

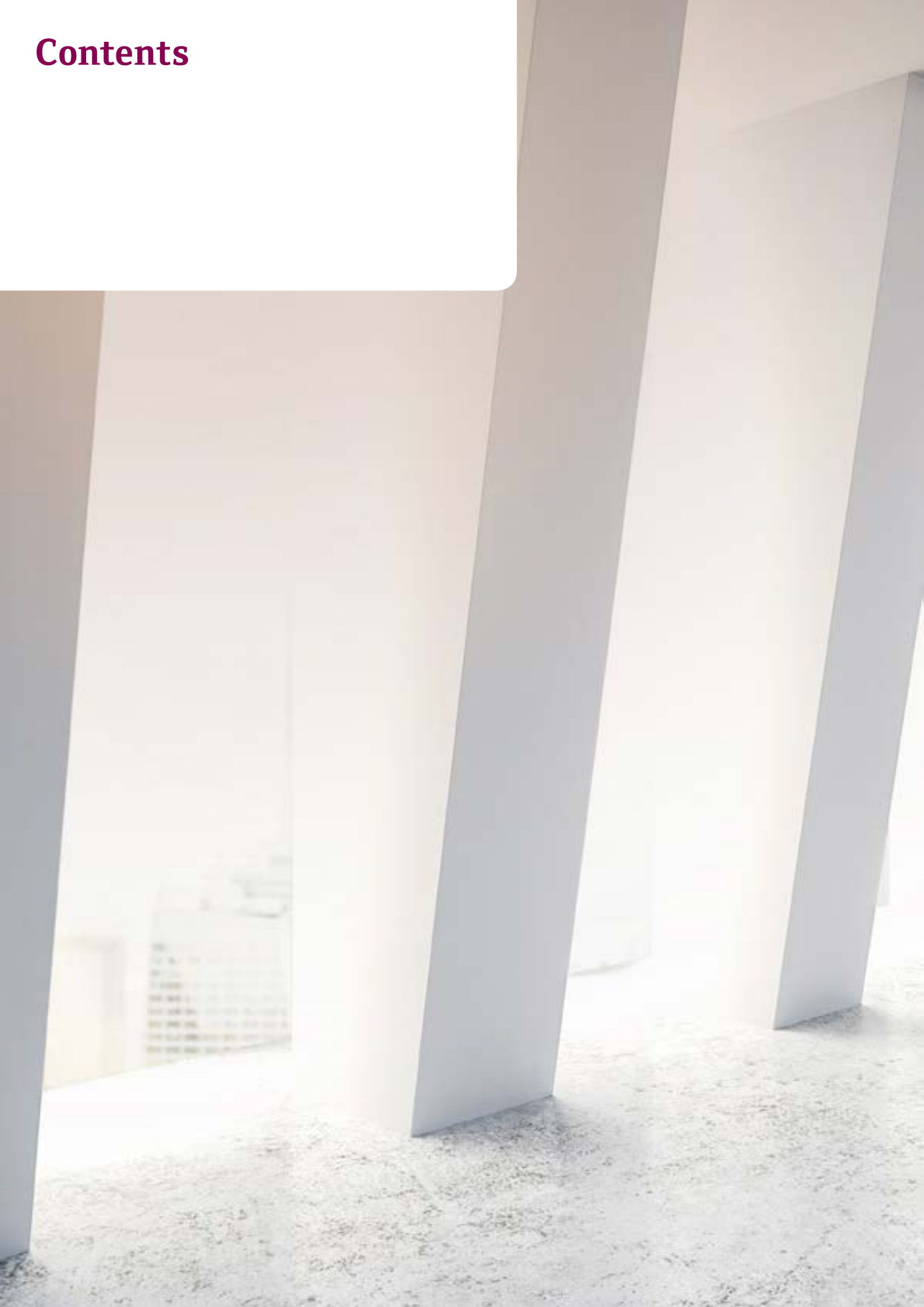


Thinking beyond

Annual Report 2018



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QNB ALAHLI Chairman & Managing Director's Message

Mr. Mohamed El-Dib



On behalf of Board members, I am delighted to present QNB ALAHLI's annual report for 2018 comprising the bank's financial statements, top achievements and future targets.

2018 has witnessed many accomplishments by QNB ALAHLI on many levels, starting from the bank's record profits along with claiming more than fifteen global awards and signing several cooperation protocols, with the aim of developing the bank's business, which in turn effectively contribute to developing the national economy. The bank has also committed to its Corporate Social Responsibility, supporting education, environment and health care.

2018 also witnessed a shift towards digital banking in many banking services, aimed to speed up and facilitate banking transactions, efficiency of procedures and good use of resources.

It is also considered to be the pilot year for IFRS9 application, where the bank has been able to implement the requirements of the International Accounting Standards (IAS), in addition to the board's attention to governance principles for achieving the institution's sustainability.

The bank has managed to achieve outstanding results over the last year due to its commitment to the established strategy. QNB ALAHLI's board of directors and executive management have reinforced this strategy on medium and long terms while cautiously amending it as circumstances required. The board of directors and executive management's strategy to achieve outstanding performance rates along with generating sustainable returns for investors is accomplished through paying the utmost care to customer service quality by providing the best financial products and banking services, encouraging qualified employees and following a conservative approach in managing assets and risks.

The bank also pays attention to the development of human resources capacities for innovation and creativity along with adopting, implementing and developing constructive ideas.

QNB ALAHLI's standalone and consolidated business results for December 2018 have shown a steady growth in its net profit. As the standalone net profit hit EGP 6.918 MIO with 31% increase compared to the same period a year earlier, while consolidated net profit reached EGP 7.201 MIO with 30% rise versus the same period a year earlier. Moreover, the loan and advance portfolio recorded EGP 138 bn by the end of December 2018, while the bank's market share of total loans registered 7.93% in October 2018 according to Central Bank of Egypt's (CBE) data.

In line with the CBE's initiative of developing the Small & Medium Enterprises (SME) sector, acknowledging its effective role in promoting national economy, QNB ALAHLI has signed a protocol of cooperation with New Damietta Furniture City Company. The protocol is aimed at reinforcing the SME sector, by contributing to the setup of the first city specialized in the furniture manufacturing industry in Egypt. This protocol represents a keystone in widening SME's customer base and financing the construction of units for those willing to launch small industrial activities. QNB ALAHLI's SME portfolio hit EGP 29.6 bn, representing 23% of total loan and advance portfolio in December 2018, surpassing CBE's target, 20%.

QNB ALAHLI has received a shield of honor from the Central Bank of Egypt for being one of the first banks to achieve 20% of SME financing portfolio, which positively contributes to achieving the targets of this sector in particular and developing society in general. The bank has contributed to "Nile Entrepreneurs" initiative under the auspices of The Central Bank of Egypt to support entrepreneurship and small enterprises, where the business incubator at Nile University was inaugurated to modernize and design small industries to compete in international markets.

Emphasizing its pioneering role in the Egyptian banking market and excellent services provided for customers, QNB ALAHLI has become the first private bank in Egypt issuing above one million payment cards, in collaboration with Visa International Company, affirming its' customers confidence in the diversity of its products and financial services catering all requirements. The bank's payment cards, including credit, direct and prepayment which are designed to meet the requirements of all customer segments and provide them with security, comfort and convenience in all their financial transactions.

QNB ALAHLI has also launched its B2B service and has started its transactions through mobile payment service using QR-Code. Hence becoming the first bank in the Middle East region providing the service. This Commercial payment service for companies launched by QNB ALAHLI is a new addition to the integrated solution package service presented by the bank to

companies. Thus, the bank contributes to the transformation into a cashless society in line with Egypt's adopted policy towards non cash monetary society.

As for Corporate Social Responsibility, QNB ALAHLI continued its cooperation with many social responsibility institutions, in supporting a number of initiatives and projects for the unprivileged segments of the society. Many of the accomplished projects were aimed at developing the Egyptian Communities that deserve help.

The bank mainly focused on development programs for the poor and deprived villages of Upper Egypt and Delta, offering citizens the essential and basic necessities of living by building ceilings, delivering water and providing electricity, along with organizing small projects that increase productivity, developing schools to secure a suitable environment for education, in addition to providing suitable standard of life for families.

QNB ALAHLI pays special attention to women by providing economic empowerment and supporting them in the field of Micro, Small & Medium Enterprises (MSME's).

One of the most considerable contributions made by QNB ALAHLI is the signing of a number of cooperation protocols with the European Bank for Reconstruction & Development (EBRD) within the framework of the "Women in Business" program as part of the agreements between the two banks in the field of MSMEs. The bank also pledges to develop skills to better serve the needs of women-led SMEs, in addition to making use of all available resources to boost the financial inclusion initiative as well as providing consultation to women-led projects, providing them with necessary experience, helping them prepare financial statements, organizing training courses, workshops and communication events such as seminars and others.

The bank also focuses on encouraging women to participate in the ownership; management and development of various projects, helping them find innovative solutions to overcome labor market challenges, providing the appropriate conditions for dealing with the banking system, in addition to securing more opportunities for women to access products and banking services and promoting investment awareness for women, in recognition of the bank's success in providing the best to its customers, QNB ALAHLI bagged a number of awards in 2018, namely, "The Best Bank" award from EMEA Finance and two awards from the European Bank for Reconstruction and

Development (EBRD); "The Most Active Issuing Bank in the field of Foreign Trade Finance in Egypt" and "Deal of the Year – Energy Efficiency", in addition to many prestigious awards from several financial institutions, which totaled 15 awards in different banking sectors.

QNB ALAHLI has earned the awards, under international arbitration standards, for its outstanding performance and pioneering role within the Egyptian Banking Sector, which are two key factors in obtaining more awards from international institutions and magazines. Another reason is QNB ALAHLI's services, offering a wide range of comprehensive banking products and services covering financial activities, in addition to the bank's dedication to serving its customers through a network of more than 220 branches and over 460 ATMs and more than 18000 POS.

It is worth mentioning that QNB ALAHLI has obtained "PCI DSS" certification, highlighting the bank's continuous endeavor to adhere to business standards in securing customers' data and accounts, in addition to the bank's attention to providing safe services, which enhances the confidence of customers and international institutions, bank's sustainable growth, and helped us deliver the strong and continuous performance that fulfills QNB ALAHLI's future vision and its integral part of the group's vision to be one of the leading banks in The Middle East, Africa, and South and East Asia by 2020, and a global bank by 2030. Strong and responsible leadership, good governance, and an ideology that transcends current needs and expectations will be required to achieve this goal.

We believe that the Bank's future is promising in the light of the economic progress and the improvement of the performance of the Country in many areas within the growth plan envisioned by Egypt.

Finally, I would like to extend my sincere appreciation and gratitude to QNB ALAHLI's customers for their valuable trust. With your continuous support, we are confident that we will continue to excel and achieve sustainable value in 2019 and the coming years.

On behalf of the board of directors, I would like to thank all QNB ALAHLI's Staff for their joint efforts which contributed to achieving the bank's sustainable growth, and helped us deliver the strong and continuous performance that fulfills QNB ALAHLI's future vision and its integral part of the group's vision to be one of the leading banks in The Middle East, Africa, and South and East Asia by 2020, and a global bank by 2030.

Board of Directors



Mr. Mohamed Osman El-Dib
> Chairman & Managing Director



Mr. Abdulla Mubarak Al-Khalifa
> Non-Executive Vice Chairman



Mr. Ali Rashid Al-Mohannadi
> Non-Executive Board Member



Mr. Ramzi Mari
> Non-Executive Board Member



Ms. Heba Ali Ghaith Al-Tamimi
> Non-Executive Board Member



Mr. Tarek Fayed
> Executive Board Member



Ms. Noor Mohd Al-Naimi
> Non-Executive Board Member



Ms. Farida Ali Abu Al-Fath
> Non-Executive Board Member



Mr. Adel Ali Al-Malki
> Non-Executive Board Member

Strategic Report





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QNB ALAHLI

at a glance

Our Heritage

QNB ALAHLI is one of the leading financial institutions in Egypt which was established in April 1978. The bank is ranked as the second largest private bank in Egypt. On 31st March 2013, QNB Group acquired 97.12 % of QNB ALAHLI which included the full stake of Société Générale – France amounting to 77.17 % along with 19.95 % acquired from free float shareholders. Upon the successful acquisition, the bank's name was transformed into QNB ALAHLI joining the “Best Brand Value in MENA Region for 2013”. Thus, QNB ALAHLI enjoys a blend of local experience, based on years of confidence in the Egyptian market, and the international expertise of QNB Group.

Our businesses

Our Subsidiaries:

The Bank established a number of subsidiaries in specialized fields such as QNB ALAHLI Leasing founded in 1997 as one of early entrants to the Egyptian leasing market. QNB ALAHLI Life Insurance established in 2003 to provide a diverse range of products to cater for the clients' needs for life insurance and saving. QNB ALAHLI Factoring was founded in 2012 as a financial institutions involved in all types of local and international factoring services.

Wholesale and Commercial banking:

QNB ALAHLI provides dedicated products in corporate banking, financial advisory, project financing, structured financing, trade financing, cash management, and foreign exchange with its competitive offerings, it has managed to establish a strong bond with its various corporate clientele whether large domestic corporations, subsidiaries of multinational companies, medium caps, as well as SMEs.

➤ For more information please check page 20

Retail banking:

QNB ALAHLI has managed to capitalize on its leading position as a pioneer in developing and industrializing a world-class retail banking service, where QNB ALAHLI adopted a unique market segmentation approach to be able to structure products and solutions that meet the requirements of each segment.

➤ For more information please check page 21

SME's banking:

QNB ALAHLI has capitalized on its trust in the power of SMEs to push growth and deliver sustained development, perhaps just as importantly managing to support its SME customers through the peaks of the economic cycle. QNB ALAHLI has become the vehicle of choice for multilateral financiers to distribute credit amongst small businesses & companies in addition to help shape and implement women in business programs.

➤ For more information please check page 22

Our financial strength

EGP 257,260 m

Assets

EGP 7,201 m

Net profit

30%

Net profit growth

EGP 6.34

Earnings per share

17.75%

Capital adequacy ratio (Basel II)

The Bank serves more than 1 million clients through 6500 banking professionals. The bank's vision is to keep close to its clients through offering a wide range of products serving almost every financial need of Corporates, medium and small enterprises and individuals. To achieve this vision, our bank has expanded its network to more than 220 branches covering all governorates. Moreover, the bank keeps enhancing its multi-channel automated tools to reach its clients through a network that reaches more than 460 ATMs, in addition to a dedicated call-center available 24 hours a day, 7 days a week.

QNB ALAHLI succeeded in maintaining its status as a strong player in the Egyptian market and achieved a remarkable growth in loans & deposits portfolios, growth of market share, increase returns, and maintaining sound asset quality and cost ratios. This has come as a result of its strategy to remain a committed business partner to its clients during all times through balanced policies to navigate through the prevailing challenges, whilst remaining the customers' first choice bank through excellent customer service.

QNB ALAHLI pays lots of attention to how it reaches out to its valued clients ensuring the ease and comfort with world-class professionalism, while the bank continues to selectively expand its branch network.

QNB ALAHLI has won 34 awards over the past 3 years from international financial institutions "Global banking & Finance Review", "International Finance Magazine" and "Capital Finance International Magazine", "EMEA Finance" and "European Bank for reconstruction and development (EBRD)".

As part of QNB ALAHLI Corporate Social Responsibility, it has cooperated with a number of community organizations in various initiatives and projects aimed at supporting the neediest sectors in society.

With all the above, QNB ALAHLI strives to employ its quality and innovative resources to support the Egyptian Economy and help its development by always expanding the financial services coverage and financial inclusion.

As part of QNB Group, we at QNB ALAHLI, seek to contribute to the group's aspiration to become a leading bank in MEASEA by 2020 and a global bank by 2030. Building on our ongoing success, we are committed to become the best performing and strongest bank in Egypt.

Our strategy for 2019 is founded on three main pillars: act on ambitious growth, achieve best-in-class profitability and enhance efficiency and control environment.

Driven by a customer-centric approach and believing in the power of Small & Medium Enterprises (SMEs), we focus our efforts on becoming our customers' partners in success. In 2018, QNB ALAHLI exceeded the SMEs portfolio-share target of 20% set by the Central Bank of Egypt which was due by end 2019.

We diversify and continuously enhance our services in a wide variety of channels through which we interact with our clients to ensure convenience, reach and reliability:

- > 220 Branches;
- > 460 ATMs;
- > 24/7 Call Center;
- > Direct banking;
- > Digital banking.

Strategic pillar

Measured by our four key performance aspirations:

Act on Ambitious Growth

1. **Size:** Faster growth than market peers on assets, loans, and deposits

Achieve Best-in-Class Profitability

2. **Profitability:** Achieve Best-in class profitability as measured by Return on Assets & Return on Equity

Enhance Efficiency & Control Environment

3. **Strength:** Maintain NPL coverage of more than 100% on an annual basis

4. **Efficiency:** Most cost efficient Bank with best in class Cost/Income ratio & Best Quality of Assets with low NPL

Strategic pillar and focus	Steps taken and achievements in 2018	2019 strategic initiatives
Act on Ambitious growth		
Significantly grow SMEs & Corporate Loans & Deposits Portfolio & tackle untapped segments to enhance ROE	Grew SMEs share in Bank's portfolio Refined SMEs sector specific offerings Elevated SMEs banking through 2D segmentation matrix	Grow SMEs Loans Portfolio via capitalizing on new sources of Finance (MSMEDA); Focusing on untapped segments (Education & Healthcare) and introducing FINTECH packages
Grow profitability and contribution of the Micro & Very small Enterprises	Introduced lending programs for SMEs, Micro & Very small Enterprises Enhanced SMEs credit cycle to reach an average of 15 working days by end of 2018	Grow MVSEs Business Drivers via developing cluster lending programs & Scoring tools Diversify presence in untapped geographic locations via availing new MVSEs RMs to attract new merchants across all governorates Increase POS penetration via driving usage of POS/MPOS Machines
Actively grow Corporate business	Increase returns from existing Large Corporate clients by increasing utilization level and creating a systematic joint sales dialogue across all customers Systematically reviewed & upgraded corporate clients where QNB ALAHLI could benefit from greater value creation	Increase Profitability from Corporate clients via enhancing ROE & wallet share Develop Pre-approved facility envelopes for large corporate Support Project finance Transaction to Network Customers Increase Corporate and Investment Banking (CIBD) profitability via focusing on NBI, ROE & Fee generating business
Increase market share via State-owned Infrastructure projects & Real-Estate Finance	Enhanced risk appetite at customer and sector levels to increase wallet share Explored new sectors which QNB ALAHLI previously undervalued Elevated Corporate Banking to align different Enterprise markets into a single stream starting from SMEs up to Large Corporates' business	Enhance our Risk Appetite to support growth in new segments and new sectors Increase market share through State-owned infrastructure projects, Real-Estate Finance as well as developing business with Chinese companies Real-Estate Finance Enhance cross-selling Insurance, Factoring & Leasing Products to Large corporate customers
Boost Relationships with New Money Market Funds & Grow Export Business	Participated in financing international trade flow	Grow Export Business via setup of Export desk to attract new exporters
Grow Strategically in Africa		Focus on Africa, Turkey and China's business to/from Egypt Grow strategically in Africa via establishing Egyptian Desk in coordination with EcoBank
Enhance First & Safwa Value Proposition & Offerings		Boost a Customer Centric Approach via expanding segmentation (3D segmentation matrix & tools) Increase market share & achieve maximum growth in profitability via increasing cross-selling & Penetration rates per product Enhance RM Concept via coaching & monitoring customer behavior continuously Deepen commercial retention activities
Expand our geographical presence through new branches	Strategic expansion of our Brick-and-Mortar Model to ensure a customer-focused organization; empowered by Relationship Management & Adaptive Selling Techniques	Expand our geographical presence through opening new branches Continue to expand our Cash Points coverage to optimize the service level of large cash deposits/withdrawals

QNB ALAHLI's Strategy Continued

Strategic pillar and focus	Steps taken and achievements in 2018	2019 strategic initiatives
Achieve Best-in-class Profitability		
Increase Customer Acquisition via leveraging on our Multi-Channel Model	Augmented digital and remote offerings within our channel mix	Remain focused on SMEs and Retail Banking leveraging on tools and technology: QR Code, e-Wallets, mVisa, etc
	Built innovative mobile offering which led customers to a high quality experience on the smart phones for all products and services	Develop innovative products across our global banking multichannel mix
Enhance customer acquisition through our new Direct Banking channel	Set up of a new Direct Banking channel for Retail, SME, and Corporate businesses and expanded our Direct Banking reach	Leverage QNB ALAHLI Tools, Technology & Product Innovation to increase profitability
		Increase Customer Acquisition via leveraging our Multi-Channel Model (Contact Center & Direct Banking)
Spin-off call center as a separate distribution channel	Spin-off Call Center as a separate distribution channel for customer acquisition	Enhance Digital Banking Offering via offering new E-banking Packages
Implement digital transformation initiatives	Integrated Internet and Mobile Banking within our distribution channels scheme	Re-design branches to integrate electronic channels
	Enhanced customer experience in both physical and remote distribution channels	
Expand ATM Network		Continue to widen our ATM network to reach and serve a larger base of customers
Launch our Digital Banking Business Model		Design our Digital Banking Model
Achieve 100% cooperation with QNB entities to enhance trade flows		Enhance Digital Trade Finance Services (via TRADENET development)
Enhance Efficiency & Control Environment		
Review and adjust risk appetite and risk framework (risk-return culture)	Enhanced Risk Appetite to support granting to new segments (specially MVSEs)	Establish Risk Awareness and revamp Operational Risk across QNB
Optimize processes through automation and efficiency increase	Optimized Network operations	Continue to enhance processing time for operational activities to deliver enhanced customer experience
	Enhanced Straight-Through Processes (STP) across all SMEs Segments via dedicated processing teams	Continue to centralize/automate processes to increase client-facing time
	Improved productivity via enhancing operational activities processes	Integrate Loan Origination to our Scoring Models & Workflow system
	Improved processing time for top Retail, Corporate, and SME activities	Set KPIs across the bank in order to measure and control performance and ensure Business Plan achievement
Leverage on QNB ALAHLI Tools & Product Innovations	Standardized sales tools to improve client-facing time	Extend branchless and cashless operating model
		Improve waiting time in branches to improve service quality
Monitor SLAs to enhance Customer Experience in branches	Developed SLAs across business, support and control activities in order to ensure productivity	Enhance SLAs to ensure offering competitive service level
		Continue to enhance productivity and focus on the creation of customer value

Delivering sustainable results

Four key performance aspirations act as the building blocks to deliver our strategy

“Best SME Bank in Egypt 2018” by International Finance Magazine

> 6,500

Employees

> 460

ATMs

> 220

Branches

> 2,000

Customer Relationship Managers

> 170

Call Center Representatives

QNB ALAHLI aspires to become the best performing bank and strongest bank in Egypt in terms of:

1. Size

We aim to deliver the fastest growth in the market. We want to grow assets, loans, and deposits.

2. Profitability

We aspire to achieve best-in-class profitability, measured by RoAA & RoAE.

3. Efficiency

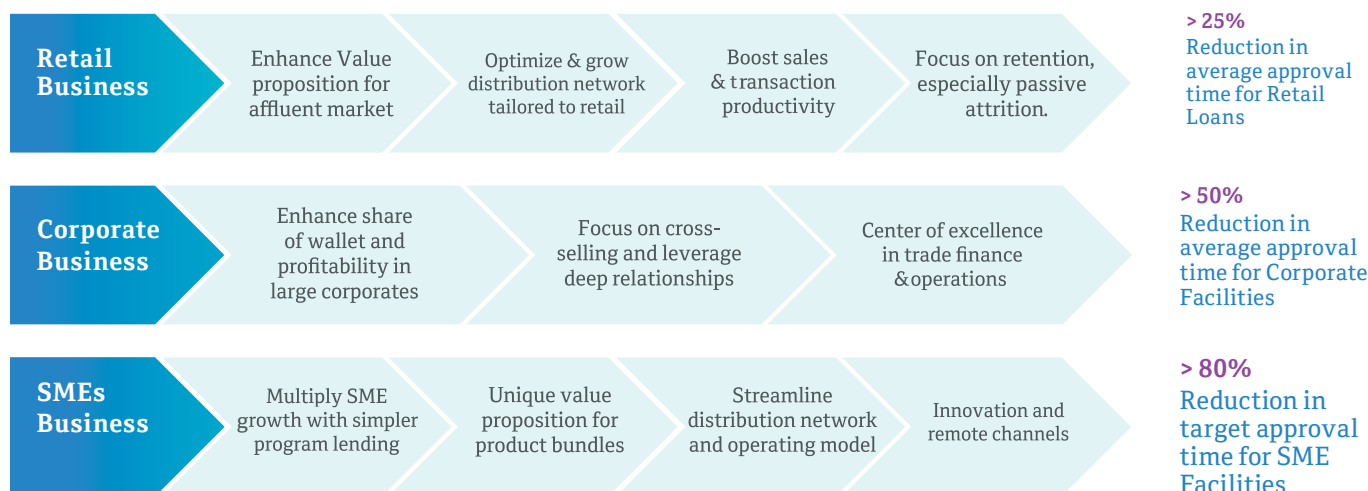
We continuously seek to increase efficiency. Through Lean Six Sigma analysis, we aim to eliminate waste in order to render all bank procedures as efficient as possible.

We aspire to become the most efficient bank with lower cost-to-income ratio and best quality assets with low NPL.

We constantly work on reducing processing time to eliminate waste and enhance customer convenience. Average approval time for retail loans has been reduced by more than 25%. Target approval time for SME loans has been reduced by more than 80%. Using Lean Six Sigma, we improved the corporate customer experience by reducing the approval cycle time more than 50%.

4. Strength

We aim to maintain NPL coverage of more than 100% on an annual basis.



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Creating and delivering value

Contributing to society's digital transformation through diverse digital products

We have been awarded the “Best E-Products Bank in Egypt 2018” by International Finance Magazine

We were delighted to be awarded:

Best SME Bank Egypt 2018

Best Trade Finance Bank Egypt 2018

Best Corporate Bank Egypt 2018

Best Retail Bank Egypt 2018

Best Bank For Treasury Activities Egypt 2018.

Global Banking & Finance

Best SME Bank Egypt 2018 and Best E-Products Bank Egypt 2018.
International Finance Magazine

Best SME Bank Egypt 2018 and Best Retail Bank of Egypt 2018
Capital Finance International

Best Foreign Bank in Egypt and Best Project Finance Deal of the Year

EMEA Finance

Digitalizing Customer Experience

We aspire to continuously enrich our customers' banking experience by capitalizing on digital innovations.

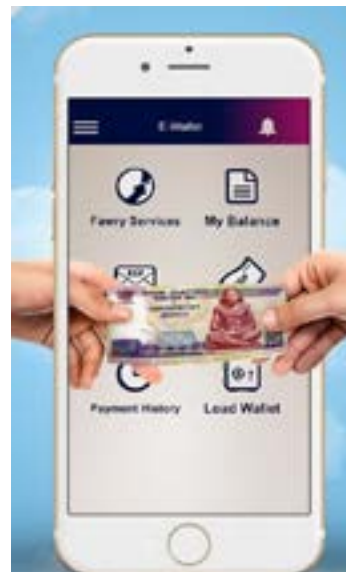
We carefully develop and tailor products and services to help support our Retail, SMEs and Corporate customers regardless of the place, the time or the need. We have been awarded the “Best E-Products Bank in Egypt” by the International Finance Magazine.

We continuously seek to update and enhance our **Internet Banking Service** to ensure convenience and allow our customers to manage their accounts, monitor their financial position and make internal and external transfers.

Our QNB ALAHLI **Mobile Banking** app allows our customers to undertake banking transactions anytime and anywhere, via smartphones.

Similarly, we continuously enhance and diversify the services of our **E-wallet** which allows customer to perform various transactions directly from their smartphones. New functions have been added to the app in order to refine the customer's experience. We are always expanding the network of merchants through which our customers can use their E-wallet in order to ensure convenience, security and reliability.

We are also the **first bank in Egypt** to introduce the mVisa service which allows customers to enjoy cashless payments.



Creating and delivering value

Our expanding network and unrivaled services deliver real value to all our clients

We are proud to consider ourselves a bank that focuses primarily on creating meaningful value by leveraging our distinct competitive advantage in the Egyptian market.

This includes prominent returns for our stakeholders, a wide range of benefits for our customers, and the contribution we make to the Egyptian economy and our social responsibility.

We help generate, grow and protect wealth for all our clients through our wide range of banking services that we aspire to continuously develop and enhance.

We are keen to deliver:

- > The highest levels of service to our customers in the most ethical and professional manner
- > Economic development and social contribution in the local communities of various regions
- > Long-term sustainable returns for investors in a growing range of diversified markets
- > Fulfilling careers for our highly motivated and engaged employees

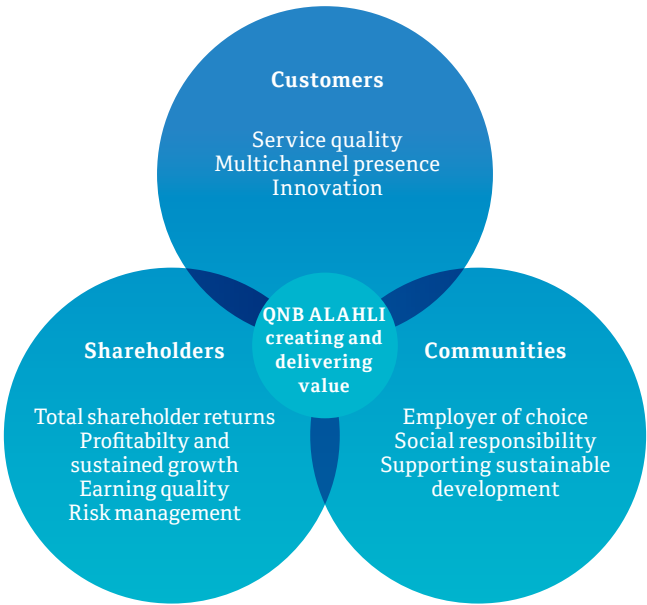
Our network

Our national footprint has been expanding across the total market. We ensure to be omnipresent in every market and every segment in order to further grow our market share.

In order to deliver value, we aspire to develop our presence through various distribution channels:

- > 6,500 Employees
- > 460 ATMs
- > 220 Branches
- > 2,000 RMs
- > 170 Call Center CSRs

Creating and delivering value



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WholeSale & Commercial Banking

Recognized as “the Relationship Bank” for Large, Medium and Small enterprises in Egypt

QNB ALAHLI's 2017 strategic initiative paid well in 2018. We were able to support large corporates as well as medium and small enterprises in their growth in line with growth in the economy.

This was supported by reducing the credit and operations process time, in QNB ALAHLI better serving our customers needs.

Such an adaptive strategy made us earn “The relationship Bank” for a number of clients with a large lending capacity among Egyptian banks we actively and swiftly supported the growing construction and building material sectors, in addition to power renewables, utilities and Oil and Gas.

A sustained loan portfolio growth of 22% Y-O-Y coupled with one of the lowest non-performing loans in the market of 2.42%, proves QNB ALAHLI has a prudent loan portfolio.

Our achievements in project financing were will recognized and rewarded by EMEA Financial as we won two prizes:

- > Best syndicate loan in Africa
- > Best project finance deal in Africa



Retail banking

Powered with more than 40 years of banking experience, QNB ALAHLI Retail banking offers a wide range of products and services with an integrated, immense multichannel network, including:

- > More than 220 branches covering all Egyptian governorates
- > More than 6,500 banking professionals at our client's service
- > More than a million Visa and / MasterCard payment cards
- > More than 460 ATMs distributed all over the country
- > More than 80 cash acceptance ATMs available in different locations
- > Contact center operating around the clock, 7 days a week

Since QNB ALAHLI is always keen to meet its customers' ever-changing financial requirements and to cope with the market demands, we have exerted significant efforts in focusing on creating new products and services, especially designed to meet our clients' growing needs.

QNB ALAHLI was one of the first banks in the Egyptian market to apply the full segmentation approach and we remain committed to enhance our range of customized value propositions that are designed to ensure offering a unique experience with exceptional benefits to meet our different clients' specific financial needs. Consequently, we have enhanced our Ultra High Net Worth commercial offering (First Offer) by launching "First CD", which is a 3 year fixed certificate of deposit (CD), offered at a very competitive interest rate, exactly in time to meet our clients need for a lucrative investment vehicle to increase their savings.

On a different note, in 2017, QNB ALAHLI launched the "Tamayoz Plus" commercial offer targeting its Top Affluent segment of clients. This year,

QNB ALAHLI is one of the leading private banks in the Egyptian financial market that provides an extensive range of innovative financial products and services, which answers the different and broad financial needs of its wide range of customers

QNB ALAHLI has differentiated and enriched its "Tamayoz Plus" value proposition by introducing our first MasterCard premium credit card "The Titanium card", availing a wide range of exceptional benefits and services to be our Top Affluent clients' travel companion and to offer them an exceptional, stress free shopping experience locally and abroad.

- > In line with the Central Bank of Egypt financial inclusion initiative to encourage un-banked Egyptians to start dealing with the banking sector.
- > QNB ALAHLI had a strong presence in the 2018 "Financial Inclusion week", where dedicated offers, campaigns and events were conducted to spread the financial literacy and attract new clients to the bank.
- > Focusing especially on the untapped segments such as females and Senior citizens to make sure of addressing their basic banking needs while offering the right products and services, meanwhile Financial literacy sessions were held to educate and offer basic banking concepts.

On the other hand, and capitalizing on Egypt participation in the 2018 FIFA World Cup that took place in Russia, QNB ALAHLI has participated in "Visa International/McDonald's" FIFA campaign to offer our cardholders the chance of winning a trip to Russia to support the Egyptian team and attend the awaited event. The winners of the campaign were able to travel to Russia and enjoy an unforgettable experience. This reward was much appreciated by our cardholders and increased their satisfaction and loyalty, while creating a positive word of mouth.

QNB ALAHLI's ultimate objective is to meet our customers' expectations in terms of service quality rendered and range of products and services offered, we constantly enhance our commercial offering and services to ensure that we will always be our clients' first choice bank and remain one of the leading banks in the Egyptian market.



QNB ALAHLI continued to enhance the SMEs customized value proposition to ensure an exceptional constant satisfactory experience

Through providing a comprehensive range of assets and liabilities products tailored to suit the needs of micro, small and medium businesses, ranging from credit facilities programs covering all financing needs (whether fast track lending programs with preapproved documentation, scoring system, tailored credit studies and exporters solutions).

depository products, Debit/Credit cards, and POS to Global Transaction Banking (CashNet, Trade Net, Corporate Payment Service & Automated Clearing House), all aiming to facilitate banking and trade transactions for the clients.

QNB ALAHLI branches are well prepared to receive and serve SME clients, appointing experienced SME relationship managers all over the branches network whom assist business owners with all their banking needs starting with consultancy services to the most sophisticated operations.

QNB ALAHLI's emphasizes is on partnerships with financing programs as Micro, Small and Medium Enterprise Development Agency MSMEDA since it plays a crucial role in developing and boosting the portfolio, signing Credit Guarantee Agreement with the Credit Guarantee Co. "CGC" for Micro, Small, & Medium Enterprises "MSMEs" on CBE guarantees program which will help extending the business and risk appetite to untapped segments. In addition to finalizing the new grading module for small & medium Enterprises with I- Score Company.

