



Consolidated Interim Financial Statements

Together With Limited Review Report

For the Period Ended 30 September 2018

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Limited Review Report of Consolidated Interim Financial Statements

To : The Board of directors of Abu Dhabi Islamic Bank (ADIB) - Egypt "S.A.E."

Introduction

We have performed a limited review for the accompanying consolidated interim balance sheet of Abu Dhabi Islamic Bank (ADIB)– Egypt (S.A.E) as of 30 September 2018 and the related consolidated interim statements of income, changes in shareholders' equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with the rules of preparation and presentation of the banks' financial statements issued by the Central bank of Egypt on 16 December 2008 and its subsequent interpretive instructions, and with the related requirements of the applicable Egyptian laws and regulations to prepare these consolidated interim financial statements, our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

Scope of limited review

We conducted our limited review in accordance with the Egyptian Standard on Limited Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the bank, and applying analytical and other limited review procedures. A review is substantially less in scope than an audit conducted in accordance with the Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

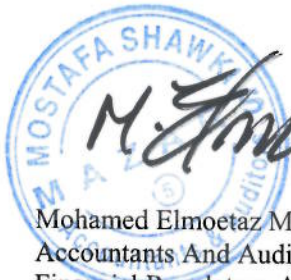

Conclusion

Based on our limited review, nothing has come to our attention which causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the bank as of 30 September 2018, and its consolidated financial performance, and consolidated cash flows for the nine months then ended in accordance with the rules of preparation and presentation of the banks' financial statements issued by the Central bank of Egypt on 16 December 2008 and its subsequent interpretive instructions, and with the related requirements of the applicable Egyptian laws and regulations related to the preparation of these consolidated interim financial statements .

Board of directors of Abu Dhabi Islamic Bank (ADIB) - Egypt "S.A.E."
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Emphasis of a matter

Without qualifying our report, we draw your attention to the details included in note no (31) to the consolidated interim financial statements, the banks' management formed a potential claims provisions of EGP 1,541 Million as of 30 September 2018 (31 December 2017: EGP 1,515 Million) which is according to bank's external legal advisor to cover the potential claims from Abu Dhabi Islamic Bank - UAE.



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13 November 2018
Cairo

Consolidated interim balance sheet as at 30 September 2018

	Note No	30 September 2018 LE 000's	31 December 2017 LE 000's
ASSETS			
Cash and due from Central Bank of Egypt (CBE)	13	3,482,139	2,125,571
Due from banks	14	2,105,444	1,308,392
Treasury Bills	15	10,271,819	7,851,533
Financial assets held for trading	16	30,806	20,676
Facilities to Banks (Net)	17	269,335	266,402
Conventional financing to customers_Net of impairment loss	18	237,331	222,023
Islamic financing to customers_Net of impairment loss	18	22,901,405	16,060,969
FINANCIAL INVESTMENTS			
Available for Sale Investment	19	83,260	82,406
Held to maturity	19	7,204,172	6,850,312
Financial investments in associates	20	86,280	68,938
Intangible assets_Net of accumulated amortization	21	146	404
Other assets	22	1,215,502	1,584,763
Projects under construction	23	18,066	16,107
Fixed assets_Net of accumulated depreciation	24	752,258	743,069
Investment property_Net of accumulated depreciation	25	44,689	51,546
Assets Held for Sale_Net		9,540	11,170
Leased assets_Net of accumulated depreciation	26	290,484	149,028
TOTAL ASSETS		49,002,676	37,413,309
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	27	834,003	905,082
Customers' deposits	28	40,612,719	29,832,871
Long term financing	29	822,058	777,582
Other liabilities	30	1,923,757	1,846,103
Other provisions	31	1,769,608	1,659,225
Defined benefits obligations	39	72,488	70,893
Deferred tax liabilities	32	28,155	31,230
TOTAL LIABILITIES		46,062,788	35,122,986
SHAREHOLDERS' EQUITY			
Paid in Capital	33	2,000,000	2,000,000
Paid under capital increase	33	1,861,418	1,861,418
Reserves	34	477,533	431,634
Difference between Face value and Present value for Subordinated Financing		72,748	81,150
Accumulated Losses*	35	(1,495,196)	(2,111,886)
		2,916,503	2,262,316
Non-Controlling Interest		23,385	28,007
TOTAL SHAREHOLDERS' EQUITY		2,939,888	2,290,323
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		49,002,676	37,413,309
CONTINGENT LIABILITIES AND COMMITMENTS	37	5,907,241	3,683,496

*Including the net profit of the period

The Limited Review Report is attached.

The accompanying notes from (1) to (40) are integral part of these financial statements.

Mohamed Aly

Mohamed Fatouh

**Chief Executive Officer and
Managing Director**

Financial Controller

Cairo 7 November 2018

Consolidated interim statement of income for the period ended 30 September 2018

	Note No	Nine Months Ended 30 September 2018 LE 000's	Nine Months Ended 30 September 2017 LE 000's	Three Months Ended 30 September 2018 EGP '000	Three Months Ended 30 September 2017 EGP '000
Income from Murabaha, Musharaka, Mudaraba and other similar income	5	4,134,538	2,941,202	1,509,993	1,099,628
Cost of deposits and similar expenses	5	(2,329,405)	(1,460,500)	(866,677)	(554,596)
NET REVENUE FROM FUNDS		1,805,133	1,480,702	643,316	545,032
Fees and commission income	6	395,237	346,248	126,080	121,251
Fees and commission expense	6	(53,421)	(48,211)	(19,261)	(16,845)
NET FEES AND COMMISSION INCOME		341,816	298,037	106,819	104,406
Dividends income	7	3,071	2,180	293	392
Net trading income	8	120,755	109,005	42,518	48,239
Administrative expenses	9	(886,595)	(729,365)	(309,480)	(254,590)
Other operating income	10	(308,222)	(122,481)	(200,631)	(46,158)
(Impairment loss) reversal of impairment credit losses	11	(137,817)	(83,547)	67,422	(71,528)
Share of associates results		18,452	6,502	18,452	6,631
Gain from financial investments	19/3	3,742	21,771	(27)	1,235
PROFITS BEFORE TAXES		960,335	982,804	368,682	333,659
Taxes	12	(328,141)	(482,108)	(114,676)	(171,948)
NET PROFIT FOR THE PERIOD		632,194	500,696	254,006	161,711
Distributed as follows					
Equity holders of the Bank		636,816	501,958	255,133	160,748
Non-controlling interest		(4,622)	(1,262)	(1,127)	963
NET PROFIT FOR THE PERIOD		632,194	500,696	254,006	161,711

The accompanying notes from (1) to (40) are integral part of these financial statements.

Translation of consolidated interim Financial Statements originally issued in Arabic

Consolidated interim statement of change in shareholders' equity for the period ended 30 September 2018

	Paid in Capital	Paid under capital increase	Legal reserve	General reserve	Reserves	Special reserve	Investments AFS - fair value reserve	General banking risk reserve	General Reserve Risk IFRS 9	Difference between Face value and Present value for Subordinated Financing	Accumulated Losses	Total Non-controlling interest	Value in LE000's Total
Balance at 1 January 2017	2,000,000	1,861,418	22,878	42,522	26,257	17,884	79,437	-	91,699	(2,553,662)	1,588,433	1,495	1,589,928
Transferred to general banking risk reserve	-	-	-	-	-	-	32,902	-	-	(32,902)	-	-	-
Net change in fair value of investments available for sale	-	-	-	-	-	24,503	-	-	-	-	24,503	-	24,503
Amortization of the difference between face value from present value for subordinated financing	-	-	-	-	-	-	-	-	(7,844)	22,799	14,955	-	14,955
Adjustment on Investments in Subsidiaries	-	-	-	-	-	-	-	-	-	(2,381)	(2,381)	35,987	33,606
Net profit of the period	-	-	-	-	-	-	-	-	-	501,958	501,958	(1,262)	500,696
Balance as of 31 December 2017	2,000,000	1,861,418	22,878	42,522	26,257	42,387	112,339	-	83,855	(2,064,188)	2,127,468	36,220	2,163,688
Balance at 1 January 2018	2,000,000	1,861,418	22,878	42,522	31,640	28,912	115,587	190,095	81,150	(2,126,748)	2,247,454	45,331	2,292,785
Prior years Impact of subsidiaries adjustments	-	-	-	-	-	-	-	-	-	14,862	14,862	(17,324)	(2,462)
Balance at 1 January 2018 after adjustments	2,000,000	1,861,418	22,878	42,522	31,640	28,912	115,587	190,095	81,150	(2,111,886)	2,262,316	28,007	2,290,323
Transferred to general banking risk reserve	-	-	-	-	-	-	43,250	-	-	(43,250)	-	-	-
Net change in fair value of investments available for sale	-	-	-	-	-	2,649	-	-	-	-	2,649	-	2,649
Amortization of subordinated financing using EIR method	-	-	-	-	-	-	-	-	(8,402)	24,235	15,833	-	15,833
Dividends paid - Subsidiaries	-	-	-	-	-	-	-	-	-	(1,111)	(1,111)	-	(1,111)
Net profit of the period	-	-	-	-	-	-	-	-	-	636,816	636,816	(4,622)	632,194
Balance as of 30 Sep 2018	2,000,000	1,861,418	22,878	42,522	31,640	31,561	158,837	190,095	72,748	(1,495,196)	2,916,503	23,385	2,939,888

- The accompanying notes from (1) to (40) are integral part of these financial statements.

Consolidated interim statement of cash flows for the period ended 30 September 2018

	Note	30 September 2018 LE 000's	30 September 2017 LE 000's
Cash flows from operating activities			
Profit before tax		960,335	982,804
Adjustment to reconcile profit before tax to cash flows from operating activities:			
Depreciation of fixed assets	24	75,875	846
Amortization of intangible assets	21	258	2,267
Depreciation of investment property	25	1,484	62,981
Depreciation of leased assets	26	70,356	109,474
Impairment charged for credit losses	18	137,817	-
Impairment charged for held to maturity investments		-	(4,377)
Premium And discount Amortization	19	(10,921)	30,741
Other provisions charged	31	322,803	(94,874)
Other provisions no longer required	31	(14,149)	(25,927)
Loan loss provisions no longer required	18	-	5,742
Foreign currency revaluation of held to maturity investments	19	(4,856)	1,280
Foreign currency revaluation of available for sale investments	19	(362)	(3,136)
Gain from revaluation of assets held for trading	8	(350)	1,256
Foreign currency revaluation of other provisions	31	(616)	(1,418)
Foreign currency revaluation of Loan Loss provisions	18	940	-
Impairment loss of Fixed Assets	10	6,060	3,274
Impairment loss of other assets	10	(3,449)	-
Impairment Loss of investment properties		921	-
Impairment loss of investment in associates		-	9,994
Impairment loss of investment in AFS	19/3	90	(472)
Gain on sale of assets reverted to the bank	10	-	(16,801)
Gain on sale of fixed assets	10	(3,405)	(30)
Gain on sale of Leased assets	10	-	(4,064)
Gain on sale of assets held for trading	8	(5,008)	(4,097)
Gain on sale of Investment Property	10	(3,515)	(2,271)
Gain on sale of treasury bills	19/3	(3,820)	(27,937)
Gain on sale of available for sale investments	19/3	(12)	-
Share of Associates' results		(18,452)	(6,502)
Dividends Income	7	(3,071)	(2,180)
Employees Benefits charged	39	2,032	4,538
Amortization of subordinated loan using EIR method	29	24,235	22,799
Foreign currency revaluation of subordinated financing - With coupon		3,362	(11,122)
Foreign currency revaluation of subordinated financing - Zero coupon - Equity		15,833	-
Foreign currency revaluation of subordinated financing - Zero coupon		4,964	(362)
Operating profit before changes in assets and liabilities utilized in operational activities		1,555,379	1,032,426
Net decrease (increase) in assets & liabilities			
Due from banks with maturity more than 3 months		(833,225)	1,834,525
Treasury bills with maturity more than 3 months		(5,967,979)	(1,260,618)
Assets held for trading		23,327	(18,878)
Loans and Islamic facilities to customers & Banks	18	(6,981,394)	(1,349,362)
Other assets	22	359,707	(474,735)
Due to banks		(71,079)	(348,968)
Customers' deposits	28	10,754,664	2,675,496
Other liabilities	30	6,936	234,823
Employees Benefits used	39	(436)	(512)
CASH FLOW FROM OPERATING ACTIVITIES		(1,154,100)	2,324,197
Used provisions - Other than loan provisions	31	(193,408)	(14,369)
Used provisions - loan provisions	18	(32,270)	(11,361)
Tax Paid		(245,493)	(43,861)
Net cash flows (used in) resulting from operating activities		(1,625,271)	2,254,606

Consolidated interim statement of cash flows for the period ended 30 September 2018 – Continued

	Note	30 September 2018 LE 000's	30 September 2017 LE 000's
Cash flows from investing activities			
Payments to purchase of fixed assets	24	(92,433)	(169,086)
Proceeds from sale of fixed assets		4,716	19,775
Payments to purchase of intangible assets	21	-	(863)
Payments to purchase of Leased assets		(218,901)	(47,192)
Proceeds from sale of Leased assets		7,090	1,951
Proceeds from Sale of Investment Property		7,969	10,774
Proceeds from Sale of Assets Held for Sale		1,630	150
Projects under construction		(7,187)	(1,639)
Payments to purchase of investments available for sale	19	(579)	(1,313)
Proceeds from Investments available for sale	19	(23)	38,893
Payments to purchase investment in associates		-	(22,434)
Proceeds from sale of Investments in associates		-	11,124
Payments to purchase investments Held to maturity		(749,765)	(999,955)
Proceeds from sale of investments Held to maturity	19	414,282	255,287
Proceeds from sale of treasury bills		3,820	2,271
Proceeds from Dividends income		3,071	2,180
Net cash flows (used in) investing activities		(626,310)	(900,077)
Net increase in cash and cash equivalents during the period		(2,251,633)	1,413,661
Cash and Cash Equivalents at the beginning of the period		5,980,757	1,682,834
Cash and cash equivalents at the end of the period		3,729,124	3,096,495
Cash and cash equivalents at end of period are represented in			
Cash and due from Central Bank of Egypt	13	3,482,139	2,744,548
Due from banks	14	2,105,444	1,471,085
Treasury bills	15	10,271,819	6,138,947
Due from banks (maturing in more than 90 Days)		(1,959,148)	(1,251,125)
Treasury bills (maturing in more than 90 Days)		(10,171,130)	(6,006,960)
Cash and cash equivalents at end of the period	35	3,729,124	3,096,495

- The accompanying notes from (1) to (40) are integral part of these financial statements.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

1- General information

Abu Dhabi Islamic Bank – Egypt (formerly National Bank for Development - SAE) was established in 1974 in accordance with Investment Law No. 43 of 1974 and its executive regulations and the amendments thereon and is listed on the Egyptian Stock Exchange (EGX).

Abu Dhabi Islamic Bank - Egypt is subject as a financial institution to the supervision and control of the Central Bank of Egypt (CBE). In addition, as a Shari'a compliant bank it complies with Shari'a principles in all transactions and products provided to its clients, whether such products are investment deposits, Islamic investment Sukuk or savings accounts as well as meeting client's various financing needs by providing options such as Murabaha (Cost-plus), Musharka (Joint Venture), Ijarah (Leasing) and cash back cards. It also offers Islamic options for letter of guarantee and letter of credit. The Bank has a Shari'a Board composed of Islamic jurists who are continually consulted regarding all aspects of new existing and banking transactions.

