QNB ALAHLI

(Egyptian Joint Stock Company)

Consolidated Financial Statements
For The Period Ended September 30, 2017
Together With Limited Review Report

Deloitte - Saleh, Barsoum & Abdel Aziz
Accountants & Auditors

Allied for Accounting and Auditing – EY
Accountants & Consultants

Allied for Accounting and Auditing – EY
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Report on Limited Review of Consolidated 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 consolidated interim financial statements of QNB ALAHLI Bank (S.A.E) and its subsidiaries (the Group) as of September 30, 2017 which comprise of the consolidated statement of financial position as of September 30, 2017 and the related consolidated statements of income, changes in equity and cash flows for the nine-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 consolidated interim financial statements and basis of recognition and measurement in accordance with the Central Bank of Egypt's rules issued on December 16, 2008, its explanatory instructions and the prevailing Egyptian laws. Our responsibility is to express a conclusion on these consolidated interim 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 consolidated interim 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 consolidated interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2017, and its consolidated financial performance and its consolidated cash flows for the nine-month period then ended, in accordance with the basis of recognition and measurement issued by the Central Bank of Egypt's rules on December 16, 2008, its explanatory instructions and the prevailing Egyptian laws.

Cairo, October 11, 2017

Auditors

Amr Mohamed El Shaabini
Allied for Accounting and Auditing - EY
Public Accountants & Consultants

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

QNB ALAHLI S.A.E

Consolidated Statement of Financial Position

As at 30 September 2017

(All amounts are shown in Egyptian Pounds)

	Note	September 30, 2017	December 31, 2016
Assets:			
Cash and due from Central Bank of Egypt (CBE)	(15)	12,804,412,064	11,860,413,621
Due from banks	(16)	10,626,605,177	9,586,476,169
Treasury bills	(17)	32,462,330,624	39,134,240,228
Trading investments	(18)	44,933,961	41,483,172
Loans and credit facilities to customers, net	(19)	105,762,516,976	92,576,782,308
Financial derivatives	(20)	-	86,345,544
Financial Investments:			
- Available-for-sale	(21)	2,689,015,082	2,788,032,396
- Held to maturity	(21)	31,718,355,821	26,800,796,956
Investments in associates	(22)	2,440,806	2,497,430
Intangible assets	(23)	117,060,181	120,534,920
Other assets	(24)	3,783,564,411	3,349,040,118
Deferred tax assets	(33)	216,605,803	172,553,368
Assets leased under finance lease arrangements, net	(25)	2,431,625,479	2,584,307,326
Property and Equipment	(26)	2,049,383,083	1,828,942,576
Total assets		**204,708,849,468**	**190,932,446,132**
Liabilities and equity:			
Liabilities:			
Due to banks	(27)	3,842,247,244	2,327,453,138
Customer deposits	(28)	168,107,499,320	158,144,386,625
Financial derivatives	(20)	54,112,395	-
Other loans	(29)	4,513,699,101	6,837,806,329
Other liabilities	(30)	2,771,675,759	2,550,405,293
Other provisions	(31)	1,004,840,002	921,490,833
Insurance policyholders' rights	(32)	1,537,068,776	1,356,835,306
Current income tax payable		1,347,488,250	1,370,980,689
Defined benefits obligation	(34)	355,131,395	308,097,463
Total liabilities		**183,533,762,242**	**173,817,455,676**
Equity:			
Issued and paid-up capital	(35)	8,904,227,140	7,420,189,290
Reserves	(37)	7,576,126,067	5,066,418,318
Profit for the period / year and retained earnings	(37)	4,694,702,110	4,628,357,566
Total equity attributable to equity holders of the bank		**21,175,055,317**	**17,114,965,174**
Non-controlling interests		31,909	25,282
Total equity		**21,175,087,226**	**17,114,990,456**
Total liabilities and equity		**204,708,849,468**	**190,932,446,132**

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 Nine Months Period Ended 30 September 2017

(All amounts are shown in Egyptian Pounds)

	Note	From July 01, 2017 To September 30, 2017	From January 01, 2017 To September 30, 2017	From July 01, 2016 To September 30, 2016	From January 01, 2016 To September 30, 2016
Interest on loans and similar income	(6)	6,426,416,065	17,627,482,981	3,999,040,696	10,865,648,430
Cost of deposits and similar expense	(6)	(4,039,081,119)	(11,221,861,627)	(2,168,475,005)	(5,892,637,503)
Net interest income		**2,387,334,946**	**6,405,621,354**	**1,830,565,691**	**4,973,010,927**
Fee and commission income	(7)	536,351,393	1,508,259,514	369,377,967	1,075,588,519
Fee and commission expense	(7)	(82,054,368)	(194,486,196)	(41,250,138)	(110,658,647)
Net interest, fee and commission income		**2,841,631,971**	**7,719,394,672**	**2,158,693,520**	**5,937,940,799**
Dividend income	(8)	1,556,850	16,117,998	2,459,275	11,000,377
Net trading income	(9)	78,076,201	111,524,377	15,663,604	(16,828,779)
Gain / Loss on financial investments	(21)	278,931	1,276,474	1,303,767	(406,133)
Impairment credit losses	(12)	(151,336,574)	(425,815,435)	(299,044,874)	(776,506,637)
Administrative expenses	(10)	(584,784,071)	(1,691,570,651)	(480,565,968)	(1,374,272,968)
Other operating revenues (expenses)	(11)	(65,790,816)	(81,077,601)	24,618,326	282,546,894
Share of results of associates		5,428	(56,624)	41,197	2,948
Profit before income tax		**2,119,637,920**	**5,649,793,210**	**1,423,168,847**	**4,063,476,501**
Income tax expense	(13)	(599,735,847)	(1,399,844,932)	(306,607,840)	(975,032,029)
Net profit for the period		**1,519,902,073**	**4,249,948,278**	**1,116,561,007**	**3,088,444,472**
Attributable to:					
Equity holders of the bank		1,519,902,081	4,249,941,651	1,116,559,402	3,088,439,761
Non-controlling interests		(8)	6,627	1,605	4,711
Net profit for the period		**1,519,902,073**	**4,249,948,278**	**1,116,561,007**	**3,088,444,472**
Earnings per share	(14)		4.10		2.96

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 Equity

For the Nine Months Period Ended 30 September 2017

(All amounts are shown in Egyptian Pounds)

	Issued and Paid Up Capital	Legal Reserve	General Reserve	Special Reserve	Capital Reserve	Reserve for Transactions Under Common Control	Available-for-sale 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 Equity Holders of the Bank	Non-Controlling Interests	Total
September 30, 2016															
Balance at 1 January 2016	6,452,338,520	667,488,795	3,566,425,007	173,681,968	9,917,364	4,000,483	521,516,766	140,816,030	1,029,367	9,351,950	240,718,269	3,192,021,510	**14,979,306,029**	19,748	**14,979,325,777**
Transfer to reserves and retained earnings	-	153,998,243	2,664,381,133	-	196,625	-	-	-	-	-	47,461,594	(2,866,037,595)	**-**	-	**-**
Remuneration for board members and Employees' profit share from Profit distributions	-	-	-	-	-	-	-	-	-	-	-	(325,983,915)	**(325,983,915)**	-	**(325,983,915)**
Net unrealized gain / (loss) on available-for-sale investments Revaluation Reserve, after deducting gains recycled to profit or loss relating to sold available-for-sale investments as well as taxes – Note No. 34	-	-	-	-	-	-	(1,784,341,198)	-	-	-	-	-	**(1,784,341,198)**	-	**(1,784,341,198)**
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	3,088,439,761	**3,088,439,761**	4,711	**3,088,444,472**
Employee stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	-	(9,351,950)	9,351,950	-	**-**	-	**-**
Net unrealized loss on CFH , net of tax	-	-	-	-	-	-	-	-	(790,624)	-	-	-	**(790,624)**	-	**(790,624)**
Transfer from general banking risk reserve	-	-	-	-	-	-	-	(137,639,337)	-	-	137,639,337	-	**-**	-	**-**
Balance at 30 September 2016	**6,452,338,520**	**821,487,038**	**6,230,806,140**	**173,681,968**	**10,113,989**	**4,000,483**	**(1,262,824,432)**	**3,176,693**	**238,743**	**-**	**435,171,150**	**3,088,439,761**	**15,956,630,053**	**24,459**	**15,956,654,512**
September 30, 2017															
Balance at 1 January 2017	7,420,189,290	821,487,038	5,262,955,370	173,681,968	10,113,989	4,000,483	(1,212,969,886)	7,149,356	-	-	424,903,912	4,203,453,654	**17,114,965,174**	25,282	**17,114,990,456**
Transfer to reserves and retained earnings	-	201,679,520	3,548,018,596	-	2,821	-	-	-	-	-	18,748,404	(3,768,449,341)	**-**	-	**-**
Remuneration for board members and Employees' profit share from Profit distributions	-	-	-	-	-	-	-	-	-	-	-	(435,004,313)	**(435,004,313)**	-	**(435,004,313)**
Transfer from general reserve to capital increase	1,484,037,850	-	(1,484,037,850)	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Net unrealized gain / (loss) on available-for-sale investments Revaluation Reserve, after deducting gains recycled to profit or loss relating to sold available-for-sale investments as well as taxes – Note No. 34	-	-	-	-	-	-	245,152,805	-	-	-	-	-	**245,152,805**	-	**245,152,805**
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	4,249,941,651	**4,249,941,651**	6,627	**4,249,948,278**
Transfer from general banking risk reserve	-	-	-	-	-	-	-	(1,108,143)	-	-	1,108,143	-	**-**	-	**-**
Balance at 30 September 2017	**8,904,227,140**	**1,023,166,558**	**7,326,936,116**	**173,681,968**	**10,116,810**	**4,000,483**	**(967,817,081)**	**6,041,213**	**-**	**-**	**444,760,459**	**4,249,941,651**	**21,175,055,317**	**31,909**	**21,175,087,226**

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 Nine Months Period Ended 30 September 2017

(All amounts are shown in Egyptian Pounds)

	Note	September 30, 2017	September 30, 2016
Cash flows from operating activities			
Profit before tax		5,649,793,210	4,063,476,501
Adjusted by:			
Property and Equipment depreciation and Intangible assets amortization		169,047,767	124,674,648
Leased assets depreciation		477,371,732	472,456,799
Impairment credit losses	(12)	425,815,435	776,506,637
Loans written off during the period		(10,304,550)	(9,893,280)
Recovery from loans previously written off		39,373,550	5,009,960
Net formed / (reversed) other provisions		93,682,889	68,533,870
Utilized provisions other than loans provision		(5,152,816)	(6,125,947)
Translation differences of other provisions in foreign currencies		(5,180,904)	6,765,778
Translation differences resulting from monetary foreign currency investments		(39,270,678)	(258,408,940)
Amortization of premium / discount for bonds		(228,690,287)	(264,046,494)
Formed insurance policyholders' rights provisions during the period		180,233,470	170,334,630
(Gain) on sale of Property and Equipment		(940,857)	(661,250)
Dividend income	(8)	(16,117,998)	(11,000,377)
Share of results of associates applying the equity method		56,624	(2,948)
(Gain) on sale of Available-for-sale investments	(21)	(1,276,474)	(3,341,807)
Loss on impairment of Available-for-sale equity instruments	(21)	-	3,747,940
Operating profits before changes in assets and liabilities resulting from operating activities		**6,728,440,113**	**5,138,025,720**
Net decrease / increase in assets and liabilities			
Due from banks		(176,488,798)	(531,147,177)
Treasury bills		5,489,316,750	(8,320,426,414)
Trading investments		(3,450,789)	(6,484,454)
Loans and credit facilities to customers		(13,640,619,103)	(8,098,284,213)
Financial derivatives		140,457,939	(1,951,254)
Other assets		(433,740,881)	(331,351,603)
Due to banks		1,514,794,106	398,727,694
Customer deposits		9,963,112,695	16,149,232,957
Other liabilities		221,270,466	441,680,292
Defined benefits obligation		47,033,932	36,355,190
Leased assets - Lease contracts settlement		(15,820,081)	19,770,751
Income tax paid		(1,468,047,730)	(973,708,760)
Net cash flows resulting from operating activities (1)		**8,366,258,619**	**3,920,438,729**
Cash flows from investing activities			
Acquisition of Property and Equipment and branches preparation		(386,033,993)	(691,052,053)
Proceeds from sale of Property and Equipment		961,315	742,205
Proceeds from financial investments other than held for trading investments		3,275,042,139	4,101,758,766
Acquisition of financial investments other than held for trading investments		(7,578,535,522)	(6,674,419,359)
Acquisition of leased assets		(442,162,003)	(626,090,879)
Proceeds from leased assets		133,292,199	140,335,335
Dividends received		15,334,586	5,572,897
Net cash flows used in investing activities (2)		**(4,982,101,279)**	**(3,743,153,088)**
Cash flows from financing activities			
Other loans		(2,324,107,228)	826,638,579
Dividends paid		(435,004,313)	(325,983,915)
Net cash flows used in / resulting from financing activities (3)		**(2,759,111,541)**	**500,654,664**
Net increase in cash and cash equivalents during the period (1+2+3)		**625,045,799**	**677,940,305**
Cash and cash equivalents at the beginning of the period		13,614,208,466	6,435,344,312
Cash and cash equivalents at the end of the period	(38)	**14,239,254,265**	**7,113,284,617**
Cash and cash equivalents at end of the period are represented in :			
Cash and due from Central Bank of Egypt	(15)	12,804,412,064	10,136,614,124
Due from banks	(16)	10,626,605,177	4,017,543,742
Treasury bills		32,462,330,624	36,471,432,262
Balances with Central Bank of Egypt (mandatory reserve)		(8,111,913,137)	(7,603,104,197)
Balances due from banks with maturities more than 3 months		(1,444,504,077)	(313,069,484)
Treasury bills with maturity more than 3 months		(32,097,676,386)	(35,596,131,830)
Cash and cash equivalents at end of the period		**14,239,254,265**	**7,113,284,617**

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

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 212 branches served by 5,856 staff at the date of the financial statements. The Bank is listed on the Egyptian Stock Exchange (EGX).

