QNB ALAHLI S.A.E.
(Egyptian Joint Stock Company)

Separate Financial Statements
Together With Limited Review Report
For The Period Ended June 30, 2019

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QNB ALAHLI S.A.E
Separate Statement of Financial Position
As at 30 June 2019

(All amounts are shown in Egyptian Pounds)

	Note	June 30, 2019	December 31, 2018
Assets:			
Cash and due from Central Bank of Egypt (CBE)	(16)	11,243,405,060	11,750,943,263
Due from banks	(17)	15,133,118,951	10,545,594,892
Treasury bills	(18)	32,035,975,253	49,360,343,079
Loans and credit facilities to customers	(19)	142,867,432,859	138,249,356,764
Financial derivatives	(20)	99,793,369	3,796,045
Financial Investments:			
- Fair value through other comprehensive income	(21)	2,754,511,457	2,269,997,110
- Amortized cost	(21)	38,040,416,085	36,553,382,720
- Fair value through profit or loss	(21)	48,463,869	45,383,743
Investments in subsidiaries and associates	(22)	292,109,089	292,109,089
Intangible assets	(23)	186,557,333	162,034,757
Other assets	(24)	3,544,578,677	2,957,822,205
Deferred tax assets	(31)	94,584,126	161,419,802
Property and Equipment	(25)	2,264,952,079	2,236,150,168
Total assets		**248,605,898,207**	**254,588,333,637**
Liabilities and equity:			
Liabilities:			
Due to banks	(26)	5,410,349,765	12,707,779,270
Customer deposits	(27)	205,906,207,071	207,349,945,095
Financial derivatives	(20)	52,235,569	664,669
Other loans	(28)	2,506,105,455	2,586,406,412
Other liabilities	(29)	2,831,614,166	2,517,785,003
Other provisions	(30)	880,992,553	657,934,031
Current income tax payable		662,031,524	632,028,488
Defined benefits obligation	(32)	464,024,635	437,821,485
Total liabilities		**218,713,560,738**	**226,890,364,453**
Equity:			
Issued and paid-up capital	(33)	9,794,649,850	9,794,649,850
Reserves	(34)	15,637,857,614	10,584,464,481
Profit for the period / year and retained earnings	(34)	4,459,830,005	7,318,854,853
Total equity		**29,892,337,469**	**27,697,969,184**
Total liabilities and equity		**248,605,898,207**	**254,588,333,637**

M. Osman

Mohamed Osman El-Dib
Chairman and Managing Director

The accompanying notes from (1) to (38) are an integral part of these Separate Financial Statements.
(Limited review report attached).

QNB ALAHLI S.A.E

Separate Income Statement

For the Six Months Period Ended 30 June 2019

(All amounts are shown in Egyptian Pounds)

	Note	From April 01, 2019 To June 30, 2019	From January 01, 2019 To June 30, 2019	From April 01, 2018 To June 30, 2018	From January 01, 2018 To June 30, 2018
Interest on loans and similar income	(6)	8,038,903,130	16,115,545,639	7,261,558,099	14,440,856,973
Cost of deposits and similar expense	(6)	(4,586,597,648)	(9,497,985,298)	(4,643,101,192)	(9,571,799,357)
Net interest income		**3,452,305,482**	**6,617,560,341**	**2,618,456,907**	**4,869,057,616**
Fee and commission income	(7)	594,705,140	1,198,150,827	564,307,957	1,134,027,100
Fee and commission expense	(7)	(111,215,718)	(221,998,888)	(93,350,941)	(177,251,438)
Net interest, fee and commission income		**3,935,794,904**	**7,593,712,280**	**3,089,413,923**	**5,825,833,278**
Dividend income	(8)	32,753,832	47,264,940	9,793,063	22,018,006
Net trading income	(9)	28,942,025	49,622,881	4,325,202	22,903,145
Gain on financial investments	(21)	1,610,044	3,168,957	58,515,645	59,235,255
Impairment credit losses	(12)	(105,280,277)	(170,963,012)	(65,020,784)	(119,085,977)
Administrative expenses	(10)	(817,722,255)	(1,684,175,846)	(664,813,540)	(1,305,074,196)
Other operating revenues (expenses)	(11)	(250,004,350)	(462,800,617)	(2,160,396)	(33,468,721)
Profit before income tax		**2,826,093,923**	**5,375,829,583**	**2,430,053,113**	**4,472,360,790**
Income tax expense	(13)	(709,461,002)	(1,346,903,856)	(641,566,916)	(1,181,844,139)
Net profit for the period		**2,116,632,921**	**4,028,925,727**	**1,788,486,197**	**3,290,516,651**
Earnings per share	(14)		3.69		3.02

M. [signature]

Mohamed Osman El-Dib

Chairman and Managing Director

The accompanying notes from (1) to (38) are an integral part of these Separate Financial Statements.

QNB ALAHLI S.A.E

Separate Statement of Comprehensive Income

For the Six Months Period Ended 30 June 2019

(All amounts are shown in Egyptian Pounds)

	From April 01, 2019 To June 30, 2019	From January 01, 2019 To June 30, 2019	From April 01, 2018 To June 30, 2018	From January 01, 2018 To June 30, 2018
Net profit for the period	2,116,632,921	4,028,925,727	1,788,486,197	3,290,516,651
Other comprehensive income items that will not be reclassified to the Profit or Loss:				
Net change in fair value of investments in equity instruments measured at fair value through other comprehensive income	(5,054,802)	(18,618,842)	(18,775,050)	13,931,100
Tax impact related to other comprehensive income that will not be reclassified to the profit or loss	1,044,422	4,695,716	-	-
Amount transferred to retained earning, net of tax	(9,368,086)	(9,368,086)	-	-
Other comprehensive income items that is or may be reclassified to the profit or loss:				
Net change in fair value of debt instruments measured at fair value through other comprehensive income	32,483,134	52,062,149	38,386,534	65,999,412
Tax impact related to other comprehensive income that will be reclassified to the profit or loss	(7,308,705)	(11,713,983)	3,175,378	11,009,059
Expected credit loss for fair value of debt Instruments measured at fair value through other comprehensive income	8,317	(33,267)	-	-
Total other comprehensive income items for the period, net of tax	**11,804,280**	**17,023,687**	**22,786,862**	**90,939,571**
Total comprehensive income for the period, net of tax	**2,128,437,201**	**4,045,949,414**	**1,811,273,059**	**3,381,456,222**

The accompanying notes from (1) to (38) are an integral part of these Separate Financial Statements.

QNB ALAHLI S.A.E

Separate Statement Of Changes In Equity

For the Six Months Period Ended 30 June 2019

(All amounts are shown in Egyptian Pounds)

	Issued and Paid Up Capital	Legal Reserve	General Reserve	Special Reserve	Capital Reserve	Fair Value Reserve	General Banking Risk Reserve	IFRS 9 Reserve	General Risk Reserve	Retained Earnings	Net Profit for the Year / Period	Total
June 30, 2018												
Balance at 1 January 2018	8,904,227,140	1,023,166,558	7,326,936,116	147,044,179	10,116,810	(902,709,151)	8,974,020	-	-	-	5,291,747,850	**21,809,503,522**
Transfer to reserves and retained earnings	-	264,581,718	2,094,574,293	-	1,938,155	-	-	1,282,925,633	-	395,158,909	(4,039,178,708)	**-**
Dividend distributions for year 2017	-	-	-	-	-	-	-	-	-	-	(1,252,569,142)	**(1,252,569,142)**
Net change in other comprehensive income	-	-	-	-	-	90,939,571	-	-	-	-	-	**90,939,571**
Net profit for the period	-	-	-	-	-	-	-	-	-	-	3,290,516,651	**3,290,516,651**
Balance at 30 June 2018	**8,904,227,140**	**1,287,748,276**	**9,421,510,409**	**147,044,179**	**12,054,965**	**(811,769,580)**	**8,974,020**	**1,282,925,633**	**-**	**395,158,909**	**3,290,516,651**	**23,938,390,602**
June 30, 2019												
Balance at 1 January 2019	9,794,649,850	1,287,748,276	8,531,087,699	147,044,179	12,054,965	(679,178,263)	2,781,992	1,282,925,633	-	401,350,937	6,917,503,916	**27,697,969,184**
Transfer to general risk reserve	-	-	-	(152,225,804)	-	-	-	(1,282,925,633)	1,435,151,437	-	-	**-**
Impact of adopting IFRS 9	-	-	-	18,038,291	-	1,193,305,099	-	-	(1,413,697,514)	26,377,283	-	**(175,976,841)**
Restated balance at 1 January 2019	**9,794,649,850**	**1,287,748,276**	**8,531,087,699**	**12,856,666**	**12,054,965**	**514,126,836**	**2,781,992**	**-**	**21,453,923**	**427,728,220**	**6,917,503,916**	**27,521,992,343**
Transfer to reserves and retained earnings	-	345,553,468	4,886,735,548	-	6,434,554	-	-	-	-	(6,192,028)	(5,232,531,542)	**-**
Dividend distributions for year 2018	-	-	-	-	-	-	-	-	-	-	(1,684,972,374)	**(1,684,972,374)**
Net change in other comprehensive income	-	-	-	-	-	26,391,773	-	-	-	-	-	**26,391,773**
Reclassification of the net change in fair value of equity instruments upon derecognition	-	-	-	-	-	(9,368,086)	-	-	-	9,368,086	-	**-**
Net profit for the period	-	-	-	-	-	-	-	-	-	-	4,028,925,727	**4,028,925,727**
Balance at 30 June 2019	**9,794,649,850**	**1,633,301,744**	**13,417,823,247**	**12,856,666**	**18,489,519**	**531,150,523**	**2,781,992**	**-**	**21,453,923**	**430,904,278**	**4,028,925,727**	**29,892,337,469**

The accompanying notes from (1) to (38) are an integral part of these Separate Financial Statements.

QNB ALAHLI S.A.E

Separate Statement of Cash Flows

For the Six Months Period Ended 30 June 2019

(All amounts are shown in Egyptian Pounds)

	Note	June 30, 2019	June 30, 2018
Cash flows from operating activities			
Profit before tax		5,375,829,583	4,472,360,790
Adjusted by:			
Property and Equipment depreciation and Intangible assets amortization		135,503,030	116,672,920
Impairment credit losses	(12)	170,963,012	119,085,977
Loans written off during the period		(3,707,814)	(5,734,960)
Recovery from loans previously written off		12,941,589	22,503,353
Net formed / (reversed) other provisions		78,124,844	(735,875)
Utilized provisions other than loans provision		(3,581,406)	(649,389)
Translation differences of other provisions in foreign currencies		(4,726,839)	650,766
Translation differences resulting from monetary foreign currency investments		192,131,571	(28,104,609)
Amortization of premium / discount for bonds		(35,207,706)	(31,942,875)
(Gain) on sale of Property and Equipment		-	(1,343,338)
Dividend income	(8)	(47,264,940)	(22,018,006)
Gain on financial investments	(21)	(3,168,957)	(59,235,255)
Operating profits before changes in assets and liabilities resulting from operating activities		**5,867,835,967**	**4,581,509,499**
Net decrease / increase in assets and liabilities			
Due from banks		(1,272,236,625)	243,366,258
Treasury bills		15,453,718,921	159,007,054
Loans and credit facilities to customers		(5,967,773,359)	(11,036,394,776)
Financial derivatives		(44,426,424)	32,099,812
Financial investement recognized at fair value through profit or loss		(3,080,126)	-
Other assets		(575,578,694)	(206,600,500)
Due to banks		(7,297,429,505)	5,985,469,693
Customer deposits		(1,443,738,024)	7,092,382,822
Other liabilities		313,829,163	(286,328,084)
Defined benefits obligation		26,203,150	41,717,316
Income tax paid		(1,349,174,260)	(1,179,256,766)
Net cash flows resulting from operating activities (1)		**3,708,150,184**	**5,426,972,328**
Cash flows from investing activities			
Acquisition of Property and Equipment and branches preparation		(189,170,577)	(177,012,389)
Proceeds from sale of Property and Equipment		343,060	1,530,846
Proceeds from financial investments other than held for trading investments		2,206,857,448	2,012,022,550
Acquisition of financial investments other than held for trading investments		(2,982,212,554)	(3,550,161,047)
Dividends received		29,632,605	14,675,929
Net cash flows used in investing activities (2)		**(934,550,018)**	**(1,698,944,111)**
Cash flows from financing activities			
Other loans		(80,300,957)	883,580,180
Dividends paid		(1,684,972,374)	(1,252,569,142)
Net cash flows used in financing activities (3)		**(1,765,273,331)**	**(368,988,962)**
Net increase in cash and cash equivalents during the period (1+2+3)		**1,008,326,835**	**3,359,039,255**
Cash and cash equivalents at the beginning of the period		18,037,402,227	18,472,770,617
Cash and cash equivalents at the end of the period	(35)	**19,045,729,062**	**21,831,809,872**
Cash and cash equivalents at end of the period are represented in :			
Cash and due from Central Bank of Egypt	(16)	11,243,405,060	13,540,091,189
Due from banks	(17)	15,144,209,447	15,704,235,498
Treasury bills		32,096,111,266	39,412,599,628
Balances with Central Bank of Egypt (mandatory reserve)		(6,028,126,224)	(8,740,579,770)
Balances due from banks with maturities more than 3 months		(2,184,300,000)	(3,644,390,000)
Treasury bills with maturity more than 3 months		(31,225,570,487)	(34,440,146,673)
Cash and cash equivalents at end of the period		**19,045,729,062**	**21,831,809,872**

The accompanying notes from (1) to (38) are an integral part of these Separate Financial Statements.

1. Background:

QNB ALAHLI "S.A.E" ("The Bank") 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 220 branches served by 6,606 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 July 10, 2019.

2. Summary of significant accounting policies:-

2.1 Basis of preparation of the separate financial statements

These separate financial statements have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on December 16, 2008; to under IFRS 9 "Financial Instruments" in accordance with the instructions of the Central Bank of Egypt (CBE) dated February 26, 2019.

The separate and consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules, the affiliated companies are entirely included in the consolidated financial statements and these companies are the companies that the Bank - directly or indirectly has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of activity, the Bank's consolidated financial statements can be obtained from the Bank's management. The Bank accounts for investments in subsidiaries and associate companies in the separate financial statements at cost minus impairment loss.

The separate financial statements of the Bank should be read with its consolidated financial statements, for the period ended on June 30, 2019 to get complete information on the Bank's financial position, income statements, cash flows and change in shareholders equity.

The financial statements at December 31, 2018 have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on December 16, 2008 and starting from January 01, 2019, the financial statements have been prepared according to Central Bank of Egypt (CBE) instructions dated February 26, 2019 to prepare financial statements according to IFRS 9 "Financial Instruments".

The accounting policies set out below have been changed by the management to comply with the adoption of mentioned instructions that described the changes in accounting policies in the following disclosers.

2.2 Changes in accounting policies:

The Bank applied the instructions of the Central Bank of Egypt (CBE) rules IFRS 9 "Financial Instruments" dated February 26, 2019 starting from January 01, 2019, the following summarize the main accounting policies changes resulted from applying the required instructions.

Classification of financial assets and financial liabilities

At initial recognition, Financial assets have been classified and measured according to amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

The financial assets have been classified according to how they are managed (the entity's business model) and their contractual cash flow characteristics.