Based on General Assembly resolution EGM held on September 3, 2007 has approved the amendment of the National Bank for Development was renamed to Abu Dhabi Islamic Bank - Egypt after completing a conversion of the Bank's activities in accordance with the provisions and principles of Islamic law.

The bank provides a full range of banking services to corporate, retail and micro finance clients in Egypt and the head office is located in Cairo, 9 Rostom st, Garden City. Through 70 branches across all governorates and are served by 2,259 employees at 30 September 2018

The Consolidated financial statements for the Period ended 30 September 2018 have been approved by the bank's board of directors on 7 November 2018.

2- Summary of significant accounting policies

Below are the significant of accounting policies applicable for the preparation of the consolidated financial statements;

A) Basis of preparation of the consolidated financial statement

These consolidated financial statements have been prepared in accordance with the Central Bank of Egypt (CBE) basis of preparation of the bank's consolidated financial statements and principles of recognition and measurement as approved by its board of directors on December 16th, 2008. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of trading financial investment, Available for sale financial assets.

There consolidated financial statements have been prepared in accordance with the requirements of related applicable Egyptian laws and regulations. The bank has also prepared consolidated financial statements for the bank and its subsidiaries in accordance with the central bank of Egypt (CBE) basis of preparation, which are companies in which the bank owns directly or indirectly more than half of the voting rights, or has the ability to control the financial and operational policies regardless of the type of activity.

B) Basis of consolidation

B/1 Subsidiaries

Subsidiaries are entities (including special purpose entities) which the group has the power to govern its financial and operating policies. Usually the group's ownership exceeds half the voting power taking into consideration potential future voting power that the group has the option to exercise or convert at the time of control assessment.

Subsidiaries are fully consolidated from the date the group assumed control; it is disposed at the date the group losses control.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

Group acquisition of entities is accounted for using purchase method. The cost of acquisition is measured at the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued and any costs directly attributable to the acquisition process.

Identifiable acquired assets, liabilities and assumed contingent liabilities are recognized at fair value at the date of acquisition.

Excess of acquisition cost over the fair value of the group's share in net identifiable acquired assets is recognized as goodwill. If the acquisition cost is less than the fair value of net identifiable acquired assets, the difference is recognized in the income statement.

Subsidiaries which have been consolidated in the bank's financial statements are as follows:

Company	Ownership %	Industry
National company for Glass	86.13%	Manufacturing
National company for trading and development (ENTAD)	65.74%	Commercial
Assuit Islamic company for trading and development	55.13%	Commercial
Cairo national company for investment	75.73%	Financial Investment
ADI Lease for Financial Lease	95.91%	Financial Lease
Abu Dhabi Islamic holding company	99.92%	Holding
Abu Dhabi Islamic Capital	99.88%	Financial Investment
Abu Dhabi Islamic Properties	44.24%	Real estate
ADIB Invest	99.89%	Financial Investment
Alexandria National Company for Financial Investments	69.12%	Financial Investment
Cairo National Company for Brokerage & Securities	51.25%	Financial Investment

Transactions, balances and unrealized gains resulting from transactions between the group entities are eliminated in the consolidated financial statements unless they indicate impairment in the value of transferred assets. Accounting policies of subsidiaries are changed when necessary to comply with the group's accounting policies.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

B/2 Transactions with Non-controlling interests

The group considers transactions with non-controlling interests as transactions with external parties. Gains and losses due to sale to non-controlling interests are recognized in the income statement. Purchase from non-controlling interests results in goodwill which represents the difference between consideration given and book value of subsidiary's net assets.

B/3 Associates

Associates are entities over which the bank influences the financial and operating policies of the company whilst not reaching control, usually the bank's ownership represents 20% to 50% of the voting power. Investment in associates is initially measured at cost and is accounted for subsequently using equity method. Investment in associates includes goodwill (less impairment loss) which was recognized at acquisition.

The group's share in associates' profit or loss post acquisition is recognized in the income statement while the group's share in changes in associates' equity pre acquisition is recognized in the group's equity. The book value of investment in associates is adjusted with the post-acquisition accumulated changes. If the group's share of the associates' loss exceeds its book value the group does not recognize further losses. Transactions, balances and unrealized gains resulting from transactions between the group entities are eliminated in the consolidated financial statements unless they indicate impairment in the value of transferred assets. Gains and losses that result from changes in ownership structure of associates are recognized in income statement.

B/4 Inventory

Inventory is measured at the lower of cost or net realizable value, Inventory costs include all costs incurred in bringing the inventory to its present location and condition as follows:

- Raw materials, spare parts, packing tools and fuel.
- Purchase costs using moving average method.
- Finished and Semi-finished products.
- Manufacturing costs, direct-labor costs and indirect costs based on normal activity rates.

Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Reverse on inventory impairment resulting from the increase in net realizable value is recognized in the income statement during the occurring period of this impairment reverse.

B/5 Real Estate Investment

Gains or losses arising from changes in the fair value of real estate investments are recognized in the profits and losses of the year when they were realized.

The fair value of real estate investments is the exchange value of a particular asset between parties each of them has a desire to exchange and aware of the standing facts, dealing with free willing and this estimate of the fair value, in particular, does not include the estimated price inflation or deflation with special conditions or certain conditions such as unusual funding or the special arrangements of sale, Re-lease, The particular amounts or concessions granted by any party related to the sale.

The property determines the fair value without making any deduction for the transaction costs that may be incurred by the facility in the process of selling or the other exclusion.

B/6 Projects under construction

Costs incurred in construction or to acquire fixed assets are recognized as projects under construction till it becomes ready for use after that these assets are transferred to fixed assets when it becomes ready for use, depreciation starts at the date of transfer.

Projects under construction are carried at historical cost after deducting impairment.

B/7 Defined benefit system

The National Company for Glass and Crystal gives end of service benefits for employees of the company; the right to obtain these benefits is calculated based on the last salary and length of service for employees.

B/8 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a segment by which, provide products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

The bank does not have any geographical sectors that operate in a different economic framework as of 30 September 2018.

C) Foreign Currency Transactions

C/1 Trade and presentation currency

The Egyptian pound is the currency of preparation and presentation of the consolidated financial statements.

C/2 Transactions and balances in foreign currency

The banks' accounting records are maintained in Egyptian pounds, transactions in other foreign currencies are recorded at rates of exchange ruling on the transaction date. Monetary assets and the liabilities in foreign currencies are revaluated into Egyptian pounds at the rates of exchange ruling at the balance sheet date, any resultant gain or loss is then recorded in the income statement as follows:

- Net trading income or net income from financial instruments originally classified as a change in fair value through profit and loss according to its type.
- Other operating income/loss for other items.

The changes in fair value of monetary financial instruments denominated in foreign currencies and classified as available for sale (debt instruments) are classified into:

- Differences due to change in amortized cost of the instrument; these are recognized through profit and loss in "Profit/Interest and similar income"
- Differences due to changes in foreign currencies exchange rates; these are recognized through profit and loss in "Other operating income / Expense"
- Differences due to change in fair value of the instrument which recognized through equity in "Available for sale fair value reserve".

Notes to Consolidated Interim Financial Statements as of 30 September 2018

Translation differences on non-monetary items such as equity securities held at fair value through profit or loss are reported as part of the fair value gain or loss translation difference on non-monetary items such as available for sale the income is recorded directly in equity within "Net unrealized gains and losses on available for sale assets" .

D) Financial assets

The bank classifies its financial assets into the following groups:

- Financial assets designated at fair value through profit and loss.
- Financings and receivables.
- Financial investments held to maturity.
- Financial investments available for sale.

The management's classification depends on the purpose of the investments at the time of its purchase.

D/1 Financial assets designated at fair value through profit and loss

This group includes financial assets held for trading

Financial instrument are recorded as held for trading if it is acquired for resale in short term, or if it represents a part of specific financial instrument portfolio that are managed together and there is an evidence for actual recent transactions refers to the gain of income in short term.

Financial assets are recognized in the early recognition at fair value through profit and loss.

In managing some investment portfolio like investment in equity instruments they are evaluated and reported with fair value according to investment strategy or risk management and preparing reports to top management according to these bases, these investments are designated at fair value through profit and loss.

Under all circumstances, the bank does not re-classify any financial instrument into financial instruments measured at fair value through profit and loss or to a group of financial assets held for trading.

D/2 Financings and receivables

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

- That the bank intends to sell immediately or in the short term, which are classified as held for trading, or that classified as financial assets designated at fair value through profit and loss.
- Assets that classified as available for sale in the early recognition.
- That the bank upon initial recognition designates as available for sale or for which the bank may not recover substantially all of its initial investment, other than because of a credit deterioration of the issuer.
- Financings and receivables are measured at fair value in the early recognition and it is the pricing of transaction in which includes cost of the transaction that includes fees and commissions paid to agents, brokers, merchants and advisors.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

- Historical probability of default for retail portfolio was calculated according to the realized loss for the past 36 months and based on average delinquency period for each product. For corporate portfolio, Historical probability of default was calculated as per the rates issued by Moody's for the Middle East for each facility as per its facility risk rating.

D/3 Derivative instruments and hedge accounting

Derivatives are recognized at fair value at the date of entering into the derivative contract and subsequently remeasured at their fair value. The fair value is obtained from quoted market prices in active markets or updated market transactions or valuation methods such as discounted cash flow models and option pricing models, as appropriate. All derivatives are shown as assets if their fair value is positive, or as a liability if the fair value is negative

D/4 Financial Investments held to maturity

Held to maturity financial investments are non-derivative assets which carry fixed or determinable payments and where the bank has the intention and the ability to hold to maturity. All held to maturity financial investments are reclassified as available for Sale in case of a sale of significant amounts unless the sale is in an emergency situation

D/5 Financial investments available for sale

Available for sale financial investments are non-derivatives financial assets that are intended to be held for unspecified period and may be sold to provide liquidity or due to changes in the prices of shares, foreign currencies, or interest rate.

The following principles are followed for the financial assets

Purchases or sales of financial assets designated at fair value through profit and loss, held to maturity financial investments, and available for sale financial investments are recognized at the trade date which is the date the bank is committed to purchase or sell the financial asset.

Financial assets that are not classified as designated at fair value through profit and loss at initial measurement are recognize at fair value plus directly attributable costs of acquisition or issue while financial assets designated at fair value through profit and loss at initial measurement are recognized only at fair value, any directly attributable acquisition or issue costs are recorded in the "net trading income" in the income statement.

Financial assets are de-recognized where the rights to receive cash flows from the asset have expired or the bank has transferred all the risks and rewards of the asset to another party, while a financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Available for sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair value.

Held to maturity financial investments are subsequently measured at amortized cost.

Profit and loss due to changes in fair value of financial assets designated at fair value through profit and loss are recorded in income statement during the period it occurred.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

Profit and losses arising from changes in fair value of available for sale financial investments are recognized directly in equity, when the asset is disposed of or impaired, the cumulative profit or loss previously recognized in equity is recognized in the income statement.

Monetary assets' interest/profit income is recognized based on the amortized cost method in the income statement. The foreign currency revaluation differences related to available for sale investments are recognized in the income statement. Available for sale equity instruments related to dividends are recognized in the income statement when they are declared.

Fair values are obtained from quoted market prices in liquid markets. Where no active market exists, or quoted prices are unobtainable the fair value is estimated using a variety of valuation techniques, including discounted cash flow and other pricing models. Inputs to pricing models are generally market-based where available and taken from reliable external data sources.

If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity can measure the equity instrument at cost minus any impairment losses.

Interest/profit calculated using the effective interest/profit method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement, Dividends on available for sale equity instruments are recognized in the income statement when the entities right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices, If there is no active market for a financial asset, the bank measures the equity instruments that are classified as available for sale at cost net of impairment loss, if any.

The Bank reclassifies the financial asset previously classified as available for sale to which the definition of loans-debts (bonds or loans) applies by means of transferring the category of the instruments available for sale to the category of loans and debts or the financial assets held to maturity, once the Bank has the intention and ability to hold such financial assets in the near future or up to the maturity date, such reclassification is made at fair value as on that date. Any profits or losses related to such assets which have been previously recognized within equity shall be treated as follows:

- Financial assets with fixed or determinable payments and fixed maturity is valued at amortized cost, using the effective interest method in case of impairment the profit/interest and loss that have been previously recognized directly in equity is removed from equity and recognized in the income statement.
- Profit and loss related to financial assets without fixed or determinable maturity are held in equity till sale or disposal of the asset then removed from equity and recognized in the income statement, In case of impairment the profits and losses that have been previously recognized directly in equity are removed from equity and recognized in the income statement.

If the Bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument. This adjustment is recognized as either income or expense in the income statement.

In all cases, if the Bank reclassified financial asset in accordance with what is referred to above and the Bank subsequently increase its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate not as an adjustment in the book value of the asset at the date of change in estimate.

E) Offset of financial assets and financial liabilities:

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

REPO and reverse REPO agreements represent by net in balance sheet under treasury bills caption.

F) Profit/Interest income and expenses

G/1 Interest income and expense for all interest/profit-bearing financial instruments, except for those classified as held for trading or designated as at fair value through profit or loss, are recognized within 'income from Murabha, Musharka, Mudarba and other similar income and cost of deposits and similar cost in the income statement using the effective profit/interest rate method, The effective profit/interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the profit/interest income or profit/interest expense over the relevant year.

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

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

- When collected and after recovery of all areas for retail financings, personal financings, real estate financings for personal housing and financings to small business.
- For corporate financings, profit/interest income is also recognized on the cash basis, according to which interest earned during the periods subsequent to reschedule agreements does not start to accrete on the financing principal until the bank collects 25% of the rescheduled installments and after payments of the installments continue to be regular for at least one year, interest income will not be recognized as revenue until full payment of the loan balance before the rescheduling and client is considered to be performing.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

G/2 Revenue is recognized to the extent that bank has a reasonable assurance of the future benefits related to the transaction will be realized and revenue can be reliably measured, revenue is measured by its fair value of the net consideration paid or received after deducting any discount or sales tax or custom fees.

Mentioned below criteria to be taken in consideration before the recognition of revenue:

Sale of goods: Revenue derived from the sale of goods when the bank transferred all risks and rewards to the buyer and usually happens when the goods are delivered to the buyer or the common carrier.

G) Fees and commission income

Accrued fees for loans or advances service are recognized as revenue at the time service is provided. Fees and commissions income related to non-performing or impaired loans or debts are suspended and are carried off-balance sheet and are recognized under income according to the cash basis, when interest income is recognized as shown in (H/2)

Fees that represent a complementary part of the effective interest on the financial asset in general and treated as adjustment to the effective interest rate.

G/1 Commitment fees on loans granted are deferred if there is a possibility that such loans shall be drawn, since the commitment fees received by the Bank are deemed to be a compensation for the ongoing intervention to acquire the financial instrument; subsequently, they are recognized by adjusting the effective interest rate on the loan. In the event of expiry of the commitment year without issuing the loan by the Bank, the fees are recognized as revenues at the expiry of the commitment Year.

G/2 Fees related to debt instruments which are measured at fair value are recognized under revenue at initial recognition. The fees for promotion of syndication loans are recognized as revenues upon completing the promotion process without retaining any part of the loan by the Bank, or if the Bank maintains a part thereof with the actual interest rate available to other participants.

