are shown net in the balance sheet under the item of treasury bills.

## 2.7 Financial derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Fair values are determined based on quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are recognized as assets when their fair value is positive and as liabilities when their fair value is negative.

Embedded derivatives, such as the conversion option in a convertible bond, are treated as separate derivatives if they meet the definition of a financial derivative, and when their economic characteristics and risks are not closely related to those of the host contract, provided that the host contract is not classified as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement unless the group chooses to designate the hybrid contact as a whole as at fair value through profit or loss.

The timing of recognition in profit or loss, of any gains or losses arising from changes in the fair value of derivatives, depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The parent bank designates certain derivatives as:

- Hedging instruments of the risks associated with fair value changes of recognized assets or liabilities or firm commitments (fair value hedge).
- Hedging of risks relating to future cash flows attributable to a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is used for derivatives designated in a hedging relationship when the following criteria are met. At the inception of the hedging relationship, the bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the bank documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

### 2.7.1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized immediately in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of the interest rate swaps and the changes in the fair value of the hedged item attributable to the hedged risk are recognized in profit or loss. Additionally, interest differential on interest rate swaps is recognized in profit or loss as part of 'net interest income' line item in the income statement. Any ineffectiveness is recognized in profit or loss in 'net trading income'.

When the hedging instrument no longer qualifies for hedge accounting, the adjustment to the carrying amount of a hedged item, measured at amortized cost, arising from the hedged risk is amortized to profit or loss from that date to maturity of the asset using the effective interest method. Adjustment to the carrying amount of a hedged equity instrument that has been deferred in equity remains in equity until the asset is derecognized.

### 2.7.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives designated and effective for cash flow hedge is recognized in equity while changes in fair value relating to the ineffective portion is recognized immediately in the income statement in "net trading income".

Amounts accumulated in equity are transferred to income statement in the relevant periods when the hedged item affects the income statement. The effective portion of changes in fair value of interest rate swaps and options are reported in "net trading income".

When a hedging item expires or is sold or if hedging instrument no longer qualifies for hedge accounting requirements, gains or losses that have been previously accumulated in equity remain in equity and are only recognized in profit or loss when the forecast transaction ultimately occurs. If the forecast transaction is no longer expected to occur any related cumulative gain or loss on the hedging instrument that has been recognized in equity shall be reclassified immediately to profit or loss.

### 2.7.3 Derivatives that do not qualify for hedge accounting

Where a derivative instrument does not qualify for hedge accounting, changes in fair value of that derivative and related interest are recognized immediately in the income statement in "net trading income" line item. However, gains or losses arising from changes in fair value of derivatives that are managed in conjunction with financial assets or financial liabilities, designated upon initial recognition at fair value through profit or loss, are included in "net income from financial instruments designated upon initial recognition as at fair value through profit or loss".

## 2.8 Interest income and expense

Interest income and expense on all interest-bearing financial instruments, except for those classified as held for trading or designated as at fair value through profit or loss, are recognized in 'interest income' and 'interest expense' line items in the income statement using the effective interest rate method.

The effective interest rate is a method of calculating the amortized cost of a debt instrument whether a financial asset or a financial liability and of allocating its interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial debt instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating the effective interest rate, the Group estimates the future 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 interest rate, transaction costs and all other premiums or discounts.



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Interest income on loans is recognized on an accrual basis except for the interest income on non-performing loans, which ceases to be recognized as revenue when the recovery of interest or principle is in doubt.

Interest income on non-performing or impaired loans and receivables ceases to be recognized in profit or loss and is rather recorded off balance sheet in statistical records. Interest income on these loans is recognized as revenue on a cash basis as follows:

- 1- For retail loans, personal loans, small and medium business loans, real estate loans for personal housing and small loans for businesses, when interest income is collected and after recovery of all arrears.
- 2- For corporate loans, interest income is recognized on a cash-basis after the bank collects 25% of the rescheduled installments and provided these installments continue to be paid for at least one year.

If a loan continues to be performing thereafter, interest accrued on the principal then outstanding starts to be recognized as revenues. Interest that is marginalized prior to the date when the loan becomes performing is not recognized in profit or loss except when the total balance of loan, prior to that date, is paid in full.

## **2.9 Fees and commission income**

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue as the service is provided. Fees and commissions on non-performing or impaired loans or receivables cease to be recognized as income and are rather recorded off balance sheet. These are recognized as revenue - on a cash basis - only when interest income on those loans is recognized in profit or loss, at which time, fees and commissions that are an integral part of the effective interest rate of a financial asset are treated as an adjustment to the effective interest rate of that financial asset.

Commitment fees received by the bank to originate a loan are deferred if it is probable that the bank will enter into a specific lending arrangement and are regarded as a compensation for an ongoing involvement with the acquisition of the financial instrument and recognized as an adjustment to the effective interest rate. If the commitment expires without the bank making the loan, the fees are recognized as revenue on expiry.

Loan syndication fees received by the bank are recognized as revenue when the syndication has been completed, only if the bank arranges the loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

Fees and commissions that are earned on negotiating or participating in the negotiation of a transaction in favor of another entity, such as arrangements for the allotment of shares or another financial instrument or acquisition or sale of an enterprise on behalf of a client, are recognized as revenue when the transaction has been completed. Administrative consultations and other service fees are usually recognized as revenue on a straight-line basis over the period in which the service is rendered. Fees from financial planning management and custodian services provided to clients over long periods are usually recognized as revenue on a straight-line basis over the period in which these services are rendered.

## **Leasing revenues**

Revenues from lease contracts are recognized based on the interest rate implicit in each contract plus an amount equal to depreciation of the leased asset. Debit/credit differences between revenue recognized in profit or loss and rental value for each period are recorded in "leased assets - lease contracts settlement" account in the balance sheet whose balance is to be settled against the carrying amount of leased asset at the end of the contract period.

## **Insurance revenues**

Premium income and Claim expense is recognized on accrual basis.

## **2.10 Dividends income**

Dividend income on investments in equity instruments and similar assets, other than investments in subsidiaries and associates, is recognized in the income statement when the bank's right to receive payment is established.

## **2.11 Purchase and resale agreements and sale and repurchase agreements (repos and reverse repos)**

Financial instruments sold under repurchase agreements, are not derecognized from the books. These are shown in the assets side as an addition to the "treasury bills and other governmental notes" line item in the balance sheet. On the other hand, the group's obligation arising from financial instruments acquired under resale agreements, is shown as a deduction from the "treasury bills and other governmental notes" line item in the balance sheet. Differences between the sale and repurchase price or between the purchase and resale price is recognized as interest expense or income throughout the period of agreements using the effective interest rate method.

## **2.12 Impairment of financial assets**

The group reviews all its financial assets, except those classified as at fair value through profit or loss, to assess whether an indication exists that these assets have suffered an impairment loss as described below:

### **Financial assets carried at amortized cost**

At end of each reporting period, an assessment is made whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognized (a "loss event") and whether that loss event has impacted the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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The group considers the following indicators to determine the existence of substantive evidence for impairment losses:

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It is becoming probable that the borrower will enter bankruptcy or financial re-organization.
- Deterioration of the competitive 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 collaterals.
- Deterioration in the creditworthiness of the borrower.

An objective evidence for impairment loss of the financial asset includes observable data indicating that there is 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 an individual financial asset 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 such period to equal one.

The group first assesses is made 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.

If it is determined 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 loans 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 flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). 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.

If a loan, receivable or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate(s) determined under the contract at the date on which an objective evidence for impairment of the asset has been identified.

As a practical expedient, the bank may measure impairment of a financial asset carried at amortized cost on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective assessment of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

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 group's assets and the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on 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 group ensures that estimates of changes in future cash flows reflect 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 management to reduce any differences between loss estimates and actual loss experience.

#### Available-for-sale financial assets

At the end of each financial period, the bank assesses whether there is objective evidence that any financial asset or group of financial assets classified as available-for-sale has been impaired.

According to the central bank of Egypt's rules, 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.

When a decline in the fair value of an Available-for-sale financial asset has been recognized in equity and there is objective evidence that the asset is impaired the cumulative loss that had been recognized in the equity reserve shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

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.

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**2.13 Intangible assets**

**2.13.1 Goodwill**

Goodwill, arising from the acquisition or legal merger of subsidiaries, represents the difference between the cost of the combination and the acquiree interest in the fair value of the identifiable assets, liabilities and qualifying contingent liabilities of the acquiree at the acquisition date. Goodwill is annually tested for impairment and is written-down to profit or loss at an annual amortization of 20% or impairment loss whichever is higher.

**2.13.2 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 group and when it is probable that they will generate future economic benefits within more than one year that exceed its cost. 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 its original specification.

Cost of computer software recognized as an asset shall be amortized over the period of expected benefits which shall not exceed five years except for the core IT system that is amortized over ten years.

**2.14 Property and Equipment**

The Group's property and equipment include lands and buildings of the bank which basically comprise the head office premises and branches building. All property and equipment are carried at historical cost net of accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the construction or 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 group 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.

The group considers the residual value of its property and equipment as insignificant and immaterial in relation to the depreciable amount; therefore, the depreciable amount of the bank's property and equipment is determined without any deduction for residual values. 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 based on the following annual rates:

Buildings	Major structures	50 years
	Doors, windows and roofing	20 years
	Façades	10 years
Fixtures	Decoration & installations	10 years
	Lifts	15 years
	Electricity & Air conditioning	10 years
	Generators	30 years
	Telephone network & CCTV	10 years
	Firefighting system & Plumbing system	10 years
	Other installations	10 years
Leasehold improvements		The shortest of 10 years or contract period

Depreciation periods for property and equipment, other than buildings, depend on their useful lives which are usually estimated as specified below:

Furniture	10 years
Armored vaults	20-30 years
IT equipment	5 years
Electric appliances	5 years
Vehicles	5 years

The carrying amounts of its depreciable property and equipment are reviewed 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 or losses on disposals are determined by comparing proceeds with relevant carrying amount. These are included in profit or loss in other operating income (expenses) in the income statement.



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**2.15 Impairment of non-financial assets**

Non-financial assets that do not have definite useful lives, except for goodwill are not amortized. These are annually tested for impairment. Depreciable property and equipment 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 recoverable amount of the cash-generating unit to which the asset belongs is estimated.

At end of each year, the Group reviews non-financial assets for which an impairment loss is recognized to assess whether or not all or part of such impairment losses should be reversed through profit or loss.

**2.16 Leasing**

lease contracts are accounted according to Law 95 of 1995 for financial lease. All other lease contracts are recognized as operating leases.

**2.16.1 As a lessee**

Lease payments made under operating leases, net of any discounts received from the lessor, are recognized as an expense in profit or loss on a straight-line basis over the lease term.

**2.16.2 As a lessor**

Assets leased out under operating lease contracts are reported as part of the fixed assets in the statement of financial position and are depreciated over the expected useful lives of the assets, on the same basis as other property assets. Lease rental income is recognized in profit or loss, net of any discounts granted to the lessee, using the straight line method over the contract term.

Assets leased out under finance lease contracts, are reported in the statement of financial position within fixed assets and are depreciated over the expected useful life of the assets using the same method followed in depreciating similar assets. Lease income is recognized using the rate of return implicit in each lease contract in addition to an amount equal to depreciation charge for the period. Differences between lease income recognized in the income statement and rental receivable from lease customers are accumulated and reported in the statement of financial position in a separate account until duration of the lease contract expires, at which time offset occurs between the account balance and net book value of leased assets.

Maintenance and insurance expenses shall be charged to the income statement when incurred to the extent that they are chargeable to the lessee. If substantive evidence indicates that the group could not be able to collect all balances due from finance lease debtors, these balance are reduced to their expected realizable value.

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

Computers	2-8 years
Equipment	4-10 years
Vehicles	4-5 years
Building	17-50 years

**2.17 Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances due within three months from date of placement or acquisition. They include cash and balances placed with the Central Bank of Egypt (other than those required under the mandatory reserve), current accounts with Banks and treasury bills, certificates of deposits and other governmental notes.

**2.18 Other provisions**

Provisions for obligations, other than those for credit risk or employee benefits, due within more than 12 months from the date of consolidated financial statements are recognized based on the present value of the best estimate of the consideration required to settle the present obligation at the reporting date. An appropriate pretax 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 date of consolidated financial statements, provisions are calculated based on undiscounted expected cash outflows unless the time value of money is material, in which case provisions are measured at present value.

When a provision is wholly or partially no longer required, it is reversed through profit or loss under "other operating income (expenses)" line item.

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**2.19 Insurance activity**

**2.19.1 Technical reserves**

**2.19.1.1 Mathematical reserve**

The mathematical reserve is calculated by the actuarial expert according to the technical basis approved by the board of the Egyptian Financial Supervisory Authority (Formerly Egyptian Insurance Supervisory Authority), in addition to the portion of each certificate from the increase (decrease) in the capital value resulting from insurance premiums invested in investment portfolio for the account of policyholders.

**2.19.1.2 Provision for outstanding claims**

A provision for outstanding claims is established for life and personal accident insurance policies. Which were reported before the year-end but not settled at the balance sheet date.

**2.19.2 Receivables arising from insurance contracts**

Receivables arising from insurance contract either as instalments under collection or current accounts of insured parties are carried at amortized cost which represent nominal balances, net of impairment loss.

**2.19.3 Due from insurance and reinsurance companies**

Insurance and reinsurance companies stated at amortized cost, which represent its book value, net of allowance for impairment loss.

**2.20 Financial guarantees**

A financial guarantee contract is a contract issued by the group as security for loans or debit current accounts due from its clients to other entities that requires the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are generally issued by the bank to beneficiary banks, corporations and other entities on behalf of the bank's clients.

When a financial guarantee is recognized initially, it is measured at its fair value plus, transaction costs that is directly attributable to the issue of such financial guarantee.

After initial recognition, a financial guarantee contract issued by the bank is measured at the higher of:

- (I) The amount initially recognized less, when appropriate, cumulative amortization of security fees recognized as income in profit or loss using the straight-line method over the term of the guarantee; and
- (II) The best estimate for the payments required to settle any financial obligation resulting from the financial guarantee at the reporting date.

Such estimates are made based on experience in similar transactions and historical losses as supported by management judgment.

Any increase in the obligations resulting from the financial guarantee, is recognized within other operating income (expenses) in the income statement.

**2.21 Employee benefits**

**Post-employment benefits (defined benefit plans) and defined contribution plans:**

The bank is liable for all obligations arising from its plans for employee benefits which comply, in all material respects, with the principles set out below. Starting 1 January 2009, the bank has fully complied with the policy referred to below, and recognized any adjustments, resulting from the first full implementation of amendments to the CBE rules, directly on retained earnings.

The bank provides several post-employment benefits to its employees, such as the medical care scheme which qualifies as a defined-benefit plan. A defined benefit plan commits the Bank, either formally or constructively, to pay a certain amount or level of future benefits and therefore bears the medium- or long-term risk.

The Bank recognizes the defined benefit obligation as a liability in the statement of financial position under "obligations for post-retirement schemes" to cover the total value of such obligations. This is assessed regularly by independent actuary using the projected unit credit method. This valuation technique incorporates assumptions about demographics variables, staff turnover, salary growth rate and discount and inflation rates.

When these plans are financed from external funds classified as plan assets, the fair value of these funds is subtracted from the defined benefit obligation. Differences arising from changes in the actuarial assumptions and estimates are recognized in the income statement as actuarial gains or losses to the extent of the higher of the following two amounts as of the end of the previous financial period:

- 10% of the present value of the defined benefit obligation (before deducting plan assets) and
- 10% of the fair value of the plan assets.

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Actuarial gains and losses that exceed the 10 percent criteria above are amortized to profit or loss over the expected average remaining working lives of the participating employees.

Past service cost is recognized immediately to the extent that the benefits have already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. Annual cost of employee benefits plans is reported as part of general and administrative expenses (employee costs).

Defined contribution plans are pension schemes whereby the group pays defined contributions to an independent entity. The group shall not be under legal or constructive obligation to pay more contributions if this entity doesn't maintain adequate assets to pay-off the employees' benefits in return for their service in the current and previous periods.

According to the defined contribution plans, contributions are paid to private sector pension scheme under mandatory or voluntary contractual arrangement. The group shall be under no additional obligation other than the contribution payments. Contributions to defined contribution retirement benefit plans are recognized as employee benefits cost when employees have rendered service entitling them to the contributions. Prepaid contributions shall be recognized as assets to the extent that these contribution payments will reduce future payments or result in cash refunds.

#### **Share based payments arrangements:**

Until the end of the first quarter of 2013, the bank applies a share-based payment scheme (ESOP) that is settled in its parent Societe Generale Bank (formerly parent) own equity instruments. The bank follows IFRS 2 since the CBE requirements and EAS 39 do not address the accounting for share based payment arrangements involving equity instruments of the parent. The fair value of services rendered by qualifying employees is reported in the income statement in "administrative expenses" line item. Total amount of employees' services is determined by reference to the fair value of granted options at the grant date and is expensed on a straight-line basis over the relevant vesting period. Non-market based vesting conditions, such as profit targets, are not taken into account in determining the fair value of equity settled share-based payments (options) at the grant date, therefore, such fair value shall not change subsequently. Non-market based vesting conditions are included in the assumptions used by the Bank to estimate the number of equity instruments expected to vest at the end of each reporting period. At the end of each reporting period, the bank revises its estimate of the number of equity instruments expected to vest based on information provided from the parent. The impact of the revision of the original estimates, if any, is recognized in profit or loss with a corresponding adjustment to the Employee Stock Ownership Plan reserve in equity.

#### **2.22 Income taxes**

Income tax expense on the period's profit or loss represents the sum of the tax currently payable and deferred tax and is recognized in the income statement, except when they relate to items that are recognized directly in equity, in which case the tax is also recognized in equity.

The Group'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 differences related to prior 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.

#### **2.23 Borrowings**

Loans obtained by the bank are initially recognized at fair value net of transaction costs incurred in connection with obtaining the loan. Borrowings are subsequently measured at amortized cost, with the difference between net proceeds and the value to be paid over the borrowing period, recognized in profit or loss using the effective interest rate method.

#### **2.24 Capital**

##### **2.24.1 Capital issuance cost**

Issued and paid up-capital (i.e. bank's own equity instruments) is initially measured at the cash proceeds received, less transaction costs directly attributable to the issuance of new shares, issuance of shares to effect business combination, or issue of share options. Transaction costs, net of tax benefits, are reported as a deduction from equity.

##### **2.24.2 Dividends**

Dividends on equity instruments issued by the group entities are recognized when the general assembly of the group's shareholders approves them. Dividends include the non-controlling interests' share in the subsidiaries' dividends, and employees' profit share and board of directors' remuneration as prescribed by the articles of incorporation of the bank and Group entities as well as the corporate law.