The financial assets are measured at amortized cost if it is not measured at fair value through the profit or loss if the following two conditions met:

- The management intension is to maintain the asset in the buisness model to collect contractual cash flow and;
- The contractual conditions of the financial assets will build cash flows in certain dates which are limited only on payment of principal and interest (SPPI).

Debt instruments are measured at fair value through other comprehenseve income "FVTOCI" if they are not measured at fair value through the profit or loss and if the following two conditions met:

- The management intension is to maintain the asset in the buisness model to collect contractual cash flow and sell;
- This contractual conditions of financial assets will build cash flows in certain dates which are limited only on payment of principal and interest (SPPI).

The Bank may choose without return to measure the equity investement which is not classified as a trading investement to be at fair value through other comprehensive income at intial recognition cost. And this choice will be made per each investement.

All other financial assets will be classified as fair value through profit or loss.

In addition to that, the bank may choose without return a financial asset to be measured at amortized cost or fair value through other comprehensive income to be measured at fair value through the profit or loss in the initial recognition, and in such a case that this reclassification will lead to prevent an accounting mismatch.

(All amounts are shown in Egyptian Pounds)

Business model assessment

The Bank makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice, specially to know whether these management policies concentrate to gain the contractual interest or reconcile financial assets period with financial liabilities period which finance these assets or target cash flow from selling the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model and the financial assets held within that business model and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. Meanwhile the bank didn't rely only on information related to sales activity separately, but taking into consideration overall assessment on how achieving the goal that was announced by the bank to manage financial assets and how to achieve cash flow.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Impairment of financial assets

According to Central Bank of Egypt (CBE) instructions dated February 26, 2019 to implement IFRS 9 to replace impairment loss model recognized according to previous instructions dated December 16, 2008 with expected credit loss (ECL).

Expected credit loss is applied on all financial assets in addition to some financial guarantees and loan commitments.

According to IFRS 9, an impairment loss will be recognized in a wide range by applying impairement loss according to Central Bank of Egypt (CBE) instructions dated December 16, 2008.

The Bank apply three stages to measure expected credit loss on financial assets that are recognized at amortized cost and debt instruments that are recognized at fair value through other comprehensive income. The financial assets can transfer between three stages according to changes in credit quality since initial recognition.

Stage 1: 12 months Expected Credit Loss:

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets, an expected credit loss is recognised on the gross carrying amount of the asset based on the expected credit losses that results from default events that are possible within 12 months after the reporting date.

Stage 2: Lifetime Expected Credit Loss - not credit impaired:

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime expected credit loss is recognised, but interest is still calculated on the gross carrying amount of the asset. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime Expected Credit Loss - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, the lifetime expected credit loss are recognised.

According to CBE regulation on Febreuary 26, 2019, the Bank implemented the IFRS 9's requirements starting from January 01, 2019 results adjustments as follow:

	General Risk Reserve EGP	Retained Earnings EGP	Fair Value Reserve EGP
Opening balance as of January 01, 2019	**1,435,151,437**	**401,350,937**	**(679,178,263)**
Total reclassification and remesurment impact:	-	2,686,746	1,193,188,966
ECL impact	(1,413,697,514)	23,690,537	116,133
Total	**(1,413,697,514)**	**26,377,283**	**1,193,305,099**
Adjusted opening balance	**21,453,923**	**427,728,220**	**514,126,836**

2.3 Accounting for Investments in subsidiaries and associates

Investments in subsidiaries and associates are presented in the attached separate financial statements using the cost method which represents the bank's direct share ownership and not according to the business results and the net assets of the investees. And the consolidated financial statements provide a wider understanding for the consolidated financial position, business results and the consolidated cash flows for the bank and its subsidiaries (The Group), including the bank's share in the net assets of its associate companies.

2.3.1 Investments in subsidiaries

Subsidiaries are entities (including Special Purposes Entities / SPEs) which the bank exercises direct or indirect control over its financial and operating policies in order to get benefits from its activities and usually have an ownership share of more than half of its voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the bank has the control over its investees.

2.3.2 Investments in associates

Associates are entities over which the bank exercises significant influence directly or indirectly, but without exercising control or joint control, where the bank holds 20% to 50% of voting rights in the associate.

The purchase method is used to account for the bank's purchases of subsidiaries and associates when they are initially recognized; the acquisition date is the date on which the acquirer obtains control or significant influence of acquiree “subsidiary or associate”. According to the purchase method, the investments in subsidiaries and associates are initially recognized at cost (which may be incorporated goodwill). The acquisition cost represents the fair value of the consideration given in addition to the other acquisition related costs.

In business combination achieved in stages, and business combination achieved through more than one transaction, is then dealing with every transaction of such transactions that separately on the basis of the acquisition consideration and fair value information at the date of each transition until the date where the control are achieved.

The investments in subsidiaries and associates are subsequently accounted for using the cost method on the separate financial statements. According to the cost method; investments are recognized at acquisition cost less any impairment losses in value-if any-. Dividends are recognized as revenue in the separate income statement when they are declared and the bank's right to collect them has been established.

2.4 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 or 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.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

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

2.5.2 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;
- Investments in equity instrument recognized at fair value through other comprehensive income in equity.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as FVTOCI 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 "Fair value reserve" in Other Comprehensive Income.

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 the profit or loss are recognized in the income statement, whereas total fair value changes arising on the measurement of equity instruments classified as FVTOCI are recognized directly in equity in the "Fair value revaluation reserve" in Other comprehensive income.

2.6 Financial assets

2.6.1 Financial Policies applied until December 31, 2018:

The Bank classifies its financial assets into the following categories:

Financial assets classified as at fair value through the 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.

2.6.1.1 Financial assets designated 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.

2.6.1.2 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:

- Assets which the bank intends to sell immediately or in the short term. In which case, they are classified as assets held for trading or assets classified at inception at fair value through profit or loss;
- Assets classified as available-for-sale at initial recognition;
- Assets for which the bank will not be able to substantially recover the value of its initial investment for reasons other than credit worthiness deterioration.

2.6.1.3 Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable amount and fixed maturity dates that the bank has the positive intent and ability to hold to maturity. The bank should not classify any financial assets as held to maturity if the bank has, during the current financial period 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.

2.6.1.4 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 at 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 recognized in the income statement.

- The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when the bank transfers the financial asset and all the risks and rewards associated with the 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 and financial assets designated 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 shall be recognized directly in equity, until the financial asset is derecognized or impaired, at which time, the cumulative gain or loss previously recognized in equity shall be 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.

2.6.2 Financial Policies applied starting from January 01, 2019:

Financial assets classified as amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification depends on the buisness model of the financial assets that are managed with its contractual cash flow and is determined by management at the time of initial recognition.

2.6.2.1 Financial assets classified as amortized cost

The financial asset is retained in the business model of financial assets held to collect contractual cash flow. The objective from this business model is to collect contractual cash flow which represented in principal and interest. The sale is an exceptional event for the purpose of this model and under the terms of the standard represented in following:

- Significant deterioration for the issuer of financial instrument;
- Lowest sales In terms of rotation and value;
- A clear and reliable documentation process for the justification of each sale and its conformity with the requirements of the standard.

2.6.2.2 Financial assets classified as fair value through other comprehensive income

The financial asset is retained in the business model of financial assets held to collect contractual cash flows and sales. Held to collect contractual cash flows and sales are integrated to achieve the objective of the model. Sales are high in terms of turnover and value as compared to the business model retained for the collection of contractual cash flows.

2.6.2.2 Financial assets classified as fair value through profit or loss

The financial asset is held in other business models including trading, management of financial assets at fair value, maximization of cash flows through sale.

The objective of the business model is not to retain the financial asset for the collection of contractual or retained cash flows for the collection of contractual cash flows and sales. Collecting contractual cash flows is an incidental event for the objective of the model.

The characteristics of the business model are as follows:
- Structuring a set of activities designed to extract specific outputs;
- Represents a complete framework for a specific activity (inputs - activities - outputs);
- One business model can include sub-business models.

2.7 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset when the bank 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.

2.8 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 instruments, 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 bank 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.

2.8.1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized immediately in the 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.

2.8.2 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.

2.8.3 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".

2.9 Interest income and expense

- Interest income and expense on all interest-bearing financial instruments 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 bank 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 (Stage 3) 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 the profit or loss except when the total balance of loan, prior to that date, is paid in full.

2.10 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.

2.11 Dividends income

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

2.12 Purchase and resale agreements and sale and repurchase agreements (repos and reverse repos)

Financial instruments sold under repurchase agreements are not derecognized from the statement of financial position and cash receipts are shown in liability side in the statement of financial position.

2.13 Impairment of financial assets

2.13.1 Financial Policies applied until December 31, 2018:

The bank 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:

2.13.1.1 Financial assets carried at amortized cost

At the end of each reporting period, 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 has impacted the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Bank 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 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 ,in that field the below items will be considered:

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

- Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. An asset that is individually assessed for impairment but for which an impairment loss is not recognized is included in a group of other similar assets.

If there is objective evidence that an impairment loss on 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 bank's assets and the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted 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 Bank 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 bank to reduce any differences between loss estimates and actual loss experience.

2.13.1.2 Available-for-sale financial assets

At the end of each reporting 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 the profit or loss are not reversed through the 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.

2.13.2 Financial Policies applied starting from January 01, 2019:

The Bank reviews all its financial assets except for financial assets that are measured at fair value through profit or loss to assess the extent of impairment as described below.

Financial assets are classified at three stages at each reporting date:

- Stage 1 : Financial assets that have not experienced a significant increase in credit risk since the date of initial recognition, and the expected credit loss is calculated for 12 months.
- Stage 2 : Financial assets that have experienced a significant increase in credit risk since the initial recognition or the date on which the investments are made, and the expected credit loss is calculated over the life of the asset.
- Stage 3 :Impairment of financial assets whose expected credit loss is to be recognized over the life of the asset on the basis of the difference between the carrying amount of the instrument and the present value of expected future cash flows.

Credit losses and impairment losses on the value of financial instruments are measured as follows:

- The low risk financial instrument is classified at initial recognition in the first stage and credit risk is monitored continuously by the Bank's credit risk management.
- If it is determined that there has been a significant increase in credit risk since the initial recognition, the financial instrument is transferred to the second stage where it is not yet considered impaired at this stage.
- If there are indicators of impairment of the financial instrument, it is transferred to the third stage.
- The financial assets created or acquired by the Bank and include a high credit risk ratio for the Bank's low risk financial assets are recognized on the initial recognition of the second stage directly and therefore the expected credit losses are measured on the basis of expected credit losses over the life of the asset.

2.13.2.1 Significant increase in credit risk

The Bank considers that the financial instrument has experienced a significant increase in the credit risk when one or more of the following quantitative and qualitative criteria, as well as the factors relating to default, have been met.

2.13.2.2 Quantitative factors

When the probability of default over the remaining life of the instrument is increased from the date of the financial position compared to the probability of default over the remaining life expected at initial recognition in accordance with the Bank's acceptable risk structure.

2.13.2.3 Qualitative factors

Retail loans,micro and small businesses

If the borrower encounters one or more of the following events:

- The borrower submits a request to convert short-term to long-term payments due to negative effects on the borrower's cash flows.
- Extension of the deadline for repayment at the borrower's request.
- Frequent Past dues over the previous 12 months.
- Future adverse economic changes affecting the borrower's future cash flows.

Corporate loans and medium businesses

If the borrower has a follow-up list and / or financial instrument faced one or more of the following events:

- A significant increase in the rate of return on the financial asset as a result of increased credit risk.
- Significant negative changes in the activity and physical or economic conditions in which the borrower operates.
- Scheduling request as a result of difficulties facing the borrower.
- Significant negative changes in actual or expected operating results or cash flows.
- Future economic changes affecting the borrower's future cash flows.
- Early indicators of cash flow / liquidity problems such as delays in servicing creditors / business loans.
- Cancellation of a direct facility by the bank due to the high credit risk of the borrower.

Nonpayments

The loans and facilities of institutions, medium, small, micro and retail banking are included in stage two if the period of non-payment is more than 60 days and less than 90 days. Note that this period (60 days) will be reduced by (10) days per year to become (30) days during (3) years from the date of application.

Transfer between the three stages:

Transfer from second stage to first stage:

The financial asset shall not be transferred from the second stage to the first stage unless all the quantitative and qualitative elements of the first stage are met and the full arrears of the financial asset and the proceeds are paid.

Transfer from third stage to second stage:

The financial asset shall not be transferred from the third stage to the second stage until all the following conditions have been met:

- Completion of all quantitative and qualitative elements of the second stage.
- Repayment of 25% of the balance of the outstanding financial assets, including accrued segregated / statistical interest.
- Regularity of payment for at least 12 months.

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 acquirer's interest in the fair value of the identifiable assets, liabilities and qualifying contingent liabilities of the acquiree at the acquisition date. Goodwill is annually tested for impairment and is written-down to profit or loss at an annual amortization of 20% or impairment loss, whichever is higher.

(All amounts are shown in Egyptian Pounds)

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 bank 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 to five years except for the core IT system which is amortized over ten years.

2.14 Property and Equipment

The Bank'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 bank and the cost of the item can be measured reliably. Repairs and maintenance expenses are recognized in profit or loss within "other operating costs" line item during the financial period in which they are incurred.

The Bank 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 bank reviews the carrying amounts of its depreciable property and equipment 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 the profit or loss in other operating income (expenses) in the income statement.

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 bank estimates the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

At the end of each year, the bank 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

All lease contracts to which the bank is a party are treated as operating or finance leases as follows:

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 the 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 property and equipment 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.

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 separate 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 separate 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 the profit or loss under "Other Operating Income (Expenses)" line item.

2.19 Financial guarantees

A financial guarantee contract is a contract issued by the bank as security for loans or overdrafts due from its clients to other entities that requires the bank 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, shall be recognized within other operating income (expenses) in the income statement.

2.20 Employee benefits

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

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

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

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

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

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

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 bank pays defined contributions to an independent entity. The Bank 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, the bank pays contributions to private sector pension scheme under mandatory or voluntary contractual arrangement. The Bank 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 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 Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, in addition to income tax differences related to prior years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the 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.

2.22 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.

2.23 Capital

2.23.1 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.

2.23.2 Dividends

Dividends on equity instruments issued by the bank are recognized when the general assembly of the bank's shareholders approves them. Dividends include the employees' profit share and the board of directors' remuneration as prescribed by the bank's articles of incorporation and the corporate law.

2.24 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 bank's separate financial statements, as they are not assets or income of the bank.

2.25 Comparative figures

Comparative figures for financial assets and liabilities are reclassified but not re-measured to comply with the current period's financial statements presentation according to CBE instruction for IFRS9 implementation dated February 26, 2019.

3. Management of financial risks

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

For example, the bank has laid down 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 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 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 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; and
- 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 Bank's 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 policy making 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; and

- 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 value at risk (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 to customers 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 (Measurement of expected credit losses)

The Bank's policies require the identification of three stages of classifying financial assets measured at amortized cost, loan commitments and financial guarantees as well as debt instruments at fair value through other comprehensive income in accordance with changes in credit quality since initial recognition and thereafter measuring the impairment losses (expected credit losses) as follows:

The un-impaired financial asset is classified at initial recognition in the first stage and credit risk is monitored continuously by the Bank's credit risk management.

In the case of a significant increase in credit risk since the initial recognition, the financial asset is transferred to the second stage and the financial asset is not considered at this stage (the expected credit loss over the life of the asset without impairment).