G/3 Commissions and fees arising from negotiation, or participating in a negotiation in favour of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized in the consolidated income statement when the transaction is completed

G/4 Management advisory and other service fees are recognized as income on a time proportionate basis over the life time of the service.

H) Dividends Income

Dividends are recognized in the income statement when the right to receive dividends is established.

I) REPO and reverse REPO agreements

Financial instruments sold in accordance to re-purchase agreements are recognized as assets added to the balance of treasury bills on the balance sheet. Liabilities under purchase and re-sale agreements are deducted from the balance of treasury bills and the difference between sale price and re-purchase price is recognized as accrued income over the term of the agreement using effective interest method.

J) Impairments of financial assets

J/1 Financial assets held with cost to depreciation

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of assets is impaired. A financial asset or a portfolio of assets is impaired and impairment losses is incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet data ('a Loss Event') and that loss event or events has had an impact on the estimated cash flow of the financial asset or the portfolio of financial assets that can be reliably estimated.

Objective evidence that a financial asset or a portfolio of financial assets is impaired includes observable data that comes to the attention of the bank about the following loss events:

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

A substantive proof for impairment loss of group of financial assets that shows the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition including such that cannot be separately determined for each individual asset such as increase of default cases with respect to a banking product.

The bank estimates the period between the date on which the loss event has occurred and the date on which the impairment loss has been identified for each specific portfolio. For application purposes, the bank considers this period from 3 months to one year.

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

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

Notes to Consolidated Interim Financial Statements as of 30 September 2018

Impairment loss is calculated by the difference between the carrying amount and the present value of estimated future recorded cash flow, excluding future expected credit losses not changed yet, discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as "Impairment loss" and the book value of the financial asset is reduced by the impairment amount using "Impairment loss provision".

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

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

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

The bank ensures that estimates of changes in future cash flow reflect the changes in related observable data from period to period. For example, changes in unemployment rates, property price, the position of settlement and any other factors that indicate changes in the probable loss of the group or probable loss in its value.

The methodology and assumptions used for estimating future cash flows are reviewed periodically by the bank to estimate the future cash flow.

J/2 Financial investments available for sale and held to maturity date in associates companies

At each balance sheet date, the bank assesses whether there is objective evidence that any financial asset or group of financial assets that are classified as available for sale has been impaired. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment.

Such decline is presumed to be significant for the equity instruments if it reaches 10% of the cost of the financial instrument, whereas it is presumed a prolonged decline when it extends for a period of more than 9 months.

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

K) Intangible assets

Software (computer programs)

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

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

Cost of the computer software recognized as an asset shall be amortized over the period of expected benefits which shall not exceed three years.

L) Fixed assets

Lands and buildings comprise the head office premises and branches. All fixed assets are carried at historical cost net of accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the fixed assets.

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

Depreciation is charged on all assets, other than land so as to write off the cost of assets over their estimated useful lives, using the straight-line method to the extent of their estimated residual values based on the following annual rates:

Item	Life time
Buildings	20 years
Decorations and preparations	20 years
Integrated systems & equipment	5 years
Motor vehicles	5 years
Furniture and fittings	10 years
Other equipment	10 years
Mobiles	1 year

The residual value and useful life of the fixed assets is reviewed on every balance sheet date and adjusted whenever its necessary.

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

Notes to Consolidated Interim Financial Statements as of 30 September 2018

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

M) Leased assets

Leased assets are stated at acquisition cost.

The assets are depreciated using the straight line method according to the useful life of the assets starting from the date of usage.

N) Investment property

Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by an entity.

Investment property are treated the same accounting treatment for fixed assets.

O) Impairment of non-financial assets

Non-financial assets that do not have definite useful lives, except for goodwill, shall not be amortized. These are annually tested for impairment. Depreciable fixed assets are tested for impairment whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered.

Impairment loss is recognized and the carrying amount of an asset is reduced to the extent that such carrying amount exceeds the asset's recoverable amount.

For the purpose of estimating the impairment loss, where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

At each balance sheet date, non-financial assets for which an impairment loss is recognized shall be reviewed to assess whether or not such impairment losses should be reversed through profit or loss.

P) Leasing

This is calculated as per law no. 95 for the year 1995, about finance leasing in case the contract grants the right to the tenant to purchase the asset by a set date and a set value, in addition to contract life covers more than 75% of estimated useful life, or if the fair value of total rental payments represent payments more than 90% of the assets value. Other contracts represent operational rent contracts.

Q/1 Rent

As for leasing contracts, the expense of rent in addition to maintenance, is recognized as expenses in the under income statement, If the bank decides upon the usage of its right in purchasing the rented assets, the expenses of purchase is capitalized and depreciated over the remaining useful life the same way as other assets are depreciated

The payments are recognized under operational rent decreased by the amount of any payments received within the stated period, registered in the income statement as steady installments.

Q) Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents comprise balances due within three months from date of acquisition; they include cash and balances due from central bank of Egypt, other than those within the mandatory reserve, current accounts with banks and treasury bills.

R) Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determine taking into consideration the group of obligations as a whole.

A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income/expenses.

Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from financial statement date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year the provision is booked using the present value unless time consideration has a significant effect.

S) Taxes

Taxes include income taxes and deferred taxes, both are recognized in the income statement except for income tax relating to the owners' equity, which is recognized directly within the owners' equity statement.

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

Deferred tax 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.

T) Employees Benefits

T/1 Employees saving insurance fund

In the first of July 2013 the bank established a private social insurance fund (Alsondoq) according to the law number 54 for the year 1975 "private insurance funds law and the regulations", The bank has registered the fund in 14 January of 2014 with a number of registration (884), Working in this fund started on the first of April 2014, terms and modification of the fund is applied on the employees working in the head office of the bank and its branches in the Arab republic of Egypt.

The bank is committed to pay the subscriptions to the fund monthly calculated according to the rules of the fund and its modifications. Generally the fund is financed through the monthly subscriptions and some other resources specified in fund's list.

The insurance benefits will be paid when the member reaches end of service due to retirement or death or total or partial disability, In case the term of membership is less than 3 years, the member will receive his contribution balance paid by himself to the fund on the date of retirement or membership.

T/2 Legacy staff medical benefit plan

The Bank has a Defined Benefit Medicare Plan for its legacy employees during their service period and post retirement, the liabilities of this system represent in the present value of its liabilities minus its assets at the end of each period including the actuarial loss and revenues settlements and also the prior year cost.

The liability determined by independent actuarial expert using the Projected Unit Credit method.

The fair value of the liabilities are determined by the projected forecasted cash outflow using discount rate of governmental bonds with maturities similar the maturity of liability. The liability recorded in other liabilities.

The actuarial revenues or losses arising from experience change in actuarial assumptions and amendments in the medical plan are hitting the income statement. The bank applies the monthly payment method to the medical plan for current employees; these payments hit the income statement in employee's benefits item.

U) Comparative figures

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

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 together, the bank aims at achieving a well-balanced risks and relevant rewards, as appropriate and to reduce the probable adverse effects on the bank's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency risk, interest rate risk and other pricing risks.

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

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

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

3/1 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The bank deems financings to customers, banks and financial investments in terms of bills, current accounts, deposits at banks, as financial assets exposed to credit risk of settling part or all of the dues by the concerned parties on the maturity date. Credit risk also exists on items not registered in the balance sheet such as financing commitments. Management processes and credit risk controls are the main concern of the credit risk management team in Risk Department, who reports to the Board of Directors, senior management and heads of each business unit.

3/1/1 Measurement of credit risk

Financings and facilities to clients

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

- Probability of default – by the client or counter party on its contractual obligations.
- Exposure at default – current exposure to the counter party and its likely future developments from which the Bank derive the exposure at default.
- Loss given default

The banks daily activities include measurement of credit risk, which reflects estimated loss (expected loss model) required by Basel banking observatory committee, a conflict could generate between operational measurements and impairments as per the Egyptian Accounting Standards (no 26), which recognizes losses encountered on balance sheet (Recognized losses) rather than "Expected loss" (note 3/1/3).

Notes to Consolidated Interim Financial Statements as of 30 September 2018

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

Internal categories:

<u>Category</u>	<u>Description</u>
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1	Good debts
2	Regular follow up
3	Special follow up
4	Bad debts

- Exposure at default is based on the amounts the bank expects to be outstanding at the time of default.
- The estimated loss, is the loss incurred when delay in payment occurs, being a percentage of financing which differs depending upon client, nature of claim, available collaterals and guarantees.

Debt instruments and treasury bills

The bank in this case uses external categorization, such as standard and poor or other equivalents. If external classification is not available, the method of credit risk is followed. The investment in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

3/1/2 Minimization and avoidance of risk

The Bank manages limits and controls concentration of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industrial segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by individual, counterparties, product, and industrial sector and by country are approved quarterly by the board of directors.

The exposure to any one borrower including banks is further restricted by subsidiary limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. some other specific control and mitigation measures are outlined below:

Collaterals

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

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

Notes to Consolidated Interim Financial Statements as of 30 September 2018

Usually the long term facilities and corporate are with collaterals, while credit for retail are without collaterals to minimize any losses to minimal, The bank seeks extra collaterals from related parties if a sign of impairment of any financing or facility occurs.

Collaterals are taken as a guarantee for other assets except for financial and facilities and usually, treasury bills and securities are with no collaterals, except for financial pools covered by asset-backed securities and similar guaranteed by financial instruments.

Commitments related to credits

The major need for commitments related to credits is for the client to have liquidity when needed. Guarantees and standby letters of credit issued by the bank on behalf of the client, to grantee a third party the right to withdrawal from the clients account within a certain limit.

Usually this is guaranteed by shipped merchandise or goods therefore the risk weight is less than direct financings.

Credit commitments represent the hidden unused part of the risk tolerated by the bank such as granting financings, LCs and LGs, the bank then is subject to losses to equal value of credits. Losses indorsed by unused credits are less than the value, due to facilities being granted for possible commitments for a specific client with certain conditions. The bank observes the credits till maturity date (long term credits hold a higher risk weight).

3/1/3 Impairment & provisioning policies

Internal rating system mentioned earlier (Note 3/1/1) focuses more on planning the quality of credit process and this in the beginning of investing and financing activities, other than that. Impairment losses is recognized only on the balance sheet date for financial reporting purposes according to the objective evidence of impairment as per noted in this disclosure and due to the difference in methodologies applied, usually impairment losses that is reported as per Central bank of Egypt laws and regulations using the estimated losses model is higher than those charged to the financial statements (note 3/1/4).

Impairment loss provisions stated on the end of period balance sheet are extracted from the categorized weight risk rating. Provisions are mainly calculated for credits holding the lowest category. The following table clarifies the percentage upon which the provisions are calculated as of 30 September 2018 related financing and facilities and impairment loss provision related to the internal bank rating:

Banks rating	30 September 2018		31 December 2017	
	Loans and facilities	Impairment loss provisions	Loans and facilities	Impairment loss provisions
Good debts	69%	38%	78%	31%
Regular follow up	27%	10%	15%	8%
Special follow up	0%	1%	2%	5%
Bad debts	4%	51%	5%	56%
	100%	100%	100%	100%

Notes to Consolidated Interim Financial Statements as of 30 September 2018

Internal evaluation helps to clarify if there are any significant indications existing for provisions, as per Egyptian accounting standards no. 26, guided by the following points set by the bank:

- Financial problems faced by the client.
- Breaching of financing contract for example overdue installments.
- Prediction of bankruptcy or liquidation or financial restructure.
- Deterioration of competitive position.
- The bank granting superior or extraordinary facilities that the bank could normally not agree upon.
- Impairment of the collateral
- Deterioration of credit status.

The bank's policy includes revising all the bank's assets (exceeding a certain percentage of importance) at least once per year or more if needed.

Loss is evaluated at the balance sheet date on all major accounts. Evaluation normally includes the existing collateral, verifying all payments and withdrawals from the account. Impairment loss is charged on similar assets; historical expertise, personal judgment statistical methods.

3/1/4 Model of general risk measurement

In addition to the 4 categories stated in note 3/1/1, the management takes on several other detailed measurements, to comply with the CBE requirements. Assets exposed to risk are categorized as per the CBE's conditions and instructions, mainly related to on the client, such as: activity, financial position, payment stability.

The bank calculates the impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the required for impairment losses as per CBE credit worthiness rules on 16 December 2008 exceeds the provisions, that excess shall be debited to retained earnings and carried to the general reserve for banking risks in the equity section.

Such reserve is always adjusted, on a regular basis, by any increase or decrease so that the reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution (note 33/3) and shows the movement on the general reserve for banking risks during the financial period.

As follows is the statement of credit rating for corporations as per the bank's internal ratings as compared with those of CBE's, it also includes the percentages of provisions required for impairment of assets exposed to credit risk.

CBE rating	CBE rating description	Required provision %	Internal rating	Internal rating description
1	Low risk	0%	1	Good debts
2	Moderate risk	1%	1	Good debts
3	Satisfactory risk	1%	1	Good debts
4	Appropriate risk	2%	1	Good debts
5	Acceptable risk	2%	1	Good debts
6	Marginally acceptable risk	3%	2	Regular Follow up
7	Risk needs special attention	5%	3	Special Follow up
8	Substandard	20%	4	Non performing financing
9	Doubtful debts	50%	4	Non performing financing
10	Bad debts	100%	4	Non performing financing

Notes to Consolidated Interim Financial Statements as of 30 September 2018

3/1/5 Maximum limit for credit risk before guarantees

5/A Maximum limit for credit risk before guarantees

	30 September 2018 LE 000's	31 December 2017 LE 000's
<u>Balance sheet items exposed to credit risks</u>		
Treasury bills	10,967,916	8,281,126
<u>Loans and financing to Banks</u>	299,211	305,018
<u>Loans and financing to customers</u>		
<u>Retail loans</u>		
- Overdraft	3,179	3,012
- Covered cards	2,386,996	2,267,484
- Personal financing	8,262,170	6,512,773
- Real estate mortgage	40	40
<u>Corporate Loans:</u>		
- Overdraft	3,014,866	2,372,060
- Direct financing	13,881,457	8,729,530
- Syndicated financing	648,231	760,794
<u>Financial investments:</u>		
- Debt instruments	7,194,089	6,842,812
Total	46,658,155	36,074,649
<u>Off balance sheet items exposed to credit risks</u>		
Letters of credit (Import & confirmed export)	1,458,731	1,015,314
Letters of guarantee	1,948,888	1,363,652
Documentary credit	1,745,074	291,083
Bank guarantees	754,548	1,013,447
Total (Note 36-2)	5,907,241	3,683,496

The above table represents the maximum limit of risks to be exposed to at the end of 30 September 2018 and without taking into consideration any guarantees, for balance sheet items, amounts stated depends on the net carrying amount shown in the balance sheet.