These Financial statements were approved by the Board of Directors on October 11, 2017.

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 the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on 16 December 2008; 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 applicable laws of Egypt.

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 , 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.

(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.

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 QNB ALAHLI Life Insurance Company to 100% instead of 25%, and increased in QNB ALAHLI Asset Management Egypt Company to 100% instead of 4.875%,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, QNB ALAHLI Life Insurance Company and QNB ALAHLI Asset Management Egypt Company 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)	Group Stake %
QNB ALAHLI Factoring Company	Egypt	75,000,000	2012	99.99
QNB ALAHLI Leasing Company	Egypt	80,000,000	2012	100
QNB ALAHLI Life Insurance Company	Egypt	120,000,000	2014	100
QNB ALAHLI Asset Management Egypt Company	Egypt	5,000,000	2014	100

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 Pounds. Transactions in foreign currencies during the period are translated into the Egyptian Pounds using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated 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 "Available-for-sale investments revaluation reserve".

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 "Available-for-sale investments revaluation reserve".

Leased assets denominated in foreign currency which the group leases to others are measured at historical cost and translated to Egyptian Pounds 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.

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 the following:

- 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 reposes) are shown net in the financial position 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 "Net trading income" ;unless the group chooses to designate the hybrid contract 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.

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)

Securities may be lent or sold according to a commitment to repurchase (Repos) a reclassified in the financial statements and deducted from treasury bills balance. Securities borrowed or purchased according to a commitment to resell them (Reverse Repos) are reclassified in the financial statements and added to treasury bills balance. The difference between sale and repurchase price is treated as interest and accrued over the life of the 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:

2.12.1 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.

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.

2.12.2 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.

(All amounts are shown in Egyptian Pounds)

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 acquire 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 from three till 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		50 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.

(All amounts are shown in Egyptian Pounds)

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 Group estimates 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 is 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.

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 overdrafts 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

2.21.1 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.

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.

2.21.2 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.

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 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 year's financial statements 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.

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.

(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 must be pre-authorized ,replacement risk is bearing a loss when a bank is forced to replace a contract in case of breaching the original party's contract (debtor risk, non-settlement or non-delivery risk and issuer risk).
- 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.)
- 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 collaterized while credit facilities for persons are not collaterized. 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 collaterized.

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.

(All amounts are shown in Egyptian Pounds)

(A/3) Provisioning policy

The Bank policies require review of all financial assets exceeding a specific level of materiality at least each period 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.

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

At each financial position 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).
- 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 financial position 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 financial position for each of the four internal ratings of the Bank and their relevant impairment losses:

	September 30, 2017		December 31, 2016	
	Loans and credit facilities	Allowance for impairment loss	Loans and credit facilities	Allowance for impairment loss
1- Good debts	89.78%	18.30%	88.42%	22.83%
2- Normal watch-list	5.44%	12.52%	7.25%	17.33%
3- Special watch-list	2.34%	26.15%	1.77%	18.35%
4- Non performing loans	2.44%	43.03%	2.56%	41.49%
	100%	**100%**	**100%**	**100%**

(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.

CBE rating	Description	Required Provision According to % ORR	Internal Rating	Internal Description
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

(All amounts are shown in Egyptian Pounds)

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

Financial position items exposed to credit risks	September 30, 2017	December 31, 2016
Treasury bills	32,462,330,624	39,134,240,228
Loans and credit facilities to customers		
Retail loans		
- Overdrafts	2,279,739,335	2,217,986,422
- Credit cards	601,431,625	524,638,361
- Personal loans	13,046,390,472	11,838,608,238
- Real estate loans	1,063,277,570	911,180,080
Corporate loans		
- Overdrafts	45,972,226,757	41,947,642,485
- Direct loans	26,703,573,434	21,994,722,388
- Syndicated loans and facilities	18,024,693,641	14,571,017,774
- Other loans	3,420,825,579	3,502,366,956
Allowance for impairment loss, segregated interest & unearned discount	(5,349,641,437)	(4,931,380,396)
Financial derivatives	-	86,345,544
Financial investments		
- Debt instrument	34,142,483,703	29,335,629,066
Other financial assets	1,983,218,507	1,493,401,882
Total	**174,350,549,810**	**162,626,399,028**

Off balance sheet items exposed to credit risks	September 30, 2017	December 31, 2016
Financial guarantees	357,500	357,500
Loans and other irrevocable credit commitments	73,004,550	28,983,255
L/Cs	3,669,785,491	3,894,422,062
Accepted papers	1,026,120,532	993,379,636
L/Gs	40,108,810,409	38,790,243,480
Other contingent liabilities	3,556,011,551	5,508,831,742
Total	**48,434,090,033**	**49,216,217,675**

The preceding table shows the maximum limit exposure to risks at the end of September, 2017 and December, 2016 without taking into consideration collaterals held by the bank, if any. For financial position items, amounts stated depend on the net carrying amount shown in the financial position.

The preceding table related to financial position items exposed to credit risks shows that 61% 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 20% against 18% at the end of the prior year and treasury bills constitute 19% against 24% 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:

- 95% 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.

- 96% 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 2,710,019,465 impairment on these loans and credit facilities represents 81% 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 2,499,504,522 and their impairment represents 78% from such carrying amount.

- The Bank applied more prudential selection process on granting loans and credit facilities during the current reporting period ended September 30, 2017.

- 96% of investments in debt instruments and treasury bills at the end of the current reporting period comprise local sovereign debt instruments against 96% at the end of the prior year.

(All amounts are shown in Egyptian Pounds)

(A/6) Loans and credit facilities

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

	September 30, 2017		December 31, 2016	
	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	106,391,854,197	-	93,035,591,667	-
Have arrears but not impaired	2,010,284,751	-	1,973,066,515	-
Impaired	2,710,019,465	-	2,499,504,522	-
Total	**111,112,158,413**	**-**	**97,508,162,704**	**-**
Less: Allowance for impairment losses	(5,093,041,802)	-	(4,658,372,868)	-
Less: Segregated interest	(10,766,966)	-	(10,766,966)	-
Less: Unearned discount	(245,832,669)	-	(262,240,562)	-
Net	**105,762,516,976**	**-**	**92,576,782,308**	**-**

Total credit allowance for loans and credit facilities at the end of the current reporting period amounted to EGP 5,093,041,802 (EGP 4,658,372,868 at the end of the prior year) of which EGP 2,191,729,134 represent impairment on individual loans (EGP 1,932,668,254 at the end of the prior year) and EGP 2,901,312,668 represent impairment for groups of financial assets in the credit portfolio (EGP 2,725,704,614 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 14% 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

September 30, 2017

	Retail				
Rating	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Good debts	2,240,700,246	457,159,840	11,801,421,094	956,378,470	**15,455,659,650**
Normal watch-list	2,816,953	-	-	-	**2,816,953**
Special watch-list	455,235	-	-	-	**455,235**
Total	**2,243,972,434**	**457,159,840**	**11,801,421,094**	**956,378,470**	**15,458,931,838**

	Corporate				
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Good debts	42,844,671,510	23,029,022,149	15,031,810,670	3,209,883,035	**84,115,387,364**
Normal watch-list	2,034,239,525	504,345,381	2,452,727,598	-	**4,991,312,504**
Special watch-list	962,008,836	827,463,086	-	36,750,569	**1,826,222,491**
Total	**45,840,919,871**	**24,360,830,616**	**17,484,538,268**	**3,246,633,604**	**90,932,922,359**

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

December 31, 2016

	Retail				
Rating	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Good debts	2,184,838,127	408,172,639	10,942,969,820	832,969,962	**14,368,950,548**
Normal watch-list	1,159,812	-	-	-	**1,159,812**
Special watch-list	583,135	-	-	-	**583,135**
Total	**2,186,581,074**	**408,172,639**	**10,942,969,820**	**832,969,962**	**14,370,693,495**

	Corporate				
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Good debts	38,225,072,474	18,911,377,320	11,082,482,169	3,256,624,312	**71,475,556,275**
Normal watch-list	2,543,961,335	517,362,328	3,005,784,696	18,453,642	**6,085,562,001**
Special watch-list	830,050,742	125,307,850	-	148,421,304	**1,103,779,896**
Total	**41,599,084,551**	**19,554,047,498**	**14,088,266,865**	**3,423,499,258**	**78,664,898,172**

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

(All amounts are shown in Egyptian Pounds)

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.

September 30, 2017
Retail

	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Up to 30 days	-	92,775,904	819,863,006	75,523,069	**988,161,979**
More than 30 – 60 days	-	17,909,616	116,748,071	14,246,934	**148,904,621**
More than 60 – 90 days	-	5,582,773	38,513,012	1,181,710	**45,277,495**
Total	**-**	**116,268,293**	**975,124,089**	**90,951,713**	**1,182,344,095**

Corporate

	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Up to 30 days	-	-	-	85,727,363	**85,727,363**
More than 30 – 60 days	-	20,851,878	-	15,608,751	**36,460,629**
More than 60 – 90 days	5,544,680	-	-	15,751,251	**21,295,931**
More than 90 days	-	88,462,883	540,155,373	55,838,477	**684,456,733**
Total	**5,544,680**	**109,314,761**	**540,155,373**	**172,925,842**	**827,940,656**

December 31, 2016
Retail

	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Up to 30 days	-	69,612,523	540,646,157	48,500,975	**658,759,655**
More than 30 – 60 days	-	16,000,568	78,245,238	5,500,083	**99,745,889**
More than 60 – 90 days	-	5,701,652	45,774,262	11,574,938	**63,050,852**
Total	**-**	**91,314,743**	**664,665,657**	**65,575,996**	**821,556,396**

Corporate

	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Up to 30 days	-	9,157,734	-	47,891,174	**57,048,908**
More than 30 – 60 days	-	-	-	189,185	**189,185**
More than 60 – 90 days	-	79,283,315	-	6,346,029	**85,629,344**
More than 90 days	-	511,945,355	482,750,909	13,946,418	**1,008,642,682**
Total	**-**	**600,386,404**	**482,750,909**	**68,372,806**	**1,151,510,119**

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 periods more than one day.

Amounts 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 periods, the fair value is updated to reflect the market price or prices for similar assets.

(All amounts are shown in Egyptian Pounds)

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 2,710,019,465 against EGP 2,499,504,522 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.

	September 30, 2017				
	Retail				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Loans which are individually impaired	35,766,901	28,003,492	269,845,289	15,947,387	**349,563,069**
Fair value of collaterals	-	5,404,031	24,072,796	1,384,921	**30,861,748**
	Corporate				
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Loans which are individually impaired	125,762,206	2,233,428,057	-	1,266,133	**2,360,456,396**
Fair value of collaterals	-	-	-	-	**-**

	December 31, 2016				
	Retail				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Loans which are individually impaired	31,405,348	25,150,979	230,972,761	12,634,122	**300,163,210**
Fair value of collaterals	-	3,879,344	9,784,507	818,163	**14,482,014**
	Corporate				
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Loans which are individually impaired	348,557,934	1,840,288,486	-	10,494,892	**2,199,341,312**
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 234,171,682 at the end of the current reporting period against EGP 332,862,156 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 years.

