IFRS Consolidated Financial Statements

December 2018

CIB

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Allied for Accounting & Auditing
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Independent auditor's report

To the Shareholders of Commercial International Bank (Egypt) S.A.E and its subsidiaries

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of Commercial International Bank S.A.E (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Egypt, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How the key audit matter was addressed in the audit
Impairment of loans and advances: As at December 31, 2018, the Bank's gross loans and advances amounted to EGP 119,432 million (2017: EGP 102,400 million), against which an impairment allowance of EGP 2,293 million (2017: EGP 1,742 million) maintained. During the year the Bank has adopted IFRS 9 which introduced a forward looking, expected credit loss ("ECL") impairment model. On adoption, the Group has applied the requirement of IFRS 9 retrospectively without restating the comparatives. The adoption of IFRS 9 resulted in a transition adjustment to retained earnings as at January 1, 2018 of EGP 573 million. The impact of the transition is explained in note 20 Page 36 to the consolidated financial statements. We considered this as a key audit matter as the determination of ECL involves significant management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include: 1. Categorization of loans in Stage 1, 2 and 3 based on identification of: • exposures with significant deterioration in credit quality since their origination; and • individually impaired / default exposures. 2. Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors etc. 3. The need to apply additional overlays to reflect current or future external factors that might not be captured by the expected credit loss model. Refer to the significant accounting policies notes 2.3 to the consolidated financial statements for the adoption of IFRS 9 – Financial Instruments and significant accounting policy relating to impairment of financial assets, note 2.3 (9) which contains the disclosure of critical accounting judgement, estimates and assumptions relating to impairment losses on financial assets and the	• We obtained an understanding of management's assessment of impairment of loans and advances including the IFRS 9 implementation process, Group's internal rating model, and Group's impairment allowance policy and ECL modelling methodology. • We compared the Group's impairment allowance policy and ECL methodology with the requirements of IFRS 9. • We assessed the design and implementation, and tested the operating effectiveness of controls over: • the modelling process including governance over monitoring of the model, its ongoing validation and approval of key assumptions; • the classification of borrowers in various stages and timely identification of significant increase in credit risk ("SICR") since initial recognition; and • integrity of data inputs into the ECL model. • We checked the completeness and accuracy of data underlying the ECL calculation as of December 31, 2018. We assessed the underlying assumptions used by the Group in ECL calculations: • checked the appropriateness of the Group's criteria for determination of SICR and identification of "default" or "individually impaired" exposures and their classification into stages. For a sample of exposures, we checked the appropriateness of the Group's staging; • checked the appropriateness of management's computations for a sample of customers, across all the three stages of ELC assessment; and

impairment assessment methodology used by the Group, note 9 which contains the disclosure of impairment against loans and advances and note 33.1.6 for details of credit quality analysis and key assumptions and factors considered in determination of ECL

- where management's overlays were used, assessed their appropriateness and governance process around such overlays.
- We involved our internal specialists to review model calculations and data integrity.
- With respect to the transition adjustments, in addition to above mentioned procedures, we specifically considered the relevance and completeness of data and appropriateness of assumptions used by management at the initial adoption of IFRS 9.
- We assessed the adequacy of disclosures included by management in the consolidated financial statements.

Other information included in The Group's 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Ashraf Emil.

Allied for Accounting and Auditing

Allied for Accounting and Auditing

4 April 2019

Cairo

Consolidated statement of profit or loss for the year ended December 31, 2018

	Notes	Dec. 31, 2018 EGP Thousands	Dec. 31, 2017 EGP Thousands
Interest and similar income		37,403,709	28,671,166
Interest and similar expense		(19,260,190)	(16,167,155)
Net interest income	3	18,143,519	12,504,011
Fee and commission income		3,402,616	2,794,211
Fee and commission expense		(991,957)	(796,107)
Net fee and commission income	4	2,410,659	1,998,104
Dividend income	5	25,958	34,513
Net trading income	6	1,041,810	1,292,215
Profits (Losses) on financial investments	21	402,067	165,111
Goodwill impairment	38	-	-
Administrative expenses	7	(5,322,654)	(3,989,883)
Other operating expenses	8	(1,589,675)	(998,753)
Impairment charge for credit losses	9	(2,487,066)	(1,742,281)
Bank's share in the profits of associates	12	27,419	29,066
Profit before income tax from continuing operations		12,652,038	9,292,103
Current income tax expense		(3,625,579)	(2,778,973)
Deferred income tax	10.2	36,008	(1,678)
Net profit from continuing operations		9,062,467	6,511,452
Discontinuing Operations			
Profit from discontinuing operations (Net of tax)		-	122,234
Profit from disposal of discontinuing operations		-	168,900
Net profit for the year		9,062,467	6,802,586
Attributable to:			
Equity holders of the parent		9,062,467	6,778,536
Non-controlling interest		-	24,050
Net Profit for the year		9,062,467	6,802,586
Earning per share	11		
Basic attributable to equity holders of the parent		7.79	5.85
Diluted attributable to equity holders of the parent		7.73	5.76
Earning per share from continuing operations			
Basic attributable to equity holders of the parent		7.79	5.60
Diluted attributable to equity holders of the parent		7.73	5.51

The accompying notes from 1 to 41 form an integral part of these consolidated financial statements.

Hisham Ezz Al-Arab
Chairman and Managing Director

Consolidated statement of other comprehensive income for the period ended December 31, 2018

	Notes	Dec. 31, 2018 EGP Thousands	Dec. 31, 2017 EGP Thousands
Profit for the year		**9,062,467**	6,802,586
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net (Loss)/gain on FVOCI		**(2,001,252)**	
Net (Loss)/gain on available-for-sale financial assets			537,286
Cumulative foreign currencies translation differences	32	**-**	(8,588)
Other comprehensive income for the year		**(2,001,252)**	528,698
Total comprehensive income for the year		**7,061,215**	7,331,284
Attributable to:			
Equity holders of the parent		**7,061,215**	7,307,234
Non-controlling interest		**-**	24,050

The accompying notes from 1 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of financial position as at December 31, 2018