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**2.25 Fiduciary activities**

The bank carries out fiduciary activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans and other institutions. These assets and income arising thereon are not recognized in the group's consolidated financial statements, as they are not assets or income of the bank or the group.

**2.26 Comparative figures**

Comparative figures are reclassified, where necessary, to conform to changes in the current period's presentation.

**3. Management of financial risks**

The group is exposed to various financial risks, mainly as a result of activities conducted by the bank and some subsidiaries. Since financial activities are based on the concept of accepting risks and analyzing and managing individual risks or group of risks altogether, the group aims at achieving a well-balanced risks and relevant rewards, as appropriate and to reduce the probable adverse effects on the group'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.

For example, the bank has laid down risk management policies to determine and analyze the risks, set limits to the risks 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. Moreover, the risk department is responsible for the periodic review of risk management and the control environment independently.

**Risk management strategy**

The bank operates in business lines, which generate a range of risks whose frequency, severity and volatility can be of different and significant magnitudes. A greater ability to calibrate its risk appetite and risk parameters, the development of risk management core competencies, as well as the implementation of a high-performance and efficient risk management structure are therefore critical undertakings for the bank.

Thus, the primary objectives of the bank's risk management framework are:

- To contribute to the development of the Bank in various business lines to reach an ideal level of general risk.
- To guarantee the Bank's sustainability as a going concern, through the implementation of a high-quality risk management infrastructure.
- In defining the Bank's overall risk appetite, the bank management takes various considerations and variables into account, including:
  - The relative balance between risk and reward of the bank's various activities.
  - Earnings sensitivity to business, credit and economic cycles.
  - The aim of achieving a well-balanced portfolio of earnings streams.

**Risk management governance and risk principles**

Bank's risk management governance is based on:

- i) Strong managerial involvement, throughout the entire organization, starting from the Board of Directors down to operational field management teams.
- ii) A tight framework of internal procedures and guidelines.
- iii) Continuous supervision by business lines and support functions as well as by an independent body to monitor risks and to enforce rules and procedures.

Within the Board, the Risk and Audit Committees are more specifically responsible for examining the consistency of the internal framework for monitoring risks and compliance.

**Risk categories**

The following are part of the risks associated with the bank's Banking activities:

**a- Credit risk:**

(including country risk): represents risk of losses arising from the inability of the Bank's customers, sovereign issuers or other counterparties to meet their financial commitments.

Credit risk also includes the replacement risk linked to market transactions. In addition, credit risk may be further increased by a concentration risk, which arises either from large individual exposures or from groups of counterparties with a high default probability.

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- b- Market risk:**  
represents risk of loss resulting from changes in market prices and interest rates.
- c- Operational risk:**  
(including legal, compliance, accounting, environmental, reputational risks, etc.): represents risk of loss or fraud or of producing inaccurate financial and accounting data due to inadequacies or failures in procedures and internal systems, human error or external events. Additionally, operational risks may also take the form of compliance risk, which is the risk of the bank incurring either legal, administrative or disciplinary sanctions or financial losses due to failure to comply with relevant rules and regulations.
- d- Structural interest and exchange rate risk:**  
represents risk of loss or of residual depreciation in the bank's balance sheet and off-balance sheet assets arising from changes in interest or exchange rates. Structural interest and exchange rate risk arises from banking commercial activities and on Corporate Center transactions (operations on equities, investments and bond issues).
- e- Liquidity risk:**  
represents the risk that the bank might not be able to meet its obligations as they become due.

The bank dedicates significant resources to constantly adapting its risk management to its activities and ensures that its risk management framework operates in full compliance with the following fundamental principles of:

- Full independence of risk assessment departments from the operating divisions.
- Consistent approach to risk assessment and monitoring applied throughout the Bank.

The Risk Division is independent from the Bank's operating entities and reports directly to general management. Its role is to contribute to the development and profitability of the bank by ensuring that the risk management framework in place is both robust and effective. It employs various teams specializing in the operational management of credit and market risk.

**More specifically, the Risk Division:**

- Defines and approves the methods used to analyze, assess, approve and monitor credit risks, country risks, market risks and operational risks; conducts a critical review of commercial strategies in high risk areas and continually seeks to improve such risk forecasting and management.
- Contributes to independent assessment by analyzing transactions implying a credit risk and by providing guidance on transactions proposed by sales managers.

Identifying a frame for all Banks' operational risks.

The Assets and Liabilities Unit under the Finance Division, for its part, is entrusted with assessing and managing other major types of risks, namely liquidity and structural risks (resulting from interest rate, exchange rate and liquidity) as well as the bank's long term financing, management of capital requirements and equity structure.

The Internal Legal Counsel deals with compliance and legal risks.

Responsibility for devising the relevant risk management structure and defining risk management operating principles lies mainly with both the Risk Division and, in particular fields, the assets and liabilities management under Finance Division.

The Bank's Risk Committee is in charge of reviewing all the Bank's key risk management issues and meets at least on quarterly basis. Risk Committee's monthly meetings involve members of the Executive Committee, the heads of the business lines and the Risk Division managers and are used to review all the core strategic issues: risk-taking policies, assessment methods, material and human resources, analysis of credit portfolios and of the cost of risk, market and credit concentration limits (by product, country, sector, region, etc.)

On the other hand, the Assets and Liabilities management committee (ALCO) is competent for matters relating to funding and liquidity policymaking and planning.

All new products and activities or products under development must be submitted to the New Product Committee.

This New Product Committee aims at ensuring that, prior to the launch of a new activity or product, all associated risks are fully understood, measured, approved and subject to adequate procedures and controls, using the available information and processing systems.

Operational risks, permanent control and Audit (periodic) control process are supervised by the Audit and Accounts Committee that meets on a quarterly basis.

Finally, the Bank's risk management principles, procedures and infrastructures and their implementation are monitored by the Internal Audit team and the External Auditors.

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**(A) CREDIT RISKS**

The Bank is exposed to the credit risk which is the risk resulting from failure of the client to meet its contractual obligations towards the Bank. The credit risk is considered to be the most significant risk for the Bank, therefore requiring careful management. The credit risk manifests itself in the lending activities and debt instruments in Bank's assets as well as off balance sheet financial instruments, such as letters of credit and letters of guarantee.

**(A/1) Credit risk management: organization and structure**

Maintaining comprehensive and efficient management and monitoring of credit risk – which constitutes the bank's primary source of risk – is vital to preserving bank financial strength and profitability. As a result, the Bank implements a tight credit risk control framework, whose cornerstone is the Credit Risk Policy and Authorities defined jointly by the Risk Division and the Business Lines, and is subject to periodic review and approval by the Board of Directors.

Within the Risk Division, persons are responsible for:

- Setting credit limits by customer, customer group or transaction type.
- Approving credit score or internal customer rating criteria.
- Monitoring and surveillance of large exposures and various credit portfolios.
- Reviewing specific and general provisioning policies.

In addition, comprehensive portfolio analysis is performed in order to provide guidance to the General Management on the bank's overall credit risk exposure as well as reporting to Risk Committee.

The Risk Division also helps define criteria for measuring risk and defining appropriate provisioning practices.

**Risk approval**

Embedded in bank's credit policy is the concept that approval of any credit risk undertaking must be based on sound knowledge of the client and a thorough understanding of the client's business, the purpose, nature and structure of the transaction and the sources of repayment, while bearing in mind the Bank's risk strategy and risk appetite.

The risk approval process is based on four core principles:

- All transactions involving replacement risk (debtor risk, non-settlement or non-delivery risk and issuer risk) must be pre-authorized.
- Staff assessing credit risk is fully independent from the decision-making process.
- Subject to relevant credit delegations, responsibility for analyzing and approving risk lies with the most appropriate business line or credit risk unit, which reviews all authorization requests relating to a specific client or client group, to ensure a consistent approach to risk management.
- All credit decisions systematically include internal obligor risk ratings, as proposed by business lines and vetted by the Risk Division and approved by concerned Credit Committee.

**Risk management and audit**

Changes in the quality of outstanding commitments are reviewed on a periodic basis and at least once a quarter, as part of the "sensitive names" and provisioning procedures. This review is based on analyses performed by the business divisions and the risk function. Furthermore, the Internal Audit also carries out file reviews or risk audits in the Bank's Branch Groups and reports its findings to the General Management.

**Replacement risk**

Replacement risk provides the measurement of the replacement cost of a transaction in the event of default by the original counterparty and the necessity to close the ensuing position with counterparty; hence, the replacement cost is the result of the market price between the date on which the original transaction is entered into and the default date. Transactions giving rise to replacement risk include interest rate swaps and forward FX deals.

**Replacement risk management**

The bank places great emphasis on carefully monitoring its replacement risk exposure in order to minimize its losses in case of default of its counterparties and counterparty limits are, therefore, assigned to all trading counterparties, irrespective of their status (bank, other financial institution, corporate and public institutions).

**(A/2) Risk measurement and internal ratings**

Bank rating system is based on three key pillars:

- The internal ratings models used to measure and quantify counterparty risk.
- A set of procedures defining guidelines for devising and using ratings (scope, frequency of rating revision, procedure for approving ratings, etc.)

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- Reliance on human judgment to improve modeling results to include elements outside the scope of rating model.

Credit risk rating is supported by a set of procedures ensuring reliable, consistent and timely default and loss data detection.

Rating models are reviewed and developed when necessary. The Bank regularly evaluates performance of credit rating models and their capacity to predict default cases.

The calculations used to measure and monitor replacement risk include:

- Current Average risk (CAR) is a calculation of the Average risk of all the future scenarios, excluding the negative scenarios, i.e., when the replacement makes a gain.
- Credit VAR is a calculation of the largest loss that would be incurred in 99% of cases.

**Following are some risk mitigations methods:**

#### **Collaterals**

The bank designs several policies and controls for credit risk mitigation such as collaterals for funds provided. The bank lays down guidelines for specific categories of the accepted collaterals.

The main types of collaterals for Loans and credit facilities are:

- Real estate mortgage
- Pledge on business assets like machinery and merchandise.
- Pledge in financial instruments like debt instruments and equity.

The long term financing and lending for companies are often collateralized while credit facilities for persons are not collateralized. The bank attempts to mitigate the credit risk through additional collaterals from the concerned parties immediately on arising of impairment indicators for any of the loans or facilities.

Collaterals taken to secure assets other than Loans and credit facilities are identified according to the nature of the instrument.

Debit instruments and treasury bills are often not collateralized.

#### **Derivatives**

The Bank exercise prudential strict control procedures on net open positions of derivatives. i.e. The difference between sale and purchase agreements at the level of value and duration. The amount exposed to credit risk at any time is determined at fair value of the instrument that may achieve benefit to the bank. i.e. any assets with high positive fair value which represents insignificant part of contractual imputed value used to reflect the volume of existing instruments. This credit risk is managed as part of overall lending limit granted to the customer together with the potential risk as a result of market changes.

The bank doesn't obtain collaterals for credit risk related to such instruments except for the amounts requested by the bank as marginal deposits from other parties.



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**(A/3) Provisioning policy**

The Bank policies require review of all financial assets exceeding a specific level of materiality at least each year or more frequently when changes in circumstances require the Bank to do so. Impairment is determined for accounts that are assessed individually for impairment based on the losses experienced at the reporting date on a case by case basis. Such policies are applied to all individual accounts that are assessed to be significant. Assessment usually includes the existing collateral, reconfirmation of enforcement on such collateral and collections expected from such accounts.

A provision for impairment losses is formed for a group of similar financial assets based on the available historical experience, personal judgment and statistical methods.

At each balance sheet date, The bank assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognized (a "loss event") and whether that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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 irrespective from any collaterals obtained. The Bank considers the following factors in determining whether there is objective evidence of impairment:

- The existence of unpaid installments (overdue installments over three months for corporations and over one month for individuals).
- The existence of an objective evidence of counterparty credit risk or when The counterparty is subject to judiciary proceedings.

The allowance for impairment losses reported in the balance sheet at the end of the reporting period is derived from the four internal credit risk ratings; however, major part of that allowance is usually driven by the last two rating degrees.

The following table illustrates the proportional distribution of Loans and credit facilities reported in the balance sheet for each of the four internal ratings of the Bank and their relevant impairment losses:

	<b>March 31, 2014</b>		<b>December 31, 2013</b>	
	<b>Loans and credit facilities</b>	<b>Impairment loss provision</b>	<b>Loans and credit facilities</b>	<b>Impairment loss provision</b>
1- Good debts	91%	13%	91%	14%
2- Normal watch-list	5%	21%	5%	21%
3- Special watch-list	0%	2%	0%	2%
4- Non performing loans	4%	64%	4%	63%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**(A/4) General Model for Measurements of Banking Risks:**

In addition to the four categories of the Bank's internal credit ratings indicated above, management classifies Loans and credit facilities based on more detailed subgroups in accordance with the CBE requirements. 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 repayment track record.

The Bank calculates the allowances required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the allowance required for impairment losses as per CBE credit worthiness rules exceeds the provisions as required by the application of the discounted cash flow method or the loss rates method, that excess shall be debited to retained earnings and carried to the general banking reserve risk 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 (37) shows the movement on the general banking risk reserve during the financial period.

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

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

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(A/5) Maximum limit for credit risk before collaterals

Balance sheet items exposed to credit risks	March 31, 2014	December 31, 2013
Treasury bills	18,230,914,037	15,742,232,766
<b>Loans and credit facilities to customers</b>		
<b>Retail loans</b>		
Debit current accounts	777,564,869	703,620,587
Credit cards	390,553,837	372,883,331
Personal loans	7,432,138,566	7,247,573,654
Real estate loans	345,854,169	311,802,626
<b>Corporate loans</b>		
Debit current accounts	14,189,218,701	13,492,255,700
Direct loans	10,282,844,715	10,046,131,396
Syndicated loans and facilities	6,857,897,873	7,019,535,342
Other loans	1,541,513,103	1,489,442,360
Provision for impairment loss, segregated interest & unearned discount	(1,916,377,163)	(1,791,804,673)
Financial derivatives	13,178,520	12,200,178
<b>Financial investments</b>		
Debt instrument	14,097,770,687	12,914,169,235
Other financial assets	789,186,754	572,994,087
<b>Total</b>	<b>73,032,258,668</b>	<b>68,133,036,589</b>
<b>Off balance sheet items exposed to credit risks</b>		
Financial guarantees	1,220,525	1,219,202
Loans and other irrevocable credit commitments	21,611,607	41,524,116
L/Cs	2,296,548,259	2,588,466,185
Accepted papers	697,449,920	900,106,884
L/Gs	14,834,499,240	14,631,455,884
<b>Total</b>	<b>17,851,329,551</b>	<b>18,162,772,271</b>

The preceding table shows the maximum limit exposure to risks at the end of March, 2014 and December, 2013 without taking into consideration collaterals held by the bank, if any. For balance sheet items, amounts stated depend on the net carrying amount shown in the balance sheet.

The preceding table related to Balance sheet items exposed to credit risks shows that 55% of the maximum limit exposed to credit risk at the end of current reporting period is attributable to Loans and credit facilities to customers against 57% at the end of the prior year, investments in debt instruments constitute 19% against 19% at the end of the prior year and treasury bills constitute 25% against 23% at the end of the prior year.

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from loan portfolio, facilities, and debt instruments based on the following facts:

- 96% of the loans and credit facilities portfolio at the end of the current reporting period comprises Loans and credit facilities classified at the top 2 categories of the internal rating against 96% at the end of the prior year.
- 92% of the loans and credit facilities portfolio at the end of the current reporting period does not have arrears or indicators of impairment against 95% at the end of the prior year.
- Loans and credit facilities that are individually assessed for impairment at the end of the current reporting period have a carrying amount of EGP 1,630,445,753 Impairment on these Loans and credit facilities represents 76% from their carrying amount. Loans and credit facilities, that are individually assessed for impairment at the end of the prior year had a carrying amount of EGP 1,548,134,288 and their impairment represents 72% from such carrying amount.
- The Bank applied more prudential selection process on granting Loans and credit facilities during the current reporting period ended March 31, 2014.
- 93% of investments in debt instruments and treasury bills at the end of the current reporting period comprise local sovereign debt instruments against 92% at the end of the prior year.

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(A/6) Loans and credit facilities

Balances of Loans and credit facilities in terms of credit risk rating are analyzed below:

	March 31, 2014		December 31, 2013	
	Loans and credit facilities to customers	Loans and credit facilities to banks	Loans and credit facilities to customers	Loans and credit facilities to banks
Neither have arrears nor impaired	38,390,415,533	-	38,443,696,398	-
Have arrears but not impaired	1,796,724,547	-	691,414,310	-
Impaired	1,630,445,753	-	1,548,134,288	-
<b>Total</b>	<b>41,817,585,833</b>	<b>-</b>	<b>40,683,244,996</b>	<b>-</b>
Less: allowance for impairment losses	(1,872,027,979)	-	(1,744,024,969)	-
Less: Segregated interest	(26,195,310)	-	(27,693,859)	-
Less: unearned discount	(18,153,874)	-	(20,085,845)	-
<b>Net</b>	<b>39,901,208,670</b>	<b>-</b>	<b>38,891,440,323</b>	<b>-</b>

Total credit allowance for Loans and credit facilities at the end of the current reporting period amounted to EGP 1,872,027,979 (EGP 1,744,024,969 at the end of the prior year) of which EGP 1,207,599,318 represent impairment on individual loans (EGP 1,089,872,403 at the end of the prior year) and EGP 664,428,661 represent impairment for groups of financial assets in the credit portfolio (EGP 654,152,566 at the end of the prior year).

Note (19-A) includes additional information on the allowance for impairment losses for Loans and credit facilities to customers during the current reporting period.

During the current accounting period the Loans and credit facilities portfolio increase by 3% due to the increase on lending activity.

Loans and credit facilities which do not have arrears and are not subject to impairment

The credit quality of Loans and credit facilities that do not have arrears and which are not subject to impairment is assessed by reference to the bank's internal rating.

Loans and credit facilities to customers

Rating	March 31, 2014				
	Retail				
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total
Good debts	766,438,575	241,704,453	6,790,060,737	302,121,467	8,100,325,232
Normal watch-list	-	-	-	-	-
Special watch-list	-	-	-	-	-
<b>Total</b>	<b>766,438,575</b>	<b>241,704,453</b>	<b>6,790,060,737</b>	<b>302,121,467</b>	<b>8,100,325,232</b>

Rating	Corporate				
	Debit current accounts	Direct loans	Syndicated loans and facilities	Other loans	Total
Good debts	13,795,148,397	8,503,171,159	5,461,430,645	1,441,475,023	29,201,225,224
Normal watch-list	224,026,544	26,942,513	637,633,419	59,118,226	947,720,702
Special watch-list	110,935,578	30,208,797	-	-	141,144,375
<b>Total</b>	<b>14,130,110,519</b>	<b>8,560,322,469</b>	<b>6,099,064,064</b>	<b>1,500,593,249</b>	<b>30,290,090,301</b>

Guaranteed loans are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees.