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

Corporate loans	**September 30, 2017**	**December 31, 2016**
Direct loans	234,171,682	332,862,156
Total	**234,171,682**	**332,862,156**

(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:

	Rating	September 30, 2017	December 31, 2016
Egyptian Treasury Bills	B-	32,462,330,624	39,134,240,228
Available- for- sale financial assets			
Egyptian Treasury Bonds	B-	45,846,805	40,681,475
US Treasury Bonds	AA+	2,393,281,077	2,509,150,635
Held to maturity investments			
Egyptian Treasury Bonds	B-	31,703,355,821	26,785,796,956
Total		**66,604,814,327**	**68,469,869,294**

(A/8) Acquisition of collaterals

During the current reporting period and comparative year, the bank has not acquired any additional foreclosed assets in order to settle debts.

(All amounts are shown in Egyptian Pounds)

(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								
	Cairo	East Cairo	Giza	Alex	Delta	Red Sea & Upper Egypt	Total	Other Countries	Total
Treasury bills	32,462,330,624	-	-	-	-	-	**32,462,330,624**	-	**32,462,330,624**
Loans and credit facilities to customers									
Retail loans									
Overdrafts	798,685,875	461,855,600	414,243,547	316,958,022	167,343,259	120,653,032	**2,279,739,335**	-	**2,279,739,335**
Credit cards	165,492,259	137,950,259	141,576,695	81,425,744	48,046,109	26,940,559	**601,431,625**	-	**601,431,625**
Personal loans	2,993,051,551	2,994,875,587	2,786,062,605	1,759,906,783	1,994,081,064	518,412,882	**13,046,390,472**	-	**13,046,390,472**
Real estate loans	272,048,793	280,900,114	236,077,120	109,415,533	63,699,569	101,136,441	**1,063,277,570**	-	**1,063,277,570**
Corporate loans									
Overdrafts	10,509,517,274	11,158,035,912	11,759,874,266	6,921,884,711	3,906,304,770	1,716,609,824	**45,972,226,757**	-	**45,972,226,757**
Direct loans	8,998,409,992	2,664,049,775	6,587,491,116	4,303,967,169	2,912,222,432	1,237,432,950	**26,703,573,434**	-	**26,703,573,434**
Syndicated loans and facilities	9,548,204,200	3,514,617,467	1,958,851,077	119,391,642	2,804,333,721	79,295,534	**18,024,693,641**	-	**18,024,693,641**
Other loans	3,012,484,274	7,341,871	361,195,741	-	3,053,124	36,750,569	**3,420,825,579**	-	**3,420,825,579**
Financial Investments									
Debt instruments	31,749,202,626	-	-	-	-	-	**31,749,202,626**	2,393,281,077	**34,142,483,703**
Other financial assets	1,604,919,713	93,337,761	115,081,048	57,607,712	81,313,786	14,570,277	**1,966,830,297**	16,388,210	**1,983,218,507**
Total at the end of the current period	**102,114,347,181**	**21,312,964,346**	**24,360,453,215**	**13,670,557,316**	**11,980,397,834**	**3,851,802,068**	**177,290,521,960**	**2,409,669,287**	**179,700,191,247**
Total at the end of the comparative year	**99,924,855,623**	**17,189,449,279**	**21,711,480,223**	**11,888,972,348**	**10,735,959,321**	**3,567,221,581**	**165,017,938,375**	**2,539,841,049**	**167,557,779,424**

(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	-	-	-	-	32,462,330,624	-	-	-	**32,462,330,624**
Loans and credit facilities to customers									
Retail loans									
Overdrafts	-	-	-	-	-	-	-	2,279,739,335	**2,279,739,335**
Credit cards	-	-	-	-	-	-	-	601,431,625	**601,431,625**
Personal loans	-	-	-	-	-	-	-	13,046,390,472	**13,046,390,472**
Real estate loans	-	-	-	-	-	-	-	1,063,277,570	**1,063,277,570**
Corporate loans									
Overdrafts	245,835,445	25,097,520,989	5,920,895,870	14,707,974,453	-	-	-	-	**45,972,226,757**
Direct loans	798,763,613	15,286,408,825	3,847,197,894	6,771,203,102	-	-	-	-	**26,703,573,434**
Syndicated loans and facilities	-	15,210,671,597	300,000,000	2,514,022,044	-	-	-	-	**18,024,693,641**
Other loans	-	1,429,430,196	598,921,386	1,106,149,539	-	-	286,324,458	-	**3,420,825,579**
Financial Investments									
Debt instruments	-	-	-	-	31,749,202,626	2,393,281,077	-	-	**34,142,483,703**
Other financial assets	6,628,197	358,061,324	63,942,964	159,816,336	1,270,571,096	16,388,210	-	107,810,380	**1,983,218,507**
Total at the end of the current period	**1,051,227,255**	**57,382,092,931**	**10,730,958,114**	**25,259,165,474**	**65,482,104,346**	**2,409,669,287**	**286,324,458**	**17,098,649,382**	**179,700,191,247**
Total at the end of the comparative year	**731,488,183**	**48,768,763,833**	**10,129,170,818**	**22,803,315,539**	**67,019,398,622**	**2,550,942,469**	**(926,326)**	**15,555,626,286**	**167,557,779,424**

(All amounts are shown in Egyptian Pounds)

(B) Market Risk

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 FX position (whether short or long) for all balance sheet items and off balance sheet items.

Currency	Short/Long FX positions	FX short positions	FX long positions	Expected loss at 10%
USD	(81,603,768)	(81,603,768)	-	(8,160,377)
EUR	14,188,867	-	14,188,867	1,418,887
GBP	(207,206)	(207,206)	-	(20,721)
JPY	92,955	-	92,955	9,296
CHF	94,663	-	94,663	9,466
DKK	107,100	-	107,100	10,710
NOK	59,553	-	59,553	5,955
SEK	50,596	-	50,596	5,060
CAD	17,015	-	17,015	1,702
AUD	17,480	-	17,480	1,748
AED	24,608	-	24,608	2,461
BHD	26,752	-	26,752	2,675
KWD	79,299	-	79,299	7,930
QAR	97,236	-	97,236	9,724
SAR	(91,236)	(91,236)	-	(9,124)
CNY	10,858	-	10,858	1,086
EGP	67,035,228	-	67,035,228	-
Maximum expected loss at September 30, 2017				**(6,703,522)**
Maximum expected loss at December 31, 2016				**(244,704,415)**

(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
Financial assets						
Cash and due from Central Bank of Egypt (CBE)	10,503,175,034	1,870,381,649	337,806,742	32,829,794	60,218,845	**12,804,412,064**
Due from banks	1,969,164,164	7,792,485,600	472,306,388	195,373,668	197,275,357	**10,626,605,177**
Treasury bills	28,307,818,053	4,154,512,571	-	-	-	**32,462,330,624**
Trading investments	44,933,961	-	-	-	-	**44,933,961**
Loans and credit facilities to customers, net	74,301,679,803	29,650,192,381	1,769,038,515	41,519,176	87,101	**105,762,516,976**
Financial investments						
Available-for-sale	187,872,666	2,500,453,703	688,713	-	-	**2,689,015,082**
Held to maturity	30,903,941,282	814,414,539	-	-	-	**31,718,355,821**
Other financial assets	1,890,227,498	84,798,234	8,153,385	24,101	15,289	**1,983,218,507**
Total financial assets	**148,108,812,461**	**46,867,238,677**	**2,587,993,743**	**269,746,739**	**257,596,592**	**198,091,388,212**
Financial liabilities						
Due to banks	2,055,175,382	1,333,240,490	424,178,394	15,403,827	14,249,151	**3,842,247,244**
Customer deposits	127,036,183,051	35,545,569,900	4,718,575,972	559,531,972	247,638,425	**168,107,499,320**
Financial derivatives	54,112,395	-	-	-	-	**54,112,395**
Other loans	890,387,953	3,623,311,148	-	-	-	**4,513,699,101**
Other financial liabilities	1,677,542,259	127,919,264	4,339,710	569,807	5,169	**1,810,376,209**
Total financial liabilities	**131,713,401,040**	**40,630,040,802**	**5,147,094,076**	**575,505,606**	**261,892,745**	**178,327,934,269**
Net financial position	**16,395,411,421**	**6,237,197,875**	**(2,559,100,333)**	**(305,758,867)**	**(4,296,153)**	**19,763,453,943**
At the end of the comparative year						
Total financial assets	132,314,452,977	48,791,324,771	2,552,754,588	469,324,544	240,115,396	184,367,972,276
Total financial liabilities	117,980,707,830	45,802,864,016	4,369,941,730	558,016,236	255,309,259	168,966,839,071
Net financial position	14,333,745,147	2,988,460,755	(1,817,187,142)	(88,691,692)	(15,193,863)	15,401,133,205

(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.

Bank's Objective of Interest Rate Risk Management

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.

(All amounts are shown in Egyptian Pounds)

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
Financial assets							
Cash and due from Central Bank of Egypt (CBE)	-	-	-	-	-	12,804,412,064	**12,804,412,064**
Due from banks	6,098,229,326	3,139,806,429	794,187,003	275,000,000	-	319,382,419	**10,626,605,177**
Treasury bills	2,241,440,384	4,267,456,822	25,953,433,418	-	-	-	**32,462,330,624**
Trading investments	-	-	-	-	-	44,933,961	**44,933,961**
Loans and credit facilities to customers, net	82,011,731,720	7,299,641,732	5,532,143,823	9,892,874,462	1,026,125,239	-	**105,762,516,976**
Financial investments							
Available-for-sale	-	-	441,411,495	922,611,657	1,075,104,730	249,887,200	**2,689,015,082**
Held to maturity	325,379,249	1,137,582,181	2,330,308,294	16,279,820,517	11,630,265,580	15,000,000	**31,718,355,821**
Other financial assets	-	-	-	-	-	1,983,218,507	**1,983,218,507**
Total financial assets	**90,676,780,679**	**15,844,487,164**	**35,051,484,033**	**27,370,306,636**	**13,731,495,549**	**15,416,834,151**	**198,091,388,212**
Financial liabilities							
Due to banks	3,437,035,596	-	-	-	-	405,211,648	**3,842,247,244**
Customer deposits	54,038,967,118	20,031,415,127	37,117,268,330	31,491,589,569	640,150,269	24,788,108,907	**168,107,499,320**
Financial derivatives	-	-	-	-	-	54,112,395	**54,112,395**
Other loans	374,708,711	250,493,995	3,792,834,470	95,661,925	-	-	**4,513,699,101**
Other financial liabilities	-	-	-	-	-	1,810,376,209	**1,810,376,209**
Total financial liabilities	**57,850,711,425**	**20,281,909,122**	**40,910,102,800**	**31,587,251,494**	**640,150,269**	**27,057,809,159**	**178,327,934,269**
Re-pricing gap	**32,826,069,254**	**(4,437,421,958)**	**(5,858,618,767)**	**(4,216,944,858)**	**13,091,345,280**	**(11,640,975,008)**	**19,763,453,943**
At the end of the comparative year							
Total financial assets	92,116,900,301	19,535,242,843	30,466,706,822	17,229,319,254	10,890,945,683	14,128,857,373	184,367,972,276
Total financial liabilities	53,847,798,829	18,521,968,449	21,700,535,769	47,832,879,144	784,773,929	26,278,882,951	168,966,839,071
Re-pricing gap	38,269,101,472	1,013,274,394	8,766,171,053	(30,603,559,890)	10,106,171,754	(12,150,025,578)	15,401,133,205

(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.

(All amounts are shown in Egyptian Pounds)

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.

Bank's Objective of Liquidity Risk Management

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.

	September 30, 2017					
Contractual maturities	**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**	**Total**
Financial liabilities						
Due to banks	3,855,332,040	-	-	-	-	**3,855,332,040**
Customer deposits	78,458,026,738	22,490,590,026	42,921,898,723	38,340,759,959	720,297,381	**182,931,572,827**
Other loans	296,431,688	262,107,959	2,831,021,243	1,167,731,120	-	**4,557,292,010**
Total financial liabilities	**82,609,790,466**	**22,752,697,985**	**45,752,919,966**	**39,508,491,079**	**720,297,381**	**191,344,196,877**

- 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.