QNB ALAHLI Mobile Payment Solution (QR Code Acceptance), was launched in cooperation with Visa International, playing a great role in expanding the field of accepting digital payments considered to be a perfect solution for cash management as it supports cashless society and mitigates all risks related to cash transactions.

QNB ALAHLI supports the presence of

women in the Egyptian labor market believing in their effective role in the development of the Egyptian economy, especially in the field of small, medium and micro enterprises. The bank through the SMEs Relationship managers at the Branches Network throughout Egypt, keen to facilitate procedures for obtaining all banking services and financial advices for projects in which women share in their ownership and management, and provide ease of conditions to encourage access to the banking system and to allow more women to access banking facilities and services and encouraging the investment awareness among women.

The bank is currently studying a number of cooperation plans with some international financial institutions to take advantage of the expertise and experiences of these institutions and their soft financing programs to provide specialized financing programs that meet the needs of projects that women participate in ownership or management, which may include facilities on concessional terms as well as technical support by providing training opportunities for women in charge of these projects to develop their capacities and their managerial and technical skills.

QNB ALAHLI Awards:

Repeated winner, QNB ALAHLI has again been chosen by the judging panels of various organizations as the undisputed winner of the Best SME bank in Egypt award from:

- > Global banking and Finance
- > International Finance Magazine
- > Capital Finance International Magazine
- > European bank for Reconstruction & Development

QNB ALAHLI's SMEs portfolio (Funded +un-funded as per CBE definition) reached EGP 29.6 Bio, representing 23% out of the target set by Central bank of Egypt to be achieved by end of 2019.



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QNB ALAHLI Corporate Social Responsibility

QNB ALAHLI, as one of the largest banking institutions in the Egyptian market, continues to play a vital role towards the community by actively contributing to supporting the community development efforts and expanding its participation in various activities in order to consolidate the concepts of social work and sustainable development. This aims to serve, develop and provide a decent life throughout the Republic in several areas, including health, education, culture, sport and various other social fields.

During this year, QNB ALAHLI continued to participate in several initiatives and projects that aim to support the neediest sectors of the society in order to develop the Egyptian communities. This reflects the bank's strong belief in the importance of development programs for the poorest and suffering regions in Upper Egypt and Delta villages.

QNB ALAHLI 's Corporate Social Responsibility Areas

Health field

QNB ALAHLI strongly contributes in the health field during 2018, in various ways, including purchasing medical equipment to better serve patients in several areas as follows:

- > Donation of a device to the National Institute of Diabetes and Endocrinology for measuring the enzymes of the heart and a CCU Central Unit;
- > Donation of Ventilator for intensive care of Zagazig University Hospitals;
- > Donation of Endoscope for gastrointestinal and liver binoculars, for the internal medicine Hospital at Cairo University;
- > QNB ALAHLI has donated to Obstetrics & Genecology Hospital at Cairo University two Infant Incubators, two Ventilators, two phototherapy devices;
- > Donation of ultrasound devices to Diagnostic and Interventional Radiology Department for Cairo University Hospitals;
- > Donation of two Kidney wash and purification units, in addition to dental apparatus and Radiology units to El Shefaa Foundation in Luxor Governorate.



Education Field

QNB ALAHLI pays special attention to the field of education. This was reflected through the bank participation in the initiative of the Nilepreneur under the auspices of the Central Bank of Egypt and the Nile University by sponsoring one of the incubators at the Nile University. This aims to create awareness about the creative design industry as a competitive advantage in different Projects and its importance in driving economic growth as a source of competitiveness and differentiation. In addition, the bank grants scholarships to a number of outstanding students at Zewail University of Science and Technology.

QNB ALAHLI also participated in many educational projects in the most needy areas in cooperation with a number of institutions and non-governmental organizations, including Misr El-Kheir Foundation in the development of Al-Sheikh Al-Amir School in Luxor and Al-Feteera primary school in Comombo - Aswan and Moanesa Preparatory School in Menoufia. The bank also cooperated with Al-Orman association in the development of the Secondary Institute in Dakahleya, and Al-Hadaqa Primary School in Fayoum as well as the development of five schools in Dakahlia (Shubrah Primary School in Sinbillawain Center, Othman Ebn Affan Primary School in Daqadous, Kafr El-Maqdam Primary School and Kafr El-Maqdam Preparatory School in Meet Ghamr Center).

The bank also supported students who have difficulty to pay their tuition fees due to financial hardship at the Law

faculty, at Alexandria University.

The social field

In the field of social welfare, the Bank has contributed to a number of projects aiming at developing a number of poor villages and improving living conditions for unprivileged families in cooperation with a number of NGOs. One of these projects is the water supply project for 27 villages in five governorates: El Menya, Assiut, Sohag, Qena and Luxor in cooperation with Al-Orman Association, aiming to supply drinking water to 5,000 families in the neediest villages. The project comes under the auspices of the Ministry of Social Solidarity and a number of large economic institutions to provide human life for the unprivileged families, providing them with adequate accommodation in a building with pure drinking water and electricity. In addition, the bank signed a joint cooperation protocol with Ahl Masr Foundation for Development aiming to support the “Egypt free of

burns” initiative.

Field of sponsorship and sports

The Bank continued to sponsor squash at the Alexandria Sporting Club for the third consecutive year and also participated in the campaign of Sakan we Dafa in Sohag and Sharqia in cooperation with Misr El-Kheir Foundation.



Corporate Governance and Risk Management





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QNB ALAHLI recognizes the need to adhere to the best practices in Corporate Governance, which is derived from the importance of implementing rational corporate governance policies and procedures.

Corporate Governance is considered by the bank as a core culture, long term vision and strategy, are applied sustainably and not only in the short term, in order to maximize the value of the bank to the shareholders, and maintain the confidence of customers and investors in addition to preserving the rights of all stakeholders, as well as the staff and customers. QNB ALAHLI always strives to maintain the highest standards of Corporate Governance and publish the results reports accurately and transparently in full compliance with all applicable laws, regulations and controls.

This report - which is issued as a complementary document to the bank's annual report for year 2018 - reflects the bank's efforts to comply with regulatory requirements issued by the Central Bank of Egypt (CBE), Financial Regulatory Authority (FRA) and The Egyptian Exchange (EGX).

The bank relies in applying the rational corporate governance standards on the following pillars:

Frist Pillar : General Assembly of Shareholders

The General Assembly comprises of all shareholders of the bank, in proportion to the share owned by each shareholder. All shareholders are entitled to attend the General

Assembly meetings, the Bank will facilitate the attendance of shareholders to the General Assembly meetings, in compliance with bank's statutes an applicable laws and regulations organizing the procedures and deadlines for calling the General Assembly and how to manage its meetings, the General Assembly is managed in a way that allow all shareholders to express their views in light of what is regulated by the law and bank's statutes, according to the agenda of the Assembly meeting, the Bank is adequately disclosing the topics that are included in the agenda of the Assembly meetings which is accompanied with the supporting information that enable shareholders to take their decisions properly, the bank provide reply to all enquiries raised by the shareholders sent before the meeting to be included in the agenda.

The Bank discloses the decisions taken by the Assembly in addition to all the essential events for all shareholders and to the public at the same time. the minutes of General Assembly meeting are published on the Bank website, the Bank is committed to provide the Central Bank of Egypt and financial regulatory authority as well as notify the Egyptian Exchange with ordinary and extraordinary General Assembly decisions immediately after its conclusion at the latest before the start of the first trading session following the end of the meeting, which provides the fair disclosure for all crucial information.

The Current Shareholding Structure of QNB ALAHLI

Owners of 5% or more of the bank's capital	Number of shares as of 31/12/2018	Percentage %
Qatar National Bank	930,168,120	94.967
Total	930,168,120	94.967

The bank has investor relations officers (IRO), they are fully aware of the bank's activities and financial position as well as knowledge of decisions that may have an impact on the business results and all matters of importance and substance. They disclose the essential events in accordance with the decisions of the Board of Directors and the General Assembly of shareholders, they also establish channels of communication with existing shareholders as well as prospective investors and answer any questions or concerns regarding bank's various activities.

Second Pillar : Board of Directors

Composition of the Board of Directors

In accordance with Statutes of the Bank, the Board of Directors comprises of at least five members among the shareholders, Board members are elected by the General Assembly for a period of three years, the Chairman of the Board is elected by Board members,

the Board are composed of executive and non-executive members, to ensure that Board decisions are not dominated by a particular member or small group of members, the Board of Directors have at least two executive members and the majority of BOD members are non-executive, all Board members have the necessary expertise and knowledge to perform their duties effectively and efficiently to serve the Bank's business,

activities, shareholders and customers. also, they have full knowledge of their control duty to and their responsibility to establish rational corporate governance regulations,

The following is the composition of the Board of Directors at its current round, 2016-2019:

Sr.	Name	(Executive / Non-Executive)	Position
1	Mr. Mohamed Osman Ibrahim EL-DIB	Executive	Chairman & Managing Director
2	Mr. Abdullah Mubarak Naser Al-Khalifa	Non-executive	Vice Chairman
3	Mr. Ali Rashid Ali AlMohannadi	Non-executive	Board Member
4	Mr. Ramzi Talaat Abdel Gawad Mari	Non-executive	Board Member
5	Ms. Heba Ali Ghaith AlTamimi	Non-executive	Board Member
6	Mr. Tarek Abdel Raouf Magdy Fayed	Executive	Board Member
7	Ms. Noor Mohammad Gabr AlNaimi	Non-executive	Board Member
8	Mr. Adel Ali Mohamed AlMalki	Non-executive	Board Member
9	Ms. Fareeda Ali Aboul-Fath Ali	Non-executive	Board Member

Duties & Responsibilities of the Board

QNB ALAHLI has Effective Board of Directors, based on the general assembly's assignment, the Board is individually and / or collectively responsible for Bank management with the optimum methods with the objective of maximizing the value of shareholders' investments and achieve the projected business plan results, preserving the rights of customers and all stakeholders. The BOD is keen to achieve all its objectives in full compliance with the applicable laws and regulations.

Board of Directors duties and responsibilities are defined as follows:

> Ensures that the Bank's organizational structure enables the Board of Directors and top management to assume their responsibilities and facilitates effective decision-making and applying rational corporate governance, this includes a clear delineation of the principal, responsibilities and main authorities of the Board, top management and control functions

- > Approve Bank's strategic objectives, policies and plans, appoint and replace members of the executive management of the bank.
- > Set Bank's values and standards, ensure compliance with obligations towards shareholders and other related parties
- > Ensure that Bank's compliance with legislations, the Bank's Statutes and internal regulations, the board is also responsible for protecting the Bank against illegal and inappropriate practices and activities
- > One of the main authorities of the board is approving business strategies activities, verifying the quality and integrity of financial control, internal control, in addition to assuring the Bank's financial adequacy, Board members are fully aware of all the Bank activities and functions
- > Carefulness to apply the rational corporate governance standards in accordance with the bank business activities, market place and other relevant economic factors

Corporate Governance Continued

- > Establishing a legislative framework within the Bank, particularly with regard to the organizational structure and business activities, including the methodology for allocating Human calibers to all divisions and departments
- > Periodic review of arrangements and agreements with external auditors to ensure consistency with the volume and nature of the Bank's operations
- > Ensure the credibility and adequacy of financial and accounting rules, including those related to the preparation of financial reports
- > Present the financial reports to shareholders regarding the Bank's business and activities
- > Guarantee correct procedures for disclosure and communication with shareholders, investors and all other related parties, about the Bank's strategy, financial results and significant developments
- > Provide effective internal control environment to assess and mitigate risks, in addition to creating an appropriate framework for risk management
- > Setting a system to report the inadequate acts inside the bank to the Board of Directors
- > Formulate clear, effective and adequate rules to deal with conflict of interest
- > The Board is keen to ensure that adequate and timely information is available to all members of the Board enabling them to conduct their duties effectively and efficiently

Convene of Board meetings

The Bank's Board of Directors meets at least six times a year, during year 2018 Board has convened seven times chaired by Mr. Chairman and Managing Director.

Third Pillar : Board Committees

The Board of Directors has composed a number of committees to empower achieving its objectives optimally, such committees support and assist the BOD in the implementation of assigned responsibilities and duties, these committees were formed in accordance with Banks corporate governance regulations issued by the Central Bank of Egypt in addition to the relevant applicable laws & regulations, paying attention to the nature of the Bank's various activities. Each BOD committee comprises of at least three members, the committees submit their reports and recommendations periodically to the Board of Directors for taking the necessary decisions.

Each BOD committee has a Terms of Reference (ToR) which regulate its objective, scope of responsibilities, regularity, membership and attendance quorum. Such ToRs have been approved by the Board of Directors. Each committee reports to the Board of Directors with absolute transparency of its performed tasks, findings, conclusions and recommendations, the Board of Directors periodically follow-up the activities of committees to verify fulfilling its mandates. The Board committees may assign any of the Bank's Executive Directors or external consultants to perform specific tasks that help the committee in conducting its mandated activities.

1- Board Committees

1.1 Audit & Compliance Committee

The Committee comprises of three non-Executive Board members having adequate expertise in financial, accounting and auditing standards, the committee meetings are held at least four times a year and submit its reports to the Board of Directors, the committee has is mainly responsible for reviewing the bank financial statements and ensure the effectiveness of internal control environment, the committee follows up the performance of Internal audit and compliance departments in addition to the external auditors mandates.

1.2 - Risk Committee

The Committee comprises of at least three members of the Board of Directors with a majority of non-executive members, Committee meetings are held at least twice a year and submit its report to the Board of Directors, the Committee is responsible for developing and monitoring the Bank's risk management strategy and determine hedge policies for protentional risks, It also reviews procedures and overall risk management framework, the committee also define the relevant roles and responsibilities throughout the Bank.

1.3 – Corporate Governance & Nomination Committee

The Committee is composed of three non-executive members having adequate expertise in governance's standard and aware of regulatory environment, the committee meets twice a year and submits its report to the Board of Directors, the committee supervises the Bank's corporate governance practices and ensures that rationale governance's rules and procedures are effectively applied. The committee proposes appropriate changes in corporate governance policies, in addition to reviewing all nomination proposals for Board members or the reformation of the BOD.

1.4 - Compensation & Benefits Committee

The committee is composed of three non-executive board members having adequate expertise of organizational structure and human resources issues, the committee meets at least once a year and submits its report to the Board of Directors, the committee is responsible for managing human resources activities, Including setting the annual budget and reviewing the annual staff benefits and remunerations.

1.5 Executive Committee (EXCO) :

The Executive Committee is responsible for implementing the Bank's strategy and is capable of steering all the Bank's business and activities, in addition to reviewing the submitted issues by all Bank division and departments. The Committee is composed of executive members of the BOD and the Senior Executive Management, Committee meetings are held as needed.

Reports & information submitted to the Board and its Subcommittees

In addition to reports and documents provided to the BOD prior to its meetings, Board members are provided with the sufficient information and documentation at the right time to enable them performing their duties. Moreover, committee members receive the relevant information prior to committee meetings for review and study, in order to take appropriate decisions within the various board committees.

Executive Management

While the Board of Directors undertakes absolute responsibility for Bank's governance framework, the Executive Management is responsible for day-to-day Bank activities, to insure they are being conducted effectively, securely and correctly in accordance with the Bank's internal policies, procedures and controls, within the framework of applicable laws & regulations.

2. Internal (Management) Committees

Executive Management has composed several specialized management committees to support and supervise the Bank vast activities as follows :

2.1 Assets and Liability Management Committee (ALCO)

The committee analyzes and approves the impact of the financial environment and market changes on the Bank's financial management methods with the necessary proposals and authorize any changes in applied interest rates for several banking operations, the committee meets at least twice per each quarter (8 times per year).

2.2 Risk Review Committee

The committee focus on reviewing credit cases proposed by risk division which require revising and taking the relevant credit decisions, including allocating provisions if needed, reviews reports of the Bank credit portfolio, the Committee meets on a monthly basis.

2.3 Operational Risk Committee

The committee reviews periodically the changes in operational risk exposure, bank regulatory environment, crisis management and business continuity plan, the Committee meets semi-annually.

2.4 Recovery Committee

The committee reviews Bank's NPL portfolio status and its related provisions, reviewing recovery achievements, discussing prospects of recovery, forecasting provisions level, the committee meets on a quarterly basis.

Corporate Governance Continued

2.5 Tariffs Committee

The committee reviews, updates and validates the Bank's unified tariff, the Committee meets semi-annually.

2.6 Communication Committee

The committee approves the strategic framework and the proposed advertising campaigns, the committee meets when required at a minimum of twice per year.

2.7 FATCA Steering Committee

The committee ensures implementation of FATCA and compliance with relevant laws and regulations, the committee meets semi-annually.

2.8 Foreign Exchange Committee (FX)

The Committee allocate the foreign currency free market resources in compliance with the relevant rules, regulations and directives of the Central Bank of Egypt, the Committee meets on a daily basis.

2.9 New Products Committee

The Committee validates the characteristics of new products or services or significant changes to existing products and services, and make sure that all the risks have been identified, analyzed and accepted, the Committee convened when necessary.

2.10 The new branches committee

The Committee sets and implements Network Capex expansion plan, in terms of opening new branches, expansions, relocation of existing branches, major/minor renovations, rent, renewals, etc., The Committee meets on a monthly basis.

2.11 Credit Committees

The committee is responsible for approving credit granting decisions, it's divided into several credit sub-committees according to type and volume of the required credit facilities, the committees are convened when needed.

3. Independent committee

Investment Funds Supervisory Committee (Protecting Investment Certificate holders)

It's an independent committee that is entitled to supervise all the activities of investment funds launched and sponsored by QNB ALAHLI, the committee comprises of minimum 3 members and maximum 11 members, the majority of its members must be independent, the committee meets at least four times during the year.

The duties and responsibilities of the committee have been identified by law, such as appointing the investment manager, fund admin services company, the custodian and fund's external auditors in addition to approving the financial statements of the fund, follow up the duties of the internal auditor of the investment manager, and assure that all parties fulfil their obligations.

Fourth Pillar : The Regulatory Environment

Internal Control System

The Bank directs great importance to having an effective internal control system, that is regularly enhanced, to ensure having range of policies, rules and procedures, which prepared by Bank's regulatory authorities, the internal control system defines the competencies of each department or function in order to achieve a complete separation between responsibilities and duties, the internal control system approved by the Board of Directors and evaluates periodically by the audit and compliance committee, submits its recommendations to the Board of Directors,

The internal control system is designed to ensure the accuracy of the implementation of the internal regulations and the instructions of Qatar National Bank Group, As well as

the instructions of all concerned regulatory authorities, Ensuring the accuracy and quality of information, whether for the internal use of the Bank or its clients from outside parties and regulatory authorities, and protecting the physical assets of the Bank from the exposed risks, ratifies and record those assets at bank records, ensure the achievement of the short-term or strategic objectives plans of the bank

Internal Audit Department

The internal audit is an independent and objective activity, designed to control all activities and support to achieve its objectives, through a systematic and structured approach to assess Bank's methods and systems of internal control and risk management procedures, ensure the corporate governance rules are applied properly for all departments and operational, financial and legal activities, the Bank has an independent internal audit department, this position is managed by a full-time executive director, The Head of Internal Audit submits a quarterly report to the Audit and Compliance Committee, present the internal audit activity during that period the main findings, and follow up the implementation, and the commitment of the various sectors of the Bank's departments and scheduled the implementation

Risk Management

Based on the instructions of the Central Bank of Egypt, the risk management identifies, analyses, measures and monitors various protentional risks to recognize the reasons and how to hedge and mitigate such risks, ensure the quality and effectiveness of risk management methods at the bank, and ensuring a robust information management system including early warning indicators, in addition to ensuring the extent of acceptable risk appetite for the bank with both strategic planning and capital adequacy management, ensure that adequate capital is in line with the level of risk associated with the Bank's activities.

Compliance Department

The Bank is committed to ensure that all its activities are being conducted in compliance with applicable laws and regulations, in addition to the relevant rules and directives of the Central Bank of Egypt and the Anti-Money Laundering Unit. Accordingly, the Bank has an independent Compliance Dept. with the objective of identifying, monitoring and evaluating any risks arising from non-compliance and to support the Bank's technical judgment and permanent control of compliance risks, It also ensures compliance with the Code of Ethics and Professional Conduct by achieving the highest level of professionalism, Is an important criterion for Qatar National Bank, which is in line with QNB Group's values and principles, as well as the obligation to combat financial crimes, money laundering and terrorist financing offenses, The proper control of the principle of KYC and due

diligence regarding the review of banking services and products provided through the Bank, and periodically assess and update the Bank's strategy and actions to cover risks related to these financial crimes.

Corporate Governance Department

Corporate Governance Department is targeting to establish the principles of rational Bank Corporate Governance, monitor its implementation and evaluate its effectiveness. The role of Corporate governance department is to identify and demonstrate the rational behavior for the bank management in accordance with the best international practices of corporate governance, thus achieving a balance between the interests of all related parties (Stakeholders) in addition to ensuring the protection of shareholders' rights, to be fully aware of the significant information, voting rights and participation in the decisions regarding the fundamental changes in the Bank, which will have an impact on their investments. Moreover, to ensure full disclosure of all substantial information and fundamental events accurately, equally, transparently and on time

External Auditors

The Bank assigns external auditors who meet the conditions stipulated in the Accounting and Auditing Profession Law, Including competence, reputation and necessary expertise. There experience, competence and abilities has to be corresponding with the volume and nature of the Bank's activity. The External Auditors are appointed by the General Assembly based on the proposal of the Board of

Directors and after the recommendation of the Audit and Compliance Committee. External auditors are fully independent of the Bank and its Board of Directors, they are neither shareholders nor members of the Board, and are not relative to any of Board of Directors, they also do not permanently engage in any technical, administrative or advisory tasks. External auditors are also neutral in expressing opinions, their assignment is invulnerable to the intervention of the Board of Directors. The Bank abides to the instructions of the Central Bank of Egypt concerning the rotation of external auditors, moreover, the Bank is committed to the present external auditor's report regarding its Corporate Governance activities in accordance with the applicable governance and disclosure regulations. Such report is beig presented to the General Assembly of shareholders.

Internal Audit

Internal Audit is an independent function that provides assurance to the BOD on the quality and effectiveness of the QNBALAHLI's internal control, risk management, and governance systems and processes

“QNBALAHLI Board of Directors firmly believes that the application of a sound corporate governance framework is of vital importance and a fundamental component of the QNBALAHLI's business practice.”

Internal Audit helps the BOD and (ACC) in effective discharge of their responsibilities to serve the best interests of shareholders.

Internal Audit is headed by the Chief Internal Auditor, who reports to the Audit and Compliance Committee (ACC) of the Board.

For the purpose of fulfilling its role in its professional capacity, Internal Audit is authorized to have full and unrestricted access to any of the bank's records, documentation, systems, properties and personnel, including Executive Management and the BOD.

The Internal Audit charter and policy have been enhanced to align with the Basel Committee on banking Supervision's recommended standards and the IIA's International Standards, to keep pace with the business expansion of the bank, and to provide adequate oversight of the Bank's subsidiaries.

Professional practices and resources

Internal Audit has adopted the International Professional Practice Framework (IPPF) of the Institute of Internal Auditors (IIA) as well as Basel Committee recommendations and other leading standards. The Internal Audit team is composed of individuals with experience from leading financial institutions and audit firms. The Internal Audit team are professionally qualified, undergo continuous professional development, awareness and training.

The Internal Audit maintains a quality assurance and improvement program that covers all aspects of the internal audit activity to increase the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. During October 2018, the results of External Quality Assessment revealed that Internal Audit is Generally Conform with the IIA's International Standards and Code of Ethics. The Internal Audit continues to develop its data analytics capability and extrapolation techniques to be able to identify systemic issues and execute efficient audits.

Internal control framework “Three Lines of Defense/Control Approach”

In line with Basel guidelines, QNBALAHLI has adopted the “Three Lines of Defense/Control” model.



1. Business and process functions

Responsible and accountable for identifying, assessing and controlling the risks of their activities.

2. Risk and control functions

(Risk Management, Compliance, legal, Financial and permanent controls) Ensures that the risks in the business and process units have been appropriately identified and managed.

3. Internal audit function

Independently assesses the effectiveness of the processes created in the first and second lines of control.

Provides assurance on these processes and value-added recommendations to improve the process and promote best practice.

Internal audit universe and coverage

All activities of QNBALAHLI's branches and subsidiaries are of the Internal audit universe. The audit universe is carefully monitored and progressively refined to consider and reflect QNBALAHLI business strategy, growth and emerging risks.

The annual audit plan is developed using best practice risk-based assessment of all the QNBALAHLI's businesses and activities. This is supplemented with additional focus on regulatory requirements including Basel III capital adequacy and liquidity requirements, as well as management areas of concern and emerging risks.

The plan is continually reviewed and adjusted, as necessary through the year, in response to changes in the QNBALAHLI's business activities, operations, systems and controls, that change the risk structure of the bank.

Internal Audit has contributed to the analysis of the QNBALAHLI's quarterly and annual financial statements and other performance data. The presentation to the ACC has been refined to focus on critical data and information that would enable effective monitoring and oversight of performance in various activities and jurisdictions.

The oversight of subsidiaries has been refined, with focused scope and additional emphasis on the Governance, Risk Management and Internal Control structures and frameworks as part of the oversight

and assessment process. This enables Internal Audit to align the governance structure and arrangements in the subsidiaries with those of the bank, thereby promoting the achievement of the QNBALAHLI's vision and strategy.

Promoting transparency across QNBALAHLI

Final audit reports incorporating audit issues, management's action plans and target dates for implementation, are issued to the Management, CEO and ACC. In addition, a quarterly

report summarizing Internal audit activities and outcomes is also issued to, and discussed with, the ACC and the BOD.

Internal Audit performs timely and appropriate follow-up and valuation of all pending and closed audit issues including issues reported by the CBE and the external auditors. Such follow-up activities are facilitated by the Audit management system. The periodical status report (Dashboard) on the follow-up activities is issued to the ACC, CEO and the divisional heads. The report also serves as an escalation to apprise the Executive Management, ACC and the BOD on the implementation status to remediate pending audit issues which are also used as part of the performance indicators for control environment.

Continued focus on this has reduced the number of outstanding high priority issues.



Compliance

QNB ALAHLI is committed to ensure that its activities are conducted in accordance with applicable banking rules, regulations, related laws or ethical and internal standards, monitoring of Compliance is considered one of major responsibility to Audit & Compliance Committee, BOD, CEO and executive management

Independent Compliance division have been set in order to identify , monitor and evaluate any risks of non-Compliance and provide the bank with high level expertise and monitoring of Compliance risks.

Compliance values:

Compliance and adherence to ethical behavior that meet high profession standards are part of QNB ALAHLI core values which meets the value of QNB group, by:

- > Not accepting transactions or enter into relations that fall outside laws or contrary to Code of ethics.
- > Involve in misleading data or information on products & services provided or not Comply with laws & regulations.
- > Refusing to engage with customers or counterparties which the bank will not able to have enough information to meet due diligence
- > Whistleblowing project, QNB ALAHLI Compliance considered Whistleblowing as a top responsibility and a key element of its effective Compliance program, the whistle blowing right is granted to all QNB ALAHLI employees which enable them to raise serious concerns when the staff believe - based on good reasons - that a situation has arisen is not compliant with the rules governing the conduct of the Banks' activities.

Whistleblowing Policy and Procedures was prepared in order to identify the definition, who could whistle, and how to report whistle in form of channels and tools as e-mails, identify phones and hotline, also govern and guarantee protection of the reporting staff and treating it in very serious and confidential way.

Combating financial crimes Know your customer policy and enhanced due diligence:

- > New High risk /Sensitive Customers criteria added to the policy, which required compliance Division approval and evaluation before accepting relation.
- > QNB ALAHLI Compliance assess existing and new products from compliance and AML / CTF risk s and ongoing updated bank strategy and procedures to cover AML & CTF risk related to such products and services.

AML/CTF transactions monitoring:

Combating Money Laundering is practiced on both Head Office level & the branches level, Due to the huge volume of banking transactions done through QNB ALAHLI branches or its electronic channels, as well as the complexity of some products, QNB ALAHLI has an efficient automated tool for monitoring customer transactions helps to identify & analyze the unusual patterns / suspicious behaviors among the customers, in addition to other tools and reporting channels initiated for efficient risk mitigation process.

Sanctions and Embargos Policy:

Compliance is keen that bank cope with international sanctions and Embargo's to manage the risk of sanctions failure by monitoring all payments, transactions and trends linked to different jurisdictions, ongoing development and updates on sanctions and programs is one of major rules of Compliance.

Ongoing follow up to ensure proper implementation of CBE new regulations and international laws:

QNB ALAHLI Compliance implement an efficient follow up process to ensure new regulatory requirements are communicated to relevant stakeholders, and ensure follow up completeness of action taken to implement such regulation, furthermore, QNB ALAHLI has started to implement onsite Compliance review assignments to Provide objective assurance that bank's activities are complied with the CBE regulations and Laws.

in addition to report an evaluation on such implementation to Audit & Compliance on quarterly basis.

In addition to continuous effective implementation for all FATCA requirements and enhance the proper system and applications, and Compliance conducted continuous training for all concerned and related parties.

Training strategy:

Compliance Division provides ongoing yearly various training to the bank staff to improve their AML / CTF awareness, new regulations, and whistleblowing policy, in addition to special trainings conducted for more awareness improvement in new trends in AML/CTF related issues.

Continuous enhancement for Compliance Division:

- > The Corporate Governance Dept. had recently joined compliance division which consider step forward to strengthen the compliance and governance environment.
- > Updating and enhancing the Compliance division as part of its continuous development, aiming for strengthening and managing Compliance function by developing its related systems, and applications.
- > Professional Certification which is ongoing educational process to increase Compliance team professional and experience, by introduce and checking employees to get the professional certificates.



Risk Management

Risk management within QNB ALAHLI is a key focus at all levels of the Bank

“QNB ALAHLI has a robust risk management governance structure and framework that ensures a crucial balance between risk and reward.”

“We continue to improve our frameworks for risk identification to ensure timely early-warning indicators and decision making.”

Risk is an integral part of our business and decision-making process. Risk management within QNB ALAHLI is a key focus at all levels of the Bank.

Risk works to identify, measure, monitor, control and manage risk at all levels and reports to senior management and the board of directors. As a result, we have a robust risk management governance structure and framework that ensures a crucial balance between risk and reward.

QNB ALAHLI's Risk Appetite statement articulates the risk culture, governance and boundaries of QNB ALAHLI.

The Risk Appetite Statement provides a framework for QNB ALAHLI's approach towards risk-taking and is reviewed, reassessed and agreed alongside the bank's strategic and financial planning process.

Our risk profile and appetite are approved by the BOD and the Risk Committee then cascaded to every division, department and employee.

QNB ALAHLI ensures regulatory compliance in line with best risk management practices.

Risk identification, monitoring and control.

The identification of principal risks is a process overseen by the Risk Division. The material risks are regularly reported to the Risk Committee (RC), together with a regular evaluation of the effectiveness of the risk-operating controls.

During 2018, Risk Division continued the efforts to build up a strong risk management framework. This framework consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor and mitigate and report risk in a consistent and effective manner.

We continue to improve our frameworks for risk identification to ensure timely early-warning indicators and decision making. This has resulted in effective control of the non-performing portfolio, operational risk losses, cyber and other fraud protections, preventions and exposure to market risk.

Liquidity Risk

QNB ALAHLI considers the prudent management of liquidity as essential in ensuring a sustainable and profitable business and in retaining the confidence of the financial markets as well as the Central Bank of Egypt.

Ultimate responsibility for structural liquidity management resides with the local ALCO in accordance with the preapproved policies by the board of directors, with day-to-day management being managed by the treasury.

The risk management oversight process through representation within the ALCO provide assurance that the bank resources are sufficient in amount and diversity. This allows for the accommodation of planned and unplanned increases in funding requirements routinely without material adverse impact on earnings or on the Bank's perception in the market.

Stress testing and Internal Capital Adequacy Assessment (ICAAP)

QNB ALAHLI intends to maintain sustainable funding and liquidity across the bank in order to withstand unforeseen macroeconomic headwinds and shocks. The ICAAP process is an important component of assessing capital adequacy of the bank, as well as providing a forward-looking assessment of QNB ALAHLI's ability to operate in a more stressed economic situation. The results of this process help us to determine and plan how to position the bank in the strongest possible way. Through this, we ensure that we maintain healthy risk metrics in line with our approved risk appetite and regulatory limits.

Market Risk

Market Risk Exposures primarily relate to interest rate risk in the banking book and exchange rate risk that generally arise as a result of the Bank's day - to - day business activities. The bank manages its market risk via a comprehensive framework of limits that reflects a limited risk appetite. Oversight of market risk is delegated by the BOD to the Bank's ALCO Committee.

“The operational risk team in QNB ALAHLI will continuously challenge the businesses to assume greater accountability through identification, measurement, assessment and control of their own risks.”

“QNB ALAHLI continually invests in its defenses to protect the Bank from constantly evolving and increasingly sophisticated cyber attacks”

Operational Risk

Operational risk frameworks are continually being enhanced and embedded with improved business continuity infrastructure and disaster recovery sites. Data quality and reporting on key risk indicators continue to improve as the frameworks evolve.

We made further significant improvements to our operational risk frameworks, reflecting the growing complexity of our business as it continues to expand locally, and invested in new tools to help build awareness. The operational risk team will continuously challenge the businesses to assume greater accountability through identification, measurement, assessment and control of their own risks.

Cyber Threats

2018 was a year of rising global threats in cyber space. There was an increase in the number of Cyber Security incidents worldwide, which had a negative impact on many businesses, and countries.

We at QNB ALAHLI place the highest priority on data security and deploy the strongest measures possible to ensure we maintain our customer's integrity and confidentiality of their information.

QNB ALAHLI continually invests in its defenses to protect the Bank from constantly evolving and increasingly sophisticated attacks.

Specialist security staff in a dedicated Information security department are engaged in detecting, monitoring and managing incidents.

QNB ALAHLI was certified for PCI-DSS in October 2018. This is a reassuring indicator that our cardholders are safe while using their QNB ALAHLI card products, and that all clients, including those of other banks have their card data protected while using QNB ALAHLI electronic banking products, ATM's and POS's.

Credit Risk

We manage credit risk through a framework of models, policies and procedures that measure and facilitate the management of credit risk. We ensure a strict segregation of duties between front-line transaction originators and the Credit Risk function as reviewers and analysts. Our credit exposure limits are approved within a set credit approval and authority framework.

The bank has an integrated process covering credit initiation, rating validation, analytics, approvals, credit administration and documentation, model risk validation controls, collateral management and limits monitoring at multiple levels.



Separate Financial Statements





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AUDITORS' REPORT

To the shareholders of QNB ALAHLI Bank (S.A.E)

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of QNB ALAHLI Bank (S.A.E) which comprise the separate financial position as at December 31, 2018 and the related separate statements of income, changes in equity and separate cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

These separate financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the rules of preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008 and in light of the prevailing Egyptian laws and regulations, management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the bank's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the separate financial statements.

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of QNB ALAHLI Bank (S.A.E) as of December 31, 2018 and of its financial performance and its separate cash flows for the year then ended, in accordance with the rules of preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008 and in light of the prevailing Egyptian laws and regulations related to the preparation of these separate financial statements.