As shown in the preceding table, 60.43 % (December 31st, 2017: 57.23 %) of the maximum limit exposed to credit risk results from financings and facilities to customers, but the investment in debt 15.42% (31 December 2017 : 18.97%)

The management is confident in its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from financing portfolio, facilities, and debt instruments as follows:

- 97.34 % (December 31st, 2017: 95.18%) of the financings and facilities portfolio are rated on the highest 2 levels of the internal rating.
- 69.74 % (December 31st, 2017: 79.51%) of the financing portfolio and facilities having no arrears or indicators of impairment.
- Financings and facilities valued on a standalone basis amounting to LE 656mn (December 31st, 2017: LE 554.5mn) with impairment less than 2.30 % from its value against (December 31st, 2017: LE 2.65%).
- The bank applied more prudential selection process on granting financings and facilities during the financial Period ended at 30 September 2018.
- 100% of investments in debt instruments and treasury bills represent debt instruments due from the Egyptian government.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

3/1/6 Financing and facilities

The status of balances of financing in terms of credit rating is as follows:

	30 September 2018 LE 000's			31 December 2017 LE 000's		
	Financing and facilities to customers	Financing and facilities to Banks	Total Financing and Facilities	Financing and facilities to customers	Financing and facilities to Banks	Total Financing and Facilities
Neither past due nor impaired	19,575,267	299,211	19,874,478	16,350,177	305,018	16,655,195
Past due not impaired	7,965,543	-	7,965,543	3,740,967	-	3,740,967
Subject to impairment*	656,130	-	656,130	554,549	-	554,549
Total (note 18)	28,196,940	299,211	28,496,151	20,645,693	305,018	20,950,711
Less:						
Impairment loss provision**	(909,631)	-	(909,631)	(762,530)	-	(762,530)
Interest in suspense	(77,380)	-	(77,380)	(51,337)	-	(51,337)
Deferred profits	(4,071,193)	(29,877)	(4,101,070)	(3,548,834)	(38,616)	(3,587,450)
Net (note 18)	23,138,736	269,334	23,408,070	16,282,992	266,402	16,549,394

* Customers financing and facilities subjected to impairment related to the period before acquisition.

- Non-performing financing against guarantees and not subject to impairment after taking into consideration the collectability of the guarantees.
- Financings and facilities portfolio has increased by 15.42% as of 31st December 2017 (31st December 2017: increased by 8.7%).

Notes to Consolidated Interim Financial Statements as of 30 September 2018

3/1/6 Financing and facilities - Continued

Financing and facilities to customers and banks

Value in LE 000's

30 September 2018

Rating	Retail				Corporate			Total
	Overdraft	Covered cards	Personal financing	Real estate mortgage	Overdraft	Direct financing	Syndicated financing	Financing and facilities
Good debts	3,179	2,364,357	7,992,936	40	1,942,776	6,896,289	674,901	19,874,478
Regular follow up	-	15,265	82,503	-	1,070,567	6,423,026	272,405	7,863,766
Special follow up	-	6,689	14,723	-	126	80,239	-	101,777
Bad debts	-	686	172,008	-	1,533	481,903	-	656,130
Total	3,179	2,386,997	8,262,170	40	3,015,002	13,881,457	947,306	28,496,151

Value in LE 000's

31 December 2017

Rating	Retail				Corporate			Total
	Overdraft	Covered cards	Personal financing	Real estate mortgage	Overdraft	Direct financing	Syndicated financing	Financing and facilities
Good debts	3,012	2,250,974	6,312,154	40	1,536,427	5,852,971	699,617	16,655,195
Regular follow up	-	10,769	47,749	-	658,524	2,201,506	366,060	3,284,609
Special follow up	-	4,277	8,851	-	177,244	265,986	-	456,358
Bad debts	-	1,464	144,019	-	-	409,066	-	554,549
Total	3,012	2,267,484	6,512,773	40	2,372,195	8,729,529	1,065,677	20,950,711

Notes to Consolidated Interim Financial Statements as of 30 September 2018

3/1/6 Financing and facilities - Continued

Financing and facilities past due but not impaired

The credit worthiness for financings and facilities portfolio that are neither past due nor impaired is based on the banks' internal rating they are financing having arrears until 90 days and they are not subject to impairment unless there is information to the contrary. Financings and facilities to customers having arrears and not subject to impairment and fair value of related guarantees are represented as follows:

30 September 2018	Value in LE 000's		
	Overdraft	<u>Retail</u> Covered cards Personal financing	Total
30 to 60 days arrears	-	15,265	82,503
60 to 90 days arrears	-	6,689	14,723
Total	-	21,954	97,226

	Value in LE 000's		
	Overdraft	<u>Corporate</u> Direct financing Syndicated financing	Total
30 to 60 days arrears	1,070,567	6,423,026	272,405
60 to 90 days arrears	126	80,239	-
Total	1,070,693	6,503,265	7,846,363

31 December 2017	Value in LE 000's		
	Overdraft	<u>Retail</u> Covered cards Personal financing	Total
30 to 60 days arrears	-	10,769	47,749
60 to 90 days arrears	-	4,277	8,851
Total	-	15,046	56,600

	Value in LE 000's		
	Overdraft	<u>Corporate</u> Direct financing Syndicated financing	Total
30 to 60 days arrears	658,524	2,201,509	366,060
60 to 90 days arrears	177,244	265,984	-
Total	835,768	2,467,493	3,669,321

At the initial recognition of financings and facilities, the fair value of the guarantees is determined using similar techniques for similar assets subsequently; its fair value is updated to reflect either the market price or prices of similar assets.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

3/1/6 Financing and facilities - Continued

Financings subject to individual impairment

Financings and facilities to clients as follows

30 September 2018	<u>Retail</u>		<u>Corporate</u>	Value in LE 000's
	Covered cards	Personal financing	Direct financing	<u>Total</u> Financing and Facilities to customers
Financings subject to individual impairment	685	172,009	481,903	656,130

31 December 2017	<u>Retail</u>		<u>Corporate</u>	Total Financing and Facilities to customers
	Covered cards	Personal financing	Direct financing	
Financings subject to individual impairment	1,463	144,019	409,067	554,549

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

The following table represents breakdown of debt instruments and Treasury Bills, as per rating agencies at the end of the financial (Standard and Poors – Mercis).

30 September 2018	Treasury bills	Investments in debt instruments	Total
	LE 000's	LE 000's	LE 000's
Less than B-	10,967,916	7,194,089	18,162,005
	10,967,916	7,194,089	18,162,005

31 December 2017	Treasury bills	Investments in debt instruments	Total
	LE 000's	LE 000's	LE 000's
Less than B-	8,281,126	6,842,812	15,123,938
	8,281,126	6,842,812	15,123,938

Notes to Consolidated Interim Financial Statements as of 30 September 2018

3/1/8 Sectors analysis according to activity nature

30 September 2018	Wholesale Banking	Capital Banking	Retail Banking	Other Operation	Value in LE 000's Total
Revenue and expense according to activities sector					
Revenue from activity sectors	882,132	235,425	1,262,807	(91,137)	2,289,227
Expenses of activity sectors	(504,596)	(14,424)	(779,929)	(29,943)	(1,328,892)
Profit before tax for the period	377,536	221,001	482,878	(121,080)	960,335
Tax	(177,578)	(47,749)	(108,502)	5,688	(328,141)
Profit for the period	199,958	173,252	374,376	(115,392)	632,194

Assets and liabilities according to activity sector

Assets related to activity sectors	17,594,053	19,523,553	6,449,882	-	43,567,488
Non-Classified assets	-	-	-	5,435,188	5,435,188
Total assets	17,594,053	19,523,553	6,449,882	5,435,188	49,002,676
Liabilities of activity sectors	13,202,231	1,730,580	26,063,640	-	40,996,451
Non-classified liabilities	-	-	-	5,066,337	5,066,337
Total liabilities	13,202,231	1,730,580	26,063,640	5,066,337	46,062,788

31 December 2017	Wholesale Banking	Capital Banking	Retail Banking	Other Operation	Value in LE 000's Total
Revenue and expense according to activity sectors					
Revenue from activity sectors	1,108,368	407,165	1,446,449	(322,595)	2,639,387
Expenses of activity sectors	(214,568)	(17,107)	(934,674)	(140,413)	(1,306,762)
Profit before tax for the year	893,800	390,058	511,775	(463,008)	1,332,625
Tax	(160,814)	(84,561)	(113,465)	(342,187)	(701,027)
Profit for the year	732,986	305,497	398,310	(805,195)	631,598

Assets and liabilities according to activity sectors

Assets related to activity sectors	11,575,838	16,023,412	5,122,583	-	32,721,833
Non-Classified assets	-	-	-	4,691,476	4,691,476
Total assets	11,575,838	16,023,412	5,122,583	4,691,476	37,413,309
Liabilities of activity sectors	8,171,134	1,212,297	21,661,736	-	31,045,167
Non-classified liabilities	-	-	-	4,077,819	4,077,819
Total liabilities	8,171,134	1,212,297	21,661,736	4,077,819	35,122,986

Notes to Consolidated Interim Financial Statements as of 30 September 2018

3/1/9 Geographical sectors

30 September 2018	Arab republic of Egypt				Value in LE 000's	
	Cairo	Alex, Delta & Sinai	Upper Egypt	Total	Other countries	Total
Treasury bills	10,967,916	-	-	10,967,916	-	10,967,916
Financial assets held for trading	30,806	-	-	30,806	-	30,806
Investments in debt instruments	7,194,089	-	-	7,194,089	-	7,194,089
Facilities to Banks	299,211	-	-	299,211	-	299,211
<u>Financing to customers</u>						
<u>Retail</u>						
Overdraft	2,045	981	153	3,179	-	3,179
Covered cards	2,323,836	49,535	13,625	2,386,996	-	2,386,996
Personal financing	5,399,815	2,312,023	550,332	8,262,170	-	8,262,170
Real estate mortgage	40	-	-	40	-	40
<u>Corporate</u>						
Overdraft	3,014,408	453	5	3,014,866	-	3,014,866
Direct financing	13,865,661	14,197	1,599	13,881,457	-	13,881,457
Syndicated financing	648,231	-	-	648,231	-	648,231
Total as of 30 September 2018	43,746,058	2,377,189	565,714	46,688,961	-	46,688,961
Total as of 31 December 2017	33,629,375	1,942,209	523,741	36,095,325	-	36,095,325

Notes to Consolidated Interim Financial Statements as of 30 September 2018

3/1/10 Activities sectors

	Financial institution	Manufacturing institution	Services	Wholesale and Retail	Governmental sector	Retail	Other Operation	Value in LE 000's Total
Treasury bills	-	-	-	-	10,967,916	-	-	10,967,916
Financial assets held for trading:								
Equity instruments	30,806	-	-	-	-	-	-	30,806
Loans and facilities to Banks	299,211							299,211
Loans and facilities to customers								
<u>Consumer loans:</u>								
Overdrafts	-	-	-	-	-	3,179	-	3,179
Covered cards	-	-	-	-	-	2,386,996	-	2,386,996
Personal financing	-	-	-	-	-	8,262,170	-	8,262,170
Mortgage financing	-	-	-	-	-	40	-	40
<u>Corporate loans</u>								
Overdrafts	125	1,062,213	349,987	302,688	1,299,708	-	145	3,014,866
Directs financing	394,232	5,300,271	1,730,165	2,449,287	3,878,292	-	129,210	13,881,457
Syndicated financing	-	375,827	225,956	-	46,448	-	-	648,231
Financial investments								
Debt instruments	-	-	-	-	7,194,088	-	-	7,194,088
Total as of 30 September 2018	724,374	6,738,311	2,306,108	2,751,975	23,386,452	10,652,385	129,355	46,688,960
Total as of 31 December 2017	610,765	5,200,826	1,531,205	2,296,781	17,654,194	8,783,309	18,245	36,095,325

3/2 Market risk

The bank exposed to market risks which is the risk that the fair value or future cash flow fluctuation resulted from changes in market prices. Market risks arise from open market related to interest rate, currency, and equity products of which each is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices such as interest rates, foreign exchange rates and equity instrument prices. The Bank divides its exposure to market risk into trading and non-trading portfolios.

Bank treasury is responsible for managing the market risks arising from trading and non-trading activities of which monitored by two separate teams. Regular reports about market risk are submitted to the Board of Directors and each business unit head periodically.

Trading portfolios include transactions where the Bank deals direct with clients or with the market; Non-trading portfolios primarily arise from managing assets and liabilities interest rate price relating to retail transactions. Non-trading portfolios also includes foreign exchange risk and equity instruments risks arising from the Bank's held-to-maturity and available-for-sale investments portfolios.

3/2/1Market risk measurement techniques

As part of the management of market risk, the Bank undertakes various hedging strategies as well as entering into interest rate swap contracts to offset the associated debt instruments and funds for long -term fixed-income risk if the application of the fair value option. Here are the top measuring tools used to control the risk of the market:

A. Value at risk:

The Bank applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk of positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board sets separate limits for the value of risk that may be accepted by the Bank for trading and non-trading portfolios and monitored by the market risk department.

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the Bank expect to lose using confidence level (98%). Therefore there is statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR module assumes that the holding year is 10 days before closing the opening position. It also assumes that market movements during the holding year will be the same as 10-days before. The Bank's assessment of past movements is based on data for the past five hundred days. The Bank applies these historical changes in rates prices indicators....etc. directly to its current positions this approach called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

The use of this approach does not prevent losses from exceeding these limits if there are significant market movements.

As VAR considered a primary part of the Bank's market risk control technique VAR limits are established by the Board annually for all trading and non-trading transactions and allocated to business units. Actual values exposed to market risk are compared to the limits established by the bank and reviewed by the ALCO committee.

The average daily VAR for the Bank during the current

The quality of the VAR model is continuously monitored through examining the VAR results for trading portfolio and results are reported to the top management and Board of Directors.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

B. Stress testing:

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances. Stress testing are designed to match business using standard analysis for specific scenarios. The stress testing carried out by the Bank treasury. Stress testing include: risk factor stress testing where sharp movements are applied to each risk category and test emerging market stress, as emerging market portfolios are subject to sharp movements; and subject to special stress including possible stress events to specific positions or regions - for example the stress outcome to a region applying a free currency rate.

The results of the stress testing are reviewed by top management and Board of directors

3/2/2 VAR summary

Total value at risk according to type of risk

	Value in LE 000's			Value in LE 000's		
	9 Months ended 30 September 2018			12 Month ended 31 December 2017		
	Average	High	Low	Average	High	Low
Foreign currency risk	1,480	6,299	47	17,158	38,547	628
Interest rate risk	22,085	28,829	16,485	14,738	18,667	8,127
Total value upon risk	23,565	35,128	16,532	31,896	57,214	8,755

Total value at risk for trading investment held for trade:

	Value in LE 000's			Value in LE 000's		
	9 Months ended 30 September 2018			12 Month ended 31 December 2017		
	Average	High	Low	Average	High	Low
Foreign currency risk	1,480	6,299	47	17,158	38,547	628
Interest rate risk	1,512	2,475	814	642	1,965	10
Total value upon risk	2,992	8,774	861	17,800	40,512	638

Total value at risk for Non-trading investment held for trade upon type of risk:

	Value in LE 000's			Value in LE 000's		
	9 Months ended 30 September 2018			12 Month ended 31 December 2017		
	Average	High	Low	Average	High	Low
Interest rate risk	20,573	26,354	15,671	14,096	16,702	8,117
Total value upon risk	20,573	26,354	15,671	14,096	16,702	8,117

The increase in VAR especially the interest rate risk mainly proportion to the increase in market interest rates volatility in the global financial markets.