	December 31, 2016					
Contractual maturities	**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**	**Total**
Financial liabilities						
Due to banks	1,884,414,304	453,077,055	-	-	-	**2,337,491,359**
Customer deposits	74,429,464,361	17,756,572,346	25,662,195,692	55,210,572,302	908,430,542	**173,967,235,243**
Other loans	752,530,024	2,296,432,839	1,445,234,369	2,415,558,822	-	**6,909,756,054**
Total financial liabilities	**77,066,408,689**	**20,506,082,240**	**27,107,430,061**	**57,626,131,124**	**908,430,542**	**183,214,482,656**

- 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 , 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.

(All amounts are shown in Egyptian Pounds)

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 foreign exchange derivatives. 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.

	September 30, 2017					
Maturities for statement of financial position items	**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**	**Total**
Held for trading derivatives						
Foreign exchange derivatives						
Cash outflows	3,047,684,725	399,243,586	347,963,053	-	-	**3,794,891,364**
Cash inflows	3,007,210,385	393,225,536	308,850,500	-	-	**3,709,286,421**

	December 31, 2016					
Maturities for statement of financial position items	**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**	**Total**
Held for trading derivatives						
Foreign exchange derivatives						
Cash outflows	1,422,015,972	-	1,382,843,460	-	-	**2,804,859,432**
Cash inflows	1,427,044,738	-	1,467,159,063	-	-	**2,894,203,801**

Cash flow for Off balance sheet items

	September 30, 2017			
Maturities for off -balance sheet items	**Less than one year**	**More than one year and less than 5 years**	**More than 5 years**	**Total**
Loan commitments	73,004,550	-	-	**73,004,550**
Financial guarantees	357,500	-	-	**357,500**
Operating lease commitments	91,459,320	168,103,465	53,843,858	**313,406,643**
Capital commitments resulting from acquisition of property and equipment	202,813,316	-	-	**202,813,316**
Total	**367,634,686**	**168,103,465**	**53,843,858**	**589,582,009**

	December 31, 2016			
Maturities for off -balance sheet items	**Less than one year**	**More than one year and less than 5 years**	**More than 5 years**	**Total**
Loan commitments	28,983,255	-	-	**28,983,255**
Financial guarantees	357,500	-	-	**357,500**
Operating lease commitments	82,494,848	198,240,751	51,184,557	**331,920,156**
Capital commitments resulting from acquisition of property and equipment	296,921,017	-	-	**296,921,017**
Total	**408,756,620**	**198,240,751**	**51,184,557**	**658,181,928**

(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 "Available-for-sale investments revaluation reserve".

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 "Available-for-sale investments revaluation reserve".

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

(All amounts are shown in Egyptian Pounds)

(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	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Financial assets				
Due from banks	10,626,605,177	9,586,476,169	10,626,605,177	9,586,476,169
Loans and credit facilities to customers, net	105,762,516,976	92,576,782,308	Not Determined	Not Determined
Financial investments:				
Not listed equity instruments Available-for-sale	163,953,798	163,971,498	Not Determined	Not Determined
Held to maturity				
Debt instruments	31,703,355,821	26,785,796,956	32,965,871,385	26,721,872,279
Mutual fund certificates	15,000,000	15,000,000	34,096,835	30,562,390
Financial liabilities:				
Due to banks	3,842,247,244	2,327,453,138	3,842,247,244	2,327,453,138
Customer deposits	168,107,499,320	158,144,386,625	Not Determined	Not Determined
Other loans	4,513,699,101	6,837,806,329	4,513,699,101	6,837,806,329

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.

Customer 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.

(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-up capital. the bank's paid-up capital amounted to EGP 8,904,227,140 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. Minimum level of capital adequacy ratio reached 11.25% after adding capital conservation buffer during current period. The bank's capital adequacy ratio reached 16.81% at the end of the current period. (December 31, 2016: 10.85%) according to Basel II.

(All amounts are shown in Egyptian Pounds)

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

- Tier 1: basic capital which comprises paid-up 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. The interim net profit was incorporated in Tier 1 capital in accordance with the decision of Central Bank of Egypt Board of Directors held on 15 February 2017.

- 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 teir 1, teir 2 and the capital adequacy ratio based on Basel II:

According to Basel II	September 30, 2017	December 31, 2016
Tier 1 capital		
Share capital	8,904,227,140	7,420,189,290
General reserve	7,326,936,116	5,262,955,370
Legal reserve	1,023,166,558	821,487,038
Other reserves	10,116,810	10,113,989
Retained earnings and net profit for the period	4,376,358,544	291,076,375
Total deduction from capital invested	(1,389,114,314)	(1,498,414,846)
Total tier 1 capital	**20,251,690,854**	**12,307,407,216**
Tier 2 capital		
45% from special reserve	8,643,920	8,643,920
Impairment provision for loans and contingent liabilities*	1,540,328,749	1,429,118,567
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.	598,112,705	18,823,085
Total tier 2 capital	**2,147,085,374**	**1,456,585,572**
Total capital	**22,398,776,228**	**13,763,992,788**
Risk weighted assets and contingent liabilities:		
Credit Risk	123,245,840,629	114,442,173,693
Market Risk	474,533,475	2,888,392,148
Operational Risk	9,513,865,494	9,513,865,494
Total risk weighted assets and contingent liabilities	**133,234,239,598**	**126,844,431,335**
Capital adequacy ratio for tier one	**15.20%**	**9.70%**
Capital adequacy ratio	**16.81%**	**** 10.85%**

* Provided it does not exceed 1.25% from total value of risk weighted assets and contingent liabilities.
** Capital adequacy ratio as of December 31, 2016 reached to 13.75 % after taking into Consideration profit distribution for Year 2016.
- Based on Consolidated financial statement after the disposal of insurance activity.

Leverage financial ratio

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

- Guidance ratio started from reporting period September 2015 till December 2017.
- Obligatory ratio started from year 2018.

This ratio will be included in Basel requirement tier1 in order to maintain Egyptian Banking system strong and safe, as long to keep up with best international regulatory treatments.

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

Ratio Elements

I- The numerator elements

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

II- The dominator elements

The dominator consists of all bank assets (on balance sheet and off-balance sheet) according to financial statements called "Bank exposures" which include total the following:

(All amounts are shown in Egyptian Pounds)

1- On balance sheet items after deducting some of Tier I Exclusions for capital base.
2- Derivatives contracts exposures.
3- Financing Financial papers operations exposures.
4- Off-balance sheet items (weighted by credit conversion factor).

The tables below summarizes the leverage financial ratio:	September 30, 2017	December 31, 2016
Tier 1 capital after Exclusions	**20,251,690,854**	**12,307,407,216**
Total on-balance sheet exposures, derivatives contracts and financial papers operations.	206,064,574,232	192,490,111,115
Total exposures off-balance sheet	28,682,584,387	28,962,681,647
Total exposures on-balance sheet and off-balance sheet	**234,747,158,619**	**221,452,792,762**
Leverage financial ratio	**8.63%**	*** 5.56%**

- Based on Consolidated financial statements after the disposal of insurance activity.

* Leverage financial ratio as of December 31, 2016 reached to 7.22 % after taking into Consideration profit distribution for Year 2016.

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 period.

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 "Available-for-sale investments revaluation reserve" 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 1,262,515,564 to reach the fair value with a corresponding increase in the available-for-sale valuation reserve within equity.

(All amounts are shown in Egyptian Pounds)

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, overdrafts, 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 the current period

Income and expenses according to segmental activities (September 30,2017)	Corporate	Investments	Individuals	Other businesses	Total
Net interest income	3,095,362,274	569,181,175	1,668,901,540	1,072,176,365	**6,405,621,354**
Net fee and commission income	978,548,437	7,383,038	298,745,247	29,096,596	**1,313,773,318**
Dividend income	-	16,117,998	-	-	**16,117,998**
Net trading income	164,932,680	-	12,194,194	(65,602,497)	**111,524,377**
Gain / Loss on financial investments	-	1,276,474	-	-	**1,276,474**
Impairment credit losses	(397,206,514)	-	(28,608,921)	-	**(425,815,435)**
Administrative expenses	(704,988,005)	(1,793,457)	(1,031,469,432)	46,680,243	**(1,691,570,651)**
Other operating revenues (expenses)	140,577,821	17,184,102	(75,937,298)	(162,902,226)	**(81,077,601)**
Share of profits of associates	-	(56,624)	-	-	**(56,624)**
Profit before income tax	**3,277,226,693**	**609,292,706**	**843,825,330**	**919,448,481**	**5,649,793,210**
Income tax expense	(745,312,563)	(137,085,188)	(189,860,699)	(327,586,482)	**(1,399,844,932)**
Net profit for the current period	**2,531,914,130**	**472,207,518**	**653,964,631**	**591,861,999**	**4,249,948,278**

Assets and liabilities according to segmental activities (September 30, 2017)	Corporate	Investments	Individuals	Other businesses	Total
Segment activity assets	91,578,591,175	65,749,783,124	16,631,403,376	19,889,959,388	**193,849,737,063**
Unclassified assets	-	-	-	-	**10,859,112,405**
Total assets	**91,578,591,175**	**65,749,783,124**	**16,631,403,376**	**19,889,959,388**	**204,708,849,468**
Segment activity liabilities	92,593,062,169	-	78,705,198,112	6,756,366,555	**178,054,626,836**
Unclassified liabilities	-	-	-	-	**5,479,135,406**
Total liabilities	**92,593,062,169**	**-**	**78,705,198,112**	**6,756,366,555**	**183,533,762,242**

At the end of comparative period

Income and expenses according to segmental activities (September 30, 2016)	Corporate	Investments	Individuals	Other businesses	Total
Net interest income	2,130,896,838	404,625,524	1,449,527,124	987,961,441	**4,973,010,927**
Net fee and commission income	617,828,846	8,570,300	330,715,629	7,815,097	**964,929,872**
Dividend income	-	11,000,377	-	-	**11,000,377**
Net trading income	59,692,472	-	3,114,653	(79,635,904)	**(16,828,779)**
Gain / Loss on financial investments	-	(406,133)	-	-	**(406,133)**
Impairment credit losses	(724,603,274)	-	(51,903,363)	-	**(776,506,637)**
Administrative expenses	(569,497,755)	(840,844)	(886,412,432)	82,478,063	**(1,374,272,968)**
Other operating revenues (expenses)	160,224,006	(18,855,136)	(52,806,765)	193,984,789	**282,546,894**
Share of profits of associates	-	2,948	-	-	**2,948**
Profit before income tax	**1,674,541,133**	**404,097,036**	**792,234,846**	**1,192,603,486**	**4,063,476,501**
Income tax expense	(378,410,144)	(90,921,138)	(178,252,841)	(327,447,906)	**(975,032,029)**
Net profit for the comparative period	**1,296,130,989**	**313,175,898**	**613,982,005**	**865,155,580**	**3,088,444,472**

At the end of comparative year

Assets and liabilities according to segmental activities (December 31, 2016)	Corporate	Investments	Individuals	Other businesses	Total
Segment activity assets	80,108,701,597	67,709,012,946	15,160,415,214	19,044,806,164	**182,022,935,921**
Unclassified assets	-	-	-	-	**8,909,510,211**
Total assets	**80,108,701,597**	**67,709,012,946**	**15,160,415,214**	**19,044,806,164**	**190,932,446,132**
Segment activity liabilities	93,035,756,499	-	68,387,040,697	7,243,684,202	**168,666,481,398**
Unclassified liabilities	-	-	-	-	**5,150,974,278**
Total liabilities	**93,035,756,499**	**-**	**68,387,040,697**	**7,243,684,202**	**173,817,455,676**

(All amounts are shown in Egyptian Pounds)

(5/B) Segmental analysis by geographic area

At the end of current period

Income and expenses according to geographical segments (September 30, 2017)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Net interest income	1,447,226,207	991,512,013	1,120,277,033	590,071,350	497,070,468	215,659,683	1,543,804,600	**6,405,621,354**
Net fee and commission income	320,286,076	199,387,893	257,293,956	127,485,977	102,442,956	61,576,007	245,300,453	**1,313,773,318**
Dividend income	-	-	-	-	-	-	16,117,998	**16,117,998**
Net trading income	99,441,206	30,985,525	39,674,806	18,565,710	16,324,205	3,365,212	(96,832,287)	**111,524,377**
Gain / Loss on financial investments	81,828	-	-	-	-	-	1,194,646	**1,276,474**
Impairment credit losses	(301,099,988)	(6,914,106)	69,974,309	(86,469,439)	(5,202,303)	(96,103,908)	-	**(425,815,435)**
Administrative expenses	(484,632,076)	(363,747,293)	(385,221,668)	(236,732,834)	(192,279,627)	(96,362,753)	67,405,600	**(1,691,570,651)**
Other operating revenues (expenses)	165,614,902	(23,339,956)	(43,539,545)	(22,278,564)	(15,103,432)	(5,661,807)	(136,769,199)	**(81,077,601)**
Share of profits of associates	-	-	-	-	-	-	(56,624)	**(56,624)**
Profit before income tax	**1,246,918,155**	**827,884,076**	**1,058,458,891**	**390,642,200**	**403,252,267**	**82,472,434**	**1,640,165,187**	**5,649,793,210**
Income tax expense	(280,972,718)	(186,273,917)	(238,153,250)	(87,894,495)	(90,731,760)	(18,556,298)	(497,262,494)	**(1,399,844,932)**
Net profit for the current period	**965,945,437**	**641,610,159**	**820,305,641**	**302,747,705**	**312,520,507**	**63,916,136**	**1,142,902,693**	**4,249,948,278**