In case of indications of impairment of the financial asset, it is transferred to the third stage. The Bank relies on the following indicators to determine whether there is objective evidence of impairment:

- A significant increase in the rate of return on the financial asset as a result of increased credit risk.
- Significant negative changes in the activity and financial or economic conditions in which the borrower operates.
- Scheduling request as a result of difficulties facing the borrower.
- Significant negative changes in actual or expected operating results or cash flows.
- Future economic changes affecting the borrower's future cash flows.
- Early indicators of cash flow / liquidity problems such as delays in servicing creditors / business loans.
- Cancellation of a direct facility by the bank due to the high credit risk of the borrower.

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:

	June 30, 2019		December 31, 2018	
	Loans and credit facilities	Allowance for impairment loss	Loans and credit facilities	Allowance for impairment loss
1- Good debts	89.51%	13.28%	89.75%	13.27%
2- Normal watch-list	5.91%	13.30%	5.81%	11.96%
3- Special watch-list	2.03%	28.78%	2.23%	34.15%
4- Non performing loan	2.55%	44.64%	2.21%	40.62%
	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 expected credit loss, that excess shall be debited to retained earnings and carried to the general banking risk reserve 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 (34) shows the movement (if any) 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	June 30, 2019	December 31, 2018
Treasury bills	32,035,975,253	49,360,343,079
Loans and credit facilities to customers		
Retail loans		
- Overdrafts	2,566,061,741	2,651,774,716
- Credit cards	836,586,241	770,673,588
- Personal loans	18,265,003,961	16,573,040,799
- Real estate loans	1,599,443,918	1,350,633,464
Corporate loans		
- Overdrafts	57,270,320,710	57,222,676,438
- Direct loans	40,152,603,517	36,788,354,168
- Syndicated Loans and facilities	19,940,408,764	20,219,672,773
- Other loans	2,394,393,785	2,864,259,053
Segregated interest & unearned discount	(157,389,778)	(191,728,235)
Financial derivatives	99,793,369	3,796,045
Financial investments		
- Debt instrument	39,955,787,758	38,577,910,406
Other Financial assets	2,577,635,362	2,350,424,034
Total	**217,536,624,601**	**228,541,830,328**

The following table provides information on the quality of financial assets during the period:

Due from banks	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating				
Good debts	1,221,465,453	137,996,989	-	**1,359,462,442**
Normal watch-list	10,821,300,346	2,963,446,659	-	**13,784,747,005**
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	12,042,765,799	**3,101,443,648**	-	**15,144,209,447**
Allowance for impairment losses	(11,090,496)	-	-	(11,090,496)
Carrying amount	**12,031,675,303**	**3,101,443,648**	-	**15,133,118,951**

Treasury bills	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating				
Good debts	-	-	-	-
Normal watch-list	32,096,111,266	-	-	**32,096,111,266**
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	32,096,111,266	-	-	**32,096,111,266**
Allowance for impairment losses	(60,136,013)	-	-	(60,136,013)
Carrying amount	**32,035,975,253**	-	-	**32,035,975,253**

Retail loans	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating				
Good debts	21,485,978,616	-	-	**21,485,978,616**
Normal watch-list	1,714,765,218	-	-	**1,714,765,218**
Special watch-list	-	94,075,886	-	**94,075,886**
Non performing loan	-	-	474,132,434	**474,132,434**
	23,200,743,834	**94,075,886**	**474,132,434**	**23,768,952,154**
Allowance for impairment losses	(87,798,277)	(16,720,957)	(397,337,059)	(501,856,293)
Carrying amount	**23,112,945,557**	**77,354,929**	**76,795,375**	**23,267,095,861**

Corporate loans	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating				
Good debts	112,065,931,037	657,828,696	-	**112,723,759,733**
Normal watch-list	4,140,505,997	3,226,846,418	-	**7,367,352,415**
Special watch-list	-	2,737,583,862	-	**2,737,583,862**
Non performing loan	-	-	3,353,342,939	**3,353,342,939**
	116,206,437,034	**6,622,258,976**	**3,353,342,939**	**126,182,038,949**
Allowance for impairment losses	(1,181,568,317)	(2,548,477,111)	(2,694,266,745)	(6,424,312,173)
Carrying amount	**115,024,868,717**	**4,073,781,865**	**659,076,194**	**119,757,726,776**

(All amounts are shown in Egyptian Pounds)

Debt instruments at fair value through other comprehensive income	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating				
Good debts	1,915,371,673	-	-	1,915,371,673
Normal watch-list	-	-	-	-
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	1,915,371,673	-	-	1,915,371,673
Allowance for impairment losses	(82,866)	-	-	(82,866)
Carrying amount - fair value	1,915,371,673	-	-	1,915,371,673

Debt instruments at amortized cost	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating				
Good debts	-	-	-	-
Normal watch-list	38,055,376,771	-	-	38,055,376,771
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	38,055,376,771	-	-	38,055,376,771
Allowance for impairment losses	(14,960,686)	-	-	(14,960,686)
Carrying amount	38,040,416,085	-	-	38,040,416,085

The following table shows changes in impairment credit losses between the beginning and ending of the period as a result of these factors:

Due from banks	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	19,083,244	-	-	19,083,244
New financial assets purchased or issued	11,090,496	-	-	11,090,496
Financial assets have been matured or derecognised	(19,083,244)	-	-	(19,083,244)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	-	-	-	-
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the period	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the period	11,090,496	-	-	11,090,496

Treasury bills	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	30,548,616	-	-	30,548,616
New financial assets purchased or issued	58,638,799	-	-	58,638,799
Financial assets have been matured or derecognised	(25,288,098)	-	-	(25,288,098)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	(3,763,304)	-	-	(3,763,304)
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the period	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the period	60,136,013	-	-	60,136,013

Retail loans	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	52,573,588	2,303,028	426,697,861	481,574,477
Net impairment loss recognized during the period	35,224,689	10,578,407	(25,634,659)	20,168,437
Loans written-off during the period	-	-	(3,707,814)	(3,707,814)
Collections of loans previously written-off	-	3,839,522	-	3,839,522
Foreign exchange translation differences	-	-	(18,329)	(18,329)
Balance at the end of the period	87,798,277	16,720,957	397,337,059	501,856,293

(All amounts are shown in Egyptian Pounds)

Corporate loans	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	1,294,842,414	2,562,255,289	2,531,716,332	6,388,814,035
New financial assets purchased or issued	473,810,774	513,505,731	-	987,316,505
Financial assets have been matured or derecognised	(521,371,335)	(340,124,869)	(8,196,437)	(869,692,641)
Transfer to stage 1	20,032,999	(20,032,999)	-	-
Transfer to stage 2	(81,866,468)	81,866,468	-	-
Transfer to stage 3	(3,880,067)	(225,419,184)	229,299,251	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	-	-	-	-
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the period	-	-	-	-
Collections of loans previously written-off	-	9,102,067	-	9,102,067
Foreign exchange translation differences	-	(32,675,392)	(58,552,401)	(91,227,793)
Balance at the end of the period	**1,181,568,317**	**2,548,477,111**	**2,694,266,745**	**6,424,312,173**

Debt instruments at fair value through other comprehensive income	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	116,133	-	-	116,133
New financial assets purchased or issued	5,178	-	-	5,178
Financial assets have been matured or derecognised	(896)	-	-	(896)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	(37,549)	-	-	(37,549)
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the period	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the period	**82,866**	**-**	**-**	**82,866**

Debt instruments at amortized cost	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	4,619,649	-	-	4,619,649
New financial assets purchased or issued	14,960,686	-	-	14,960,686
Financial assets have been matured or derecognised	(4,619,649)	-	-	(4,619,649)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	-	-	-	-
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the period	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the period	**14,960,686**	**-**	**-**	**14,960,686**

(All amounts are shown in Egyptian Pounds)

Off balance sheet items exposed to credit risks	June 30, 2019	December 31, 2018
Financial guarantees	357,500	357,500
L/Cs	3,837,062,840	3,318,470,593
Accepted papers	2,012,745,495	2,249,112,360
L/Gs	41,759,070,725	39,879,061,700
Other contingent liabilities	743,128,443	691,158,344
Total	**48,352,365,003**	**46,138,160,497**

Commitments for credit facilities have a carrying amount of EGP 33,427,725,342 at the end of current reporting period against EGP 33,669,773,098 in the piror year.

The preceding table shows the maximum limit exposure to risks at the end of June, 2019 and December, 2018 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 66% 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 60% at the end of the prior year, investments in debt instruments constitute 18% against 17% at the end of the prior year and treasury bills constitute 15% against 22% 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.

- 95% of the loan and credit facilities portfolio at the end of the current reporting period does not have arrears or indicators of impairment against 96% at the end of the prior year.

- Loans and credit facilities that are individually assessed for impairment (Stage 3) at the end of the current reporting period have a carrying amount of EGP 3,827,475,373. Impairment on these loans and credit facilities represents 81% of 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 3,180,620,116 and their impairment represents 73% of such carrying amount.

- The Bank applied more prudential selection process on granting loans and credit facilities during the current reporting period ended June 30, 2019.

- 97% of investments in debt instruments and treasury bills at the end of the current reporting period comprise local sovereign debt instruments against 98% 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:

	June 30, 2019		December 31, 2018	
	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	142,940,519,103	-	138,449,206,947	-
Have arrears but not impaired	3,182,996,627	-	2,478,975,260	-
Impaired	3,827,475,373	-	3,180,620,116	-
Total	**149,950,991,103**	**-**	**144,108,802,323**	**-**
Less: Allowance for impairment losses	(6,926,168,466)	-	(5,667,717,324)	-
Less: Segregated interest	(5,985,581)	-	(5,985,581)	-
Less: Unearned discount	(151,404,197)	-	(185,742,654)	-
Net	**142,867,432,859**	**-**	**138,249,356,764**	**-**

Total credit allowance for loans and credit facilities at the end of the current reporting period amounted to EGP 6,926,168,466 (EGP 5,667,717,324 at the end of the prior year) of which EGP 3,091,603,804 represent impairment in stage three (EGP 2,302,499,222 at the end of the prior year) and EGP 3,834,564,662 represent impairment for stage one and stage two in the credit portfolio (EGP 3,365,218,102 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 4% 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

June 30, 2019

Rating	Retail				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Good debts	2,590,783,682	698,983,704	16,755,635,785	1,440,575,442	**21,485,978,613**
Normal watch-list	328,033	-	-	-	**328,033**
Special watch-list	654,958	-	-	-	**654,958**
Total	**2,591,766,673**	**698,983,704**	**16,755,635,785**	**1,440,575,442**	**21,486,961,604**

	Corporate				
	Overdrafts	Direct loans	Syndicated Loans and facilities	Other loans	Total
Good debts	55,183,294,279	36,438,703,329	18,587,242,679	2,374,402,193	**112,583,642,480**
Normal watch-list	2,881,657,410	3,158,641,683	1,263,314,208	41,186,233	**7,344,799,534**
Special watch-list	714,820,379	776,713,040	-	33,582,066	**1,525,115,485**
Total	**58,779,772,068**	**40,374,058,052**	**19,850,556,887**	**2,449,170,492**	**121,453,557,499**

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

December 31, 2018

Rating	Retail				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Good debts	2,669,108,000	663,164,272	15,566,307,734	1,222,447,964	**20,121,027,970**
Normal watch-list	805,411	-	-	-	**805,411**
Special watch-list	935,556	-	-	-	**935,556**
Total	**2,670,848,967**	**663,164,272**	**15,566,307,734**	**1,222,447,964**	**20,122,768,937**

	Corporate				
	Overdrafts	Direct loans	Syndicated Loans and facilities	Other loans	Total
Good debts	54,856,380,153	32,855,509,879	18,620,116,228	2,872,390,239	**109,204,396,499**
Normal watch-list	2,795,180,186	2,997,043,043	1,524,417,649	17,913,600	**7,334,554,478**
Special watch-list	697,166,546	842,187,730	210,885,018	37,247,739	**1,787,487,033**
Total	**58,348,726,885**	**36,694,740,652**	**20,355,418,895**	**2,927,551,578**	**118,326,438,010**

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:

June 30, 2019

Retail

	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Up to 30 days	-	106,393,343	1,259,411,212	131,751,444	**1,497,555,999**
More than 30 – 60 days	-	22,280,336	170,545,368	24,055,484	**216,881,188**
More than 60 – 90 days	-	9,685,906	80,939,076	2,795,947	**93,420,929**
Total	**-**	**138,359,585**	**1,510,895,656**	**158,602,875**	**1,807,858,116**

Corporate

	Overdrafts	Direct loans	Syndicated Loans and facilities	Other loans	Total
Up to 30 days	-	91,781,250	-	-	**91,781,250**
More than 30 – 60 days	-	54,166,548	-	-	**54,166,548**
More than 60 – 90 days	-	139,525,229	-	-	**139,525,229**
More than 90 days	-	543,180,665	546,484,819	-	**1,089,665,484**
Total	**-**	**828,653,692**	**546,484,819**	**-**	**1,375,138,511**

December 31, 2018

Retail

	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Up to 30 days	-	74,581,920	838,840,013	110,406,295	**1,023,828,228**
More than 30 – 60 days	-	23,237,823	101,717,189	6,423,790	**131,378,802**
More than 60 – 90 days	-	6,393,044	42,424,462	1,472,245	**50,289,751**
Total	**-**	**104,212,787**	**982,981,664**	**118,302,330**	**1,205,496,781**

Corporate

	Overdrafts	Direct loans	Syndicated Loans and facilities	Other loans	Total
Up to 30 days	-	462,473,143	-	-	**462,473,143**
More than 30 – 60 days	-	34,420,124	130,083,951	-	**164,504,075**
More than 60 – 90 days	-	76,769,329	-	-	**76,769,329**
More than 90 days	-	17,809,451	551,922,481	-	**569,731,932**
Total	**-**	**591,472,047**	**682,006,432**	**-**	**1,273,478,479**

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 (Stage 3) excluding any cash flows expected to arise from the associated guarantees, amounted to EGP 3,827,475,373 against EGP 3,180,620,116 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.