	Notes	Dec. 31, 2018 EGP Thousands	Dec. 31, 2017 EGP Thousands
Assets			
Cash and balances with central bank	13	20,058,974	14,663,289
Due from banks	14	46,511,579	45,319,766
Loans and advances to banks, net	16	68,385	1,313
Loans and advances to customers, net	17	107,828,597	88,427,103
Financial Assets at Fair value through P&L	21	10,303,319	-
Derivative financial instruments	18	52,289	40,001
Financial Assets at Fair value through OCI	20	73,347,245	-
Amortized cost	20	73,598,251	-
Trading Financial Assets	15	-	7,295,197
Investments in associates and subsidiaries	22	106,558	65,039
Available for sale Financial Assets	20	-	30,474,781
Other assets	23	9,563,019	6,886,607
Held to maturity Financial Assets	20	-	99,645,924
Intangible assets	38	651,041	651,041
Deferred tax assets	10.2	308,370	179,630
Property and equipment	24	1,653,102	1,415,746
Total assets		344,050,729	295,065,437
Liabilities and equity			
Liabilities			
Due to banks	25	7,259,819	1,877,918
Due to customers	26	285,296,869	250,723,052
Derivative financial instruments	18	132,858	196,984
Other liabilities	28	7,600,248	6,346,476
Current Tax Liability		3,625,579	2,778,973
Other loans	27	3,721,529	3,674,736
Provisions	29	1,694,607	1,615,159
Total liabilities		309,331,509	267,213,298
Equity			
Issued and paid in capital	30	11,668,326	11,618,011
Reserves	31	12,517,340	8,867,806
Reserve for employee stock ownership plan (ESOP)		897,680	489,334
Retained earnings		9,635,874	6,876,988
Total equity attributable to equity holders of the parent		34,719,220	27,852,139
Non-controlling interest		-	-
Total equity		34,719,220	27,852,139
Total liabilities , equity and non-controlling interest		344,050,729	295,065,437

The accompying notes from 1 to 41 form an integral part of these consolidated financial statements.

Hisham Ezz Al-Arab
Chairman and Managing Director

Consolidated statement of changes in shareholders' equity

Dec. 31, 2017	Attributable to equity holders of the parents						Non-controlling interest	Total equity
	Issued and paid in capital	Reserve for employee stock ownership plan (ESOP)	Retained earnings	Reserves	IFRS 9 impact*	Total		
Beginning balance	11,538,660	343,460	5,509,967	3,448,737	-	20,840,824	133,077	20,973,901
Profit for the period	-	-	6,778,536	-	-	6,778,536	24,050	6,802,586
Other comprehensive income :					-			
Net (Loss)/gain on available-for-sale financial assets	-	-	-	537,286	-	537,286	-	537,286
Cumulative foreign currencies translation differences	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	6,778,536	537,286	-	7,315,822	24,050	7,339,872
Capital increase	79,351	-	-	-	-	79,351	-	79,351
Reserve for employee stock ownership plan (ESOP)	-	290,884	-	-	-	290,884	-	290,884
Dividend	-	-	(1,350,204)	-	-	(1,350,204)	-	(1,350,204)
Transferred to reserves	-	(145,010)	(4,745,361)	4,890,371	-	-	-	-
Change during the period	-	-	684,050	-	-	684,050	(157,127)	526,923
Cumulative foreign currencies translation differences	-	-	-	(8,588)	-	(8,588)	-	(8,588)
Balance at 31 December 2017	**11,618,011**	**489,334**	**6,876,988**	**8,867,806**	**-**	**27,852,139**	**-**	**27,852,139**
Beginning balance at 1 Jan 2018	**11,618,011**	**489,334**	**6,876,988**	**8,905,860**	**573,407**	**28,463,600**	**-**	**28,463,600**
Profit for the period	**-**	**-**	**9,062,467**	**-**	**-**	**9,062,467**	**-**	**9,062,467**
Other comprehensive income :								
Net (Loss)/gain on available-for-sale financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cumulative foreign currencies translation differences	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**9,062,467**	**-**	**-**	**9,062,467**	**-**	**9,062,467**
Capital increase	**50,315**	**-**		**-**	**-**	**50,315**	**-**	**50,315**
Reserve for employee stock ownership plan (ESOP)	**-**	**408,346**	**-**	**-**	**-**	**408,346**	**-**	**408,346**
Dividend	**-**	**-**	**(2,143,177)**	**-**	**-**	**(2,143,177)**	**-**	**(2,143,177)**
Transferred to reserves	**-**	**-**	**(2,854,791)**	**2,854,791**	**-**	**-**	**-**	**-**
Distribution of profits	**-**	**-**	**(1,879,020)**	**-**	**-**	**(1,879,020)**	**-**	**(1,879,020)**
Changes to Equity	**-**	**-**	**-**	**756,689**	**-**	**756,689**	**-**	**756,689**
Balance at 31 December 2018	**11,668,326**	**897,680**	**9,062,467**	**12,517,340**	**573,407**	**34,719,220**	**-**	**34,719,220**

*** Please refer to note 20 page 36 for breakdown.**

Consolidated cash flow statement for the period ended December 31, 2018

	Notes	Dec. 31, 2018 EGP Thousands	Dec. 31, 2017 EGP Thousands
Cash flow from operating activities			
Profit before income tax from continued operations		**12,652,038**	9,292,103
Adjustments to reconcile net profit to net cash provided by operating activities			
Fixed assets depreciation		**390,830**	353,681
Impairment charge for credit losses		**3,076,023**	1,742,281
Other provisions charges		**101,501**	212,622
Impairment charge for other assets		**316,763**	(248,072)
Available for sale investments exchange revaluation differences		**(102,991)**	100,078
Financial investments impairment charge		**39,561**	(83,079)
Utilization of other provisions		**(2,114)**	(25,463)
Other provisions no longer used		**(17,670)**	(97,897)
Exchange differences of other provisions		**(2,269)**	11,840
Profits from selling property, plant and equipment		**(1,045)**	(607)
(Profits) losses from selling financial investments		**(441,628)**	99,047
Shares based payments		**408,346**	290,884
Bank's share in the profits of associates		**(27,419)**	(38,636)
Associates financial investments revaluation differences		**-**	228
Operating profits before changes in operating assets and liabilities		**16,389,926**	11,609,010
Net decrease (increase) in assets and liabilities			
Due from banks		**(13,661,577)**	(2,594,442)
Treasury bills and other governmental notes		**4,640,524**	(16,466,420)
Trading financial assets		**4,557,492**	(4,601,991)
Derivative financial instruments		**(66,141)**	95,161
Loans and advances to banks and customers		**(21,255,952)**	(4,019,132)
Other assets		**(2,263,465)**	(1,121,981)
Due to banks		**5,381,901**	(1,131,078)
Due to customers		**34,573,817**	18,802,058
Income tax obligations paid		**(2,778,973)**	(2,017,034)
Other liabilities		**1,025,022**	1,897,201
Net cash provided from operating activities		**26,542,574**	451,352
Cash flow from investing activities			
Proceeds from redemption of subsidiary and associates		**-**	750
Payment for purchases of associates		**(10,575)**	(44,318)
Payment for purchases of property, plant, equipment and branches constructions		**(874,708)**	(745,089)
Proceeds from redemption of held to maturity financial investment		**-**	13,354,468
Payment for purchases of held to maturity financial investments		**(33,995,313)**	(4,597,254)
Payment for purchases of available for sale financial investments		**(12,670,761)**	(25,868,230)
Proceeds from selling available for sale financial investments		**2,314,616**	1,261,980
Proceeds from selling property and equipment		**1,045**	
Proceeds from selling non current assets held for sale		**2,059,341**	628,521
Non current assets held for sale		**-**	428,011
Net cash used in investing activities		**(43,176,355)**	(15,581,161)

Consolidated cash flow statement for the period ended December 31, 2018 (Cont.)