The above three VAR results (average, high and low) are calculated independently from the underlying positions and historical market movements. The aggregate of the trading and non-trading VAR results does not represent the bank's VAR due to correlations of risk types and portfolio types and their effect.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

3/2/3 Foreign exchange volatility risk

30 September 2018

30 September 2018	Value/ Equivalent in LE 000's						
	EGP	USD	Euro	Sterling	Yen	Others	Total
<u>Assets</u>							
Cash and due from CBE	3,362,732	89,169	13,631	1,525	32	15,050	3,482,139
Due from banks	11,130	1,904,308	11,565	10,397	9,358	158,686	2,105,444
Treasury bills	8,460,501	2,382,628	124,787	-	-	-	10,967,916
Financial assets held for trading	30,806	-	-	-	-	-	30,806
Financing and facilities to Banks	-	269,335	-	-	-	-	269,335
Financing and facilities to customers	17,305,860	6,584,562	145,723	89,602	-	-	24,125,747
<u>Financial investments</u>							
- Available for sale	38,344	44,334	582	-	-	-	83,260
- Held to maturity	6,985,245	218,927	-	-	-	-	7,204,172
Total Financial Assets	36,194,618	11,493,263	296,288	101,524	9,390	173,736	48,268,819
<u>Liabilities</u>							
Due to banks	601,389	108,210	20,798	58,363	-	45,243	834,003
Customers' deposits	31,489,975	8,107,338	289,411	42,218	1,496	113,540	40,043,978
Checks and transfers	562,025	2,416	4,293	8	-	-	568,742
Subordinated Loan	11,915	810,143	-	-	-	-	822,058
Total Financial Liabilities	32,665,304	9,028,107	314,502	100,589	1,496	158,783	42,268,781
Net financial position	3,529,314	2,465,156	(18,214)	935	7,894	14,953	6,000,038

31 December 2017

Total Financial Assets	30,708,685	8,497,037	280,247	33,008	2,291	169,824	39,691,092
Total Financial Liabilities	25,073,194	5,961,133	294,720	36,992	1,880	147,617	31,515,536
Net Financial Position	5,635,491	2,535,904	(14,473)	(3,984)	411	22,207	8,175,556

Notes to Consolidated Interim Financial Statements as of 30 September 2018

3/2/4 Profit rate risk

The Bank is exposed to profit rate risk which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Fair value profit rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Profit margins may increase as a result of such changes but may profit decrease in the event that unexpected movements arise. The Board of Director sets limits on the level of mismatch of interest rate reprising that may be undertaken which is monitored daily by Bank risk department

The following table summarize the extend that the bank is exposed to fluctuation in profit rate that includes the book value for the financial instruments distributed on reprising dates or maturity date which is closest

	Value in LE 000's					
	Up to 1 Month	1-3 months	3-12 Months	1-3 years	More than 3 years	Total
30 September 2018						
Financial assets						
Cash and due from CBE	901,216	708,501	851	2,580,940	-	4,191,508
Due from banks	1,655,121	-	-	-	-	1,655,121
Treasury bills	650,850	2,438,379	7,878,686	-	-	10,967,915
Financial assets held for trading	-	30,806	-	-	-	30,806
Facilities to banks	-	235	-	-	269,100	269,335
Financing and facilities to customers	2,913,727	4,519,051	9,408,516	4,683,660	1,266,859	22,791,813
Financial investments						
- Available for sale	582	-	-	82,678	-	83,260
- Held to maturity	85,000	135,000	1,023,017	3,850,507	1,891,721	6,985,245
Derivatives Financial Instruments	-	-	-	-	86,280	86,280
Other financial assets	23,551	-	-	40,022	8,270,693	8,334,266
Total financial assets	6,230,047	7,831,972	18,311,070	11,237,807	11,784,653	55,395,549
Financial liabilities						
Dues to banks	834,012	-	-	-	-	834,012
Customers deposits	8,913,025	3,703,360	5,887,332	20,394,691	1,230,622	40,129,030
Subordinated financing	-	-	-	-	822,058	822,058
Other financial liabilities	61,667	-	-	-	14,694,367	14,756,034
Total financial liabilities	9,808,704	3,703,360	5,887,332	20,394,691	16,747,047	56,541,134
Interest re-pricing	(3,578,657)	4,128,612	12,423,738	(9,156,884)	(4,962,394)	(1,145,585)

3/3 Liquidity risk

Liquidity risk represents difficulty encountering the Bank in meeting its financial commitments when they fall due and replace funds when they are withdrawn. This may results in failure in fulfilling the Bank obligation to repay to the depositors and fulfilling lending commitments.

Liquidity risk management process

The Bank's liquidity management process carried out by the Bank risk department includes:

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes availability of liquidity as they due or to be borrowed to customers. To ensure that the Bank reaches its objective the Bank maintains an active presence in global money markets.
- The Bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow.
- Monitoring liquidity ratios in relation with internal requirements and central bank of Egypt requirements.
- Managing financing and facilities concentration and dues.

For monitoring and reporting purposes The Bank calculates the expected cash flow for the next day, week and month which are the main time Spain to manage liquidity.

The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.

Its' role is also to monitor the liquidity gaps between average maturity assets and the level and type of unused financing commitments, the ratio of usage of debit current accounts, and the effect of contingent liabilities such as LCs and LGs.

Funding strategy

Liquidity resources are reviewed through a separate team at the risk department to maintain wide diversification by currencies, geographical location, sources as well as maturities.

Assets available to meet all liabilities and cover financing commitments include cash, balances with the central bank, Balances due from banks, treasury bills and financings and facilities to banks and customers. Moreover, some financing and facilities to customers may be extended during the normal course of business of the bank. The bank has the ability to meet unexpected net cash flows through selling financial papers, and finding other financing sources.

The CBE regulations require compliance with the following:

- Maintaining LE 500mn as a minimum requirement for the authorized and issued capital.
- Maintaining a ratio between capital elements, asset and contingent liability elements weighted by risk weights at 10% or more.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

The capital adequacy ratio consists of the following two tiers:

Tier 1:

It is the basic capital comprising of paid up capital (after deducting the carrying amount of the treasury stocks), retained earnings, reserves resulting from profit appropriations except the general banking risk reserve less any goodwill previously recognized and any carried forward losses.

Tier 2:

Is the sub-ordinate capital comprising the equivalent of the general bank risk reserve in accordance with CBE credit rating deposits not more than 1.25 % of total assets and contingent liabilities (weighted credit risk rates), subordinate deposits / financings maturing after more than 5 years (amortizing 20% of their value each year), and 45 % of the increase between the fair value and carrying amount for the available for sale investments, investments held to maturity, and investments in affiliates and subsidiaries.

The numerator of capital adequacy ratio calculation has to consider:

- Subordinated capital not exceed the basic capital.
- Subordinated financing (deposits) not exceed half basic capital.

Assets are risk weighted in a range from 0% to 100 % according to the type of asset, to reflect related credit risk taking into consideration cash guarantees; the same treatment is used for the off-balance sheet amounts after making relevant adjustments to reflect the contingent nature and the potential loss for these amounts.

The bank has complied with all the capital requirements during the period. Following is a table summarizing capital and capital adequacy ratio:

Notes to Consolidated Interim Financial Statements as of 30 September 2018

3) Management of financial risk - Continued

According to Basel II

Tier 1 Capital

Going concern capital - Basic

	30 September 2018 LE 000's	31 December 2017 LE 000's
Capital shares	2,000,000	2,000,000
Paid under capital increase	1,861,418	1,861,418
Reserves	255,494	255,494
Accumulated loss	(2,177,765)	(2,155,351)
Deduct 100% of the decline in the fair value of the book value of financial investments transferred from AFS to HTM	(10,341)	(12,941)
Deduct: Deferred Tax	-	(1,780)
Deduct: Intangible Assets	(146)	(323)
Deduct: Financial institutions and Insurance Co. investment	(36,993)	(29,387)
Total Going concern capital - Basic	1,891,667	1,917,130

Going concern capital - Additional

Difference between FV and PV for subordinated financing	72,748	81,150
Current period profit	636,593	-
Total Going concern capital - Additional	709,341	81,150
Total Tier 1 Capital	2,601,008	1,998,280

Tier 2 Capital

Impairment losses related to financing, facilities, performing contingent liabilities	321,747	237,618
Subordinated financing	810,143	777,582
45 % of the increase in fair value compared to carrying amount of available for sale investment, investments held to maturity & investments in affiliates and associates	108,004	122,567
45% of special reserve	10,144	7,722
Total Tier 2 Capital	1,250,038	1,145,489
Capital base (Tier 1 +Tier2)	3,851,046	3,143,769

Contingent assets and liabilities weighted risk	25,740,261	19,009,463
Capital requirement for market risk	64,861	148,476
Capital requirement for operation risk	3,201,004	3,201,004
Total risk weighted assets and contingent liabilities	29,006,126	22,358,943

***Capital adequacy ratio (%) Out of TOP 50 Effect**

Top 50 Excess charge	13.28%	14.06%
*Capital adequacy ratio (%)	12.64%	13.70%

*Based on consolidated Banking group with its financial institutions and in accordance with The CBE instructions issued on 24 December 2012.

3/4 Leverage Financial Ratio

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

- Guidance ratio starting from reporting year end September 2015 till December 2017.
- Obligatory ratio to start from year 2018.

This ratio will be included in Basel requirement tier 1 (minimum level of capital adequacy ratio) in order to maintain the Egyptian Banking System strong and safe, as long as to keep up with the 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:

Ratio Elements

A-The numerator elements

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

B-The denominator elements:

The denominator consists of all bank assets (on balance sheet and off-balance sheet) as per the financial statements "Bank exposure" which includes the total of the following:

- 1-On balance sheet exposure items after deducting some of tier 1 exclusions for capital base
- 2-Derivatives contracts exposures.
- 3-Financing financial notes operations exposures.
- 4-Off-balance sheet items (weighted by credit conversion factor)

Notes to Consolidated Interim Financial Statements as of 30 September 2018

3/4 Leverage Financial Ratio Continued

The tables below summarize the leverage financial ratio:

	30 September 2018 LE 000's	31 December 2017 LE 000's
Tier 1 capital after exclusions (1)	2,601,008	1,998,280
Cash and due from Central Bank of Egypt (CBE)	4,189,760	2,989,646
Due To Banks	1,665,954	707,441
Treasury bills	10,259,606	7,842,065
Financial assets held for trading	22,899	20,351
Financial investments available-for-sale	69,057	65,339
Financial investments held to maturity	7,204,172	6,850,312
Investments in subsidiaries and associates	239,504	224,798
Loans and credit facilities to customers	23,840,277	16,855,915
Fixed assets (Net of Accumulated depreciation & Impairment loss Provisions)	530,790	525,164
Other assets	1,346,843	1,338,488
Deducted amounts from exposures (some of tier 1 exclusions for capital base)	(37,139)	(31,490)
Total on-balance sheet exposures items after deducting some of tier 1 exclusions for capital base	49,331,723	37,388,029
Potential future exposures	537	-
Total derivatives contracts exposures	537	-
Sale of T. Bills with a commitment to repurchase	3,105	-
Total financing operation exposure	3,105	-
Total on-balance sheet exposures, Derivatives contracts and financing financial securities	49,335,365	37,388,029
Import L/Cs	279,390	181,047
Export L/Cs	12,356	22,016
L/Gs	969,022	673,784
L/Gs according to foreign banks	370,305	499,596
Contingent liabilities for general collaterals for financing facilities and similar collaterals	7,513	12,699
Bank acceptance	1,745,074	291,083
Total contingent liabilities	3,383,660	1,680,225
Capital commitments	3,840	21,087
Legal claims		
Operating lease commitments	161,705	121,562
Loan commitments to clients /banks (unutilized part) original maturity period	939,746	708,419
Total commitments	1,105,291	851,068
Total exposures off-balance sheet	4,488,951	2,531,293
Total exposures on-balance sheet and off-balance sheet (2)	53,824,316	39,919,322
Leverage financial ratio (1/2)	4.83%	5.01%

4- Significant accounting estimates

The bank undertakes estimations and judgments that affect the value of assets and liabilities that have been disclosed during the next financial period, consistently estimations and judgments are based on historical experience and other factors, including the expectations of future events that are reasonably estimated in accordance with the available information and circumstances.

4/1) Impairment loss for financings and facilities

The bank reviews the portfolio of financings and facilities on at least a quarterly basis to evaluate the impairment. The bank uses discretionary judgment on determining whether it is necessary to record impairment in the income statement using reliable data indicating measurable decline in the expected future cash flows from financing portfolio before identifying any decline at the level of one financing. This evidence include data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default. On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having credit risks. Such experience refers to impairment similar to that of the portfolio in question.

The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on given experience.

4/2) Impairment loss of equity instruments available for sale

In the case of investment in available for sale equity instrument, a significant or prolonged decline in the fair value of the security below its cost is considered as impairment. Where such evidence exists, significant or prolonged decline needs a personal judgment. To make this judgment the bank assesses- besides other factors- the common share price volatility. In addition, impairment exists when there is objective evidence that a certain company has a financial difficulty in its cash flow from operating and financing activities, industry tool or sector or technological advances.