June 30, 2019					
Retail	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Loans which are individually impaired	107,804,157	22,398,917	326,366,365	17,562,995	**474,132,434**
Fair value of collaterals	-	7,673,968	61,589,059	4,210,207	**73,473,234**

Corporate	Overdrafts	Direct loans	Syndicated Loans and facilities	Other loans	Total
Loans which are individually impaired	202,950,284	2,799,472,414	350,920,241	-	**3,353,342,939**
Fair value of collaterals	-	-	-	-	**-**

December 31, 2018					
Retail	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Loans which are individually impaired	38,240,587	13,394,264	293,668,479	23,981,665	**369,284,995**
Fair value of collaterals	-	3,984,326	45,812,319	10,467,283	**60,263,928**

Corporate	Overdrafts	Direct loans	Syndicated Loans and facilities	Other loans	Total
Loans which are individually impaired	185,134,989	2,626,199,748	-	384	**2,811,335,121**
Fair value of collaterals	-	-	-	-	**-**

Restructured Loans and credit 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 371,820,006 at the end of the current reporting period against EGP 333,414,248 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	June 30, 2019	December 31, 2018
Direct loans	371,820,006	333,414,248
Total	**371,820,006**	**333,414,248**

(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 (excluding allowances for impairment) per last rating for Standard and Poor's and its equivalent:

	Rating	June 30, 2019	December 31, 2018
Egyptian Treasury Bills	**B**	32,096,111,266	49,360,343,079
Fair value through other comprehensive income			
US Treasury Bonds	**AA+**	1,915,371,673	2,024,527,686
Amortized cost			
Egyptian Treasury Bonds	**B**	38,055,376,771	36,553,382,720
Total		**72,066,859,710**	**87,938,253,485**

(All amounts are shown in Egyptian Pounds)

(A/8) 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							Other countries	Total
	Cairo	East Cairo	Giza	Alex	Delta	Red Sea & Upper Egypt	Total		
Treasury bills	32,096,111,266	-	-	-	-	-	32,096,111,266	-	32,096,111,266
Loans and credit facilities to customers									
Retail loans									
Overdrafts	864,143,539	590,260,214	537,381,994	396,346,245	222,949,908	88,488,930	2,699,570,830	-	2,699,570,830
Credit cards	230,719,362	212,426,662	198,546,185	112,222,893	72,334,108	33,492,996	859,742,206	-	859,742,206
Personal loans	4,323,712,050	4,044,532,071	4,376,352,379	2,403,636,187	2,644,039,915	800,625,204	18,592,897,806	-	18,592,897,806
Real estate loans	362,320,730	473,156,564	363,999,243	119,604,310	146,142,301	151,518,164	1,616,741,312	-	1,616,741,312
Corporate loans									
Overdrafts	17,112,835,942	13,341,202,764	13,156,497,406	7,764,942,911	4,978,509,888	2,628,733,441	58,982,722,352	-	58,982,722,352
Direct loans	12,762,830,780	6,477,387,269	10,987,172,202	7,108,001,147	4,909,179,736	1,757,613,024	44,002,184,158	-	44,002,184,158
Syndicated loans and facilities	8,732,019,048	8,645,132,278	1,180,064,301	-	2,028,272,972	162,473,348	20,747,961,947	-	20,747,961,947
Other loans	1,576,980,336	13,952,986	413,413,623	63,088,011	306,967,238	74,768,298	2,449,170,492	-	2,449,170,492
Financial derivatives	-	-	-	-	-	-	-	99,793,369	99,793,369
Financial investments									
Debt instruments	38,055,376,771	-	-	-	-	-	38,055,376,771	1,915,371,673	39,970,748,444
Other financial assets	2,062,812,186	166,330,596	132,867,831	92,423,187	71,560,023	23,689,142	2,549,682,965	32,637,450	2,582,320,415
Total at the end of the current period	**118,179,862,010**	**33,964,381,404**	**31,346,295,164**	**18,060,264,891**	**15,379,956,089**	**5,721,402,547**	**222,652,162,105**	**2,047,802,492**	**224,699,964,597**
Total at the end of the comparative year	**132,564,299,816**	**31,574,544,978**	**31,143,694,338**	**16,993,413,908**	**14,681,795,663**	**5,379,098,762**	**232,336,847,465**	**2,064,428,422**	**234,401,275,887**

(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 entities	Service entities	Governmental sector	Foreign Governments	Other activities	Individuals	Total
Treasury bills	-	-	-	-	32,096,111,266	-	-	-	32,096,111,266
Loans and credit facilities to customers									
Retail loans									
Overdrafts	-	-	-	-	-	-	-	2,699,570,830	2,699,570,830
Credit cards	-	-	-	-	-	-	-	859,742,206	859,742,206
Personal loans	-	-	-	-	-	-	-	18,592,897,806	18,592,897,806
Real estate loans	-	-	-	-	-	-	-	1,616,741,312	1,616,741,312
Corporate loans									
Overdrafts	575,247,185	27,725,890,925	9,683,354,024	20,998,230,218	-	-	-	-	58,982,722,352
Direct loans	1,122,853,549	24,295,084,691	8,312,621,602	10,271,624,316	-	-	-	-	44,002,184,158
Syndicated loans and facilities	-	18,734,857,061	282,000,000	1,731,104,886	-	-	-	-	20,747,961,947
Other loans	-	1,617,264,132	2,096,710	202,030,573	-	-	627,779,077	-	2,449,170,492
Financial derivatives	-	-	-	-	-	-	99,793,369	-	99,793,369
Financial investments									
Debt instruments	-	-	-	-	38,055,376,771	1,915,371,673	-	-	39,970,748,444
Other financial assets	9,779,340	416,795,693	105,274,691	191,215,574	1,689,791,626	32,578,415	-	136,885,076	2,582,320,415
Total at the end of current period	**1,707,880,074**	**72,789,892,502**	**18,385,347,027**	**33,394,205,567**	**71,841,279,663**	**1,947,950,088**	**727,572,446**	**23,905,837,230**	**224,699,964,597**
Total at the end of the comparative year	**1,570,116,857**	**72,028,846,613**	**15,596,480,718**	**32,797,698,909**	**87,557,062,697**	**2,060,577,895**	**991,210,654**	**21,799,281,544**	**234,401,275,887**

(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, 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 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	153,664,014	-	153,664,014	15,366,401
EUR	18,897,616	-	18,897,616	1,889,762
GBP	379,709	-	379,709	37,971
JPY	172,589	-	172,589	17,259
CHF	(115,452)	(115,452)	-	(11,545)
DKK	36,597	-	36,597	3,660
NOK	11,941	-	11,941	1,194
SEK	129,221	-	129,221	12,922
CAD	14,729	-	14,729	1,473
AUD	72,469	-	72,469	7,247
AED	(275,219)	(275,219)	-	(27,522)
BHD	35,770	-	35,770	3,577
KWD	409,981	-	409,981	40,998
OMR	62,612	-	62,612	6,261
QAR	7,790	-	7,790	779
SAR	(38,653)	(38,653)	-	(3,865)
CNY	86,631	-	86,631	8,663
EGP	(173,552,345)	(173,552,345)	-	-
Maximum expected loss at June 30, 2019				**17,355,235**
Maximum expected loss at December 31, 2018				**12,378,759**

(All amounts are shown in Egyptian Pounds)

(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 year. This table includes the carrying amounts of the financial instruments in terms of their relevant currencies and in EGP equivalent.

	EGP	USD	EUR	GBP	Other currencies	Total
Financial assets						
Cash and due from Central Bank of Egypt (CBE)	10,137,445,944	780,296,886	236,784,808	28,727,770	60,149,652	**11,243,405,060**
Due from banks	7,157,028,891	7,409,448,593	37,919,310	350,624,417	178,097,740	**15,133,118,951**
Treasury bills	27,410,310,730	4,625,664,523	-	-	-	**32,035,975,253**
Loans and credit facilities to customers	111,294,531,188	29,783,582,604	1,740,260,830	49,012,849	45,388	**142,867,432,859**
Financial derivatives	-	99,793,369	-	-	-	**99,793,369**
Financial investments						
Fair value through other comprehensive income	316,655,230	2,436,636,979	1,219,248	-	-	**2,754,511,457**
Amortized cost	37,280,498,643	759,917,442	-	-	-	**38,040,416,085**
Fair value through profit or loss	48,463,869	-	-	-	-	**48,463,869**
Other financial assets	2,478,654,743	92,675,119	5,891,083	181,218	233,199	**2,577,635,362**
Total financial assets	**196,123,589,238**	**45,988,015,515**	**2,022,075,279**	**428,546,254**	**238,525,979**	**244,800,752,265**
Financial liabilities						
Due to banks	1,946,330,552	3,423,714,050	30,319,377	7,604,471	2,381,315	**5,410,349,765**
Customer deposits	166,546,213,510	34,122,677,555	4,496,560,856	503,258,676	237,496,474	**205,906,207,071**
Financial derivatives	52,235,569	-	-	-	-	**52,235,569**
Other loans	190,677,084	2,037,794,930	277,633,441	-	-	**2,506,105,455**
Other financial liabilities	1,128,459,022	120,584,283	2,242,565	358,568	2,826	**1,251,647,264**
Total financial liabilities	**169,863,915,737**	**39,704,770,818**	**4,806,756,239**	**511,221,715**	**239,880,615**	**215,126,545,124**
Net financial position	**26,259,673,501**	**6,283,244,697**	**(2,784,680,960)**	**(82,675,461)**	**(1,354,636)**	**29,674,207,141**
At the end of the comparative year						
Total financial assets	**195,679,320,744**	**52,654,145,129**	**2,183,914,783**	**434,079,114**	**177,761,880**	**251,129,221,650**
Total financial liabilities	**171,765,395,400**	**45,200,237,489**	**6,288,749,248**	**531,941,138**	**190,349,087**	**223,976,672,362**
Net financial position	**23,913,925,344**	**7,453,907,640**	**(4,104,834,465)**	**(97,862,024)**	**(12,587,207)**	**27,152,549,288**

(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's 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.

(All amounts are shown in Egyptian Pounds)

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's 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.

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)	-	-	-	-	-	11,243,405,060	**11,243,405,060**
Due from banks	10,301,937,302	4,318,256,393	-	-	-	512,925,256	**15,133,118,951**
Treasury bills	7,297,083,475	2,947,947,087	21,790,944,691	-	-	-	**32,035,975,253**
Loans and credit facilities to customers	113,184,418,966	5,567,436,942	7,848,968,099	13,854,485,995	2,412,122,857	-	**142,867,432,859**
Financial derivatives	-	-	-	-	-	99,793,369	**99,793,369**
Financial investments							
Fair value through other comprehensive income	-	197,282,179	194,045,189	536,320,837	987,723,468	839,139,784	**2,754,511,457**
Amortized cost	599,113,381	1,923,070,510	3,041,873,464	22,897,207,434	9,579,151,296	-	**38,040,416,085**
Fair value through profit or loss	-	-	-	-	-	48,463,869	**48,463,869**
Other financial assets	-	-	-	-	-	2,577,635,362	**2,577,635,362**
Total financial assets	**131,382,553,124**	**14,953,993,111**	**32,875,831,443**	**37,288,014,266**	**12,978,997,621**	**15,321,362,700**	**244,800,752,265**
IRS (notional amount)	**-**	**584,699,500**	**217,174,100**	**5,047,209,613**	**-**	**-**	**5,849,083,213**
Financial liabilities							
Due to banks	5,000,674,811	-	-	-	-	409,674,954	**5,410,349,765**
Customer deposits	103,017,683,687	23,368,979,000	22,433,011,000	25,331,583,497	166,439,000	31,588,510,887	**205,906,207,071**
Financial derivatives	-	-	-	-	-	52,235,569	**52,235,569**
Other loans	2,316,609,621	3,670,139	124,171,528	58,654,167	3,000,000	-	**2,506,105,455**
Other financial liabilities	-	-	-	-	-	1,251,647,264	**1,251,647,264**
Total financial liabilities	**110,334,968,119**	**23,372,649,139**	**22,557,182,528**	**25,390,237,664**	**169,439,000**	**33,302,068,674**	**215,126,545,124**
IRS (notional amount)	**5,849,083,213**	**-**	**-**	**-**	**-**	**-**	**5,849,083,213**
Re-pricing gap	**15,198,501,792**	**(7,833,956,528)**	**10,535,823,015**	**16,944,986,215**	**12,809,558,621**	**(17,980,705,974)**	**29,674,207,141**
At the end of the comparative year							
Total financial assets	123,177,446,282	24,309,985,341	40,065,407,052	35,072,317,148	13,621,539,820	14,882,526,007	251,129,221,650
IRS (notional amount)	-	626,976,000	626,976,000	2,136,196,800	100,764,000	-	3,490,912,800
Total financial liabilities	109,609,466,370	29,602,046,201	25,193,291,075	28,439,723,350	190,191,798	30,941,953,568	223,976,672,362
IRS (notional amount)	3,490,912,800	-	-	-	-	-	3,490,912,800
Re-pricing gap	10,077,067,112	(4,665,084,860)	15,499,091,977	8,768,790,598	13,532,112,022	(16,059,427,561)	27,152,549,288

(All amounts are shown in Egyptian Pounds)

(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's 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.

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.

June 30, 2019

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	5,417,183,901	-	-	-	-	**5,417,183,901**
Customer deposits	119,234,843,040	25,245,914,076	27,586,841,886	47,741,198,743	207,787,544	**220,016,585,289**
Other loans	293,698,312	17,550,118	577,314,547	1,734,942,138	23,856,529	**2,647,361,644**
Total financial liabilities	**124,945,725,253**	**25,263,464,194**	**28,164,156,433**	**49,476,140,881**	**231,644,073**	**228,081,130,834**

- 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, 2018

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	12,734,555,689	-	-	-	-	**12,734,555,689**
Customer deposits	110,741,333,869	31,896,164,096	30,933,041,031	49,990,075,772	226,626,811	**223,787,241,579**
Other loans	322,187,872	16,437,165	452,828,123	1,887,913,450	50,700,145	**2,730,066,755**
Total financial liabilities	**123,798,077,430**	**31,912,601,261**	**31,385,869,154**	**51,877,989,222**	**277,326,956**	**239,251,864,023**

- 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, due from banks, treasury bills, other governmental notes and Loans and credit 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.

June 30, 2019

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	3,333,234,765	986,576,953	382,247,268	-	-	**4,702,058,986**
Cash inflows	3,319,455,339	957,619,955	352,596,343	-	-	**4,629,671,637**

December 31, 2018

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	4,404,926,911	824,918,732	617,325,245	-	-	**5,847,170,888**
Cash inflows	4,417,243,898	815,909,125	579,153,934	-	-	**5,812,306,957**

Cash flow for Off balance sheet items

June 30, 2019

Maturities for off-balance sheet items	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Financial guarantees	357,500	-	-	**357,500**
Operating lease commitments	82,106,342	204,944,436	45,821,765	**332,872,543**
Capital commitments resulting from acquisition of property and equipment	410,235,464	-	-	**410,235,464**
Total	**492,699,306**	**204,944,436**	**45,821,765**	**743,465,507**

	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Commitments for credit facilities	27,336,202,736	6,090,322,306	1,200,300	**33,427,725,342**

December 31, 2018

Maturities for off-balance sheet items	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Financial guarantees	357,500	-	-	**357,500**
Operating lease commitments	84,797,020	194,655,635	42,142,805	**321,595,460**
Capital commitments resulting from acquisition of property and equipment	373,156,102	-	-	**373,156,102**
Total	**458,310,622**	**194,655,635**	**42,142,805**	**695,109,062**

	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Commitments for credit facilities	26,176,618,037	7,419,450,022	73,705,039	**33,669,773,098**

(All amounts are shown in Egyptian Pounds)

(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 trading financial assets at fair value with changes in fair value are measured in the statement of income under 'Net trading income'.

Debt instruments classified as financial assets at fair value through other comprehensive income are measured at fair value with changes in fair value recognized in the other comprehensive income statement under "fair value reserve".

For investments in equity instruments, equity securities listed on the stock exchange are measured at fair value in accordance with quoted market prices on the date of the separate financial statements.

For non-listed shares, except for strategic investments, they are evaluated in one of the accepted techniques: discounted cash flow method multiples of value "and the inclusion of the valuation differences in other comprehensive income within the" fair value reserve "; for strategic investments, the cost or nominal value is the fair value of those investments.

The table below shows the financial assets and liabilities at fair value in the separate financial statements as of 30 June 2019 within the fair value hierarchy, based on the levels of inputs that are essential for measuring the fair value as a whole:

Level 1:

The first level inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access on the measurement date.

Level 2:
The inputs of the second level are all inputs other than quoted prices within the first level and these inputs are observable for the asset or liability, directly or indirectly.