		Dec. 31, 2018 EGP Thousands	Dec. 31, 2017 EGP Thousands
Cash flow from financing activities			
Increase in long term loans		**46,793**	3,524,063
Dividend paid		**(2,143,177)**	(1,350,204)
Capital increase		**50,315**	79,351
Payment related to finanace lease		**-**	(3,588)
Net cash used in financing activities		**(2,046,069)**	2,249,622
Net increase (decrease) in cash and cash equivalent during the year		**(18,679,850)**	(12,880,187)
Beginning balance of cash and cash equivalent		**39,795,504**	52,675,691
Cash and cash equivalent at the end of the year		**21,115,654**	39,795,504
Cash and cash equivalent comprise:			
Cash and balances with central bank	*13*	**20,058,974**	14,663,289
Due from banks	*14*	**46,511,579**	45,319,766
Treasury bills and other governmental notes	*21*	**41,999,252**	54,478,202
Obligatory reserve balance with CBE	*13*	**(13,526,763)**	(8,878,986)
Due from banks with maturities more than three months		**(23,914,064)**	(11,132,919)
Treasury bills with maturity more than three months		**(50,013,324)**	(54,653,848)
Total cash and cash equivalent		**21,115,654**	39,795,504

Notes to the consolidated financial statements for the year ended December 31, 2018

1. Corporate information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate and investment banking services in various parts of Egypt through 181 branches, and 22 units employing 6759 employees on the statement of financial position date.

Commercial international Bank (Egypt) S.A.E. was formed as a commercial bank under the investment law no. 43 of 1974. The address of its registered head office is as follows: Nile tower, 21/23 Charles de Gaulle Street-Giza. The Bank is listed in the Egyptian stock exchange.

The bank owns investments in a subsidiary “C-Ventures”, in which the bank’s share is 99.99%. The company is still under establishment and has not yet started its operations and has not been registered in the commercial register.

CIB has GDRs in London Stock Exchange.

2. Accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis , except for available for sale investments, derivative financial instruments , financial assets and liabilities classified as trading or held at fair value through profit or loss, all of which have been measured at fair value. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in Egyptian pound (EGP).

Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the bank and its subsidiaries as at 31 December 2018. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The bank has the majority of the voting or similar rights of an investee, the bank considers all
Relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- the bank's voting rights and potential voting rights

Consolidation of a subsidiary begins when the bank obtains control over the subsidiary and ceases when the bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the bank gains control until the date the bank ceases to control the subsidiary.
Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of The parent of the bank and to the non-controlling interests, even if this results in the non-controlling interests Having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to Bring their accounting policies into line with the bank's accounting policies. All intra-bank assets and Liabilities, equity, income, expenses and cash flows relating to transactions between members of the bank are Eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an Equity transaction. If the bank loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interests
- derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the bank had directly disposed of the related assets or liabilities.

Loss of Control

When the bank loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Investment in Associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those polices.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit/ (loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the bank and its associate are recognized in the bank's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

2.2. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2018 is set out below in relation to the impairment of financial instruments and in the following notes:

•• Note 33.4 – determination of fair value of financial instruments with significant unobservable inputs;

••Note 10.2 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used; and

•• Notes 29 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

•• Note 32 -Share-based payments.

•• Note 34 -Segment analysis.

Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

Therefore, the financial statements continue to be prepared on the going concern basis.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

* In the principal market for the asset or liability

Or

* In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 34.4.

The bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The bank's valuation committee determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. valuers are normally rotated every three years. The valuation committee decides, after discussions with the Bank's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, "the direct investment exposure unit '' operating under "investment committee '' analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the bank's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The valuation committee, in conjunction with the bank's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy Note 33.4.

Impairment of loans and advances

The Bank reviews its individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups). The impairment loss on loans and advances is disclosed in more detail in Note 18.

Impairment of available-for-sale investments

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies .Tax losses can be used indefinitely.

2.3. Summary of significant accounting policies

(1) Foreign currency translation

The consolidated financial statements are denominated and presented in Egyptian pound, which is also the functional currency of the Bank. Transactions in foreign currencies are translated into Egyptian pound at exchange rates prevailing at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the year are translated into Egyptian pound at the exchange rates prevailing at the reporting date.
Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non–monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

Realized and unrealized gains or losses on exchange are credited or charged to the consolidated statement of profit and loss in net trading income.

(2) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Derivatives recorded at fair value through profit or loss

The Bank uses derivatives such as interest rate swaps and futures, forward foreign exchange contracts and options on interest rates and foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in Net trading income.

(iv) Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognized in Net trading income. Interest and dividend income or expense is recorded in Net trading income according to the terms of the contract, or when the right to the payment has been established. Included in this classification are debt securities.

(v) Available-for-sale financial investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Bank has not designated any loans or receivables as available-for-sale.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealized gains and losses are recognized directly in equity (Other comprehensive income) in the Available for sale reserve. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the income statement in other operating income. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale financial investments are recognized in the income statement as other operating income when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the income statement in 'Impairment losses on financial investments' and removed from the Available-for-sale reserve.

(vi) Held-to-maturity financial investments

Held-to-maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortized cost using the EIR less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in Interest and similar income in the income statement. The losses arising from impairment of such investments are recognized in the income statement line impairment losses on financial investments. If the Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the following two years.

(vii) Loans and advances

Loans and advances include 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 near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss.

-Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

-Those the bank , upon initial recognition designate as available for sale .

After initial measurement, amounts Loans and advances to customers are subsequently measured at amortized cost using the EIR, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in Interest and similar income in the income statement. The losses arising from impairment are recognized in the income statement in impairment charge for credit losses.

(3) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:
    - The Bank has transferred substantially all the risks and rewards of the asset

      Or
    - The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

(ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a DE recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

(4) Sale and repurchase agreements

Securities sold with a commitment to repurchase at a specified future date (repos), continue to be recognized in the statement of consolidated financial position and are measured in accordance with related accounting policies for trading, FVIS, available for sale and other investments at amortized cost. The counterparty liability for amounts received under these agreements is included in due to banks and other financial institutions or customer deposits, as appropriate. The difference between the sale and the repurchase price is treated as special interest expense and is recognized over the life of the repo agreement on an effective yield basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognized in the statement of consolidated financial position, as the bank does not obtain control over the assets. Amounts paid under these agreements are included in cash and balances with Central Banks, due from banks and other financial institutions or loans and advances, as appropriate. The difference between the purchase and the resale price is treated as special commission income and is recognized over the life of the reverse repo agreement on an effective yield basis.

(5) Impairment of financial assets

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortized cost

The Bank assesses on each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event/s') and that loss event/s has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Cash flow difficulties experienced by the borrower (e.g, equity ratio, net income percentage of sales).
- A breach of contract, such as a default or delinquency in interest or principle payment.
- Initiation of bankruptcy proceedings.
- Deterioration of the borrower's competitive position.
- The bank, for economic or legal reasons relating to the borrowers financial difficulties granting the borrowers a concessions that the bank would not otherwise consider.
- Deterioration in the value of collateral or deterioration of the creditworthiness of the borrower.