Assets and liabilities according to geographical segments (September 30, 2017)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Assets of geographical segments	38,412,046,017	21,453,404,502	24,332,995,179	13,555,707,026	11,761,305,189	3,618,640,338	91,241,085,233	**204,375,183,484**
Unclassified assets	-	-	-	-	-	-	-	**333,665,984**
Total assets	**38,412,046,017**	**21,453,404,502**	**24,332,995,179**	**13,555,707,026**	**11,761,305,189**	**3,618,640,338**	**91,241,085,233**	**204,708,849,468**
Liabilities of geographical segments	55,470,083,423	37,984,002,140	38,070,841,621	25,746,351,103	12,554,583,357	4,950,349,899	6,050,091,052	**180,826,302,595**
Unclassified liabilities	-	-	-	-	-	-	-	**2,707,459,647**
Total liabilities	**55,470,083,423**	**37,984,002,140**	**38,070,841,621**	**25,746,351,103**	**12,554,583,357**	**4,950,349,899**	**6,050,091,052**	**183,533,762,242**

At the end of comparative period

Income and expenses according to geographical segments (September 30, 2016)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Net interest income	1,002,830,944	795,243,126	837,889,651	483,238,600	364,789,897	155,526,612	1,333,492,097	**4,973,010,927**
Net fee and commission income	207,285,651	151,406,598	194,441,686	98,802,028	82,255,059	50,997,424	179,741,426	**964,929,872**
Dividend income	-	-	-	-	-	-	11,000,377	**11,000,377**
Net trading income	28,693,071	10,912,589	20,635,162	4,671,590	5,563,079	886,743	(88,191,013)	**(16,828,779)**
Gain / Loss on financial investments	142	-	-	-	-	-	(406,275)	**(406,133)**
Impairment credit losses	(317,969,581)	(57,784,113)	(189,793,948)	(85,864,431)	(52,224,800)	(72,869,764)	-	**(776,506,637)**
Administrative expenses	(387,689,371)	(314,136,483)	(326,032,470)	(207,917,327)	(162,080,241)	(84,353,980)	107,936,904	**(1,374,272,968)**
Other operating revenues (expenses)	209,473,209	(16,524,477)	(18,601,893)	(11,356,003)	(5,174,695)	(21,509,227)	146,239,980	**282,546,894**
Share of profits of associates	-	-	-	-	-	-	2,948	**2,948**
Profit before income tax	**742,624,065**	**569,117,240**	**518,538,188**	**281,574,457**	**233,128,299**	**28,677,808**	**1,689,816,444**	**4,063,476,501**
Income tax expense	(172,198,410)	(128,051,379)	(116,671,092)	(63,354,253)	(52,453,867)	(6,452,507)	(435,850,521)	**(975,032,029)**
Net profit for the comparative period	**570,425,655**	**441,065,861**	**401,867,096**	**218,220,204**	**180,674,432**	**22,225,301**	**1,253,965,923**	**3,088,444,472**

At the end of comparative year

Assets and liabilities according to geographical segments (December 31, 2016)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Assets of geographical segments	34,868,035,002	17,147,917,888	21,507,293,951	11,777,534,854	10,476,576,606	3,436,531,635	91,425,467,908	**190,639,357,844**
Unclassified assets	-	-	-	-	-	-	-	**293,088,288**
Total assets	**34,868,035,002**	**17,147,917,888**	**21,507,293,951**	**11,777,534,854**	**10,476,576,606**	**3,436,531,635**	**91,425,467,908**	**190,932,446,132**
Liabilities of geographical segments	53,684,454,799	34,510,469,704	35,562,895,994	25,105,019,980	11,501,522,859	4,366,620,828	6,485,902,527	**171,216,886,691**
Unclassified liabilities	-	-	-	-	-	-	-	**2,600,568,985**
Total liabilities	**53,684,454,799**	**34,510,469,704**	**35,562,895,994**	**25,105,019,980**	**11,501,522,859**	**4,366,620,828**	**6,485,902,527**	**173,817,455,676**

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

(All amounts are shown in Egyptian Pounds)

6- Net interest income

	September 30, 2017	September 30, 2016
Interest from loans and similar income:		
Loans and credit facilities:		
- Customers	9,740,675,790	5,334,595,472
Total	**9,740,675,790**	**5,334,595,472**
Treasury bills and bonds	7,477,403,399	5,443,338,496
Deposits and current accounts	409,403,792	86,796,876
Net interest differential on hedging instruments (IRS contracts)	-	917,586
Total	**17,627,482,981**	**10,865,648,430**
Cost of deposits and similar expense :		
Deposits and current accounts:		
- Banks	(363,081,844)	(149,948,100)
- Customers	(10,580,618,894)	(5,652,143,675)
Total	**(10,943,700,738)**	**(5,802,091,775)**
REPO arrangements	(103,949,636)	(3,271,977)
Other loans	(174,211,253)	(87,273,751)
Total	**(11,221,861,627)**	**(5,892,637,503)**
Net	**6,405,621,354**	**4,973,010,927**

7- Net fee and commission income:

	September 30, 2017	September 30, 2016
Fee and commission income :		
Credit fees and commissions	1,058,211,986	747,433,694
Custody fees	18,546,947	10,017,857
Investments commissions	6,583,481	9,987,753
Other fees	424,917,100	308,149,215
Total	**1,508,259,514**	**1,075,588,519**
Fee and commission expense:		
Brokerage fees	(3,551,039)	(2,120,865)
Other fees	(190,935,157)	(108,537,782)
Total	**(194,486,196)**	**(110,658,647)**
Net	**1,313,773,318**	**964,929,872**

8- Dividend income

	September 30, 2017	September 30, 2016
Investment funds	550,000	-
Available-for-sale investments	15,567,998	11,000,377
Total	**16,117,998**	**11,000,377**

9- Net trading income:

	September 30, 2017	September 30, 2016
Forex operations:		
Foreign exchange trading gains (loss)	243,240,281	(27,472,927)
Investment funds held for trading	8,742,035	8,608,023
Changes in fair value of currency forward contracts	(88,563,533)	(585,397)
Changes in fair value of currency swap contracts	(51,894,406)	2,629,665
Net loss from IRS contracts	-	(8,143)
Total	**111,524,377**	**(16,828,779)**

10- Administrative expenses

	September 30, 2017	September 30, 2016
Staff cost:		
Salaries and wages	742,821,393	636,246,794
Social insurance	39,527,788	32,894,374
Pension cost:		
Defined contribution scheme	54,438,220	57,172,717
Other retirement benefits (Defined benefit scheme)	55,221,513	43,156,472
	892,008,914	769,470,357
Depreciation and amortization	169,047,767	124,674,648
Other administrative expenses	630,513,970	480,127,963
Total	**1,691,570,651**	**1,374,272,968**

11- Other operating revenues (expenses)

	September 30, 2017	September 30, 2016
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	(137,306,974)	224,366,145
Gain on sale of Property and Equipment	940,857	661,250
Software cost	(56,211,569)	(27,907,112)
Operating lease rental expense	(61,491,999)	(56,709,842)
Other provisions (net of reversed amounts)	(93,682,889)	(68,533,870)
Finance leases revenue	753,038,651	695,615,785
Other leasing revenues	13,430,864	12,964,403
Depreciation of leased assets	(477,371,732)	(472,456,799)
Impairment loss on leased assets	(49,389,605)	(35,939,001)
Net return received from Insurance activity*	9,762,103	122,482
Other income (expense)	17,204,692	10,363,453
Total	**(81,077,601)**	**282,546,894**

(All amounts are shown in Egyptian Pounds)

* The following table summarize net return received from Insurance activity:	September 30, 2017	September 30, 2016
Direct premium	319,918,109	257,515,220
Re-insurance premium ceded	(46,927,882)	(24,661,929)
Technical reserve during the period	(173,339,000)	(171,680,000)
Outgoing re-insurance commissions	2,279,235	842,788
Other revenues	7,693,039	5,770,542
Claims Paid	(99,230,237)	(75,222,292)
Re-insurance pay-back claim	9,852,322	12,265,741
Change in Provision for Outstanding Claims Balance	(6,894,470)	1,345,370
Allowance for impairment on receivable arising from insurance contracts	(3,589,013)	(6,052,958)
Total	**9,762,103**	**122,482**

12- Impairment credit losses	September 30, 2017	September 30, 2016
Loans and credit facilities to customers	(425,815,435)	(776,506,637)
Total	**(425,815,435)**	**(776,506,637)**

13- Income tax expense	September 30, 2017	September 30, 2016
Current tax	(1,444,555,291)	(967,761,466)
Deferred tax	44,710,359	(7,270,563)
Total	**(1,399,844,932)**	**(975,032,029)**

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	5,649,793,210	4,063,476,501
Income tax calculated at 22.5 % tax rate	1,271,203,472	914,282,213
Tax impact for:		
Non-taxable income	(9,191,809)	(4,660,460)
Non-deductible expenses for tax purposes	123,555,931	9,838,125
Utilized of deferred tax assets	(3,922,361)	(29,383,284)
Prior-years' tax settlements	(7,032,132)	4,495,250
Provision and segregated interest	68,476,756	73,189,622
Tax deterministic (10% on dividend income)	1,465,434	-
Effective income tax expense	**1,444,555,291**	**967,761,466**

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 December, 2010.
- Year 2011 and 2012 transferred to appeal committee
- Years 2013 till 2015 have been inspected, and the due tax was paid.
- Year 2016 the Bank submitted its tax return on due date and books have not been inspected yet.

A-2) Salaries Taxes

- The Bank's books have been inspected, and the due tax was paid until year 2012.
- Years 2013 and 2014 are currently waiting the appeal committee.
- Years 2015 and 2016 the Bank submitted its tax return in the due date and books have not been inspected yet.

A-3) Stamp duties

- The Bank's books have been inspected, for all branches until July 31, 2006 and the difference points were transferred to appeal committee and courts to adjudicate it.
- Period from August 01 ,2006 till March 31, 2013 have been inspected, and the due tax was paid.
- Period from April 01, 2013 till December 31, 2016 the Bank submitted its tax return in 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.

B-3) Stamp duties

- The Bank's books have been inspected for all branches until July 31, 2006 and the difference points were transferred to appeal committee and courts to adjudicate it.
- Period from August 01, 2006 till November 30, 2006 have been inspected, and the due tax was paid.

(C) QNB ALAHLI Leasing Position (subsidiary company):

C-1) Corporate Tax

- Years from activity inception until 2005, the Company was tax inspected, tax assessment was carried out and the payment thereof was made.
- Years 2006 the tax was re-inspected by internal committee with carrying 5% provision from net profit to specialized internal committee.
- Years 2007 till 2009, the Company was tax inspected, tax assessment was carried out and final settlement was under prepared by tax reservation devision to ensure amounts were paid from company side.
- Years from 2010 till 2011, actual tax inspection conducted for that year and the company received form (19) which was objected in legal due date the dispute was transferred to the internal committee.
- Years 2012 till 2016 the company submitted its tax return on the due date according to law No. 91 of year 2005 and books have not been inspected yet.

C-2) Salary tax

- Years from activity inception until December 31, 2012, the Company was tax inspected, tax assessment was carried out and the payment thereof was made.
- Years from 2013 to 2015, no tax inspection has been carried out up till date.

C-3) Stamp duties

- Years from January 01, 2001 to December 31, 2010, the Company was tax inspected and the tax assessment was carried out and the payment thereof was made.
- Years from January 01, 2011 to December 31, 2014, the company was tax inspected and under discussion by internal committee.
- Year 2015, no tax inspection has been carried out up till date.

(D) QNB ALAHLI Factoring Company Position (subsidiary company):

D-1) Corporate Tax

- The company is subject to income tax law No. 91 of 2005 and its executive statute and law No. 44 of 2014.
- Years 2012 till 2016, 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).