Level 3:
The third level inputs are the unobservable inputs of the asset or liability.

Financial Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
US Treasury Bonds	1,915,371,673	-	-	**1,915,371,673**
Funds at fair value through other comprehensive income	40,521,660	-	-	**40,521,660**
Funds at fair value through profit or loss	48,463,869	-	-	**48,463,869**
Equity Instruments	97,190,586	-	701,427,538	**798,618,124**

(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	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Financial assets				
Due from banks	15,133,118,951	10,545,594,892	15,133,118,951	10,545,594,892
Loans and credit facilities to customers	142,867,432,859	138,249,356,764	Not Determined	Not Determined
Financial investments at amortized Cost				
Debt instruments	38,040,416,085	36,553,382,720	38,300,601,688	35,318,819,638
Financial liabilities:				
Due to banks	5,410,349,765	12,707,779,270	5,410,349,765	12,707,779,270
Customer deposits	205,906,207,071	207,349,945,095	Not Determined	Not Determined
Other loans	2,506,105,455	2,586,406,412	2,506,105,455	2,586,406,412

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 of placements and deposits for one day represents reasonable estimate for its fair value. Fair value expected for due to banks with free interest rate is the current value. Fair value expected for deposits bearing fixed interest rate is the current value for those deposits as it is maturity 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.

Debt instruments at amortized cost:

The fair value of debt instruments is determined at the cost charged on the "Egyptian Treasury Bonds" according to Reuters announced at the end of the financial period.

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 9,794,649,850 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 12.75% after adding capital conservation buffer and Domestic Systemically Important Banks during current period. The Bank's capital adequacy ratio reached 19.49% at the end of the current period (December 31, 2018: 16.72%) 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 & special reserve), less: any goodwill previously recognized and any carried forward losses, plus: the carrying amount of other comprehensve income.
- 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 with equivalent amount of the loans provision for debt instrument / Loans and credit facilities at stage 1 which 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), in addition to 45% from increase in fair value above the carrying amount of investments in subsidiaries and associates and 45% from special 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 and in accordance with the instructions of the Central Bank of Egypt for the capital adequacy ratio (Basel II) issued during May 2019.

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

According to Basel II	June 30, 2019	December 31, 2018 Restated**
Tier 1 capital		
Share capital	9,794,649,850	9,794,649,850
General reserve	13,417,823,247	13,417,823,247
Legal reserve	1,633,301,744	1,633,301,744
Other reserves	18,489,519	18,489,519
Retained earnings	887,602,862	851,845,334
Interim profit	4,099,607,868	-
General risk reserve	21,453,923	1,282,925,633
Other comprehensve income	531,150,523	-
Total deduction from capital invested	(650,159,034)	(1,256,954,629)
Total tier 1 capital	**29,753,920,502**	**25,742,080,698**
Tier 2 capital		
45% from special reserve	16,761,150	8,643,920
Impairment provision for loans, debt instruments and contingent liabilities in stage one*	1,628,951,729	1,867,843,793
45 % of the increase in the fair value above the carrying amount of fair value through other comprehensve income, Debt instruments amortized cost, and investments in associates.	-	11,884,294
Total tier 2 capital	**1,645,712,879**	**1,888,372,007**
Total capital	**31,399,633,381**	**27,630,452,705**
Risk weighted assets and contingent liabilities:		
Credit Risk	145,331,025,768	149,459,663,358
Market Risk	7,797,440	12,090,730
Operational Risk	15,763,715,390	15,763,715,389
Total risk weighted assets and contingent liabilities	**161,102,538,598**	**165,235,469,477**
Capital adequacy ratio for tier one	**18.47%**	**15.58%**
Capital adequacy ratio	**19.49%**	**16.72%**

* Provided it does not exceed 1.25% from total value of risk weighted assets and contingent liabilities.
** After 2018 profit distribution.
- 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 to be 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 denominator elements

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

1- On balance sheet exposure 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:	June 30, 2019	December 31, 2018 Restated*
Tier 1 capital after exclusions	**29,753,920,502**	**25,742,080,698**
Total on-balance sheet exposures, derivatives contracts and financial papers operations.	251,461,562,920	258,478,214,484
Total exposures off-balance sheet	28,402,218,238	27,378,852,628
Total exposures on-balance sheet and off-balance sheet	**279,863,781,158**	**285,857,067,112**
Leverage financial ratio	**10.63%**	**9.01%**

* After 2018 profit distribution.
- Based on Consolidated financial statements after the disposal of insurance activity.

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 period 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 (Expected Credit Loss)

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. 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.

C. Debt instrument at amortized cost:

Non-derivative financial assets with fixed or determinable payments and maturity dates are classified as debt instruments at amortized cost "within the business model of financial assets held to collect contractual cash flows".

If classification of investments as amortized cost – other than stakes required to be retained by the Bank in accordance with the provisions of the law – were suspended by the bank, the carrying amount of the outstanding amortized cost investements at the end of the current reporting period would have increased by EGP 245,224,917 to reach the fair value with a corresponding increase in the fair value through other comprehensive income.

(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.

Individual :
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.
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 (June 30, 2019)	Corporate	Investments	Individual	Other businesses	Total
Net interest income	3,116,620,159	465,442,228	1,816,078,922	1,219,419,032	**6,617,560,341**
Net fee and commission income	658,864,393	3,521,460	290,177,445	23,588,641	**976,151,939**
Dividend income	-	47,264,940	-	-	**47,264,940**
Net trading income	144,516,198	-	9,413,912	(104,307,229)	**49,622,881**
Gain on financial investments	-	3,168,957	-	-	**3,168,957**
Impairment credit losses	(117,623,864)	(39,895,167)	(20,168,437)	6,724,456	**(170,963,012)**
Administrative expenses	(724,018,413)	(2,148,088)	(1,017,831,116)	59,821,771	**(1,684,175,846)**
Other operating revenues (expenses)	(122,860,793)	23,761,841	(98,083,509)	(265,618,156)	**(462,800,617)**
Profit before income tax	**2,955,497,680**	**501,116,171**	**979,587,217**	**939,628,515**	**5,375,829,583**
Income tax expense	(664,986,977)	(112,751,139)	(220,407,124)	(348,758,616)	**(1,346,903,856)**
Net profit for the current period	**2,290,510,703**	**388,365,032**	**759,180,093**	**590,869,899**	**4,028,925,727**

Assets and liabilities according to segmental activities (June 30, 2019)	Corporate	Investments	Individual	Other businesses	Total
Segment activity assets	119,600,336,998	73,171,475,753	23,267,095,861	21,261,038,544	**237,299,947,156**
Unclassified assets	-	-	-	-	**11,305,951,051**
Total assets	**119,600,336,998**	**73,171,475,753**	**23,267,095,861**	**21,261,038,544**	**248,605,898,207**
Segment activity liabilities	103,860,286,141	-	102,099,818,817	7,914,792,902	**213,874,897,860**
Unclassified liabilities	-	-	-	-	**4,838,662,878**
Total liabilities	**103,860,286,141**	**-**	**102,099,818,817**	**7,914,792,902**	**218,713,560,738**

At the end of the comparative period

Income and expenses according to segmental activities (June 30, 2018)	Corporate	Investments	Individual	Other businesses	Total
Net interest income	2,538,782,714	438,037,060	1,303,552,728	588,685,114	**4,869,057,616**
Net fee and commission income	685,381,116	5,404,501	251,293,463	14,696,582	**956,775,662**
Dividend income	-	22,018,006	-	-	**22,018,006**
Net trading income	155,531,656	-	6,991,742	(139,620,253)	**22,903,145**
Gain on financial investments	-	59,235,255	-	-	**59,235,255**
Impairment credit losses	(109,178,585)	-	(9,907,392)	-	**(119,085,977)**
Administrative expenses	(568,392,970)	(1,551,374)	(841,801,786)	106,671,934	**(1,305,074,196)**
Other operating revenues (expenses)	(53,507,021)	7,675,094	(51,148,234)	63,511,440	**(33,468,721)**
Profit before income tax	**2,648,616,910**	**530,818,542**	**658,980,521**	**633,944,817**	**4,472,360,790**
Income tax expense	(595,938,805)	(119,434,172)	(148,270,617)	(318,200,545)	**(1,181,844,139)**
Net profit for the comparative period	**2,052,678,105**	**411,384,370**	**510,709,904**	**315,744,272**	**3,290,516,651**

At the end of the comparative year

Assets and liabilities according to segmental activities (December 31, 2018)	Corporate	Investments	Individual	Other businesses	Total
Segment activity assets	116,903,356,385	88,521,215,741	21,346,000,379	17,489,580,536	**244,260,153,041**
Unclassified assets	-	-	-	-	**10,328,180,596**
Total assets	**116,903,356,385**	**88,521,215,741**	**21,346,000,379**	**17,489,580,536**	**254,588,333,637**
Segment activity liabilities	112,781,703,680	-	94,582,833,342	15,280,258,424	**222,644,795,446**
Unclassified liabilities	-	-	-	-	**4,245,569,007**
Total liabilities	**112,781,703,680**	**-**	**94,582,833,342**	**15,280,258,424**	**226,890,364,453**

(All amounts are shown in Egyptian Pounds)

(5/B) Segmental analysis by geographic area

At the end of the current period

Income and expenses according to geographical segments (June 30, 2019)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Net interest income	1,261,475,172	1,074,250,794	1,119,257,163	605,689,019	478,111,056	226,156,474	1,852,620,663	**6,617,560,341**
Net fee and commission income	198,122,438	161,664,855	203,714,005	89,100,316	80,714,251	48,711,637	194,124,437	**976,151,939**
Dividend income	-	-	-	-	-	-	47,264,940	**47,264,940**
Net trading income	63,097,655	34,233,460	39,241,117	18,479,274	9,316,836	4,707,154	(119,452,615)	**49,622,881**
Gain on financial investments	-	-	-	-	-	-	3,168,957	**3,168,957**
Impairment credit losses	67,938,939	(10,932,256)	2,181,303	(108,280,016)	(49,829,015)	(38,871,256)	(33,170,711)	**(170,963,012)**
Administrative expenses	(409,550,350)	(401,746,626)	(396,055,716)	(227,557,262)	(200,871,519)	(100,954,528)	52,560,155	**(1,684,175,846)**
Other operating revenues (expenses)	(79,400,767)	(38,749,914)	(32,544,556)	(19,887,190)	(23,516,274)	(26,887,985)	(241,813,931)	**(462,800,617)**
Profit before income tax	**1,101,683,087**	**818,720,313**	**935,793,316**	**357,544,141**	**293,925,335**	**112,861,496**	**1,755,301,895**	**5,375,829,583**
Income tax expense	(247,878,694)	(184,212,070)	(210,553,496)	(80,447,432)	(66,133,200)	(25,393,837)	(532,285,127)	**(1,346,903,856)**
Net profit for the current period	**853,804,393**	**634,508,243**	**725,239,820**	**277,096,709**	**227,792,135**	**87,467,659**	**1,223,016,768**	**4,028,925,727**

Assets and liabilities according to geographical segments (June 30, 2019)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea/ Upper Egypt	Head office	Total
Assets of geographical segments	43,493,609,860	33,978,115,197	31,308,030,009	17,692,862,343	14,830,665,187	5,524,044,856	101,497,429,296	**248,324,756,748**
Unclassified assets	-	-	-	-	-	-	-	**281,141,459**
Total assets	**43,493,609,860**	**33,978,115,197**	**31,308,030,009**	**17,692,862,343**	**14,830,665,187**	**5,524,044,856**	**101,497,429,296**	**248,605,898,207**
Liabilities of geographical segments	56,947,843,835	55,452,895,059	46,326,061,489	28,895,671,132	14,604,630,391	5,631,232,036	8,848,178,084	**216,706,512,026**
Unclassified liabilities	-	-	-	-	-	-	-	**2,007,048,712**
Total liabilities	**56,947,843,835**	**55,452,895,059**	**46,326,061,489**	**28,895,671,132**	**14,604,630,391**	**5,631,232,036**	**8,848,178,084**	**218,713,560,738**

At the end of the comparative period

Income and expenses according to geographical segments (June 30, 2018)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea/ Upper Egypt	Head office	Total
Net interest income	1,051,307,773	806,815,119	913,383,099	446,260,150	417,424,598	175,868,169	1,057,998,708	**4,869,057,616**
Net fee and commission income	226,793,252	160,356,710	201,578,959	86,441,638	81,632,493	45,371,978	154,600,632	**956,775,662**
Dividend income	-	-	-	-	-	-	22,018,006	**22,018,006**
Net trading income	99,154,632	18,488,351	35,363,920	16,177,979	31,484,689	3,417,997	(181,184,423)	**22,903,145**
Gain on financial investments	-	-	-	-	-	-	59,235,255	**59,235,255**
Impairment credit losses	(32,967,413)	(59,437,434)	(590,176)	(9,920,278)	(2,721,118)	(13,449,558)	-	**(119,085,977)**
Administrative expenses	(348,493,694)	(315,425,378)	(318,369,171)	(189,211,269)	(159,067,409)	(80,040,855)	105,533,580	**(1,305,074,196)**
Other operating revenues (expenses)	(32,663,080)	(19,943,136)	(29,320,165)	(9,915,632)	(9,927,735)	(2,885,616)	71,186,643	**(33,468,721)**
Profit before income tax	**963,131,470**	**590,854,232**	**802,046,466**	**339,832,588**	**358,825,518**	**128,282,115**	**1,289,388,401**	**4,472,360,790**
Income tax expense	(216,704,580)	(132,942,202)	(180,460,455)	(76,462,332)	(80,735,742)	(28,863,476)	(465,675,352)	**(1,181,844,139)**
Net profit for the comparative period	**746,426,890**	**457,912,030**	**621,586,011**	**263,370,256**	**278,089,776**	**99,418,639**	**823,713,049**	**3,290,516,651**

At the end of the comparative year

Assets and liabilities according to geographical segments (December 31, 2018)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea/ Upper Egypt	Head office	Total
Assets of geographical segments	42,583,469,901	31,799,002,865	31,193,114,939	16,739,607,743	14,421,256,129	5,312,786,892	112,215,640,609	**254,264,879,078**
Unclassified assets	-	-	-	-	-	-	-	**323,454,559**
Total assets	**42,583,469,901**	**31,799,002,865**	**31,193,114,939**	**16,739,607,743**	**14,421,256,129**	**5,312,786,892**	**112,215,640,609**	**254,588,333,637**
Liabilities of geographical segments	58,865,894,945	56,187,741,077	47,498,284,305	28,176,650,844	13,819,814,569	5,149,284,943	15,464,909,766	**225,162,580,449**
Unclassified liabilities	-	-	-	-	-	-	-	**1,727,784,004**
Total liabilities	**58,865,894,945**	**56,187,741,077**	**47,498,284,305**	**28,176,650,844**	**13,819,814,569**	**5,149,284,943**	**15,464,909,766**	**226,890,364,453**