Report on Legal and Other Regulatory Requirements

According to the information and explanations given to us during the financial year ended December 31, 2018 no contravention of the central bank, banking and monetary institution law No.88 of 2003 and articles of incorporation were noted.

The Bank maintains proper books of accounts, which include all that is required by law and by the statutes of the Bank, the separate financial statements are in agreement thereto.

The financial information included in the Board of Directors' report which is prepared according to law no. 159 of 1981 and its executive regulations, is in agreement with the books of the Bank insofar as such information is recorded therein.

Cairo; January 15, 2019.

Auditors

Aziz Maher Aziz Barsoum
Egyptian Financial Supervisory
Authority No.(228)

KPMG Hazem Hassan
Public Accountants & Consultants

Sherif Fathy El-Kilany
Egyptian Financial Supervisory
Authority No.(228)

Allied for Accounting and Auditing – EY
Public Accountants & Consultants

QNB ALAHLI S.A.E

Separate Statement of Financial Position

As at 31 December 2018

(All amounts are shown in Egyptian Pounds)

	Note	December 31, 2018	December 31, 2017
Assets:			
Cash and due from Central Bank of Egypt (CBE)	(15)	11,750,943,263	15,394,019,991
Due from banks	(16)	10,545,594,892	15,351,758,544
Treasury bills	(17)	48,133,640,018	34,954,481,837
Loans and credit facilities to customers, net	(18)	138,249,356,764	113,015,038,296
Financial derivatives	(19)	3,796,045	-
Financial Investments:			
- Available-for-sale	(20)	2,300,380,853	2,697,935,760
- Held to maturity	(20)	36,568,382,720	31,297,090,056
Investments in subsidiaries and associates	(21)	292,109,089	292,109,089
Intangible assets	(22)	162,034,757	115,919,735
Other assets	(23)	2,957,822,205	4,216,430,365
Deferred tax assets	(30)	161,419,802	163,514,511
Property and Equipment	(24)	2,236,150,168	2,107,761,025
Total assets		253,361,630,576	219,606,059,209
Liabilities and equity:			
Liabilities:			
Due to banks	(25)	11,481,076,209	3,741,942,711
Customer deposits	(26)	207,349,945,095	186,676,655,164
Financial derivatives	(19)	664,669	5,619,598
Other loans	(27)	2,586,406,412	1,768,109,118
Other liabilities	(28)	2,517,785,003	2,652,467,654
Other provisions	(29)	657,934,031	935,007,098
Current income tax payable		632,028,488	1,651,350,976
Defined benefits obligation	(31)	437,821,485	365,403,368
Total liabilities		225,663,661,392	197,796,555,687
Equity:			
Issued and paid-up capital	(32)	9,794,649,850	8,904,227,140
Reserves	(33)	10,584,464,481	7,613,528,532
Profit for the year and retained earnings	(33)	7,318,854,853	5,291,747,850
Total equity		27,697,969,184	21,809,503,522
Total liabilities and equity		253,361,630,576	219,606,059,209

Mohamed Osman El-Dib
Chairman and Managing Director

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

QNB ALAHLI S.A.E

Separate Income Statement

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

	Note	From January 01, 2018 To December 31, 2018	From January 01, 2017 To December 31, 2017
Interest on loans and similar income	(6)	30,308,369,254	24,356,765,597
Cost of deposits and similar expense	(6)	(19,397,249,828)	(15,778,678,766)
Net interest income		10,911,119,426	8,578,086,831
Fee and commission income	(7)	2,361,269,895	2,072,799,173
Fee and commission expense	(7)	(392,329,909)	(295,330,512)
Net interest, fee and commission income		12,880,059,412	10,355,555,492
Dividend income	(8)	25,477,281	18,577,273
Net trading income	(9)	35,149,579	112,229,689
Gain / Loss on financial investments	(20)	63,093,304	3,743,346
Impairment credit losses	(12)	(519,779,960)	(688,713,255)
Administrative expenses	(10)	(2,905,198,826)	(2,391,576,257)
Other operating revenues (expenses)	(11)	(148,179,454)	(344,098,388)
Profit before income tax		9,430,621,336	7,065,717,900
Income tax expense	(13)	(2,513,117,420)	(1,772,145,383)
Net profit for the year		6,917,503,916	5,293,572,517
Earnings per share	(14)	6.34	4.85

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 Changes In Equity

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

	Issued and Paid Up Capital	Legal Reserve	General Reserve	Special Reserve
December 31, 2017				
Balance at 1 January 2017	7,420,189,290	821,487,038	5,262,955,370	147,044,179
Transfer to reserves and retained earnings	-	201,679,520	3,548,018,596	-
"Remuneration for board members and Employees' profit share from Profit distribution for year 2016"	-	-	-	-
Transfer from general reserve to capital increase	1,484,037,850	-	(1,484,037,850)	-
Net unrealized gain / (loss) on available-for-sale investments Revaluation Reserve, after deducting gains recycled to profit or loss relating to sold available-for-sale investments as well as taxes – Note No. 33	-	-	-	-
Net profit for the year	-	-	-	-
Transfer to general banking risk reserve	-	-	-	-
Balance at 31 December 2017	8,904,227,140	1,023,166,558	7,326,936,116	147,044,179
December 31, 2018				
Balance at 1 January 2018	8,904,227,140	1,023,166,558	7,326,936,116	147,044,179
Transfer to reserves and retained earnings	-	264,581,718	2,094,574,293	-
Dividend distributions for year 2017	-	-	-	-
Transfer from general reserve to capital increase	890,422,710	-	(890,422,710)	-
Net unrealized gain / (loss) on available-for-sale investments Revaluation Reserve, after deducting gains recycled to profit or loss relating to sold available-for-sale investments as well as taxes – Note No. 33	-	-	-	-
Net profit for the year	-	-	-	-
Transfer from general banking risk reserve	-	-	-	-
Balance at 31 December 2018	9,794,649,850	1,287,748,276	8,531,087,699	147,044,179

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 Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

Capital Reserve	Available-for-sale Investments Revaluation Reserve	General Banking Risk Reserve	"IFRS 9 Reserve"	"Retained Earnings "	Net Profit for the Year	Total
10,113,989	(1,213,046,380)	7,149,353	-	143,018,624	4,033,593,215	16,632,504,678
2,821	-	-	-	(143,018,624)	(3,606,682,313)	-
-	-	-	-	-	(426,910,902)	(426,910,902)
-	-	-	-	-	-	-
-	310,337,229	-	-	-	-	310,337,229
-	-	-	-	-	5,293,572,517	5,293,572,517
-	-	1,824,667	-	-	(1,824,667)	-
10,116,810	(902,709,151)	8,974,020	-	-	5,291,747,850	21,809,503,522
10,116,810	(902,709,151)	8,974,020	-	-	5,291,747,850	21,809,503,522
1,938,155	-	-	1,282,925,633	395,158,909	(4,039,178,708)	-
-	-	-	-	-	(1,252,569,142)	(1,252,569,142)
-	-	-	-	-	-	-
-	223,530,888	-	-	-	-	223,530,888
-	-	-	-	-	6,917,503,916	6,917,503,916
-	-	(6,192,028)	-	6,192,028	-	-
12,054,965	(679,178,263)	2,781,992	1,282,925,633	401,350,937	6,917,503,916	27,697,969,184

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Separate Statement of Cash Flows

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

	Note	December 31, 2018	December 31, 2017
Cash flows from operating activities			
Profit before tax		9,430,621,336	7,065,717,900
Adjusted by:			
Property and Equipment depreciation and Intangible assets amortization		243,819,905	226,496,727
Impairment credit losses	(12)	519,779,960	688,713,255
Loans written off during the year		(151,115,669)	(103,031,596)
Recovery from loans previously written off		44,640,892	51,881,068
Net formed / (reversed) other provisions		(7,673,590)	50,749,713
Utilized provisions other than loans provision		(70,746,666)	(6,675,552)
Translation differences of other provisions in foreign currencies		782,197	(4,510,952)
Translation differences resulting from monetary foreign currency investments		(32,313,544)	(53,506,637)
Amortization of premium / discount for bonds		(63,711,096)	(274,067,260)
(Gain) on sale of Property and Equipment		(6,434,554)	(1,938,155)
Dividend income	(8)	(25,477,281)	(18,577,273)
Gain on sale / redemption of Available-for-sale assets	(20)	(63,093,304)	(3,743,346)
Operating profits before changes in assets and liabilities resulting from operating activities		9,819,078,586	7,617,507,892
Net decrease / increase in assets and liabilities			
Due from banks		5,688,146,429	(3,378,407,612)
Treasury bills		(10,853,432,620)	2,924,639,311
Loans and credit facilities to customers		(25,647,623,651)	(20,432,052,997)
Financial derivatives		(8,750,974)	91,191,770
Other assets		(208,108,465)	(1,061,570,966)
Due to banks		7,739,133,498	1,414,489,573
Customer deposits		20,673,289,931	26,786,213,904
Other liabilities		(134,682,651)	239,745,260
Defined benefits obligation		72,418,117	57,305,905
Income tax paid		(2,254,959,139)	(1,466,940,229)
Net cash flows resulting from operating activities (1)		4,884,509,061	12,792,121,811
Cash flows from investing activities			
Acquisition of Property and Equipment and branches preparation		(418,720,361)	(502,692,907)
Proceeds from sale of Property and Equipment		6,830,845	1,941,046
Proceeds from financial investments other than held for trading investments		4,276,409,396	4,723,095,607
Acquisition of financial investments other than held for trading investments		(8,775,602,764)	(9,431,821,962)
Dividends received		25,477,281	18,577,273
Net cash flows used in investing activities (2)		(4,885,605,603)	(5,190,900,943)
Cash flows from financing activities			
Other loans		818,297,294	(2,254,610,722)
Dividends paid		(1,252,569,142)	(426,910,902)
Net cash flows used in financing activities (3)		(434,271,848)	(2,681,521,624)
Net (decrease) increase in cash and cash equivalents during the year (1+2+3)		(435,368,390)	4,919,699,244
Cash and cash equivalents at the beginning of the year		18,472,770,617	13,553,071,373
Cash and cash equivalents at the end of the year	(34)	18,037,402,227	18,472,770,617
Cash and cash equivalents at end of the year are represented in :			
Cash and due from Central Bank of Egypt	(15)	11,750,943,263	15,394,019,991
Due from banks	(16)	10,545,594,892	15,351,758,544
Treasury bills		48,133,640,018	34,954,481,837
Balances with Central Bank of Egypt (mandatory reserve)		(6,940,189,599)	(11,298,758,528)
Balances due from banks with maturities more than 3 months		-	(1,329,577,500)
Treasury bills with maturity more than 3 months		(45,452,586,347)	(34,599,153,727)
Cash and cash equivalents at end of the year		18,037,402,227	18,472,770,617

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

QNB ALAHLI S.A.E

Statement of Profit Distribution Proposal

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

	December 31, 2018	December 31, 2017
Net year's profits (from income statement)	6,917,503,916	5,293,572,517
Deduct/Add :		
Profits of sale fixed assets transferred to capital reserve	(6,434,554)	(1,938,155)
Change in General Banking Risk Reserve	6,192,028	(1,824,667)
IFRS 9 Reserve	-	(1,282,925,633)
Distributable year's net profits	6,917,261,390	4,006,884,062
Add :		
Beginning balance of retained earnings	395,158,909	-
Total	7,312,420,299	4,006,884,062
To be distributed as follows:		
Statutory reserve	345,553,468	264,581,718
General reserve	4,886,735,548	2,094,574,293
Shareholders' Dividends	979,464,985	712,338,172
Employees' profit share	691,726,139	528,980,970
Remuneration for board members	13,781,250	11,250,000
Retained earnings carried forward	395,158,909	395,158,909
Total	7,312,420,299	4,006,884,062

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Notes to the Separate Financial Statements

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

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 6,409 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 January 15, 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 16 December 2008; to under the historical cost convention, as modified by the measurement of financial assets and financial liabilities at fair value or amortized cost, as appropriate, including financial assets designated at fair value through profit or loss, available-for-sale financial assets, as well as all financial derivative instruments. These separate financial statements have been prepared in accordance with the applicable laws of Egypt.

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 year ended on December 31, 2018 to get complete information on the Bank's financial position, income statement, cash flows and change in shareholders equity."

2.2 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 in 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.

2.2.1 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.

2.2.2 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.

QNB ALAHLI S.A.E

Notes to the Separate Financial Statements

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

2.3 Segment reporting

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

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

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

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances in foreign currencies

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

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

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

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

2.5 Financial assets

The Bank classifies its financial assets into the following categories:

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

2.5.1 Financial assets 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.

2.5.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than the following:

- 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 and 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.

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2.5.3 Held to maturity financial asset

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.

2.5.4 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 in "Net trading income".
- 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 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.

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

2.7 Financial derivatives and hedge accounting

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

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

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2.7.1 Fair value hedge

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

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

2.7.2 Cash flow hedge

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

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

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

2.7.3 Derivatives that do not qualify for hedge accounting

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

2.8 Interest income and expense

- Interest income and expense on all interest-bearing financial instruments, except for those classified as held for trading or designated as at fair value through profit or loss, are recognized in "Interest income" and "Interest expense" line items in the income statement using the effective interest rate method.
- The effective interest rate is a method of calculating the amortized cost of a debt instrument whether a financial asset or a financial liability and of allocating its interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial debt instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating the effective interest rate, the 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 loans and receivables ceases to be recognized in profit or loss and is rather recorded off-balance sheet in statistical records. Interest income on these loans is recognized as revenue on a cash basis as follows:

1- For retail loans, personal loans, small and medium business loans, real estate loans for personal housing and small loans for businesses, when interest income is collected and after recovery of all arrears.

2- For corporate loans, interest income is recognized on a cash-basis after the bank collects 25% of the rescheduled installments and provided these installments continue to be paid for at least one year.

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

2.9 Fees and commission income

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

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

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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.

2.10 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.

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

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

2.12 Impairment of financial assets

The 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:

2.12.1 Financial assets carried at amortized cost

At 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.

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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.

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

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.

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 that 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.

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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
Decoration & installations	10 years
Lifts	15 years
Electricity & Air conditioning	10 years
Fixtures	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 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.

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 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.

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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 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.

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

2.25 Comparative figures

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

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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.

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

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

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

More specifically, the Risk Division:

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

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

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

Risk approval

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

The risk approval process is based on four core principles:

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

Risk management and audit

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

Replacement risk

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

Replacement risk management

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

(A/2) Risk measurement and internal ratings

Bank rating system is based on three key pillars:

- The internal ratings models used to measure and quantify counterparty risk.
- A set of procedures defining guidelines for devising and using ratings (scope, frequency of rating revision, procedure for approving ratings, etc.).
- Reliance on human judgment to improve modeling results to include elements outside the scope of rating model.

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

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

The calculations used to measure and monitor replacement risk include:

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

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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 collateralized while credit facilities for persons are not collateralized. The Bank attempts to mitigate the credit risk through additional collaterals from the concerned parties immediately on arising of impairment indicators for any of the loans or facilities.

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

Debit instruments and treasury bills are often not collateralized.

Derivatives

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

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

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(A/3) Provisioning policy

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

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

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

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant irrespective from any collaterals obtained. The Bank considers the following factors in determining whether there is objective evidence of impairment:

- › The existence of unpaid installments (overdue installments over three months).
- › The existence of an objective evidence of counterparty credit risk or when the counterparty is subject to judiciary proceedings.

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

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

	December 31, 2018		December 31, 2017	
	Loans and credit facilities	Allowance for impairment loss	Loans and credit facilities	Allowance for impairment loss
Good debts	89.75%	13.27%	90.03%	21.98%
Normal watch-list	5.81%	11.96%	5.60%	11.97%
Special watch-list	2.23%	34.15%	2.20%	26.03%
Non performing loan	2.21%	40.62%	2.17%	40.02%
	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 sub-groups in accordance with the CBE requirements.

Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position and his repayment track record.

The Bank calculates the allowances required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the allowance required for impairment losses as per CBE credit worthiness rules exceeds the provisions as required by the application of the discounted cash flow method or the loss rates method, that excess shall be debited to retained earnings and carried to the general banking 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 (33) shows the movement on the general banking risk reserve during the financial year.

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

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

Financial position items exposed to credit risks	December 31, 2018	December 31, 2017
Treasury bills	48,133,640,018	34,954,481,837
Loans and credit facilities to customers		
Retail loans		
-Overdrafts	2,709,089,554	2,566,656,961
-Credit cards	780,771,323	623,355,144
-Personal loans	16,842,957,877	13,788,323,910
-Real estate loans	1,364,731,959	1,060,946,460
Corporate loans		
-Overdrafts	58,533,861,874	50,890,768,368
-Direct loans	39,912,412,447	29,897,145,377
-Syndicated Loans and facilities	21,037,425,327	17,508,676,678
-Other loans	2,927,551,962	2,173,998,654
Allowance for impairment loss, segregated interest & unearned discount	(5,859,445,559)	(5,494,833,256)
Financial derivatives	3,796,045	-
Financial investments		
-Debt instrument	38,577,910,406	33,698,759,238
Other Financial assets	2,350,424,034	2,027,983,014
Total	227,315,127,267	183,696,262,385
Off balance sheet items exposed to credit risks	December 31, 2018	December 31, 2017
Financial guarantees	357,500	357,500
Loans and other irrevocable credit commitments	16,053,382	71,746,953
L/Cs	3,318,470,593	4,980,630,005
Accepted papers	2,249,112,360	1,285,753,623
L/Gs	39,879,061,700	40,288,788,400
Other contingent liabilities	691,158,344	1,534,803,216
Total	46,154,213,879	48,162,079,697

The preceding table shows the maximum limit exposure to risks at the end of December, 2018 and December, 2017 without taking into consideration collaterals held by the bank, if any. For financial position items, amounts stated depend on the net carrying amount shown in the financial position.

The preceding table related to financial position items exposed to credit risks shows that 61% of the maximum limit exposed to credit risk at the end of current reporting year is attributable to loans and credit facilities to customers against 62% at the end of the prior year, investments in debt instruments constitute 17% against 18% at the end of the prior year and treasury bills constitute 21% against 19% at the end of the prior year.

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

- 96% of the loans and credit facilities portfolio at the end of the current reporting year comprises loans and credit facilities classified at the top 2 categories of the internal rating against 96% at the end of the prior year.
- 96% of the loan and credit facilities portfolio at the end of the current reporting year 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 at the end of the current reporting year have a carrying amount of EGP 3,180,620,116 impairment on these loans and credit facilities represents 73% from their carrying amount. Loans and credit facilities, that are individually assessed for impairment at the end of the prior year had a carrying amount of EGP 2,571,877,096 and their impairment represents 82% from such carrying amount."
- "The Bank applied more prudential selection process on granting loans and credit facilities during the current reporting year ended December 31, 2018."
- 98% of investments in debt instruments and treasury bills at the end of the current reporting year comprise local sovereign debt instruments against 97% at the end of the prior year.

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(A/6) Loans and credit facilities

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

	December 31, 2018		December 31, 2017	
	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	138,449,206,947	-	114,305,237,177	-
Have arrears but not impaired	2,478,975,260	-	1,632,757,279	-
Impaired	3,180,620,116	-	2,571,877,096	-
Total	144,108,802,323	-	118,509,871,552	-
Less: Allowance for impairment losses	(5,667,717,324)	-	(5,250,277,536)	-
Less: Segregated interest	(5,985,581)	-	(10,766,966)	-
Less: Unearned discount	(185,742,654)	-	(233,788,754)	-
Net	138,249,356,764	-	113,015,038,296	-

Total credit allowance for loans and credit facilities at the end of the current reporting year amounted to EGP 5,667,717,324 (EGP 5,250,277,536 at the end of the prior year) of which EGP 2,302,499,222 represent impairment on individual loans (EGP 2,101,412,774 at the end of the prior year) and EGP 3,365,218,102 represent impairment for groups of financial assets in the credit portfolio (EGP 3,148,864,762 at the end of the prior year).

Note (18-A) includes additional information on the allowance for impairment losses for Loans and credit facilities to customers during the current reporting year.

During the current accounting year the loans and credit facilities portfolio increase by 22% 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

	December 31, 2018				
	Retail				
Rating	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
Good debts	54,856,380,153	32,855,509,879	18,620,116,228	2,872,390,239
Normal watch-list	2,795,180,186	2,997,043,043	1,524,417,649	17,913,600
Special watch-list	697,166,546	842,187,730	210,885,018	37,247,739
Total	58,348,726,885	36,694,740,652	20,355,418,895	2,927,551,578

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

	December 31, 2017				
	Retail				
Rating	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Good debts	2,526,197,250	513,535,420	12,747,444,990	952,054,216	16,739,231,876
Normal watch-list	3,833,715	-	-	-	3,833,715
Special watch-list	974,509	-	-	-	974,509
Total	2,531,005,474	513,535,420	12,747,444,990	952,054,216	16,744,040,100

	Corporate			
	Overdrafts	Direct loans	Syndicated Loans and facilities	Other loans
Good debts	47,407,227,394	26,255,965,603	14,187,511,727	2,099,185,436
Normal watch-list	2,370,731,779	636,022,471	2,564,343,925	24,214,666
Special watch-list	953,145,787	477,125,250	548,124,487	37,598,552
Total	50,731,104,960	27,369,113,324	17,299,980,139	2,160,998,654

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

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

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

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

December 31, 2017					
Retail					
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Up to 30 days	-	66,976,447	680,776,615	80,757,961	828,511,023
More than 30 – 60 days	-	17,521,056	78,384,426	8,139,414	104,044,896
More than 60 – 90 days	-	6,145,643	35,738,261	3,554,458	45,438,362
Total	-	90,643,146	794,899,302	92,451,833	977,994,281

Corporate					
	Overdrafts	Direct loans	Syndicated Loans and facilities	Other loans	Total
Up to 30 days	-	419,713,248	208,696,539	-	628,409,787
More than 30 – 60 days	-	2,467,377	-	-	2,467,377
More than 60 – 90 days	-	725,968	-	-	725,968
More than 90 days	-	23,159,866	-	-	23,159,866
Total	-	446,066,459	208,696,539	-	654,762,998

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.

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

At the end of the current reporting year the carrying amount of loans and credit facilities, that are assessed to be individually impaired excluding any cash flows expected to arise from the associated guarantees, amounted to EGP 3,180,620,116 against EGP 2,571,877,096 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.

		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	-	-	-	-	-
		December 31, 2017			
		Retail			
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Loans which are individually impaired	35,651,487	19,176,578	245,979,618	16,440,411	317,248,094
Fair value of collaterals	-	4,267,980	20,297,190	2,298,828	26,863,998
		Corporate			
	Overdrafts	Direct loans	Syndicated Loans and facilities	Other loans	Total
Loans which are individually impaired	159,663,408	2,081,965,594	-	13,000,000	2,254,629,002
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 333,414,248 at the end of the current reporting year against EGP 441,058,230 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	December 31, 2018	December 31, 2017
Direct loans	333,414,248	441,058,230
Total	333,414,248	441,058,230

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

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

	Rating	December 31, 2018	December 31, 2017
Egyptian Treasury Bills	B	48,133,640,018	34,954,481,837
Available- for- sale financial assets			
Egyptian Treasury Bonds	B	-	47,678,475
US Treasury Bonds	AA+	2,024,527,686	2,368,990,707
Held to maturity investments			
Egyptian Treasury Bonds	B	36,553,382,720	31,282,090,056
Total		86,711,550,424	68,653,241,075

(A/8) Acquisition of collaterals

During the prior reporting year, the Bank acquire foreclosed asset as acquisition of guarantees as following:

Nature of the asset	Book Value
Building	5,000,000

Assets acquired were classified under other Assets in the financial position. Such Assets shall be sold, if practical.

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

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

Arab Republic of Egypt									
	Cairo	East Cairo	Giza	Alex	Delta	Red Sea & Upper Egypt	Total	Other countries	Total
Treasury bills	48,133,640,018	-	-	-	-	-	48,133,640,018	-	48,133,640,018
Loans and credit facilities to customers									
Retail loans									
Overdrafts	913,100,419	569,564,715	535,881,969	380,934,438	227,162,658	82,445,355	2,709,089,554	-	2,709,089,554
Credit cards	217,086,238	188,269,066	180,322,979	101,427,791	63,504,481	30,160,768	780,771,323	-	780,771,323
Personal loans	3,977,745,054	3,496,100,236	3,876,489,847	2,381,940,454	2,391,525,036	719,157,250	16,842,957,877	-	16,842,957,877
Real estate loans	303,825,068	400,881,468	322,718,278	98,326,711	106,955,850	132,024,584	1,364,731,959	-	1,364,731,959
Corporate loans									
Overdrafts	16,860,588,631	13,625,147,072	14,215,469,175	6,557,965,323	4,682,917,047	2,591,774,626	58,533,861,874	-	58,533,861,874
Direct loans	11,532,531,054	4,944,906,057	9,779,905,599	7,244,548,899	4,788,825,405	1,621,695,433	39,912,412,447	-	39,912,412,447
Syndicated loans and facilities	9,010,070,960	8,145,507,270	1,414,982,904	-	2,338,975,378	127,888,815	21,037,425,327	-	21,037,425,327
Other loans	1,917,188,313	94,116,276	705,973,557	139,758,844	16,353,633	54,161,339	2,927,551,962	-	2,927,551,962
Financial derivatives	-	-	-	-	-	-	-	3,796,045	3,796,045
Financial investments									
Debt instruments	36,553,382,720	-	-	-	-	-	36,553,382,720	2,024,527,686	38,577,910,406
Other financial assets	1,918,438,280	110,052,818	111,950,030	88,511,448	65,576,175	19,790,592	2,314,319,343	36,104,691	2,350,424,034
Total at the end of the current year	131,337,596,755	31,574,544,978	31,143,694,338	16,993,413,908	14,681,795,663	5,379,098,762	231,110,144,404	2,064,428,422	233,174,572,826
Total at the end of the comparative year	107,366,364,488	22,056,569,557	26,049,075,960	14,660,101,032	12,624,377,723	4,028,108,522	186,784,597,282	2,406,498,359	189,191,095,641

(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 year (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	-	-	-	-	48,133,640,018	-	-	-	48,133,640,018
Loans and credit facilities to customers									
Retail loans									
Overdrafts	-	-	-	-	-	-	-	2,709,089,554	2,709,089,554
Credit cards	-	-	-	-	-	-	-	780,771,323	780,771,323
Personal loans	-	-	-	-	-	-	-	16,842,957,877	16,842,957,877
Real estate loans	-	-	-	-	-	-	-	1,364,731,959	1,364,731,959
Corporate loans									
Overdrafts	513,606,170	27,595,800,125	8,846,478,839	21,577,976,740	-	-	-	-	58,533,861,874
Direct loans	1,049,183,414	23,394,615,219	6,419,099,104	9,049,514,710	-	-	-	-	39,912,412,447
Syndicated loans and facilities	-	18,898,963,878	242,000,000	1,896,461,449	-	-	-	-	21,037,425,327
Other loans	-	1,803,329,961	16,118,590	120,688,802	-	-	987,414,609	-	2,927,551,962
Financial derivatives	-	-	-	-	-	-	3,796,045	-	3,796,045
Financial investments									
Debt instruments	-	-	-	-	36,553,382,720	2,024,527,686	-	-	38,577,910,406
Other financial assets	7,327,273	336,137,430	72,784,185	153,057,208	1,643,336,898	36,050,209	-	101,730,831	2,350,424,034
Total at the end of current year	1,570,116,857	72,028,846,613	15,596,480,718	32,797,698,909	86,330,359,636	2,060,577,895	991,210,654	21,799,281,544	233,174,572,826
Total at the end of the comparative year	1,251,983,199	59,658,042,590	10,893,918,445	28,730,689,142	67,617,872,882	2,406,498,359	492,406,849	18,139,684,175	189,191,095,641

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(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	112,909,930	-	112,909,930	11,290,993
EUR	10,151,151	-	10,151,151	1,015,115
GBP	575,340	-	575,340	57,534
JPY	(43,663)	(43,663)	-	(4,366)
CHF	163,797	-	163,797	16,380
DKK	7,897	-	7,897	790
NOK	(16,112)	(16,112)	-	(1,611)
SEK	61,528	-	61,528	6,153
CAD	10,107	-	10,107	1,011
AUD	92,730	-	92,730	9,273
AED	(218,439)	(218,439)	-	(21,844)
BHD	91,198	-	91,198	9,120
KWD	266,428	-	266,428	26,643
OMR	6,983	-	6,983	698
QAR	(400,215)	(400,215)	-	(40,022)
SAR	121,971	-	121,971	12,197
CNY	6,954	-	6,954	695
EGP	(123,787,585)	(123,787,585)	-	-
Maximum expected loss at December 31, 2018				12,378,759
Maximum expected loss at December 31, 2017				1,208,066

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

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

Financial assets	EGP	USD	EUR	GBP	Other Currencies	Total
Cash and due from Central Bank of Egypt (CBE)	10,348,251,625	998,317,332	321,326,881	36,046,172	47,001,253	11,750,943,263
Due from banks	26,709,465	9,992,568,476	67,471,375	328,264,813	130,580,763	10,545,594,892
Treasury bills	43,081,102,770	5,052,537,248	-	-	-	48,133,640,018
Loans and credit facilities to customers, net	102,844,474,019	33,545,075,065	1,790,631,865	69,120,563	55,252	138,249,356,764
Financial derivatives	-	3,796,045	-	-	-	3,796,045
Financial investments						
Available-for-sale	197,885,446	2,101,965,628	529,779	-	-	2,300,380,853
Held to maturity	35,704,249,153	864,133,567	-	-	-	36,568,382,720
Other financial assets	2,249,945,205	95,751,768	3,954,883	647,566	124,612	2,350,424,034
Total financial assets	194,452,617,683	52,654,145,129	2,183,914,783	434,079,114	177,761,880	249,902,518,589
Financial liabilities						
Due to banks	7,146,743,376	4,297,408,381	25,809,907	5,153,590	5,960,955	11,481,076,209
Customer deposits	162,046,461,713	38,683,764,809	5,909,030,488	526,301,672	184,386,413	207,349,945,095
Financial derivatives	664,669	-	-	-	-	664,669
Other loans	154,977,778	2,082,213,211	349,215,423	-	-	2,586,406,412
Other financial liabilities	1,189,844,803	136,851,088	4,693,430	485,876	1,719	1,331,876,916
Total financial liabilities	170,538,692,339	45,200,237,489	6,288,749,248	531,941,138	190,349,087	222,749,969,301
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
At the end of the comparative year						
Total financial assets	162,874,367,996	47,076,816,695	4,237,928,318	315,113,415	234,081,074	214,738,307,498
Total financial liabilities	145,466,322,261	40,644,243,682	6,994,851,711	602,069,955	223,451,549	193,930,939,158
Net financial position	17,408,045,735	6,432,573,013	(2,756,923,393)	(286,956,540)	10,629,525	20,807,368,340

(B/4) Structural Interest Rate Risk

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

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

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

Organization of the management of Structural Interest Rate risks

Identification and measurement of the risk is carried out by the Assets & Liabilities Management Unit (ALMU) which comes under the authority of the bank finance department.

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

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

Assets & Liabilities Management Committee (ALCO) duties

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

Assets & Liabilities Management Unit (ALMU) duties

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

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Dealing Room duties

Provide frequent updates on markets movements.

Execute and Report progress of ALCO approved recommendations.

Co-ordinate with ALMU on the spontaneous hedging of special transactions according to ALCO approved policy and recommendations.

Bank's Objective of Interest Rate Risk Management

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

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

Measurement and monitoring of structural interest rate risks

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

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

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

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 year	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)	-	-	-	-	-	11,750,943,263	11,750,943,263
Due from banks	5,554,352,402	4,504,732,992	-	-	-	486,509,498	10,545,594,892
Treasury bills	8,578,164,502	11,479,252,184	28,076,223,332	-	-	-	48,133,640,018
Loans and credit facilities to customers, net	107,814,635,827	6,810,480,529	9,174,427,763	12,763,857,317	1,685,955,328	-	138,249,356,764
Financial derivatives	-	-	-	-	-	3,796,045	3,796,045
Financial investments							
Available-for-sale	-	107,498,394	216,961,616	671,907,087	1,028,160,589	275,853,167	2,300,380,853
Held to maturity	3,590,490	1,408,021,242	2,597,794,341	21,636,552,744	10,907,423,903	15,000,000	36,568,382,720
Other financial assets	-	-	-	-	-	2,350,424,034	2,350,424,034
Total financial assets	121,950,743,221	24,309,985,341	40,065,407,052	35,072,317,148	13,621,539,820	14,882,526,007	249,902,518,589
IRS (notional amount)	-	626,976,000	626,976,000	2,136,196,800	100,764,000	-	3,490,912,800
Financial liabilities							
Due to banks	10,893,306,709	-	-	-	-	587,769,500	11,481,076,209
Customer deposits	95,049,102,966	29,599,264,951	25,099,994,547	28,395,748,350	184,191,798	29,021,642,483	207,349,945,095
Financial derivatives	-	-	-	-	-	664,669	664,669
Other loans	2,440,353,634	2,781,250	93,296,528	43,975,000	6,000,000	-	2,586,406,412
Other financial liabilities	-	-	-	-	-	1,331,876,916	1,331,876,916
Total financial liabilities	108,382,763,309	29,602,046,201	25,193,291,075	28,439,723,350	190,191,798	30,941,953,568	222,749,969,301
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
At the end of the comparative year							
Total financial assets	98,014,990,833	19,295,580,618	37,631,371,576	27,383,892,122	14,023,197,352	18,389,274,997	214,738,307,498
Total financial liabilities	78,330,662,308	17,019,581,763	39,338,182,794	30,873,724,239	663,661,034	27,705,127,020	193,930,939,158
Re-pricing gap	19,684,328,525	2,275,998,855	(1,706,811,218)	(3,489,832,117)	13,359,536,318	(9,315,852,023)	20,807,368,340

(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.

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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 result in failure in fulfilling obligations related to depositors and meeting lending commitments.

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	11,507,852,628	-	-	-	-	11,507,852,628
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	122,571,374,369	31,912,601,261	31,385,869,154	51,877,989,222	277,326,956	238,025,160,962

- 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, 2017

Contractual maturities	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	Total
Financial liabilities						
Due to banks	3,748,630,509	-	-	-	-	3,748,630,509
Customer deposits	97,083,547,170	19,158,810,288	44,776,079,725	39,474,306,248	738,854,918	201,231,598,349
Other loans	256,417,593	184,412,557	332,455,098	1,037,081,018	-	1,810,366,266
Total financial liabilities	101,088,595,272	19,343,222,845	45,108,534,823	40,511,387,266	738,854,918	206,790,595,124

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

Assets available to meet all liabilities and cover loan commitments include cash, balances with Central Banks, balances due from Banks, treasury bills, other governmental notes and Loans and 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.

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Cash flow derivatives

Derivatives settled on a gross-basis

The Bank is a party to derivative contracts that are settled on a gross-basis, in particular 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.