Rating	December 31, 2013				
	Retail				
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total
Good debts	692,653,065	248,226,446	6,637,661,298	266,490,135	7,845,030,944
Normal watch-list	-	-	-	-	-
Special watch-list	-	-	-	-	-
<b>Total</b>	<b>692,653,065</b>	<b>248,226,446</b>	<b>6,637,661,298</b>	<b>266,490,135</b>	<b>7,845,030,944</b>

Rating	Corporate				
	Debit current accounts	Direct loans	Syndicated loans and facilities	Other loans	Total
Good debts	13,121,433,074	8,466,049,470	5,869,646,490	1,411,496,254	28,868,625,288
Normal watch-list	172,049,614	208,418,768	1,122,230,689	57,322,548	1,560,021,619
Special watch-list	124,960,873	43,138,295	-	1,919,379	170,018,547
<b>Total</b>	<b>13,418,443,561</b>	<b>8,717,606,533</b>	<b>6,991,877,179</b>	<b>1,470,738,181</b>	<b>30,598,665,454</b>

Guaranteed loans are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees.

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Loans and credit facilities which have arrears but are not subject to impairment

These are Loans and credit facilities with past-due installments but are not subject to impairment, unless information has otherwise indicated. Loans and credit facilities to customers which have arrears but are not subject to impairment are analyzed below.

March 31, 2014					
Retail					
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total
< 30 days	-	46,301,627	303,075,835	24,254,774	<b>373,632,236</b>
30 – 60 days	-	-	-	-	-
60 – 90 days	-	-	-	-	-
<b>Total</b>	-	<b>46,301,627</b>	<b>303,075,835</b>	<b>24,254,774</b>	<b>373,632,236</b>

Corporate					
	Debit current accounts	Direct loans	Syndicated loans and facilities	Other loans	Total
< 30 days	-	350,276,079	4,020,026	40,919,854	<b>395,215,959</b>
30 – 60 days	-	225,990,888	490,555,952	-	<b>716,546,840</b>
60 – 90 days	-	-	243,519,813	-	<b>243,519,813</b>
> 90 days	-	67,809,699	-	-	<b>67,809,699</b>
<b>Total</b>	-	<b>644,076,666</b>	<b>738,095,791</b>	<b>40,919,854</b>	<b>1,423,092,311</b>

December 31, 2013					
Retail					
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total
< 30 days	-	37,566,480	283,882,263	34,050,716	<b>355,499,459</b>
30 – 60 days	-	-	-	-	-
60 – 90 days	-	-	-	-	-
<b>Total</b>	-	<b>37,566,480</b>	<b>283,882,263</b>	<b>34,050,716</b>	<b>355,499,459</b>

Corporate					
	Debit current accounts	Direct loans	Syndicated loans and facilities	Other loans	Total
< 30 days	-	16,772,335	6,938,600	18,704,179	<b>42,415,114</b>
30 – 60 days	-	38,172,218	-	-	<b>38,172,218</b>
60 – 90 days	-	160,408,692	-	-	<b>160,408,692</b>
> 90 days	-	94,918,827	-	-	<b>94,918,827</b>
<b>Total</b>	-	<b>310,272,072</b>	<b>6,938,600</b>	<b>18,704,179</b>	<b>335,914,851</b>

Past due Loans and credit facilities are those amounts, or any part thereof, which have fallen due but for which no payment has been received in accordance with the contractual terms. These include arrears for years more than one day.

Figures shown in the note represent the whole balance of the loan or facility and not only the past due amounts. These do not include the remaining Loans and credit facilities of the same customer so long default has not fully or partially occurred on those loans.

On initial recognition of Loans and credit facilities, the fair value of collaterals, if any, is assessed based on valuation methods used for similar assets but are not recognized in the financial statements since these do not represent assets of the bank at that date. In subsequent years, the fair value is updated to reflect the market price or prices for similar assets.



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**Loans and credit facilities which are individually impaired**  
**Loans and credit facilities to customers**

At the end of the current reporting period, the carrying amount of Loans and credit facilities, that are assessed to be individually impaired excluding any cash flows expected to arise from the associated guarantees, amounted to EGP 1,630,445,753 against EGP 1,548,134,288 at the end of the prior year.

The following table provides a breakdown of the balance of such Loans and credit facilities which are individually impaired including the fair value of the collaterals shall prevail when calculating the provisions.

	<b>March 31, 2014</b>				<b>Total</b>
	<b>Debit current accounts</b>	<b>Credit cards</b>	<b>Personal loans</b>	<b>Real estate loans</b>	
Loans which are individually impaired	11,126,294	102,547,757	339,001,994	19,477,928	<b>472,153,973</b>
Fair value of collaterals	-	12,273,086	27,114,713	2,950,056	<b>42,337,855</b>
			<b>Corporate</b>		
	<b>Debit current accounts</b>	<b>Direct loans</b>	<b>Syndicated loans and facilities</b>	<b>Other loans</b>	<b>Total</b>
Loans which are individually impaired	59,108,182	1,078,445,580	20,738,018	-	<b>1,158,291,780</b>
Fair value of collaterals	-	-	-	-	-
			<b>December 31, 2013</b>		
	<b>Debit current accounts</b>	<b>Credit cards</b>	<b>Personal loans</b>	<b>Real estate loans</b>	<b>Total</b>
Loans which are individually impaired	10,967,522	87,090,405	326,030,093	11,261,775	<b>435,349,795</b>
Fair value of collaterals	-	8,465,903	46,062,059	973,513	<b>55,501,475</b>
			<b>Corporate</b>		
	<b>Debit current accounts</b>	<b>Direct loans</b>	<b>Syndicated loans and facilities</b>	<b>Other loans</b>	<b>Total</b>
Loans which are individually impaired	73,812,139	1,018,252,791	20,719,563	-	<b>1,112,784,493</b>
Fair value of collaterals	-	-	-	-	-

**Restructured loans and facilities:**

The bank applies different types of restructuring policies to its Loans and credit facilities, which include extending payment terms, executing forced management programmes and applying prepayment and extension provisions to the loan. The applied restructuring policies depend on factors or criteria that indicate, in management judgment that the counterparty's continuous payment of the loan is unlikely to occur in the absence of such restructuring policies that are subject to ongoing review. Within the bank renegotiated outstanding loans relate to long-term loans made to any type of clientele (retail and corporate loans clients).

Total renegotiated loans amounted to EGP 78,588,686 at the end of the current reporting period against EGP 81,125,330 at the end of the prior year. These balances do not include any amounts whose commercial terms were renegotiated to preserve the quality of the bank's relationship with its clients, including those terms pertaining to loans interest rates and/or loans repayment periods.

The bank practice calls for most clients whose loans have been renegotiated to be maintained in the "non-performing" category, as long as the bank remains uncertain of their ability to meet their future commitments in accordance with the definition of default under Basel II.

**Loans and credit facilities to customers**

<b>Corporate loans</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Direct loans	57,850,668	81,125,330
Syndicated loans and facilities	20,738,018	-
<b>Total</b>	<b>78,588,686</b>	<b>81,125,330</b>

**(A/7) Debt instruments, treasury bills, and other governmental notes**

The following table shows a breakdown of debt instruments, treasury bills, and other governmental notes per last rating for Standard and Poor's and its equivalent

	<b>Rating</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<b>Egyptian Treasury Bills</b>	<b>B-</b>	18,230,914,037	15,742,232,766
<b>Available- for- sale financial assets</b>			
Egyptian Treasury Bonds	B-	11,747,226,022	10,629,868,918
US Treasury Bonds	AA+	1,554,804,805	1,559,883,357
France Treasury Bonds	AA	227,943,760	228,993,978
German Treasury Bonds	AAA	443,272,835	445,422,982
<b>Held to maturity investments</b>			
Egyptian Treasury Bonds	B-	124,523,265	50,000,000
<b>Total</b>		<b>32,328,684,724</b>	<b>28,656,402,001</b>

**(A/8) Acquisition of collaterals**

During the current reporting period the Bank has not acquired any additional foreclosed assets in order to settle debts.

**(A/9) Concentration of risks of financial assets exposed to credit risks  
(Geographical segments)**

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting period (excluding allowances for impairment). The gross amount of all financial assets including loans and credit facilities is segmented into the geographical regions of the bank's clients except for investments in foreign treasury bonds which are reported in the "other countries" category.

	Arab Republic of Egypt					Total	Other Countries	Total
	Cairo	Giza	Alex	Delta	Red Sea & Upper Egypt			
Treasury bills	18,230,914,037	-	-	-	-	18,230,914,037	-	18,230,914,037
<b>Loans and credit facilities to customers</b>								
<b>Retail loans</b>								
Debit current accounts	391,801,481	150,143,789	100,443,510	83,774,552	51,401,537	777,564,869	-	777,564,869
Credit cards	153,450,021	138,040,756	50,757,224	26,230,635	22,075,201	390,553,837	-	390,553,837
Personal loans	2,387,702,959	2,485,258,667	1,079,957,142	1,107,753,430	371,466,368	7,432,138,566	-	7,432,138,566
Real estate loans	123,616,626	132,565,032	33,912,907	24,285,824	31,475,780	345,854,169	-	345,854,169
<b>Corporate loans</b>								
Debit current accounts	5,990,111,405	4,299,090,233	1,720,341,062	1,473,805,642	705,870,359	14,189,218,701	-	14,189,218,701
Direct loans	4,634,610,162	3,225,118,348	1,253,668,213	979,776,094	189,671,898	10,282,844,715	-	10,282,844,715
Syndicated loans and facilities	2,694,470,247	1,737,030,720	558,223,860	1,868,173,046	-	6,857,897,873	-	6,857,897,873
Other loans	1,326,224,168	42,486,166	3,928,135	3,454,504	165,420,130	1,541,513,103	-	1,541,513,103
Financial derivatives	-	-	-	2,799,846	-	2,799,846	10,378,674	13,178,520
<b>Financial Investments</b>								
Debt instruments	11,871,749,287	-	-	-	-	11,871,749,287	2,226,021,400	14,097,770,687
Other financial assets	632,397,422	61,543,178	18,606,200	30,235,203	4,348,138	747,130,141	42,056,613	789,186,754
<b>Total at the end of the current period</b>	<b>48,437,047,815</b>	<b>12,271,276,889</b>	<b>4,819,838,253</b>	<b>5,600,286,776</b>	<b>1,541,729,411</b>	<b>72,670,179,144</b>	<b>2,278,456,687</b>	<b>74,948,635,831</b>
<b>Total at the end of the comparative year</b>	<b>44,231,605,516</b>	<b>11,862,184,308</b>	<b>4,857,307,926</b>	<b>5,243,229,190</b>	<b>1,451,233,975</b>	<b>67,645,560,915</b>	<b>2,279,280,347</b>	<b>69,924,841,262</b>

**Concentration of risks of financial assets exposed to credit risks  
(Business segments)**

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting period (excluding allowances for impairment). The gross amount of all financial assets is segmented into business sectors in which the bank's clients operate.

	Agricultural entities	Industrial entities	Trading institutions	Service institutions	Governmental sector	Foreign governmental	Other activities	Individuals	Total
Treasury bills	-	-	-	-	18,230,914,037	-	-	-	18,230,914,037
<b>Loans and credit facilities to customers</b>									
<b>Retail loans</b>									
Debit current accounts	-	-	-	-	-	-	-	777,564,869	777,564,869
Credit cards	-	-	-	-	-	-	-	390,553,837	390,553,837
Personal loans	-	-	-	-	-	-	-	7,432,138,566	7,432,138,566
Real estate loans	-	-	-	-	-	-	-	345,854,169	345,854,169
<b>Corporate loans</b>									
Debit current accounts	101,947,591	9,868,022,007	2,321,597,424	1,897,651,679	-	-	-	-	14,189,218,701
Direct loans	192,175,795	7,482,221,794	1,817,317,790	791,129,336	-	-	-	-	10,282,844,715
Syndicated loans and facilities	-	5,437,958,689	-	1,419,939,184	-	-	-	-	6,857,897,873
Other loans	2,935,939	847,396,751	170,422,359	467,415,744	-	-	53,342,310	-	1,541,513,103
Financial derivatives	-	2,799,846	-	-	-	-	10,378,674	-	13,178,520
<b>Financial Investments</b>									
Debt instruments	-	-	-	-	11,871,749,287	2,226,021,400	-	-	14,097,770,687
Other financial assets	1,556,529	116,514,709	21,243,431	25,743,253	535,858,196	42,056,613	2,115,023	44,101,000	789,186,754
<b>Total at the end of the current period</b>	<b>298,615,854</b>	<b>23,754,913,796</b>	<b>4,330,581,004</b>	<b>4,601,879,196</b>	<b>30,638,521,520</b>	<b>2,268,078,013</b>	<b>65,834,007</b>	<b>8,990,212,441</b>	<b>74,948,635,831</b>
<b>Total at the end of the comparative year</b>	<b>292,748,776</b>	<b>23,109,332,734</b>	<b>3,849,179,929</b>	<b>4,789,728,093</b>	<b>26,766,390,975</b>	<b>2,269,895,632</b>	<b>171,869,147</b>	<b>8,675,695,976</b>	<b>69,924,841,262</b>

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**(B) MARKET RISKS**

Market risk is the risk of losses resulting from unfavorable changes in market parameters. It contains all trading book transactions as well as some banking book portfolios valued using the mark-to-market approach. The bank's policy on market risk transactions is "Prudent" in that:

- Products subject to "market risk" which are offered by the bank to its customers are restricted to cash and simple financial derivatives such as interest rate swaps and foreign exchange swap and forward contracts.
- The only trading activity conducted by the bank is over-night foreign exchange position, within a prudent limit that cannot be exceeded.
- Open positions must be centrally managed and matched.

The front-office managers assume primary responsibility in terms of risk exposure; however, global management lies with an independent structure being the Market Risk Controller (MRC), within Risk Division. The main function of MRC is the ongoing analysis, independently from the trading rooms, of the positions and risks linked to the market activities of the Bank and the comparison of these positions to the allowed limits. The MRC carries out the following functions:

- Daily and periodic analysis and reporting (independently from the front office) of the exposures, stress tests and risks incurred by the Bank's market activities and comparison of said exposure and risks with the pre-set limits.
- Definition of The risk-measurement methods and control procedures, approval of The valuation methods used to calculate and monitor risks, including those made on a gross or nominal basis.
- Management of the approval process for limits.
- Reviewing new products or services from market risk aspect under New Product Committee to ensure that market risks are properly identified and controlled.

At the proposal of this MRC and Head of Risk Division, the Board sets the levels of authorized risk by type of market activity and makes the main decisions concerning Bank's market risk management.

**(B/1) Methods of Measuring Market Risk and Defining Exposure Limits**

As a part of managing market risk, the Bank has several hedging strategies and enters into interest rate swaps to balance the risks inherent in debt instruments and fixed rate long term loans, if the fair value option is applied. The bank uses a lot of methods to control market risk such as stress testing "ST".

Stress testing gives indicator of the loss volume expected that may arise from sharp adverse circumstances. Stress testing is designed to match business using standard analysis for specific scenarios. The bank sets set a maximum limit of expected losses of 10% from authorized limit according to internal bank rules.

**(B/2) Stress test for foreign exchange risk**

The following table provides F.X position (whether short or long) for all balance sheet items and off balance sheet items.

Currency	Outstanding nominal F.X. position in EGP equivalent	F.X. short positions	F.X. long positions	Expected loss at 10%
USD	(422,287,432)	(422,287,432)	-	(42,228,743)
EUR	3,659,969	-	3,659,969	365,997
GBP	380,253	-	380,253	38,025
JPY	41,127	-	41,127	4,113
CHF	202,662	-	202,662	20,266
DKK	3,110	-	3,110	311
NOK	111,458	-	111,458	11,146
SEK	17,917	-	17,917	1,792
CAD	75,089	-	75,089	7,509
AUD	(1,223)	(1,223)	-	(122)
AED	201,866	-	201,866	20,187
BHD	74	-	74	7
KWD	83,920	-	83,920	8,392
OMR	(12)	(12)	-	(1)
QAR	374,111	-	374,111	37,411
SAR	24,856	-	24,856	2,486
EGP	432,789,307	-	432,789,307	-
<b>Maximum expected loss from FX short positions to EGP at March 31, 2014</b>				<b>(41,711,224)</b>
<b>Maximum expected loss from FX short positions to EGP at December 31, 2013</b>				<b>(59,329,390)</b>

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**(B/3) Foreign exchange rate volatility risk (concentration of FX risk on financial instruments)**

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The board of directors set limits for foreign exchange risk at the total value of positions at the end of the day and during the day when timely control is exercised. The following table summarizes the bank's exposure to the risks of fluctuations in foreign exchange rates at the end of the reporting period. This table includes the carrying amounts of the financial instruments in terms of their relevant currencies and in EGP equivalent.

	EGP	USD	Euro	GBP	Other currencies	Total
<b>Financial assets</b>						
Cash and due from Central Bank of Egypt (CBE)	5,051,284,813	274,805,895	101,661,510	19,653,014	23,191,094	5,470,596,326
Due from banks	307,044,082	3,069,582,884	15,207,048	279,325,268	102,063,553	3,773,222,835
Treasury bills	17,856,088,342	374,825,695	-	-	-	18,230,914,037
Trading investments	221,064,075	-	-	-	-	221,064,075
Loans and credit facilities to customers, net	28,337,194,268	10,759,887,432	756,860,681	47,246,029	20,260	39,901,208,670
Financial derivatives	6,718,896	6,337,111	122,513	-	-	13,178,520
<b>Financial investments</b>						
Available-for-sale	11,943,355,756	1,665,653,315	671,461,881	-	-	14,280,470,952
Held to maturity	139,523,265	-	-	-	-	139,523,265
Other financial assets	722,975,635	36,713,868	29,103,687	339,509	54,055	789,186,754
<b>Total financial assets</b>	<b>64,585,249,132</b>	<b>16,187,806,200</b>	<b>1,574,417,320</b>	<b>346,563,820</b>	<b>125,328,962</b>	<b>82,819,365,434</b>
<b>Financial liabilities</b>						
Due to banks	888,658,053	545,707,054	51,291,725	10,949,135	6,317,960	1,502,923,927
Customer's deposits	54,456,565,260	13,387,173,850	2,829,147,232	330,391,228	119,762,678	71,123,040,248
Other loans	381,436,892	9,428,888	-	-	-	390,865,780
Other financial liabilities	895,173,270	14,541,537	1,360,141	140,532	1,206	911,216,686
<b>Total financial liabilities</b>	<b>56,621,833,475</b>	<b>13,956,851,329</b>	<b>2,881,799,098</b>	<b>341,480,895</b>	<b>126,081,844</b>	<b>73,928,046,641</b>
<b>Net financial position</b>	<b>7,963,415,657</b>	<b>2,230,954,871</b>	<b>(1,307,381,778)</b>	<b>5,082,925</b>	<b>(752,882)</b>	<b>8,891,318,793</b>
<b>At the end of the comparative year</b>						
<b>Total financial assets</b>	<b>60,570,475,355</b>	<b>14,653,345,950</b>	<b>1,520,505,014</b>	<b>297,320,208</b>	<b>100,826,175</b>	<b>77,142,472,702</b>
<b>Total financial liabilities</b>	<b>53,286,666,548</b>	<b>12,483,705,714</b>	<b>2,941,871,450</b>	<b>341,287,245</b>	<b>129,808,995</b>	<b>69,183,339,952</b>
<b>Net financial position</b>	<b>7,283,808,807</b>	<b>2,169,640,236</b>	<b>(1,421,366,436)</b>	<b>(43,967,037)</b>	<b>(28,982,820)</b>	<b>7,959,132,750</b>

**(B/4) Structural Interest Rate Risk**

Structural interest rate risk is linked to commercial activities and corporate center transactions. Structural interest rate risk arises from residual gaps (surplus or deficit) of the Bank's fixed-rate positions. The general principle is to reduce structural interest rate risk to the maximum extent.