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

	June 30, 2019	June 30, 2018
Interest from loans and similar income:		
Loans and credit facilities:		
- Customers	9,791,541,958	8,204,906,281
Total	**9,791,541,958**	**8,204,906,281**
Treasury bills and bonds	5,975,382,893	5,646,969,704
Deposits and current accounts	350,953,275	587,352,057
Net interest differential on hedging instruments (IRS contracts)	(2,332,487)	1,628,931
Total	**16,115,545,639**	**14,440,856,973**
Cost of deposits and similar expense :		
Deposits and current accounts:		
- Banks	(203,493,300)	(190,309,315)
- Customers	(9,225,252,387)	(9,291,195,285)
Total	**(9,428,745,687)**	**(9,481,504,600)**
REPO arrangements	(23,424,835)	(69,256,019)
Other loans	(45,814,776)	(21,038,738)
Total	**(9,497,985,298)**	**(9,571,799,357)**
Net	**6,617,560,341**	**4,869,057,616**

7- Net fee and commission income:

	June 30, 2019	June 30, 2018
Fee and commission income:		
Credit fees and commissions	745,551,577	763,635,924
Custody fees	18,198,533	19,905,702
Investments commissions	9,002,188	5,674,959
Other fees	425,398,529	344,810,515
Total	**1,198,150,827**	**1,134,027,100**
Fee and commission expense:		
Brokerage fees	(4,789,720)	(4,104,967)
Other fees	(217,209,168)	(173,146,471)
Total	**(221,998,888)**	**(177,251,438)**
Net	**976,151,939**	**956,775,662**

8- Dividend income

	June 30, 2019	June 30, 2018
Investment funds	-	500,000
Associates and subsidiaries	112,302	-
Equity instruments at fair value through other comprehensive income	47,152,638	21,518,006
Total	**47,264,940**	**22,018,006**

9- Net trading income:

	June 30, 2019	June 30, 2018
Forex operations:		
Foreign exchange trading gains (loss)	99,238,286	44,256,666
Changes in fair value of currency forward contracts	(35,842,247)	4,541,941
Changes in fair value of currency swap contracts	(15,728,653)	(25,964,774)
Changes in fair value IRS contracts	1,955,495	69,312
Total	**49,622,881**	**22,903,145**

10- Administrative expenses

	June 30, 2019	June 30, 2018
Staff cost:		
Salaries and wages	721,451,332	585,538,253
Social insurance	43,230,682	30,698,221
Pension cost:		
Defined contribution scheme	44,640,130	39,254,838
Other retirement benefits (Defined benefit scheme)	33,439,809	46,769,922
	842,761,953	**702,261,234**
Depreciation and amortization	135,503,030	116,672,920
Other administrative expenses	705,910,863	486,140,042
Total	**1,684,175,846**	**1,305,074,196**

11- Other operating revenues (expenses)

	June 30, 2019	June 30, 2018
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 at initial recognition	(246,540,636)	32,893,329
Gain on sale of property and equipment	-	1,343,338
Software cost	(94,512,570)	(30,926,947)
Operating lease rental expense	(49,364,847)	(45,189,410)
Other provisions (net of reversed amounts)	(78,124,844)	735,875
Other income (expense)	5,742,280	7,675,094
Total	**(462,800,617)**	**(33,468,721)**

12- Impairment credit losses

	June 30, 2019	June 30, 2018
Loans and credit facilities to customers	(137,792,301)	(119,085,977)
Due from banks	7,992,748	-
Treasury bills	(29,587,397)	-
Debt instruments at fair value through other comprehensive income	33,267	-
Debt instruments at amortized cost	(10,341,037)	-
Other assets	(1,268,292)	-
Total	**(170,963,012)**	**(119,085,977)**

(All amounts are shown in Egyptian Pounds)

13- Income tax expense

	June 30, 2019	June 30, 2018
Current tax	(1,378,227,035)	(1,191,407,134)
Deferred tax	31,323,179	9,562,995
Total	**(1,346,903,856)**	**(1,181,844,139)**

Additional data on deferred tax is disclosed in note 31. 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	5,375,829,583	4,472,360,790
Income tax calculated at 22.5 % tax rate	1,209,561,656	1,006,281,178
Tax impact for:		
Non-taxable income	(3,566,559)	(1,943,418)
Non-deductible expenses for tax purposes	138,312,127	170,454,587
Used of deferred tax assets	(2,521,727)	(1,345,150)
Provision and segregated interest	31,744,802	15,825,545
Tax deductible (10% on dividend income)	4,696,736	2,134,392
Effective income tax expense	**1,378,227,035**	**1,191,407,134**

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 31, 2010.
Years 2011 and 2012 transferred to court.
Years 2013 till 2016 have been inspected, and the due tax was paid.
Year 2017 and 2018 the Bank submitted its tax return in the 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 2016.
Years 2017 and 2018 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 all tax was paid.
Period from August 01 ,2006 till December 31, 2017 have been inspected, and the due tax was paid.
Year 2018 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 all due tax was paid.
Period from August 01, 2006 till November 30, 2006 have been inspected, and the due tax was paid.

14- Earnings Per Share

	June 30, 2019	June 30, 2018
Net Profit for the period	4,028,925,727	3,290,516,651
Remuneration for the Board Members (from the period's net profit)*	(8,500,000)	(7,500,000)
Staff profit share (from the period's net profit)*	(403,829,381)	(328,917,331)
Profit available to shareholders	**3,616,596,346**	**2,954,099,320**
Weighted average number of the shares outstanding during the period	979,464,985	979,464,985
Earning Per Share	3.69	3.02

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

(All amounts are shown in Egyptian Pounds)

15- Classification and measurement of financial assets and financial liabilities

The following table shows the gross financial assets and financial liabilities (excluding allowances for impairment) according to the business model classification:

June 30, 2019	Amortized cost	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial instruments at fair value through profit or loss	Total Carrying amount
Cash and due from Central Bank of Egypt (CBE)	11,243,405,060	-	-	-	**11,243,405,060**
Due from banks	15,144,209,447	-	-	-	**15,144,209,447**
Treasury bills	32,096,111,266	-	-	-	**32,096,111,266**
Loans and credit facilities to customers	149,950,991,103	-	-	-	**149,950,991,103**
Financial derivatives	-	-	-	99,793,369	**99,793,369**
Fair value through other comprehensive income	-	1,915,371,673	839,139,784	-	**2,754,511,457**
Amortized cost	38,055,376,771	-	-	-	**38,055,376,771**
Fair value through profit or loss	-	-	-	48,463,869	**48,463,869**
Other financial assets	2,582,320,415	-	-	-	**2,582,320,415**
Total financial assets	**249,072,414,062**	**1,915,371,673**	**839,139,784**	**148,257,238**	**251,975,182,757**
Due to banks	5,410,349,765	-	-	-	**5,410,349,765**
Customer deposits	205,906,207,071	-	-	-	**205,906,207,071**
Financial derivatives	-	-	-	52,235,569	**52,235,569**
Other loans	2,506,105,455	-	-	-	**2,506,105,455**
Other financial liabilities	1,251,647,264	-	-	-	**1,251,647,264**
Total financial liabilities	**215,074,309,555**	**-**	**-**	**52,235,569**	**215,126,545,124**

The following table shows the net amounts of financial assets and financial liabilities according to CBE instruction dated December 16, 2008 and IFRS 9 that was issued from CBE instructions dated February 26, 2019:

January 1, 2019	Measurement according to CBE instruction dated December 16, 2008	Measurement to according IFRS 9	Carrying amount according to CBE instruction dated December 16, 2008	Re-classification*	Re-measurement*	Total Carrying amount according to IFRS 9
				Effect of IFRS 9		
Cash and due from Central Bank of Egypt (CBE)	Loans and facilities	Amortized cost	11,750,943,263	-	-	**11,750,943,263**
Due from banks	Loans and facilities	Amortized cost	10,545,594,892	-	(19,083,244)	**10,526,511,648**
Treasury bills	Loans and facilities	Amortized cost	48,133,640,018	1,226,703,061	(30,548,616)	**49,329,794,463**
Loans and credit facilities to customers	Loans and facilities	Amortized cost	138,249,356,764	-	(1,202,671,188)	**137,046,685,576**
Financial derivatives	Fair value through profit or loss	Fair value through profit or loss	3,796,045	-	-	**3,796,045**
Debt instruments	Held to maturity	Amortized cost	36,553,382,720	705,575,652	(4,619,649)	**37,254,338,723**
Debt instruments	Available-for-sale	Fair value through other comprehensive income	2,024,527,686	-	-	**2,024,527,686**
Equity instruments	Available-for-sale	Fair value through other comprehensive income	230,469,424	602,618,586	-	**833,088,010**
Investement Funds	Available-for-sale	Fair value through profit or loss	45,383,743	-	-	**45,383,743**
Investement Funds	Cost	Fair value through other comprehensive income	15,000,000	23,270,655	-	**38,270,655**
Other financial assets	Amortized cost	Amortized cost	2,350,424,034	-	(3,416,761)	**2,347,007,273**
Total financial assets			**249,902,518,589**	**2,558,167,954**	**(1,260,339,458)**	**251,200,347,085**
Due to banks	Amortized cost	Amortized cost	11,481,076,209	1,226,703,061	-	**12,707,779,270**
Customer deposits	Amortized cost	Amortized cost	207,349,945,095	-	-	**207,349,945,095**
Financial derivatives	Fair value through profit or loss	Fair value through profit or loss	664,669	-	-	**664,669**
Other loans	Amortized cost	Amortized cost	2,586,406,412	-	-	**2,586,406,412**
Other financial liabilities	Amortized cost	Amortized cost	1,331,876,916	-	-	**1,331,876,916**
Total financial liabilities			**222,749,969,301**	**1,226,703,061**	**-**	**223,976,672,362**

* Re-measurement is related to expected credit loss adjustments, while reclassification includes adjustments to changes in measurement bases.

(All amounts are shown in Egyptian Pounds)

16- Cash and due from Central Bank of Egypt (CBE)

	June 30, 2019	December 31, 2018
Cash	5,215,278,836	4,810,753,664
Balances with CBE (mandatory reserve)	6,028,126,224	6,940,189,599
Total	**11,243,405,060**	**11,750,943,263**
Interest free balances	11,243,405,060	11,750,943,263
Total	**11,243,405,060**	**11,750,943,263**

17- Due from Banks

	June 30, 2019	December 31, 2018
Current accounts	539,174,620	768,244,528
Deposits	14,605,034,827	9,777,350,364
	15,144,209,447	**10,545,594,892**
Less : Allowance for impairment losses	(11,090,496)	-
Total	**15,133,118,951**	**10,545,594,892**
Balances at CBE other than those under the mandatory reserve	10,821,300,346	4,546,120,181
Local banks	2,963,446,660	4,798,236,933
Foreign Banks	1,359,462,441	1,201,237,778
Less : Allowance for impairment losses	(11,090,496)	-
Total	**15,133,118,951**	**10,545,594,892**
Interest free balances	512,925,256	486,509,498
Balances at floating interest rates	140,549,364	281,735,030
Balances at fixed interest rates	14,490,734,827	9,777,350,364
Less : Allowance for impairment losses	(11,090,496)	-
Total	**15,133,118,951**	**10,545,594,892**
Current balances	15,026,418,951	10,545,594,892
Non-current balances	106,700,000	-
Total	**15,133,118,951**	**10,545,594,892**

18- Treasury bills

	June 30, 2019	December 31, 2018
91 days maturity	887,875,000	2,743,975,000
182 days maturity	105,775,000	10,136,700,000
More than 182 days maturity	33,107,157,090	39,150,438,320
Less : Unearned interest	(2,004,695,824)	(2,670,770,241)
	32,096,111,266	**49,360,343,079**
Less : Allowance for impairment losses	(60,136,013)	-
Total	**32,035,975,253**	**49,360,343,079**

19- Loans and credit facilities to customers

	June 30, 2019			December 31, 2018		
	Total	Allowance for impairment losses	Net	Total	Allowance for impairment losses	Net
Individuals						
Overdrafts	2,699,570,830	(133,509,089)	2,566,061,741	2,709,089,554	(57,314,838)	2,651,774,716
Credit cards	859,742,206	(23,155,965)	836,586,241	780,771,323	(10,097,735)	770,673,588
Personal loans	18,592,897,806	(327,893,845)	18,265,003,961	16,842,957,877	(269,917,078)	16,573,040,799
Real estate loans	1,616,741,312	(17,297,394)	1,599,443,918	1,364,731,959	(14,098,495)	1,350,633,464
Total (1)	**23,768,952,154**	**(501,856,293)**	**23,267,095,861**	**21,697,550,713**	**(351,428,146)**	**21,346,122,567**
Corporate including small loans for businesses						
Overdrafts	58,982,722,352	(1,712,401,642)	57,270,320,710	58,533,861,874	(1,311,185,436)	57,222,676,438
Direct loans	44,002,184,158	(3,849,580,641)	40,152,603,517	39,912,412,447	(3,124,058,279)	36,788,354,168
Syndicated loans and facilities	20,747,961,947	(807,553,183)	19,940,408,764	21,037,425,327	(817,752,554)	20,219,672,773
Other loans	2,449,170,492	(54,776,707)	2,394,393,785	2,927,551,962	(63,292,909)	2,864,259,053
Total (2)	**126,182,038,949**	**(6,424,312,173)**	**119,757,726,776**	**122,411,251,610**	**(5,316,289,178)**	**117,094,962,432**
Total loans and credit facilities to customers (1+2)	**149,950,991,103**	**(6,926,168,466)**	**143,024,822,637**	**144,108,802,323**	**(5,667,717,324)**	**138,441,084,999**
Less: Segregated interest			(5,985,581)			(5,985,581)
Less: Unearned discount			(151,404,197)			(185,742,654)
Net Loans and credit facilities to customers distributed as follows:			**142,867,432,859**			**138,249,356,764**
Current balances			101,239,404,998			98,948,403,004
Non-current balances			41,628,027,861			39,300,953,760
Net Loans and credit facilities to customers			**142,867,432,859**			**138,249,356,764**

(All amounts are shown in Egyptian Pounds)

19-A Allowance for impairment losses

June 30, 2019

Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at beginning of the year	57,314,838	10,097,735	269,917,078	14,098,495	**351,428,146**
Impact of adopting IFRS 9	30,720,193	3,513,548	91,105,836	4,806,754	**130,146,331**
Restated Balance at 1 January 2019	**88,035,031**	**13,611,283**	**361,022,914**	**18,905,249**	**481,574,477**
Net impairment loss recognized during the period	45,474,058	9,544,682	(33,242,448)	(1,607,855)	**20,168,437**
Loans written-off during the period	-	-	(3,707,814)	-	**(3,707,814)**
Collections of loans previously written-off	-	-	3,839,522	-	**3,839,522**
Foreign exchange translation differences	-	-	(18,329)	-	**(18,329)**
Balance at end of the period	**133,509,089**	**23,155,965**	**327,893,845**	**17,297,394**	**501,856,293**

Corporate	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Balance at beginning of the year	1,311,185,436	3,124,058,279	817,752,554	63,292,909	**5,316,289,178**
Impact of adopting IFRS 9	602,021,049	470,503,808	-	-	**1,072,524,857**
Restated Balance at 1 January 2019	**1,913,206,485**	**3,594,562,087**	**817,752,554**	**63,292,909**	**6,388,814,035**
Net impairment loss recognized during the period	(178,304,833)	299,525,485	3,833,305	(7,430,093)	**117,623,864**
Collections of loans previously written-off	-	9,102,067	-	-	**9,102,067**
Foreign exchange translation differences	(22,500,010)	(53,608,998)	(14,032,676)	(1,086,109)	**(91,227,793)**
Balance at end of the period	**1,712,401,642**	**3,849,580,641**	**807,553,183**	**54,776,707**	**6,424,312,173**
Total					**6,926,168,466**