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

December 31, 2017						
Maturities for statement of financial position items	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	Total
Held for trading derivatives						
Foreign exchange derivatives						
Cash outflows	3,121,210,399	1,092,242,413	362,153,339	-	-	4,575,606,151
Cash inflows	3,126,983,557	1,087,559,630	327,269,659	-	-	4,541,812,846

Cash flow for Off balance sheet items

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
Loan commitments	16,053,382	-	-	16,053,382
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	474,364,004	194,655,635	42,142,805	711,162,444

December 31, 2017				
Maturities for off -balance sheet items	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Loan commitments	71,746,953	-	-	71,746,953
Financial guarantees	357,500	-	-	357,500
Operating lease commitments	82,226,668	161,266,592	53,716,265	297,209,525
Capital commitments resulting from acquisition of property and equipment	325,331,869	-	-	325,331,869
Total	479,662,990	161,266,592	53,716,265	694,645,847

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

(D/1) Financial instruments measured at fair value

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

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

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

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

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

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

	Carrying amount		Fair value	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Financial assets				
Due from banks	10,545,594,892	15,351,758,544	10,545,594,892	15,351,758,544
Loans and credit facilities to customers, net	138,249,356,764	113,015,038,296	Not determined	Not determined
Financial investments:				
Not listed equity instruments Available-for-sale	133,278,840	163,953,798	Not determined	Not determined
Held to maturity				
Debt instruments	36,553,382,720	31,282,090,056	35,318,819,638	31,934,607,688
Mutual fund certificates	15,000,000	15,000,000	38,270,655	37,128,050
Financial liabilities				
Due to banks	11,481,076,209	3,741,942,711	11,481,076,209	3,741,942,711
Customer deposits	207,349,945,095	186,676,655,164	Not determined	Not determined
Other loans	2,586,406,412	1,768,109,118	2,586,406,412	1,768,109,118

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

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

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

Held to maturity investments:

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

Customer deposits and due to other banks:

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

(E) Capital management

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

- Compliance with the legally imposed capital requirements in Egypt.
- Protecting the bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth of the bank's operations.
- Capital adequacy and uses are reviewed by the bank's management in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE). Data are submitted and filed with the CBE on a quarterly basis. The CBE requires the bank to comply with the following:
- Maintaining EGP 500 million as a minimum requirement for the issued and paid-up capital. The Bank's paid-up capital amounted to EGP 9,794,649,850 at the end of the current year.
- Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk-weighted average of the bank's assets and contingent liabilities. Minimum level of capital adequacy ratio reached 11.875% after adding capital conservation buffer during current year. The Bank's capital adequacy ratio reached 17.75% at the end of the current year (December 31, 2017: 15.80%) according to Basel II.

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

- Tier 1: basic capital which comprises paid-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.
- 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 general provision 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), plus: 45 % of the increase in fair value above the carrying amount of available-for-sale investments, held to maturity investments, and investments in subsidiaries and associates and 45% from 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.

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

According to Basel II	December 31, 2018	"December 31, 2017 Restated**"
Tier 1 capital		
Share capital	9,794,649,850	8,904,227,140
General reserve	8,531,087,699	9,421,510,409
Legal reserve	1,287,748,276	1,287,748,276
Other reserves	12,054,965	12,054,965
Retained earnings	729,863,138	723,671,110
Interim profit	7,061,072,692	-
IFRS 9 Reserve	1,282,925,633	1,282,925,633
Total deduction from capital invested	(1,256,954,629)	(1,341,851,347)
Total tier 1 capital	27,442,447,624	20,290,286,186
Tier 2 capital		
45% from special reserve	8,643,920	8,643,920
Impairment provision for loans and contingent liabilities*	1,867,843,793	1,603,307,878
45 % of the increase in the fair value above the carrying amount of Available-for-sale investment, held to maturity investments, and investments in associates.	11,884,294	321,794,527
Total tier 2 capital	1,888,372,007	1,933,746,325
Total capital	29,330,819,631	22,224,032,511
Risk weighted assets and contingent liabilities:		
Credit Risk	149,459,663,358	128,292,563,260
Market Risk	12,090,730	21,400,418
Operational Risk	15,763,715,389	12,381,341,699
Total risk weighted assets and contingent liabilities	165,235,469,477	140,695,305,377
Capital adequacy ratio for tier one	16.61%	14.42%
Capital adequacy ratio	17.75%	15.80%

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

** After 2017 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 as follow:

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

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

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

Ratio Elements

I- The numerator elements

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

II- The dominator elements

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

- 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:	December 31, 2018	"December 31, 2017 Restated**"
Tier 1 capital after Exclusions	27,442,447,624	20,290,286,186
Total on-balance sheet exposures, derivatives contracts and financial papers operations.	258,478,214,484	224,513,811,627
Total exposures off-balance sheet	27,378,852,628	27,513,527,049
Total exposures on-balance sheet and off-balance sheet	285,857,067,112	252,027,338,676
Leverage financial ratio	9.60%	8.05%

* After 2017 profit distribution.

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

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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

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

This evidence includes data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default. On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having similar credit risks. Such experience refers to impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on management given experience.

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

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

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

c. Fair value of derivatives

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

d. Held to maturity investments:

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

If classification of investments as held to maturity – other than stakes required to be retained by the group in accordance with the provisions of the law – were suspended by the bank, the carrying amount of the outstanding held to maturity investments at the end of the current reporting year would have decreased by EGP 1,234,563,082 to reach the fair value with a corresponding decrease in the available-for-sale valuation reserve within equity.

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5-Segmentation analysis

(5/A) Segmental analysis by activity

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

Corporate:

This includes current account activities, deposits, 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 year

Income and expenses according to segmental activities (December 31, 2018)	Corporate	Investments	Individual	Other businesses	Total
Net interest income	5,235,173,743	730,588,297	3,027,992,851	1,917,364,535	10,911,119,426
Net fee and commission income	1,405,704,102	9,732,149	542,836,152	10,667,583	1,968,939,986
Dividend income	-	25,477,281	-	-	25,477,281
Net trading income	251,745,403	-	15,345,295	(231,941,119)	35,149,579
Gain / Loss on financial investments	-	63,093,304	-	-	63,093,304
Impairment credit losses	(497,612,684)	-	(22,167,276)	-	(519,779,960)
Administrative expenses	(1,217,454,923)	(2,568,815)	(1,784,861,234)	99,686,146	(2,905,198,826)
Other operating revenues (expenses)	(113,270,748)	19,885,658	(159,317,897)	104,523,533	(148,179,454)
Profit before income tax	5,064,284,893	846,207,874	1,619,827,891	1,900,300,678	9,430,621,336
Income tax expense	(1,137,609,274)	(194,669,373)	(358,896,848)	(821,941,925)	(2,513,117,420)
Net profit for the current year	3,926,675,619	651,538,501	1,260,931,043	1,078,358,753	6,917,503,916

Assets and liabilities according to segmental activities (December 31, 2018)	Corporate	Investments	Individual	Other businesses	Total
Segment activity assets	116,903,356,385	87,294,512,680	21,346,000,379	17,489,580,536	243,033,449,980
Unclassified assets	-	-	-	-	10,328,180,596
Total assets	116,903,356,385	87,294,512,680	21,346,000,379	17,489,580,536	253,361,630,576
Segment activity liabilities	112,781,703,680	-	94,582,833,342	14,053,555,363	221,418,092,385
Unclassified liabilities	-	-	-	-	4,245,569,007
Total liabilities	112,781,703,680	-	94,582,833,342	14,053,555,363	225,663,661,392

At the end of the comparative year

Income and expenses according to segmental activities (December 31, 2017)	Corporate	Investments	Individual	Other businesses	Total
Net interest income	4,127,430,910	692,683,092	2,139,689,051	1,618,283,778	8,578,086,831
Net fee and commission income	1,308,038,409	9,777,825	416,928,209	42,724,218	1,777,468,661
Dividend income	-	18,577,273	-	-	18,577,273
Net trading income	226,565,849	-	16,428,655	(130,764,815)	112,229,689
Gain / Loss on financial investments	-	3,743,346	-	-	3,743,346
Impairment credit losses	(656,538,421)	-	(32,174,834)	-	(688,713,255)
Administrative expenses	(966,309,533)	(2,811,710)	(1,506,639,947)	84,184,933	(2,391,576,257)
Other operating revenues (expenses)	(72,114,478)	19,490,482	(142,037,238)	(149,437,154)	(344,098,388)
Profit before income tax	3,967,072,736	741,460,308	892,193,896	1,464,990,960	7,065,717,900
Income tax expense	(892,591,366)	(166,828,569)	(200,743,627)	(511,981,821)	(1,772,145,383)
Net profit for the comparative year	3,074,481,370	574,631,739	691,450,269	953,009,139	5,293,572,517

At the end of the comparative year

Assets and liabilities according to segmental activities (December 31, 2017)	Corporate	Investments	Individual	Other businesses	Total
Segment activity assets	95,305,690,386	69,241,616,742	17,709,347,910	26,650,517,072	208,907,172,110
Unclassified assets	-	-	-	-	10,698,887,099
Total assets	95,305,690,386	69,241,616,742	17,709,347,910	26,650,517,072	219,606,059,209
Segment activity liabilities	105,360,276,967	-	81,324,912,421	5,507,137,203	192,192,326,591
Unclassified liabilities	-	-	-	-	5,604,229,096
Total liabilities	105,360,276,967	-	81,324,912,421	5,507,137,203	197,796,555,687

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(5/B) Segmental analysis by geographic area At the end of the current year

Income and expenses according to geographical segments (December 31, 2018)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Net interest income	2,227,165,092	1,751,096,751	1,906,978,567	1,001,050,198	869,155,240	380,092,364	2,775,581,214	10,911,119,426
Net fee and commission income	431,792,607	330,518,780	428,984,440	171,085,818	164,215,891	86,484,609	355,857,841	1,968,939,986
Dividend income	-	-	-	-	-	-	25,477,281	25,477,281
Net trading income	143,362,285	41,185,661	66,061,490	28,023,211	62,669,166	11,658,496	(317,810,730)	35,149,579
Gain / Loss on financial investments	-	-	-	-	-	-	63,093,304	63,093,304
Impairment credit losses	(255,566,542)	(22,711,808)	90,218,736	(199,704,020)	(163,554,525)	31,538,199	-	(519,779,960)
Administrative expenses	(729,017,472)	(674,646,473)	(682,551,498)	(399,650,408)	(338,998,858)	(172,484,656)	92,150,539	(2,905,198,826)
Other operating revenues (expenses)	(55,068,893)	(64,800,846)	(75,038,793)	(33,369,797)	(35,534,997)	(8,775,808)	124,409,680	(148,179,454)
Profit before income tax	1,762,667,077	1,360,642,065	1,734,652,942	567,435,002	557,951,917	328,513,204	3,118,759,129	9,430,621,336
Income tax expense	(394,910,723)	(304,189,297)	(388,535,097)	(126,601,393)	(124,658,061)	(73,378,099)	(1,100,844,750)	(2,513,117,420)
Net profit for the current year	1,367,756,354	1,056,452,768	1,346,117,845	440,833,609	433,293,856	255,135,105	2,017,914,379	6,917,503,916

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	110,988,937,548	253,038,176,017
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	110,988,937,548	253,361,630,576
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	14,238,206,705	223,935,877,388
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	14,238,206,705	225,663,661,392

At the end of the comparative year

Income and expenses according to geographical segments (December 31, 2017)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea/ Upper Egypt	Head office	Total
Net interest income	1,734,609,618	1,280,348,329	1,457,832,784	758,643,979	658,811,442	279,797,572	2,408,043,107	8,578,086,831
Net fee and commission income	421,726,861	271,611,848	362,734,459	174,619,500	143,165,626	85,927,259	317,683,108	1,777,468,661
Dividend income	-	-	-	-	-	-	18,577,273	18,577,273
Net trading income	114,205,621	39,470,241	52,838,235	25,031,177	22,622,426	5,453,383	(147,391,394)	112,229,689
Gain / Loss on financial investments	-	-	-	-	-	-	3,743,346	3,743,346
Impairment credit losses	(405,050,203)	(17,797,292)	(7,593,982)	(79,443,020)	(72,947,732)	(105,881,026)	-	(688,713,255)
Administrative expenses	(625,830,638)	(529,125,096)	(559,796,315)	(341,553,490)	(278,881,056)	(140,640,169)	84,250,507	(2,391,576,257)
Other operating revenues (expenses)	(44,528,783)	(47,440,447)	(66,277,229)	(30,430,641)	(25,692,072)	217,360	(129,946,576)	(344,098,388)
Profit before income tax	1,195,132,476	997,067,583	1,239,737,952	506,867,505	447,078,634	124,874,379	2,554,959,371	7,065,717,900
Income tax expense	(268,904,807)	(224,340,206)	(278,941,039)	(114,045,189)	(100,592,693)	(28,096,735)	(757,224,714)	(1,772,145,383)
Net profit for the comparative year	926,227,669	772,727,377	960,796,913	392,822,316	346,485,941	96,777,644	1,797,734,657	5,293,572,517

At the end of the comparative year

Assets and liabilities according to geographical segments (December 31, 2017)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea/ Upper Egypt	Head office	Total
Assets of geographical segments	37,356,550,794	22,191,467,322	26,012,099,561	14,551,233,056	12,373,846,699	3,889,877,275	102,951,550,256	219,326,624,963
Unclassified assets	-	-	-	-	-	-	-	279,434,246
Total assets	37,356,550,794	22,191,467,322	26,012,099,561	14,551,233,056	12,373,846,699	3,889,877,275	102,951,550,256	219,606,059,209
Liabilities of geographical segments	61,294,189,189	41,979,651,825	40,918,345,443	26,131,397,400	13,538,794,292	4,898,620,826	6,083,795,270	194,844,794,245
Unclassified liabilities	-	-	-	-	-	-	-	2,951,761,442
Total liabilities	61,294,189,189	41,979,651,825	40,918,345,443	26,131,397,400	13,538,794,292	4,898,620,826	6,083,795,270	197,796,555,687

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

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Notes to the Separate Financial Statements

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(All amounts are shown in Egyptian Pounds)

6- Net interest income	December 31, 2018	December 31, 2017
Interest from loans and similar income:		
Loans and credit facilities:		
- Customers	17,169,960,848	13,819,268,695
Total	17,169,960,848	13,819,268,695
Treasury bills and bonds	12,343,440,986	9,960,657,867
Deposits and current accounts	790,743,003	576,839,035
Net interest differential on hedging instruments (IRS contracts)	4,224,417	-
Total	30,308,369,254	24,356,765,597
Cost of deposits and similar expense :		
Deposits and current accounts:		
- Banks	(655,266,567)	(442,026,805)
- Customers	(18,566,543,172)	(15,176,443,010)
Total	(19,221,809,739)	(15,618,469,815)
REPO arrangements	(112,500,521)	(110,509,082)
Other loans	(62,939,568)	(49,699,869)
Total	(19,397,249,828)	(15,778,678,766)
Net	10,911,119,426	8,578,086,831
7- Net fee and commission income:	December 31, 2018	December 31, 2017
Credit fees and commissions	1,561,654,099	1,446,668,779
Custody fees	31,130,262	24,692,708
Investments commissions	13,104,606	9,676,413
Other fees	755,380,928	591,761,273
Total	2,361,269,895	2,072,799,173
Fee and commission expense:		
Brokerage fees	(4,108,895)	(3,557,156)
Other fees	(388,221,014)	(291,773,356)
Total	(392,329,909)	(295,330,512)
Net	1,968,939,986	1,777,468,661
8- Dividend income	December 31, 2018	December 31, 2017
Investment funds	500,000	550,000
Available-for-sale investments	24,977,281	18,027,273
Total	25,477,281	18,577,273
9- Net trading income:	December 31, 2018	December 31, 2017
Forex operations:		
Foreign exchange trading gains (loss)	30,223,916	203,421,459
Changes in fair value of currency forward contracts	1,292,710	(97,885,934)
Changes in fair value of currency swap contracts	3,662,219	6,694,164
Net loss from IRS contracts	(29,266)	-
Total	35,149,579	112,229,689
10- Administrative expenses	December 31, 2018	December 31, 2017
Staff cost:		
Salaries and wages	1,207,998,864	1,069,334,571
Social insurance	64,212,084	52,230,692
Pension cost:		
Defined contribution scheme	77,635,829	69,578,512
Other retirement benefits (Defined benefit scheme)	93,539,843	73,628,685
	1,443,386,620	1,264,772,460
Depreciation and amortization	243,819,905	226,496,727
Other administrative expenses	1,217,992,301	900,307,070
Total	2,905,198,826	2,391,576,257

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(All amounts are shown in Egyptian Pounds)

11- Other operating revenues (expenses)	December 31, 2018	December 31, 2017
Foreign exchange differences from translation of foreign currency monetary assets and liabilities other than held for trading items and those classified as at fair value through profit or loss on initial recognition	38,414,616	(106,410,263)
Gain on sale of Property and Equipment	6,434,554	1,938,155
Software cost	(137,251,892)	(128,568,214)
Operating lease rental expense	(95,811,954)	(79,930,280)
Gain on sale of foreclosed assets reverted to the bank in settlement of debts	12,404,761	-
Other provisions (net of reversed amounts)	7,673,590	(50,749,713)
Other income (expense)	19,956,871	19,621,927
Total	(148,179,454)	(344,098,388)
12- Impairment credit losses	December 31, 2018	December 31, 2017
Loans and credit facilities to customers	(519,779,960)	(688,713,255)
Total	(519,779,960)	(688,713,255)
13- Income tax expense	December 31, 2018	December 31, 2017
Current tax	(2,502,918,268)	(1,805,150,206)
Deferred tax	(10,199,152)	33,004,823
Total	(2,513,117,420)	(1,772,145,383)
Additional data on deferred tax is disclosed in note 30. 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	9,430,621,336	7,065,717,900
Income tax calculated at 22.5 % tax rate	2,121,889,801	1,589,786,528
Tax impact for:		
Non-taxable income	(2,121,137)	(2,166,439)
Non-deductible expenses for tax purposes	372,957,149	169,712,473
Utilized of deferred tax assets	(13,964,837)	(9,995,025)
Prior-years' tax settlements	-	952,482
Provision and segregated interest	21,676,973	55,070,484
Tax deterministic (10% on dividend income)	2,480,319	1,789,703
Effective income tax expense	2,502,918,268	1,805,150,206

Tax Position

A) QNB ALAHLI Position:

A-1) Corporate Tax

The Bank's accounts were tax-inspected and settled with respect to Tax since the beginning of activity till the end of December, 2010.

Years 2011 and 2012 transferred to court.

Years 2013 till 2016 have been inspected, and the due tax was paid.

Year 2017 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 2015.

Year 2016 under inspection by tax authority.

Year 2017 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.

Years from August 01, 2006 till December 31, 2016 have been inspected, and the due tax was paid.

Period from January 01, 2017 till December 31, 2017 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	December 31, 2018	December 31, 2017
Net Profit for the year	6,917,503,916	5,293,572,517
Remuneration for the Board Members (from the year's net profit)*	(13,781,250)	(11,250,000)
Staff profit share (from the year's net profit)*	(691,726,139)	(528,980,970)
Profit available to shareholders	6,211,996,527	4,753,341,547
Weighted average number of the shares outstanding during the year	979,464,985	979,464,985
Earning Per Share	6.34	4.85

*Based on the Bank's Profit Distribution Proposal Statement, the amount will be subject to the ordinary GAM approval.

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15- Cash and due from Central Bank of Egypt (CBE)	December 31, 2018	December 31, 2017
Cash	4,810,753,664	4,095,261,463
Balances with CBE (mandatory reserve)	6,940,189,599	11,298,758,528
Total	11,750,943,263	15,394,019,991
Interest free balances	11,750,943,263	15,394,019,991
Total	11,750,943,263	15,394,019,991
16- Due from Banks	December 31, 2018	December 31, 2017
Current accounts	768,244,528	923,682,932
Deposits	9,777,350,364	14,428,075,612
Total	10,545,594,892	15,351,758,544
Balances at CBE other than those under the mandatory reserve	4,546,120,181	9,648,340,223
Local banks	4,798,236,933	3,815,504,671
Foreign Banks	1,201,237,778	1,887,913,650
Total	10,545,594,892	15,351,758,544
Interest free balances	486,509,498	671,005,414
Balances at floating interest rates	281,735,030	252,677,518
Balances at fixed interest rates	9,777,350,364	14,428,075,612
Total	10,545,594,892	15,351,758,544
Current balances	10,545,594,892	15,351,758,544
Total	10,545,594,892	15,351,758,544
17- Treasury bills	December 31, 2018	December 31, 2017
91 days maturity	2,743,975,000	356,275,000
182 days maturity	10,136,700,000	1,473,575,000
More than 182 days maturity	39,150,438,320	35,839,501,990
Less : Unearned interest	(2,670,770,241)	(2,203,581,472)
Total	49,360,343,079	35,465,770,518
Less: Repos transaction	(1,226,703,061)	(511,288,681)
Net	48,133,640,018	34,954,481,837
18- Loans and credit facilities to customers, net	December 31, 2018	December 31, 2017
Individuals		
Overdrafts	2,709,089,554	2,566,656,961
Credit cards	780,771,323	623,355,144
Personal loans	16,842,957,877	13,788,323,910
Real estate loans	1,364,731,959	1,060,946,460
Total (1)	21,697,550,713	18,039,282,475
Corporate including small loans for businesses		
Overdrafts	58,533,861,874	50,890,768,368
Direct loans	39,912,412,447	29,897,145,377
Syndicated loans and facilities	21,037,425,327	17,508,676,678
Other loans	2,927,551,962	2,173,998,654
Total (2)	122,411,251,610	100,470,589,077
Total loans and credit facilities to customers (1+2)	144,108,802,323	118,509,871,552
Less: Allowance for impairment losses	(5,667,717,324)	(5,250,277,536)
Less: Segregated interest	(5,985,581)	(10,766,966)
Less: Unearned discount	(185,742,654)	(233,788,754)
Net amount distributed as follows:	138,249,356,764	113,015,038,296
Current balances	103,131,322,870	81,751,367,824
Non-current balances	35,118,033,894	31,263,670,472
Total	138,249,356,764	113,015,038,296

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18-A Allowance for impairment losses

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

December 31, 2017					
Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at beginning of the year	39,309,672	22,649,363	256,283,856	13,632,808	331,875,699
Net impairment loss recognized during the year	17,943,788	692,934	12,982,571	555,541	32,174,834
Loans written-off during the year	(2,672,004)	(8,075,354)	(32,769,659)	-	(43,517,017)
Collections of loans previously written-off	-	-	9,287,037	-	9,287,037
Foreign exchange translation differences	-	-	(8,176)	-	(8,176)
Balance at end of the year	54,581,456	15,266,943	245,775,629	14,188,349	329,812,377

Corporate	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Balance at beginning of the year	1,342,442,081	2,282,697,877	567,955,188	98,625,678	4,291,720,824
Net impairment loss recognized during the year	5,989,885	684,830,631	(22,629,467)	(11,652,628)	656,538,421
Loans written-off during the year	-	(59,514,579)	-	-	(59,514,579)
Collections of loans previously written-off	-	42,594,031	-	-	42,594,031
Foreign exchange translation differences	(3,401,222)	(5,783,461)	(1,438,976)	(249,879)	(10,873,538)
Balance at end of the year	1,345,030,744	2,944,824,499	543,886,745	86,723,171	4,920,465,159
Total					5,250,277,536

19- Financial Derivatives

December 31, 2018			
(A) Held for trading	Notional amount		Liabilities
- 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

December 31, 2017			
(A) Held for trading	Notional amount	Assets	Liabilities
- Forward foreign exchange contracts	1,747,243,800	-	17,369,907
- Swap foreign exchange contracts	2,828,362,351	-	(11,750,309)
Total	4,575,606,151	-	5,619,598

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.

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- 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 resulting from hedging instruments (Interest rate swap) Asset with amount EGP 3,796,045 as of December 31, 2018. Gain resulting from hedging instruments EGP 3,796,045 and Loss arose from the hedged items reached EGP 3,825,311.

20- Financial Investments

Available-for-sale investments	December 31, 2018	December 31, 2017
A) Debt Instruments at Fair Value:		
Listed Instruments in Egyptian Stock Exchange Market	-	47,678,475
Listed Instruments in Foreign Stock Exchange Market	2,024,527,686	2,368,990,707
Total Debt Instruments	2,024,527,686	2,416,669,182
(B) Equity Instruments at Fair Value:		
Listed Instruments in Egyptian Stock Exchange Market	97,190,584	84,107,218
(C) Money Market Funds and Balanced Funds:		
Unlisted Instruments in Stock Exchange Market	45,383,743	33,205,562
(D) Equity Instruments at Cost Method:		
Unlisted Instruments in Stock Exchange Market	133,278,840	163,953,798
Total Available-for-sale investments (1)	2,300,380,853	2,697,935,760
Held to maturity investments		
(A) Debt Instruments:		
Listed Instruments in Stock Exchange Market	35,689,249,153	30,456,556,398
Unlisted Instruments in Stock Exchange Market	864,133,567	825,533,658
Total Debt Instruments	36,553,382,720	31,282,090,056
(B) Mutual funds:		
Unlisted Instruments in Stock Exchange Market*	15,000,000	15,000,000
Total held to maturity investments (2)	36,568,382,720	31,297,090,056
Total Financial Investments (1+2)	38,868,763,573	33,995,025,816
Current balances	4,333,866,083	4,066,734,749
Non-current balances	34,534,897,490	29,928,291,067
Total	38,868,763,573	33,995,025,816
Fixed interest debt instruments	38,577,910,406	33,698,759,238
Total Debt Instruments	38,577,910,406	33,698,759,238
	Available-for-sale investments	Held to maturity investments
Balance at the beginning of the current 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 assets	23,513,298	8,800,246
Changes in fair value reserve	(22,155,608)	237,582,053
Balance at the end of the current year	2,300,380,853	36,568,382,720

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

	Available-for-sale investments	Held to maturity investments
Balance at the beginning of the comparative year	2,787,364,114	25,862,286,683
Additions	382,513,082	9,049,308,880
Amortization of premium / discount	(37,787,836)	311,855,096
Disposals (sale/redemption)	(419,731,261)	(4,299,621,000)
Translation differences resulting from monetary foreign currency assets	(32,388,228)	85,894,865
Changes in fair value reserve	17,965,889	287,365,532
Balance at the end of the comparative year	2,697,935,760	31,297,090,056
Gain / Loss on financial investments	December 31, 2018	December 31, 2017
Gain on sale / redemption of Available-for-sale assets	63,093,304	3,743,346
Total	63,093,304	3,743,346

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

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21- Investments in subsidiaries and associates

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

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 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	

December 31, 2017	Country of residence	Investee's assets	Investee's liabilities (excluding equity)	Investee's revenues	Investee's profit (loss)	Carrying amount	The bank stake
QNB ALAHLI leasing company (Subsidiary)	Egypt	2,773,833,653	2,424,212,809	1,015,116,659	53,248,069	144,915,453	99.98%
QNBALAHLI Life Insurance company (Subsidiary)	Egypt	2,159,951,222	1,763,681,533	147,907,853	111,217,911	69,179,676	99.98%
QNB ALAHLI Asset Management Egypt (Subsidiary)	Egypt	10,009,322	377,634	1,580,543	1,177,598	1,176,710	97.48%
QNB ALAHLI Factoring Company (Subsidiary)	Egypt	3,200,715,519	2,969,608,067	389,259,266	65,474,310	74,990,000	99.99%
Senouhi Company for Construction Materials (Associates)	Egypt	13,640,790	2,981,566	20,011,449	76,416	1,847,250	23.09%
Total		8,158,150,506	7,160,861,609	1,573,875,770	231,194,304	292,109,089	

22- Intangible assets	December 31, 2018	December 31, 2017
Software		
Net book value at the beginning of the year	115,919,735	120,343,700
Addition	93,702,773	47,066,663
Amortization	(47,587,751)	(51,490,628)
Net book value at the end of the year	162,034,757	115,919,735

23- Other assets	December 31, 2018	December 31, 2017
Accrued revenues	2,350,424,034	2,027,983,014
Pre-paid expenses	81,650,360	74,066,933
Advance payments for acquisition of Property and Equipment	166,948,604	181,979,528
Foreclosed assets reverted to the bank in settlement of debts	7,781,996	36,424,683
Deposits held with others and custody	10,343,122	8,862,234
Advance payments to tax authority	16,712,269	1,655,226,769
Others	323,961,820	231,887,204
Total	2,957,822,205	4,216,430,365

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24- Property and Equipment	Lands and buildings	Renovations of leased assets	Machinery & equipment	Others	Total
January 1, 2017					
Cost	2,018,732,180	145,112,564	613,000,201	143,268,157	2,920,113,102
Accumulated depreciation	(475,056,212)	(103,777,236)	(420,744,902)	(93,390,981)	(1,092,969,331)
Net book value	1,543,675,968	41,335,328	192,255,299	49,877,176	1,827,143,771
December 31, 2017					
Net book value at the beginning of the year	1,543,675,968	41,335,328	192,255,299	49,877,176	1,827,143,771
Additions	256,036,178	12,369,963	98,004,471	89,215,632	455,626,244
Disposals from Property and Equipment	(3,071,742)	(3,172,630)	(2,254,193)	(4,426,403)	(12,924,968)
Disposals from accumulated depreciation	3,071,742	3,172,630	2,254,193	4,423,512	12,922,077
Depreciation for the year	(80,705,250)	(9,967,156)	(67,707,370)	(16,626,323)	(175,006,099)
Net book value	1,719,006,896	43,738,135	222,552,400	122,463,594	2,107,761,025
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
Depreciation 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
Balances at December 31, 2017					
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

25- Due to banks	December 31, 2018	December 31, 2017
Current accounts	600,111,378	420,017,927
Deposits	10,880,964,831	3,321,924,784
Total	11,481,076,209	3,741,942,711
Central banks	13,682	13,540
Local banks	10,881,443,503	3,221,973,420
Foreign banks	599,619,024	519,955,751
Total	11,481,076,209	3,741,942,711
Non-interest bearing balances	587,769,500	375,461,705
Variable interest rate balances	12,341,878	44,556,222
Fixed interest rate balances	10,880,964,831	3,321,924,784
Total	11,481,076,209	3,741,942,711
Current balances	11,481,076,209	3,741,942,711
Total	11,481,076,209	3,741,942,711

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26- Customer deposits	December 31, 2018	December 31, 2017
Demand deposits	50,051,628,356	47,563,206,355
Time deposits and call accounts	85,261,092,835	76,420,786,552
Term saving certificates	43,303,912,000	41,127,862,000
Saving deposits	22,032,580,475	15,858,127,669
Other deposits*	6,700,731,429	5,706,672,588
Total	207,349,945,095	186,676,655,164
Corporate deposits	112,767,111,753	105,351,742,743
Retail deposits	94,582,833,342	81,324,912,421
Total	207,349,945,095	186,676,655,164
Non-interest bearing balances	29,021,642,483	25,585,433,150
Variable interest rate balances	64,689,231,540	47,174,936,304
Fixed interest rate balances	113,639,071,072	113,916,285,710
Total	207,349,945,095	186,676,655,164
Current balances	164,418,737,947	152,374,886,558
Non-current balances	42,931,207,148	34,301,768,606
Total	207,349,945,095	186,676,655,164

Other deposits include deposits covering irrevocable letters of credit in the total of EGP 296,800,153 as of December 31, 2018 (December 31, 2017 EGP 477,771,504). The fair value of these deposits approximates its carrying amount.

27- Other loans	December 31, 2018	December 31, 2017
National Bank of Egypt (Ebab & Eco)	4,444,445	15,446,026
Commercial International Bank	120,533,333	62,000,000
European Investment Bank	177,428,601	-
European Bank for Reconstruction and Development	2,254,000,033	1,690,663,092
The Micro, Small and Medium Enterprises Development Agency	30,000,000	-
Total	2,586,406,412	1,768,109,118
Current balances	715,089,215	743,473,147
Non-current balances	1,871,317,197	1,024,635,971
Total	2,586,406,412	1,768,109,118

28- Other liabilities	December 31, 2018	December 31, 2017
Accrued interest	1,331,876,916	1,738,612,567
Unearned revenues	94,783,162	97,160,720
Accrued expenses	543,754,841	430,743,848
Sundry credit balances	547,370,084	385,950,519
Total	2,517,785,003	2,652,467,654

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29- Other provisions

Description	December 31, 2018					
	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

Description	December 31, 2017					
	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	560,705,502	46,160,000	-	-	(5,520,054)	601,345,448
Provision for legal claims	50,214,076	2,568,163	-	(1,143,179)	(1,040,560)	50,598,500
Provision for contingent liabilities	242,419,180	8,249,409	-	(2,315,627)	-	248,352,962
Provision for fidelity	42,105,131	-	(6,227,859)	(1,052,146)	(114,938)	34,710,188
Total	895,443,889	56,977,572	(6,227,859)	(4,510,952)	(6,675,552)	935,007,098

30- 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 year. The bank does not offset deferred tax assets and deferred tax liabilities unless the bank has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Deferred tax assets and liabilities

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

Balances of deferred tax assets and liabilities:	Deferred tax assets		Deferred tax liabilities	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Tax impact on temporary differences arising from:				
Property and Equipment	-	-	(68,955,153)	(53,998,235)
Provisions (other than the provision for loan impairment)	201,017,707	198,996,300	-	-
Changes in fair value of Available-for-sale investments	7,139,032	-	-	(965,411)
Effect of changes in accounting policies	-	-	(3,650,069)	(3,650,069)
Others	25,868,285	23,131,926	-	-
Deferred tax assets (liabilities)	234,025,024	222,128,226	(72,605,222)	(58,613,715)
Net balance of DTA (DTL)	161,419,802	163,514,511		

Movement of deferred tax assets and liabilities:

	Deferred tax assets		Deferred tax liabilities	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Beginning balance	222,128,226	179,897,042	(58,613,715)	(54,393,162)
DT recognized / utilized during the year	11,896,798	42,231,184	(13,991,507)	(4,220,553)
Closing balance	234,025,024	222,128,226	(72,605,222)	(58,613,715)

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

	December 31, 2018	December 31, 2017
Cumulative change in fair value of Available-for-sale investments	7,139,032	(965,411)
Effect of changes in accounting policies (special reserve)	(3,244,506)	(3,244,506)

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(All amounts are shown in Egyptian Pounds)

31- Defined benefits obligation

	December 31, 2018	December 31, 2017
Amounts recognized in the statement of financial position:		
Liability for post-retirement medical benefits	437,821,485	365,403,368
Amounts recognized in the income statement:		
Post-retirement medical benefits	93,539,843	73,628,685
Post-retirement medical benefits obligation constitutes of:		
Balances shown in the statement of financial position are represented as follows:		
Present value of unfunded liabilities	342,208,971	445,073,009
Unrecognized actuarial loss	95,612,514	(79,669,641)
	437,821,485	365,403,368
Liability movements during the year are represented as follows:		
Balance at the beginning of the financial year	365,403,368	308,097,463
Current service cost	19,530,782	15,585,160
Interest cost	67,742,209	57,357,795
Actuarial losses	6,266,852	685,730
Benefits paid	(21,121,726)	(16,322,780)
	437,821,485	365,403,368
Amounts recognized in the income statement are shown below:		
Current service cost	19,530,782	15,585,160
Interest cost	67,742,209	57,357,795
Actuarial losses recognized during the year	6,266,852	685,730
	93,539,843	73,628,685
The main actuarial assumptions used by the bank are outlined below:	December 31, 2018	December 31, 2017
Discount rate (two plans):		
A- QNB ALAHLI current employees plan	18.10%	15.74%
B-Ex-MIBank retirees plan	18.10%	15.74%
QNB ALAHLI -long term increase in the cost of medical care (on top of inflation)	13.28%	13.78%
Ex-MIBank - long term increase in the cost of medical care (on top of inflation)	13.28%	13.78%
Sensitivities to +1% in discount rate (duration of the plan):	Service cost	DBO
Post-retirement medical benefits	16.98%	14.92%

32- 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.