The objective evidence of impairment loss for a group of financial assets is observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, for instance an increase in the default rates for a particular banking product.

The Bank estimates the period between a losses occurring and its identification for each specific portfolio. In general, the periods used vary between three months to twelve months.

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 and in this field the following are considered:

- If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment according to historical default ratios.
- If the Bank determines that an objective evidence of financial asset impairment exist that is 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.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract when there is objective evidence for asset impairment. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. 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 currently exist.

Estimates of changes in future cash flows for groups of assets should be reflected together with changes in related observable data from period to period (e.g. changes in unemployment rates, property prices, payment status, or other indicative factors of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank.

When a loan is uncollectible, it is written off against the related allowance for impairment.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized loss is reversed by adjusting the allowance account. The amount of the reserve is recognized in the consolidated income statement.

(ii) Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired. In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of Interest and similar income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized in other comprehensive income.

(iv) Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as audited financial statements, and other independent sources.

(v) Collateral repossessed

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

(6)Impairment of non–financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Impairment losses relating to goodwill are not reversed in future periods.

(7) Hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the income statement in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

Fair value hedges

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognized in the income statement in Net trading income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognized in the income statement in Net trading income. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the recalculated EIR method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the income statement.

(8) Offsetting Financial Assets and Financial Liabilities:

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the bank has legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the trading activities.

IFRS 7 and its amendments have no impact on the consolidated financial statements.

(9) IFRS 9 Implementation (Policy applicable from 1 January 2018)

The requirements in IFRS 9 represent a material change from the requirements of IAS 39 Financial Instruments: Recognition and Measurement. The new standard leads to fundamental changes in the accounting of financial assets and some aspects of the accounting of financial liabilities.

New and amended standards and interpretations

In these financial statements, the Bank has applied IFRS 9 and IFRS 7R, effective for annual periods beginning on or after 1 January 2018, for the first time. The Bank has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments (Policy applicable from 1 January 2018)

IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Bank elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

The Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in changes in equity statement.

The principal changes in the Group's accounting policies resulting from the adoption of IFRS 9 are summarized below:

Classification of financial assets and liabilities:

IFRS 9 Financial Instruments (Policy applicable from 1 January 2018)

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that will replace IAS 39 for annual periods on or after 1 January 2018, with early adoption permitted. In 2017 the Bank set up a multidisciplinary implementation team ('the Team') with members from its Risk, Finance and Operations teams to prepare for IFRS 9 implementation ('the Project'). The Project is sponsored by the Chief Risk and Financial officers, who regularly report to the Bank's Supervisory Board and is managed within the Bank's transformation framework. The Project has clear individual work streams within two sub-teams for classification and measurement and impairment. The sub-teams have individual budgets with five key phases: Preliminary Analysis, Data Collection & Validation, Methodology Setting, Impact Assessment and IFRS 9 Implementation.

The project for stage 1(semi-automated solution) completed by end of Q1 2018, and in process of finalizing stage 2 (fully automated solution).

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial ~assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

(a) Classification and measurement **Policy applicable from 1 January 2018)**

From a classification and measurement perspective, the new standard is require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories are replaced by: fair Value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities is largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

IFRS 9 includes three categories of major classifications of financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss. The classification of IFRS 9 generally depends on the business model through which the financial asset is managed and its contractual cash flows. The Standard excludes the current categories of IAS 39 which include held-to-maturity investments and loans and receivables and available for sale.

Defining a business model

Business Model is the overarching principle that determines the management philosophy and style on how the Bank manages its group of financial assets to achieve a particular objective. A business model document shall set the broader objectives of the Bank and serve as the guiding principle in developing portfolios of debt instruments.

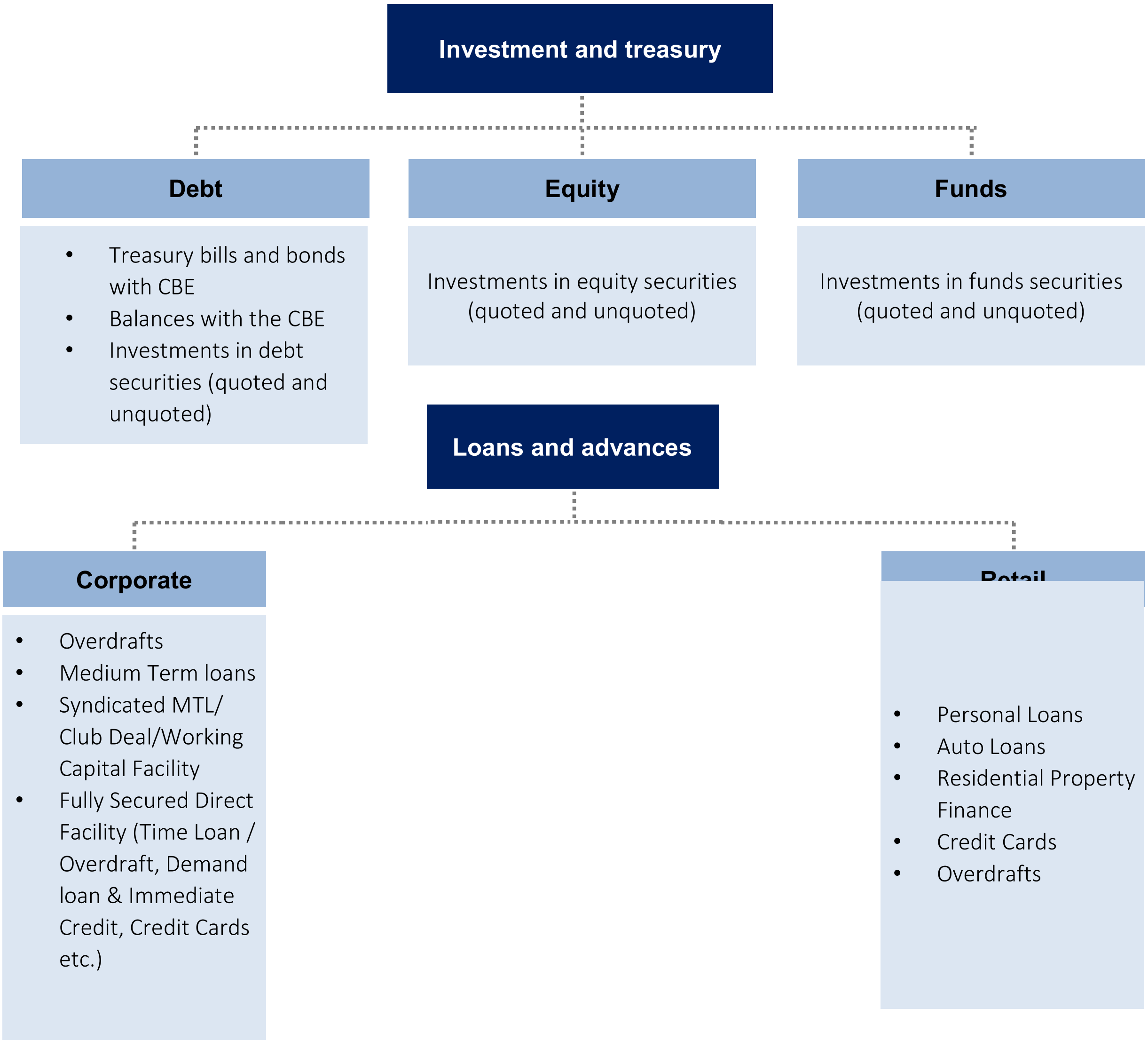
The Bank applies the following approved business models in the management of its debt instrument to achieve its goals and objectives.