C-3) Stamp duties

- The company is subject to stamp duty tax law No. 111 of 1980 and amended by law 143 of year 2006 and the company not have been inspected till now.

D-3) Withholding tax

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

(E) QNB ALAHLI Life Insurance Company Position (subsidiary company):

E-1) Corporate Tax

- The company has received deemed tax claim from inception till 30 June 2005. The company objected the deemed tax at the due date and no request from tax authority to attend to the appeal committee up till now.
- Years from 1 July 2005 to 30 June 2008,no tax inspection has taken place.
- Years from 1 July 2008 to 30 June 2012 the tax authority inspection and settlement took place and the final settlement have been made.
- Years from 1 July 2012 to 30 June 2016 The company prepares its tax return and paid the tax due on the legal dates.

E-2) Salary tax

- The tax authority inspection and settlement took place for the year since inception till 2010.
- Years from 2011 up to 30 June 2012, the tax authority inspection took place and the company objected the resluts in the due dates for the years and no request from tax authority to attend to the appeal committee up till now.
- Years from 2013 up to June 2016, the company deduct tax dues from employee's salaries and transfer it to tax authority.

(All amounts are shown in Egyptian Pounds)

E-3) Stamp duties

- The tax authority inspection and settlement took place for the year since inception till 2012.
- Years from 1 July 2012 till 30 June 2016 not inspected till now.

(F) QNB ALAHLI Asset Management Egypt Company Position (subsidiary company):

F-1) Corporate Tax

- Years from 2002 till 2004, the company have been inspected, and the due tax was paid for some items and remaining items was have been transferred to the internal committee.
- Years from 2005 till 2006 have been transferred to the internal committee.
- Years from 2007 till 2010, the company have been inspected, and the due tax was paid for some items and remaining items was have been transferred to the internal committee.
- Years from 2011 till 2014, prepare to inspection.
- Years 2015 and 2016, the company submitted its tax return in the due date and books have not been inspected yet.

F-2) Salaries Taxes

- Years from 2002 till 2004, the tax inspection result was objected and internal committee was agreed and waiting tax claim.
- Years from 2005 till 2014 were inspected and finalized with nothing.

14- Earnings per share	September 30, 2017	September 30, 2016
Net profit for the period	4,065,789,897	2,953,362,636
Remuneration for the Board Members (from the period's net profit)*	(8,250,000)	(6,750,000)
Staff profit share (from the period's net profit)*	(406,637,744)	(309,969,267)
Profit available to shareholders	**3,650,902,153**	**2,636,643,369**
Weighted average number of the shares outstanding during the period	890,422,714	890,422,714
** **Earning Per Share**	**4.10**	**2.96**

* 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)	September 30, 2017	December 31, 2016
Cash	4,692,498,927	3,438,439,229
Balances with CBE (mandatory reserve)	8,111,913,137	8,421,974,392
Total	**12,804,412,064**	**11,860,413,621**
Interest free balances	12,804,412,064	11,860,413,621
Total	**12,804,412,064**	**11,860,413,621**

16- Due from banks	September 30, 2017	December 31, 2016
Current accounts	393,565,687	632,771,673
Deposits	10,233,039,490	8,953,704,496
Total	**10,626,605,177**	**9,586,476,169**
Balances at CBE other than those under the mandatory reserve	6,437,853,267	8,487,810,966
Local banks	3,241,448,922	306,832,726
Foreign Banks	947,302,988	791,832,477
Total	**10,626,605,177**	**9,586,476,169**
Interest free balances	319,382,419	394,012,868
Balances at floating interest rates	74,183,268	238,758,805
Balances at fixed interest rates	10,233,039,490	8,953,704,496
Total	**10,626,605,177**	**9,586,476,169**
Current balances	10,351,605,177	9,456,476,169
Non-current balances	275,000,000	130,000,000
Total	**10,626,605,177**	**9,586,476,169**

17- Treasury bills	September 30, 2017	December 31, 2016
91 days maturity	376,175,000	1,580,850,000
182 days maturity	622,750,000	5,059,525,000
More than 182 days maturity	34,110,545,820	34,357,463,550
Less : Unearned Interest	(2,365,833,322)	(1,820,822,625)
Total	**32,743,637,498**	**39,177,015,925**
Less : Repos transaction	(281,306,874)	(42,775,697)
Net	**32,462,330,624**	**39,134,240,228**

18- Trading investments	September 30, 2017	December 31, 2016
Mutual Fund certificates	44,933,961	41,483,172
Total	**44,933,961**	**41,483,172**

(All amounts are shown in Egyptian Pounds)

19- Loans and credit facilities to customers, net

	September 30, 2017	December 31, 2016
Individuals		
Overdrafts	2,279,739,335	2,217,986,422
Credit cards	601,431,625	524,638,361
Personal loans	13,046,390,472	11,838,608,238
Real estate loans	1,063,277,570	911,180,080
Total (1)	**16,990,839,002**	**15,492,413,101**
Corporate including small loans for businesses		
Overdrafts	45,972,226,757	41,947,642,485
Direct loans	26,703,573,434	21,994,722,388
Syndicated loans and facilities	18,024,693,641	14,571,017,774
Other loans	3,420,825,579	3,502,366,956
Total (2)	**94,121,319,411**	**82,015,749,603**
Total loans and credit facilities to customers (1+2)	**111,112,158,413**	**97,508,162,704**
Less: Allowance for impairment losses	(5,093,041,802)	(4,658,372,868)
Less: Segregated interest	(10,766,966)	(10,766,966)
Less: Unearned discount	(245,832,669)	(262,240,562)
Net amount distributed as follows:	**105,762,516,976**	**92,576,782,308**
Current balances	75,973,340,674	66,519,580,668
Non-current balances	29,789,176,302	26,057,201,640
Total	**105,762,516,976**	**92,576,782,308**

19-A Allowance for impairment losses

September 30, 2017

Individuals	**Overdrafts**	**Credit cards**	**Personal loans**	**Real estate loans**	**Total**
Balance at the beginning of the period	39,309,672	22,649,363	256,283,856	13,632,808	**331,875,699**
Net impairment loss recognized during the period	13,334,252	573,035	13,391,255	1,310,379	**28,608,921**
Loans written-off during the period	-	-	(7,675,172)	-	**(7,675,172)**
Collections of loans previously written-off	-	-	6,513,366	-	**6,513,366**
Foreign exchange translation differences	-	-	(9,376)	-	**(9,376)**
Balance at end of the period	**52,643,924**	**23,222,398**	**268,503,929**	**14,943,187**	**359,313,438**

Corporate	**Overdrafts**	**Direct loans**	**Syndicated loans and facilities**	**Other loans**	**Total**
Balance at beginning of the period	1,342,442,081	2,282,697,877	567,955,188	133,402,023	**4,326,497,169**
Net impairment loss recognized during the period	(96,293,856)	621,287,928	(109,402,370)	(18,385,188)	**397,206,514**
Loans written-off during the period	-	(2,629,378)	-	-	**(2,629,378)**
Collections of loans previously written-off	-	32,860,184	-	-	**32,860,184**
Foreign exchange translation differences	(6,320,437)	(10,747,316)	(2,674,026)	(464,346)	**(20,206,125)**
Balance at end of the period	**1,239,827,788**	**2,923,469,295**	**455,878,792**	**114,552,489**	**4,733,728,364**
Total					**5,093,041,802**

December 31, 2016

Individuals	**Overdrafts**	**Credit cards**	**Personal loans**	**Real estate loans**	**Total**
Balance at beginning of the year	10,374,703	30,127,045	285,469,585	13,799,704	**339,771,037**
Net impairment loss recognized during the year	45,558,913	24,190,977	8,248,003	26,283	**78,024,176**
Loans written-off during the year	(16,623,944)	(31,668,659)	(41,755,781)	(193,179)	**(90,241,563)**
Collections of loans previously written-off	-	-	4,162,165	-	**4,162,165**
Foreign exchange translation differences	-	-	159,884	-	**159,884**
Balance at end of the year	**39,309,672**	**22,649,363**	**256,283,856**	**13,632,808**	**331,875,699**

Corporate	**Overdrafts**	**Direct loans**	**Syndicated loans and facilities**	**Other loans**	**Total**
Balance at beginning of the year	339,332,693	1,276,366,218	293,958,355	48,386,293	**1,958,043,559**
Net impairment loss recognized during the year	907,397,199	633,622,990	180,719,016	70,671,815	**1,792,411,020**
Loans written-off during the year	(11,963,651)	(66,367,949)	-	-	**(78,331,600)**
Collections of loans previously written-off	-	34,064,643	-	-	**34,064,643**
Foreign exchange translation differences	107,675,840	405,011,975	93,277,817	14,343,915	**620,309,547**
Balance at end of the year	**1,342,442,081**	**2,282,697,877**	**567,955,188**	**133,402,023**	**4,326,497,169**
Total					**4,658,372,868**

(All amounts are shown in Egyptian Pounds)

20- Financial Derivatives

	September 30, 2017		
	Notional amount	Assets	Liabilities
(A) Held for trading			
- Forward foreign exchange contracts	1,153,125,376	-	7,274,134
- Swap foreign exchange contracts	2,641,765,988	-	46,838,261
Total	**3,794,891,364**	**-**	**54,112,395**

	December 31, 2016		
	Notional amount	Assets	Liabilities
(A) Held for trading			
- Forward foreign exchange contracts	1,382,843,460	81,289,399	-
- Swap foreign exchange contracts	1,422,015,972	5,056,145	-
Total	**2,804,859,432**	**86,345,544**	**-**

Forward exchange contracts represent commitments to purchase local and foreign currencies including the unexecuted part of regular-way transactions. Currency exchange contracts represent commitments to swap various of cashflow to another that result foreign exchange contracts. 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.

(All amounts are shown in Egyptian Pounds)

21- Financial investments

Available-for-sale investments	September 30, 2017	December 31, 2016
(A) Debt Instruments at Fair Value:		
Listed Instruments in Egyptian Stock Exchange Market	45,846,805	40,681,475
Listed Instruments in Foreign Stock Exchange Market	2,393,281,077	2,509,150,635
Total Debt Instruments	**2,439,127,882**	**2,549,832,110**
(B) Equity Instruments at Fair Value:		
Listed Instruments in Egyptian Stock Exchange Market	65,072,430	46,283,566
(C) Money Market Funds and balanced Funds		
Unlisted Instruments in Stock Exchange Market	20,860,972	27,945,222
(D) Equity Instruments at Cost Method:		
Unlisted Instruments in Stock Exchange Market	163,953,798	163,971,498
Total Available-for-sale investments (1)	**2,689,015,082**	**2,788,032,396**
Held to maturity investments		
(A) Debt Instruments:		
Listed Instruments in Stock Exchange Market	30,888,941,282	26,785,796,956
Unlisted Instruments in Stock Exchange Market	814,414,539	-
Total Debt Instruments	**31,703,355,821**	**26,785,796,956**
(B) Mutual Funds:		
Unlisted Instruments in Stock Exchange Market*	15,000,000	15,000,000
Total Held to maturity investments (2)	**31,718,355,821**	**26,800,796,956**
Total Financial Investments (1+2)	**34,407,370,903**	**29,588,829,352**
Current balances	4,234,681,219	4,494,944,263
Non-current balances	30,172,689,684	25,093,885,089
Total	**34,407,370,903**	**29,588,829,352**
Fixed interest debt instruments	34,142,483,703	29,335,629,066
Total Debt Instruments	**34,142,483,703**	**29,335,629,066**

The following table analyzes movement on financial investments during the period

	Available-for-sale investments	Held to maturity investments
Balance at the beginning of the current period	2,788,032,396	26,800,796,956
Additions	370,896,443	7,207,639,079
Amortization of premium / discount	(29,753,746)	258,444,033
Disposals (sale/redemption)	(420,085,665)	(2,853,680,000)
Translation differences resulting from monetary foreign currency assets	(42,971,777)	82,242,455
Changes in fair value reserve	22,897,431	222,913,298
Balance at the end of the current period	**2,689,015,082**	**31,718,355,821**

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

	Available -for-sale investments	Held to maturity investments
Balance at the beginning of the comparative year	23,959,112,046	786,206,063
Additions	5,289,016,020	4,127,607,935
Amortization of premium / discount	262,292,118	104,202,479
Disposals (sale/redemption)	(4,744,566,686)	-
Transfers from available-for-sale investments to held to maturity investments	(21,671,768,893)	21,671,768,893
Translation differences resulting from monetary foreign currency assets	1,551,695,147	-
Changes in fair value reserve	(1,851,466,339)	111,011,586
Less: Allowance for impairment loss	(6,281,017)	-
Balance at the end of the comparative year	**2,788,032,396**	**26,800,796,956**

Gain / Loss on financial investments	September 30, 2017	September 30, 2016
Gain on sale of Available-for-sale assets	1,276,474	3,341,807
Loss of impairment of Available-for-sale equity instruments	-	(3,747,940)
Total	**1,276,474**	**(406,133)**

During comparaive year, the bank has reclassified debt instruments amounted EGP 21,671,768,893 From available-for-sale investments to be held to maturity investments by using last market price at the date of transaction which were held during July and October 2016, the revaluation difference for these reclassified bonds amounted EGP (1,341,534,823) which were added to "Available-for-sale investments revaluation reserve".