December 31, 2018

Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at beginning of the year	54,581,456	15,266,943	245,775,629	14,188,349	**329,812,377**
Net impairment loss recognized during the year	2,733,382	3,420,614	16,103,134	(89,854)	**22,167,276**
Loans written-off during the year	-	(8,589,822)	(5,886,299)	-	**(14,476,121)**
Collections of loans previously written-off	-	-	13,921,793	-	**13,921,793**
Foreign exchange translation differences	-	-	2,821	-	**2,821**
Balance at end of the year	**57,314,838**	**10,097,735**	**269,917,078**	**14,098,495**	**351,428,146**

Corporate	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Balance at beginning of the year	1,345,030,744	2,944,824,499	543,886,745	86,723,171	**4,920,465,159**
Net impairment loss recognized during the year	(34,974,750)	282,681,419	273,409,100	(23,503,085)	**497,612,684**
Loans written-off during the year	-	(136,639,548)	-	-	**(136,639,548)**
Collections of loans previously written-off	-	30,719,099	-	-	**30,719,099**
Foreign exchange translation differences	1,129,442	2,472,810	456,709	72,823	**4,131,784**
Balance at end of the year	**1,311,185,436**	**3,124,058,279**	**817,752,554**	**63,292,909**	**5,316,289,178**
Total					**5,667,717,324**

20- Financial Derivatives

	June 30, 2019 Notional amount	Assets	Liabilities
(A) Held for trading			
- Forward foreign exchange contracts	1,747,417,793	-	51,919,444
- Swap foreign exchange contracts	2,954,641,193	-	316,125
Total	**4,702,058,986**	**-**	**52,235,569**
(B) Fair value hedge			
- Interest rate swap contracts	5,849,083,213	99,793,369	-
Total	**5,849,083,213**	**99,793,369**	**-**
Total	**10,551,142,199**	**99,793,369**	**52,235,569**

	December 31, 2018 Notional amount	Assets	Liabilities
(A) Held for trading			
- Forward foreign exchange contracts	1,729,988,870	-	16,077,197
- Swap foreign exchange contracts	4,117,182,018	-	(15,412,528)
Total	**5,847,170,888**	**-**	**664,669**
(B) Fair value hedge			
- Interest rate swap contracts	3,490,912,800	3,796,045	-
Total	**3,490,912,800**	**3,796,045**	**-**
Total	**9,338,083,688**	**3,796,045**	**664,669**

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

- Fair value hedge

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

Net Fair value of hedging instruments (Interest rate swap) asset amounted to EGP 99,793,369 as of June 30, 2019 (EGP 3,796,045 in the prior year). Gain resulting from hedging instruments amounted to EGP 95,997,324 (Loss of EGP 10,676,979 in the prior period) and Loss arose from the hedged items reached EGP 94,041,829 (Gain of EGP 10,746,290 in the piror period).

(All amounts are shown in Egyptian Pounds)

21- Financial investments

Fair value through other comprehensive income (FVTOCI)	June 30, 2019	December 31, 2018
(A) Debt instruments at fair value:		
Listed instruments in foreign stock exchange market	1,915,371,673	2,024,527,686
Total debt instruments measured at fair value through other comprehensive income	**1,915,371,673**	**2,024,527,686**
(B) Equity instruments at fair value:		
Listed instruments in Egyptian stock exchange market	97,190,586	97,190,584
Unlisted instruments in stock exchange market	701,427,538	133,278,840
Total equity instruments measured at fair value through other comprehensive income	**798,618,124**	**230,469,424**
(C) Money market funds and balanced funds:		
Unlisted instruments in stock exchange market	40,521,660	15,000,000
Total financial investments measured at Fair value through other comprehensive income (1)	**2,754,511,457**	**2,269,997,110**
Amortized cost		
(A) Debt Instruments:		
Listed instruments in stock exchange market	37,295,459,329	35,689,249,153
Unlisted instruments in stock exchange market	759,917,442	864,133,567
Less : Allowance for impairment losses	(14,960,686)	-
Total Debt instruments measured at amortized cost (2)	**38,040,416,085**	**36,553,382,720**
Fair value through profit or loss (FVTPL)		
(A) Mutual funds:		
Unlisted instruments in stock exchange market*	48,463,869	45,383,743
Total equity instruments measured at fair value through profit or loss (3)	**48,463,869**	**45,383,743**
Total Financial investments (1+2+3)	**40,843,391,411**	**38,868,763,573**
Current balances	5,955,384,723	4,333,866,083
Non-current balances	34,888,006,688	34,534,897,490
Total financial investment	**40,843,391,411**	**38,868,763,573**
Fixed interest debt instruments	39,955,787,758	38,577,910,406
Total debt instruments	**39,955,787,758**	**38,577,910,406**

The following table analyzes the movements on financial investments during the period:

	Fair value through other comprehensive income	Amortized cost
Balance at the beginning of the current year	2,269,997,110	36,553,382,720
Impact of adopting IFRS 9	625,889,241	705,575,652
Additions	102,866,971	2,879,345,583
Amortization of premium / discount	(22,344,021)	57,551,727
Disposals (sale/redemption)	(106,825,388)	(2,084,775,250)
Translation differences resulting from monetary foreign currency denominated assets	(136,427,910)	(55,703,661)
Changes in fair value reserve	33,443,307	-
Transferred to Retained Earnings	(12,087,853)	-
Less : Allowance for impairment losses	-	(14,960,686)
Balance at the end of the current period	**2,754,511,457**	**38,040,416,085**

The following table analyzes the movements on financial investments during the comparative year:

	Fair value through other comprehensive income	Amortized cost
Balance at the beginning of the comparative year	2,697,935,760	31,297,090,056
Additions	176,628,565	8,598,974,199
Amortization of premium / discount	(43,783,070)	107,494,166
Disposals (sale/redemption)	(531,758,092)	(3,681,558,000)
Translation differences resulting from monetary foreign currency denominated assets	23,513,298	8,800,246
Changes in fair value reserve	(22,155,608)	237,582,053
Re-classification financial investements	(30,383,743)	(15,000,000)
Balance at the end of the comparative year	**2,269,997,110**	**36,553,382,720**

Gain on financial investments	June 30, 2019	June 30, 2018
Gain on financial investments at fair value through profit or loss	3,168,957	59,235,255
Total	**3,168,957**	**59,235,255**

* The Bank's equity instruments classified in the fair value through other comprehensive income 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 subsidiaries and associates

The following table summarizes the Bank's holdings in its subsidiaries and associates:

June 30, 2019	Country of residence	Investee's assets	Investee's liabilities (excluding equity)	Investee's revenues	Investee's profit (loss)	Carrying amount	The Bank's stake
QNB ALAHLI leasing company (Subsidiary)	Egypt	3,269,349,683	2,817,054,612	548,189,938	48,095,210	144,915,453	99.98%
QNBALAHLI Life Insurance company (Subsidiary)	Egypt	3,114,933,578	2,472,807,510	133,624,925	117,977,329	69,179,676	99.98%
QNB ALAHLI Asset Management Egypt (Subsidiary)	Egypt	11,809,534	588,165	1,002,655	434,191	1,176,710	97.48%
QNB ALAHLI Factoring Company (Subsidiary)	Egypt	2,331,505,269	2,019,121,302	149,376,219	21,776,799	74,990,000	99.99%
Senouhi Company for Construction Materials (Associates)	Egypt	16,990,806	4,259,116	11,897,709	1,457,635	1,847,250	23.09%
Total		**8,744,588,870**	**7,313,830,705**	**844,091,446**	**189,741,164**	**292,109,089**	

December 31, 2018	Country of residence	Investee's assets	Investee's liabilities (excluding equity)	Investee's revenues	Investee's profit (loss)	Carrying amount	The Bank's stake
QNB ALAHLI leasing company (Subsidiary)	Egypt	2,879,131,628	2,468,275,787	975,853,645	66,559,805	144,915,453	99.98%
QNBALAHLI Life Insurance company (Subsidiary)	Egypt	2,751,595,021	2,227,446,279	202,198,390	139,460,399	69,179,676	99.98%
QNB ALAHLI Asset Management Egypt (Subsidiary)	Egypt	11,095,893	299,188	1,676,258	1,157,550	1,176,710	97.48%
QNB ALAHLI Factoring Company (Subsidiary)	Egypt	2,827,480,252	2,528,134,510	389,587,543	75,785,719	74,990,000	99.99%
Senouhi Company for Construction Materials (Associates)	Egypt	14,140,443	3,116,776	17,419,379	(74,447)	1,847,250	23.09%
Total		**8,483,443,237**	**7,227,272,540**	**1,586,735,215**	**282,889,026**	**292,109,089**	

23- Intangible assets

	June 30, 2019	December 31, 2018
Software		
Net book value at the beginning of the year	162,034,757	115,919,735
Addition	52,147,355	93,702,773
Amortization	(27,624,779)	(47,587,751)
Net book value at the end of the period	**186,557,333**	**162,034,757**

24- Other assets

	June 30, 2019	December 31, 2018
Accrued revenues	2,582,320,415	2,350,424,034
Pre-paid expenses	121,731,036	81,650,360
Advance payments for acquisition of property and equipment	357,607,362	166,948,604
Foreclosed assets reverted to the bank in settlement of debts	7,781,996	7,781,996
Deposits held with others and custody	12,751,836	10,343,122
Advance payments to tax authority	115,447,878	16,712,269
Others	351,623,207	323,961,820
	3,549,263,730	**2,957,822,205**
Less : Expected credit loss (ECL)	(4,685,053)	-
Total	**3,544,578,677**	**2,957,822,205**

25- Property and Equipment

	Lands and buildings	Renovations of leased assets	Machinery & equipment	Others	Total
January 1, 2018					
Cost	2,271,696,616	154,309,897	708,750,479	228,057,386	**3,362,814,378**
Accumulated depreciation	(552,689,720)	(110,571,762)	(486,198,079)	(105,593,792)	**(1,255,053,353)**
Net book value	**1,719,006,896**	**43,738,135**	**222,552,400**	**122,463,594**	**2,107,761,025**
December 31, 2018					
Net book value at the beginning of the year	1,719,006,896	43,738,135	222,552,400	122,463,594	**2,107,761,025**
Additions	183,440,842	40,218,505	76,759,625	24,598,616	**325,017,588**
Disposals from Property and Equipment	(409,267)	-	(175,901)	-	**(585,168)**
Disposals from accumulated depreciation	43,738	-	145,139	-	**188,877**
Deprecation for the year	(93,195,161)	(10,472,906)	(73,668,342)	(18,895,745)	**(196,232,154)**
Net book value	**1,808,887,048**	**73,483,734**	**225,612,921**	**128,166,465**	**2,236,150,168**
January 1, 2019					
Cost	2,454,728,191	194,528,402	785,334,203	252,656,002	**3,687,246,798**
Accumulated depreciation	(645,841,143)	(121,044,668)	(559,721,282)	(124,489,537)	**(1,451,096,630)**
Net book value	**1,808,887,048**	**73,483,734**	**225,612,921**	**128,166,465**	**2,236,150,168**
June 30, 2019					
Net book value at the beginning of the year	1,808,887,048	73,483,734	225,612,921	128,166,465	**2,236,150,168**
Additions	42,343,787	4,883,431	79,368,998	10,427,006	**137,023,222**
Disposals from Property and Equipment	(366,818)	-	(5,000)	-	**(371,818)**
Disposals from accumulated depreciation	27,841	-	917	-	**28,758**
Depreciation for the period	(50,694,048)	(5,709,210)	(41,606,323)	(9,868,670)	**(107,878,251)**
Net book value	**1,800,197,810**	**72,657,955**	**263,371,513**	**128,724,801**	**2,264,952,079**
Balances at June 30, 2019					
Cost	2,496,705,160	199,411,833	864,698,201	263,083,008	**3,823,898,202**
Accumulated depreciation	(696,507,350)	(126,753,878)	(601,326,688)	(134,358,207)	**(1,558,946,123)**
Net book value	**1,800,197,810**	**72,657,955**	**263,371,513**	**128,724,801**	**2,264,952,079**

(All amounts are shown in Egyptian Pounds)

26- Due to banks

	June 30, 2019	December 31, 2018
Current accounts	424,942,661	600,111,378
Deposits	3,564,326,831	10,880,964,831
Repos transactions	1,421,080,273	1,226,703,061
Total	**5,410,349,765**	**12,707,779,270**
Central banks	1,421,093,032	1,226,716,743
Local banks	3,564,365,890	10,881,443,503
Foreign banks	424,890,843	599,619,024
Total	**5,410,349,765**	**12,707,779,270**
Non-interest bearing balances	409,674,954	587,769,500
Variable interest rate balances	15,267,707	12,341,878
Fixed interest rate balances	4,985,407,104	12,107,667,892
Total	**5,410,349,765**	**12,707,779,270**
Current balances	5,410,349,765	12,707,779,270
Total	**5,410,349,765**	**12,707,779,270**

27- Customer deposits

	June 30, 2019	December 31, 2018
Demand deposits	51,132,764,497	50,051,628,356
Time deposits and call accounts	76,515,255,122	85,261,092,835
Term saving certificates	47,377,255,000	43,303,912,000
Saving deposits	24,546,488,335	22,032,580,475
Other deposits*	6,334,444,117	6,700,731,429
Total	**205,906,207,071**	**207,349,945,095**
Corporate deposits	103,806,388,254	112,767,111,753
Retail deposits	102,099,818,817	94,582,833,342
Total	**205,906,207,071**	**207,349,945,095**
Non-interest bearing balances	31,588,510,887	29,021,642,483
Variable interest rate balances	67,260,855,862	64,689,231,540
Fixed interest rate balances	107,056,840,322	113,639,071,072
Total	**205,906,207,071**	**207,349,945,095**
Current balances	164,040,317,071	164,418,737,947
Non-current balances	41,865,890,000	42,931,207,148
Total	**205,906,207,071**	**207,349,945,095**

* Other deposits include deposits covering irrevocable letters of credit in the total of EGP 284,269,913 as of June 30, 2019 (December 31, 2018 EGP 296,800,153). The fair value of these deposits approximates its carrying amount.