Business models	Primary objective
Hold to Collect	Hold to collect contractual cash flows
Hold to Collect and Sell	Hold to collect and sell financial assets
Others	Hold for trading and/or manage on a fair value basis

Level of portfolio aggregation

The management shall define the level of portfolio aggregation at which the business model applies to aid in the management, monitoring, and operation of the model. The aggregation reflects the objective of the portfolio rather than the intent of each instrument.

The following diagram depicts the bank business segment and the financial asset portfolio being managed by each segment:



Management and monitoring of business models

The business groups, in consultation with Finance, shall:

- Perform business model reassessment regularly to ensure that the portfolios are managed consistent with the business model; and
- Monitor and document deviations from the business model

If deviations to business model were noted, the business group shall document the nature, justification and impact of deviation. IFRS 9 committee shall be notified with the deviation report and assess the need for business model reclassification.

Contractual cash flow characteristics

IFRS 9 Financial Instruments requires that the Bank should assess the contractual cash flow characteristics of its financial assets, which are debt instruments held within the following business model:

- Hold to Collect
- Hold to Collect and Sell

To do so, the Bank has to determine whether the asset's contractual cash flows are consistent with the basic lending arrangement by performing a Contractual Cash Flow Characteristics of Financial Assets or more commonly known as Solely Payment of Principal and Interest (SPPI) testing.

In a basic lending arrangement, the contractual cash flows of debt investments and credit products are composed of principal value, and interest payment (i.e., rate of return). These two components are discussed further below:

Principal value

Principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset when there are principal repayments.

Rate of return

Rate of return consists of consideration for the time value of money, credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin. The Bank derived the rate of return considering its cost of fund, provision for expected and unexpected losses, administrative costs, and reasonable return of investment.

Levels of SPPI assessment

Generally, SPPI test is performed at an instrument level. Details of the assessment vary between debt securities and loan products as discussed further below:

Loan Facilities

Standard loan contracts

Standard loan contracts are based on master agreements where contracts for facilities include pre-defined contractual agreements. Lending terms may vary from obligor to obligor depending on the lending risk (e.g. interest rate, frequency, tenor, etc.)

Facilities under a standard loan contract is expected to have consistent cash flow features and characteristics. Therefore, assessment is performed on the master agreement to determine whether IFRS 9 criteria on cash flow characteristics are met. Rest of individual contracts within the product portfolio is presumed to be covered by the SPPI testing of single master agreement.

Bank has controls in place to consistently comply with the Bank's credit documentation requirements. Any deviation shall be reviewed and cleared by the Bank's legal unit.

New credit product – standard loan contracts

Proposal for new credit products shall include full details of the offering such as credit criteria, pricing, legal terms and expected risk adjusted returns. In consultation with Finance, proposing business unit shall perform SPPI test on new credit product as per the requirement of IFRS 9. Clearance on SPPI testing is needed to be able to classify new credit products in accordance with IFRS 9 classification and measurement. Results of the SPPI testing will be communicated to Finance department prior to launch to ensure that the transactions under this product are properly accounted in the books.

Non-standard loan contracts

Non-standard loan contracts are not based on master agreement where credit terms vary from one obligor to another. The contractual cash flow characteristics are expected to be different from each other, thus, SPPI testing is performed at instrument level.

The business unit managing a non-standard loan contracts shall perform the SPPI testing, in consultation with Finance. Results of the SPPI testing will be forwarded to Finance for the assessment of accounting treatment in the books.

Restructuring and modification of financial assets

Some loan facilities are subject to restructuring or modification of credit terms. In such cases, modified or restructured terms of a credit facility shall be assessed for contractual cash flow characteristics and features.

The business unit managing the restructured or modified products shall perform the SPPI test with consultation with Finance department, as needed. Results of the SPPI testing will be forwarded to Finance for the assessment of accounting impact in the financial statements.

Bonds and other debt instruments

As part of the Bank's activity to maximize return on its assets, Investment and Treasury department will endeavour to find profitable investments within the acceptable risk limit.

The investment proposal should include the result of SPPI testing along with the business model objective for which the Bank would intend to manage the investment in following cases:

- Prior to approval to purchase
- Upon restructuring
- Modification of an investment

The business unit managing the investment shall perform the SPPI testing. Results shall be forwarded to Finance department for the assessment of accounting impact in the financial statements.

Equity instruments and derivatives

Equity instruments are generally measured at FVTPL as per IFRS 9. However, Bank may acquire equity instrument, which is not held for trading. IFRS 9, upon initial recognition, provides an irrevocable election to designate equity securities (instrument level) to present subsequent changes in fair value in other comprehensive income (OCI). Amounts presented in OCI are not subsequently transferred to profit and loss even on derecognition, although the cumulative amounts may be transferred within equity, as appropriate. Dividend on equity instruments is recognized in profit and loss, unless it represents recovery of the cost of investment consequently, there is no requirement to review equity instruments for impairment.

Derivative instruments that are not designated into hedging relationships are assumed to be held for trading under IFRS 9, thus measured at FVTPL.

Reclassification of financial assets

Under IFRS 9, financial assets are not reclassified subsequent to their initial recognition, except in certain rare circumstances when the Bank changes its business model for managing financial assets, it should reclassify all affected financial assets within the portfolio in accordance with the new business model. However, it is expected to be infrequent as it occurs if the Bank begins or ceases activity of a significant operation and it is demonstrable to external parties.

The following are not considered changes in the business model:

- A change in intention related to particular financial assets
- A temporary disappearance of a particular market for financial assets
- A transfer of financial assets between parts of the entity with different business models

The Bank does not allow, in all cases, reclassification in equity instruments after the initial recognition.

The IFRS 9 committee shall review and asses the IFRS 9 guidance for changes in business models and has to secure approval of the Board of Directors.

The reclassification should be applied prospectively from the reclassification date, which is defined as, 'the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets'. Any previously recognised gains, losses or interest should not be restated.