* 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 yearly / cumulative return (Tawazon Balanced Fund) , in addition to the 20% from the total certificates' number of its QNB ALAHLI Third Fund with yearly / 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.

(All amounts are shown in Egyptian Pounds)

22- Investments in associates

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

September 30, 2017	Country of residence	Investee's assets	Investee's liabilities (excluding equity)	Investee's revenues	Investee's profit (loss)	Carrying amount	The bank stake
Senouhi Company for Construction Materials (Associates)	Egypt	13,372,138	2,801,306	13,354,696	(11,977)	2,440,806	23.09%
Total		**13,372,138**	**2,801,306**	**13,354,696**	**(11,977)**	**2,440,806**	

December 31, 2016	Country of residence	Investee's assets	Investee's liabilities (excluding equity)	Investee's revenues	Investee's profit (loss)	Carrying amount	The bank stake
Senouhi Company for Construction Materials (Associates)	Egypt	13,351,351	2,535,289	16,855,609	(42,570)	2,497,430	%23.09
Total		**13,351,351**	**2,535,289**	**16,855,609**	**(42,570)**	**2,497,430**	

23- Intangible assets

	September 30, 2017	December 31, 2016
Software		
Net book value at the beginning of the year	120,534,920	105,086,645
Addition	36,446,731	61,663,371
Amortization	(39,921,470)	(46,215,096)
Net book value at the end of the period	**117,060,181**	**120,534,920**

24- Other assets

	September 30, 2017	December 31, 2016
Accrued revenues	1,983,218,507	1,493,401,882
Pre-paid expenses	63,755,470	46,521,758
Advance payments for acquisition of Property and Equipment	95,628,133	112,445,130
Foreclosed assets reverted to the bank in settlement of debts	31,424,683	32,551,508
Deposits held with others and custody	68,214,300	93,048,564
Advance payments to tax authority	1,313,777,415	1,323,051,702
Receivables arising from insurance contracts, net	3,664,229	2,897,500
Others	223,881,674	245,122,074
Total	**3,783,564,411**	**3,349,040,118**

25- Assets leased under finance lease arrangements, net

	September 30, 2017	December 31, 2016
Leased assets under finance leases	2,578,853,067	2,747,354,995
Leased assets – under settlement account	(147,227,588)	(163,047,669)
Total	**2,431,625,479**	**2,584,307,326**

(All amounts are shown in Egyptian Pounds)

25-A Leased assets under finance leases, net

	Building	Vehicles	Equipment	Computers	Total
Cost					
January 1, 2016	930,170,644	1,197,996,190	2,021,726,246	9,424,031	**4,159,317,111**
Additions	148,549,898	390,248,049	293,753,439	4,900,000	**837,451,386**
Disposals	(73,453,985)	(247,804,975)	(192,338,751)	(4,024,032)	**(517,621,743)**
Total	**1,005,266,557**	**1,340,439,264**	**2,123,140,934**	**10,299,999**	**4,479,146,754**
Accumulated depreciation					
January 1, 2016	96,958,801	512,855,735	796,322,586	1,993,704	**1,408,130,826**
Depreciation for the year	39,618,679	235,779,239	347,092,463	2,169,814	**624,660,195**
Disposals	(11,716,512)	(188,334,662)	(99,714,986)	(1,233,102)	**(300,999,262)**
Total	**124,860,968**	**560,300,312**	**1,043,700,063**	**2,930,416**	**1,731,791,759**
Net book value as of					
December 31, 2016	**880,405,589**	**780,138,952**	**1,079,440,871**	**7,369,583**	**2,747,354,995**
Cost					
January 1, 2017	1,005,266,557	1,340,439,264	2,123,140,934	10,299,999	**4,479,146,754**
Additions	54,727,877	181,700,654	205,733,472	-	**442,162,003**
Disposals	(28,451,290)	(168,082,096)	(227,042,390)	-	**(423,575,776)**
Total	**1,031,543,144**	**1,354,057,822**	**2,101,832,016**	**10,299,999**	**4,497,732,981**
Accumulated depreciation					
January 1, 2017	124,860,968	560,300,312	1,043,700,063	2,930,416	**1,731,791,759**
Depreciation for the period	31,112,655	194,953,442	249,514,027	1,791,608	**477,371,732**
Disposals	(5,751,729)	(113,635,967)	(170,895,881)	-	**(290,283,577)**
Total	**150,221,894**	**641,617,787**	**1,122,318,209**	**4,722,024**	**1,918,879,914**
Net book value as of					
September 30, 2017	**881,321,250**	**712,440,035**	**979,513,807**	**5,577,975**	**2,578,853,067**

26- Property and Equipment

	Lands and buildings	Renovations of leased assets	Machinery & equipment	Others	Total
January 1, 2016					
Cost	1,385,008,410	124,846,770	498,447,482	137,576,143	**2,145,878,805**
Accumulated depreciation	(417,671,958)	(94,497,814)	(384,824,349)	(86,076,218)	**(983,070,339)**
Net book value	**967,336,452**	**30,348,956**	**113,623,133**	**51,499,925**	**1,162,808,466**
December 31, 2016					
Net book value at the beginning of the year	967,336,452	30,348,956	113,623,133	51,499,925	**1,162,808,466**
Additions	634,063,378	21,669,304	130,975,561	11,493,104	**798,201,347**
Disposals from Property and Equipment	(339,608)	(25,830)	(11,448,140)	(1,510,918)	**(13,324,496)**
Disposals from accumulated depreciation	339,608	25,830	10,424,084	1,300,091	**12,089,613**
Deprecation for the year	(57,723,861)	(10,488,383)	(50,874,192)	(11,745,918)	**(130,832,354)**
Net book value	**1,543,675,969**	**41,529,877**	**192,700,446**	**51,036,284**	**1,828,942,576**
January 1, 2017					
Cost	2,018,732,180	146,490,244	617,974,903	147,558,329	**2,930,755,656**
Accumulated depreciation	(475,056,211)	(104,960,367)	(425,274,457)	(96,522,045)	**(1,101,813,080)**
Net book value	**1,543,675,969**	**41,529,877**	**192,700,446**	**51,036,284**	**1,828,942,576**
September 30, 2017					
Net book value at the beginning of the year	1,543,675,969	41,529,877	192,700,446	51,036,284	**1,828,942,576**
Additions	195,369,212	8,427,329	60,558,036	85,232,685	**349,587,262**
Disposals from Property and Equipment	-	-	(98,448)	(1,211,065)	**(1,309,513)**
Disposals from accumulated depreciation	-	-	98,448	1,190,607	**1,289,055**
Deprecation for the period	(59,204,225)	(7,482,632)	(50,478,237)	(11,961,203)	**(129,126,297)**
Net book value	**1,679,840,956**	**42,474,574**	**202,780,245**	**124,287,308**	**2,049,383,083**
Balances at September 30, 2017					
Cost	2,214,101,392	154,917,573	678,434,491	231,579,949	**3,279,033,405**
Accumulated depreciation	(534,260,436)	(112,442,999)	(475,654,246)	(107,292,641)	**(1,229,650,322)**
Net book value	**1,679,840,956**	**42,474,574**	**202,780,245**	**124,287,308**	**2,049,383,083**

(All amounts are shown in Egyptian Pounds)

27- Due to banks

	September 30, 2017	December 31, 2016
Current accounts	548,834,093	302,136,732
Deposits	3,293,413,151	2,025,316,406
Total	**3,842,247,244**	**2,327,453,138**
Central banks	47,344,408	29,414,428
Local banks	3,093,458,570	1,485,449,655
Foreign banks	701,444,266	812,589,055
Total	**3,842,247,244**	**2,327,453,138**
Non-interest bearing balances	405,211,648	158,300,191
Variable interest rate balances	143,622,445	143,836,541
Fixed interest rate balances	3,293,413,151	2,025,316,406
Total	**3,842,247,244**	**2,327,453,138**
Current balances	3,842,247,244	2,327,453,138
Total	**3,842,247,244**	**2,327,453,138**

28- Customer deposits

	September 30, 2017	December 31, 2016
Demand deposits	37,205,811,636	35,935,956,878
Time deposits and call accounts	71,236,602,941	69,597,575,468
Term saving certificates	39,880,797,000	36,744,552,000
Saving deposits	14,444,061,337	10,683,524,648
Other deposits*	5,340,226,406	5,182,777,631
Total	**168,107,499,320**	**158,144,386,625**
Corporate deposits	89,426,958,829	89,757,345,928
Retail deposits	78,680,540,491	68,387,040,697
Total	**168,107,499,320**	**158,144,386,625**
Non-interest bearing balances	24,788,108,907	24,463,389,781
Variable interest rate balances	34,271,948,254	28,704,175,104
Fixed interest rate balances	109,047,442,159	104,976,821,740
Total	**168,107,499,320**	**158,144,386,625**
Current balances	134,846,956,481	109,582,386,688
Non-current balances	33,260,542,839	48,561,999,937
Total	**168,107,499,320**	**158,144,386,625**

* Other deposits include deposits covering irrevocable letters of credit in the total of EGP 369,664,986 as of September 30, 2017 (December 31,2016.EGP 411,904,110). The fair value of these deposits approximates its carrying amount.

29- Other loans

	September 30, 2017	December 31, 2016
Union National Bank	153,810,678	224,606,245
National Bank of Egypt	44,682,897	60,398,629
Commercial International Bank	54,000,000	60,126,288
Egyptian Gulf Bank	14,195,691	21,602,851
Qatar National Bank	1,853,103,000	1,917,982,500
Audi Bank	274,614,003	298,228,163
European Bank for Reconstruction and Development	1,770,208,148	3,952,329,654
Alex Bank	199,889,195	73,937,612
Banque Misr	64,725,921	140,325,264
National Bank of Kuwait	84,469,568	88,269,123
Total	**4,513,699,101**	**6,837,806,329**
Current balances	3,357,686,661	4,453,524,311
Non-current balances	1,156,012,440	2,384,282,018
Total	**4,513,699,101**	**6,837,806,329**

30- Other liabilities

	September 30, 2017	December 31, 2016
Accrued interest	1,810,376,209	1,657,192,979
Unearned revenues	97,626,909	79,797,945
Accrued expenses	381,348,731	415,769,954
Due to insurance and re-insurance companies	75,803,094	54,153,191
Sundry credit balances	406,520,816	343,491,224
Total	**2,771,675,759**	**2,550,405,293**

(All amounts are shown in Egyptian Pounds)

31- Other provisions

Description	Balance at the beginning of the period	Formed during the period	Released during the period	Foreign currencies translation differences + (-)	Used during the period	Balance at the end of the period
			September 30, 2017			
Provision for Tax claims	582,534,748	33,256,015	-	-	(4,260,870)	611,529,893
Provision for Legal claims	54,431,774	3,826,033	-	(1,312,599)	(777,008)	56,168,200
Provision for contingent liabilities	242,419,180	62,920,979	-	(2,661,696)	-	302,678,463
Provision for fidelity	42,105,131	-	(6,320,138)	(1,206,609)	(114,938)	34,463,446
Total	**921,490,833**	**100,003,027**	**(6,320,138)**	**(5,180,904)**	**(5,152,816)**	**1,004,840,002**

Description	Balance at the beginning of the year	Formed during the year	Released during the year	Foreign currencies translation differences + (-)	Used during the year	Balance at the end of the year
			December 31, 2016			
Provision for Tax claims	589,265,407	3,764,509	(5,960,000)	-	(4,535,168)	582,534,748
Provision for Legal claims	15,748,560	21,180,365	(60,000)	19,647,508	(2,084,659)	54,431,774
Provision for contingent liabilities	164,420,520	31,756,447	-	46,242,213	-	242,419,180
Provision for fidelity	23,897,816	-	-	20,575,040	(2,367,725)	42,105,131
Total	**793,332,303**	**56,701,321**	**(6,020,000)**	**86,464,761**	**(8,987,552)**	**921,490,833**