4/3) financial investments held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as investments held to maturity. This category requires personal judgment and therefore the bank tests whether there is a genuine intent and ability to hold such investments to maturity. If the bank fails to hold such investments till maturity (except for certain tightly defined circumstance such as if an entity sells an insignificant amount of held to maturity investments close to maturity date), investments should be reclassified as available for sale, which will be measured at fair value instead of amortized cost.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

5- Net revenue from funds

	Nine Months Ended 30 September 2018 LE 000's	Nine Months Ended 30 September 2017 LE 000's	Three Months Ended 30 September 2018 LE 000's	Three Months Ended 30 September 2017 LE 000's
Income from Murabaha, Musharaka, Mudaraba and other similar income				
Financing and facilities to customers	2,427,835	1,755,134	900,557	666,886
Treasury bills and bonds	1,655,175	1,088,666	593,628	397,013
Deposits and current accounts	51,528	97,402	15,808	35,729
Total	4,134,538	2,941,202	1,509,993	1,099,628
Cost of deposits and similar expenses				
Deposits and current accounts:				
To banks	(250,946)	(162,104)	(111,106)	(49,990)
To customers	(2,078,459)	(1,298,396)	(755,571)	(504,606)
Total	(2,329,405)	(1,460,500)	(866,677)	(554,596)
Net Revenue from funds	1,805,133	1,480,702	643,316	545,032

6- Net fees and commission income

	Nine Months Ended 30 September 2018 LE 000's	Nine Months Ended 30 September 2017 LE 000's	Three Months Ended 30 September 2018 LE 000's	Three Months Ended 30 September 2017 LE 000's
Fees and commissions income:				
Fees and commissions related to financing	225,401	206,340	64,129	71,260
Fees related to corporate finance	15,276	6,386	4,304	3,452
Other fees	154,560	133,522	57,647	46,539
Total	395,237	346,248	126,080	121,251
Fees and commissions expenses:				
Other fees paid	(53,421)	(48,211)	(19,261)	(16,845)
Net fees and commission income	341,816	298,037	106,819	104,406

7- Dividends income

	Nine Months Ended 30 September 2018 LE 000's	Nine Months Ended 30 September 2017 LE 000's	Three Months Ended 30 September 2018 LE 000's	Three Months Ended 30 September 2017 LE 000's
Investments held for trading	935	741	270	311
Available for sale investments	2,136	1,439	23	81
Total	3,071	2,180	293	392

Notes to Consolidated Interim Financial Statements as of 30 September 2018

8- Net trading income

	Nine Months Ended 30 September 2018 LE 000's	Nine Months Ended 30 September 2017 LE 000's	Three Months Ended 30 September 2018 LE 000's	Three Months Ended 30 September 2017 LE 000's
Foreign currencies operations:				
Gain from foreign currencies exchange	116,136	101,805	45,071	47,143
Debt instruments held for trading	226	-	-	-
Equity instruments held for trading	5,132	7,200	(692)	1,096
Gain (Loss) of financial Derivatives	(739)	-	(1,861)	-
Total	120,755	109,005	42,518	48,239

9- Administrative expenses

	Nine Months Ended 30 September 2018 LE 000's	Nine Months Ended 30 September 2017 LE 000's	Three Months Ended 30 September 2018 LE 000's	Three Months Ended 30 September 2017 LE 000's
Employees' cost				
Salaries and wages and benefits	(429,338)	(357,920)	(153,436)	(125,615)
Social insurance	(19,010)	(16,028)	(6,925)	(5,453)
Employees' benefits				
Defined contribution plan	(29,315)	(21,968)	(10,024)	(8,907)
Defined benefit plan	(17,775)	(14,199)	(6,229)	(6,161)
Depreciation and amortization	(77,617)	(62,227)	(26,314)	(23,258)
Other administrative expenses	(313,540)	(257,023)	(106,552)	(85,196)
Total	(886,595)	(729,365)	(309,480)	(254,590)

10- Other operating Expenses

	Nine Months Ended 30 September 2018 LE 000's	Nine Months Ended 30 September 2017 LE 000's	Three Months Ended 30 September 2018 LE 000's	Three Months Ended 30 September 2017 LE 000's
Profit from revaluations of monetary assets & liabilities other than trading	13,294	(123,614)	(388)	(80,476)
Gain (Loss) on sale of assets reverted to bank	-	472	-	130
Gain on sale of fixed assets	3,405	16,801	560	1,477
Gain on sale of investment properties	3,515	4,097	1,062	2,525
Gain from sale of Leased Assets	-	30	-	-
Software cost	(62,406)	(65,219)	(20,352)	(24,348)
Operating lease	(37,404)	(33,194)	(12,981)	(11,426)
Impairment Losses For Fixed Assets	(6,060)	-	(189)	-
Early retirement costs	-	(3,909)	-	-
Impairment Losses For Other Assets	3,449	(3,274)	319	(3,274)
Impairment of other provisions	(308,654)	64,874	(198,782)	53,468
Others	82,639	20,455	30,120	15,766
Total	(308,222)	(122,481)	(200,631)	(46,158)

Notes to Consolidated Interim Financial Statements as of 30 September 2018

11- Impairment credit losses

	Nine Months Ended 30 September 2018 LE 000's	Nine Months Ended 30 September 2017 LE 000's	Three Months Ended 30 September 2018 LE 000's	Three Months Ended 30 September 2017 LE 000's
Financing and facilities to customers after deducting provision no longer required (Note 17)	(137,817)	(83,547)	67,422	(71,528)
Total	(137,817)	(83,547)	67,422	(71,528)

12- Taxes

- Additional information about deferred tax is presented in note 31. The effective tax that has been charged to the income statement could be different from the amount that arises using tax rates as shown below.

	Nine Months Ended 30 September 2018 LE 000's	Nine Months Ended 30 September 2017 LE 000's	Three Months Ended 30 September 2018 LE 000's	Three Months Ended 30 September 2017 LE 000's
Income tax	(331,217)	(221,275)	(117,430)	(76,964)
Deferred tax *	3,076	(260,833)	2,754	(94,984)
	(328,141)	(482,108)	(114,676)	(171,948)

	Nine Months Ended 30 September 2018 LE 000's	Nine Months Ended 30 September 2017 LE 000's	Three Months Ended 30 September 2018 LE 000's	Three Months Ended 30 September 2017 LE 000's
Income before tax	960,335	982,804	368,682	333,659
Current Tax Rate	22.5%	22.5%	22.5%	22.5%
Income tax (expenses) based on applied tax price	216,075	221,131	82,953	75,073
Impact of Provisions	67,237	45,098	36,483	16,698
Impact of Depreciation	(1,463)	(659)	(32)	27,907
Untaxable revenues	(3,075)	(21,258)	2,923	(21,258)
Loss / income tax unrecognized	-	(15,128)	-	(21,951)
undeductible expenses	22,122	31,649	8,207	18,515
Income Tax	27,245	221,275	(15,858)	76,964
Income tax according to effective tax rate	328,141	482,108	114,676	171,948
Effective tax rate	34.2%	49.1%	31%	52%

- Additional information about deferred tax is presented in note 32.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

13- Cash and due from central bank of Egypt

	30 September 2018 LE 000's	31 December 2017 LE 000's
Cash	901,198	434,575
Due from Central Bank mandatory reserve requirement	2,580,941	1,690,996
Total	3,482,139	2,125,571
Non-profit bearing balances	3,482,139	2,125,571

14- Due from banks

	30 September 2018 LE 000's	31 December 2017 LE 000's
Current accounts	146,296	182,469
Deposits	1,959,148	1,125,923
Total	2,105,444	1,308,392
Due from Central bank except mandatory reserve requirement	708,501	867,085
Local banks	1,095,141	125,499
Foreign banks	301,802	315,808
Total	2,105,444	1,308,392
Non-profit bearing balances	146,296	182,469
Fixed profit balances	1,959,148	1,125,923
Total	2,105,444	1,308,392

15- Treasury bills

	30 September 2018 LE 000's	31 December 2017 LE 000's
Treasury bills maturing within 91 days	129,500	470,975
Treasury bills maturing within 182 days	490,000	1,089,425
Treasury bills maturing within 273 days	3,864,676	2,203,526
Treasury bills maturing within 364 days	6,483,740	4,517,200
	10,967,916	8,281,126
Unearned revenues	(672,597)	(429,593)
Total	10,295,319	7,851,533
REPO	(23,500)	-
Total	10,271,819	7,851,533

Notes to Consolidated Interim Financial Statements as of 30 September 2018

16- Financial assets held for trading

	30 September 2018 LE 000's	31 December 2017 LE 000's
Equity Instruments		
Domestic companies shares	21,594	18,529
Mutual funds certificates	9,212	2,147
Total	30,806	20,676

17- Financial and Facilities to Banks:

	30 September 2018 LE 000's	31 December 2017 LE 000's
Overdraft	136	135
Syndicated financing	299,075	304,883
	299,211	305,018
Less		
Deferred profit	(29,876)	(38,616)
Net	269,335	266,402

Notes to Consolidated Interim Financial Statements as of 30 September 2018

18- Financing and Facilities to customers

	30 September 2018	31 December 2017
	LE 000's	LE 000's
Retail		
Overdraft	3,179	3,012
Covered cards	2,386,996	2,267,484
Personal financing	8,262,170	6,512,773
Real estate mortgage	40	40
Total (1)	10,652,385	8,783,309
Corporate (including SMEs)		
Overdraft	3,014,866	2,372,060
Direct financing*	13,881,457	8,729,530
Syndicated financing	648,231	760,794
Total (2)	17,544,554	11,862,384
Total financing and facilities (1+2)	28,196,939	20,645,693
Impairment losses	(909,631)	(762,530)
Profit in suspense*	(77,380)	(51,337)
Deferred profit	(4,071,192)	(3,548,834)
Net	23,138,736	16,282,992
Classified in balance sheet as follow		
Conventional loans to customers after deducting impairment loss	237,331	222,023
Financing to customers after deducting impairment loss	22,901,405	16,060,969
Net	23,138,736	16,282,992

* Profit in suspense was previously formed in accordance with credit instructions issued by CBE.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

18- Financing and facilities to customers – Continued

Movement analysis for impairment loss provision related to financing and facilities to customers;

	30 September 2018 LE 000's	31 December 2017 LE 000's
<u>Impairment loss provision</u>		
Balance at the beginning of the period	762,530	594,960
Impairment loss charged during the period	137,817	132,766
Recoveries from written off debts	40,614	50,880
Used from provision during the period	(32,270)	(14,891)
Foreign currency revaluation differences	940	(1,185)
Balance at the end of period	909,631	762,530

The following are the total Financing and facilities to customers (Net of Deferred Profit)

	30 September 2018 LE 000's	31 December 2017 LE 000's
Retail		
Overdraft	3,179	3,012
Covered cards	419,093	355,672
Personal financing	6,182,182	4,909,200
Real estate mortgage	40	40
Total (1)	6,604,494	5,267,924
Corporate (including SMEs)		
Overdraft	3,014,866	2,372,060
Direct financing	13,877,511	8,722,656
Syndicated financing	628,876	734,219
Total (2)	17,521,253	11,828,935
Total financing and facilities (1+2)	24,125,747	17,096,859
Impairment losses provisions	(909,631)	(762,530)
Profit in suspense **	(77,380)	(51,337)
Net	23,138,736	16,282,992
Classified in balance sheet as follow		
Conventional financing (after deducting impairment loss)	237,331	222,023
Islamic financing (after deducting impairment loss)	22,901,405	16,060,969
Net	23,138,736	16,282,992

** Profit in suspense was previously formed in accordance with credit instructions issued by CBE.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

18-Financing and facilities to customers – Continued

Movement analysis for impairment loss provision related to financing to customers as per type

30 September 2018

	Overdraft	Covered cards	<u>Retail</u> Personal financing	Real estate mortgage	Total
Balance as of 1 January 2018	-	2,649	129,773	-	132,422
Impairment loss charged during the period	-	8,583	29,778	-	38,361
Used from provision during the period	-	(10,826)	(3,501)	-	(14,327)
Recoveries from written off debts	-	1,499	26	-	1,525
Balance as of 31 March 2018	-	1,905	156,076	-	157,981

31 December 2017

	Overdraft	Covered cards	<u>Retail</u> Personal financing	Real estate mortgage	Total
Balance as of 1 January 2017	-	2,070	109,335	-	111,405
Impairment loss charged during the year	-	10,436	22,851	-	33,287
Used from provision during the year	-	(11,302)	(2,675)	-	(13,977)
Recoveries from written off debts	-	1,445	262	-	1,707
Balance as of 31 December 2017	-	2,649	129,773	-	132,422

	Overdraft	Direct financing	<u>Corporate</u> Syndicated financing	Others	Total
Balance as of 1 January 2018	25,787	592,722	11,599	-	630,108
Impairment loss charged during the period	1,463	100,707	(2,714)	-	99,456
Used from provision during the period	-	(17,943)	-	-	(17,943)
Recoveries from written off debts	-	39,089	-	-	39,089
Foreign currency revaluation differences	-	940	-	-	940
Balance as of 31 March 2018	27,250	715,515	8,885	-	751,650

31 December 2017

	Overdraft	Direct financing	<u>Corporate</u> Syndicated financing	Others	Total
Balance as of 1 January 2017	8,219	455,173	20,163	-	483,555
Impairment loss charged during the year	17,568	90,475	(8,564)	-	99,479
Used from provision during the year	-	(914)	-	-	(914)
Recoveries from written off debts	-	49,173	-	-	49,173
Foreign currency revaluation differences	-	(1,185)	-	-	(1,185)
Balance as of 31 December 2017	25,787	592,722	11,599	-	630,108

Notes to Consolidated Interim Financial Statements as of 30 September 2018

19- Financial investments

	30 September 2018 LE 000's	31 December 2017 LE 000's
<u>19/1 Available for sale investment</u>		
Equity instruments - at fair value		
Listed	9,352	13,282
Unlisted	73,908	69,124
Total available for sale investments (1)	83,260	82,406
<u>19/2 Financial investment held to maturity</u>		
Debt instruments- at amortized cost		
Listed Treasury Bills	6,975,161	6,622,989
Un listed Treasury Bills	218,927	219,823
Mutual fund certificates - Sanabel (*)	2,500	2,500
Mutual fund certificates - El-Naharda (**)	7,584	5,000
Total investments held to maturity (2)	7,204,172	6,850,312
Total financial investments (1 + 2)	7,287,432	6,932,718
Categorized as follows:		
Current	740,195	845,317
Non-current	6,547,237	6,087,401
	7,287,432	6,932,718
Categorized as follows:		
Fixed profit debt instruments	7,194,089	6,842,812
Variable profit debt instruments	10,084	7,500
Variable profit equity instruments	83,259	82,406
	7,287,432	6,932,718

Notes to Consolidated Interim Financial Statements as of 30 September 2018

19/2 Financial investments – Continued

Unlisted Financial Investment Available for Sale were recorded at cost since its inception date as there is no active market for these investments to determine its fair value.

Mutual fund

* Sanabel Islamic Mutual Fund

- The investments held to maturity include the bank's investment in Sanabel Islamic mutual fund in association with ABC bank, managed by HC Company.
- The number of bank's certificates share is 25k and 2.5% of par value LE 100. The acquisition cost amounted to LE 2,545k and market value of the certificate amounted to LE 155.60 (December 31, 2017: LE 153.72).

** Abu Dhabi Islamic Bank (El-Naharda) Mutual Fund

- The Bank has established Abu Dhabi Islamic Bank (El-Naharda) Mutual Fund (compatible with the principles of Islamic Sharia law, the fund is managed by Beltone management of investment funds.
- The number of bank's certificates share is 67.420k and 2% of par value LE 100 for 50K of certificates and 17.420K certificates by par value of LE 148.32 , market value of the certificate amounted to LE 149.64 as of 30 September 2018 (31 December 2017: LE 135.68).