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(All amounts are shown in Egyptian Pounds)

33- Reserves and retained earnings

(1) Reserves	December 31, 2018	December 31, 2017
General reserve (a)	8,531,087,699	7,326,936,116
General banking risk reserve (b)	2,781,992	8,974,020
Legal reserve (c)	1,287,748,276	1,023,166,558
Available-for-sale investments revaluation reserve (d)	(679,178,263)	(902,709,151)
Special reserve (e)	147,044,179	147,044,179
Capital reserve	12,054,965	10,116,810
IFRS 9 Reserve	1,282,925,633	-
Total reserves at the end of the year	10,584,464,481	7,613,528,532

On January 28, 2018, Central Bank of Egypt issued instructions indicating the following:

Creating IFRS 9 risk reserve (1% of the total weighted credit risk) deducted from 2017 net profit after tax, to be used after obtaining CBE's approval. Also The bank is committed to implement IFRS 9 requirements starting from 01 January 2019.

(a) General reserve	December 31, 2018	December 31, 2017
Balance at the beginning of the financial year	7,326,936,116	5,262,955,370
Transferred from retained earnings	2,094,574,293	3,548,018,596
Transferred to capital increase	(890,422,710)	(1,484,037,850)
Balance at the end of the year	8,531,087,699	7,326,936,116
(b) General banking risk reserve		
Balance at the beginning of the year	8,974,020	7,149,353
Transferred from profit for year /to retained earnings	(6,192,028)	1,824,667
Balance at the end of the year	2,781,992	8,974,020

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

(c) Legal Reserve	December 31, 2018	December 31, 2017
Balance at the beginning of the year	1,023,166,558	821,487,038
Transferred from the net profit for the prior year	264,581,718	201,679,520
Balance at the end of the year	1,287,748,276	1,023,166,558

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

(d) Available-for-sale Investments Revaluation Reserve	December 31, 2018	December 31, 2017
Balance at the beginning of the year	(902,709,151)	(1,213,046,380)
Net gains (losses) resulting from changes in fair value during the year (Note 20)	215,426,445	305,331,421
Deferred tax recognized during the year (Note 30)	8,104,443	5,005,808
Balance at the end of the year	(679,178,263)	(902,709,151)

(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:

	December 31, 2018	December 31, 2017
Allowance for loans and credit facilities to customers	112,739,320	112,739,320
Contingent liabilities provision	39,486,484	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)	(22,288,030)	(22,288,030)
Available-for-sale investments (Equity instruments)	16,458,868	16,458,868
Total	147,044,179	147,044,179

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(2) Profit for the Year and Retained earnings

	December 31, 2018	December 31, 2017
Movements on retained earnings:		
Balance at the beginning of the year	5,291,747,850	4,176,611,839
Net profit of the financial year	6,917,503,916	5,293,572,517
Previous year's profit distribution	(712,338,172)	-
Employees' profit share	(528,980,970)	(417,660,902)
Board of directors' remuneration	(11,250,000)	(9,250,000)
Transferred to capital reserve	(1,938,155)	(2,821)
Transferred to general reserve	(2,094,574,293)	(3,548,018,596)
Transferred to the legal reserve	(264,581,718)	(201,679,520)
Transferred to IFRS 9 reserve	(1,282,925,633)	-
Transferred from / to general banking risk reserve	6,192,028	(1,824,667)
Balance at the end of the year	7,318,854,853	5,291,747,850

34- 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.

	December 31, 2018	December 31, 2017
Cash and balances with central banks	4,810,753,664	4,095,261,463
Due from banks in less than 3 months	10,545,594,892	14,022,181,044
Treasury bills and other governmental notes (91 days)	2,681,053,671	355,328,110
Total	18,037,402,227	18,472,770,617

34- Contingent liabilities and other commitments

(a) Legal claims (litigation)

Several lawsuits were brought against the bank and are still outstanding as of December 31, 2018. No provision has been formed since it is not probable the bank will incur losses in regard of these lawsuits.

(b) Capital commitments:

The Bank is a party to contracts for capital commitments amounting to EGP 373,156,102 as of December 31, 2018 (EGP 325,331,869 on December 31, 2017). These represent commitments by the bank for the purchases of buildings and equipment. Management is sufficiently confident that net profit shall be realized and finance shall be made available to cover these commitments.

(c) Commitments for loans, guarantees, and facilities

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

	December 31, 2018	December 31, 2017
Financial guarantees	357,500	357,500
Loan commitments	16,053,382	71,746,953
Accepted papers	2,249,112,360	1,285,753,623
L/Gs	39,879,061,700	40,288,788,400
Import L/Cs	2,516,528,260	4,842,858,171
Export L/Cs	801,942,333	137,771,834
Other contingent liabilities	691,158,344	1,534,803,216
Total	46,154,213,879	48,162,079,697

(D) Commitments under operating lease contracts

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

	December 31, 2018	December 31, 2017
Not more than one year	84,797,020	82,226,668
More than one year and less than 5 years	194,655,635	161,266,592
More than 5 years	42,142,805	53,716,265
Total	321,595,460	297,209,525

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36- 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% in 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 parents other than the payment of dividends on ordinary shares:

QNB Group	December 31, 2018	December 31, 2017
Due from banks	1,867,831	833,687
Due to banks	81,271,323	241,151,061
LGs for Banks	8,222,151,499	11,849,759,965
Foreign exchange derivative	3,883,412,316	2,828,362,351
Interest rate swap	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	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Outstanding loans at the beginning of the financial year	111	111	2,695,314,974	2,786,719,162
Loans issued during the financial year	-	-	966,622,657	695,989,731
Loans repayment during the financial year	-	-	(1,463,062,156)	(787,393,919)
Loans Outstanding at the end of the financial year	111	111	2,198,875,475	2,695,314,974
Interest income on loans	-	-	317,856,237	293,508,335

*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	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Overdrafts	111	111	39	162
Revolving term loan	-	-	2,065,268,251	2,491,040,719
Visa card	-	-	10,921	-
Equipment loans	-	-	133,596,264	204,274,093
Total	111	111	2,198,875,475	2,695,314,974

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(B) Deposits from related parties

	Directors and others key management personnel (and close family members)		Associates and Subsidiaries	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Deposits outstanding at the beginning of the financial year	60,744,502	54,054,801	1,804,510,172	1,751,962,732
Deposits placed during the year	5,901,750	9,729,044	298,502,492	125,895,811
Deposits repaid during the year	(2,251,941)	(3,039,343)	(31,281,850)	(73,348,371)
Deposits outstanding at the end of the financial year	64,394,311	60,744,502	2,071,730,814	1,804,510,172
Interest expense on deposits	2,529,535	2,254,245	54,745,864	50,853,450

Deposits from related parties can be analyzed below

	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Demand Deposits	4,629,582	2,884,612	56,040,635	40,543,518
Saving account	16,014	426,802	-	-
Certificates of deposits	3,100,000	3,300,000	-	-
Time Deposits	56,648,715	54,133,088	2,015,690,179	1,763,966,654
Total	64,394,311	60,744,502	2,071,730,814	1,804,510,172

(C) Other transactions with related parties

	Directors and others key management personnel (and close family members)		Associates and Subsidiaries	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Fee and commission income	11,576	10,571	7,072,680	7,902,838
Guarantees issued by the bank	-	-	32,232,330	20,930,479
The above guarantees comprise:				
LGs		-	34,602	35,602
LCs	-	-	32,197,728	20,894,877
Total	-	-	32,232,330	20,930,479

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

In accordance with the instructions of the Central Bank of Egypt (CBE) rules in 23 August 2011. The monthly average of net salaries and benefits for top 20 employees with the largest salaries and benefits reached EGP 7,290,554 during the current year.

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37- 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 December 31, 2018 reached 9,609,419 at a total value of EGP 3,067,124,747. The Bank currently holds 192,189 certificates worth of EGP 50,383,743 of which EGP 5 million are classified as held to maturity investments and represent 5% from the total number of certificates that were initially issued, whereas the remaining value of EGP 45,383,743 which represents 2% of the increase in fund's net asset value since initial subscription are classified as available-for-sale investments.

According to the management agreement and the fund's prospectus, the bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 12,860,298 have been reported in the "fees and commission income" line item in the income statement.

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

The Bank has set up an investment fund under the name of Tawazon Fund with yearly 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 December 31, 2018 reached 57,300 at a total value of EGP 11,353,474. The Bank currently holds 50,000 certificates worth of EGP 5 million that are classified as held to maturity investments and represent 20% of the total number of certificates that were initially issued.

According to the management agreement and the fund's prospectus, the bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 82,691 have been reported in the "fees and commission income" line item in the income statement.

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

The Bank has set up an investment fund under the name of Tadawol Fund with yearly 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 December 31, 2018 reached 78,201 at a total value of EGP 19,401,136. The Bank currently holds 50,000 certificates worth of EGP 5 million that are classified as held to maturity investments and represent 40% from the total number of certificates that were initially issued.

According to the management agreement and the fund's prospectus, the bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 161,617 have been reported in the "fees and commission income" line item in the income statement.

QNB ALAHLI S.A.E

Notes to the Separate Financial Statements

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38- Important Events:

IFRS 9: Financial Instruments

The IASB issued IFRS 9 'Financial Instruments' in its final form in July 2014 and Central Bank of Egypt ("CBE") issued a circular in January 28, 2018 instructing Banks to implement the standard starting from January 1, 2019. Final instructions will be issued subsequently.

IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and impairment of financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

A-Classification and measurement:

The adoption of this standard will have an effect on the classification and measurement of Bank's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortized cost, fair value through statement of income or fair value through other comprehensive income. The standard eliminates the existing IAS 39 categories (Held to maturity, Loans and receivables and Available-for-sale).

B- Impairment of financial assets:

The impairment requirements apply to financial assets measured at amortized cost, fair value through other comprehensive income, certain loan commitments and financial guarantee contracts. At initial recognition, allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Financial assets where 12-month ECL is recognized are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'.

At each reporting period, The bank assess whether credit risk has increased significantly since initial recognition.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile.

According to the Central Bank of Egypt instructions dated January 28, 2018, the bank set up the IFRS 9 risk reserve at 1% from credit risk weighted assets deducted from net profit after tax for year ended December 31, 2017 amounted to EGP 1,282,925,633 (through statement of change in equity) included in the capital (Tier 1) in the capital adequacy and it is not used unless obtaining the approval of the Central Bank of Egypt.

The final instructions of the Central Bank regarding the application of IFRS 9 as of the date of approval of these financial statements have not been issued.

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AUDITORS' REPORT
To the shareholders of QNB ALAHLI Bank (S.A.E)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of QNB ALAHLI Bank (S.A.E) and its subsidiaries (the group) which comprise the consolidated financial position as at December 31, 2018 and the related consolidated statements of income, changes in equity and consolidated cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for Consolidated the Financial Statements

These consolidated financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the rules of preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008 and in light of the prevailing Egyptian laws and regulations, management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and of its financial performance and its consolidated cash flows for the year then ended, in accordance with the rules of preparation and presentation of the banks financial statements, basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008 and in light of the prevailing Egyptian laws and regulations related to the preparation of these consolidated financial statements.

Report on Legal and Other Regulatory Requirements

According to the information and explanations given to us during the financial year ended December 31, 2018 no contravention of the central bank, banking and monetary institution law No.88 of 2003 and articles of incorporation were noted.

The financial information included in the Board of Directors' report which is prepared according to law no. 159 of 1981 and its executive regulations, is in agreement with the books of the Bank insofar as such information is recorded therein.

Cairo; January 15, 2019.

Auditors

Aziz Maher Aziz Barsoum
Egyptian Financial Supervisory
Authority No.(228)

KPMG Hazem Hassan
Public Accountants & Consultants

Sherif Fathy El-Kilany
Egyptian Financial Supervisory
Authority No.(83)

Allied for Accounting and Auditing – EY
Public Accountants & Consultants

QNB ALAHLI S.A.E

Consolidated Statement of Financial Position

As at 31 December 2018

(All amounts are shown in Egyptian Pounds)

	Note	December 31, 2018	December 31, 2017
Assets:			
Cash and due from Central Bank of Egypt (CBE)	(15)	11,750,952,820	15,394,031,161
Due from banks	(16)	11,522,654,240	15,777,029,638
Treasury bills	(17)	48,144,648,964	35,016,558,270
Trading investments	(18)	76,808,191	50,954,671
Loans and credit facilities to customers, net	(19)	137,965,061,824	112,596,769,777
Financial derivatives	(20)	3,796,045	-
Financial Investments:			
- Available-for-sale	(2 1)	2,300,446,285	2,698,006,718
- Held to maturity	(21)	37,553,005,839	32,331,255,916
Investments in associates	(22)	2,545,366	2,461,216
Intangible assets	(23)	162,239,439	115,937,261
Other assets	(24)	2,963,025,028	4,333,438,831
Deferred tax assets	(33)	234,978,895	225,588,340
Assets leased under finance lease arrangements, net	(25)	2,342,477,039	2,303,717,029
Property and Equipment	(26)	2,237,611,327	2,109,150,026
Total assets		257,260,251,302	222,954,898,854
Liabilities and equity:			
Liabilities:			
Due to banks	(27)	11,481,076,209	3,741,942,711
Customer deposits	(28)	205,285,519,783	184,876,904,178
Financial derivatives	(20)	1,245,670	7,579,910
Other loans	(29)	5,238,545,028	4,341,551,447
Other liabilities	(30)	2,706,973,598	2,806,055,718
Other provisions	(31)	685,844,771	960,336,762
Insurance policyholders' rights	(32)	2,060,992,495	1,628,158,448
Current income tax payable		708,755,394	1,720,556,606
Defined benefits obligation	(34)	437,821,485	365,403,368
Total liabilities		228,606,774,433	200,448,489,148
Equity:			
Issued and paid-up capital	(35)	9,794,649,850	8,904,227,140
Reserves	(36)	10,615,114,917	7,644,171,502
Profit for the year and retained earnings	(36)	8,243,667,987	5,957,977,053
Total equity attributable to equity holders of the bank		28,653,432,754	22,506,375,695
Non-controlling interests		44,115	34,011
Total equity		28,653,476,869	22,506,409,706
Total liabilities and equity		257,260,251,302	222,954,898,854

Mohamed Osman El-Dib
Chairman and Managing Director

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

QNB ALAHLI S.A.E

Consolidated Income Statement

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

	Note	From January 01, 2018 To December 31, 2018	From January 01, 2017 To December 31, 2017
Interest on loans and similar income	(6)	30,596,431,064	24,598,064,056
Cost of deposits and similar expense	(6)	(19,506,471,134)	(15,903,738,192)
Net interest income		11,089,959,930	8,694,325,864
Fee and commission income	(7)	2,347,250,862	2,070,060,791
Fee and commission expense	(7)	(391,596,792)	(295,336,546)
Net interest, fee and commission income		13,045,614,000	10,469,050,109
Dividend income	(8)	25,477,281	18,577,273
Net trading income	(9)	49,865,432	126,561,847
Gain / Loss on financial investments	(21)	63,095,667	3,825,174
Impairment credit losses	(12)	(530,290,358)	(731,816,586)
Administrative expenses	(10)	(2,975,117,856)	(2,457,673,057)
Other operating revenues (expenses)	(11)	137,576,677	(65,115,501)
Share of results of associates		84,150	(36,214)
Profit before income tax		9,816,304,993	7,363,373,045
Income tax expense	(13)	(2,615,753,453)	(1,838,718,858)
Net profit for the year		7,200,551,540	5,524,654,187
Attributable to:			
Equity holders of the bank		7,200,541,436	5,524,645,458
Non-controlling interests		10,104	8,729
Net profit for the year		7,200,551,540	5,524,654,187
Earnings per share	(14)	6.34	4.85

Mohamed Osman El-Dib
Chairman and Managing Director

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

QNB ALAHLI S.A.E

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

	Issued and Paid Up Capital	Legal Reserve	General Reserve	Special Reserve	Capital Reserve	Reserve for Transactions Under Common Control
December 31, 2017						
Balance at 1 January 2017	7,420,189,290	821,487,038	5,262,955,370	173,681,968	10,113,989	4,000,483
Transfer to reserves and retained earnings	-	201,679,520	3,548,018,596	-	2,821	-
"Remuneration for board members and Employees' profit share from Profit distributions"	-	-	-	-	-	-
Transfer from general reserve to capital increase	1,484,037,850	-	(1,484,037,850)	-	-	-
Net unrealized gain / (loss) on available-for-sale investments Revaluation Reserve, after deducting gains recycled to profit or loss relating to sold available-for-sale investments as well as taxes – Note No. 36	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-
Transfer to general banking risk reserve	-	-	-	-	-	-
Balance at 31 December 2017	8,904,227,140	1,023,166,558	7,326,936,116	173,681,968	10,116,810	4,000,483
December 31, 2018						
Balance at 1 January 2018	8,904,227,140	1,023,166,558	7,326,936,116	173,681,968	10,116,810	4,000,483
Transfer to reserves and retained earnings	-	264,581,718	2,094,574,293	-	1,938,155	-
Dividend distributions	-	-	-	-	-	-
Transfer from general reserve to capital increase	890,422,710	-	(890,422,710)	-	-	-
Net unrealized gain / (loss) on available-for-sale investments Revaluation Reserve, after deducting gains recycled to profit or loss relating to sold available-for-sale investments as well as taxes – Note No. 36	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-
Transfer from general banking risk reserve	-	-	-	-	-	-
Balance at 31 December 2018	9,794,649,850	1,287,748,276	8,531,087,699	173,681,968	12,054,965	4,000,483

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

QNB ALAHLI S.A.E

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

Available-for-sale Investments Revaluation Reserve	General Banking Risk Reserve	IFRS 9 Reserve	Retained Earnings	Net Profit for the Year	Equity Attributable to Equity Holders of the Bank	Non-Controlling Interests	Total
(1,212,969,886)	7,149,356	-	424,903,912	4,203,453,654	17,114,965,174	25,282	17,114,990,456
-	-	-	18,748,404	(3,768,449,341)	-	-	-
-	-	-	(8,496,054)	(435,004,313)	(443,500,367)	-	(443,500,367)
-	-	-	-	-	-	-	-
310,265,430	-	-	-	-	310,265,430	-	310,265,430
-	-	-	-	5,524,645,458	5,524,645,458	8,729	5,524,654,187
-	1,824,667	-	-	(1,824,667)	-	-	-
(902,704,456)	8,974,023	-	435,156,262	5,522,820,791	22,506,375,695	34,011	22,506,409,706
(902,704,456)	8,974,023	-	435,156,262	5,522,820,791	22,506,375,695	34,011	22,506,409,706
-	-	1,282,925,633	613,359,611	(4,257,379,410)	-	-	-
-	-	-	(11,581,353)	(1,265,441,381)	(1,277,022,734)	-	(1,277,022,734)
-	-	-	-	-	-	-	-
223,538,357	-	-	-	-	223,538,357	-	223,538,357
-	-	-	-	7,200,541,436	7,200,541,436	10,104	7,200,551,540
-	(6,192,031)	-	6,192,031	-	-	-	-
(679,166,099)	2,781,992	1,282,925,633	1,043,126,551	7,200,541,436	28,653,432,754	44,115	28,653,476,869

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Consolidated Statement of Cash Flow

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

	Note	December 31, 2018	December 31, 2017
Cash flows from operating activities			
Profit before tax		9,816,304,993	7,363,373,045
Adjusted by:			
Property and Equipment depreciation and Intangible assets amortization		244,469,515	227,496,968
Leased assets depreciation		570,693,377	618,217,139
Impairment credit losses	(12)	530,290,358	731,816,586
Loans written off during the year		(151,861,803)	(103,031,596)
Recovery from loans previously written off		44,640,892	51,881,068
Net formed / (reversed) other provisions		3,057,571	50,053,443
Utilized provisions other than loans provision		(78,898,119)	(6,696,562)
Translation differences of other provisions in foreign currencies		783,565	(4,510,952)
Translation differences resulting from monetary foreign currency investments		(32,313,544)	(53,506,637)
Amortization of premium / discount for bonds		(65,013,355)	(275,246,847)
Formed insurance policyholders' rights provisions during the year		432,834,047	271,323,142
(Gain) on sale of Property and Equipment		(6,434,554)	(2,358,412)
Dividend income	(8)	(25,477,281)	(18,577,273)
Share of results of associates applying the equity method		(84,150)	36,214
Gain on sale / redemption of Available-for-sale assets	(21)	(63,095,667)	(3,825,174)
Operating profits before changes in assets and liabilities resulting from operating activities		11,219,895,845	8,846,444,152
Net decrease / increase in assets and liabilities			
Due from banks		5,093,446,429	(3,623,707,612)
Treasury bills		(10,802,365,131)	2,925,762,974
Trading investments		(25,853,520)	(9,471,499)
Loans and credit facilities to customers		(25,791,361,494)	(20,700,653,527)
Financial derivatives		(10,130,285)	93,925,454
Other assets		(96,302,822)	(984,398,713)
Due to banks		7,739,133,498	1,414,489,573
Customer deposits		20,408,615,605	26,732,517,553
Other liabilities		(99,082,120)	255,650,425
Defined benefits obligation		72,418,117	57,305,905
Leased assets - Lease contracts settlement		24,065,379	(81,051,198)
Income tax paid		(2,361,559,160)	(1,537,172,105)
Net cash flows resulting from operating activities (1)		5,370,920,341	13,389,641,382
Cash flows from investing activities			
Acquisition of Property and Equipment and branches preparation		(419,629,285)	(503,157,009)
Proceeds from sale of Property and Equipment		6,830,845	2,408,662
Proceeds from financial investments other than held for trading investments		4,327,269,754	4,759,708,995
Acquisition of financial investments other than held for trading investments		(8,775,602,764)	(9,562,303,997)
Acquisition of leased assets		(956,575,448)	(514,332,073)
Proceeds from leased assets		323,056,682	257,756,429
Dividends received		25,477,281	18,577,273
Net cash flows used in investing activities (2)		(5,469,172,935)	(5,541,341,720)
Cash flows from financing activities			
Other loans		896,993,581	(2,496,254,882)
Dividends paid		(1,277,022,734)	(443,500,367)
Net cash flows used in financing activities (3)		(380,029,153)	(2,939,755,249)
Net (decrease) increase in cash and cash equivalents during the year (1+2+3)		(478,281,747)	4,908,544,413
Cash and cash equivalents at the beginning of the year		18,522,752,879	13,614,208,466
Cash and cash equivalents at the end of the year	(37)	18,044,471,132	18,522,752,879
Cash and cash equivalents at end of the year are represented in :			
Cash and due from Central Bank of Egypt	(15)	11,750,952,820	15,394,031,161
Due from banks	(16)	11,522,654,240	15,777,029,638
Treasury bills		48,144,648,964	35,016,558,270
Balances with Central Bank of Egypt (mandatory reserve)		(6,940,189,599)	(11,298,758,528)
Balances due from banks with maturities more than 3 months		(970,000,000)	(1,704,877,500)
Treasury bills with maturity more than 3 months		(45,463,595,293)	(34,661,230,162)
Cash and cash equivalents at end of the year		18,044,471,132	18,522,752,879

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

QNB ALAHLI S.A.E

Notes to the Consolidated Financial Statement

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

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 6,541 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 January 15, 2019.

2. Summary of significant accounting policies:-

2.1 Basis of preparation of the consolidated financial statements

These consolidated financial statements are prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on 16 December 2008; to under the historical cost convention, as modified by the measurement of financial assets and financial liabilities at fair value or amortized cost, as appropriate, including financial assets classified as at fair value through profit or loss, available-for-sale financial assets, held to maturity financial assets, loans and receivables and all derivative instruments.

These consolidated financial statements have been prepared in accordance with the applicable laws of Egypt.

2.2.1 Basis of Combinations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2.2 Transactions Eliminated on Consolidation

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

2.2.3 Loss of Control

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

2.2.4 Basis of presentation of consolidation

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

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

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

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

Where necessary, adjustments are made to the financial statements of a Group entity to bring its accounting policies into line with those used by other members of the Group.

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

Since QNB ALAHLI incorporated QNB ALAHLI Factoring Company in which it owns 99.9% of its capital, increased its interest in QNB ALAHLI Leasing Company to 100%, and increased in QNB ALAHLI Life Insurance Company to 100% instead of 25%, and increased in QNB ALAHLI Asset Management Egypt Company to 100% instead of 4.875%, therefore, the full consolidation basis has been used for the preparation of the Group accompanying consolidated financial statements which comprise the financial statements of QNB ALAHLI (the parent) and its subsidiaries, QNB ALAHLI Factoring, QNB ALAHLI Leasing Company, QNB ALAHLI Life Insurance Company and QNB ALAHLI Asset Management Egypt Company from the date in which control over each subsidiary was obtained.

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

Company name	Origin Country	Company Capital EGP	Year of Controlling (Acquisition or Incorporation)	Group Stake%
QNB ALAHLI Factoring Company	Egypt	75,000,000	2012	99.99
QNB ALAHLI Leasing Company	Egypt	80,000,000	2012	100
QNB ALAHLI Life Insurance Company	Egypt	120,000,000	2014	100
QNB ALAHLI Asset Management Egypt Company	Egypt	5,000,000	2014	100

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2.2.5 Investments in associates

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

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

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

2.3 Segment reporting

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

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

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

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances in foreign currencies

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

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

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

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

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

2.5 Financial assets

The Bank classifies its financial assets into the following categories:

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

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

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

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

2.5.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than the following:

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

2.5.3 Held to maturity financial assets

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

2.5.4 Investments held for trading

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

2.5.5 Available-for-sale financial assets

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

The following is applied in respect of all financial assets:

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

2.6 Offsetting of financial assets and financial liabilities

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

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

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2.7 Financial derivatives and hedge accounting

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

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

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

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

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

2.7.1 Fair value hedge

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

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

2.7.2 Cash flow hedge

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

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

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

2.7.3 Derivatives that do not qualify for hedge accounting

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

2.8 Interest income and expense

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

The effective interest rate is a method of calculating the amortized cost of a debt instrument whether a financial asset or a financial liability and of allocating its interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial debt instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating the effective interest rate, the Group estimates the future cash flows, considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

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

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

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

2.9 Fees and commission income

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

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

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

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

Leasing revenues

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

Insurance revenues

Premium income and Claim expense is recognized on accrual basis.

2.10 Dividends income

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

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

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

2.12 Impairment of financial assets

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

2.12.1 Financial assets carried at amortized cost

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

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

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

An objective evidence for impairment loss of the financial asset includes observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with an individual financial asset in the group.

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

The Group first assesses is made whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

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

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

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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

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

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

When assessing the impairment loss for a group of financial assets on the basis of the historical loss rates, future cash flows in the group are estimated on the basis of the contractual cash flows of the group's assets and the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The Group ensures that estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the management to reduce any differences between loss estimates and actual loss experience.

2.12.2 Available-for-sale financial assets

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

According to the central bank of Egypt's rules, a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment. Such decline is presumed to be significant for the equity instruments if it reaches 10% of the cost of the financial instrument, whereas it is presumed a prolonged decline when it extends for a period of more than 9 months.

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

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

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2.13 Intangible assets

2.13.1 Goodwill

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

2.13.2 Software (computer programs)

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

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

Cost of computer software recognized as an asset shall be amortized over the period of expected benefits from three to five years except for the core IT system that is amortized over ten years.

2.14 Property and Equipment

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

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

The Group considers the residual value of its property and equipment as insignificant and immaterial in relation to the depreciable amount; therefore, the depreciable amount of the bank's property and equipment is determined without any deduction for residual values. Depreciation is charged so as to write off the cost of assets, other than land which is not depreciated, over their estimated useful lives, using the straight-line method based on the following annual rates:

Buildings	50 years
Decoration & installations	10 years
Lifts	15 years
Electricity & Air conditioning	10 years
Generators	30 years
Telephone network & CCTV	10 years
Firefighting system & Plumbing system	10 years
Other installations	10 years
Leasehold improvements	The shortest of 10 years or contract period

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

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

The carrying amounts of its depreciable property and equipment are reviewed whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered. Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. Gains or losses on disposals are determined by comparing proceeds with relevant carrying amount. These are included in profit or loss in other operating income (expenses) in the income statement.

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2.15 Impairment of non-financial assets

Non-financial assets that do not have definite useful lives, except for goodwill are not amortized. These are annually tested for impairment. Depreciable property and equipment are tested for impairment whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered. Impairment loss is recognized and the carrying amount of an asset is reduced to the extent that such carrying amount exceeds the asset's recoverable amount.

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

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

2.16 Leasing

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

2.16.1 As a lessee

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

2.16.2 As a lessor

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

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

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

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

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

2.17 Cash and cash equivalents

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

2.18 Other provisions

Provisions for obligations, other than those for credit risk or employee benefits, due within more than 12 months from the date of consolidated financial statements are recognized based on the present value of the best estimate of the consideration required to settle the present obligation at the reporting date. An appropriate pretax discount rate that reflects the time value of money is used to calculate the present value of such provisions.

For obligations due within less than twelve months from the date of consolidated financial statements, provisions are calculated based on undiscounted expected cash outflows unless the time value of money is material, in which case provisions are measured at present value.

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

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2.19 Insurance activity

2.19.1 Technical reserves

2.19.1.1 Mathematical reserve

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

2.19.1.2 Provision for outstanding claims

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

2.19.2 Receivables arising from insurance contracts

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

2.19.3 Due from insurance and reinsurance companies

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

2.20 Financial guarantees

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

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

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

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

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

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

2.21 Employee benefits

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

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

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

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

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

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

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

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

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

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

2.22 Income taxes

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

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, in addition to income tax differences related to prior years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

2.23 Borrowings

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

2.24 Capital

2.24.1 Capital issuance cost

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

2.24.2 Dividends

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

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2.25 Fiduciary activities

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

2.26 Comparative figures

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

3. Management of financial risks

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

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

Risks are managed in accordance with preapproved policies by the board of directors. The risk management department identifies, evaluates and covers financial risks, in close collaboration with the Bank's various operating units. The board of directors provides written rules which cover certain risk areas, such as credit risk, foreign exchange risk, interest rate risk and the use of derivative and non-derivative financial instruments. Moreover, the risk department is responsible for the periodic review of risk management and the control environment independently.

Risk management strategy

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

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

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

Risk management governance and risk principles

Bank's risk management governance is based on:

(i) Strong managerial involvement, throughout the entire organization, starting from the Board of Directors down to operational field management teams.

(ii) A tight framework of internal procedures and guidelines.

(iii) Continuous supervision by business lines and support functions as well as by an independent body to monitor risks and to enforce rules and procedures.

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

Risk categories

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

a- Credit risk:

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

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

b- Market risk:

Represents risk of loss resulting from changes in market prices and interest rates.

c- Operational risk:

(Including legal, compliance, accounting, environmental, reputational risks, etc.): represents risk of loss or fraud or of producing inaccurate financial and accounting data due to inadequacies or failures in procedures and internal systems, human error or external events. Additionally, operational risks may also take the form of compliance risk, which is the risk of the bank incurring either legal, administrative or disciplinary sanctions or financial losses due to failure to comply with relevant rules and regulations.

d- Structural interest and exchange rate risk:

Represents risk of loss or of residual depreciation in the bank's balance sheet and off-balance sheet assets arising from changes in interest or exchange rates. Structural interest and exchange rate risk arises from banking commercial activities and on Corporate Center transactions (operations on equities, investments and bond issues).

e- Liquidity risk:

Represents the risk that the bank might not be able to meet its obligations as they become due.

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

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

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

More specifically, the Risk Division:

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

Identifying a frame for all Banks' operational risks.

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

The Internal Legal Counsel deals with compliance and legal risks.

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

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

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

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

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

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

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

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(A) CREDIT RISKS

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

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

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

Within the Risk Division, persons are responsible for:

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

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

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

Risk approval

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

The risk approval process is based on four core principles:

- › All transactions involving replacement risk 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).

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(A/2) Risk measurement and internal ratings

Bank rating system is based on three key pillars:

- The internal ratings models used to measure and quantify counterparty risk.
- A set of procedures defining guidelines for devising and using ratings (scope, frequency of rating revision, procedure for approving ratings, etc.)
- Reliance on human judgment to improve modeling results to include elements outside the scope of rating model.

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

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

The calculations used to measure and monitor replacement risk include:

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

Following are some risk mitigations methods:

Collaterals

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

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

Real estate mortgage.

Pledge on business assets like machinery and merchandise.

Pledge in financial instruments like debt instruments and equity.

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

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

Debit instruments and treasury bills are often not collateralized.

Derivatives

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

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

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(A/3) Provisioning policy

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

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

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

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant irrespective from any collaterals obtained. The Bank considers the following factors in determining whether there is objective evidence of impairment:

- The existence of unpaid installments (overdue installments over three months).
- The existence of an objective evidence of counterparty credit risk or when the counterparty is subject to judiciary proceedings.

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

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

	December 31, 2018		December 31, 2017	
	Loans and credit facilities	Allowance for impairment loss	Loans and credit facilities	Allowance for impairment loss
1- Good debts	89.54%	13.49%	89.95%	22.40%
2- Normal watch-list	5.81%	11.77%	5.62%	11.80%
3- Special watch-list	2.23%	33.63%	2.21%	25.65%
4- Non performing loan	2.42%	41.11%	2.22%	40.15%
	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 sub-groups in accordance with the CBE requirements. Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position and his repayment track record.

The Bank calculates the allowances required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the allowance required for impairment losses as per CBE credit worthiness rules exceeds the provisions as required by the application of the discounted cash flow method or the loss rates method, that excess shall be debited to retained earnings and carried to the general banking reserve risk in the equity section. Such reserve is always adjusted, on a regular basis, by any increase or decrease so that the reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution; note (36) shows the movement on the general banking risk reserve during the financial year.