Whenever possible, commercial operations are hedged against interest rate, either through micro-hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within the treasury department).

Consequently, structural interest rate risk only results from the residual positions remaining after hedging. The absence of interest rate derivative market in Egyptian pound makes it difficult to hedge positions in this currency.

**Organization of the management of Structural Interest Rate risks**

Identification and measurement of the risk is carried out by the Assets & Liabilities management Unit (ALMU) which comes under the authority of the bank Finance Department.

Risk assessment, limits and corrective actions are decided by the Assets & Liabilities management Committee (ALCO) headed by the Chairman with the participation of the Managing Directors, the Chief Financial Officer and the Commercial Divisions Heads, the Branch Network Head, the General Secretary and the Head of the Dealing Room.

Execution of the necessary actions decided by the ALCO for the rectification of the gaps is carried out by the dealing room through the financial market. Progress is reported and notified to the ALMU/ALCO.

**Assets & Liabilities Management Committee (ALCO) duties**

- Decide on The limits for The sensitivity.
- Review, validate and approve any assumptions used for The identification and measurements of The respective risks.
- Review interest rate Gap and sensitivity position reported through ALMU.
- Assess, amend and approve recommendations for bringing The Gap (if any) within The previously approved limits.



**Assets & Liabilities Management Unit (ALMU) duties**

- Document and maintain The respective risks management policy as approved by The ALCO.
- Construct and continuously elaborate on The models used for The identification and measurement of The respective risks.
- Report to ALCO on The respective exposures and The evolution of such exposures over time.
- Provide recommendations for bringing The gaps within limits.
- Follow up and notify ALCO of The progress made in The implementation of The ALCO decisions.

**Dealing Room duties**

- Provide frequent updates on markets movements.
- Execute and Report progress of ALCO approved recommendations.
- Co-ordinate with ALMU on The spontaneous hedging of special transactions according to ALCO approved policy and recommendations.

**Objective of the bank**

The bank aim is to reduce exposure to structural interest rate risk as much as possible.

Any residual interest rate risk exposure must comply with the sensitivity limits approved by the ALCO. Sensitivity is defined as the variation in the net present value of future residual fixed-rate positions for a 1% parallel increase in the yield curve. Adherence to applicable limits is closely monitored.

**Measurement and monitoring of structural interest rate risks**

In order to quantify the Bank's exposure to structural interest rate risks, all fixed rate assets and liabilities on future maturities are analyzed to identify any gaps.

On a quarterly basis, assets and liabilities are analyzed independently, without any prior matching. Maturities on outstanding positions are determined on the basis of the contractual terms of the transactions and models of historic client behavior (e.g. saving accounts) as well as conventional assumptions for some balance sheet items (e.g. equity).

Once the gaps have been identified for each major currency, the sensitivity is calculated as the variation of the net present value of the fixed rate position of an instantaneous parallel shift of the 1% in the yield curve of each major currency. The cumulative sensitivity for all currencies as well as for any single currency should not exceed the above mentioned limit.

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The following table summarizes the extent to which the Bank is exposed to the risks of fluctuations in the interest rate including the carrying amount of the financial instruments distributed on the basis of the rate prevailing in re-pricing dates or maturity dates, whichever is earlier.

At the end of the current period	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	Interest free	Total
<b>Financial assets</b>							
Cash and due from Central Bank of Egypt (CBE)	-	-	-	-	-	5,470,596,326	5,470,596,326
Due from banks	1,735,819,373	1,563,823,360	-	-	-	473,580,102	3,773,222,835
Treasury bills	4,059,317,140	3,328,781,606	10,842,815,291	-	-	-	18,230,914,037
Trading investments	-	-	-	-	-	221,064,075	221,064,075
Loans and credit facilities to customers, net	32,676,327,457	411,475,921	1,615,320,466	4,469,716,128	728,368,698	-	39,901,208,670
Financial derivatives	-	-	-	-	-	13,178,520	13,178,520
<b>Financial investments</b>							
Available-for-sale	826,308,504	153,340,517	369,969,513	7,160,751,037	5,462,877,851	307,223,530	14,280,470,952
Held to maturity	-	-	50,000,000	6,507,437	68,015,828	15,000,000	139,523,265
Other financial assets	-	-	-	-	-	789,186,754	789,186,754
<b>Total financial assets</b>	<b>39,297,772,474</b>	<b>5,457,421,404</b>	<b>12,878,105,270</b>	<b>11,636,974,602</b>	<b>6,259,262,377</b>	<b>7,289,829,307</b>	<b>82,819,365,434</b>
<b>IRS (notional amount)</b>	<b>12,523,500</b>	<b>-</b>	<b>662,632,300</b>	<b>597,891,001</b>	<b>-</b>	<b>-</b>	<b>1,273,046,801</b>
<b>Financial liabilities</b>							
Due to banks	1,150,060,078	-	-	-	-	352,863,849	1,502,923,927
Customer's deposits	23,186,844,762	10,356,393,296	12,219,110,556	10,971,628,279	22,832,000	14,366,231,355	71,123,040,248
Other loans	106,900,265	26,766,652	113,402,710	133,293,941	10,502,212	-	390,865,780
Other financial liabilities	-	-	-	-	-	911,216,686	911,216,686
<b>Total financial liabilities</b>	<b>24,443,805,105</b>	<b>10,383,159,948</b>	<b>12,332,513,266</b>	<b>11,104,922,220</b>	<b>33,334,212</b>	<b>15,630,311,890</b>	<b>73,928,046,641</b>
<b>IRS (notional amount)</b>	<b>137,743,342</b>	<b>390,850,959</b>	<b>744,452,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,273,046,801</b>
<b>Re-pricing gap</b>	<b>14,728,747,527</b>	<b>(5,316,589,503)</b>	<b>463,771,804</b>	<b>1,129,943,383</b>	<b>6,225,928,165</b>	<b>(8,340,482,583)</b>	<b>8,891,318,793</b>
<b>At the end of the comparative year</b>							
<b>Total financial assets</b>	<b>21,663,133,473</b>	<b>10,839,980,873</b>	<b>18,759,392,921</b>	<b>13,065,342,674</b>	<b>5,929,930,387</b>	<b>6,884,692,374</b>	<b>77,142,472,702</b>
<b>IRS (notional amount)</b>	<b>-</b>	<b>22,550,450</b>	<b>740,973,094</b>	<b>647,968,772</b>	<b>-</b>	<b>-</b>	<b>1,411,492,316</b>
<b>Total financial liabilities</b>	<b>19,548,423,337</b>	<b>9,985,325,568</b>	<b>12,401,875,281</b>	<b>11,452,568,878</b>	<b>43,147,168</b>	<b>15,751,999,720</b>	<b>69,183,339,952</b>
<b>IRS (notional amount)</b>	<b>140,111,087</b>	<b>1,271,381,229</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,411,492,316</b>
<b>Re-pricing gap</b>	<b>1,974,599,049</b>	<b>(394,175,474)</b>	<b>7,098,490,734</b>	<b>2,260,742,568</b>	<b>5,886,783,219</b>	<b>(8,867,307,346)</b>	<b>7,959,132,750</b>

(C) 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.

The bank manages this exposure through modeling of its cash flow under several scenarios.

Organization of Liquidity Risk Management

Identification and measurement of the risk is carried out by the Assets & Liabilities management Unit (ALMU) which comes under the authority of the bank Finance Department.

Risk assessment and corrective actions are decided by the Assets & Liabilities management Committee (ALCO) headed by the Chairman with the participation of the Managing Directors, the Chief Financial Officer and the Commercial Divisions Heads, the Branch Network Head, the General Secretary and the Head of the Dealing Room.

Execution of the necessary actions decided by the ALCO for the rectification of the gaps is carried out by the dealing room and/or the business lines. Progress is reported and notified to the ALMU/ALCO.

Assets & Liabilities Management Committee (ALCO) duties

- Review, validate and approve any assumptions and scenarios used for The identification and measurements of The respective risks.
- Review The structured liquidity Gap reported by ALMU.
- Assess, amend and approve recommendations for funding strategy and/or The portfolio composition for The remedy of The gaps.

Assets & Liabilities Management Unit (ALMU) duties

- Document and maintain the respective risks' management policy as approved by the ALCO.
- Construct and continuously elaborate on the models used for the identification and measurement of the respective risks.
- Report to ALCO on The respective exposures and The evolution of such exposures over time.
- Follow up and notify ALCO of the progress made in the implementation of the ALCO decisions.
- Co-ordinate with The various business lines for funding needs and Report potential impact on The liquidity gap.
- Test and advice on The potential impact of any new product offering on The structured liquidity positions.

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**Dealing Room duties**

- Is responsible for managing short term liquidity
- Provide frequent updates on markets' status and alerting signals of liquidity stretches
- Execute and Report progress of ALCO approved recommendations.
- Communicate their funding needs to ALMU for the construction of the liquidity gap.

**Objective of the bank**

The bank's objective is to finance its activities at the best possible rates under normal conditions and to ensure it can meet its obligations in the event of a crisis.

To this end, the main principles of the bank's liquidity management are as follows:

- Management of The short-term liquidity in accordance with The regulatory framework.
- Diversification of funding sources
- Maintenance of a portfolio of liquid assets.

**Measurement and monitoring of structural liquidity risks**

The bank's liquidity management framework comprises the following processes:

- Regular assessment of The Bank structural liquidity profile and its development over time.
- Monitoring of the diversification of funding sources.
- Assessment of the Bank's funding needs on the basis of the budget forecasts in order to plan appropriate funding solutions.

Liquidity gaps are constructed by listing the respective on and off-balance sheet-items according to the currency of denomination and residual maturity. Maturities on outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models of historic client behavior patterns (e.g. savings accounts) as well as conventional assumptions relating to certain balance sheet items (e.g. equity).

**Liquidity risk**

Liquidity risk represents difficulty encountering the Bank in meeting its financial commitments upon maturity and refurbishing amounts withdrawn. This may results in failure in fulfilling obligations related to depositors and meeting lending commitments.

Contractual maturities	March 31, 2014					Total
	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	
<b>Financial liabilities</b>						
Due to banks	1,515,785,428	-	-	-	-	<b>1,515,785,428</b>
Customer's deposits	37,838,114,001	10,901,765,729	13,722,103,923	12,520,024,156	27,453,464	<b>75,009,461,273</b>
Other loans	17,150,509	30,483,486	129,960,851	201,482,218	11,788,716	<b>390,865,780</b>
<b>Total financial liabilities</b>	<b>39,371,049,938</b>	<b>10,932,249,215</b>	<b>13,852,064,774</b>	<b>12,721,506,374</b>	<b>39,242,180</b>	<b>76,916,112,481</b>

- All balances shown in the table above represent the undiscounted cash flows; therefore, it is not possible to match these figures with the corresponding items in the statement of financial position.
- The spot foreign exchange rate and interest rate prevailing at that date are used in the above table.

Contractual maturities	December 31, 2013					Total
	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	
<b>Financial liabilities</b>						
Due to banks	297,473,016	-	28,118,943	-	-	<b>325,591,959</b>
Customer's deposits	34,319,049,254	10,431,535,192	13,825,028,553	12,905,839,324	30,666,013	<b>71,512,118,336</b>
Other loans	8,303,346	37,180,977	101,753,991	219,766,045	17,917,168	<b>384,921,527</b>
<b>Total financial liabilities</b>	<b>34,624,825,616</b>	<b>10,468,716,169</b>	<b>13,954,901,487</b>	<b>13,125,605,369</b>	<b>48,583,181</b>	<b>72,222,631,822</b>

- All balances shown in the table above represent the undiscounted cash flows; therefore, it is not possible to match these figures with the corresponding items in the statement of financial position.
- The spot foreign exchange rate and interest rate prevailing at that date are used in the above table.

Assets available to meet all liabilities and cover loan commitments include cash, balances with central Banks, balances due from Banks, treasury bills and other governmental notes, and loans and facilities to Banks and clients. Maturity term of percentage of loans to clients that are maturing within a year is extended in the normal course of the Bank's business. Moreover, some debt instruments, treasury bills and other governmental notes are pledged to cover liabilities. The Bank has the ability to meet unexpected net cash flows through selling securities, and finding other financing sources.

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Cash flow derivatives  
Derivatives settled on a gross-basis

The bank is a party to derivative contracts that are settled on a gross-basis, in particular currency forward deals. The following table shows derivative financial liabilities that shall be settled in gross distributed over the remaining period of contractual maturities at the balance sheet date. The amounts shown in the table represent the undiscounted cash flows.

Maturities for financial position items	March 31, 2014					Total
	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	
<b>Held for trading derivatives</b>						
Currency forward deals						
- Cash outflows	1,177,970,846	36,835,179	-	-	-	1,214,806,025
- Cash inflows	1,180,367,040	41,221,204	-	-	-	1,221,588,244
Maturities for financial position items	December 31, 2013					Total
	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	
<b>Held for trading derivatives</b>						
Currency forward deals						
- Cash outflows	1,458,939,887	8,054,372	36,289,433	-	-	1,503,283,692
- Cash inflows	1,459,231,213	8,056,719	40,663,342	-	-	1,507,951,274

Cash flow for Off balance sheet items

Maturities for off -balance sheet items	March 31, 2014			
	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Loan commitments	21,611,607	-	-	21,611,607
Financial guarantees	1,220,525	-	-	1,220,525
Operating lease commitments	36,735,424	94,093,879	28,558,102	159,387,405
Capital commitments resulting from acquisition of Property and Equipment	435,410,936	-	-	435,410,936
<b>Total</b>	<b>494,978,492</b>	<b>94,093,879</b>	<b>28,558,102</b>	<b>617,630,473</b>
Maturities for off -balance sheet items	December 31, 2013			
	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Loan commitments	41,524,116	-	-	41,524,116
Financial guarantees	1,219,202	-	-	1,219,202
Operating lease commitments	36,648,897	90,618,067	25,135,479	152,402,443
Capital commitments resulting from acquisition of Property and Equipment	426,005,966	-	-	426,005,966
<b>Total</b>	<b>505,398,181</b>	<b>90,618,067</b>	<b>25,135,479</b>	<b>621,151,727</b>

(D) Fair value of financial assets and liabilities and sources of fair value

(D/1) Financial instruments measured at fair value

Financial assets classified as held for trading are measured at fair value with changes in fair value recognized in profit or loss and reported in the line item "net trading income" in the income statement.

Debt instruments classified as available-for-sale financial assets are measured at fair with changes in fair value recognized directly in equity and accumulated in the "revaluation reserve for available-for-sale investments".

Equity instruments classified as available-for-sale financial assets that are traded in an active market are measured at fair value by reference to quoted market prices prevailing at the reporting date with changes in fair value recognized directly in equity and accumulated in the "revaluation reserve for Available-for-sale investments".

Equity instruments that do not have quoted prices in an active market and whose fair value cannot be measured reliably are stated at cost.



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**(D/2) Financial instruments not measured at fair value**

The following table summarizes the carrying amount and fair value of financial assets and liabilities that are not stated in the statement of financial position at fair value:

	Carrying amount		Fair value	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
<b>Financial assets</b>				
Due from banks	3,773,222,835	2,973,758,039	3,773,222,835	2,973,758,039
Loans and credit facilities to customers, net	39,901,208,670	38,891,440,323	Not Determined	Not Determined
<b>Financial investments :</b>				
Equity instruments				
Available-for-sale	175,372,347	175,371,255	Not Determined	Not Determined
<b>Held to maturity</b>				
Debt instruments	124,523,265	50,000,000	125,584,089	51,370,569
Mutual fund certificates	15,000,000	15,000,000	24,850,200	22,770,385
<b>Financial liabilities :</b>				
Due to banks	1,502,923,927	325,390,473	1,502,923,927	325,390,473
Customers' deposits	71,123,040,248	67,686,386,964	Not Determined	Not Determined
Other loans	390,865,780	384,921,527	390,865,780	384,921,527

It was impracticable to measure the fair value for the remainder financial assets & liabilities at the end of current period or prior year.

**Due from Banks:**

The carrying amount of variable interest rate placements and deposits for one day represents its fair value. For non-interest bearing balances due from banks, the carrying amount represents their fair value. The carrying amount of fixed interest rate deposits represents their fair value since the maturity of these deposits is less than one year.

**Loans and credit facilities to customers:**

Loans and credit facilities are stated at the statement of financial position net of allowance for impairment losses.

**Available-for-sale investments not listed in stock exchange market**

The fair value for Available-for-sale investments not listed in stock exchange market cannot be measured reliably.

**Held to maturity investments:**

Held to maturity investments as shown in the preceding table include Egyptian treasury bonds classified as held to maturity investments. It also includes money market fund certificates at the date of the initial offering issued by the bank which should be held by the bank until maturity of the fund in accordance with the Egyptian law. Fair value of Egyptian treasury bonds classified as held to maturity investments is determined based on their quoted market prices at the reporting date. Fair value of the bank's money market fund units is determined based on the redeemable price announced by the bank at the reporting date.

**Customers' deposits and due to other banks:**

The estimated fair value for deposits of indefinite maturity, including free-interest rate deposits, represents the amount paid on demand.

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**(E) Capital management**

For capital management purposes, the bank's capital includes total equity as reported in the statement of financial position plus some other elements that are managed as capital. The bank manages its capital to ensure that the following objectives are achieved:

- Compliance with the legally imposed capital 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 of the bank's operations.

Capital adequacy and uses are reviewed by the bank's management in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE). Data are submitted and filed with the CBE on a quarterly basis. The CBE requires the bank to comply with the following:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital. the bank's paid-in capital amounted to EGP 4,878,894,920 at the end of the current period.
- Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk-weighted average of the bank's assets and contingent liabilities. The bank's capital adequacy ratio reached 17.23% at the end of the current period. (December 31, 2013: 14.91%) according to basel II.