Classification of financial liabilities

The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. Financial liabilities are to be subsequently measured at:

- Amortised cost, measured using the effective interest method; OR
- Fair value through profit or loss (FVTPL)

there is no change in classification of financial liabilities for the Bank on adoption of IFRS 9.

• IFRS 9 replaces the "incurred losses" model in IAS 39 with the "expected credit loss" model. The new impairment model also applies to certain credit and financial collateral contracts but does not apply to equity investments under IFRS (IFRIC 9), credit losses are recognized before they are realized, other than IAS 39.

The principal changes in the Group's accounting policies are as follows:

Impairment of financial assets:

• The Bank applies a three-stage approach to measure expected credit losses in respect of financial assets carried at amortized cost and debt instruments classified at fair value through other comprehensive income. Assets are transferred through the following three stages on the basis of changes in the quality of credit ratings since the initial recognition of these assets:

Stage 1: 12 months Expected Credit Loss (ECL)

For exposures where there has been no significant increase in credit risk since initial recognition, the portion of expected long-term credit losses associated with the probability of default over the next 12 months is recognized.

Stage 2: Life Time Expected Credit Loss (ECL) – Non-impaired credit exposures where there has been a significant increase in credit risk since initial recognition, but not credit default, expected credit losses are recognized over the life of the asset.

Stage 3: Expected Credit Losses Financial assets are credit risk when one or more events have occurred that have a detrimental effect on the estimated future cash flows of those financial assets. Due to the use of the same standards in IAS 39, the Bank's methodology for specific provisions remains unchanged.

(b) Impairment

IFRS 9 also fundamentally change the loan loss impairment methodology. The standard replaces IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Bank has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

• To calculate ECL, the Bank estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and

• The cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

In comparison to IAS 39, the Bank expects the impairment charge under IFRS 9 and to result in an increase in the total level of current impairment allowances. The Bank groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below|:

• Stage 1 – Performing loans: when loans are first recognised, the Bank recognises an allowance based on 12-month expected credit losses.

• Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss.

• Stage 3 – Impaired loans: the Bank recognises the lifetime expected credit losses for these loans. In addition, in Stage 3 the Bank accrues interest income on the amortised cost of the loan net of allowances.

The Bank will record impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statement of financial position, which will remain at fair value.

Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost will be recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

Loans in Stage 3, where the Bank calculated the IAS 39 impairment on an individual basis will continue to be calculated on the same basis.

Additional details related to ECL calculation Under IFRS 9:

- **Default Definition for CIB**

Days Past Due: Exposures that have one or more instalment past due for more than 90 days both for Consumer and Business Banking assets. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Bank.

Rating: Customers rated 8 to 10 (applicable to both corporate and business banking as a whole)

Event driven defaults: this will be based on the customer specific factors such as breach of covenants which are deemed material, declaration of bankruptcy by the customer, death of borrower and other customer specific factors. This will be applied on a case-by-case basis, subject to IFRS 9 Committee approval.

Regulatory default: If in future, the local regulator prescribes the criteria of default for IFRS 9 purposes, the Bank will chose the criteria which is stricter of the criteria under this policy or regulatory purpose for defining default.

The definition should be applied to all financial instruments under the scope of IFRS 9 impairment with the exception of 'Rating' criteria which is only applicable for corporate and business banking facilities as the Bank does not currently maintain any rating or credit scoring for Consumer facilities.

- **Modification of assets**

For the purpose of implementation of IFRS 9, this section outlines the accounting approach to be taken by the Bank for modification of assets under IFRS 9.

- IFRS 9 introduces the concept of Modification, which is intrinsically linked with the existing (and unchanged) concept of de-recognition under IAS 39.
- Modification occurs when the contractual cash flows of a financial asset are renegotiated or otherwise modified.

Consumer Banking

Stage 1 – Restructure: (within the policy) based on customer request (no credit reasons present)

Stage 2 – Restructure: In case of credit risk reasons and not in default will be classified into Stage 2. (The Impairment % of such accounts to follow the current bank's policy)

Stage 2 or Stage 3 – Reschedule: Already in delinquency (customer in debt repayment) Stage 2 or Stage 3 depending upon the policy (100% Impairment is taken and kept for six months – post six months the release of the Impairment depends on the customer good performance)

Corporate & Business Banking

Stage 1 – Restructure: Business Banking is complying with the modification rules in the policy, regarding collateralized asset under Restructure (within the policy) based on customer request (no credit reasons present)

Stage 2 – Restructure: In case of credit risk reasons and not in default will be classified into Stage 2. (The Impairment % of such accounts to follow the current bank's policy).

Stage 2 or Stage 3 – Reschedule: Reschedule already in delinquency (customer in debt repayment) Stage 2 or Stage 3 depending upon the policy (100% Impairment is taken and kept for six months – post six months the release of the Impairment depends on the customer good performance).

- De-recognition of modified assets requires judgment as there is no specific guidance offered by IFRS 9/IAS 39. The underlying concept in the decision to derecognize is when the new asset is substantially different from the original asset.
- As de-recognition 'resets the clock' and puts an asset back to stage 1, its effect is potentially more material than under IAS 39.

- **Individual vs collective assessment**

Corporate and Business banking

For corporate exposures, CIB will assess SICR on an individual assessment at a facility/instrument level:

While for business banking (all segments)–

- Business Banking (all segments) exposures will assess SICR on an individual assessment at a Customer level.
- Business Banking assessment will be on each facility level but if any facility assessed as SICR or default all other facilities granted to one counterparty will be assessed as SICR or default (contagion)

Consumer Exposures

- The bank will determine SICR at both instrument level and collective basis. As per IFRS 9, SICR can be assessed at a collective/portfolio level if common risk characteristics are shared. Any instruments that are assessed collectively must possess shared credit risk characteristics. This is to prevent significant increases in credit risk being obscured by aggregating instruments that have different risks. CIB's Consumer exposures are grouped into different segments by
- products (i.e. auto loan, personal loan etc.) and their employment status (self-employed, salaried etc.) for cards we have further segmented by Limit buckets (Less than 10k and greater than 10K). CIB may try alternate segmentations if deemed to be significant.

- **Significant increase in credit risk (SICR):**

CIB has laid out the following criteria in line with the guidelines of IFRS 9 in order to conduct the SICR assessment.

Corporate and Business Banking:

CIB will use the following indicators to identify any significant increase in credit risks. The occurrence of any one of the indicators should be considered as an indicator of SICR and consequently the related financial instrument will be classified as Stage 2 and will attract a lifetime ECL:

- **Risk Ratings:** All facilities with internal rating of 7 (watch list) will be directly categorised in Stage 2 (absolute measure).
- **Transition in Risk Ratings:** All facilities that have been downgraded at the reporting date by:
  - 2 or more grades: for facilities which were internally rated 2 to 4 at inception.
  - 1 or more grade: for other facilities which were internally rated 5 or 6.
- **Delinquency Status:** The facilities will be considered as SICR and will be moved to Stage 2 if the following conditions re prevail:
  - Outstanding exposure (or related interest) is 60 days past due ("DPD") at the reporting date irrespective of the rating OR;
  - Internal rating is 5 or 6 And DPD>=30 for 3 times or more over the last 12 months OR;
  - Internal rating is 5 or 6 And DPD>=60 once or more over the last 12 months
- **Industry**: Certain industries/sectors are considered high risk. If the following conditions prevail, the account will be categorized in stage 2:
  - Internal rating is 5 or 6 And Industry is classified as high risk, which will be determined and revised periodically.