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

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

Financial position items exposed to credit risks	December 31, 2018	December 31, 2017
Treasury bills	48,144,648,964	35,016,558,270
Loans and credit facilities to customers		
Retail loans		
- Overdrafts	2,709,089,554	2,566,656,961
- Credit cards	780,771,323	623,355,144
- Personal loans	16,842,957,877	13,788,323,910
- Real estate loans	1,364,731,959	1,060,946,460
Corporate loans		
- Overdrafts	56,468,593,623	48,399,727,621
- Direct loans	39,778,805,262	29,692,871,284
- Syndicated Loans and facilities	21,037,425,327	17,508,676,678
- Other loans	4,929,776,398	4,528,924,650
Allowance for impairment loss, segregated interest & unearned discount	(5,947,089,499)	(5,572,712,931)
Financial derivatives	3,796,045	-
Financial investments		
- Debt instrument	39,562,533,525	34,732,925,098
Other Financial assets	2,403,976,471	2,078,627,818
Total	228,080,016,829	184,424,880,963

Off balance sheet items exposed to credit risks	December 31, 2018	December 31, 2017
Financial guarantees	357,500	357,500
Loans and other irrevocable credit commitments	16,053,382	71,746,953
L/Cs	3,286,272,865	4,959,735,128
Accepted papers	2,249,112,360	1,285,753,623
L/Gs	39,879,061,700	40,288,788,400
Other contingent liabilities	691,158,344	1,534,803,216
Total	46,122,016,151	48,141,184,820

The preceding table shows the maximum limit exposure to risks at the end of December, 2018 and December, 2017 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 60% of the maximum limit exposed to credit risk at the end of current reporting year is attributable to Loans and credit facilities to customers against 61% at the end of the prior year, investments in debt instruments constitute 17% against 19% at the end of the prior year and treasury bills constitute 21% against 19% 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 year comprises loans and credit facilities classified at the top 2 categories of the internal rating against 96% at the end of the prior year.
- 96% of the loans and credit facilities portfolio at the end of the current reporting year 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 at the end of the current reporting year have a carrying amount of EGP 3,480,258,107 impairment on these loans and credit facilities represents 68% from their carrying amount. Loans and credit facilities, that are individually assessed for impairment at the end of the prior year had a carrying amount of EGP 2,628,461,707 and their impairment represents 82% from such carrying amount.
- The Bank applied more prudential selection process on granting loans and credit facilities during the current reporting year ended December 31, 2018.
- 98% of investments in debt instruments and treasury bills at the end of the current reporting year comprise local sovereign debt instruments against 97% at the end of the prior year.

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(A/6) Loans and credit facilities

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

	December 31, 2018		December 31, 2017	
	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	137,826,903,220	-	113,851,351,654	-
Have arrears but not impaired	2,604,989,996	-	1,689,669,347	-
Impaired	3,480,258,107	-	2,628,461,707	-
Total	143,912,151,323	-	118,169,482,708	-
Less: Allowance for impairment losses	(5,755,361,264)	-	(5,328,157,211)	-
Less: Segregated interest	(5,985,581)	-	(10,766,966)	-
Less: Unearned discount	(185,742,654)	-	(233,788,754)	-
Net	137,965,061,824	-	112,596,769,777	-

Total credit allowance for loans and credit facilities at the end of the current reporting year amounted to EGP 5,755,361,264 (EGP 5,328,157,211 at the end of the prior year) of which EGP 2,366,315,820 represent impairment on individual loans (EGP 2,139,071,475 at the end of the prior year) and EGP 3,389,045,444 represent impairment for groups of financial assets in the credit portfolio (EGP 3,189,085,736 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 year. During the current accounting year the loans and credit facilities portfolio increase by 22% 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

December 31, 2018					
Retail					
Rating	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	52,791,111,902	32,721,902,694	18,620,116,228	4,448,961,948	108,582,092,772
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	56,283,458,634	36,561,133,467	20,355,418,895	4,504,123,287	117,704,134,283

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

December 31, 2017					
Retail					
Rating	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Good debts	2,526,197,250	513,535,420	12,747,444,990	952,054,216	16,739,231,876
Normal watch-list	3,833,715	-	-	-	3,833,715
Special watch-list	974,509	-	-	-	974,509
Total	2,531,005,474	513,535,420	12,747,444,990	952,054,216	16,744,040,100

Corporate					
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Good debts	44,916,186,647	26,051,691,510	14,187,511,727	4,340,614,753	89,496,004,637
Normal watch-list	2,370,731,779	636,022,471	2,564,343,925	24,214,666	5,595,312,841
Special watch-list	953,145,787	477,125,250	548,124,487	37,598,552	2,015,994,076
Total	48,240,064,213	27,164,839,231	17,299,980,139	4,402,427,971	97,107,311,554

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

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

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

		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			
		Syndicated loans and facilities			
	Overdrafts	Direct loans	Other loans	Total	
Up to 30 days	-	462,473,143	-	58,137,106	520,610,249
More than 30 – 60 days	-	34,420,124	130,083,951	22,357,342	186,861,417
More than 60 – 90 days	-	76,769,329	-	14,403,262	91,172,591
More than 90 days	-	17,809,451	551,922,481	31,117,026	600,848,958
Total	-	591,472,047	682,006,432	126,014,736	1,399,493,215

		December 31, 2017			
		Retail			
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Up to 30 days	-	66,976,447	680,776,615	80,757,961	828,511,023
More than 30 – 60 days	-	17,521,056	78,384,426	8,139,414	104,044,896
More than 60 – 90 days	-	6,145,643	35,738,261	3,554,458	45,438,362
Total	-	90,643,146	794,899,302	92,451,833	977,994,281

		Corporate			
		Syndicated loans and facilities			
	Overdrafts	Direct loans	Other loans	Total	
Up to 30 days	-	419,713,248	208,696,539	31,747,747	660,157,534
More than 30 – 60 days	-	2,467,377	-	5,808,794	8,276,171
More than 60 – 90 days	-	725,968	-	13,005,798	13,731,766
More than 90 days	-	23,159,866	-	6,349,729	29,509,595
Total	-	446,066,459	208,696,539	56,912,068	711,675,066

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

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

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

At the end of the current reporting year, the carrying amount of loans and credit facilities, that are assessed to be individually impaired excluding any cash flows expected to arise from the associated guarantees, amounted to EGP 3,480,258,107 against EGP 2,628,461,707 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.

		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	-	299,638,375	3,110,973,112
Fair value of collaterals	-	-	-	-	-
		December 31, 2017			
		Retail			
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Loans which are individually impaired	35,651,487	19,176,578	245,979,618	16,440,411	317,248,094
Fair value of collaterals	-	4,267,980	20,297,190	2,298,828	26,863,998
		Corporate			
	Overdrafts	Direct loans	Syndicated Loans and facilities	Other loans	Total
Loans which are individually impaired	159,663,408	2,081,965,594	-	69,584,611	2,311,213,613
Fair value of collaterals	-	-	-	-	-

Restructured loans and facilities:

grammes 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 333,414,248 at the end of the current reporting year against EGP 441,058,230 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	December 31, 2018	December 31, 2017
Direct loans	333,414,248	441,058,230
Total	333,414,248	441,058,230

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

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

	Rating	December 31, 2018	December 31, 2017
Egyptian Treasury Bills	B	48,144,648,964	35,016,558,270
Available- for- sale financial assets			
Egyptian Treasury Bonds	B	-	47,678,475
US Treasury Bonds	AA+	2,024,527,686	2,368,990,707
Held to maturity investments			
Egyptian Treasury Bonds	B	37,538,005,839	32,316,255,916
Total		87,707,182,489	69,749,483,368

(A/8) Acquisition of collaterals

During the prior reporting year, the Bank acquire foreclosed asset as acquisition of guarantees as following:

Nature of the asset	Book Value
Building	5,000,000

Assets acquired were classified under other Assets in the financial position. Such Assets shall be sold, if practical.

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

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

Arab Republic of Egypt									
	Cairo	East Cairo	Giza	Alex	Delta	Red Sea & Upper Egypt	Total	Other countries	Total
Treasury bills	48,144,648,964	-	-	-	-	-	48,144,648,964	-	48,144,648,964
Loans and credit facilities to customers									
Retail loans									
Overdrafts	913,100,419	569,564,715	535,881,969	380,934,438	227,162,658	82,445,355	2,709,089,554	-	2,709,089,554
Credit cards	217,086,238	188,269,066	180,322,979	101,427,791	63,504,481	30,160,768	780,771,323	-	780,771,323
Personal loans	3,977,745,054	3,496,100,236	3,876,489,847	2,381,940,454	2,391,525,036	719,157,250	16,842,957,877	-	16,842,957,877
Real estate loans	303,825,068	400,881,468	322,718,278	98,326,711	106,955,850	132,024,584	1,364,731,959	-	1,364,731,959
Corporate loans									
Overdrafts	14,795,320,380	13,625,147,072	14,215,469,175	6,557,965,323	4,682,917,047	2,591,774,626	56,468,593,623	-	56,468,593,623
Direct loans	11,398,923,869	4,944,906,057	9,779,905,599	7,244,548,899	4,788,825,405	1,621,695,433	39,778,805,262	-	39,778,805,262
Syndicated loans and facilities	9,010,070,960	8,145,507,270	1,414,982,904	-	2,338,975,378	127,888,815	21,037,425,327	-	21,037,425,327
Other loans	3,919,412,749	94,116,276	705,973,557	139,758,844	16,353,633	54,161,339	4,929,776,398	-	4,929,776,398
Financial derivatives	-	-	-	-	-	-	-	3,796,045	3,796,045
Financial Investments									
Debt instruments	37,538,005,839	-	-	-	-	-	37,538,005,839	2,024,527,686	39,562,533,525
Other financial assets	1,971,990,717	110,052,818	111,950,030	88,511,448	65,576,175	19,790,592	2,367,871,780	36,104,691	2,403,976,471
Total at the end of the current year	132,190,130,257	31,574,544,978	31,143,694,338	16,993,413,908	14,681,795,663	5,379,098,762	231,962,677,906	2,064,428,422	234,027,106,328
Total at the end of the comparative year	108,172,862,741	22,056,569,557	26,049,075,960	14,660,101,032	12,624,377,723	4,028,108,522	187,591,095,535	2,406,498,359	189,997,593,894

(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 year (excluding allowances for impairment). The gross amount of all financial assets is segmented into business sectors in which the bank's clients operate.

	Agricultural entities	Industrial entities	Trading institutions	Service institutions	Governmental sector	Foreign governmental	Other activities	Individuals	Total
Treasury bills	-	-	-	-	48,144,648,964	-	-	-	48,144,648,964
Loans and credit facilities to customers									
Retail loans									
Overdrafts	-	-	-	-	-	-	-	2,709,089,554	2,709,089,554
Credit cards	-	-	-	-	-	-	-	780,771,323	780,771,323
Personal loans	-	-	-	-	-	-	-	16,842,957,877	16,842,957,877
Real estate loans	-	-	-	-	-	-	-	1,364,731,959	1,364,731,959
Corporate loans									
Overdrafts	513,606,170	27,595,800,125	8,846,478,839	19,512,708,489	-	-	-	-	56,468,593,623
Direct loans	1,049,183,414	23,394,615,219	6,419,099,104	8,915,907,525	-	-	-	-	39,778,805,262
Syndicated loans and facilities	-	18,898,963,878	242,000,000	1,896,461,449	-	-	-	-	21,037,425,327
Other loans	-	2,474,157,104	859,832,111	608,372,574	-	-	987,414,609	-	4,929,776,398
Financial derivatives	-	-	-	-	-	-	3,796,045	-	3,796,045
Financial Investments									
Debt instruments	-	-	-	-	37,538,005,839	2,024,527,686	-	-	39,562,533,525
Other financial assets	7,327,273	336,166,947	72,784,185	168,218,681	1,681,698,345	36,050,209	-	101,730,831	2,403,976,471
Total at the end of the current year	1,570,116,857	72,699,703,273	16,440,194,239	31,101,668,718	87,364,353,148	2,060,577,895	991,210,654	21,799,281,544	234,027,106,328
Total at the end of the comparative year	1,251,983,197	60,309,275,274	11,622,400,392	27,002,016,111	68,773,329,537	2,406,498,359	492,406,849	18,139,684,175	189,997,593,894

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(B) Market Risk

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

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

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

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

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

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

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

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

(B/2) Stress test for foreign exchange risk

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

Currency	Short/Long FX positions	FX short positions	FX long positions	Expected loss at 10%
USD	154,901,964	-	154,901,964	15,490,196
EUR	10,183,529	-	10,183,529	1,018,353
GBP	575,340	-	575,340	57,534
JPY	(43,663)	(43,663)	-	(4,366)
CHF	163,797	-	163,797	16,380
DKK	7,897	-	7,897	790
NOK	(16,112)	(16,112)	-	(1,611)
SEK	61,528	-	61,528	6,153
CAD	10,107	-	10,107	1,011
AUD	92,730	-	92,730	9,273
AED	(218,439)	(218,439)	-	(21,844)
BHD	91,198	-	91,198	9,120
KWD	266,428	-	266,428	26,643
OMR	6,983	-	6,983	698
QAR	(400,215)	(400,215)	-	(40,022)
SAR	121,971	-	121,971	12,197
CNY	6,954	-	6,954	695
EGP	(165,811,997)	(165,811,997)	-	-
Maximum expected loss at December 31, 2018				16,581,200
Maximum expected loss at December 31, 2017				2,093,570

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

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

	EGP	USD	Euro	GBP	Other currencies	Total
Financial assets						
Cash and due from Central Bank of Egypt (CBE)	10,348,261,182	998,317,332	321,326,881	36,046,172	47,001,253	11,750,952,820
Due from banks	1,003,768,813	9,992,568,476	67,471,375	328,264,813	130,580,763	11,522,654,240
Treasury bills	43,092,111,716	5,052,537,248	-	-	-	48,144,648,964
Trading investments	76,808,191	-	-	-	-	76,808,191
Loans and credit facilities to customers, net	102,712,977,283	33,429,537,349	1,753,371,377	69,120,563	55,252	137,965,061,824
Financial derivatives	-	3,796,045	-	-	-	3,796,045
Financial investments						
Available-for-sale	197,950,878	2,101,965,628	529,779	-	-	2,300,446,285
Held to maturity	36,688,872,272	864,133,567	-	-	-	37,553,005,839
Other financial assets	2,303,920,013	95,329,397	3,954,883	647,566	124,612	2,403,976,471
Total financial assets	196,424,670,348	52,538,185,042	2,146,654,295	434,079,114	177,761,880	251,721,350,679
Financial liabilities						
Due to banks	7,146,743,376	4,297,408,381	25,809,907	5,153,590	5,960,955	11,481,076,209
Customer deposits	162,031,941,970	36,633,891,611	5,908,998,117	526,301,672	184,386,413	205,285,519,783
Financial derivatives	1,245,670	-	-	-	-	1,245,670
Other loans	926,188,394	3,963,141,211	349,215,423	-	-	5,238,545,028
Other financial liabilities	1,189,845,521	127,321,044	4,693,433	485,876	1,719	1,322,347,593
Total financial liabilities	171,295,964,931	45,021,762,247	6,288,716,880	531,941,138	190,349,087	223,328,734,283
Net financial position	25,128,705,417	7,516,422,795	(4,142,062,585)	(97,862,024)	(12,587,207)	28,392,616,396
At the end of the comparative year						
Total financial assets	164,107,689,710	47,048,422,758	4,237,927,012	315,113,415	234,081,074	215,943,233,969
Total financial liabilities	146,160,379,404	40,718,615,598	6,994,229,630	602,069,955	223,451,549	194,698,746,136
Net financial position	17,947,310,306	6,329,807,160	(2,756,302,618)	(286,956,540)	10,629,525	21,244,487,833

(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.

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Assets & Liabilities Management Unit (ALMU) duties

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

Dealing Room duties

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

Bank's Objective of Interest Rate Risk Management

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

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

Measurement and monitoring of structural interest rate risks

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

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

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

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

At the end of the current year	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)	-	-	-	-	-	11,750,952,820	11,750,952,820
Due from banks	5,554,352,402	4,504,732,992	30,000,000	940,000,000	-	493,568,846	11,522,654,240
Treasury bills	8,587,207,363	11,479,948,582	28,077,493,019	-	-	-	48,144,648,964
Trading investments	-	-	-	-	-	76,808,191	76,808,191
Loans and credit facilities to customers, net	107,200,706,218	7,124,593,594	9,367,925,489	12,596,273,391	1,675,563,132	-	137,965,061,824
Financial derivatives	-	-	-	-	-	3,796,045	3,796,045
Financial investments							
Available-for-sale	-	107,498,394	216,961,616	671,907,087	1,028,160,589	275,918,599	2,300,446,285
Held to maturity	3,590,490	1,413,121,108	2,614,923,008	22,056,050,716	11,450,320,517	15,000,000	37,553,005,839
Other financial assets	-	-	-	-	-	2,403,976,471	2,403,976,471
Total financial assets	121,345,856,473	24,629,894,670	40,307,303,132	36,264,231,194	14,154,044,238	15,020,020,972	251,721,350,679
IRS (notional amount)	-	626,976,000	626,976,000	2,136,196,800	100,764,000	-	3,490,912,800
Financial liabilities							
Due to banks	10,893,306,709	-	-	-	-	587,769,500	11,481,076,209
Customer deposits	93,994,352,566	29,283,801,534	24,784,085,510	28,069,557,104	184,191,798	28,969,531,271	205,285,519,783
Financial derivatives	-	-	-	-	-	1,245,670	1,245,670
Other loans	2,837,977,834	2,044,834,858	281,050,263	68,682,073	6,000,000	-	5,238,545,028
Other financial liabilities	-	-	-	-	-	1,322,347,593	1,322,347,593
Total financial liabilities	107,725,637,109	31,328,636,392	25,065,135,773	28,138,239,177	190,191,798	30,880,894,034	223,328,734,283
IRS (notional amount)	3,490,912,800	-	-	-	-	-	3,490,912,800
Re-pricing gap	10,129,306,564	(6,071,765,722)	15,869,143,359	10,262,188,817	14,064,616,440	(15,860,873,062)	28,392,616,396
At the end of the comparative year							
Total financial assets	97,632,716,154	19,563,034,692	37,792,658,978	27,795,574,043	14,618,322,408	18,540,927,694	215,943,233,969
Total financial liabilities	77,569,409,740	18,778,423,947	39,495,085,624	30,578,208,028	618,295,360	27,659,323,437	194,698,746,136
Re-pricing gap	20,063,306,414	784,610,745	(1,702,426,646)	(2,782,633,985)	14,000,027,048	(9,118,395,743)	21,244,487,833

(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.

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Dealing Room duties

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

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.

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	11,507,852,628	-	-	-	-	11,507,852,628
Customer deposits	109,634,472,257	31,580,700,679	30,617,131,994	49,663,884,526	226,626,811	221,722,816,267
Other loans	578,459,266	2,068,702,628	683,621,781	1,995,454,642	55,967,052	5,382,205,369
Total financial liabilities	121,720,784,151	33,649,403,307	31,300,753,775	51,659,339,168	282,593,863	238,612,874,264

- › 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, 2017						
Contractual maturities	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	Total
Financial assets						
Due to banks	3,748,630,509	-	-	-	-	3,748,630,509
Customer deposits	96,054,336,577	18,885,839,164	44,691,471,588	39,106,710,791	693,489,244	199,431,847,364
Other loans	409,763,038	2,221,120,977	594,944,935	1,157,979,646	-	4,383,808,596
Total financial liabilities	100,212,730,124	21,106,960,141	45,286,416,523	40,264,690,437	693,489,244	207,564,286,469

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

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

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Cash flow derivatives

Derivatives settled on a gross-basis

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

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	654,525,562	617,325,245	-	-	5,676,777,718
Cash inflows	4,417,243,898	645,352,030	579,153,934	-	-	5,641,749,862

December 31, 2017						
Maturities for statement of financial position items	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	Total
Held for trading derivatives						
Foreign exchange derivatives						
Cash outflows	3,121,210,399	827,381,321	362,153,339	-	-	4,310,745,059
Cash inflows	3,126,983,557	821,456,308	327,269,659	-	-	4,275,709,524

Cash flow for Off balance sheet items

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
Loan commitments	16,053,382	-	-	16,053,382
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	474,364,004	194,655,635	42,142,805	711,162,444

December 31, 2017				
Maturities for off -balance sheet items	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Loan commitments	71,746,953	-	-	71,746,953
Financial guarantees	357,500	-	-	357,500
Operating lease commitments	82,226,668	161,266,592	53,716,265	297,209,525
Capital commitments resulting from acquisition of property and equipment	325,331,869	-	-	325,331,869
Total	479,662,990	161,266,592	53,716,265	694,645,847

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

(D/1) Financial instruments measured at fair value

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

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

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

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

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

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

	Carrying amount		Fair value	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Financial assets				
Due from banks	11,522,654,240	15,777,029,638	11,522,654,240	15,777,029,638
Loans and credit facilities to customers, net	137,965,061,824	112,596,769,777	Not Determined	Not Determined
Financial investments:				
Not listed equity instruments Available-for-sale	133,278,840	163,953,798	Not Determined	Not Determined
Held to maturity				
Debt instruments	37,538,005,839	32,316,255,916	36,215,465,303	32,938,640,701
Mutual fund certificates	15,000,000	15,000,000	38,270,655	37,128,050
Financial liabilities:				
Due to banks	11,481,076,209	3,741,942,711	11,481,076,209	3,741,942,711
Customer deposits	205,285,519,783	184,876,904,178	Not Determined	Not Determined
Other loans	5,238,545,028	4,341,551,447	5,238,545,028	4,341,551,447

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

Due from Banks:

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

Loans and credit facilities to customers:

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

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

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

Held to maturity investments:

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

Customer deposits and due to other banks:

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

(E) Capital management:

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

- Compliance with the legally imposed capital requirements in Egypt.
- Protecting the bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth of the bank's operations.
- Capital adequacy and uses are reviewed by the bank's management in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE). Data are submitted and filed with the CBE on a quarterly basis. The CBE requires the bank to comply with the following:
- Maintaining EGP 500 million as a minimum requirement for the issued and paid-up capital. The Bank's paid-up capital amounted to EGP 9,794,649,850 at the end of the current year.
- Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk-weighted average of the bank's assets and contingent liabilities. Minimum level of capital adequacy ratio reached 11.875% after adding capital conservation buffer during current year. The Bank's capital adequacy ratio reached 17.75% at the end of the current year (December 31, 2017: 15.80%) according to Basel II.

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

- Tier 1: basic capital which comprises paid-up capital (net of treasury stock), plus: retained earnings and reserves resulting from profit appropriations (other than general reserve for banking risks and special reserves), less: any goodwill previously recognized and any carried forward losses. The interim net profit was incorporated in Tier 1 capital in accordance with the decision of Central Bank of Egypt Board of Directors held on 15 February 2017.
- Tier 2: subordinated capital which comprises an amount equal to the loans general provision calculated in accordance with the credit rating bases issued by the CBE provided it does not exceed 1.25% from the total risk-weighted average of assets and contingent liabilities, plus: the carrying amount of subordinated loans/deposits maturing over more than 5 years (provided that such carrying amount shall be reduced by 20 % of its value in each of the last five years of their maturity), plus: 45 % of the increase in fair value above the carrying amount of available-for-sale investments, held to maturity investments, and investments in subsidiaries and associates and 45% from capital reserve.

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

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

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

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

According to Basel II	December 31, 2018	December 31, 2017 Restated**
Tier 1 capital		
Share capital	9,794,649,850	8,904,227,140
General reserve	8,531,087,699	9,421,510,409
Legal reserve	1,287,748,276	1,287,748,276
Other reserves	12,054,965	12,054,965
Retained earnings	729,863,138	723,671,110
Interim profit	7,061,072,692	-
IFRS 9 Reserve	1,282,925,633	1,282,925,633
Total deduction from capital invested	(1,256,954,629)	(1,341,851,347)
Total tier 1 capital	27,442,447,624	20,290,286,186
Tier 2 capital		
45% from special reserve	8,643,920	8,643,920
Impairment provision for loans and contingent liabilities*	1,867,843,793	1,603,307,878
45 % of the increase in the fair value above the carrying amount of Available-for-sale investment, held to maturity investments, and investments in associates.	11,884,294	321,794,527
Total tier 2 capital	1,888,372,007	1,933,746,325
Total capital	29,330,819,631	22,224,032,511
Risk weighted assets and contingent liabilities:		
Credit Risk	149,459,663,358	128,292,563,260
Market Risk	12,090,730	21,400,418
Operational Risk	15,763,715,389	12,381,341,699
Total risk weighted assets and contingent liabilities	165,235,469,477	140,695,305,377
Capital adequacy ratio for tier one	16.61%	14.42%
Capital adequacy ratio	17.75%	15.80%

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

** After 2017 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 as follow:

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

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

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

Ratio Elements

I- The numerator elements

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

II- The dominator elements

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

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(All amounts are shown in Egyptian Pounds)

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

The tables below summarizes the leverage financial ratio:	December 31, 2018	December 31, 2017 Restated*
Tier 1 capital after Exclusions	27,442,447,624	20,290,286,186
Total on-balance sheet exposures, derivatives contracts and financial papers operations.	258,478,214,484	224,513,811,627
Total exposures off-balance sheet	27,378,852,628	27,513,527,049
Total exposures on-balance sheet and off-balance sheet	285,857,067,112	252,027,338,676
Leverage financial ratio	9.60%	8.05%

*After 2017 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 year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Impairment of Loans and credit facilities

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

This evidence includes data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default. On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having similar credit risks. Such experience refers to impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on management given experience.

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

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

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

c. Fair value of derivatives

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

d. Held to maturity investments:

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

If classification of investments as held to maturity – other than stakes required to be retained by the group in accordance with the provisions of the law – were suspended by the bank, the carrying amount of the outstanding held-to-maturity investments at the end of the current reporting year would have decreased by EGP 1,322,540,536 to reach the fair value with a corresponding decrease in the available-for-sale valuation reserve within equity.

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5- Segmentation analysis

(5/A) Segmental analysis by activity

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

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

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

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

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

At the end of the current year

Income and expenses according to segmental activities (December 31, 2018)	Corporate	Investments	Individuals	Other businesses	Total
Net interest income	5,118,234,138	730,588,297	3,027,992,851	2,213,144,644	11,089,959,930
Net fee and commission income	1,426,418,587	9,732,149	542,836,152	(23,332,818)	1,955,654,070
Dividend income	-	25,477,281	-	-	25,477,281
Net trading income	256,759,268	-	15,345,295	(222,239,131)	49,865,432
Gain / Loss on financial investments	-	63,095,667	-	-	63,095,667
Impairment credit losses	(508,123,082)	-	(22,167,276)	-	(530,290,358)
Administrative expenses	(1,251,309,246)	(2,568,815)	(1,784,861,234)	63,621,439	(2,975,117,856)
Other operating revenues (expenses)	216,418,794	19,885,658	(159,317,897)	60,590,122	137,576,677
Share of profits of associates	-	84,150	-	-	84,150
Profit before income tax	5,258,398,459	846,294,387	1,619,827,891	2,091,784,256	9,816,304,993
Income tax expense	(1,188,222,128)	(194,669,373)	(358,896,848)	(873,965,104)	(2,615,753,453)
Net profit for the current year	4,070,176,331	651,625,014	1,260,931,043	1,217,819,152	7,200,551,540

Assets and liabilities according to segmental activities (December 31, 2018)	Corporate	Investments	Individuals	Other businesses	Total
Segment activity assets	118,974,674,882	87,004,948,956	21,346,000,379	19,526,009,175	246,851,633,392
Unclassified assets	-	-	-	-	10,408,617,910
Total assets	118,974,674,882	87,004,948,956	21,346,000,379	19,526,009,175	257,260,251,302
Segment activity liabilities	113,997,941,832	-	94,582,833,342	15,486,604,011	224,067,379,185
Unclassified liabilities	-	-	-	-	4,539,395,248
Total liabilities	113,997,941,832	-	94,582,833,342	15,486,604,011	228,606,774,433

At the end of comparative year

Income and expenses according to segmental activities (December 31, 2017)	Corporate	Investments	Individuals	Other businesses	Total
Net interest income	4,017,966,538	692,683,092	2,139,689,051	1,843,987,183	8,694,325,864
Net fee and commission income	1,336,971,867	9,777,825	416,928,209	11,046,344	1,774,724,245
Dividend income	-	18,577,273	-	-	18,577,273
Net trading income	230,089,853	-	16,428,655	(119,956,661)	126,561,847
Gain / Loss on financial investments	-	3,825,174	-	-	3,825,174
Impairment credit losses	(699,641,752)	-	(32,174,834)	-	(731,816,586)
Administrative expenses	(1,000,235,634)	(2,811,710)	(1,506,639,947)	52,014,234	(2,457,673,057)
Other operating revenues (expenses)	248,128,942	19,490,482	(142,037,238)	(190,697,687)	(65,115,501)
Share of profits of associates	-	(36,214)	-	-	(36,214)
Profit before income tax	4,133,279,814	741,505,922	892,193,896	1,596,393,413	7,363,373,045
Income tax expense	(938,980,300)	(166,828,569)	(200,743,627)	(532,166,362)	(1,838,718,858)
Net profit for the comparative year	3,194,299,514	574,677,353	691,450,269	1,064,227,051	5,524,654,187

At the end of comparative year

Assets and liabilities according to segmental activities (December 31, 2017)	Corporate	Investments	Individuals	Other businesses	Total
Segment activity assets	97,201,173,890	68,951,968,869	17,709,347,910	28,213,021,094	212,075,511,763
Unclassified assets	-	-	-	-	10,879,387,091
Total assets	97,201,173,890	68,951,968,869	17,709,347,910	28,213,021,094	222,954,898,854
Segment activity liabilities	106,649,424,301	-	81,324,912,421	6,621,799,972	194,596,136,694
Unclassified liabilities	-	-	-	-	5,852,352,454
Total liabilities	106,649,424,301	-	81,324,912,421	6,621,799,972	200,448,489,148

QNB ALAHLI S.A.E

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For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

(5/B) Segmental analysis by geographic area At the end of current year

Income and expenses according to geographical segments (December 31, 2018)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Net interest income	2,406,005,596	1,751,096,751	1,906,978,567	1,001,050,198	869,155,240	380,092,364	2,775,581,214	11,089,959,930
Net fee and commission income	418,506,691	330,518,780	428,984,440	171,085,818	164,215,891	86,484,609	355,857,841	1,955,654,070
Dividend income	-	-	-	-	-	-	25,477,281	25,477,281
Net trading income	158,078,138	41,185,661	66,061,490	28,023,211	62,669,166	11,658,496	(317,810,730)	49,865,432
Gain / Loss on financial investments	2,363	-	-	-	-	-	63,093,304	63,095,667
Impairment credit losses	(266,076,940)	(22,711,808)	90,218,736	(199,704,020)	(163,554,525)	31,538,199	-	(530,290,358)
Administrative expenses	(798,936,502)	(674,646,473)	(682,551,498)	(399,650,408)	(338,998,858)	(172,484,656)	92,150,539	(2,975,117,856)
Other operating revenues (expenses)	230,687,238	(64,800,846)	(75,038,793)	(33,369,797)	(35,534,997)	(8,775,808)	124,409,680	137,576,677
Share of profits of associates	-	-	-	-	-	-	84,150	84,150
Profit before income tax	2,148,266,584	1,360,642,065	1,734,652,942	567,435,002	557,951,917	328,513,204	3,118,843,279	9,816,304,993
Income tax expense	(497,546,756)	(304,189,297)	(388,535,097)	(126,601,393)	(124,658,061)	(73,378,099)	(1,100,844,750)	(2,615,753,453)
Net profit for the current year	1,650,719,828	1,056,452,768	1,346,117,845	440,833,609	433,293,856	255,135,105	2,017,998,529	7,200,551,540

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	46,697,890,576	31,799,002,865	31,193,114,939	16,739,607,743	14,421,256,129	5,312,786,892	110,699,373,824	256,863,032,968
Unclassified assets	-	-	-	-	-	-	-	397,218,334
Total assets	46,697,890,576	31,799,002,865	31,193,114,939	16,739,607,743	14,421,256,129	5,312,786,892	110,699,373,824	257,260,251,302
Liabilities of geographical segments	61,704,370,340	56,187,741,077	47,498,284,305	28,176,650,844	13,819,814,569	5,149,284,943	14,238,206,705	226,774,352,783
Unclassified liabilities	-	-	-	-	-	-	-	1,832,421,650
Total liabilities	61,704,370,340	56,187,741,077	47,498,284,305	28,176,650,844	13,819,814,569	5,149,284,943	14,238,206,705	228,606,774,433

At the end of comparative year

Income and expenses according to geographical segments (December 31, 2017)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Net interest income	1,850,848,651	1,280,348,329	1,457,832,784	758,643,979	658,811,442	279,797,572	2,408,043,107	8,694,325,864
Net fee and commission income	418,982,445	271,611,848	362,734,459	174,619,500	143,165,626	85,927,259	317,683,108	1,774,724,245
Dividend income	-	-	-	-	-	-	18,577,273	18,577,273
Net trading income	128,537,779	39,470,241	52,838,235	25,031,177	22,622,426	5,453,383	(147,391,394)	126,561,847
Gain / Loss on financial investments	81,828	-	-	-	-	-	3,743,346	3,825,174
Impairment credit losses	(448,153,534)	(17,797,292)	(7,593,982)	(79,443,020)	(72,947,732)	(105,881,026)	-	(731,816,586)
Administrative expenses	(691,927,438)	(529,125,096)	(559,796,315)	(341,553,490)	(278,881,056)	(140,640,169)	84,250,507	(2,457,673,057)
Other operating revenues (expenses)	234,454,104	(47,440,447)	(66,277,229)	(30,430,641)	(25,692,072)	217,360	(129,946,576)	(65,115,501)
Share of profits of associates	-	-	-	-	-	-	(36,214)	(36,214)
Profit before income tax	1,492,823,835	997,067,583	1,239,737,952	506,867,505	447,078,634	124,874,379	2,554,923,157	7,363,373,045
Income tax expense	(335,478,282)	(224,340,206)	(278,941,039)	(114,045,189)	(100,592,693)	(28,096,735)	(757,224,714)	(1,838,718,858)
Net profit for the comparative year	1,157,345,553	772,727,377	960,796,913	392,822,316	346,485,941	96,777,644	1,797,698,443	5,524,654,187

At the end of comparative year

Assets and liabilities according to geographical segments (December 31, 2017)	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Assets of geographical segments	40,932,946,957	22,191,467,322	26,012,099,561	14,551,233,056	12,373,846,699	3,889,877,275	102,661,902,383	222,613,373,253
Unclassified assets	-	-	-	-	-	-	-	341,525,601
Total assets	40,932,946,957	22,191,467,322	26,012,099,561	14,551,233,056	12,373,846,699	3,889,877,275	102,661,902,383	222,954,898,854
Liabilities of geographical segments	63,851,587,356	41,979,651,825	40,918,345,443	26,131,397,400	13,538,794,292	4,898,620,826	6,083,795,270	197,402,192,412
Unclassified liabilities	-	-	-	-	-	-	-	3,046,296,736
Total liabilities	63,851,587,356	41,979,651,825	40,918,345,443	26,131,397,400	13,538,794,292	4,898,620,826	6,083,795,270	200,448,489,148

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

QNB ALAHLI S.A.E

Notes to the Consolidated Financial Statement

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

6- Net interest income	December 31, 2018	December 31, 2017
Interest from loans and similar income:		
Loans and credit facilities:		
- Customers	17,193,204,167	13,861,478,693
Total	17,193,204,167	13,861,478,693
Treasury bills and bonds	12,503,346,781	10,120,810,047
Deposits and current accounts	895,655,699	615,775,316
Net interest differential on hedging instruments (IRS contracts)	4,224,417	-
Total	30,596,431,064	24,598,064,056
Cost of deposits and similar expense :		
Deposits and current accounts:		
- Banks	(655,266,567)	(442,026,805)
- Customers	(18,500,031,524)	(15,117,895,142)
Total	(19,155,298,091)	(15,559,921,947)
REPO arrangements	(112,500,521)	(110,509,082)
Other loans	(238,672,522)	(233,307,163)
Total	(19,506,471,134)	(15,903,738,192)
Net	11,089,959,930	8,694,325,864
7- Net fee and commission income:	December 31, 2018	December 31, 2017
Fee and commission income		
Credit fees and commissions	1,561,161,223	1,445,290,227
Custody fees	31,130,262	24,692,708
Investments commissions	13,104,606	9,676,413
Other fees	741,854,771	590,401,443
Total	2,347,250,862	2,070,060,791
Fee and commission expense:		
Brokerage fees	(4,108,895)	(3,557,156)
Other fees	(387,487,897)	(291,779,390)
Total	(391,596,792)	(295,336,546)
Net	1,955,654,070	1,774,724,245
8- Dividend income	December 31, 2018	December 31, 2017
Investment funds	500,000	550,000
Available-for-sale investments	24,977,281	18,027,273
Total	25,477,281	18,577,273
9- Net trading income:	December 31, 2018	December 31, 2017
Forex operations:		
Foreign exchange trading gains (loss)	33,858,470	209,679,147
Investment funds held for trading	9,701,988	10,808,154
Changes in fair value of currency forward contracts	2,672,021	(100,619,618)
Changes in fair value of currency swap contracts	3,662,219	6,694,164
Net loss from IRS contracts	(29,266)	-
Total	49,865,432	126,561,847
10- Administrative expenses	December 31, 2018	December 31, 2017
Staff cost:		
Salaries and wages	1,242,249,059	1,103,661,717
Social insurance	66,100,080	53,583,088
Pension cost:		
Defined contribution scheme	78,945,985	70,788,771
Other retirement benefits (Defined benefit scheme)	93,539,843	73,628,685
	1,480,834,967	1,301,662,261
Depreciation and amortization	244,469,515	227,496,968
Other administrative expenses	1,249,813,374	928,513,828
Total	2,975,117,856	2,457,673,057

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Notes to the Consolidated Financial Statement

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(All amounts are shown in Egyptian Pounds)

11- Other operating revenues (expenses)	December 31, 2018	December 31, 2017
Foreign exchange differences from translation of foreign currency monetary assets and liabilities other than held for trading items and those classified as at fair value through profit or loss on initial recognition	44,061,041	(119,379,184)
Gain on sale of Property and Equipment	6,434,554	2,358,412
Software cost	(138,633,994)	(130,557,382)
Operating lease rental expense	(99,654,607)	(85,531,344)
Gain on sale of foreclosed assets reverted to the bank in settlement of debts	12,404,761	-
Other provisions (net of reversed amounts)	(3,057,571)	(50,053,443)
Finance leases revenue	935,030,254	992,335,316
Other leasing revenues	25,574,924	16,696,662
Depreciation of leased assets	(570,693,377)	(618,217,139)
Impairment loss on leased assets	(59,290,997)	(73,761,548)
Net return received from Insurance activity*	(34,555,189)	(18,627,779)
Other income (expense)	19,956,878	19,621,928
Total	137,576,677	(65,115,501)

*The following table summarize net return received from Insurance activity:	December 31, 2018	December 31, 2017
Direct premium	573,385,330	434,921,832
Re-insurance premium ceded	(45,022,383)	(60,955,718)
Technical reserve during the year	(426,437,706)	(261,015,151)
Outgoing re-insurance commissions	1,964,800	3,183,480
Other revenues	16,169,965	16,281,685
Claims Paid	(161,656,356)	(145,359,890)
Re-insurance pay-back claim	25,000,952	12,917,625
Change in Provision for Outstanding Claims Balance	(6,396,341)	(10,307,991)
Allowance for impairment on receivable arising from insurance contracts	(11,563,450)	(8,293,651)
Total	(34,555,189)	(18,627,779)

12- Impairment credit losses	December 31, 2018	December 31, 2017
Loans and credit facilities to customers	(530,290,358)	(731,816,586)
Total	(530,290,358)	(731,816,586)

13- Income tax expense	December 31, 2018	December 31, 2017
Current tax	(2,617,039,565)	(1,886,748,022)
Deferred tax	1,286,112	48,029,164
Total	(2,615,753,453)	(1,838,718,858)

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

Profit before tax	9,816,304,993	7,363,373,045
Income tax calculated at 22.5 % tax rate	2,208,668,623	1,656,758,935
Tax impact for:		
Non-taxable income	(27,096,425)	(13,203,512)
Non-deductible expenses for tax purposes	371,977,569	169,285,980
Utilized of deferred tax assets	(14,001,329)	(9,898,838)
Prior-years' tax settlements	29,675,916	(2,187,600)
Provision and segregated interest	45,334,892	84,203,354
Tax deterministic (10% on dividend income)	2,480,319	1,789,703
Effective income tax expense	2,617,039,565	1,886,748,022

QNB ALAHLI S.A.E

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(All amounts are shown in Egyptian Pounds)

Tax Position

A) QNB ALAHLI Position:

A-1) Corporate Tax

- › The Bank's accounts were tax-inspected and settled with respect to Tax since the beginning of activity till the end of December, 2010.
- › Years 2011 and 2012 transferred to court.
- › Years 2013 till 2016 have been inspected, and the due tax was paid.
- › Year 2017 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 2015.
- › Year 2016 under inspection by tax authority.
- › Year 2017 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.
- › Years from August 01, 2006 till December 31, 2016 have been inspected, and the due tax was paid.
- › Period from January 01, 2017 till December 31, 2017 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.