The numerator in the capital adequacy ratio according to Basel II comprise the following 2 tiers:

- Tier 1: basic capital which comprises paid-in capital (net of treasury stock), plus: retained earnings and reserves resulting from profit appropriations (other than general reserve for banking risks and special reserves), less: any goodwill previously recognized and any carried forward losses.
- Tier 2: subordinated capital which comprises an amount equal to the loans general provision calculated in accordance with the credit rating bases issued by the CBE provided it does not exceed 1.25% from the total risk-weighted average of assets and contingent liabilities, plus: the carrying amount of subordinated loans/deposits maturing over more than 5 years (provided that such carrying amount shall be reduced by 20 % of its value in each of the last five years of their maturity), plus: 45 % of the increase in fair value above the carrying amount of available-for-sale investments, held to maturity investments, and investments in subsidiaries and associates and 45% from capital reserve.

In calculating the numerator of the capital adequacy ratio, total value of tier 2 should not exceed total value of tier 1. Also, total value of subordinated loans (deposits) should not exceed 50 % of tier 1.

Assets are risk weighted at a range of 0 to 200 %. Risk classification of these assets is based on the type of the debtor as to reflect the associated credit risk and after consideration of cash collaterals. The same treatment is applied for the off-balance sheet items which shall be adjusted to reflect the contingent nature of and potential loss on these amounts.

Capital adequacy Standard had been prepared based on Basel II requirements, and Central Bank of Egypt Board of Directors had approved in its meeting held on December 18,2012. which had been issued on December 24,2012.

The tables below summarizes the compositions of tier 1, tier 2 and the capital adequacy ratio based on Basel II:

<b>According to Basel II</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<b>Tier 1 capital</b>		
Share capital	4,878,894,920	4,878,894,920
General reserve	3,396,877,772	1,860,793,096
Legal reserve	557,597,833	470,582,501
Other reserves	9,219,034	9,208,496
Retained earnings	63,011,588	103,583,457
Total deduction from capital invested	(81,495,746)	(464,115)
<b>Total tier 1 capital</b>	<b>8,824,105,401</b>	<b>7,322,598,355</b>
<b>Tier 2 capital</b>		
45% from special reserve	8,643,920	9,655,274
Impairment provision for loans and contingent liabilities*	622,823,447	607,210,760
45 % of the increase in the fair value above the carrying amount of Available-for-sale investment, held to maturity investments, and investments in associates.	251,962,195	297,742,035
<b>Total tier 2 capital</b>	<b>883,429,562</b>	<b>914,608,069</b>
<b>Total capital</b>	<b>9,707,534,963</b>	<b>8,237,206,424</b>
<b>Risk weighted assets and contingent liabilities:</b>		
Credit Risk	50,249,557,970	48,998,974,506
Market Risk	580,440,250	730,747,752
Operational Risk	5,503,508,020	5,503,508,020
<b>Total risk weighted assets and contingent liabilities</b>	<b>56,333,506,240</b>	<b>55,233,230,278</b>
<b>Capital adequacy ratio for tier one</b>	<b>15.66%</b>	<b>13.26%</b>
<b>Capital adequacy ratio</b>	<b>17.23%</b>	<b>14.91%</b>

\* Provided it does not exceed 1.25% from total value of risk weighted assets and contingent liabilities.

#### 4- Significant accounting estimates and assumptions :

In the application of the bank's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### a. Impairment of Loans and credit facilities

The bank reviews its Loans and credit facilities portfolio, at least, on a quarterly basis. Management uses its discretionary judgment in determining whether it is necessary to recognize impairment loss in the income statement. This requires it to identify any reliable evidence indicating measurable decline in the expected future cash flows from loan portfolio before identifying any decline for each individual loan.

This evidence includes 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 similar 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 management given experience.

##### b. Impairment of investment in equity instruments available-for-sale :

Available-for sale equity investments are determined to be impaired when there has been a significant or prolonged decline in the fair value below its cost. The bank considers the decline in fair value as significant. The determination of whether the decline is significant or prolonged requires judgment. In making this judgment, the bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the investee's financial position or in its operating and financing cash flows, deterioration in the industry or sector performance in which it operates, or when changes in technology occur.

The bank is unlikely to suffer any additional loss, as the "revaluation reserve for available-for-sale investments," reported in equity does not include any unrealized losses from fair value measurement.

##### c. Fair value of derivatives

Fair value of derivative financial instruments not quoted in an active market is determined using valuation techniques. When these techniques (such as the pricing models) are used to determine fair value, periodic tests and review are performed on them using competent independent personnel other than those responsible for the preparation of such techniques. All such models have been approved and tested prior to use to ensure that their results reflect reliable data and prices that can be compared to the market. These models use market observable data only to the extent it is practical to obtain such data, however, some areas such as credit risk related to the bank and counterparties, volatility and correlations requires management's judgment. Changes in assumptions about these factors can affect the fair value of the financial instrument's disclosure.

##### d. Held to maturity investments:

Non-derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity. This classification requires personal judgment therefore the bank Judge 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 circumstances such as if an entity sells an insignificant amount of held to maturity investments close to maturity date, all held to maturity investments should be reclassified as available-for-sale, which will be measured at fair value instead of amortized cost. In addition, the bank shouldn't classify any investments as held to maturity for consecutive two years.

If classification of investments as held to maturity – other than stakes required to be retained by the group in accordance with the provisions of the law – were suspended by the bank, the carrying amount of the outstanding held-to-maturity investments at the end of the current reporting period would have increased by EGP 1,060,824 to reach the fair value with a corresponding increase in the available-for-sale valuation reserve within equity.

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5- Segmentation analysis  
(5/A) Segmental analysis by activity

Segment activity includes operational processes, assets used in offering Banking services, management of surrounding risks and related yield. Such activity may be different from other activities. Segmentation analysis of operations according to banking activities includes:

**Corporate:** This includes current account activities, deposits, debit current accounts, loans, credit facilities, and financial derivatives to large, medium, and small entities.

**Individuals:** This includes current account activities, deposits, savings, credit cards, personal loans, and real estate loans.

**Other businesses:** They include other Banking activities such as fund management and insurance activity.

Inter-segment activities are affected within the bank's normal course of business. Assets and liabilities of each segment include operating assets and liabilities as shown in the bank's balance sheet.

At the end of current period

Income and expenses according to segmental activities (31 March 2014)	Corporate	Investments	Individuals	Other businesses	Total
Net interest income	293,679,786	(18,880,682)	267,281,423	283,458,413	825,538,940
Net fee and commission income	159,316,724	990,633	98,262,467	(63,499)	258,506,325
Dividend income	-	5,017,666	-	-	5,017,666
Net trading income	15,884,258	-	1,288,130	2,487,315	19,659,703
Gain on financial investments	-	487,370	-	-	487,370
Impairment credit losses	(107,304,003)	-	(21,134,840)	-	(128,438,843)
Administrative expenses	(145,578,813)	(144,071)	(204,977,353)	8,854,286	(341,845,951)
Other operating revenues (expenses)	38,977,771	45,882,152	(25,272,685)	8,002,846	67,590,084
Share of profits of associates	-	(10,631)	-	-	(10,631)
<b>Profit before income tax</b>	<b>254,975,723</b>	<b>33,342,437</b>	<b>115,447,142</b>	<b>302,739,361</b>	<b>706,504,663</b>
Income tax expense	(77,944,909)	3,816,605	(21,640,270)	(77,201,774)	(172,970,348)
<b>Net profit for the Current period</b>	<b>177,030,814</b>	<b>37,159,042</b>	<b>93,806,872</b>	<b>225,537,587</b>	<b>533,534,315</b>

Assets and liabilities according to segmental activities (31 March 2014)	Corporate	Investments	Individuals	Other businesses	Total
Segment activity assets	33,248,161,858	32,318,529,316	8,560,761,508	8,164,427,617	82,291,880,299
Unclassified assets	-	-	-	-	4,839,448,102
<b>Total assets</b>	<b>33,248,161,858</b>	<b>32,318,529,316</b>	<b>8,560,761,508</b>	<b>8,164,427,617</b>	<b>87,131,328,401</b>
Segment activity liabilities	40,075,213,495	-	31,499,947,378	2,035,763,858	73,610,924,731
Unclassified liabilities	-	-	-	-	3,264,161,343
<b>Total liabilities</b>	<b>40,075,213,495</b>	<b>-</b>	<b>31,499,947,378</b>	<b>2,035,763,858</b>	<b>76,875,086,074</b>

At the end of comparative period

Income and expenses according to segmental activities (31 March 2013)	Corporate	Investments	Individuals	Other businesses	Total
Net interest income	270,433,355	(11,261,414)	221,952,620	205,505,492	686,630,053
Net fee and commission income	139,490,863	632,030	76,750,490	9,294,648	226,168,031
Dividend income	-	5,569,626	-	-	5,569,626
Net trading income	62,461,764	-	3,609,404	(10,831,184)	55,239,984
Gain on financial investments	-	3,456,368	-	-	3,456,368
Impairment credit losses	(84,592,070)	-	(18,340,792)	-	(102,932,862)
Administrative expenses	(136,657,387)	(690,740)	(224,216,146)	7,588,909	(353,975,364)
Other operating revenues (expenses)	39,732,449	(45,546,253)	(3,898,064)	83,421,508	73,709,640
Share of profits of associates	-	2,594,407	-	-	2,594,407
<b>Profit before income tax</b>	<b>290,868,974</b>	<b>(45,245,976)</b>	<b>55,857,512</b>	<b>294,979,373</b>	<b>596,459,883</b>
Income tax expense	(72,152,233)	11,960,096	(13,964,378)	(59,234,653)	(133,391,168)
<b>Net profit for the Comparative period</b>	<b>218,716,741</b>	<b>(33,285,880)</b>	<b>41,893,134</b>	<b>235,744,720</b>	<b>463,068,715</b>

At the end of comparative year

Assets and liabilities according to segmental activities (31 December 2013)	Corporate	Investments	Individuals	Other businesses	Total
Segment activity assets	32,499,365,459	29,019,651,021	8,271,471,880	6,966,780,465	76,757,268,825
Unclassified assets	-	-	-	-	4,501,581,880
<b>Total assets</b>	<b>32,499,365,459</b>	<b>29,019,651,021</b>	<b>8,271,471,880</b>	<b>6,966,780,465</b>	<b>81,258,850,705</b>
Segment activity liabilities	38,132,812,197	-	29,796,283,016	467,603,751	68,396,698,964
Unclassified liabilities	-	-	-	-	2,852,618,751
<b>Total liabilities</b>	<b>38,132,812,197</b>	<b>-</b>	<b>29,796,283,016</b>	<b>467,603,751</b>	<b>71,249,317,715</b>

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Segmentation analysis

(5/B) Segmental analysis by geographic area

At the end of current period

Income and expenses according to geographical segments (31 March 2014)

	Cairo	Giza	Alex	Delta	Red sea / Upper Egypt	Head office	Total
Net interest income	203,716,892	198,285,320	83,963,798	67,040,975	24,877,124	247,654,831	825,538,940
Net fee and commission income	87,176,409	77,157,782	25,083,563	23,687,021	10,636,751	34,764,799	258,506,325
Dividend income	-	-	-	-	-	5,017,666	5,017,666
Net trading income	8,135,721	2,845,101	1,031,437	641,322	192,242	6,813,880	19,659,703
Gain on financial investments	-	-	-	-	-	487,370	487,370
Impairment credit losses	(70,955,699)	(43,248,630)	(16,632,869)	(7,145,388)	(15,891,243)	25,434,986	(128,438,843)
Administrative expenses	(135,876,024)	(111,270,563)	(51,439,547)	(40,380,595)	(21,395,276)	18,516,054	(341,845,951)
Other operating revenues (expenses)	86,408,296	(6,732,936)	(3,070,424)	(2,600,283)	(1,403,587)	(5,010,982)	67,590,084
Share of profits of associates	-	-	-	-	-	(10,631)	(10,631)
<b>Profit before income tax</b>	<b>178,605,595</b>	<b>117,036,074</b>	<b>38,935,958</b>	<b>41,243,052</b>	<b>(2,983,989)</b>	<b>333,667,973</b>	<b>706,504,663</b>
Income tax expense	(35,510,712)	(29,259,018)	(9,733,989)	(10,310,763)	745,997	(88,901,863)	(172,970,348)
<b>Net profit for the Current period</b>	<b>143,094,883</b>	<b>87,777,056</b>	<b>29,201,969</b>	<b>30,932,289</b>	<b>(2,237,992)</b>	<b>244,766,110</b>	<b>533,534,315</b>

Assets and liabilities according to geographical segments (31 March 2014)

	Cairo	Giza	Alex	Delta	Red sea / Upper Egypt	Head office	Total
Assets of geographical segments	20,012,044,297	12,231,030,101	4,939,720,216	5,554,986,133	1,577,418,717	42,538,678,584	86,853,878,048
Unclassified assets	-	-	-	-	-	-	277,450,353
<b>Total assets</b>	<b>20,012,044,297</b>	<b>12,231,030,101</b>	<b>4,939,720,216</b>	<b>5,554,986,133</b>	<b>1,577,418,717</b>	<b>42,538,678,584</b>	<b>87,131,328,401</b>
Liabilities of geographical segments	29,522,111,022	24,232,743,580	11,849,616,685	6,260,802,215	2,066,122,395	1,181,359,095	75,112,754,992
Unclassified liabilities	-	-	-	-	-	-	1,762,331,082
<b>Total liabilities</b>	<b>29,522,111,022</b>	<b>24,232,743,580</b>	<b>11,849,616,685</b>	<b>6,260,802,215</b>	<b>2,066,122,395</b>	<b>1,181,359,095</b>	<b>76,875,086,074</b>

At the end of comparative period

Income and expenses according to geographical segments (31 March 2013)

	Cairo	Giza	Alex	Delta	Red sea / Upper Egypt	Head office	Total
Net interest income	163,578,049	183,126,547	70,574,309	55,632,265	19,543,670	194,175,213	686,630,053
Net fee and commission income	73,951,685	65,689,640	22,081,611	17,451,841	7,578,714	39,414,540	226,168,031
Dividend income	-	-	-	-	-	5,569,626	5,569,626
Net trading income	28,092,381	19,613,856	9,413,340	6,237,503	1,763,187	(9,880,283)	55,239,984
Gain on financial investments	-	-	-	-	-	3,456,368	3,456,368
Impairment credit losses	(37,585,174)	(6,706,737)	(7,826,718)	(5,659,750)	(4,699,066)	(40,455,417)	(102,932,862)
Administrative expenses	(148,450,329)	(127,924,855)	(54,998,138)	(43,693,012)	(27,055,183)	48,146,153	(353,975,364)
Other operating revenues (expenses)	14,763,694	(6,880,318)	(6,676,560)	(4,929,280)	(3,939,840)	81,371,944	73,709,640
Share of profits of associates	-	-	-	-	-	2,594,407	2,594,407
<b>Profit before income tax</b>	<b>94,350,306</b>	<b>126,918,133</b>	<b>32,567,844</b>	<b>25,039,567</b>	<b>(6,808,518)</b>	<b>324,392,551</b>	<b>596,459,883</b>
Income tax expense	(23,022,567)	(31,729,533)	(8,141,961)	(6,259,892)	1,702,130	(65,939,345)	(133,391,168)
<b>Net profit for the Comparative period</b>	<b>71,327,739</b>	<b>95,188,600</b>	<b>24,425,883</b>	<b>18,779,675</b>	<b>(5,106,388)</b>	<b>258,453,206</b>	<b>463,068,715</b>

At the end of comparative year

Assets and liabilities according to geographical segments (31 December 2013)

	Cairo	Giza	Alex	Delta	Red sea / Upper Egypt	Head office	Total
Assets of geographical segments	19,069,782,351	11,814,112,794	4,966,115,536	5,130,762,804	1,494,059,019	38,499,195,325	80,974,027,829
Unclassified assets	-	-	-	-	-	-	284,822,876
<b>Total assets</b>	<b>19,069,782,351</b>	<b>11,814,112,794</b>	<b>4,966,115,536</b>	<b>5,130,762,804</b>	<b>1,494,059,019</b>	<b>38,499,195,325</b>	<b>81,258,850,705</b>
Liabilities of geographical segments	27,641,581,878	22,879,902,647	11,088,919,426	5,403,887,743	2,004,250,125	666,834,280	69,685,376,099
Unclassified liabilities	-	-	-	-	-	-	1,563,941,616
<b>Total liabilities</b>	<b>27,641,581,878</b>	<b>22,879,902,647</b>	<b>11,088,919,426</b>	<b>5,403,887,743</b>	<b>2,004,250,125</b>	<b>666,834,280</b>	<b>71,249,317,715</b>

Geographical Segmental analysis is based on the locations of branches through which the bank provides its services.