	Available for sale investment	Financial investment held to maturity	Total
	LE 000's	LE 000's	LE 000's
Balance as of 1 January 2018	82,406	6,850,312	6,932,718
Additions	579	749,765	750,344
Premium and discount amortization	-	10921	10,921
Disposals (sales/redemption)	(47)	(414,282)	(414,329)
Foreign currency revaluation difference	362	4,857	5,219
Net change in the fair value	50	2,599	2,649
Impairment loss provisions	(90)	-	(90)
Balance as of 30 September 2018	83,260	7,204,172	7,287,432
Balance as of 1 January 2017	98,551	5,719,617	5,818,168
Additions	2,397	1,481,212	1,483,609
Premium amortization	-	12,198	12,198
Disposals (sales/redemption)	(15,126)	(388,003)	(403,129)
Foreign currency revaluation difference	(1,130)	21,964	20,834
Net change in the fair value	7,708	3,324	11,032
Impairment loss provisions	(9,994)	-	(9,994)
Balance as of 31 December 2017	82,406	6,850,312	6,932,718

Notes to Consolidated Interim Financial Statements as of 30 September 2018

19/3 Gain from financial investment

	Nine Months Ended 30 September 2018 LE 000's	Nine Months Ended 30 September 2017 LE 000's	Three Months Ended 30 September 2018 LE 000's	Three Months Ended 30 September 2017 LE 000's
Gain On Sale Of T.Bills	3,820	2,271	608	1,046
Gain On Sale Of Investment In Subsidiaries & Associates	-	-	(587)	-
Gain On Sale Of AFS Investment	12	27,937	(49)	189
Impairment Of Investment AFS	(90)	(9,994)	1	-
Gain of sale of HTM MF	-	1,557	-	-
Total	3,742	21,771	(27)	1,235

20-Financial Investments in associates (Net)

	30 September 2018		Value in LE 000's	
	Value	Share %	31 December 2017 Value	Share %
Arab Oriental Company for Takaful insurance - Egypt	69,200	20%	52,446	20%
Assuit National Company for Agricultural Development	16,352	53%	15,855	53%
United Group for Trading and Engineering	728	24%	637	24%
	86,280		68,938	

21-Intangible assets

	30 September 2018 LE 000's	31 December 2017 LE 000's
Computer software		
Net book value at the beginning of the period	404	564
Additions	-	863
Amortization for the period	(258)	(1,023)
Net book value at the end of the period	146	404

Notes to Consolidated Interim Financial Statements as of 30 September 2018

22- Other assets

	30 September 2018 LE 000's	31 December 2017 LE 000's
Accrued revenues	497,568	433,746
Pre-paid expenses	206,823	142,531
Down payments under purchase fixed assets	58,797	65,671
Assets reverted to the bank in settlement of debts (Net of impairment)	90,550	90,550
Deposits and custody	5,830	5,295
Due from tax authority - Debit balances*	56,377	271,828
Settlement account- leasing	18,037	23,980
Inventory	28,066	43,561
Suspense account-correspondent banks	159,130	410,735
Other debit Balance	103,665	103,574
Total	1,224,843	1,591,471
Impairment of other assets	(9,341)	(6,708)
Net other debit Balance	1,215,502	1,584,763

* Represents amounts under settlements in dispute with the tax authority Note (40)

Notes to Consolidated Interim Financial Statements as of 30 September 2018

23- Projects under construction

	30 September 2018 LE 000's	31 December 2017 LE 000's
Balance for beginning of the period	16,107	14,664
Additions	9,716.00	3,385
Disposal	(7,757)	(1,942)
Net book value at the end of the period	18,066	16,107

24- Fixed assets – Net of accumulated depreciation

	Value in LE 000's			
	Land & premises	Machinery & equipment	Other assets	Total
Net book value as of 1 January 2018	222,222	80,339	440,508	743,069
Additions	7,769	1,377	83,287	92,433
Disposals	(115)	(19,428)	(10,886)	(30,429)
Impairment of fixed assets	-	-	(6,060)	(6,060)
Depreciation	(5,865)	(9,322)	(60,688)	(75,875)
Depreciation related to disposals	35	19,312	9,773	29,120
Net book value as of 30 September 2018	224,046	72,278	455,934	752,258
Cost	248,233	94,632	732,583	1,075,448
Accumulated depreciation	(24,187)	(22,354)	(276,649)	(323,190)
Net book value as of 30 September 2018	224,046	72,278	455,934	752,258

	Value in LE 000's			
	Land & premises	Machinery & equipment	Other assets	Total
Net book value as of 1 January 2017	229,367	90,976	321,461	641,804
Additions	2,582	2,273	182,425	187,280
Disposals	(3,144)	(3,685)	(4,034)	(10,863)
Depreciation	(7,703)	(11,913)	(63,293)	(82,909)
Depreciation related to disposals	1,120	2,688	3,949	7,757
Net book value as of 31 December 2017	222,222	80,339	440,508	743,069
Cost	240,579	112,683	666,242	1,019,504
Accumulated depreciation	(18,357)	(32,344)	(225,734)	(276,435)
Net book value as of 31 December 2017	222,222	80,339	440,508	743,069

- Fixed Assets not registered to the name of the bank amounted to LE 23mn as of 30 September 2018 (31 December 2017: EGP 22mn) Legal registration procedures are under progress.
- Fully depreciated assets as of 30 September 2018 and still in use amounted to LE 481mn (31 December 2017: LE 266mn)

Notes to Consolidated Interim Financial Statements as of 30 September 2018

25- Investment property (Net)

	Value in LE 000's			
	Land	Premises	Others	Total
Balance as of 1 January 2018	19,093	32,316	137	51,546
Disposals	-	(6,604)	-	(6,604)
Depreciation expense	-	(1,381)	(103)	(1,484)
Depreciation expense related to disposals	-	1,231	-	1,231
Balance as of 30 September 2018	19,093	25,562	34	44,689
Balance as of 1 January 2017	19,493	41,430	274	61,197
Disposals	(400)	(7,518)	-	(7,918)
Depreciation expense	-	(2,838)	(137)	(2,975)
Depreciation expense related to disposals	-	1,242	-	1,242
Balance as of 31 December 2017	19,093	32,316	137	51,546

26- Financial leased assets (Net)

	30 September 2018 LE 000's	31 December 2017 LE 000's
Cost		
Beginning balance	319,850	328,224
Additions	218,901	61,268
Disposals	(98,215)	(69,642)
	440,536	319,850
Accumulated depreciation		
Beginning balance	(170,822)	(142,804)
Depreciation	(70,356)	(83,927)
Disposals	91,126	55,909
	(150,052)	(170,822)
Net book value at the end of the period	290,484	149,028

Notes to Consolidated Interim Financial Statements as of 30 September 2018

27- Due to banks

	30 September 2018 LE 000's	31 December 2017 LE 000's
Current accounts	101,099	145,974
Deposits	732,904	759,108
Total	834,003	905,082
Local banks	682,597	90,659
Foreign banks	151,406	814,423
Total	834,003	905,082
Non-profit bearing balances	101,099	145,974
Fixed profit bearing balances	732,904	759,108
Total	834,003	905,082

28- Customers' deposits

	30 September 2018 LE 000's	31 December 2017 LE 000's
Demand deposits	10,607,756	7,844,878
Time deposits and call accounts	11,629,829	7,248,569
Term saving certificates	9,450,861	8,933,356
Savings deposits	7,172,152	5,164,439
Other deposits	1,752,121	641,629
Total	40,612,719	29,832,871
Corporate deposits	16,207,504	9,374,714
Retail deposit	24,405,215	20,458,157
Total	40,612,719	29,832,871
Non-profit balances	5,931,441	4,256,685
Variable profit balances	34,681,278	25,576,186
Total	40,612,719	29,832,871
Current balances	31,161,858	20,899,515
Non-current balances	9,450,861	8,933,356
Total	40,612,719	29,832,871

Notes to Consolidated Interim Financial Statements as of 30 September 2018

29- Subordinated financing

	30 September 2018	31 December 2017
	LE 000's	LE 000's
Subordinated Financing without coupon*	487,682	458,483
Subordinated Financing with coupon**	322,461	319,099
Borrowing from Banks - Others	11,915	-
Total	822,058	777,582

	30 September 2018	31 December 2017
	LE 000's	LE 000's
Balance at the beginning of the period	458,483	441,228
Cost of subordinated loan using EIR	24,235	30,561
Foreign exchange difference	4,964	(13,306)
Total	487,682	458,483

* Subordinated financing represents amount of USD 39 Million granted from Abu Dhabi Islamic Bank- UAE under Wakala investment agreement for 6 years starting from 27 December 2012 with a profit rate equals to 0.125% from the investment amount and the expected profit equals to (LIBOR USD) on any extension period after those 6 years. On 27 March 2016, a supplementary agreement for the subordinated financing has been made to increase the tenor period for 3 tranches of the agreement ending 27 December 2023 instead of 27 December 2018 by an amount of USD 29,250 Thousands, subsequently, at 27 December 2016 a supplementary agreement for the subordinated financing has been made to increase the tenor period for fourth tranche of the agreement ending 27 December 2023 instead of 27 December 2018 by an amount of USD 9,750 Thousands . The bank has recorded the mentioned first three tranches by using discount rate 7.51% and the fourth one with rate 5.88% which affected the shareholder's equity by a net amount of LE 72,748 Thousands, which is represents the difference between the face value and the present value of the subordinated financing as of subordinated financing extension agreement date.

** On 29 September 2016 the bank was granted an additional subordinated financing of USD 9mn from Abu Dhabi Islamic Bank-UAE under Wakala investment agreement for 7 years starting from 29 September 2016 with a profit rate equals to 6.50% from the investment amount, which is not significantly different from the market discount rate.

** On 29 December 2016 the bank was granted an additional subordinated financing of USD 9mn from Abu Dhabi Islamic Bank-UAE under Wakala investment agreement for 7 years starting from 29 September 2016 with a profit rate equals to 5.88% from the investment amount, which is not significantly different from the market discount rate.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

30- Other liabilities

	30 September 2018 LE 000's	31 December 2017 LE 000's
Accrued revenue	190,827	181,999
Accrued expenses	317,390	274,821
Down payment - leasing clients	33,524	37,344
Due to tax authority - Credit balances *	56,377	271,828
Other credit balances	1,325,639	1,080,111
Total	1,923,757	1,846,103

*Represents amounts under settlements in dispute with the Tax Authority note (40)

31- Other Provisions

	Provision * for Contingent Claims	Provision for Tax	Provision for Contingent Liabilities	Other Provision	Value in LE 000's Total
Balance as of 1 January 2018	1,534,881	61,940	51,006	11,398	1,659,225
Provisions charged during the period	280,858	4,050	36,091	1,804	322,803
Provisions used during the period	(192,534)	(874)	-	-	(193,408)
Provisions no longer required	(12,389)	-	(423)	(1,337)	(14,149)
Foreign exchange difference	-	-	(616)	-	(616)
Transferred to Tax Provision	-	-	-	(4,247)	(4,247)
Balance as of 30 September 2018	1,610,816	65,116	86,058	7,618	1,769,608
Balance as of 1 January 2017	1,615,817	62,483	29,209	11,722	1,719,231
Provisions charged during the year	26,122	4,553	21,628	732	53,035
Provisions used during the year	(13,827)	(5,096)	-	(415)	(19,338)
Provision no longer required	(93,231)	-	(1,480)	(641)	(95,352)
Foreign exchange difference	-	-	1,649	-	1,649
Balance as of 31 December 2017	1,534,881	61,940	51,006	11,398	1,659,225

*As notified in the bank's General Assembly Meeting held on 18 October 2015, there is a probable claim from Abu Dhabi Islamic Bank-UAE relating to a difference in opinion as to whether the USD amounts paid by Abu Dhabi Islamic Bank-UAE under capital increase should be treated as USD or EGP amounts. Based on Abu Dhabi Islamic Bank-Egypt's external legal opinion on probability of loss from the foreign currency movement, the bank has built a provision of EGP 1,542 million under provision for probable claims for the effect of the foreign currency movement from 31 December 2014 up to 30 September 2018.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

32- Deferred tax

The deferred tax calculated on the differences based on the liability using the actual tax rate.

	30 September 2018 LE 000's Assets / (Liabilities)	31 December 2017 LE 000's Assets / (Liabilities)
The following is balance of assets/liabilities of deferred tax:		
Fixed assets (Depreciation)	(51,459)	(48,905)
Provisions (other than the impairment loss for financing)	5,887	6,114
Profit in suspense	17,417	11,561
Net tax resulted in assets	(28,155)	(31,230)

	30 September 2018 LE 000's Assets / (Liabilities)	31 December 2017 LE 000's Assets / (Liabilities)
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Movement of deferred tax assets and liabilities method:

Beginning balance of the period	(31,230)	354,863
Additions	5,769	3,169
Disposals	(2,694)	(389,262)
Ending balance of the period	(28,155)	(31,230)

Deferred tax assets resulted from tax losses carried forward are not recognized unless there's future taxable profits is likely to happen by which the bank can benefit from on the short term.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

33- Capital

33/1 Authorized capital

The authorized capital amounts to LE 4bn (December 31st, 2017: LE 4bn)

33/2 Issued and paid-In capital:

The issued and paid in capital amounted to LE 2Bn (December 31st, 2017: LE 2Bn) represented by 200mn shares with a nominal value of LE 10 per share

33/3 Amounts paid under capital increase

ADIB – UAE made cash deposit of LE 1,662k as amounts paid under capital increase up till year 2012, on 28 December, 2011 ADIB – UAE approved to transfer the full amount of subordinated financing of LE 199mn to amounts paid under capital increase, Accordingly balance of total amounts paid under capital increase reached LE 1,861mn at 30 September 2018 (December 31, 2017 LE 1,861Mn).

34- Reserves and accumulated losses

<u>Reserves</u>	30 September 2018 LE 000's	31 December 2017 LE 000's
General reserve	42,522	42,522
Legal reserves	22,880	22,878
Special reserves	31,640	31,640
Fair value reserve – Investments available for sale	31,561	28,912
General Banking Risk Reserve	158,835	115,587
General Reserve IFRS 9	190,095	190,095
Total	477,533	431,634

34/1 Special reserves

	30 September 2018 LE 000's	31 December 2017 LE 000's
Adjustments resulted from change in the valuation policy of AFS Investments related to prior years	17,165	17,165
Adjustment resulted from valuation policy of impairment loss for financing and facilities of prior years	9,092	9,092
Adjustments for change in FX Revaluation of monetary assets and liabilities	5,383	5,383
Total	31,640	31,640

- Distribution from this reserve prohibited unless there is CBE approval
- Distribution from this reserve prohibited unless there FRA.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

34/2 Fair value reserve – Available for sale investments

	30 September 2018 LE 000's	31 December 2017 LE 000's
Beginning balance	28,912	17,884
Net Change in fair value	2,649	11,028
Ending balance of the period	31,561	28,912

34/3 General banking risk reserves

	30 September 2018 LE 000's	31 December 2017 LE 000's
Beginning balance	115,587	79,437
Adjustments related to change in the measurement policy of impairment loss for financing and facilities	43,248	36,150
Ending balance	158,835	115,587

The CBE instructions require the bank to provide general bank reserves to guarantee any differences in impairment loss measurement methods for financings/facilities and assets reverted to the bank (Note 3/1/4)

34/4 General Reserve IFRS 9

	30 September 2018 LE 000's	31 December 2017 LE 000's
Beginning balance	190,095	-
1% of Risk - weighted Assets - Credit Risk	-	190,095
Total	190,095	190,095

- Distribution from this reserve prohibited unless there is CBE approval

35- Accumulated losses

	30 September 2018 LE 000's	31 December 2017 LE 000's
Beginning balance	(2,111,886)	(2,564,156)
Prior Year Adjustment	-	14,862
Net income for the period	636,816	633,092
Transferred to general banking risk reserve	(43,250)	(36,150)
Transfer to Credit Reserve - IFRS 9	-	(190,095)
Amortization of the difference between FV and PV of the subordinated financing	24,235	30,561
Dividends paid - Dividend subsidiaries	(1,111)	-
Ending balance of the period	(1,495,196)	(2,111,886)

Notes to Consolidated Interim Financial Statements as of 30 September 2018

36- Cash and cash equivalent

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

	30 September 2018 LE 000's	30 September 2017 LE 000's
Cash and due from CBE (Note 13)	3,482,139	2,744,548
Due from banks (Note 14)	2,105,444	1,471,085
Treasury bills (Note 15)	10,271,819	6,138,947
Due from banks maturities more than 3 months	(1,959,148)	(1,251,125)
Treasury bills maturities more than 3 months	(10,171,130)	(6,006,960)
Total	3,729,124	3,096,495

37- Contingent liabilities and commitments

37/1 Capital commitments:

The Banks contracts for capital commitments reached LE 2,497 Thousands as of 30 September 2018 (31 December 2017: LE 21,087 Thousands). Representing purchases of fixed assets and the management is adequately confident that finance shall be made available to cover these commitments when due.