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

C-1) Corporate Tax

- › Years from activity inception until 2011, the Company was tax inspected, tax assessment was carried out and the payment thereof was made.
- › Years 2012 till 2016 the company submitted its tax return on the due date according to law No. 91 of year 2005 and under inspection by tax authority.
- › Year 2017 the company submitted its tax return on the due date according to law No. 91 of year 2005 and books have not been inspected yet.

C-2) Salary tax

- › Years from activity inception until December 31, 2012, the Company was tax inspected, tax assessment was carried out and the payment thereof was made. Years from 2013 to 2017, no tax inspection has been carried out up till date.

C-3) Stamp duties

- › Years from activity inception until 2017, the Company was tax inspected and the tax assessment was carried out and the payment thereof was made.

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

D-1) Corporate Tax

- › The company is subject to income tax law No. 91 of 2005 and its executive statute and law No. 44 of 2014.
- › Years 2012 till 2016, the company submitted the tax returns on the due date and this years under inspection by tax authority.
- › Year 2017, the company submitted the tax returns on the due date.

D-2) Salary tax

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

C-3) Stamp duties

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

D-3) Withholding tax

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

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

E-1) Corporate Tax

- › The company has received deemed tax claim from inception till 30 June 2005. The company objected the deemed tax at the due date and transferred to appeal committee.
- › Years from 1 July 2005 to 30 June 2008, no tax inspection has taken place.
- › Years from 1 July 2008 to 30 June 2012, the tax authority inspection and settlement took place and the final settlement have been made.
- › Years from 1 July 2012 to 30 June 2017, the company submitted its tax return and the required documents are under preparation by the company to start inspection.

E-2) Salary tax

- › The tax authority inspection and settlement took place for the year since inception till 2010.
- › Years from 2011 up to 30 June 2012, the tax authority inspection took place and the company objected the results in the due dates for the years and internal committee approved to pay the due tax.
- › Years from 2013 up to June 2016, the company deduct tax dues from employee's salaries and transfer it to tax authority and the required documents are under preparation by the company to start inspection.

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E-3) Stamp duties

- › The tax authority inspection and settlement took place for the year since inception till June 2012.
- › Years from 1 July 2012 till 30 June 2017 have been inspected and final tax settlement under preparation.

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

F-1) Corporate Tax

- › Years from 2002 till 2004, the company has been inspected, and the due tax was paid for some items and remaining items was have been transferred to the internal committee.
- › Years from 2005 till 2006 have been transferred to the internal committee.
- › Years from 2007 till 2010, the company have been inspected, and the due tax was paid for some items and remaining items was have been transferred to the internal committee.
- › Years from 2011 till 2014, prepare to inspection.
- › Years 2015 till 2017, the company submitted its tax return in the due date and books have not been inspected yet.

F-2) Salaries Taxes

- › Years from 2002 till 2004, the tax inspection was took place and internal committee was agreed and tax claim was paid.
- › Years from 2005 till 2014 were inspected and finalized with nothing.

14- Earnings Per Share	December 31, 2018	December 31, 2017
Net Profit for the year	6,917,503,916	5,293,572,517
Remuneration for the Board Members (from the year's net profit)*	(13,781,250)	(11,250,000)
Staff profit share (from the year's net profit)*	(691,726,139)	(528,980,970)
Profit available to shareholders	6,211,996,527	4,753,341,547
Weighted average number of the shares outstanding during the year	979,464,985	979,464,985
** Earning Per Share	6.34	4.85

* Based on the Bank's Profit Distribution Proposal Statement, the amount will be subject to the ordinary GAM approval.

** Based on separate financial statements.

15- Cash and due from Central Bank of Egypt (CBE)	December 31, 2018	December 31, 2017
Cash	4,810,763,221	4,095,272,633
Balances with CBE (mandatory reserve)	6,940,189,599	11,298,758,528
Total	11,750,952,820	15,394,031,161
Interest free balances	11,750,952,820	15,394,031,161
Total	11,750,952,820	15,394,031,161

16- Due from Banks	December 31, 2018	December 31, 2017
Current accounts	775,303,876	973,654,026
Deposits	10,747,350,364	14,803,375,612
Total	11,522,654,240	15,777,029,638
Balances at CBE other than those under the mandatory reserve	4,546,120,181	9,648,340,223
Local banks	5,775,296,281	4,240,775,765
Foreign Banks	1,201,237,778	1,887,913,650
Total	11,522,654,240	15,777,029,638
Interest free balances	493,568,846	720,976,508
Balances at floating interest rates	281,735,030	252,677,518
Balances at fixed interest rates	10,747,350,364	14,803,375,612
Total	11,522,654,240	15,777,029,638
Current balances	10,582,654,240	15,401,729,638
Non-current balances	940,000,000	375,300,000
Total	11,522,654,240	15,777,029,638

17- Treasury bills	December 31, 2018	December 31, 2017
91 days maturity	2,743,975,000	356,275,000
182 days maturity	10,136,700,000	1,473,575,000
More than 182 days maturity	39,161,663,320	35,906,651,990
Less : Unearned interest	(2,670,986,295)	(2,208,655,037)
Total	49,371,352,025	35,527,846,953
Less: Repos transaction	(1,226,703,061)	(511,288,683)
Net	48,144,648,964	35,016,558,270

18- Trading investments	December 31, 2018	December 31, 2017
Mutual Fund certificates	76,808,191	50,954,671
Total	76,808,191	50,954,671

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(All amounts are shown in Egyptian Pounds)

19- Loans and credit facilities to customers, net		December 31, 2018		December 31, 2017	
Individuals					
Overdrafts		2,709,089,554		2,566,656,961	
Credit cards		780,771,323		623,355,144	
Personal loans		16,842,957,877		13,788,323,910	
Real estate loans		1,364,731,959		1,060,946,460	
Total (1)		21,697,550,713		18,039,282,475	
Corporate including small loans for businesses					
Overdrafts		56,468,593,623		48,399,727,621	
Direct loans		39,778,805,262		29,692,871,284	
Syndicated loans and facilities		21,037,425,327		17,508,676,678	
Other loans		4,929,776,398		4,528,924,650	
Total (2)		122,214,600,610		100,130,200,233	
Total loans and credit facilities to customers (1+2)		143,912,151,323		118,169,482,708	
Less: Allowance for impairment losses		(5,755,361,264)		(5,328,157,211)	
Less: Segregated interest		(5,985,581)		(10,766,966)	
Less: Unearned discount		(185,742,654)		(233,788,754)	
Net amount distributed as follows:		137,965,061,824		112,596,769,777	
Current balances		102,980,624,194		81,537,373,398	
Non-current balances		34,984,437,630		31,059,396,379	
Total		137,965,061,824		112,596,769,777	
19-A Allowance for impairment losses		December 31, 2018			
Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at the 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	2,944,824,498	543,886,745	164,602,847	4,998,344,834
Net impairment loss recognized during the year	(34,974,750)	282,681,419	273,409,100	(12,992,687)	508,123,082
Loans written-off during the year	-	(136,639,548)	-	(746,134)	(137,385,682)
Collections of loans previously written-off	-	30,719,099	-	-	30,719,099
Foreign exchange translation differences	1,129,442	2,472,811	456,709	72,823	4,131,785
Balance at end of the year	1,311,185,436	3,124,058,279	817,752,554	150,936,849	5,403,933,118
Total					5,755,361,264
		December 31, 2017			
Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at beginning of the year	39,309,672	22,649,363	256,283,856	13,632,808	331,875,699
Net impairment loss recognized during the year	17,943,788	692,934	12,982,571	555,541	32,174,834
Loans written-off during the year	(2,672,004)	(8,075,354)	(32,769,659)	-	(43,517,017)
Collections of loans previously written-off	-	-	9,287,037	-	9,287,037
Foreign exchange translation differences	-	-	(8,176)	-	(8,176)
Balance at end of the year	54,581,456	15,266,943	245,775,629	14,188,349	329,812,377
Corporate	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Balance at beginning of the year	1,342,442,081	2,282,697,877	567,955,188	133,402,023	4,326,497,169
Net impairment loss recognized during the year	5,989,885	684,830,631	(22,629,467)	31,450,703	699,641,752
Loans written-off during the year	-	(59,514,579)	-	-	(59,514,579)
Collections of loans previously written-off	-	42,594,031	-	-	42,594,031
Foreign exchange translation differences	(3,401,222)	(5,783,462)	(1,438,976)	(249,879)	(10,873,539)
Balance at end of the year	1,345,030,744	2,944,824,498	543,886,745	164,602,847	4,998,344,834
Total					5,328,157,211

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20- Financial Derivatives

	December 31, 2018		
	Notional amount	Assets	Liabilities
(A) Held for trading			
- Forward foreign exchange contracts	1,559,595,700	-	16,658,198
- Swap foreign exchange contracts	4,117,182,018	-	(15,412,528)
Total	5,676,777,718	-	1,245,670
(B) Fair value hedge			
- Interest rate swap contracts	3,490,912,800	3,796,045	-
Total	3,490,912,800	3,796,045	-
Total	9,167,690,518	3,796,045	1,245,670

		December 31, 2017	
	Notional amount	Assets	Liabilities
(A) Held for trading			
- Forward foreign exchange contracts	1,482,382,708	-	19,330,219
- Swap foreign exchange contracts	2,828,362,351	-	(11,750,309)
Total	4,310,745,059	-	7,579,910

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 resulting from hedging instruments (Interest rate swap) Asset with amount EGP 3,796,045 as of December 31, 2018. Gain resulting from hedging instruments EGP 3,796,045 and Loss arose from the hedged items reached EGP 3,825,311.

21- Financial investments

Available-for-sale investments	December 31, 2018	December 31, 2017
(A) Debt Instruments at Fair Value:		
Listed Instruments in Egyptian Stock Exchange Market	-	47,678,475
Listed Instruments in Foreign Stock Exchange Market	2,024,527,686	2,368,990,707
Total Debt Instruments	2,024,527,686	2,416,669,182
(B) Equity Instruments at Fair Value:		
Listed Instruments in Egyptian Stock Exchange Market	97,190,584	84,107,218
(C) Money Market Funds and Balanced Funds:		
Unlisted Instruments in Stock Exchange Market	45,449,175	33,276,520
(D) Equity Instruments at Cost Method:		
Unlisted Instruments in Stock Exchange Market	133,278,840	163,953,798
Total Available-for-sale investments (1)	2,300,446,285	2,698,006,718
Held to maturity investments		
(A) Debt Instruments:		
Listed Instruments in Stock Exchange Market	36,673,872,272	31,490,722,258
Unlisted Instruments in Stock Exchange Market	864,133,567	825,533,658
Total Debt Instruments	37,538,005,839	32,316,255,916
(B) Mutual funds:		
Unlisted Instruments in Stock Exchange Market*	15,000,000	15,000,000
Total held to maturity investments (2)	37,553,005,839	32,331,255,916
Total Financial Investments (1+2)	39,853,452,124	35,029,262,634
Current balances	4,356,094,616	4,117,579,200
Non-current balances	35,497,357,508	30,911,683,434
Total	39,853,452,124	35,029,262,634
Fixed interest debt instruments	39,562,533,525	34,732,925,098
Total Debt Instruments	39,562,533,525	34,732,925,098

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The following table analyzes movement on financial investments during the year

	Available-for-sale investments	Held to maturity investments
Balance at the beginning of the current year	2,698,006,718	32,331,255,916
Additions	176,628,565	8,598,974,199
Amortization of premium / discount	(43,783,070)	108,796,425
Disposals (sale/redemption)	(531,771,087)	(3,732,403,000)
Translation differences resulting from monetary foreign currency assets	23,513,298	8,800,246
Changes in fair value reserve	(22,148,139)	237,582,053
Balance at the end of the current year	2,300,446,285	37,553,005,839

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

	Available-for-sale investments	Held to maturity investments
Balance at the beginning of the comparative year	2,788,032,396	26,800,796,956
Additions	382,593,117	9,179,710,880
Amortization of premium / discount	(37,787,836)	313,034,683
Disposals (sale/redemption)	(420,336,821)	(4,335,547,000)
Translation differences resulting from monetary foreign currency assets	(32,388,228)	85,894,865
Changes in fair value reserve	17,894,090	287,365,532
Balance at the end of the comparative year	2,698,006,718	32,331,255,916

Gain / Loss on financial investments	December 31, 2018	December 31, 2017
Gain on sale / redemption of Available-for-sale assets	63,095,667	3,825,174
Total	63,095,667	3,825,174

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

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22- Investments in associates

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

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 stake
Senouhi Company for Construction Materials (Associates)	Egypt	14,140,443	3,116,776	17,419,379	(74,447)	2,545,366	23.09%
Total		14,140,443	3,116,776	17,419,379	(74,447)	2,545,366	

December 31, 2017	Country of residence	Investee's assets	Investee's liabilities (excluding equity)	Investee's revenues	Investee's profit (loss)	Carrying amount	The bank stake
Senouhi Company for Construction Materials (Associates)	Egypt	13,640,790	2,981,566	20,011,449	76,416	2,461,216	%23.09
Total		13,640,790	2,981,566	20,011,449	76,416	2,461,216	

23- Intangible assets

	December 31, 2018	December 31, 2017
Software		
Net book value at the beginning of the year	115,937,261	120,534,920
Addition	93,906,947	47,066,663
Amortization	(47,604,769)	(51,664,322)
Net book value at the end of the year	162,239,439	115,937,261

24- Other assets

	December 31, 2018	December 31, 2017
Accrued revenues	2,403,976,471	2,078,627,818
Pre-paid expenses	82,065,070	74,291,411
Advance payments for acquisition of Property and Equipment	172,949,968	182,515,778
Foreclosed assets reverted to the bank in settlement of debts	7,781,996	36,424,683
Deposits held with others and custody	10,346,019	8,864,647
Advance payments to tax authority	31,999,987	1,671,188,942
Receivables arising from insurance contracts, net	1,532,749	2,465,083
Others	252,372,768	279,060,469
Total	2,963,025,028	4,333,438,831

25- Assets leased under finance lease arrangements, net

	December 31, 2018	December 31, 2017
Leased assets under finance leases	2,448,538,889	2,385,713,500
Leased assets – under settlement account	(106,061,850)	(81,996,471)
Total	2,342,477,039	2,303,717,029

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The following table analyzes movement on financial investments during the year

	Building	Vehicles	Equipment	Computers	Total
Cost					
January 1, 2017	1,005,266,557	1,340,439,264	2,123,140,934	10,299,999	4,479,146,754
Additions	62,769,349	215,864,529	235,698,195	-	514,332,073
Disposals	(121,524,290)	(246,905,406)	(302,707,966)	-	(671,137,662)
Total	946,511,616	1,309,398,387	2,056,131,163	10,299,999	4,322,341,165
Accumulated depreciation					
January 1, 2017	124,860,968	560,300,312	1,043,700,063	2,930,416	1,731,791,759
Depreciation for the year	39,632,842	250,267,751	325,925,552	2,390,994	618,217,139
Disposals	(17,394,058)	(166,759,348)	(229,227,827)	-	(413,381,233)
Total	147,099,752	643,808,715	1,140,397,788	5,321,410	1,936,627,665
Net book value as of					
December 31, 2017	799,411,864	665,589,672	915,733,375	4,978,589	2,385,713,500
Cost					
January 1, 2018	946,511,616	1,309,398,387	2,056,131,163	10,299,999	4,322,341,165
Additions	19,000,000	392,299,685	542,776,763	2,499,000	956,575,448
Disposals	(105,323,286)	(410,981,900)	(271,470,726)	(9,000,000)	(796,775,912)
Total	860,188,330	1,290,716,172	2,327,437,200	3,798,999	4,482,140,701
Accumulated depreciation					
January 1, 2018	147,099,752	643,808,715	1,140,397,788	5,321,410	1,936,627,665
Depreciation for the year	37,440,683	217,655,230	315,401,589	195,875	570,693,377
Disposals	(23,708,342)	(264,458,436)	(180,365,487)	(5,186,965)	(473,719,230)
Total	160,832,093	597,005,509	1,275,433,890	330,320	2,033,601,812
Net book value as of					
December 31, 2018	699,356,237	693,710,663	1,052,003,310	3,468,679	2,448,538,889

26- Property and Equipment	Lands and buildings	Renovations of leased assets	Machinery & equipment	Others	Total
January 1, 2017					
Cost	2,018,732,180	146,490,244	617,974,903	147,558,329	2,930,755,656
Accumulated depreciation	(475,056,211)	(104,960,367)	(425,274,457)	(96,522,045)	(1,101,813,080)
Net book value	1,543,675,969	41,529,877	192,700,446	51,036,284	1,828,942,576
December 31, 2017					
Net book value at the beginning of the year	1,543,675,969	41,529,877	192,700,446	51,036,284	1,828,942,576
Additions	256,036,180	12,369,962	98,211,348	89,472,856	456,090,346
Disposals from Property and Equipment	(3,071,742)	(3,172,630)	(2,468,833)	(5,106,103)	(13,819,308)
Disposals from accumulated depreciation	3,071,742	3,172,630	2,468,833	5,055,853	13,769,058
Deprecation for the year	(80,705,250)	(10,053,006)	(67,935,359)	(17,139,031)	(175,832,646)
Net book value	1,719,006,899	43,846,833	222,976,435	123,319,859	2,109,150,026
January 1, 2018					
Cost	2,271,696,618	155,687,576	713,717,418	231,925,082	3,373,026,694
Accumulated depreciation	(552,689,719)	(111,840,743)	(490,740,983)	(108,605,223)	(1,263,876,668)
Net book value	1,719,006,899	43,846,833	222,976,435	123,319,859	2,109,150,026
December 31, 2018					
Net book value at the beginning of the year	1,719,006,899	43,846,833	222,976,435	123,319,859	2,109,150,026
Additions	183,440,842	40,218,505	77,453,979	24,609,012	325,722,338
Disposals from Property and Equipment	(409,267)	-	(175,901)	(14,865)	(600,033)
Disposals from accumulated depreciation	43,738	-	145,139	14,865	203,742
Deprecation for the year	(93,195,161)	(10,513,466)	(73,880,736)	(19,275,383)	(196,864,746)
Net book value	1,808,887,051	73,551,872	226,518,916	128,653,488	2,237,611,327
Balances at December 31, 2018					
Cost	2,454,728,193	195,906,081	790,995,496	256,519,229	3,698,148,999
Accumulated depreciation	(645,841,142)	(122,354,209)	(564,476,580)	(127,865,741)	(1,460,537,672)
Net book value	1,808,887,051	73,551,872	226,518,916	128,653,488	2,237,611,327

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27- Due to banks	December 31, 2018	December 31, 2017
Current accounts	600,111,378	420,017,927
Deposits	10,880,964,831	3,321,924,784
Total	11,481,076,209	3,741,942,711
Central banks	13,682	13,540
Local banks	10,881,443,503	3,221,973,420
Foreign banks	599,619,024	519,955,751
Total	11,481,076,209	3,741,942,711
Non-interest bearing balances	587,769,500	375,461,705
Variable interest rate balances	12,341,878	44,556,222
Fixed interest rate balances	10,880,964,831	3,321,924,784
Total	11,481,076,209	3,741,942,711
Current balances	11,481,076,209	3,741,942,711
Total	11,481,076,209	3,741,942,711

28- Customer deposits	December 31, 2018	December 31, 2017
Demand deposits	49,999,517,143	47,523,287,137
Time deposits and call accounts	83,248,778,736	74,660,954,784
Term saving certificates	43,303,912,000	41,127,862,000
Saving deposits	22,032,580,475	15,858,127,669
Other deposits*	6,700,731,429	5,706,672,588
Total	205,285,519,783	184,876,904,178
Corporate deposits	110,702,686,441	103,551,991,757
Retail deposits	94,582,833,342	81,324,912,421
Total	205,285,519,783	184,876,904,178
Non-interest bearing balances	28,969,531,271	25,545,513,932
Variable interest rate balances	64,689,210,726	47,174,917,128
Fixed interest rate balances	111,626,777,786	112,156,473,118
Total	205,285,519,783	184,876,904,178
Current balances	162,680,503,881	150,988,096,703
Non-current balances	42,605,015,902	33,888,807,475
Total	205,285,519,783	184,876,904,178

* Other deposits include deposits covering irrevocable letters of credit in the total of EGP 296,800,153 as of December 31, 2018 (December 31, 2017 EGP 477,771,504). The fair value of these deposits approximates its carrying amount.

29- Other loans	December 31, 2018	December 31, 2017
Union National Bank	44,769,744	98,473,174
National Bank of Egypt	202,331,541	42,675,073
Commercial International Bank	120,533,333	62,000,000
European Investment Bank	177,428,601	-
Egyptian Gulf Bank	4,997,435	12,223,192
Qatar National Bank	1,880,928,000	1,861,408,500
Audi Bank	40,027,861	132,099,962
European Bank for Reconstruction and Development	2,254,000,033	1,690,663,092
Alex Bank	25,274,715	299,858,027
Banque Misr	102,698,111	64,742,780
National Bank of Kuwait	146,200,678	77,407,647
The Micro, Small and Medium Enterprises Development Agency	30,000,000	-
Suez Canal Bank	209,354,976	-
Total	5,238,545,028	4,341,551,447
Current balances	3,254,419,731	3,196,016,848
Non-current balances	1,984,125,297	1,145,534,599
Total	5,238,545,028	4,341,551,447

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30- Other liabilities	December 31, 2018	December 31, 2017
Accrued interest	1,322,347,593	1,730,767,890
Unearned revenues	111,941,566	114,979,497
Accrued expenses	569,675,874	444,646,624
Due to insurance and re-insurance companies	92,531,690	79,599,203
Sundry credit balances	610,476,875	436,062,504
Total	2,706,973,598	2,806,055,718

31- Other provisions

Description	December 31, 2018					
	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	626,675,112	10,561,187	(13,600,000)	-	(277,762,112)	345,874,187
Provision for Legal claims	50,598,500	169,974	(37,243,544)	(186,111)	(571,015)	12,767,804
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	960,336,762	53,901,115	(50,843,544)	783,565	(278,333,127)	685,844,771

Description	December 31, 2017					
	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	582,534,748	49,681,428	-	-	(5,541,064)	626,675,112
Provision for Legal claims	54,431,774	2,568,163	(4,217,698)	(1,143,179)	(1,040,560)	50,598,500
Provision for contingent liabilities	242,419,180	8,249,409	-	(2,315,627)	-	248,352,962
Provision for fidelity	42,105,131	-	(6,227,859)	(1,052,146)	(114,938)	34,710,188
Total	921,490,833	60,499,000	(10,445,557)	(4,510,952)	(6,696,562)	960,336,762

32- Insurance Policyholders' Rights	December 31, 2018	December 31, 2017
Technical Reserves for Insurance activities	1,984,188,857	1,557,751,151
Provision for outstanding claims	76,803,638	70,407,297
Total	2,060,992,495	1,628,158,448

33- Deferred income tax

Deferred tax has been calculated on all temporary tax differences using the balance sheet method and using the expected tax rate on a time that the bank will recognize a benefit from assets / incurred liabilities at a tax rate of (22.5%) for the current financial year. The bank does not offset deferred tax assets and deferred tax liabilities unless the bank has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Deferred tax assets and liabilities

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

Balances of deferred tax assets and liabilities:	Deferred tax assets		Deferred tax liabilities	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Tax impact on temporary differences arising from:				
Property and Equipment	-	-	(69,000,892)	(54,010,601)
Provisions (other than the provision for loan impairment)	274,622,539	261,082,495	-	-
Changes in fair value of Available-for-sale investments	7,139,032	-	-	(965,411)
Effect of changes in accounting policies	-	-	(3,650,069)	(3,650,069)
Others	25,868,285	23,131,926	-	-
Deferred tax assets (liabilities)	307,629,856	284,214,421	(72,650,961)	(58,626,081)
Net balance of DTA (DTL)	234,978,895	225,588,340		

Movement of deferred tax assets and liabilities:	Deferred tax assets		Deferred tax liabilities	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Beginning balance	284,214,421	226,963,378	(58,626,081)	(54,410,010)
DT recognized / utilized during the year	23,415,435	57,251,043	(14,024,880)	(4,216,071)
Closing balance	307,629,856	284,214,421	(72,650,961)	(58,626,081)

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

	December 31, 2018	December 31, 2017
Cumulative change in fair value of Available-for-sale	7,139,032	(965,411)
Effect of changes in accounting policies (special reserve)	(3,244,506)	(3,244,506)

34- Defined benefits obligation

	December 31, 2018	December 31, 2017
Amounts recognized in the statement of financial position:		
Liability for post-retirement medical benefits	437,821,485	365,403,368
Amounts recognized in the income statement:		
Post-retirement medical benefits	93,539,843	73,628,685
Post-retirement medical benefits obligation constitutes of:		
Balances shown in the statement of financial position are represented as follows:		
Present value of unfunded liabilities	342,208,971	445,073,009
Unrecognized actuarial loss	95,612,514	(79,669,641)
	437,821,485	365,403,368

Liability movements during the year are represented as follows:

Balance at the beginning of the financial year	365,403,368	308,097,463
Current service cost	19,530,782	15,585,160
Interest cost	67,742,209	57,357,795
Actuarial losses	6,266,852	685,730
Benefits paid	(21,121,726)	(16,322,780)
	437,821,485	365,403,368

Amounts recognized in the income statement are shown below:

Current service cost	19,530,782	15,585,160
Interest cost	67,742,209	57,357,795
Actuarial losses recognized during the year	6,266,852	685,730
	93,539,843	73,628,685

The main actuarial assumptions used by the bank are outlined below:

	December 31, 2018	December 31, 2017
Discount rate (two plans):		
A-QNB ALAHLI current employees plan	18.10%	15.74%
B-Ex-MIBank retirees plan	18.10%	15.74%
QNB ALAHLI long term increase in the cost of medical care (on top of inflation)	13.28%	13.78%
Ex-MIBank long term increase in the cost of medical care (on top of inflation)	13.28%	13.78%
Sensitivities to +1% in discount rate (duration of the plan):	Service cost	DBO
Post-retirement medical benefits	16.98%	14.92%

35- Issued and paid-up capital

(A) Authorized Capital

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

(B) Issued and Paid up Capital

- The issued and paid up capital amounted to EGP 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.

QNB ALAHLI S.A.E

Notes to the Consolidated Financial Statement

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

36- Reserves and retained earnings

(1) Reserves

	December 31, 2018	December 31, 2017
General reserve (a)	8,531,087,699	7,326,936,116
General banking risk reserve (b)	2,781,992	8,974,023
Legal reserve (c)	1,287,748,276	1,023,166,558
Available-for-sale investments revaluation reserve (d)	(679,166,099)	(902,704,456)
Special reserve (e)	173,681,968	173,681,968
Capital reserve	12,054,965	10,116,810
IFRS 9 Reserve	1,282,925,633	-
Reserve for transactions under common control	4,000,483	4,000,483
Total reserves at the end of the year	10,615,114,917	7,644,171,502

On January 28, 2018, Central Bank of Egypt issued instructions indicating the following:

Creating IFRS 9 risk reserve (1% of the total weighted credit risk) deducted from 2017 net profit after tax, to be used after obtaining CBE's approval. Also The bank is committed to implement IFRS 9 requirements starting from 01 January 2019.

Reserve movements are as follows:

(a) General reserve

	December 31, 2018	December 31, 2017
Balance at the beginning of the financial year	7,326,936,116	5,262,955,370
Transferred from retained earnings	2,094,574,293	3,548,018,596
Transferred to capital increase	(890,422,710)	(1,484,037,850)
Balance at the end of the year	8,531,087,699	7,326,936,116

(b) General banking risk reserve

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	8,974,023	7,149,356
Transferred to / from retained earnings	(6,192,031)	1,824,667
Balance at the end of the year	2,781,992	8,974,023

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

(c) Legal Reserve

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	1,023,166,558	821,487,038
Transferred from the net profit for the prior year	264,581,718	201,679,520
Balance at the end of the year	1,287,748,276	1,023,166,558

(d) Available-for-sale Investments Revaluation Reserve

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	(902,704,456)	(1,212,969,886)
Net gains (losses) resulting from changes in fair value during the year (Note 21)	215,433,914	305,259,622
Deferred tax recognized during the year (Note 33)	8,104,443	5,005,808
Balance at the end of the year	(679,166,099)	(902,704,456)

(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:

	December 31, 2018	December 31, 2017
Allowance for loans and credit facilities to customers	112,739,320	112,739,320
Contingent liabilities provision	39,486,484	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
Applying the equity method on investments in associates	26,637,789	26,637,789
Deferred tax (Tax impact on adjustments)	(22,288,030)	(22,288,030)
Available-for-sale investments (Equity instruments)	16,458,868	16,458,868
Total	173,681,968	173,681,968

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Notes to the Consolidated Financial Statement

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

Profit for the year and retained earnings	December 31, 2018	December 31, 2017
Movements on retained earnings:		
Balance at the beginning of year	5,957,977,053	4,628,357,566
Net profit of the financial year	7,200,541,436	5,524,645,458
Previous year's profit distribution	(712,338,172)	-
Employees' profit share	(552,434,562)	(434,250,367)
Board of directors' remuneration	(12,250,000)	(9,250,000)
Transferred to capital reserve	(1,938,155)	(2,821)
Transferred to general reserve	(2,094,574,293)	(3,548,018,596)
Transferred to the legal reserve	(264,581,718)	(201,679,520)
Transferred to IFRS 9 reserve	(1,282,925,633)	-
Transferred from / to general banking risk reserve	6,192,031	(1,824,667)
Balance at the end year	8,243,667,987	5,957,977,053

37- 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.

	December 31, 2018	December 31, 2017
Cash and balances with central banks	4,810,763,221	4,095,272,633
Due from banks in less than 3 months	10,552,654,240	14,072,152,138
Treasury bills and other governmental notes (91 days)	2,681,053,671	355,328,108
Total	18,044,471,132	18,522,752,879

38- Contingent liabilities and other commitments

(a) Legal claims (litigation)

Several lawsuits were brought against the bank and are still outstanding as of December 31, 2018. No provision has been formed since it is not probable the bank will incur losses in regard of these lawsuits.

(b) Capital commitments:

The Bank is a party to contracts for capital commitments amounting to EGP 373,156,102 as of December 31, 2018 (EGP 325,331,869 on December 31, 2017). These represent commitments by the bank for the purchases of buildings and equipment. Management is sufficiently confident that net profit shall be realized and finance shall be made available to cover these commitments.