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	March 31, 2014	March 31, 2013
<b>6- Net interest income</b>		
Interest from loans and similar income:		
Loans and credit facilities:		
- Customers	942,215,999	892,209,788
<b>Total</b>	<b>942,215,999</b>	<b>892,209,788</b>
Treasury bills and bonds	861,051,853	514,979,813
Deposits and current accounts	6,375,374	2,966,378
Net interest differential on hedging instruments (IRS contracts)	2,659,282	4,102,683
<b>Total</b>	<b>1,812,302,508</b>	<b>1,414,258,662</b>
Cost of deposits and similar expense :		
Deposits and current accounts:		
- Banks	(21,780,671)	(29,167,856)
- Customers	(964,982,897)	(697,012,000)
<b>Total</b>	<b>(986,763,568)</b>	<b>(726,179,856)</b>
Other loans	-	(1,448,753)
<b>Total</b>	<b>(986,763,568)</b>	<b>(727,628,609)</b>
<b>Net</b>	<b>825,538,940</b>	<b>686,630,053</b>
<b>7- Net fee and commission income:</b>		
Fee and commission income :		
Credit fees and commissions	196,594,689	160,646,488
Custody fees	5,013,492	7,230,698
Investments commissions	4,972,380	7,689,050
Other Fees	70,217,913	60,539,660
<b>Total</b>	<b>276,798,474</b>	<b>236,105,896</b>
Fee and commission expense:		
Brokerage fees	(2,187,135)	(1,886,557)
Other fees	(16,105,014)	(8,051,308)
<b>Total</b>	<b>(18,292,149)</b>	<b>(9,937,865)</b>
<b>Net</b>	<b>258,506,325</b>	<b>226,168,031</b>
<b>8- Dividend income</b>		
Investment funds	200,000	400,000
Available-for-sale investments	4,817,666	5,169,626
<b>Total</b>	<b>5,017,666</b>	<b>5,569,626</b>
<b>9- Net trading income:</b>		
Forex operations:		
Foreign exchange trading gains	12,875,565	64,198,712
Investment funds held for trading	4,693,490	-
Changes in fair value of currency forward contracts	2,259,698	(9,046,231)
Held for trading debt instruments	(169,050)	87,503
<b>Total</b>	<b>19,659,703</b>	<b>55,239,984</b>
<b>10- Administrative expenses</b>		
<b>Staff cost:</b>		
Salaries and wages	148,447,192	191,402,355
Social insurance	7,216,321	5,841,438
<b>Pension cost:</b>		
Defined contribution scheme	12,237,417	10,821,310
Other retirement benefits (Defined benefit scheme )	11,763,016	3,780,250
<b>Total</b>	<b>179,663,946</b>	<b>211,845,353</b>
Depreciation and amortization	35,649,804	33,488,163
Other administrative expenses	126,532,201	108,641,848
<b>Total</b>	<b>341,845,951</b>	<b>353,975,364</b>
<b>11- Other operating revenues (expenses)</b>		
Foreign exchange differences from translation of foreign currency monetary assets and liabilities other than held for trading items and those classified as at fair value through profit or loss on initial recognition	3,411,772	80,063,523
Gain on sale of property, plant, and equipment	-	7,038
Software cost	(9,488,167)	(5,759,843)
Operating lease rental expense	(13,366,532)	(11,286,088)
Gain on sale of foreclosed assets reverted to the bank in settlement of debts	-	115,449
Other provisions (net of reversed amounts)	(10,888,033)	(37,331,496)
Finance leases revenue	171,793,753	160,587,886
Other leasing revenues	3,902,465	4,741,168
Depreciation of leased assets	(118,580,352)	(110,243,637)
Impairment loss on leased assets	(7,502,000)	(9,948,409)
Net Income received from Insurance activity	10,212,105	-
Negative goodwill resulting from acquiring subsidiaries*	35,156,301	-
Other income (expense)	2,938,772	2,764,049
<b>Total</b>	<b>67,590,084</b>	<b>73,709,640</b>

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\* In January,02 2014, The group concluded the acquisition of controlling stack in NSGB life insurance using the acquisition method. The management calculated the fair value using the provisional fair value accounting according to it's best available estimates which resulted in a gain with total amount of 35 156 302 EGP. The following table describes the results of the acquisition:

**The fair value of NSGB Life insurance assets and liabilities:**

Total Assets	735,261,340
Total Liabilities	611,497,276
<b>Net Assets</b>	<b>123,764,064</b>
Purchase consideration transferred for the additional stacke 75%	57,666,747
Net book value of the investment as of December,31 2013	30,941,016
<b>Negative Goodwill resulted from the acquisition</b>	<b>35,156,301</b>

12- Impairment credit losses	March 31, 2014	March 31, 2013
Loans and credit facilities to customers	(128,438,843)	(102,932,862)
<b>Total</b>	<b>(128,438,843)</b>	<b>(102,932,862)</b>

13- Income tax expense	March 31, 2014	March 31, 2013
Current tax	(170,866,167)	(131,726,399)
Deferred tax	(2,104,181)	(1,664,769)
<b>Total</b>	<b>(172,970,348)</b>	<b>(133,391,168)</b>

Additional data on deferred tax is disclosed in note (33). Income tax expense is different from the tax that would have arisen had the statutory tax rate been applied on pre-tax accounting profit as shown below:

Profit before tax	706,504,663	596,459,883
Income tax calculated at 20 % tax rate	-	4,000,000
Income tax calculated at 25 % tax rate	176,626,166	144,114,971
<b>Tax impact for:</b>		
Non-taxable income	(10,915,916)	(4,932,244)
Non-deductible expenses for tax purposes	255,050	1,173,287
Utilization of deferred tax assets	(7,384,622)	(7,613,858)
Tax rate diff. on Egyptian T.Bills and T.bonds	-	(24,500,899)
Prior-years' tax settlements	(1,151,492)	976,865
Provision and segregated interest	13,436,981	18,508,277
<b>Effective income tax expense</b>	<b>170,866,167</b>	<b>131,726,399</b>

**Tax Position**

**A) QNB ALAHLI Position:**

**A-1) Corporate Tax**

The Bank's accounts were tax-inspected and settled with respect to Tax since the beginning of activity till the end of 2010. Year 2011 have been inspected and the bank received tax claims to which it has objected. An internal committee has not been scheduled yet. Year 2012 the Bank submitted its tax return on the due date and under inspection by tax authority. Year 2013 the Bank is preparing the tax return to be presented to tax authority before April 30, 2014.

**A-2) Salaries Taxes**

The Bank's books have been inspected, and the due tax was paid until year 2004. Years 2005 till 2006 have been inspected by the tax authorities and waiting for tax claims. Years 2007 till 2009 under inspection by the tax authorities. Years 2010 till 2011 the bank is preparing required documents for these years to start inspection with tax authorities. Year 2012 and 2013 the Bank submitted its tax return on the due date and books have not been inspected yet.

**A-3) Stamp duties**

The Bank's books have been inspected, and the due tax was paid for all branches until July 31, 2006, where the relevant final tax forms are yet to be received. Period from August 01,2006 till December 31,2007 have been inspected by the tax authorities and waiting for tax claims. Period from January 01, 2008 till December 31, 2011 the bank is preparing required documents for these years to start inspection with tax authorities. Year 2012 and 2013 the Bank submitted its tax return on the due date and books have not been inspected yet.

**(B) EX-MIBank Position:**

**B-1) Corporate Tax**

The Bank's accounts were tax- inspected,and settled since the beginning of activity till November 30, 2006.

**B-2) Salaries Taxes**

The Bank's books have been inspected, and the due tax was paid till November 30, 2006.

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**B-3) Stamp duties**

The Bank's books have been inspected, and the tax due was paid for all branches until July 31, 2006, where the relevant final tax forms are yet to be received.

Period from August 01, 2006 till November 30, 2006 have been inspected by the tax authorities and waiting for tax claims.

**(C) QNB ALAHLI Leasing Position (affiliated company):**

**C-1) Corporate Tax**

Years from activity inception until 2001 the company was tax inspected, assessment was carried out and the payment thereof was made be it known that the company is exempted from corporate tax for the period of five years ending on December 31, 2002.

Years from 2002 to 2004, the Company was tax re-inspected on actual basis by the Tax Authority according to the decision of the internal committee to perform the tax re-inspection, which resulted in notifying the company of the following:

- Corporate tax amounted to EGP 15,161,855 for year's 2003/2004 taking into consideration that the company is exempted from corporate tax for the year 2002 according to the stipulation of article (16) of the investment guarantees and incentives Law no. 8 for year 1997.
- Movables tax amounted to EGP 113,849.
- Tax imposed on independent bases amounted to EGP 2,545,536.

The company objected to the result of the tax inspection, and the tax dispute is submitted to the internal committee but it's not yet settled to date.

Year 2005, the Company was tax inspected, tax assessment was carried out and the payment thereof was made.

Year 2006, an estimative tax inspection was conducted for that period and the company objected to the tax inspection result form (19) in legal due date. The internal committee issued a decree of re-inspection of the period on actual basis & the company was re-inspected on actual basis but the company objected the results of the re-inspection and the dispute was submitted to the internal committee which is not yet studied by tax authority.

Year 2007, actual tax inspection conducted for that period and the company objected to the tax inspection result form (19) in legal due date. the dispute was submitted to the internal committee which is not yet studied by tax authority.

Years from 2008 till 2012, the company submitted its tax returns according to stipulation of law (91) for year 2005 during the legal due date and the company is not yet inspected to date.

**C-2) Salary tax**

Years from activity inception until December 31, 2007, an estimative tax inspection was conducted for that period and the company objected to the tax inspection result. The internal committee issued a decree of re-inspection of the period on actual basis & the company was re-inspected on actual basis but the results of the re-inspection are not yet declared to date.

Years from 2008 to 2012, the company was tax inspected but the results was not yet declared to date.

**C-3) Stamp duties**

Period from January 01, 2001 to December 31, 2007, the Company was tax inspected and the tax assessment was carried out and the payment thereof was made.

Period from January 01, 2008 to December 31, 2010, the company was tax inspected, tax assessment was carried out and the payment thereof was made.

Period from January 01, 2011 to December 31, 2012, no tax inspection has been carried out up till date.

**(D) QNB ALAHLI Factoring Company Position (affiliated company):**

**D-1) Corporate Tax**

The company is subject to income tax law No. 91 of 2005 and its executive statute.

Year 2012, the company submitted the tax returns on the due date and the tax inspection has not been carried out by the tax administration up to this date

**D-2) Salary tax**

The company is not abided by deducting and delivering salary taxes, as the company's employees are seconded by QNB ALAHLI (Major Shareholder).

**D-3) Withholding tax**

The company is committed to withholding tax and delivering it to tax authority on due dates.

**(E) NSGB LIFE INSURANCE Company Position (affiliated company):**

**E-1) Corporate Tax**

The company has received deemed tax claim from inception till June 30, 2005. The company objected the deemed tax claim at the due date. No tax inspection has taken place from 2004 up to June 30, 2012.

The company prepares its tax return and paid the tax due on the legal dates.

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**E-2) Salary tax**

The tax authority inspection and settlement took place for the period since inspection till 2006.  
No tax inspection has taken place from 2007 up to June 30, 2013. However, the company is settling all tax dues on its legal dates.

**E-3) Stamp duties**

The tax inspection has take place from 2004 up to June 30, 2006.  
No tax inspection has take place from July 1, 2006 up to December 31, 2013. However, The company is settling all tax dues in its legal dates.

14- Earning per share	March 31, 2014	March 31, 2013
Net profit for the period	477,892,845	454,640,255
Remuneration for the Board Members (from the period's net profit)*	(500,000)	(475,000)
Staff profit share (from the period's net profit)*	(48,402,263)	(51,668,315)
<b>Profit available to shareholders</b>	<b>428,990,582</b>	<b>402,496,940</b>
Weighted average number of the shares outstanding during the period	487,889,492	487,889,492
<b>** Earning Per Share</b>	<b>0.88</b>	<b>0.82</b>

\* Estimate amount based on bank approved budget, the actual amount will be subject to the ordinary GAM approval at the end year.

\*\* Based on separate financial statements

15- Cash and due from Central Bank of Egypt (CBE)	March 31, 2014	December 31, 2013
Cash	1,643,825,869	1,722,100,939
Balances with CBE (mandatory reserve)	3,826,770,457	3,984,241,403
<b>Total</b>	<b>5,470,596,326</b>	<b>5,706,342,342</b>
Interest free balances	5,470,596,326	5,706,342,342
<b>Total</b>	<b>5,470,596,326</b>	<b>5,706,342,342</b>

16- Due from banks	March 31, 2014	December 31, 2013
Current accounts	578,338,150	306,051,972
Deposits	3,194,884,685	2,667,706,067
<b>Total</b>	<b>3,773,222,835</b>	<b>2,973,758,039</b>
Balances at CBE other than those under the mandatory reserve	1,900,989,360	1,891,252,987
Local banks	76,294,237	520,962,507
Foreign Banks	1,795,939,238	561,542,545
<b>Total</b>	<b>3,773,222,835</b>	<b>2,973,758,039</b>
Interest free balances	473,580,102	263,820,035
Balances at floating interest rates	341,924,048	195,967,937
Balances at fixed interest rates	2,957,718,685	2,513,970,067
<b>Total</b>	<b>3,773,222,835</b>	<b>2,973,758,039</b>
Current balances	3,773,222,835	2,973,758,039
<b>Total</b>	<b>3,773,222,835</b>	<b>2,973,758,039</b>

17- Treasury bills	March 31, 2014	December 31, 2013
91 days maturity	944,350,000	1,665,775,000
182 days maturity	4,340,600,000	3,410,450,000
More than 182 days maturity	13,642,037,500	11,352,473,000
<b>Total</b>	<b>18,926,987,500</b>	<b>16,428,698,000</b>
Less : Unearned Interest	(696,073,463)	(686,465,234)
<b>Net</b>	<b>18,230,914,037</b>	<b>15,742,232,766</b>

18- Trading investments	March 31, 2014	December 31, 2013
Mutual Fund certificates	221,064,075	-
<b>Total</b>	<b>221,064,075</b>	<b>-</b>

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19- Loans and credit facilities to customers, net	March 31, 2014	December 31, 2013
<b>Individuals</b>		
Debit current accounts	777,564,869	703,620,587
Credit cards	390,553,837	372,883,331
Personal loans	7,432,138,566	7,247,573,654
Real estate loans	345,854,169	311,802,626
<b>Total (1)</b>	<b>8,946,111,441</b>	<b>8,635,880,198</b>
<b>Corporate including small loans for businesses</b>		
Debit current accounts	14,189,218,701	13,492,255,700
Direct loans	10,282,844,715	10,046,131,396
Syndicated loans and facilities	6,857,897,873	7,019,535,342
Other loans	1,541,513,103	1,489,442,360
<b>Total (2)</b>	<b>32,871,474,392</b>	<b>32,047,364,798</b>
<b>Total Loans and credit facilities to customers (1+2)</b>	<b>41,817,585,833</b>	<b>40,683,244,996</b>
Less: Allowance for impairment losses	(1,872,027,979)	(1,744,024,969)
Less: segregated interest	(26,195,310)	(27,693,859)
Less: Unearned discount	(18,153,874)	(20,085,845)
<b>Net amount distributed as follows:</b>	<b>39,901,208,670</b>	<b>38,891,440,323</b>
Current balances	25,822,381,435	24,190,778,347
Non-current balances	14,078,827,235	14,700,661,976
<b>Total</b>	<b>39,901,208,670</b>	<b>38,891,440,323</b>

19-A Allowance for impairment losses

March 31, 2014

Individuals	Specific provision	Collective provision	Total
Balance at the beginning of the period	318,673,492	45,612,638	364,286,130
Impairment loss recognized during the period	20,761,742	373,098	21,134,840
Collections of loans previously written-off	-	516,902	516,902
Loans written-off during the period	(710,412)	-	(710,412)
Foreign exchange translation differences	285	-	285
<b>Balance at end of the period</b>	<b>338,725,107</b>	<b>46,502,638</b>	<b>385,227,745</b>
<b>Corporate</b>	<b>Specific provision</b>	<b>Collective provision</b>	<b>Total</b>
Balance at beginning of the period	771,198,911	608,539,928	1,379,738,839
Impairment loss recognized during the period	99,105,844	8,198,159	107,304,003
Loans written-off during the period	(1,991,111)	-	(1,991,111)
Collections of loans previously written-off	-	632,688	632,688
Foreign exchange translation differences	560,566	555,249	1,115,815
<b>Balance at end of the period</b>	<b>868,874,210</b>	<b>617,926,024</b>	<b>1,486,800,234</b>
<b>Total</b>	<b>1,207,599,317</b>	<b>664,428,662</b>	<b>1,872,027,979</b>

December 31, 2013

Individuals	Specific provision	Collective provision	Total
Balance at beginning of the year	218,141,414	41,409,083	259,550,497
Impairment loss recognized during the year	101,220,917	1,489,423	102,710,340
Collections of loans previously written-off	-	2,714,132	2,714,132
Loans written-off during the year	(698,242)	-	(698,242)
Foreign exchange translation differences	9,403	-	9,403
<b>Balance at end of the year</b>	<b>318,673,492</b>	<b>45,612,638</b>	<b>364,286,130</b>
<b>Corporate</b>	<b>Specific provision</b>	<b>Collective provision</b>	<b>Total</b>
Balance at beginning of the year	452,600,384	494,073,072	946,673,456
Impairment loss recognized during the year	354,587,885	93,399,124	447,987,009
Loans written-off during the year	(44,681,926)	-	(44,681,926)
Collections of loans previously written-off	-	3,663,331	3,663,331
Foreign exchange translation differences	8,692,568	17,404,401	26,096,969
<b>Balance at end of the year</b>	<b>771,198,911</b>	<b>608,539,928</b>	<b>1,379,738,839</b>
<b>Total</b>	<b>1,089,872,403</b>	<b>654,152,566</b>	<b>1,744,024,969</b>



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20- Financial Derivatives

	March 31, 2014		
	Notional amount	Assets	Liabilities
<b>(A) Held for trading</b>			
- Forward foreign exchange contracts	1,214,806,025	6,718,896	-
- Interest rate swap contracts	672,949,605	-	-
<b>Total</b>		<b>6,718,896</b>	<b>-</b>
<b>(B) Fair value hedge</b>			
- Interest rate swap contracts	391,372,196	1,300,541	-
<b>(C) Cash flow hedge</b>			
- Interest rate swap contracts	208,725,000	5,159,083	-
<b>Total</b>		<b>13,178,520</b>	<b>-</b>
	December 31, 2013		
	Notional amount	Assets	Liabilities
<b>(A) Held for trading</b>			
- Forward foreign exchange contracts	1,503,283,692	4,459,198	-
- Interest rate swap contracts	790,561,843	-	-
<b>Total</b>		<b>4,459,198</b>	<b>-</b>
<b>(B) Fair value hedge</b>			
- Interest rate swaps contracts	412,772,473	1,448,536	-
<b>(C) Cash flow hedge</b>			
- Interest rate swap contracts	208,158,000	6,292,444	-
<b>Total</b>		<b>12,200,178</b>	<b>-</b>

Forward exchange contracts represent commitments to purchase local and foreign currencies including the unexecuted part of regular-way transactions. Interest rate swap contracts represent commitments to swap fixed interest rate with variable interest rate where the physical exchange of funds is not required except in foreign exchange swaps. The bank's credit risk represents the cost of potential replacement of the swaps in case other parties fail to meet their obligations. This risk is controlled on an ongoing basis in terms of fair value and percentage of contracted amounts. To control the outstanding credit risk, the bank assesses counterparties to the contract in the same manner used in lending activities.

- **Fair value hedge**

The bank uses interest rate swap contracts to mitigate part of the risk of potential increase in fair value of its fixed rate customer's deposits in foreign currencies to the extent caused by declining market interest rates.

Net derivative assets resulting from these swap contracts have a fair value of EGP 1,300,541 as of March 31, 2014 (December 31, 2013 net assets of EGP 1,448,536).

- **Cash flow hedge**

The bank uses interest rate swap contracts to hedge part of its risk to fluctuations in cash flows associated with its loans to customers. The fair value for swaps represents net assets by EGP 5,159,083 as of March 31, 2014 (December 31, 2013: assets of EGP 6,292,444).