32- Insurance Policyholders' Rights

	September 30, 2017	December 31, 2016
Technical Reserves for Insurance activties	1,470,075,000	1,296,736,000
Provision for outstanding claims	66,993,776	60,099,306
Total	**1,537,068,776**	**1,356,835,306**

33- Deferred income tax

Deferred tax has been calculated on all temporary tax differences using the balance sheet method and using the expected tax rate on a time that the bank will recognize a benefit from assets / incurred liabilities at a tax rate of (22.5%) 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	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Tax impact on temporary differences arising from:				
Property and Equipment	-	-	(47,425,702)	(44,788,722)
Provisions (other than the provision for loan impairment)	260,800,681	226,963,378	-	-
Changes in fair value of Available-for-sale investments	-	-	(6,629,143)	(5,971,219)
Effect of changes in accounting policies	-	-	(3,650,069)	(3,650,069)
Others	18,633,608	-	(5,123,572)	-
Deferred tax assets (liabilities)	**279,434,289**	**226,963,378**	**(62,828,486)**	**(54,410,010)**
Net balance of DTA (DTL)	**216,605,803**	**172,553,368**		

Movement of deferred tax assets and liabilities:

	Deferred tax assets		Deferred tax liabilities	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Beginning balance	226,963,378	216,316,921	(54,410,010)	(48,330,208)
DT recognized / utilized during the period.	52,470,911	10,646,457	(8,418,476)	(6,079,802)
Closing balance	**279,434,289**	**226,963,378**	**(62,828,486)**	**(54,410,010)**

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

	September 30, 2017	December 31, 2016
Cumulative change in fair value of Available-for-sale	(6,629,143)	(5,971,219)
Effect of changes in accounting policies (special reserve)	(3,244,506)	(3,244,506)

34- Defined benefits obligation

	September 30, 2017	December 31, 2016
Amounts recognized in the statement of financial position:		
Liability for post-retirement medical benefits	355,131,395	308,097,463
Amounts recognized in the income statement:		
Post-retirement medical benefits	55,221,513	57,541,962
Post-retirement medical benefits obligation constitutes of:		
Balances shown in the statement of financial position are represented as follows:		
Present value of unfunded liabilities	385,354,870	338,835,237
Unrecognized actuarial loss	(30,223,475)	(30,737,774)
	355,131,395	**308,097,463**
Liability movements during the period are represented as follows:		
Beginning balance (at the beginning of the current period)	308,097,463	260,592,206
Current service cost	11,688,869	13,130,252
Interest cost	43,018,346	43,477,692
Actuarial losses	514,298	934,018
Benefits paid	(8,187,581)	(10,036,705)
	355,131,395	**308,097,463**
Amounts recognized in the income statement are shown below:		
Current service cost	11,688,869	13,130,252
Interest cost	43,018,346	43,477,692
Actuarial losses recognized during the period	514,298	934,018
	55,221,513	**57,541,962**

The main actuarial assumptions used by the bank are outlined below:	September 30, 2017	December 31, 2016
Discount rate (two plans):		
A-QNB ALAHLI current employees plan	17.50%	17.50%
B-Ex-MIBank retirees plan	17.50%	17.50%
QNB ALAHLI long term increase in the cost of medical care (on top of inflation)	15.32%	15.32%
Ex-MIBank long term increase in the cost of medical care (on top of inflation)	15.32%	15.32%

Sensitivities to +1% in discount rate (duration of the plan):	Service cost	DBO
Post-retirement medical benefits	59.08%	20.27%

35- Issued and paid-up capital

(A) Authorized Capital

- The Extraordinary General Assembly held on February 16, 2017 decided to increase the Authorized capital to become EGP 15,000,000,000 (fiften billion Egyptian pounds) instead of EGP 10,000,000,000 (ten billion Egyptian pounds)

- The authorized capital amounts to EGP 15 billion.

(B) Issued and Paid up Capital

- The issued and paid up capital amounted to EGP 7,420,189,290 on December 31, 2016 representing 742,018,929 shares with a nominal value of EGP10 each, of which 616,695,929 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 16, 2017 decided to increase the capital from EGP 7,420,189,290 to EGP 8,904,227,140 an increase of EGP 1,484,037,850 (only one billion and four hundred eighty four million and thirty seven thousand and eight hundred fifty Egyptian pounds) by deducting from general reserve.
- The issued and paid up capital amounted to EGP 8,904,227,140 on September 30, 2017 representing 890,422,714 shares with a nominal value of EGP10 each, of which 765,099,714 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.

36- Reserve For Employee Stock Ownership Plan (ESOP)

Societe Generale Paris (France), which was the parent of QNB ALAHLI, had launched employees share ownership plan (ESOP) according to the Board of Directors decision in its meeting held on November 2, 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 were awarded after the condition was met that was S.G Group's Return on Equity (ROE) for 2012 after tax is at least 10%. 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 instead of Return on Equity (ROE) for 2012 after tax is at least 10%, 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.

(All amounts are shown in Egyptian Pounds)

- 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' 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.

- On March 31, 2015, Societe Generale Paris has granted 16 shares to be distributed to employees after meeting the condition that was positive net income for year 2012.

- On March 31, 2016, Societe Generale Paris has granted 24 shares to be distributed to employees after meeting the condition that an improvement in customer satisfaction between 2010 and 2013.

37- Reserves and retained earnings

(1) Reserves

	September 30, 2017	December 31, 2016
General reserve (a)	7,326,936,116	5,262,955,370
General banking risk reserve (b)	6,041,213	7,149,356
Legal reserve (c)	1,023,166,558	821,487,038
Available-for-sale investments revaluation reserve (d)	(967,817,081)	(1,212,969,886)
Special reserve (e)	173,681,968	173,681,968
Capital reserve	10,116,810	10,113,989
Reserve for transactions under common control	4,000,483	4,000,483
Total reserves at the end of the period	**7,576,126,067**	**5,066,418,318**

Reserve movements are as follows:

(a) General reserve

	September 30, 2017	December 31, 2016
Balance at the beginning of the financial period	5,262,955,370	3,566,425,007
Transferred from retained earnings	3,548,018,596	2,664,381,133
Transferred to capital increase	(1,484,037,850)	(967,850,770)
Balance at the end of the period	**7,326,936,116**	**5,262,955,370**

(b) General banking risk reserve

	September 30, 2017	December 31, 2016
Balance at the beginning of the period	7,149,356	140,816,030
Transferred to retained earnings	(1,108,143)	(133,666,674)
Balance at the end of the period	**6,041,213**	**7,149,356**

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 distribution proposal, 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.

(c) Legal Reserve

	September 30, 2017	December 31, 2016
Balance at the beginning of the period	821,487,038	667,488,795
Transferred from the net profit for the prior year	201,679,520	153,998,243
Balance at the end of the period	**1,023,166,558**	**821,487,038**

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.

(d) Available-for-sale Investments Revaluation Reserve

	September 30, 2017	December 31, 2016
Balance at the beginning of the period	(1,212,969,886)	521,516,766
Net gains (losses) resulting from changes in fair value during the period (Note 21)	245,810,729	(1,740,454,753)
Deferred tax recognized during the period (Note 33)	(657,924)	5,968,101
Balance at the end of the period	**(967,817,081)**	**(1,212,969,886)**

(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
Total	**173,681,968**

(All amounts are shown in Egyptian Pounds)

(2) Profit for the period and Retained earnings

	September 30, 2017	December 31, 2016
Movements on retained earnings:		
Balance at the beginning of period	4,628,357,566	3,432,739,779
Net profit of the financial period	4,249,941,651	4,203,453,654
Employees' profit share	(425,754,313)	(325,778,490)
Board of directors' remuneration	(9,250,000)	(6,500,000)
Transferred to capital reserve	(2,821)	(196,625)
Transferred to general reserve	(3,548,018,596)	(2,664,381,133)
Transferred to the legal reserve	(201,679,520)	(153,998,243)
Transferred from share based payments	-	9,351,950
Transferred from general banking risk reserve	1,108,143	133,666,674
Balance at the end period	**4,694,702,110**	**4,628,357,566**

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.

	September 30, 2017	September 30, 2016
Cash and balances with central banks	4,692,498,927	2,533,509,927
Due from banks in less than 3 months	9,182,101,100	3,704,474,258
Treasury bills and other governmental notes (91 days)	364,654,238	875,300,432
Total	**14,239,254,265**	**7,113,284,617**

39- Contingent liabilities and other commitments

(a) Legal claims (litigation)

Several lawsuits were brought against the bank and are still outstanding as of September 30, 2017. 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 202,813,316 as of September 30, 2017 (EGP 296,921,017 on December 31, 2016). 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

	September 30, 2017	December 31, 2016
Financial guarantees	357,500	357,500
Loan commitments	73,004,550	28,983,255
Accepted papers	1,026,120,532	993,379,636
L/Gs	40,108,810,409	38,790,243,480
Import L/Cs	3,478,003,122	3,612,588,322
Export L/Cs	191,782,369	281,833,740
Other contingent liabilities	3,556,011,551	5,508,831,742
Total	**48,434,090,033**	**49,216,217,675**

(d) Commitments under operating lease contracts

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

	September 30, 2017	December 31, 2016
Not more than one year	91,459,320	82,494,848
More than one year and less than 5 years	168,103,465	198,240,751
More than 5 years	53,843,858	51,184,557
Total	**313,406,643**	**331,920,156**

(All amounts are shown in Egyptian Pounds)

40- Related-party transactions

Qatar National Bank (Q.P.S.C) 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:

QNB Group	September 30, 2017	December 31, 2016
Due from banks	1,036,447	12,754,132
Due to banks	323,676,582	677,108,051
LGs for Banks	12,400,750,856	11,861,990,469
Forward foreign exchange contracts	2,935,007,677	1,422,015,972
Other loans	1,853,103,000	1,917,982,500

A- Loans and credit facilities to related parties

	Directors and others key management personnel (and close family members)		Associates	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Outstanding loans at the beginning of the financial period	111	105,850	1,002,612	1,001,855
Loans issued during the financial period	-	-	-	757
Loans repayment during the financial period	-	(105,739)	(1,002,591)	-
Loans outstanding at the end of the financial period	**111**	**111**	**21**	**1,002,612**
Interest income on loans	-	1,699	2,165	1,257

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

	Directors and others key management personnel (and close family members)		Associates	
Loans and credit facilities to related parties can be analyzed below	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Overdrafts	111	111	21	1,002,612
Total	**111**	**111**	**21**	**1,002,612**

B- Deposits from related parties

	Directors and others key management personnel (and close family members)		Associates	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Deposits outstanding at the beginning of the financial period	54,054,801	20,217,015	5,908,097	5,277,749
Deposits placed during the period	9,004,438	37,312,921	896,909	630,348
Deposits repaid during the period	(3,130,570)	(3,475,135)	(1,477,151)	-
Deposits outstanding at the end of the financial period	**59,928,669**	**54,054,801**	**5,327,855**	**5,908,097**
Interest expense on deposits	1,659,063	864,122	343,019	185,415

Deposits from related parties can be analyzed below

	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Demand deposits	2,142,667	968,887	1,192,957	2,551,488
Saving accounts	415,555	66,920	-	-
Certificates of deposits	3,300,000	1,300,000	-	-
Time deposits	54,070,447	51,718,994	4,134,898	3,356,609
Total	**59,928,669**	**54,054,801**	**5,327,855**	**5,908,097**

C- Other transactions with related parties

	Directors and others key management personnel (and close family members)		Associates	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Fee and commission income	8,738	12,186	32,819	29,583
Guarantees issued by the bank	-	-	35,599	35,599
The above guarantees comprise:				
LGs	-	-	35,599	35,599
Total	**-**	**-**	**35,599**	**35,599**

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

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 September 30, 2017 reached 6,382,092 at a total value of EGP 1,709,137,002 The Group currently holds 295,685 certificates worth of EGP 70,794,933, 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 20,860,972 are classified as available-for-sale investments and EGP 44,933,961 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 6,311,233 have been reported in the "fees and commission income" line item in the consolidated income statement.

B- QNB ALAHLI Second Fund with yearly / 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 September 30, 2017 reached 58,643 at a total value of EGP 10,580,534 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 50,237 have been reported in the "fees and commission income" line item in the consolidated income statement.

C- QNB ALAHLI Third Fund with yearly / 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 were 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 September 30, 2017 reached 65,248 at a total value of EGP 15,249,233 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 222,010 have been reported in the "fees and commission income" line item in the consolidated income statement.