37/2 Contingent liabilities

	30 September 2018 LE 000's	31 December 2017 LE 000's
Financing commitment	1,458,731	1,015,314
Letter of guarantee	1,948,888	1,363,652
Documentary credit	1,745,074	291,083
Bank guarantees	754,548	1,013,447
Total	5,907,241	3,683,496

37/3 Operating lease commitment

	30 September 2018 LE 000's	31 December 2017 LE 000's
From 1 year up to 5 years	660	6,274
More than 5 years	162,389	115,288
Total	163,049	121,562

Notes to Consolidated Interim Financial Statements as of 30 September 2018

38- Related party transactions

38/1 The related party balances included in the consolidated financial statement were as follows

	Associates	Major shareholder	Total
	LE 000's	LE 000's	LE 000's
30 September 2018			
Due from banks	-	145,600	145,600
Total	-	145,600	145,600
Due to banks	-	1,972	1,972
Customers' deposits	6,682	-	6,682
Subordinated financing	-	810,143	810,143
Paid under capital increase	-	1,861,418	1,861,418
Difference between face value and present value of subordinated loan	-	72,748	72,748
Total	6,682	2,746,280	2,752,962
	Associates	Major shareholder	Total
	LE 000's	LE 000's	LE 000's
31 December 2017			
Due from banks	-	128,972	128,972
Total	-	128,972	128,972
Due to banks	-	713,295	713,295
Customers' deposits	6,705	-	6,705
Subordinated financing	-	777,582	777,582
Paid under capital increase	-	1,861,418	1,861,418
Difference between face value and present value of subordinated loan	-	81,150	81,150
Total	6,705	3,433,445	3,440,150

Notes to Consolidated Interim Financial Statements as of 30 September 2018

38/2 During the Period significant transactions with related parties included in the consolidated income statement are as follows:

	Associates	Major shareholder	Total
	LE 000's	LE 000's	LE 000's
30 September 2018			
Profit from Murabaha, Musharaka, Mudaraba and similar income	-	746	746
Cost of deposits and similar expenses	-	1,654	1,654
Cost of subordinated loan using the effective profit rate	-	24,235	24,235
Cost of subordinated loan with rate	-	15,074	15,074
	Associates	Major shareholder	Total
	LE 000's	LE 000's	LE 000's
30 September 2017			
Cost of subordinated loan with zero coupon	-	(22,799)	(22,799)
Cost of subordinated loan using EIR	-	(15,113)	(15,113)

* Salaries and wages for the Period ended 30 September 2018 includes an amount of LE 23.8million which represents average total top 20 salaries paid during the Period.

39- Employees Benefits

	30 September 2018 LE 000's	31 December 2017 LE 000's
<u>Liabilities listed in Balance sheet</u>		
Medical benefits past retirement	72,488	70,893
Total	72,488	70,893
<u>Amounts recognized in Income statement</u>		
Pension benefits	(29,315)	(21,968)
Medical benefits past retirement	(17,775)	(14,199)
Total	(47,090)	(36,167)

39/1 Private insurance fund

At the first of July 2013, the bank established private insurance fund (the fund) according to Law No.54 for year 1975, the fund registered in EFSA on 14 January 2014 with No. (884), on 1 April 2014 the fund started its work. The employees in the head office and all branches are committed to the fund regulations.

The bank obligated to pay monthly contributions, in which, calculated according to fund regulation, generally the fund financed through monthly contributions in addition to other resources that detected in fund regulation.

The insurance benefits will be paid when the member reaches end of service due to retirement or death or total or partial disability, In case the term of membership is less than 3 years, the member will receive his contribution balance paid by himself to the fund on the date of retirement or membership.

EFSA has approved to start investing the monthly contributions accrued to employees and depositing the amount in the fund manager investment account.

39/2 Legacy staff medical benefit plan

The Bank has a Defined Benefit Medicare Plan for its legacy employees during their service period and post retirement, the bank hired independent actuarial expert to conduct the study and determine the necessary amount of the obligation to be recorded in financial statements using the projected unit credit method.

- The main assumptions are used by the actuarial expert listed as follows:-
- Death rate from British table A49-ULT52
- Inflation rate 12%
- Discount rate 9.5%
- Using projected unit credit method in calculating liabilities

39/3 Early retirement cost

Bank pays 3,909 million EGP to the employees whom requested early retirement during the period.

39/4 End of service fund - Defined benefit plan for employees in National Company for Glass and Crystal

The national company for Crystal and Glass has End of service Defined benefit plan for workers. The company has assigned an independent actuarial expert to estimate the obligations resulting from the end of service mentioned above applying the total present value method of end of service reward discharged when the employees stay at work until they reach the legal age of retirement or death prior to that calculated in accordance with the terms of the actual service until 12/31/2014 and inserted at an annual salary until the end of the service.

The main assumptions used by the actuarial expert were represented as follows:

- The life rate according to the British table A67-70ULT of life rates.
- Discount rate 12%
- According to the restated labor law which were decided to have a minimum annual premium of 7% has been considered that rate of 7% calculated annually
- Legal retirement age is 60 years.

The expense of the liability was charged to the accumulated losses according to the Egyptian accounting standard No. 5 (Accounting policies and changes in accounting estimations and faults).

40- Tax position

Tax position for ADIB - EG

Corporate Tax

- The Bank's corporate income tax position has been examined, paid and settled with the tax authority since the operations start up until the end of year 2012, pending disputed points are transferred to committees and the courts for adjudication.
- The bank's corporate income tax position under examination for the year 2013:2014 and for 2015 it has been providing the tax declaration for 2015 within the legal deadline.
- Years 2015/2016 have not yet been inspected.
- The Bank started from February 2012 on the basis of the opinion of the legal advisor and the tax advisor of the Bank to raise the case in front of the judicial courts to recover the value of the payment of the treasury bills/bonds taxes as the bank was incurring tax losses during the financial years of the dispute and the following which lead to stop paying these taxes and their penalties which is shown in other assets "due from tax authority", (Note 22). During the period, the Bank appealed to the Supreme Administrative Court against the ruling issued by the Administrative Court of First Instance rejecting the case to form a multiplicity of plaintiffs and filing another claim individually to refund what paid of T-bills/Bonds taxes in excess of the tax payable amounts during the financial years in dispute, based on the same foundations already cited by the previous case, and saw both legal advisor and consultant tax of the Bank that the court ruling of this case will be in the favor of the bank.
- The Bank has charged the necessary provisions for tax on income of T-Bills/Bonds for the years which the bank incurs tax profits

Salary tax

- Tax inspections and internal committee for the years prior 2013/2014 has been finalized and no tax due for this year
- The Bank didn't inform the tax authority to inspect the year 2015/2016.
- The bank pays the payroll taxes on monthly basis on the due dates as stated by law.

Stamp duty tax

- Tax Inception and payment done till end 31 March 2013.
- Period from 1 April 2013 till 31 December 2015 still under inception.
- Year 2016, bank didn't receive any notes to start the inception.

Sales tax

- Inspection of the bank branches till 2015 has been finalized and all taxes due were paid.
- Years 2016/2017 have not yet been inspected.

Real estate Tax

- The bank received claims for real estate tax for some branches and the bank objected on these claims in the legal deadlines, and we are following - up the objections in front of the appeal committees for these claims.

40-Tax position - Continued

Tax position for National Company for glass and crystal

Corporate tax

- Tax inspections till year 2006 have been fully completed and all due taxes have been paid.
- However there is an incurred retained tax losses, an estimated tax inspection had been done from 2007 till 2010 and the dispute is being considered in the appeals committee.
- Company books have not been inspected for years ended 2011 till 2015.

Sales tax

- Tax inspections till year 2012 have been fully completed all due taxes have been paid.
- Tax inspections for the years 2013 and 2014 have been done and the dispute is being considered in the appeals committee.
- Company books have not been inspected for year ended 2015.

Salary tax

- Tax inspections till year 2004 have been fully completed and all due taxes have been paid.
- However there is an incurred retained tax losses, an estimated tax inspection had been done from 2005 till 2010 and the dispute is being considered in the appeals committee.
- Company books have not been inspected for years ended 2011 till 2015.

Stamp duty tax

- Tax inspections for the years prior 2015 have been fully completed and all due taxes have been paid.

Tax position for national company for trading and development (ENTAD):

Sales tax

- Tax inspections till 2011 have been fully completed and all due taxes have been paid.
- From year 2012 up to date, the company books have not been inspected and the company is submitting the tax declarations on the legal dates and pay all taxes according to these declarations.

Stamp duty tax

- Tax inspections till year 2005 have been fully completed and all due taxes have been paid.
- Company books have not been inspected for years ended 2006 up to date.

Salary tax

- Period from the beginning of the activity till 31/12/2004:

Tax inspection has been fully completed and all due taxes have been paid.

- Period from 1/1/2005 up to date:
Company is paying due taxes regularly as per the monthly salary schedules in its due dates, Tax inspection is not performed till date.

Corporate tax:

- Period from the beginning of the activity till 31 December 2004
The tax inspection had been done and there is final claim with EGP 4.8Mn in addition to the late payment penalties and the company paid EGP 1,700Mn and the rest of due taxes will be settled.
- Period from 1/1/2005 up to date:
Company is paying due taxes regularly as per the monthly salary schedules in its due dates, Tax inspection is not performed till date.

Notes to Consolidated Interim Financial Statements as of 30 September 2018

40-Tax position – Continued

Tax position for Cairo national company for investment

Income tax

From 1995 till 2012:

Tax inspection has been fully completed and all due taxes have been paid as agreed with tax authority.

From 2005 till 2016:

The tax return was prepared and delivered to tax authority for this period in accordance with income tax law No.91 for the year 2005 and its executive regulations.

The income tax EGP 65,058 is representing the withholding taxes on treasury bills-bonds and the tax of dividends income on shares.

Salary tax

- Tax inspection from 1995 till 2014 has been fully completed and all due taxes have been paid.
- The taxes are paid monthly and in regular basis.

Stamp duty tax

- Tax inspection from 1995 to 2010 has been fully completed and all due taxes have been paid.
- Tax inspection for the periods from 2011 to 2014 is not performed yet.

Real estate Tax

- The company paid the due real estate tax till 31-December-2015 according to the latest valuation of the company headquarter without any disputes with the tax authority.

Tax position for Assiut Islamic company for trading and development

Income tax

From 1989 till 1992:

Tax inspections for the years have been fully completed and all due taxes have been paid.

From 1993 till 1995:

The company paid in accordance to the latest court order.

From 1996 and 1997:

The company books are inspected waiting for the inspection declaration to be prepared by the inspection officer.

From 1998 till 2002:

Processing by the council of the country.

For 2003 till 2004:

However the company books are not inspected, the company received from # 19 and it is appealed.

40-Tax position - Continued

- **For 2005 till 2009:**

The tax return was prepared and delivered to tax authority for this period in accordance with income tax law No.91 for the year 2005 and its executive regulations.

- **For 2010 till 2015:**

The tax inspection for these years in under processing.

Salary tax

- Tax inspections have been fully completed and all due taxes have been paid till 31 December 1994.
- The taxes paid monthly and in regular basis till the balance sheet date.
- The tax inspection for year 1995 till 2011 is under processing.

Withholding tax

- Tax inspection have been fully completed and all due taxes have been paid till 30 September 2005.
- The tax is paid regularly on quarterly basis till the balance sheet date.

Stamp duty tax

- Tax inspection has been completed and all the due taxes have been paid up to 31 December 2010.
- Tax inspection for 2011 till 2016 has not been done yet.

Sales Tax

The company is submitting the tax declarations of National Palace Hotel regularly till the balance sheet date.

Social insurance

The insurance due taxes are paid on regular basis till the balance sheet date.

Tax position for ADI lease

Corporate tax

- Tax inspections till year ended 2000 have been fully completed and all due taxes have been settled.
- Tax inspections from 1/1/2001 till 31/12/2009 have been fully completed and the company notified of the tax inspection result with form (19) and objected on legal dates to the result of the tax inspection and the internal committee is currently considering the tax dispute and this dispute is settled with paying the tax differences.
- No tax inspection has been carried out from 2010 up till now.

Salary tax

- Salary tax inspections till 2001 have been fully completed and the company objected to the result of the tax inspection and the internal committee was notified and all due taxes have been settled.
- Salary tax inspections from 1/1/2002 till 31/12/2009 have been fully completed and the internal committee was held and all due taxes have been settled.
- No tax inspection has been carried out from 2010 up till now.
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40-Tax position – Continued

Stamp tax

- Tax inspections till 31/12/2010 have been fully completed and all due taxes have been settled.
- No tax inspection has been carried out from 2011 up till now.

Tax position for ADI Holding

Corporate tax

No tax inspection has been carried out up till date.

Salary tax

- Salary tax is paid on regular monthly payments.
- No tax inspection has been carried out up till date.

Stamp tax

No tax inspection has been carried out up till date.

Value added tax

The company is not subject to this tax.

Tax position for ADIB capital

Commercial & Industrial income tax

- Company is subject to tax law no. 91 year 2005 and its amendments.
- No tax inspection has been carried out up till date.

Salary tax

- Company is subject to tax law no. 91 year 2005 and its amendments.
- No tax inspection has been carried out up till date.

Stamp tax

Company is subject to tax law no. 143 year 2006 and its amendments.

Value added tax

The company is not subject to this tax.

Tax position for ADI properties

Commercial and manufacturing profits tax

- The company is subject to the corporate tax No.91 for 2005 and its amendments.
- There is no tax inspection has taken place for the period from the inception date till date.

Salary tax

- Company is subject to tax law no. 91 year 2005 and its amendments.
- No tax inspection has been carried out up till date.

40-Tax position – Continued

Stamp duty taxes

- The company is subject to the corporate tax No.143 for 2006 and its amendments.
- No tax inspection has been carried out up till date.

Tax position for Cairo national company for brokerage and securities:

Corporate tax

- Tax inspections from 1995 to 2004 have been fully completed and all due taxes have been settled.
- Years from 2005 to 2016 tax declarations have been sent on time according to law regulations 1991 – 2005 and settled.
- The inspection for years 2010 till 2012 is under processing.

Salary tax

- Tax inspections from 1995 to 2012 have been fully completed and all due taxes have been settled.
- Tax inspection for years 2013 till 2016 is under processing.
- The taxes are paid monthly and in regular basis.

Tax position for Alexandria national company for investment:

Corporate tax

- Tax inspections from the beginning of the activity till 31 December 2010 have been fully completed and all due taxes have been settled.
- Years from 1 January 2011 to 31 December 2015 no tax inspection has been carried out and tax declarations have been sent on time and no tax dues have been recognized.

Movable values tax

- Years from the beginning of the of the company's activity till 31 December 1999 no agreement has been set with the tax authority regarding the tax pools for 1996/1999 with amount EGP 279 K and a court case was raised without judgment till now.
- Tax inspections from 1 January 2000 to 31 December 2004 have been fully completed and all due taxes have been settled.

Salary tax

- Tax inspections till 2006 have been fully completed and all due taxes have been settled.
- Tax inspections from 1/1/2007 till 31/12/2009 have been fully completed.
- Salary tax is paid to tax authority on regular monthly payments from employees' salaries

Stamp tax

- Tax inspections till 2012 have been fully completed and all due taxes have been settled.
- No tax inspection has been carried out from 1 January 2013 till 31 December 2015.