Restructured status: All facilities that have been restructured in the past period due to credit risk related factors or which were NPL in the past and now regular (subject to cooling period of 24 months) to be considered Stage 2.

• Risk Parameters

This section covers the calculation methodology of the risk parameters of Expected Credit Loss (ECL) measurement and this is complementary to all other individual policies on risk qualification.

The ECL methodology was detailed in the previous section on Expected Credit Loss Approach and the related scenario methodology is detailed in the next section on Scenarios and Forward Looking Information, this section restricts itself to the calculation methodology of PD, EAD and LGD, which are the key risk parameters for ECL calculation.

In the context of risk parameters, the key areas that need to be addressed are the following:

The Bank's internal rating and PD estimation process

The Bank's independent Credit Risk Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rate from 1 to 10 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from Good Rating Agency. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

Exposure at Default – EAD

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

Loss Give Default Methodology

For corporate and investment banking financial instruments, LGD values are assess ed at least every three months by account managers and reviewed and approved by the Bank's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices
for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. The Bank estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

(c) Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS become mandatory on 1 January 2018. Based on its analysis, the Bank has decided to continue to apply hedge accounting under IAS 39.

Financial assets and liabilities:

1. **Initial recognition and measurement**

All "regular" purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Regular purchases and sales are purchases and sales of financial assets that require delivery of assets within the time frame generally provided by law or by market norms.

Financial assets or liabilities are measured initially at fair value plus, in the case of an item not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue.

2. **Classification**

Financial assets - Policy effective 1 January 2018

On initial recognition, financial assets are classified as measured at cost, carried at fair value through other comprehensive income or at fair value through profit or loss. Financial assets are measured at amortized cost when each of the following officers is satisfied and is not classified as at fair value through profit or loss:

- Assets are retained in the business model, which is intended to retain assets in order to collect contractual cash flows;

- The contractual terms of the financial assets on specific dates result in cash flows which are only payments on the original amount and interest on the original amount outstanding.

Debt instruments are measured at fair value through other comprehensive income only when both of the following conditions are met and are not classified as at fair value through profit or loss:

Assets are retained in the business model which is intended to achieve both the collection of contractual cash flows and the sale of financial assets. The contractual terms of the financial assets on specific dates result in cash flows that are only payments on the original amount and interest on the original amount outstanding.

Upon initial recognition of equity investments that are not held for trading, the Bank may elect irrevocably to present changes in fair value in other comprehensive income. This choice is made on an investment-by-investment basis.
All other financial assets are classified at fair value through profit or loss.

Evaluation of business model

The Bank assesses the objective of the business model in which assets are maintained at the business portfolio level. This method better reflects how business is managed and how information is communicated to management. The information to be considered is as follows:

- Specific policies and objectives of the business portfolio and practical application of these policies. In particular, whether the management strategy focuses on the achievement of contractual interest income and the realization of cash flows through the sale or retention of assets for liquidity purposes;

- the risks that affect the performance of the business model (and the financial assets that are retained within that business model), how these risks are managed; the frequency, value and timing of sales in prior periods, the reasons for such sales, as well as their forecast for future sales activities. Information on sales activities can not be taken into account alone from the rest of the activities. Rather, they are part of a comprehensive assessment of how the Bank achieves the objectives of managing the financial assets as well as how to achieve cash flows.

Financial assets held for trading or managed, whose performance is measured at fair value, are measured at fair value through profit or loss where they are not held for the purpose of collecting contractual cash flows and are not held for the purpose of collecting cash flows And the sale of financial assets.

Assess whether the contractual cash flows are only payments of the original amount and interest on the original amount outstanding

For the purpose of this valuation, the original amount is determined on the basis of the fair value of financial assets at initial recognition. Interest is determined on the basis of the time value of the money and the credit risk associated with the original principal over a given period of time or other basic lending risk and costs (eg liquidity risk and administrative costs), as well as profit margin.

Reclassification

Financial assets are not recognized after initial recognition, unless the Bank changes the business model to manage financial assets

3. Derecognition

Financial Assets

The Bank derecognizes financial assets upon expiry of the contractual rights of cash flows from the financial asset or transfers its rights to receive the contractual cash flows in accordance with the transactions in which all significant risks and rewards of ownership relating to the transferred financial asset are transferred or when the Bank has not transferred or retained all the risks The fundamental benefits of ownership and did not retain control of financial assets.

When the financial asset is derecognised, the difference between the carrying amount of the financial asset (or the carrying amount allocated to the financial asset excluded) and the total of the consideration received (including any new acquired asset) In other comprehensive income is recognized in profit or loss.

Effective January 1, 2018, any gain / loss recognized in other comprehensive income in respect of investment securities in equity securities is not recognized in profit or loss on disposal of such securities. Any interest on transferred financial assets that are eligible for disposal that are created or retained by the Group as a separate asset or liability is recognized.

If the terms of the financial assets are modified, the Bank assesses whether the cash flows of the financial assets are substantially different. If there are significant differences in cash flows, the contractual rights to the cash flows from the original financial assets are past due. In this case, the original financial assets are derecognised and the new financial assets are recognized at fair value.

The financial asset (in whole or in part) is derecognised when

- Expiration of rights to receive cash flows from the original;

- The Bank has transferred substantially all the risks and rewards of the asset or (b) has not transferred or retained the cash flows; All the material risks and benefits of the assets but transferred control over the assets.

Financial Liabilities

A financial liability is derecognised when the obligation under the obligation is discharged, canceled or expires.

Investments held for trading - effective until 31 December 2017

Investments held for trading are subsequently measured at fair value with any gain or loss arising from the change in fair value recognized in the consolidated statement of income or loss in the period in which they arise. Interest earned or dividends received are included in net trading income.

Classification of financial assets carried at fair value through profit or loss – applied

Effective 1 January 2018

The Bank classifies certain financial assets as at fair value through profit or loss because assets were valued, managed and internally recorded at fair value. The Bank has classified certain financial assets at fair value through profit or loss.

Until 31 December 2017

Financial assets classified in this category are classified by management as evidence

When the following criteria are met:

- The classification eliminates or substantially reduces the difference in the transaction that may arise from the measurement of assets or liabilities or the recognition of gains or losses on different grounds; or

- Assets are part of a group of financial assets that are managed and their performance evaluated on a fair value basis, in accordance with documented management risk or investment strategy; or

- Financial instruments include embedded derivatives, unless embedded derivatives do not substantially change cash flows, nor should they be recorded as a separate item.