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21- Financial investments

Available-for-sale investments	March 31, 2014	December 31, 2013
<b>(A) Debt Instruments at Fair Value</b>		
Listed Instruments in Egyptian Stock Exchange Market	11,747,226,022	10,629,868,918
Listed Instruments in Foreign Stock Exchange Market	2,226,021,400	2,234,300,317
<b>Total Debt Instruments</b>	<b>13,973,247,422</b>	<b>12,864,169,235</b>
<b>(B) Equity Instruments at Fair Value :</b>		
Listed Instruments in Egyptian Stock Exchange Market	66,400,425	72,646,984
<b>(C) Money Market Funds and balanced Funds</b>		
Unlisted Instruments in Stock Exchange Market	65,450,758	66,317,493
<b>(D) Equity Instruments at Cost Method :</b>		
Unlisted Instruments in Stock Exchange Market	175,372,347	175,371,255
<b>Total Available-for-sale investments (1)</b>	<b>14,280,470,952</b>	<b>13,178,504,967</b>
<b>Held to maturity investments</b>		
<b>(A) Debt Instruments</b>		
Listed Instruments in Stock Exchange Market	124,523,265	50,000,000
<b>(B) Mutual Funds</b>		
Unlisted Instruments in Stock Exchange Market*	15,000,000	15,000,000
<b>Total held to maturity investments (2)</b>	<b>139,523,265</b>	<b>65,000,000</b>
<b>Total Financial Investments (1+2)</b>	<b>14,419,994,217</b>	<b>13,243,504,967</b>
Current balances	1,399,618,534	1,826,413,087
Non-current balances	13,020,375,683	11,417,091,880
<b>Total</b>	<b>14,419,994,217</b>	<b>13,243,504,967</b>
Fixed interest debt instruments	14,097,770,687	12,914,169,235
<b>Total</b>	<b>14,097,770,687</b>	<b>12,914,169,235</b>

The following table analyzes movement on financial investments during the period

	Available-for-sale investments	Held to maturity investments
<b>Balance at the beginning of the current period</b>	13,178,504,967	65,000,000
Additions	1,690,868,368	72,953,231
Acquiring from affiliated companies	-	1,559,522
Amortization of premium / discount	(4,189,748)	10,512
Disposals (sale/redemption)	(485,750,713)	-
Translation differences resulting from monetary foreign currency assets	6,874,149	-
Changes in fair value	(105,836,071)	-
Less: Allowance for impairment loss	-	-
<b>Balance at the end of the current period</b>	<b>14,280,470,952</b>	<b>139,523,265</b>

The following table analysis movement on financial investments during the comparative year

<b>Balance at the beginning of the comparative year</b>	5,716,200,414	65,000,000
Additions	7,604,496,269	-
Amortization of premium / discount	(24,388,780)	-
Disposals (sale/redemption)	(845,109,705)	-
Translation differences resulting from monetary foreign currency assets	216,128,148	-
Changes in fair value	515,339,945	-
Less: Allowance for impairment loss	(4,161,324)	-
<b>Balance at the end of the comparative year</b>	<b>13,178,504,967</b>	<b>65,000,000</b>
<b>Gain on financial investments</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Gain on sale of available-for-sale assets	487,370	3,456,368
<b>Total</b>	<b>487,370</b>	<b>3,456,368</b>

\* The bank's equity instruments classified in the held to maturity category represent bank subscribed stake at 5% from the total certificates' number of its QNB ALAHLI First Fund with cumulative daily return (THEMAR Money Market Fund) upon its initial offering, in addition to the bank subscribed stake at 20% from the total certificates' number of its QNB ALAHLI Second Fund with periodic / cumulative return (Tawazon Balanced Fund) , in addition to the 20% from the total certificates' number of its QNB ALAHLI Third Fund with periodic / cumulative return (Tadawol Equity Fund) upon its initial offering. All stakes required to be retained by the bank until maturity of the funds in accordance with the provisions of the law, had a nominal value of EGP 5 million each.

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22- Investments in associates

The following table summarizes the bank's holdings in its associates:

March 31, 2014	Country of residence	Investee's assets	Investee's liabilities (excluding equity)	Investee's revenues	Investee's profit (loss)	Carrying amount	The bank stake
Société Générale Asset Management Egypt	Egypt	8,396,323	1,359,011	36,558	(11,932)	343,069	4.88%
Senouhi Company for Construction Materials	Egypt	14,059,916	2,719,198	14,730,999	(96,862)	2,618,572	23.09%
<b>Total</b>		<b>22,456,239</b>	<b>4,078,209</b>	<b>14,767,557</b>	<b>(108,794)</b>	<b>2,961,641</b>	

The Bank's share for Société Générale asset Management Egypt (S.A.E) reached 4.88%; although the bank holds less than 20% of the company's equity, the bank has the ability to exercise significant influence through the company's board of directors.

In January 2014, the Group has purchased the share owned by SG Holding Company financial services company in NSGB Life Insurance, accounting for 75% of the company's capital, and then increased its contribution in the company from 25% to 100%. The cost of this additional share purchased EGP 57,653,676.

December 31, 2013	Country of residence	Investee's assets	Investee's liabilities (excluding equity)	Investee's revenues	Investee's profit (loss)	Carrying amount	The bank stake
Société Générale Asset Management Egypt	Egypt	8 424 506	1,054,612	1,042,786	316,524	359,282	4.88%
NSGB Life Insurance company	Egypt	735,261,340	611,497,276	51,083,223	43,052,559	30,941,016	25%
Senouhi Company for Construction Materials	Egypt	13,468,793	2,152,250	11,323,695	(121,037)	2,612,990	23.09%
<b>Total</b>		<b>757,154,639</b>	<b>614,704,138</b>	<b>63,449,704</b>	<b>43,248,046</b>	<b>33,913,288</b>	

23- Intangible assets

	March 31, 2014	December 31, 2013
<b>Software</b>		
Net book value at the beginning of the period	119,359,094	99,529,779
Net book value at subsidiaries controlled during the period	110,365	-
Addition	868,335	48,773,575
Amortization	(8,352,400)	(28,944,260)
<b>Net book value at the end of the period</b>	<b>111,985,394</b>	<b>119,359,094</b>

24- Other assets

	March 31, 2014	December 31, 2013
Accrued revenues	789,186,754	573,147,310
Pre-paid expenses	30,006,047	29,549,640
Advance payments for acquisition of property and equipment	209,160,829	303,045,126
Foreclosed assets reverted to the bank in settlement of debts	32,067,851	35,827,351
Deposits held with others and custody	3,299,792	2,853,436
Advance payments to tax authority	566,594,708	449,196,127
Receivables arising from insurance contracts, net	3,012,551	-
Due from insurance and re-insurance companies	309,993	-
Others	248,676,438	183,728,528
<b>Total</b>	<b>1,882,314,963</b>	<b>1,577,347,518</b>

25- Assets leased under finance lease arrangements, net

	March 31, 2014	December 31, 2013
Leased assets under finance leases	2,364,793,767	2,299,835,048
Leased assets – under settlement account	(462,227,920)	(423,857,187)
<b>Total</b>	<b>1,902,565,847</b>	<b>1,875,977,861</b>

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25-A Leased assets under finance leases, net

	Building	Vehicles	Equipment	Computers	Total
<b>Cost</b>					
<b>January 1, 2013</b>	607,137,953	1,059,835,188	1,647,934,225	8,645,424	<b>3,323,552,790</b>
Additions	161,056,278	218,779,440	409,150,353	12,456,794	<b>801,442,865</b>
Disposals	(8,336,806)	(337,462,453)	(256,510,429)	(4,131,539)	<b>(606,441,227)</b>
<b>Total</b>	<b>759,857,425</b>	<b>941,152,175</b>	<b>1,800,574,149</b>	<b>16,970,679</b>	<b>3,518,554,428</b>
<b>Accumulated depreciation</b>					
<b>January 1, 2013</b>	50,242,068	599,757,298	513,794,031	721,792	<b>1,164,515,189</b>
Depreciation for the year	22,868,494	164,491,589	230,834,470	884,025	<b>419,078,578</b>
Disposals	(887,143)	(262,966,710)	(100,523,391)	(497,143)	<b>(364,874,387)</b>
<b>Total</b>	<b>72,223,419</b>	<b>501,282,177</b>	<b>644,105,110</b>	<b>1,108,674</b>	<b>1,218,719,380</b>
<b>Net book value as of</b>					
<b>December 31, 2013</b>	<b>687,634,006</b>	<b>439,869,998</b>	<b>1,156,469,039</b>	<b>15,862,005</b>	<b>2,299,835,048</b>
<b>Cost</b>					
<b>January 1, 2014</b>	759,857,425	941,152,175	1,800,574,149	16,970,679	<b>3,518,554,428</b>
Additions	-	90,483,332	111,266,632	-	<b>201,749,964</b>
Disposals	-	(171,427,868)	(28,842,722)	(217,465)	<b>(200,488,055)</b>
<b>Total</b>	<b>759,857,425</b>	<b>860,207,639</b>	<b>1,882,998,059</b>	<b>16,753,214</b>	<b>3,519,816,337</b>
<b>Accumulated depreciation</b>					
<b>January 1, 2014</b>	72,223,419	501,282,177	644,105,110	1,108,674	<b>1,218,719,380</b>
Depreciation for the period	6,131,602	42,501,501	67,749,751	349,393	<b>116,732,247</b>
Disposals	-	(163,920,457)	(16,327,676)	(180,924)	<b>(180,429,057)</b>
<b>Total</b>	<b>78,355,021</b>	<b>379,863,221</b>	<b>695,527,185</b>	<b>1,277,143</b>	<b>1,155,022,570</b>
<b>Net book value as of</b>					
<b>March 31, 2014</b>	<b>681,502,404</b>	<b>480,344,418</b>	<b>1,187,470,874</b>	<b>15,476,071</b>	<b>2,364,793,767</b>

26- Property and Equipment

	Lands and buildings	Renovations of leased assets	Machinery & equipment	Others	Total
<b>January 1, 2013</b>					
Cost	976,549,551	101,786,430	370,002,491	97,760,336	<b>1,546,098,808</b>
Accumulated depreciation	(280,364,934)	(58,908,614)	(266,953,367)	(55,742,810)	<b>(661,969,725)</b>
<b>Net book value</b>	<b>696,184,617</b>	<b>42,877,816</b>	<b>103,049,124</b>	<b>42,017,526</b>	<b>884,129,083</b>
<b>December 31, 2013</b>					
Net book value at the beginning of the year	696,184,617	42,877,816	103,049,124	42,017,526	<b>884,129,083</b>
Additions	86,079,124	2,762,707	28,221,785	22,111,744	<b>139,175,360</b>
Disposals from Property and Equipment	-	(175,797)	(226,280)	(76,386)	<b>(478,463)</b>
Disposals from accumulated depreciation	-	175,797	226,280	76,386	<b>478,463</b>
Depreciation for the year	(49,313,378)	(12,137,966)	(36,018,539)	(8,524,013)	<b>(105,993,896)</b>
<b>Net book value</b>	<b>732,950,363</b>	<b>33,502,557</b>	<b>95,252,370</b>	<b>55,605,257</b>	<b>917,310,547</b>
<b>January 1, 2014</b>					
Cost	1,062,628,675	104,373,340	397,997,996	119,795,694	<b>1,684,795,705</b>
Accumulated depreciation	(329,678,312)	(70,870,783)	(302,745,626)	(64,190,437)	<b>(767,485,158)</b>
<b>Net book value</b>	<b>732,950,363</b>	<b>33,502,557</b>	<b>95,252,370</b>	<b>55,605,257</b>	<b>917,310,547</b>
<b>March 31, 2014</b>					
Net book value at the beginning of the period	732,950,363	33,502,557	95,252,370	55,605,257	<b>917,310,547</b>
Additions	117,997,023	2,230,014	21,581,859	1,414,022	<b>143,222,918</b>
Additions related to subsidiaries controlled	-	1,206,200	3,550,952	2,362,136	<b>7,119,288</b>
Depreciation for the period	(13,069,670)	(2,948,451)	(8,770,339)	(2,508,944)	<b>(27,297,404)</b>
Depreciation related to subsidiaries controlled	-	(437,134)	(3,107,024)	(954,274)	<b>(4,498,432)</b>
<b>Net book value at March 31, 2014</b>	<b>837,877,716</b>	<b>33,553,186</b>	<b>108,507,818</b>	<b>55,918,197</b>	<b>1,035,856,917</b>
<b>Balances at March 31, 2014</b>					
Cost	1,180,625,698	107,809,554	423,130,807	123,571,852	<b>1,835,137,911</b>
Accumulated depreciation	(342,747,982)	(74,256,368)	(314,622,989)	(67,653,655)	<b>(799,280,994)</b>
<b>Net book value</b>	<b>837,877,716</b>	<b>33,553,186</b>	<b>108,507,818</b>	<b>55,918,197</b>	<b>1,035,856,917</b>

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27- Due to banks	March 31, 2014	December 31, 2013
Current accounts	392,683,280	297,440,839
Deposits	1,110,240,647	27,949,634
<b>Total</b>	<b>1,502,923,927</b>	<b>325,390,473</b>
Central banks	21,155,802	25,132,483
Local banks	505,233,117	1,309,544
Foreign banks	976,535,008	298,948,446
<b>Total</b>	<b>1,502,923,927</b>	<b>325,390,473</b>
Non-interest bearing balances	352,863,849	256,855,476
Variable interest rate balances	39,819,431	40,585,363
Fixed interest rate balances	1,110,240,647	27,949,634
<b>Total</b>	<b>1,502,923,927</b>	<b>325,390,473</b>
Current balances	1,502,923,927	325,390,473
<b>Total</b>	<b>1,502,923,927</b>	<b>325,390,473</b>

28- Customers' deposits	March 31, 2014	December 31, 2013
Demand deposits	16,072,580,653	15,247,683,783
Time deposits and call accounts	35,835,641,261	34,123,072,143
Term saving certificates	11,639,382,744	10,933,225,144
Saving deposits	5,601,711,221	5,528,585,611
Other deposits*	1,973,724,369	1,853,820,283
<b>Total</b>	<b>71,123,040,248</b>	<b>67,686,386,964</b>
Corporate deposits	39,623,092,869	37,890,103,948
Retail deposits	31,499,947,379	29,796,283,016
<b>Total</b>	<b>71,123,040,248</b>	<b>67,686,386,964</b>
Non-interest bearing balances	14,366,231,355	14,708,503,256
Variable interest rate balances	5,634,863,221	5,568,120,611
Fixed interest rate balances	51,121,945,672	47,409,763,097
<b>Total</b>	<b>71,123,040,248</b>	<b>67,686,386,964</b>
Current balances	60,075,419,230	56,342,747,495
Non-current balances	11,047,621,018	11,343,639,469
<b>Total</b>	<b>71,123,040,248</b>	<b>67,686,386,964</b>

\* Other deposits include deposits covering irrevocable letters of credit in the total of EGP 444,395,438 as of March 31,2014 (December 31, 2013 EGP 437,699,038 )The fair value of these deposits approximates its carrying amount.

29- Other loans	March 31, 2014	December 31, 2013
United Nation Bank Loan	57,902,736	47,677,742
National Bank of Egypt loan	199,554,152	195,920,268
Bank Du Caire Loan	2,769,743	4,513,981
Commercial International Bank Loan	130,639,149	136,809,536
<b>Total</b>	<b>390,865,780</b>	<b>384,921,527</b>

30- Other liabilities	March 31, 2014	December 31, 2013
Accrued interest	911,216,686	786,640,988
Unearned revenues	69,383,676	64,056,215
Accrued expenses	229,157,030	226,847,104
Due to insurance and re-insurance companies	21,162,239	-
Sundry credit balances	270,910,630	211,132,828
<b>Total</b>	<b>1,501,830,261</b>	<b>1,288,677,135</b>



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31- Other provisions

Description	Balance at the beginning of the period	Balance for NSGB Life Insurance at the beginning of the period	Formed during the period	March 31, 2014		Foreign currencies translation differences + (-)	Used during the period	Balance at the end of the period
				Released during the period				
Provision for Tax claims	412,606,469	4,746,625	5,600,000	-	-	-	-	422,953,094
Provision for Legal claims	22,662,520	-	-	(4,884,375)	-	4,200	(1,008,772)	16,773,873
Provision for contingent liabilities	148,860,634	-	1,369,608	-	-	93,621	-	150,323,863
Provision for fidelity	13,549,407	-	8,802,800	-	-	36,907	-	22,389,114
<b>Total</b>	<b>597,679,030</b>	<b>4,746,625</b>	<b>15,772,408</b>	<b>(4,884,375)</b>		<b>134,728</b>	<b>(1,008,772)</b>	<b>612,439,644</b>

Description	Balance at the beginning of the period	Formed during the period	December 31, 2013		Foreign currencies translation differences + (-)	Used during the period	Balance at the end of the period
			Released during the period				
Provision for Tax claims	342,906,469	69,700,000	-	-	-	-	412,606,469
Provision for Legal claims	16,428,904	7,908,385	-	-	383,760	(2,058,529)	22,662,520
Provision for contingent liabilities	144,851,910	813,221	-	-	3,195,503	-	148,860,634
Provision for fidelity	12,339,478	-	-	-	1,209,929	-	13,549,407
<b>Total</b>	<b>516,526,761</b>	<b>78,421,606</b>			<b>4,789,192</b>	<b>(2,058,529)</b>	<b>597,679,030</b>

32- Insurance Policyholders' Rights

	March 31, 2014	December 31, 2013
Technical Reserves for Insurance activities	559,741,000	-
Provision for outstanding claims	34,353,776	-
<b>Total</b>	<b>594,094,776</b>	<b>-</b>

33- Deferred income tax

Deferred tax has been calculated on all temporary tax differences using the balance sheet liability method and at a tax rate of 25% for the current financial period. The bank does not offset deferred tax assets and deferred tax liabilities unless the bank has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Deferred tax assets and liabilities

Below are the balances and movements of deferred tax assets and liabilities:

Balances of deferred tax assets and liabilities:

	Deferred tax assets		Deferred tax liabilities	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
<b>Tax impact on temporary differences arising from:</b>				
Property and Equipment	-	-	(36,487,702)	(38,144,514)
Goodwill	98,784,340	108,045,372	-	-
Provisions (other than the provision for loan impairment)	135,125,964	129,776,111	-	-
Changes in fair value of available-for-sale investments	-	-	(27,902,010)	(30,157,554)
Effect of changes in accounting policies	-	-	(4,055,633)	(4,055,633)
<b>Deferred tax assets (liabilities)</b>	<b>233,910,304</b>	<b>237,821,483</b>	<b>(68,445,345)</b>	<b>(72,357,701)</b>
<b>Net balance of DTA (DTL)</b>	<b>165,464,959</b>	<b>165,463,782</b>		

Movement of deferred tax assets and liabilities:

	Deferred tax assets		Deferred tax liabilities	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Beginning balance	237,821,483	256,990,249	(72,357,701)	(90,765,087)
Deferred tax for subsidiaries at date of acquisition	-	-	150,186	-
DT recognized / utilized during the period	(3,911,179)	(19,168,766)	3,762,170	18,407,386
<b>Closing balance</b>	<b>233,910,304</b>	<b>237,821,483</b>	<b>(68,445,345)</b>	<b>(72,357,701)</b>

Balances of deferred tax assets (liabilities) recognized directly in equity

	March 31, 2014	December 31, 2013
Cumulative change in fair value of available-for-sale investments	(27,902,010)	(30,157,554)
Effect of changes in accounting policies (special reserve)	(3,244,506)	(3,244,506)

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34- Defined benefits obligation	March 31, 2014	December 31, 2013
<b>Amounts recognized in the statement of financial position:</b>		
Liability for post-retirement medical benefits	184,166,152	174,667,322
<b>Amounts recognized in the income statement:</b>		
Post-retirement medical benefits	11,763,016	33,074,540
<b>Post-retirement medical benefits obligation constitutes of:</b>		
Balances shown in the statement of financial position are represented as follows:		
Present value of unfunded liabilities	265,780,928	256,907,014
Unrecognized actuarial loss	(81,614,776)	(82,239,692)
	<b>184,166,152</b>	<b>174,667,322</b>
<b>Liability movements during the period are represented as follows:</b>		
Beginning balance (at the beginning of the current period)	174,667,322	148,496,423
Current service cost	2,984,877	5,029,648
Interest cost	8,153,223	27,292,506
Actuarial losses	624,916	752,386
Benefits paid	(2,264,186)	(6,903,641)
	<b>184,166,152</b>	<b>174,667,322</b>
<b>Amounts recognized in the income statement are shown below:</b>		
Current service cost	2,984,877	5,029,648
Interest cost	8,153,223	27,292,506
Net actuarial gain (losses) recognized during the period	624,916	752,386
	<b>11,763,016</b>	<b>33,074,540</b>

The main actuarial assumptions used by the bank are outlined below:	March 31, 2014	December 31, 2013
<b>Discount rate (two plans):</b>		
A-QNB ALAHLI current employees plan	13.00%	13.00%
B-Ex-MIBank retirees plan	13.00%	13.00%
QNB ALAHLI long term increase in the cost of medical care (on top of inflation)	13.82%	13.82%
Ex-MIBank long term increase in the cost of medical care (on top of inflation)	13.82%	13.82%

Sensitivities to +1% in discount rate (duration of the plan):	Service cost	DBO
Post-retirement medical benefits	22.42%	8.66%

### 35- Issued and paid-up capital

#### (A) Authorized Capital

The authorized capital amounts to EGP 5 billion.