(c) Commitments for loans, guarantees, and facilities

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

	December 31, 2018	December 31, 2017
Financial guarantees	357,500	357,500
Loan commitments	16,053,382	71,746,953
Accepted papers	2,249,112,360	1,285,753,623
L/Gs	39,879,061,700	40,288,788,400
Import L/Cs	2,484,330,532	4,821,963,294
Export L/Cs	801,942,333	137,771,834
Other contingent liabilities	691,158,344	1,534,803,216
Total	46,122,016,151	48,141,184,820

(d) Commitments under operating lease contracts

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

	December 31, 2018	December 31, 2017
Not more than one year	84,797,020	82,226,668
More than one year and less than 5 years	194,655,635	161,266,592
More than 5 years	42,142,805	53,716,265
Total	321,595,460	297,209,525

QNB ALAHLI S.A.E

Notes to the Consolidated Financial Statement

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

39- 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% in 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 parents other than the payment of dividends on ordinary shares:

QNB Group	December 31, 2018	December 31, 2017
Due from banks	1,867,831	833,687
Due to banks	81,271,323	241,151,061
LGs for Banks	8,222,151,499	11,849,759,965
Foreign exchange derivative	3,883,412,316	2,828,362,351
Interest rate swap contracts	3,490,912,800	-
Other loans	1,880,928,000	1,861,408,500

A- Loans and credit facilities to related parties

Directors and others key management personnel (and close family members)

Associates

	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Outstanding loans at the beginning of the financial year	111	111	134	1,002,612
Loans issued during the financial year	-	-	29	-
Loans repayment during the financial year	-	-	(125)	(1,002,478)
Loans outstanding at the end of the financial year	111	111	38	134
Interest income on loans	-	-	17,074	2,276

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

Directors and others key management personnel (and close family members)

Associates

Loans and credit facilities to related parties can be analyzed below	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Overdrafts	111	111	38	134
Total	111	111	38	134

B- Deposits from related parties

Directors and others key management personnel (and close family members)

Associates

	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Deposits outstanding at the beginning of the financial year	60,744,502	54,054,801	4,759,186	5,908,097
Deposits placed during the year	5,901,750	9,729,044	3,330,534	798,302
Deposits repaid during the year	(2,251,941)	(3,039,343)	(784,218)	(1,947,213)
Deposits outstanding at the end of the financial year	64,394,311	60,744,502	7,305,502	4,759,186
Interest expense on deposits	2,529,535	2,254,245	381,293	457,556

Deposits from related parties can be analyzed below

	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Demand deposits	4,629,582	2,884,612	3,929,422	624,288
Saving accounts	16,014	426,802	-	-
Certificates of deposits	3,100,000	3,300,000	-	-
Time deposits	56,648,715	54,133,088	3,376,080	4,134,898
Total	64,394,311	60,744,502	7,305,502	4,759,186

C- Other transactions with related parties

Directors and others key management personnel (and close family members)

Associates

	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Fee and commission income	11,576	10,571	32,403	28,027
Guarantees issued by the bank	-	-	34,599	35,599
The above guarantees comprise:				
LGs	-	-	34,599	35,599
Total	-	-	34,599	35,599

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

In accordance with the instructions of the Central Bank of Egypt (CBE) rules in 23 August 2011. The monthly average of net salaries and benefits for top 20 employees with the largest salaries and benefits reached EGP 7,290,554 during the current year.

QNB ALAHLI S.A.E

Notes to the Consolidated Financial Statement

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

40- 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 December 31, 2018 reached 9,609,419 at a total value of EGP 3,067,124,747. The Group currently holds 433,037 certificates worth of EGP 127,257,366 of which EGP 5 million are classified as held to maturity investments and represent 5% from the total number of certificates that were initially issued, whereas the remaining value of EGP 45,449,175 are classified as available-for-sale investments and EGP 76,808,191 are classified as trading investments.

According to the management agreement and the fund's prospectus, the bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 12,860,298 have been reported in the "fees and commission income" line item in the consolidated income statement.

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

The Bank has set up an investment fund under the name of Tawazon Fund with yearly 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 December 31, 2018 reached 57,300 at a total value of EGP 11,353,474. The Bank currently holds 50,000 certificates worth of EGP 5 million that are classified as held to maturity investments and represent 20% of the total number of certificates that were initially issued.

According to the management agreement and the fund's prospectus, the bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 82,691 have been reported in the "fees and commission income" line item in the consolidated income statement.

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

The Bank has set up an investment fund under the name of Tadawol Fund with yearly 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 December 31, 2018 reached 78,201 at a total value of EGP 19,401,136 The Bank currently holds 50,000 certificates worth of EGP 5 million that are classified as held to maturity investments and represent 40% from the total number of certificates that were initially issued.

According to the management agreement and the fund's prospectus, the bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 161,617 have been reported in the "fees and commission income" line item in the consolidated income statement.

QNB ALAHLI S.A.E

Notes to the Consolidated Financial Statement

For the Year Ended 31 December 2018

(All amounts are shown in Egyptian Pounds)

41- Important Events:

IFRS 9: Financial Instruments

The IASB issued IFRS 9 'Financial Instruments' in its final form in July 2014 and Central Bank of Egypt ("CBE") issued a circular in January 28, 2018 instructing Banks to implement the standard starting from January 1, 2019. Final instructions will be issued subsequently.

IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and impairment of financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

A-Classification and measurement :

The adoption of this standard will have an effect on the classification and measurement of Bank's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortized cost, fair value through statement of income or fair value through other comprehensive income. The standard eliminates the existing IAS 39 categories (Held to maturity, Loans and receivables and Available-for-sale).

B- Impairment of financial assets:

The impairment requirements apply to financial assets measured at amortized cost, fair value through other comprehensive income, certain loan commitments and financial guarantee contracts. At initial recognition, allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Financial assets where 12-month ECL is recognized are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'.

At each reporting period, The bank assess whether credit risk has increased significantly since initial recognition.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile.

According to the Central Bank of Egypt instructions dated January 28, 2018, the bank set up the IFRS 9 risk reserve at 1% from credit risk weighted assets deducted from net profit after tax for year ended December 31, 2017 amounted to EGP 1,282,925,633 (through statement of change in equity) included in the capital (Tier 1) in the capital adequacy and it is not used unless obtaining the approval of the Central Bank of Egypt.

The final instructions of the Central Bank regarding the application of IFRS 9 as of the date of approval of these financial statements have not been issued.

Branches Network





Overview

Strategic Report

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Governance and
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Separate Financial
Statements

Consolidated
Financial
Statements

Branches Network

QNB ALAHLI Branches Network

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Hegaz:

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Roxy:

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Heliolido club - Al Maahad Al
Eshtrakey street - Roxy square –
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1st Industrial Zone - 10th of Ramadan:

14A Service Area - 10th of Ramadan -
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Badr University:

Entertainment District – West City -
Badr City - 11829 – Al Sharkia
Tel: 01270088701

Badr City:

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No.1- in front of Russian University
- Badr City - 11829 - Al
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El Sherouk City Plaza:

Plot# 35,45 - Sherouk Entrance #1- City
Plaza Mall - Cairo Suez Desert Road -
11837 - Cairo
Tel: 01221751426

Obour City:

Shop 34 & 35 – Obour City Club- Obour
City- 18111- Cairo
Tel: (202)46140300
Fax: (202)46140399

Obour City Industrial Zone:

Lot 1- Banks Area , Industrial Zone A
- Obour City - 18111 - Cairo
Tel: (202)46140200
Fax: (202)46140299

Maadi Group**El Mahatta Square:**

1 El-Mahatta Square- Sarayat El- Maadi
- Helwan - 11431 - Cairo
Tel: (202)27680000
Fax: (202)27680099

Helwan:

13 Mohamed Mostafa El Maraghy St.
- Helwan - 11421 - Cairo
Tel: (202)25485600
Fax: (202)25485699

Korniche El Maadi:

380 Jawharet El Maadi Building -
Korniche El Nil - Maadi - 11431- Cairo
Tel: (202)25296400
Fax: (202)25296499

Maadi Entrance:

Plot #405 -Maadi Entrance - Cournish
El Maadi –11431- Cairo
Tel: (202)23242700
Fax: (202)23242799

Maadi Degla:

Cross Roads of 218 & 231 St.- Maadi
Degla - 11435 - Cairo
Tel: (202)25220600
Fax: (202)25220699

Mokatam:

Corner of Road 9 & 10 El Hadaba El Olya
- Mokattam - 11439 - Cairo
Tel: (202)25031800
Fax: (202)25031899

Zahraa EL-Maadi:

Block no. 10071 - Tenth District - El-
Hadaba El Sofla - Al-Merage - El-
Basateen - 11439 - Cairo
Tel: (202)24471334
Fax: (202)24471337

New Maadi:

48 Al Nasr Avenue - New Maadi -
Helwan - 11435 - Cairo
Tel: (202)27067200
Fax: (202)27067299

Nasr Street:

Block 1- Cross Road, Nasr and El-
Lasilky - New Maadi - 11435 - Cairo
Tel: (202)27557300
Fax: (202)27557399

Street 9:

Corner of Roads 9 & 79 -Maadi - 11431
- Cairo
Tel: (202)27683800
Fax: (202)27683899

Wadi Degla:

Wadi Degla Club - Zahraa El Maadi -
Helwan - 11435 - Cairo
Tel: (202)25195136
Fax: (202)25195168

Makram Ebeid Group

Abbas El Akkad:
20 Abo El Ataheya St.- Abbas El Akkad
Ext.- Nasr City – 11471 - Cairo
Tel: (202)22769500
Fax: (202)22769599

Ahmed Fakhry:

40 Ahmed Fakhry St.-Block 126- 6th District - Nasr City - 11391 - Cairo
Tel: (202)23546312
Fax: (202)23546316

Arab Academy:

1 Mousheer Ahmed Ismail St.- Masaken Sheraton - Arab Maritime Academy - 11361 - Cairo
Tel: (202)22686751

Hassan El Maamoun:

108 El Mona Building Hassan El Maamoun St.- District No. 6 – Nasr City -11391- Cairo
Tel: (202)22769000
Fax: (202)22769099

Makram Ebeid:

86 Makram Ebeid St.- Nasr City – 11371 - Cairo
Tel: (202)22767000
Fax: (202)22767099

Mustafa El Nahas:

112 Mustafa El Nahas St.- 6th District – Entrance No.2 - Nasr City - 11391 - Cairo
Tel: (202)26703493
Fax: (202)26703495

Zaker Hussien:

2 Ahmed El Zomor Street – Nasr City - 11471 - Cairo
Tel: (202)22871147
Fax: (202)22871152

Nasr City Group:

Abasia:
111 Abasia St.- 11381- Cairo
Tel: (202)24884000
Fax: (202)24884099

City Stars:

Unit # 1255 , Gate 7 – Citystars Mall - Omar Ebn El Khattab St.- Nasr City - 11391 - Cairo
Tel: (202)24802480
Fax: (202)24802483

Asmaa Fahmy:

2 Nozha St.- Next to Rekaba Edaria - Nasr City - 11371 - Cairo
Tel: (202)24159725
Fax: (202)24159475

House of Financial Affairs:

El Massah - Abdel Aziz Shenawy St.- Parade Area - Nasr City - 11371 - Cairo
Tel: (202)24010496

Nasr City:

3 Abbas El Akkad St.- Nasr City - 11371 - Cairo
Tel: (202)24074600
Fax: (202)24074699

El Obour Building:

Shop # 6 & 7, building # 7 El Obour Building, Salah Salem St.- Heliopolis - Nasr City – 11371 - Cairo
Tel: (202)24054024
Fax: (202)24054021

Abdalla El Araby:

Land No. 17 - Block 63 Taksem Seventh District - Tayaran Street Extension - Nasr City - 11471 -Cairo
Tel: (202)23879396
Fax: (202)23879397

Tayaran:

32 Tayaran St.- Nasr City – 11371 - Cairo
Tel: (202)24078103
Fax: (202)24078199
New Cairo Group:

El-Rehab:

Banks Area - B District – Rehab City - Tagamoa - 11841 - Cairo
Tel: (202)26940200
Fax: (202)26940299

Kattameya Road:

Building No. 2 Ahrag Badr – Kattameya Road - 19111- Cairo
Tel: (202)23104167
Fax: (202)23104170

Master El Sokhna Road:

Shop # (2 B) Services Complex “Master El-Sokhna” Cairo/ Sokhna road, next to landing area - sign 8 km - Ein Sokhna direction before toll station -19111- Cairo
Tel: 01205556935

Madinety:

First Floor Banks Building – Administrative Area - First Phase - No. 103 - 19511 – Cairo
Tel: 01206628809

Open Air Mall Madinety:

unit (3) Ground floor - Build (j) - commercial centers District in front of Arabesk Mall - first phase - Madinety Project – 19511-New Cairo
Tel: 01222419666

Cloud 9:

Unit # (6) “Cloud Nine Mall”- Northern Investors area- “Mohamed Naguib Axis” – 1st Settlement – 11865-New Cairo.
Tel: 01205556942

Cloud 9:

Unit # (6) “Cloud Nine Mall”- Northern Investors area- “Mohamed Naguib Axis” – 1st Settlement – 11865-New Cairo.
Tel: 01205556942

Porto Cairo:

Unit No. (50 - 5) Porto Cairo Mall - First settlement - New Cairo - 11865 - Cairo
Tel: 01065596125

Green Tower:

Green Tower - 305 Road 90 “southern” 2nd District - New Cairo -11853 - Cairo
Tel: (202)28109558
Fax: (202)28109559

Air Force Hospital:

Air Force Hospital - 90th St.- Fifth Settlement - 11835 - New Cairo
Tel: (202)26182205
Fax: (202)26182204

Redcon:

Build No. 140 - First Sector – City Center - Fifth Settlement -11835 - New Cairo
Tel: (202)28114026
Fax: (202)28114028

The spot:

Plot(49B) - Southern Investors District - Fifth Settlement – New Cairo - 11835 – Cairo
Tel: (202)25734101
Fax: (202)25734104

Mirage Residance:

Unit (3) - Build (A) Mirage Residance - Entertainment District - 1st Settlement - 11865 - New Cairo
Tel: 01208888360

Emerald Empire:

Unit # 23 Ground and First Floor - Emerald Center - El Nakhil City - 1st Settlement - 11865 – New Cairo
Tel: (202)25982300
Fax: (202)25982399

Cairo Festival City:

Unit no 25- El Futaim Land – Taha Hussien St.– Cairo Festival City Mall – Five Settlement -11835 - New Cairo
Tel: (202)26168178
Fax: (202)26168179

New Cairo:

Down Town Project - 90 St.- 5th Settlement - New Cairo - 11835 - Cairo
Tel: (202)25982200
Fax: (202)25982299

Masa - New Capital:

unit #GB-04 - Capital Plaza Mall - New Administrative Capital - 11865 - New Cairo

Al Rebat - New Cairo:

Unit #G06 - Al Rebat Mall - Northern 90th St. - 5th Settlement - 11835 - New Cairo

Sheraton Heliopolis Group**Egypt Air:**

Egypt Air Building - South Building- Block 6 - Airport Road - 11776 - Cairo
Tel: (202)22679517

Sun City:

Store No. A28F floor F - Sun City - Masaken Sheraton – Autostorad road - Heliopolis - 11361 - Cairo
Tel: (202)22650500
Fax: (202)22650599

Masaken Sheraton:

5 Khaled Ibn El Waleed St.- Heliopolis - 11361 - Cairo
Tel: (202)26961460
Fax: (202)26961489

New Nozha:

3A Dr. Mohamed Hussein Kamal St.- New Nozha - 11769 - Cairo
Tel: (202)26253600
Fax: (202)26253699

The District:

Unit No. (3-10) - Wadi Degla Club Wall Beside the District – Heliopolis -11361 - Cairo
Tel: 01288418813

Air Mall:

Store No. 1/2 Ground Floor – Air Mall Building Passengers Building No (1) - Cairo Airport – 11776 - Cairo
Tel: (202)22691691
Fax: (202)22691694

Sakr Koreish:

90 Sakr Koraish Building – Sheraton Buildings - 11361 - Cairo
Tel: (202)26969503
Fax: (202)26969599

Sindbad:

81 Joseph Tito St.- New Nozha - 11769 - Cairo
Tel: (202)26253700
Fax: (202)26253799

Giza Region**Alfy Group****Aghakhan:**

2 Horria St.- Takseem Aghakhan - 11241 - Cairo
Tel: (202)22253000
Fax: (202)22253099

Alfy:

14 Mohamed Bek Alfy St.- Down Town - 11111 - Cairo
Tel: (202)25970800
Fax: (202)25970899

Banha:

26 Saad Zaghloul St.- 13111 - Banha
Tel: (2013)3806200
Fax: (2013)3806299

Faggalla:

39 Kamel Sedky St.- Faggala – El Zaher - 11271 - Cairo
Tel: (202)25880658
Fax: (202)25880673

Menyet El Serg:

173 Shoubra St.- Sahel – Shoubra - 11241 - Cairo
Tel: (202)22052454
Fax: (202)22050575

Rod El-Farag:

74 Rod El Farag St.- El Sahel - Shoubra - 11241 - Cairo
Tel: (202)24291000
Fax: (202)24291099

Shoubra:

53 Shobra St.- Shoubra - 11231 - Cairo
Tel: (202)25945900
Fax: (202)25945999

Shoubra El-Khima:

135, 15 May St.- El Teraa El Boulakya - Mansheit El Hourrya - Shoubra El Khima - 13211 - Qalubiya
Tel: 01223990070

Teraa El-Bolakia:

156 El Terra El Bolakia St.- Shoubra - 11231 - Cairo
Tel: (202)22009738
Fax: (202)22009742

Giza Group:**El Marwa (Boulak El Dakroor):**

57 El Sudan St.- Dokki - 12311 - Giza
Tel: (202)37618708
Fax: (202)37618747

Mossadek - Dokki:

12 Tanzeem - 6 Mossadek St.- Dokki - 12311 - Giza
Tel: (202)33338900
Fax: (202)33338999

El Nile:

5 Wessa Wassef - Borg El Riad - 12311 - Giza
Tel: (202)35732095
Fax: (202)35732080

El-Bahr El-Azam:

304 Elbahr Elaazam St.- Borg El Kawsar - 12211 - Giza
Tel: (202)35670700
Fax: (202)35670799

El-Galaa:

106 El Nil St.- Agouza - 12311 - Giza
Tel: (202)33323300
Fax: (202)33323399

Giza:

62 Mohamed Bahy El Din Barakat St.- 12211 - Giza
Tel: (202)33311100
Fax: (202)33311199

Messaha:

5 Al-Messaha Square - Dokki - 12311 - Giza
Tel: (202)33338100
Fax: (202)33338199

Mohy El-Din Abou El-Ezz:

38 Mohy El Din St.- Dokki – 12311 - Giza
Tel: (202)37492134
Fax: (202)37492138

Mourad:

28 Taha Hussien St.- 12211 - Giza
Tel: (202)35684871
Fax: (202)35684869

Haram Group**Dandy Mall:**

Dandy Mall - Cairo-Alex. Desert Road. (kilo 28) - 12577- Giza
Tel: (202)35367200
Fax: (202)35367299

Faisal:

179 King Faisal St.- Haram - 12151 - Giza
Tel: (202)33891600
Fax: (202)33891699

Haram:

360 Al- Haram St.- Haram – 12111 - Giza
Tel: (202)35992400
Fax: (202)35992499

King Faisal:

457 Faisal St. - 12111 - Giza
Tel: (202)37891300
Fax: (202)37891399

Mariottia:

44 Al Haram Street - Crystal Palace Mall - 12111 - Giza
Tel: (202)33866002
Fax: (202)33866088

Nasr El Din:

426 Al Haram St.- El Gazera El Arabia
Tower - Haram - 12111 - Giza
Tel: (202)35674200
Fax: (202)35674299

Moustafa Mahmoud Group**Agouza:**

1 Aswan Square - Al Agouza - 12311 - Giza
Tel: (202)33000500
Fax: (202)33000599

Gameat El-Dowel El-Arabia:

9 Gameat El-Dewel El-Arabia – Al
Mohandseen - 12411- Giza
Tel: (202)33003700
Fax: (202)33003799

Kitkat:

5A Mohamed Roushdy St.- 8A El
Nabawy El Mohandes Sq.- Agouza
– 12411 - Giza
Tel: (202)33080200
Fax: (202)33080299

Lebanon:

30 Lebanon St.-El Mohandseen – 12411
- Giza
Tel: (202)33000900
Fax: (202)33000999

Moustafa Mahmoud:

2 El Fawakeh St.- Mohandseen – 12311
- Giza
Tel: (202)33315000
Fax: (202)33315099

Shehab:

7 Shehab St.- Mohandseen - 12411 - Giza
Tel: (202)37618783
Fax: (202)37617965

Sphinx:

3 Ahmed Orabi St.- Sphinx Square -
12411 - Giza
Tel: (202)33002500
Fax: (202)33002599

Sudan:

149-151 Sudan St.- Mohandseen - 12411
- Giza
Tel: (202)33346800
Fax: (202)33346899

October Group**October - industrial zone:**

October City - Banks Area – Industrial
Zone 4 - 12451 - Giza
Tel: (202)38281600
Fax: (202)38281699

Chillout Park:

Store No. (3A) - Restaurant Compound
- Alex - Cairo Desert Road - 12451 - Giza
Tel: 01208888363

Park Avenue:

Unite # G/213 - Park Avenue Project -
Cairo/ Alex Desert Road – 12461-Giza
Tel: 01208888368

6th of October Distinguished District:

University Mall - Behind Misr
University - 6th of October - 12451 - Giza
Tel: (202)38247514
Fax: (202)38247513

Mall of Arabia:

Unit No. 071 H - Mall of Arabia - 6th of
October - 12451 - Giza
Tel: (202)38260229
Fax: (202)38260231

Banks Complex Mall -West Somid :

Service Center Neighborhood 9 , 10 - West
Somid - 6th of October - 12566 - Giza
Tel: (202)38249047
Fax: (202)38249048

IDG:

IDG - Main Service area - Food court – 6
October –12451- Giza
Tel: (202) 38642395
Fax: (202) 38642398

Strip Mall:

Commercial Store No. 11 - Plot # 9 &10
of Auto Ville Project - Strip Mall -
Dahshour
Road - EL Sheikh Zayed – 12857 – Giza
Tel: (202)38579193

El Sheikh Zayed:

Al Mogawra 1 - Building 105 front of
Zayed Hospital - 6th of October -12461
- Giza
Tel: (202)37944107
Fax: (202)37944109

Prima Vista:

Unit No. G9/3,F7/1 Mall Prima Vista -
Block 1/9 - El-Mehwar El- Markazi - 6th
Of October -12451 - Giza
Tel: (202)25983800
Fax: (202)25983899

ElMajarra:

El Majarra Complex - Plot No. (12)
Mehwar Crazy Water – Sheikh Zayed -
6th of October - 12461 - Giza
Tel: (202)38272600
Fax: (202)38272699

Sila Mall:

Sila Mall , Plot #2/28/B, - Mehwar
El-Markazi - 6th of October city-12451-
Giza
Tel: (202)38274000
Fax: (202)38274099

Smart Village:

Egyptian Exchange Building - Smart
Village - 6th of October -
12577 - Giza
Tel: (202)35371050
Fax: (202)35371053

Mazar:

Mazar Mall - 16th Neighborhood -
Sheikh zaied , 6th Of October city-
12461-Giza
Tel: (202)37952551
Fax: (202)37952554

Karma 4:

Karma Mall 4 - 17th Neighborhood -
Sheikh zaied , 6th Of October city-
12461-Giza

Alexandria Region**Roushdy Group:****Damanhour:**

19 El Gomhoria St.- Karta - 22111 -
Damanhour
Tel: (2045)3370900
Fax: (2045)3370999

Khaled Ibn El-Waleed:

631 Al Guish Avenue - Off Khaled Ibn El
Waleed - Miami - 21421 - Alex
Tel: (203)5381100
Fax: (203)5381199

Miami:

265 Gamal Abdel Nasser Avenue –
Miami - 21421 - Alex
Tel: (203)5381000
Fax: (203)5381099

Roushdy:

240 El Geish Road (Kourniche) – 21311
- Alex
Tel: (203)5419500
Fax: (203)5419599

Mamoura:

Royal Mall - Mamoura Road - 21421 -
Alexandria.
Tel: (203)3253943
Fax: (203)3253954

Montaza:

737 El Geish Road - Mandara – 21421 - Alex
Tel: (203)5487619
Fax: (203)5487932

Sporting:

293 El Horreya Road - 21311- Alex
Tel: (203)4291624
Fax: (203)4291598

Semouha Group:**Fawzy Moaaz Street:**

74 A Fawzy Moaz St.- Semouha - 21431- Alex
Tel: (203)4196700
Fax: (203)4196799

Glym:

10,10 Abdel-Salam Aref St.- Glym - 21311 - Alex
Tel: (203)5815500
Fax: (203)5815599

Kafr El Dawar:

Building no 1 in Adghan – 50 kanal str. –entrance of new bridge – kafer el dawar city –22221- el Behera governorate
Tel: (2045)2249000
Fax: (2045)2249099

Kafr Abdou:

26 Ismaillia St.- Across Ismaillia with Saint Geni - Kafr Abdou - 21311 -Alex
Tel: (203)5419560
Fax: (203)5419596

Loran:

723 Tareq El Horreya - Loran – 21411 - Alex
Tel: (203)5702634
Fax: (203)5702635

Moustafa Kamel:

16 Ibrahim Sherif St.- Mostafa Kamel - 21311 - Alex
Tel: (203)5419600
Fax: (203)5419699

Semouha:

35 Vector Emanuel Square – Semouha - 21431 - Alex
Tel: (203)4199003
Fax: (203)4195999

Wabour El-Mayah:

243 Ahmed Ismail St.- Behind Olympic Club Wabour El Maya - 21131 - Alex
Tel: (203)4294189
Fax: (203)4295684

Zizenya:

601 El-Horaya St.- Zizenya - 21411 - Alex
Tel: (203)5819300
Fax: (203)5819399

Sultan Hussien Group**Agami:**

Gate No. 8 Agami Star Mall - Bitash - 21221 - Alex
Tel: (203)4318708
Fax: (203)4318709

Ahmed Orabi Square - El Manshya:

6 Ahmed Orabi Square - Ksm Manshia – 21111 – Alex
Tel: (203)4885200
Fax: (203)4885299

Alex Port:

Unit No. 6, 7 - Ground floor – Investment Building – Alexandria Port - 21111 - Alex
Tel: (203)4833343
Fax: (203)4877797

Alexandria Entrance:

Unit No. 11, next to Al Hadika Al Dawleya - Alex Entrance - 21121 - Alex
Tel: (203)3872000
Fax: (203)3872099

Borg El- Arab:

New Borg El Arab City - 23121- Alex
Tel: (203)4630100
Fax: (203)4630199

Fouad Street:

39 El Horeya St.- El Attareen - 21131- Alex
Tel: (203)4966890
Fax: (203)4966909

Ibrahimia:

118 Port Said st. near Hehya street - El Ibrahimia - 21321 - Alex
Tel: (203)5980400
Fax: (203)5980499

Mansheya:

2 Salah Salem St.- Near ElSenteral St.- El Aatareen - El Mansheya - 21111- Alex
Tel: (203)4881200
Fax: (203)4881299

Safia Zaghloul:

33 Safia Zaghloul St.- 21131-Alex
Tel: (203)4883000
Fax: (203)4883099

Sultan Hussein:

47 Al Sultan Hussien St.- 21131 - Alex
Tel: (203)4883100
Fax: (203)4883199

Delta & Suez Canal Region**Mansoura Group****Delta City Mall:**

42 El Geish St.- Borg Delta City Mall - 31111 - Tanta
Tel: (2040)3385200
Fax: (2040)3385299

El Mansoura:

213 El Gommuhuria St.- 35111 - Mansoura
Tel: (2050)2280300
Fax: (2050)2280399

Belqass - Dakahlia:

Green Plaza Mall - Thawra street - Belqass city –35631- Dakahlia
Tel: (2050)2780071
Fax: (2050)2780076

El Mehalla:

22 El Tegara School St.-31911 - Mehalla
Tel: (2040)2281000
Fax: (2040)2281099

El Mohafza Square:

240 El- Geish St.- El Mohafza Sq.- 35111- Mansoura
Tel: (2050)2280000
Fax: (2050)2280099

Kafr El Sheikh:

19 Ramezeyya - Takseem El Moharbeen El Kodmaa - Salah Salem Street - East City District - 33111- Kafr El Sheikh
Tel: (2047)3550000
Fax: (2047)3550099

Desouk:

68 El Geish street, Desouk City -33211- Kafr El Sheikh Governorate
Tel: (2047)2555902
Fax: (2047)2555617

Lewaa Abdel Aziz St. :

Saad Zaghloul St.- Abu Aisha Building - 44111 - Zagazig
Tel: (2055)2390600
Fax: (2055)2390699

Meet Ghamr:

42 Port Said St.- Meet Ghamr – Abou Aisha Tower - 35311 - Dakhleia
Tel: (2050)4930000
Fax: (2050)4930099

Sadat City:

Block 1 - Mehwar Khadamat – seventh District - Land No.1 - Center Services - Ahmed Ismael St.- Front of Area No.11 - Sadat City - 32897- Menofya
Tel: (2048)2625300
Fax: (2048)2625399

Shebeen El-Kom:

21 Gamal Abd El Nasser St.- Saharf square - kawthar building - Shebyn el kom - 32111- Menofya
Tel: (2048)2229416
Fax: (2048)2229395

Tanta:

El- Safwa Plaza Center- El-Kady St.- 31111- Tanta
Tel: (2040)3385600
Fax: (2040)3385699

Tanta Stadium:

Al Farouk Tower - Al Geish street – Tanta stadium area - 1st district - 31121- Tanta
Tel: (2040)3352737
Fax: (2040)3352747

Zagazig:

Corner of Saad Zaghloul & Abdel Aziz Abaza St.- 44111- Zagazig
Tel: (2055)2390000
Fax: (2055)2390099

Menouf:

2 El toomey St. off El Gheish St., - 32911 - Menoufeya Governorate
Tel: (2048)3669303
Fax: (2048)3669306

Port Said Group:**Damietta:**

67 Saad Zaghloul St. Korniche El Nil - 34111- Damietta
Tel: (2057)393503
Fax: (2057)393599

Damietta Port:

Investment Building - Damietta Port First Floor - 34516 - Damietta
Tel: (2057)2292406

New Damietta:

Plot #9 - Entertainment area - 2nd neighborhood - 34517- New Damietta
Tel: (2057)2405762
Fax: (2057)2405768

El-Ain El-Sokhna:

(El Suez - El Sokhna - Hurghada) Kilo 46 Desert Road - Stella Di Mare Resort Fence - 43552- Suez
Tel: (2062)3393600
Fax: (2062)3393699

El-Gomhoreya:

58 El-Goumhoria St.- 42111- Port Said
Tel: (2066)3390300
Fax: (2066)3390399

El Canal - Ismailia:

141A Tahrir St.- 41111 - Ismailia
Tel: (2064)3923560
Fax: (2046)3923552

Ismailia:

Panorama Bldg., plot 1 - El mowa'f El Gadid st.- corner el 20 St. with Shebeen El Kom St.- in front of Mogamaa El Mahakem - 41111 - Ismailia
Tel: (2064)3269000
Fax: (2064)3269099

Port Said:

Miami Building - 23 July St.- 42111 - Port Said
Tel: (2066)3390100
Fax: (2066)3390199

Shark El-Tafria Port:

Shark El-Tafria Port - 42532 – Port Said
Tel: (2066)3390380
Fax: (2066)3390389

Teda:

Ain Sokhna - Industrial Economical Zone - Service Building - First Step - 43552- Suez
Tel: (062)3597020
Fax: (062)3597021

EL-Shohadaa St - Suez:

City Mall - 45,45 A EL-Shohadaa St.- 43111 - Suez
Tel: (2062)3319125
Fax: (2062)3351150

Suez:

5 El Galaa St.- 43111- Suez
Tel: (2062)3393300
Fax: (2062)3393399

Red Sea and Upper Egypt Region:**Assuit Group:****Assuit:**

2 Al Gomhoreya St.- El Watania Buildings - Building No. A- 71111- Assuit
Tel: (2088)2422500
Fax: (2088)2422599

Silicon Waha - New Assuit City:

Unit (G3-G4 Commercial Building - Technology Zone - 71684 - New Assuit City
Tel: (2088)2422500
Fax: (2088)2422599

Aswan Plaza:

Aswan Plaza Mall - Korniche El Nil St.- Bandar Aswan- 81111 – Aswan City
Tel: (2097)2391000
Fax: (2097)2391099

Beni Suef:

16 Port Said St.- Takseem El Houreya - 62111- Beni Suef
Tel: (2082)4494000
Fax: (2082)4494099

Fayoum:

10 El Hourrya St.- Baher Youssef - 63111- El Fayoum
Tel: (2084)2390700
Fax: (2084)2390799

Luxor:

109 Ma'abad El Karnak St.- beside Mubarak Library - 85111- Luxor
Tel: (2095)2399100
Fax: (2095)2399199

Menia:

76 Takseem Shalaby - 61111 - Menia
Tel: (2086)2386300
Fax: (2086)2386399

Qena:

Building No. 9 - District No. 65 – 23 July St.- 83111 - Qena
Tel: (2096)3390600
Fax: (2096)3390699

Sohag:

46 Korniche El Nil St. Borg El Nil Kebly - 82111- Sohag
Tel: (2093)2380600
Fax: (2093)2380699

Hurghada Group**El-Dahar:**

1 Hurghada Stadium Shops - El Nasr Avenue - El Dahar - 84111 - Hurghada
Tel: (2065)3562000
Fax: (2065)3562099

El-Kawthar Hurgada:

Banks Area - Block 8 - El-Kawthar zone - 84111- Hurghada
Tel: (2065)3418700
Fax: (2065)3418799

Grand Beach:

Grand Beach Resort - 84111 - Hurghada
Tel: (2065)3416100
Fax: (2065)3416199

Hadabet Um El Sid:

Store No. 4 - Project of Madinat Elalaab Elmaeya- Hadabet Um Elsid - 46619 - Sharm El Sheikh
Tel: (2069)3622090
Fax: (2069)3622095

Hurghada Sheraton Road:

36 North Mountain Road - 84111- Hurghada
Tel: (2065)3416500
Fax: (2065)3416599

Hurghada City Center:

Unit #G031 ground level - Hurghada
City Center Mall - Cournich Road - El
Dahar - 84111 - Hurghada

Nabq Bay:

Commercial part (RI) front of Oriental
Hotel Resort - Khalyg Nabq
- 84111- Hurghada
Tel: (2069)3622050
Fax: (2069)3622055

Sharm El-Sheikh:

El Salam Road - Khalyg Neama - 46619
- Sharm El Sheikh
Tel: (2069)3622000
Fax: (2069)3622099

Specialized Corporate Group**El Batal Ahmed Abdel Aziz:**

54 Al Batal A. A. Aziz St.- Mohndeseen
- 12311 - Giza
Tel: (202)33324192 - (202)33324202
Fax: (202)33324196

Talaat Harb:

10 Talaat Harb - Ever Green Building -
Down Town - 11121- Cairo
Tel: (202)27708002
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