28- Other loans

	June 30, 2019	December 31, 2018
National Bank of Egypt (Ebab & Eco)	3,510,417	4,444,445
Commercial International Bank	129,666,667	120,533,333
European Investment Bank	165,670,124	177,428,601
European Bank for Reconstruction and Development	2,149,758,247	2,254,000,033
The Micro, Small and Medium Enterprises Development Agency	57,500,000	30,000,000
Total	**2,506,105,455**	**2,586,406,412**
Current balances	814,686,820	715,089,215
Non-current balances	1,691,418,635	1,871,317,197
Total	**2,506,105,455**	**2,586,406,412**

29- Other liabilities

	June 30, 2019	December 31, 2018
Accrued interest	1,251,647,264	1,331,876,916
Unearned revenues	82,709,440	94,783,162
Accrued expenses	699,889,711	543,754,841
Sundry credit balances	797,367,751	547,370,084
Total	**2,831,614,166**	**2,517,785,003**

(All amounts are shown in Egyptian Pounds)

30- Other provisions

June 30, 2019

Description	Balance at the beginning of the year	Impact of adopting IFRS 9	Formed during the period	Released during the period	Foreign currencies translation differences + (-)	Used during the period	Balance at the end of the period
Provision for tax claims	318,134,789	-	-	-	-	(3,563,966)	**314,570,823**
Provision for legal claims	12,596,462	-	11,865,096	-	(39,401)	(17,440)	**24,404,717**
Provision for contingent liabilities	290,796,573	153,241,923	66,037,196	-	(2,328,702)	-	**507,746,990**
Provision for fidelity	35,918,620	-	-	-	(2,358,736)	-	**33,559,884**
Provision for operational risk	487,587	-	222,552	-	-	-	**710,139**
Total	**657,934,031**	**153,241,923**	**78,124,844**	**-**	**(4,726,839)**	**(3,581,406)**	**880,992,553**

December 31, 2018

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
Provision for tax claims	601,345,448	-	(13,600,000)	-	(269,610,659)	**318,134,789**
Provision for legal claims	50,598,500	-	(37,243,544)	(187,479)	(571,015)	**12,596,462**
Provision for contingent liabilities	248,352,962	41,836,953	-	606,658	-	**290,796,573**
Provision for fidelity	34,710,188	845,414	-	363,018	-	**35,918,620**
Provision for operational risk	-	487,587	-	-	-	**487,587**
Total	**935,007,098**	**43,169,954**	**(50,843,544)**	**782,197**	**(270,181,674)**	**657,934,031**

31- 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:

	Deferred tax assets		Deferred tax liabilities	
Tax impact on temporary differences arising from:	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Property and equipment	-	-	(71,481,213)	(68,955,153)
Provisions (other than the provision for loan impairment)	269,008,206	201,017,707	-	-
Differences in fair value of financial investments at fair value through other comprehensive income	-	7,139,032	(132,748,651)	-
Others	29,805,784	25,868,285	-	(3,650,069)
Deferred tax assets (liabilities)	**298,813,990**	**234,025,024**	**(204,229,864)**	**(72,605,222)**
Net balance of DTA (DTL)	**94,584,126**	**161,419,802**		

Movement of deferred tax assets and liabilities:

	Deferred tax assets		Deferred tax liabilities	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Beginning balance	234,025,024	222,128,226	(72,605,222)	(58,613,715)
Impact of adopting IFRS 9	41,728,828	-	(135,589,181)	-
DT recognized / utilized during the period	23,060,138	11,896,798	3,964,539	(13,991,507)
Closing balance	**298,813,990**	**234,025,024**	**(204,229,864)**	**(72,605,222)**

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

	June 30, 2019	December 31, 2018
Differences in fair value of financial investments at fair value through other comprehensive income	(132,748,651)	7,139,032
Effect of changes in accounting policies	41,728,829	(3,244,506)

(All amounts are shown in Egyptian Pounds)

32- Defined benefits obligation

	June 30, 2019	December 31, 2018
Amounts recognized in the statement of financial position:		
Liability for post-retirement medical benefits	464,024,635	437,821,485
Amounts recognized in the income statement:		
Post-retirement medical benefits	33,439,809	93,539,843
Post-retirement medical benefits obligation constitutes of:		
Balances shown in the statement of financial position are represented as follows:		
Present value of unfunded liabilities	369,765,594	342,208,971
Unrecognized actuarial gain	94,259,041	95,612,514
	464,024,635	**437,821,485**
Liability movements during the period are represented as follows:		
Balance at the beginning of the financial year	437,821,485	365,403,368
Current service cost	5,437,013	19,530,782
Interest cost	29,356,271	67,742,209
Actuarial losses / gain	(1,353,475)	6,266,852
Benefits paid	(7,236,659)	(21,121,726)
	464,024,635	**437,821,485**
Amounts recognized in the income statement are shown below:		
Current service cost	5,437,013	19,530,782
Interest cost	29,356,271	67,742,209
Actuarial losses / gain recognized during the period	(1,353,475)	6,266,852
	33,439,809	**93,539,843**

The main actuarial assumptions used by the bank are outlined below:	June 30, 2019	December 31, 2018
Discount rate (two plans):		
A- QNB ALAHLI current employees plan	18.10%	18.10%
B-Ex-MIBank retirees plan	18.10%	18.10%
QNB ALAHLI -long term increase in the cost of medical care (on top of inflation)	13.28%	13.28%
Ex-MIBank - long term increase in the cost of medical care (on top of inflation)	13.28%	13.28%

Sensitivities to +1% in discount rate (duration of the plan):	Service cost	DBO
Post-retirement medical benefits	16.98%	14.92%

33- Issued and paid-up capital

(A) Authorized Capital

- The authorized capital amounts to EGP 15 billion.

(B) Issued and Paid up Capital

- The issued and paid up capital amounted to EGP 8,904,227,140 on December 31, 2017 representing 890,422,714 shares with a nominal value of EGP 10 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.

- The Extraordinary General Assembly held on February 15, 2018 decided to increase the capital from EGP 8,904,227,140 to EGP 9,794,649,850 ,an increase of EGP 890,422,710 by deducting the general reserve.

- The issued and paid up capital amounted to EGP 9,794,649,850 on December 31, 2018 representing 979,464,985 shares with a nominal value of EGP 10 each, of which 854,141,985 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 28, 2019 decided to increase the capital from EGP 9,794,649,850 to EGP 10,774,114,830 ,an increase of EGP 979,464,980 by deducting the general reserve and approvals being taken on those increases from the official bodies.

- The Extraordinary General Assembly held on February 28, 2019 decided to split the face value of each share of the Bank's capital from EGP 10 to be EGP 5 and approvals being taken from the official bodies.

(All amounts are shown in Egyptian Pounds)

34- Reserves and retained earnings

(1) Reserves	June 30, 2019	December 31, 2018
General reserve (a)	13,417,823,247	8,531,087,699
General banking risk reserve (b)	2,781,992	2,781,992
Legal reserve (c)	1,633,301,744	1,287,748,276
Fair value reserve (d)	531,150,523	(679,178,263)
Special reserve (e)	12,856,666	147,044,179
Capital reserve	18,489,519	12,054,965
IFRS 9 reserve	-	1,282,925,633
General risk reserve*	21,453,923	-
Total reserves at the end of the period	**15,637,857,614**	**10,584,464,481**

* In accordance with the instructions of the Central Bank of Egypt to apply IFRS 9 as of January 1, 2019, the special reserve - credit and general bank risk reserve - credit and IFRS 9 credit risk is consolidated in one reserve under the name of general risk reserve. The difference between the provisions required under IFRS 9 and the provisions required in accordance with previous instructions will be deducted from the general risk reserve .

Reserve movements are as follows:

(a) General reserve	June 30, 2019	December 31, 2018
Balance at the beginning of the financial year	8,531,087,699	7,326,936,116
Transferred from retained earnings	4,886,735,548	2,094,574,293
Transferred to capital increase	-	(890,422,710)
Balance at the end of the period	**13,417,823,247**	**8,531,087,699**
(b) General banking risk reserve		
Balance at the beginning of the year	2,781,992	8,974,020
Transferred to retained earnings	-	(6,192,028)
Balance at the end of the period	**2,781,992**	**2,781,992**

In accordance with the instructions of the Central Bank of Egypt, the general banking risk reserve is supported annually by 10% of the value of the assets owned by the Bank in return for debt if these assets are not disposed of within the period specified in the law.

(c) Legal reserve	June 30, 2019	December 31, 2018
Balance at the beginning of the year	1,287,748,276	1,023,166,558
Transferred from the net profit for the prior year	345,553,468	264,581,718
Balance at the end of the period	**1,633,301,744**	**1,287,748,276**

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) Fair value reserve	June 30, 2019	December 31, 2018
Balance at the beginning of the year	(679,178,263)	(902,709,151)
Impact of adopting IFRS 9	1,328,894,280	-
Deferred tax recognized as of a result of adopting IFRS 9	(135,589,181)	-
Net change in fair value (Note 21)	33,443,307	215,426,445
Impairment losses on debt instruments at fair value through other comprehensive income	(33,267)	-
Transferred to retained earnings	(12,087,851)	-
Deferred tax recognized during the year (Note 31)	(4,298,502)	8,104,443
Balance at the end of the period	**531,150,523**	**(679,178,263)**

(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 year that have been impacted by this change, including comparative figures in the balance sheet and the income statements for the previous year 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:

	June 30, 2019	December 31, 2018
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	253,607
Amortized cost method using EIR for Available-for-sale investments	393,930	393,930
Deferred tax (Tax impact on adjustment)	(4,249,739)	(22,288,030)
Available-for-sale investments (Equity instruments)	16,458,868	16,458,868
Total	**12,856,666**	**147,044,179**

(All amounts are shown in Egyptian Pounds)

(2) Profit for the period / year and retained earnings

	June 30, 2019	December 31, 2018
Movements on retained earnings:		
Balance at the beginning of the year	7,318,854,853	5,291,747,850
Impact of adopting IFRS 9	26,377,283	-
Net profit of the financial period / year	4,028,925,727	6,917,503,916
Previous year's profit distribution	(979,464,985)	(712,338,172)
Employees' profit share	(691,726,139)	(528,980,970)
Board of directors' remuneration	(13,781,250)	(11,250,000)
Transferred to capital reserve	(6,434,554)	(1,938,155)
Transferred to general reserve	(4,886,735,548)	(2,094,574,293)
Transferred to legal reserve	(345,553,468)	(264,581,718)
Transferred from fair value reserve	9,368,086	-
Transferred to IFRS 9 reserve	-	(1,282,925,633)
Transferred from general banking risk reserve	-	6,192,028
Balance at the end of the year	**4,459,830,005**	**7,318,854,853**

35- 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.

	June 30, 2019	June 30, 2018
Cash and balances with central banks	5,215,278,836	4,799,511,419
Due from banks in less than 3 months	12,959,909,447	12,059,845,498
Treasury bills and other governmental notes (91 days)	870,540,779	4,972,452,955
Total	**19,045,729,062**	**21,831,809,872**

36- Contingent liabilities and other commitments

(a) Legal claims (litigation)

Several lawsuits were brought against the Bank and are still outstanding as of June 30, 2019. No provision has been formed since it is not probable that 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 410,235,464 as of June 30, 2019 (EGP 373,156,102 on December 31, 2018). 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 guarantees

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

	June 30, 2019	December 31, 2018
Financial guarantees	357,500	357,500
Accepted papers	2,012,745,495	2,249,112,360
L/Gs	41,759,070,725	39,879,061,700
Import L/Cs	3,406,926,310	2,516,528,260
Export L/Cs	430,136,530	801,942,333
Other contingent liabilities	743,128,443	691,158,344
Total	**48,352,365,003**	**46,138,160,497**

(D) Commitments for credit facilities

	June 30, 2019	December 31, 2018
Commitments for credit facilities	33,427,725,342	33,669,773,098

(E) Commitments under operating lease contracts

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

	June 30, 2019	December 31, 2018
Not more than one year	82,106,342	84,797,020
More than one year and less than 5 years	204,944,436	194,655,635
More than 5 years	45,821,765	42,142,805
Total	**332,872,543**	**321,595,460**

(All amounts are shown in Egyptian Pounds)

37- Related-party transactions

Qatar National Bank (Q.P.S.C.) is the ultimate parent and controlling party as at the end of the reporting year which owns 94.97% of the bank's ordinary shares whereas the remaining 5.03% are held by other shareholders.
A number of transactions have been conducted during the reporting year with related parties within the bank's normal course of business. These include loans, deposits, and foreign currency transactions.

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

QNB Group	June 30, 2019	December 31, 2018
Due from banks	3,761,736	1,867,831
Due to banks	112,861,941	81,271,323
LGs for Banks	9,040,837,047	8,222,151,499
Foreign exchange derivative	2,470,701,697	3,883,412,316
Interest rate swap	5,849,083,213	3,490,912,800

(A) Loans and credit facilities to related parties

	Directors and others key management personnel (and close family members)		Associates and Subsidiaries	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Outstanding loans at the beginning of the financial year	111	111	2,198,875,475	2,695,314,974
Loans issued during the financial period	-	-	998,100,345	966,622,657
Loans repayment during the financial period	-	-	(758,420,592)	(1,463,062,156)
Loans Outstanding at the end of the financial period	**111**	**111**	**2,438,555,228**	**2,198,875,475**
Interest income on loans	-	-	156,793,446	317,856,237

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

Loans and credit facilities to related parties can be analyzed below

	Directors and others key management personnel (and close family members)		Associates and Subsidiaries	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Overdrafts	111	111	123	39
Revolving term loan	-	-	2,345,691,679	2,065,268,251
Visa card	-	-	-	10,921
Equipment loans	-	-	92,863,426	133,596,264
Total	**111**	**111**	**2,438,555,228**	**2,198,875,475**

(All amounts are shown in Egyptian Pounds)

(B) Deposits from related parties

	Directors and others key management personnel (and close family members)		Associates and Subsidiaries	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Deposits outstanding at the beginning of the financial year	64,394,311	60,744,502	2,071,730,814	1,804,510,172
Deposits placed during the period	5,803,055	5,901,750	55,749,627	298,502,492
Deposits repaid during the period	(6,121,101)	(2,251,941)	(174,474,921)	(31,281,850)
Deposits outstanding at the end of the financial period	**64,076,265**	**64,394,311**	**1,953,005,520**	**2,071,730,814**
Interest expense on deposits	1,251,713	2,529,535	29,434,199	54,745,864

Deposits from related parties can be analyzed below

	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Demand Deposits	2,586,073	4,629,582	91,415,468	56,040,635
Saving account	60,802	16,014	-	-
Certificates of deposits	3,100,000	3,100,000	-	-
Time Deposits	58,329,390	56,648,715	1,861,590,052	2,015,690,179
Total	**64,076,265**	**64,394,311**	**1,953,005,520**	**2,071,730,814**

(C) Other transactions with related parties

	Directors and others key management personal (and close family members)		Associates and Subsidiaries	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Fee and commission income	6,025	11,576	3,265,115	7,072,680
Guarantees issued by the bank	-	-	88,769,437	32,232,330
The above guarantees comprise:				
LGs	-	-	34,602	34,602
LCs	-	-	88,734,835	32,197,728
Total	**-**	**-**	**88,769,437**	**32,232,330**

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

(All amounts are shown in Egyptian Pounds)

38- 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 by the bank at that time. EFG HERMES is managing this fund.

Total number of the outstanding certificates at June 30, 2019 reached 9,594,791 at a total value of EGP 3,277,052,892. The Bank currently holds 191,896 certificates worth of EGP 65,541,119 of which EGP 17,077,250 classified as fair value through other comprehensve income that represent 5% from the total number of certificates that were initially issued, whereas the remaining value of EGP 48,463,869 which represents 2% of the increase in fund's net asset value since initial subscription are classified as fair value through profit or loss.

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 8,816,495 have been reported in the "fees and commission income" line item in the income statement.

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

The Bank has set up an investment fund under the name of Tawazon Fund with periodic 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 by the bank at that time. Beltone Asset Management is managing this fund.

Total number of the outstanding certificates at June 30, 2019 reached 56,620 at a total value of EGP 11,986,374. The Bank currently holds 50,000 certificates worth of EGP 10,584,930 that are classified as fair value through other comprehensve income 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 55,986 have been reported in the "fees and commission income" line item in the income statement.

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

The Bank has set up an investment fund under the name of Tadawol Fund with periodic 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 June 30, 2019 reached 75,970 at a total value of EGP 19,538,694. The Bank currently holds 50,000 certificates worth of EGP 12,859,480 that are classified as fair value through other comprehensve income 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 129,707 have been reported in the "fees and commission income" line item in the income statement.