#### (B) Issued and Paid up Capital

The issued and paid up capital on January 1, 2013 amounted to EGP 4,435,359,020 representing 443,535,902 shares with a nominal value of EGP 10 each, of which 318,212,902 shares were paid in Egyptian pound and 125,323,000 shares were paid in foreign currency. The value of the shares paid in foreign currencies is recorded according to the exchange rates prevailing on the payment date.

In June 13, 2013 the Extra Ordinary General Assembly decided to increase the issued capital from EGP 4,435,359,020 to EGP 4,878,894,920 by an amount of EGP 443,535,900 through a transfer from the General Reserves.

The issued and paid up capital amounted to EGP 4,878,894,920 on December 31, 2013 representing 487,889,492 shares with a nominal value of EGP 10 each, of which 362,566,492 shares were paid in Egyptian pound and 125,323,000 shares were paid in foreign currency according to the exchange rates prevailing on the payment date.

The Extraordinary General Assembly held on February 26, 2014 decided to increase the Authorized capital to become EGP 10,000,000,000 (ten billion Egyptian pounds) instead of EGP 5,000,000,000 (five billion Egyptian pounds) and a capital increase from EGP 4,878,894,920 to EGP 5,610,729,150, an increase of EGP 731,834,230 (only seven hundred and thirty-one million and eight hundred and thirty four thousand and two hundred and thirty Egyptian pounds) by deducting the general reserve and approvals being taken on those increases from the official bodies.

### 36- Reserve For Employee Stock Ownership Plan (ESOP)

Societe Generale Paris (France), which was the parent of QNB ALAHLI, had launched new employees share ownership plan (ESOP) according to the Board of Directors decision in its meeting held on 2 November 2010. It had issued equity-settled share-based payments in its own equity shares to the bank's employees based on specific performance terms:

- 16 shares will be awarded if the S.G Group's Return on Equity (ROE) for 2012 after tax is at least 10%. If this condition is met, the shares will be made available at the end of March 2015. The condition was changed in May 2012, the shareholders accepted to replace the performance condition to be positive net income, group share 2012.
- 24 shares will be awarded if there is an improvement in customer satisfaction between 2010 and 2013. In the event that this condition is only partially met, a proportion of the shares will nevertheless be allocated. These shares will be made available at the end of March 2016.

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The fair value of the equity instruments determined on the grant date was expensed on an accrual basis and reported in administrative expenses in the income statements with a corresponding increase in equity according to the bank's evaluation to the number of shares that will be issued.

During the first quarter of 2013, Societe Generale Paris (previously the Parent company) sold its entire majority stake in the bank's capital, but was committed to continue in the implementation of the ESOP and to meet all the employees rights in the shares provided to them in accordance with terms and maturities of such plan and without causing the bank to incur any additional cost in this regards.

The bank referred to IFRS 2 to account for the share based payment provided by the SG for the bank's employees, and had charged each financial period - since the beginning of the application of this plan - with the cost of employees benefit according to the plan against the ESOP reserve as this transaction represents is substance a contribution from the parent to its subsidiary.

Since Societe Generale Paris is no longer the Parent company after the sale of its shares, and in the light of its commitment to issue such shares with the absence of any obligation on the bank's side in this regards, the bank ceased to recognize additional employees benefits expense (as of the date on which Societe Generale sold its share) while retaining the accumulated balance under the shareholder equity until granting the shares by Societe Generale Paris.

37- Reserves and retained earnings

(1) Reserves

	March 31, 2014	December 31, 2013
General reserve (a)	3,396,877,772	1,860,793,096
General banking risk reserve (b)	51,668,894	57,798,678
Legal reserve (c)	557,597,833	470,582,501
Available-for-sale investments revaluation reserve (d)	548,927,498	652,508,025
Special reserve (e)	173,681,968	173,681,968
Capital reserve	9,219,034	9,208,496
Hedging reserve - Cash Flow Hedge (CFH)	3,994,306	4,783,201
Reserve for transactions under common control	4,000,483	4,000,483
<b>Total reserves at the end of the period</b>	<b>4,745,967,788</b>	<b>3,233,356,448</b>

Reserve movements are as follows:

(a) General Reserve

	March 31, 2014	December 31, 2013
Balance at the beginning of the financial period	1,860,793,096	1,358,999,206
Transferred from retained earnings	1,536,084,676	945,329,790
Transferred to capital increase	-	(443,535,900)
<b>Balance at the end of period</b>	<b>3,396,877,772</b>	<b>1,860,793,096</b>

(b) General Banking Risk Reserve

	March 31, 2014	December 31, 2013
Balance at the beginning of period	57,798,678	123,047,602
Transferred to retained earnings	(6,129,784)	(65,248,924)
<b>Balance at the end of period</b>	<b>51,668,894</b>	<b>57,798,678</b>

The CBE regulations require banks to form General Banking Risk Reserve to meet unexpected risks. Such reserve should be deducted from net profit through the statement of profit appropriation, until it is approved by the GAM meeting convened to approve the annual financial statements. Such reserve cannot be used unless with approval from the CBE.

	March 31, 2014	December 31, 2013
(c) Legal Reserve		
Balance at the beginning of period	470,582,501	393,780,178
Transferred from the prior period's profit	87,015,332	76,802,323
<b>Balance at the end of period</b>	<b>557,597,833</b>	<b>470,582,501</b>

According to the provisions of local laws and the bank's statutes, 5% of net profit of the year shall be transferred to a non-distributable statutory reserve until it reaches 100% of the bank's capital.

	March 31, 2014	December 31, 2013
(d) Available-for-sale Investments Revaluation Reserve		
Balance at the beginning of period	652,508,025	118,535,515
Net gains (losses) resulting from changes in fair value during the period (Note 21)	(105,836,071)	515,339,945
Deferred tax recognized during the period (Note 33)	2,255,544	18,632,565
<b>Balance at the end of period</b>	<b>548,927,498</b>	<b>652,508,025</b>

(e) Special Reserve

The application of the CBE new basis rules of preparation and presentation of financial statements as well as the modified principles of recognition and measurement requires to restate the comparative figures of the first financial period that have been impacted by this change, including comparative figures in the balance sheet and the income statements for the previous period. As the impact of adjustment is positive, such impact was carried directly to retained earnings then transferred to the special reserve in equity and shall not be used except by approval from CBE. The following is a breakdown of the items that generated the special reserve amount:

Allowance for loans and credit facilities to customers	112,739,320
Contingent liabilities provision	39,486,484
Amortized cost method using EIR for held to maturity investments	253,607
Amortized cost method using EIR for available-for-sale investments	393,930
Applying the equity method on investments in associates	26,637,789
Deferred tax (Tax impact on adjustments)	(22,288,030)
Available-for-sale investments (Equity instruments)	16,458,868
<b>Total</b>	<b>173,681,968</b>

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(2) Profit for the Period and Retained earnings	March 31, 2014	December 31, 2013
<b>Movements on retained earnings:</b>		
Balance at the beginning of period	1,879,615,469	1,792,755,273
Net profit of the financial period	533,533,721	1,776,032,012
Previous year's profit distribution	-	(554,419,878)
Employees' profit share	(180,555,556)	(175,377,999)
Board of directors' remuneration	(1,900,000)	(1,957,398)
Transferred to capital reserve	(10,538)	(533,352)
Transferred to general reserve	(1,536,084,676)	(945,329,790)
Transferred to the legal reserve	(87,015,332)	(76,802,323)
Transferred from general banking risk reserve	6,129,784	65,248,924
<b>Balance at the end period</b>	<b>613,712,872</b>	<b>1,879,615,469</b>

### 38- Cash and cash equivalents

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

	March 31, 2014	March 31, 2013
Cash and balances with central banks	1,643,825,869	1,435,162,202
Due from banks in less than 3 months	3,536,056,835	3,487,647,441
Treasury bills and other governmental notes (91 days)	935,969,028	834,895,723
<b>Total</b>	<b>6,115,851,732</b>	<b>5,757,705,366</b>

### 39- Contingent liabilities and other commitments

#### (a) Legal claims (litigation)

Several lawsuits were brought against the bank and are still outstanding as of March 31, 2014. No provision has been formed since it is not probable the bank will incur losses in regard of these lawsuits.

#### (b) Capital commitments:

The bank is a party to contracts for capital commitments amounting to EGP 435,410,936 as of March 31, 2014 (EGP 426,005,966 in comparative year). These represent commitments by the bank for the purchases of buildings and equipment. Management is sufficiently confident that net profit shall be realized and finance shall be made available to cover these commitments.

#### (c) Commitments for loans, guarantees, and facilities

The bank's commitments for loans, guarantees and facilities are set out below

	March 31, 2014	December 31, 2013
Loan commitments	21,611,607	41,524,116
Accepted papers	697,449,920	900,106,884
L/Gs	14,834,499,240	14,631,455,884
Import L/Cs	2,077,211,670	2,383,118,113
Export L/Cs	219,336,589	205,348,072
Other contingent liabilities (Financial guarantees)	1,220,525	1,219,202
<b>Total</b>	<b>17,851,329,551</b>	<b>18,162,772,271</b>

#### (d) Commitments under operating lease contracts

Total minimum rental payments for the irrevocable operating lease contracts are as follows:

	March 31, 2014	December 31, 2013
Not more than one year	36,735,424	36,648,897
More than one year and less than 5 years	94,093,879	90,618,067
More than 5 years	28,558,102	25,135,479
<b>Total</b>	<b>159,387,405</b>	<b>152,402,443</b>

**40- Related-party transactions**

Qatar National Bank SAQ is the ultimate parent and controlling party as at the end of the reporting period which owns 97.1% in the bank's ordinary shares whereas the remaining 2.9% are held by other shareholders.

A number of transactions have been conducted during the reporting period with related parties within the bank's normal course of business. These include loans, deposits, and foreign currency transactions.

**Related party transactions with parents other than the payment of dividends on ordinary shares:**

<b>QNB Group</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Due from banks	1,062,112	41,815,099
Due to banks	892,220,234	151,677,421
LGs for Banks	434,382,605	399,901,861
Forward currency deals	1,197,784,648	1,478,491,798

**A- Loans and credit facilities to related parties**

	<b>Directors and others key management personnel (and close family members*)</b>		<b>Associates</b>	
	<b>March 31, 2014</b>	<b>December 31, 2013</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Outstanding loans at the beginning of the financial period	198,312	623,370	1,177	325
Changes on Directors	310,262	-	-	-
Loans for NSGB Life Insurance in the beginning of the financial period	-	-	(1,033)	-
Loans issued during the financial period	-	789,905	61	57,124
Loans repayment during the financial period	(135,906)	(1,214,963)	-	(56,272)
<b>Loans outstanding at the end of the financial period</b>	<b>372,668</b>	<b>198,312</b>	<b>205</b>	<b>1,177</b>
Interest income on loans	3,981	52,633	5	105

\* Loans granted to top management members and close family members at end of current period amounted to EGP 372,668 against EGP 198,312 at the end of previous year, below table illustrates the nature of these loans. The average interest rate on these different types of loans is 3.43% (against average interest rate of 9.83% in the comparative year).

\*\* No provisions have been recognized in respect of loan provided to related parties.

In January 2014, the Group has purchased the share owned by SG Holding Company financial services company in NSGB Life Insurance, accounting for 75% of the company's capital, and then increased its contribution in the company from 25% to 100%. The cost of this additional share purchased EGP 57,653,676.

<b>Loans and credit facilities to related parties can be analyzed below</b>	<b>Directors and others key management personnel (and close family members)</b>		<b>Associates</b>	
	<b>March 31, 2014</b>	<b>December 31, 2013</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Overdrafts - current accounts	271	65,107	205	144
Cash credit - Staff	372,397	113,052	-	-
Visa card	-	20,153	-	1,033
<b>Total</b>	<b>372,668</b>	<b>198,312</b>	<b>205</b>	<b>1,177</b>



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**B- Deposits from related parties**

	Directors and others key management personnel (and close family members)		Associates	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Deposits outstanding at the beginning of the financial period	35,151,997	19,225,973	265,743,249	183,247,748
Changes on Directors	(20,054,324)	-	-	-
Deposit for Société Générale Asset Management Egypt	-	-	-	8,424,504
Deposit for NSGB Life Insurance in the beginning of the financial period	-	-	(254,541,305)	-
Deposits placed during the period	1,787,349	64,973,968	1,347,832	7,517,509,873
Deposits repaid during the period	(46)	(49,047,944)	(64,956)	(7,443,438,876)
<b>Deposits outstanding at the end of the financial period</b>	<b>16,884,976</b>	<b>35,151,997</b>	<b>12,484,820</b>	<b>265,743,249</b>
Interest expense on deposits	46,057	1,336,376	25,000	5,560,453
<b>Deposits from related parties can be analyzed below</b>				
Demand deposits	7,006,982	5,195,376	9,633,316	17,541,891
Saving accounts	10,330	188,262	-	-
Certificates of deposits	110,000	16,827,000	-	-
Time deposits	9,757,664	12,941,359	2,851,504	248,201,358
<b>Total</b>	<b>16,884,976</b>	<b>35,151,997</b>	<b>12,484,820</b>	<b>265,743,249</b>

**C- Other transactions with related parties**

	Directors and others key management personnel (and close family members)		Associates	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Fee and commission income	2,008	26,340	5,790	1,731,028
Guarantees issued by the bank	-	-	44,518	28,158
<b>The above guarantees comprise:</b>				
LGs	-	-	44,518	28,158
<b>Total</b>	<b>-</b>	<b>-</b>	<b>44,518</b>	<b>28,158</b>

The pricing for related parties' transactions are being the same for other parties

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**41- Money Market and balanced Funds**

**A- QNB ALAHLI First Fund with cumulative daily return (THEMAR Money Market Fund)**

The bank has set up an investment fund under the name of "THEMAR" with daily accumulated interest as one of the banking activities authorized in accordance with the provisions of the Capital Market Law 95 of 1992.

THEMAR initial offering was for one million certificates at nominal value of EGP 100 million, of which 50,000 certificates worth of EGP 5 Million were subscribed at by the bank at that time. EFG HERMES is managing this fund.

Total number of the outstanding certificates at March 31, 2014 reached 19,680,291 at a total value of EGP 3,748,741,190 The Group currently holds 1,554,157 certificates worth of EGP 291,514,833, of which EGP 5 million are classified as held to maturity investments and represent 5% from the total number of certificates that were initially issued, whereas the remaining value of EGP 65,450,758 which represents 2% of the increase in fund's net asset value since initial subscription are classified as Available-for-sale investments and EGP 221,064,075 are classified as trading investments. .

According to the management agreement and the fund's prospectus, the bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current Period amounting to EGP 4,939,867 have been reported in the "fees and commission income" line item in the income statement.

**B- QNB ALAHLI Second Fund with periodic / cumulative return (Tawazon Balanced Fund)**

The bank has set up an investment fund under the name of Tawazon Fund with yearic Income as one of the banking activities authorized in accordance with the provisions of the Capital Market Law 95 of 1992.

Tawazon initial offering was for two hundred and fifty thousand certificates amounting to EGP 25 million, of which 50,000 certificates worth of EGP 5 million were subscribed at by the bank at that time. Beltone Asset Management is managing this fund.

Total number of the outstanding certificates at March 31, 2014 reached 110,306 at a total value of EGP 15,505,350 The bank currently holds 50,000 certificates worth of EGP 5 million that are classified as held to maturity investments and represent 20% of the total number of certificates that were initially issued.

According to the management agreement and the fund's prospectus, the bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current Period amounting to EGP 18,912 have been reported in the "fees and commission income" line item in the income statement.

**C- QNB ALAHLI Third Fund with periodic / cumulative return (Tadawol Equity Fund)**

The bank has set up an investment fund under the name of Tadawol Fund with yearic accumulated Income as one of the banking activities authorized in accordance with the provisions of the Capital Market Law 95 of 1992.

Tadawol certificates was offered in a public offering amounting to EGP 25 million distributed over two hundred and fifty thousand certificates with a nominal value of EGP 100 each, subscriptions have only covered a number of one hundred and twenty five thousand certificates amounting to EGP 12.5 million, of which 50,000 certificates worth of EGP 5 million were subscribed at by the bank at that time. HC Fund manager Asset Management is managing this fund.

Total number of the outstanding certificates at March 31, 2014 reached 78,579 at a total value of EGP 13,040,602 The bank currently holds 50,000 certificates worth of EGP 5 million that are classified as held to maturity investments and represent 40% from the total number of certificates that were initially issued.

According to the management agreement and the fund's prospectus, the bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current Period amounting to EGP 13,601 have been reported in the "fees and commission income" line item in the income statement.