Financial assets carried at fair value through the consolidated statement of income or loss are recognized at fair value in the consolidated statement of financial position. Changes in fair value are recognized in the net gain or loss on financial assets designated at fair value through profit or loss. Interest earned on interest income is accrued, whereas income from equity is recognized in other income. The Group has not classified any financial assets at fair value through profit or loss.

Deposits and amounts due from banks and other financial institutions

These are stated at cost, adjusted for effective fair value hedges, net of any amounts written off and provision for impairment

(10) Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Bank leases certain property and equipment. Leases of property and equipment where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(11) Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

(i) Interest and similar income and expense

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers.

Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(iii) Dividend income

Revenue is recognized when the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(iv) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

(12) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non–restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

(13) Property and equipment

Property and equipment (including equipment under operating leases where the Bank is the lessor) is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Premises	25 years
Leasehold improvements	3 years, or over the period of the lease if less
Furniture and furnishing	5 years
Calculators and air conditioners	8 years
Vehicles	5 years
IT	3/10 years
Fitting –out	3 years

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on DE recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other operating income in the income statement in the year the asset is derecognized.

(14) Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognized directly in the income statement in the year of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash– generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 Operating Segments.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative fair values of the disposed operation and the portion of the CGU retained.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Bank re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

(15) Intangible assets

The Bank's other intangible assets include the value of computer software and customer core deposits acquired in business combinations.

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial yearend. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives.

(16) Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

(17) Share–based payment transactions

Employees (including senior executives) of the Bank receive remuneration in the form of share–based payment transactions, whereby employees render services as consideration for equity instruments (equity–settled transactions).

Equity–settled transactions

The cost of equity–settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date) the cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period is recorded in administrative expense and represents the movement in cumulative expense recognized as at the beginning and end of that period.

Where the terms of an equity–settled award are modified, the minimum expense recognized in administrative expense is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share–based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity–settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non–vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(18) Employee Benefits

For defined contribution plans, the Bank pays contributions to the General Organization for Social Insurance (GOSI) as a percentage of the employees' salaries. The Bank's obligation is limited to these contributions which are expensed when due.

(19) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(20) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

(21) Equity reserves

The reserves recorded in equity (Other comprehensive income) on the Bank's statement of financial position include available-for-sale reserve, which comprises changes in fair value of available-for-sale investments.

(22) Segment reporting

The Bank's segment reporting is based on the following operating segments: Corporate Banking, SME's, Investment Banking and Retails Banking.

(23) Investment Property

"Investment Property" is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply services or for administrative purposes. The bank holds some investment property as a consequence of the ongoing rationalization of its retail branch network. Other property has been acquired through the enforcement of security over loans and advances. Investment property is initially measured at cost and tested for impairment through fair valuation to be allocated through fair value, in profit or loss.

Any gain or loss on disposal of an investment property (Calculated as the difference between the net proceeds from disposal and the carrying amount if the item) us recognized in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the fate of reclassification becomes its cost for subsequent accounting.

(24) Earnings per Share

The bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(25) Financial Guarantees and Loan Commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan. Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(26) Deposits

Deposits issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

(27) Noncurrent assets held for sale

IFRS 5 requires a non-current asset (or disposal group) to be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Determining whether (and when) an asset stops being recovered principally through use and becomes recoverable principally through sale.

For an asset (or disposal group) to be classified as held for sale:

(a) It must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets (or disposal groups) ;(b) Its sale must be highly probable; (c) It must genuinely be sold, not abandoned.

The standard requires that non-current assets (and, in a 'disposal group', related liabilities and current assets,) meeting its criteria to be classified as held for sale be:

(a) Measured at the lower of carrying amount and fair value less costs to sell, with depreciation on them ceasing; and

(b) Presented separately on the face of the statement of financial position with the results of discontinued operations presented separately in the statement of comprehensive income.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Bank does not anticipate early adopting IFRS 16 and is currently evaluating its impact, which expected not to be significant as no outstanding financial leasing contract.

Standards applied for first time during the year:

Amendments to IAS 12 Income Taxes

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January 2017. The Bank is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial statements.

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Bank is currently evaluating the impact.

Changes in liabilities arising from financing activities:

Cash flow from financing activities	1/1/2018	New loans	Settlement	FX	Capital increase	31/12/2018
Long term loans	3,674,736	5,257	(12,376)	32,020	-	3,699,637
Issued and paid in capital	11,618,011	-	-	-	-	11,618,011
Financial lease obligation	1,804	-	(1,804)	-	-	-
Total	15,294,551	5,257	(14,180)	32,020	-	15,317,648

Cash flow from financing activities	1/1/2017	New loans	Settlement	Capital increase	31/12/2017
Long term loans	160,243	3,545,540	(31,047)	-	3,674,736
Issued and paid in capital	11,538,660	-	-	79,351	11,618,011
Financial lease obligation	5,392	-	(3,588)	-	1,804
Total	11,704,295	3,545,540	(34,635)	79,351	15,294,551

3 Net interest income

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Interest and similar income		
- Banks	3,338,266	3,532,274
- Clients	15,274,649	10,921,054
	18,612,915	14,453,328
Treasury bills and bonds	18,582,089	14,039,447
Reverse repos	2,519	-
Financial investments in amortized cost & FVOCI	206,186	178,391
Total	37,403,709	28,671,166
Interest and similar expense		
- Banks	(840,233)	(463,409)
- Clients	(18,001,197)	(15,686,959)
	(18,841,430)	(16,150,368)
Financial instruments purchased with a commitment to re-sale (Repos)	(112,366)	(2,037)
Finance expense related to financial lease contract	-	-
Other loans	(306,394)	(14,750)
Total	(19,260,190)	(16,167,155)

4 (Net fee and commission income

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Fee and commission income		
Fee and commissions related to credit	1,456,930	1,362,660
Custody fee	140,247	117,268
Other fee	1,805,439	1,314,283
Total	3,402,616	2,794,211
Fee and commission expense		
Other fee	(991,957)	(796,107)
Total	(991,957)	(796,107)

5 Dividend income

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Trading securities	9,951	11,474
Available for sale securities	16,007	23,039
Total	25,958	34,513

6 Net trading income

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Gain from foreign exchange	668,071	764,732
Forex gain from revaluations of trading assets and liabilities	-	-
Gain (Loss) from forward foreign exchange deals revaluation	(38,904)	(17,118)
Loss from interest rate swaps revaluation	(20,865)	(23,732)
Profit (Loss) from currency swap deals revaluation	8,179	(21,230)
Net gains on trading securities	472,595	589,563
Impairment Charges for FVTPL	(47,266)	-
Total	1,041,810	1,292,215

7 . Administrative expenses

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Staff costs		
Wages and salaries	(1,829,249)	(1,329,442)
Social insurance	(78,841)	(65,033)
Other benefits	(1,160,671)	(919,822)
Stock option	(408,346)	(290,884)
Depreciation *	(390,830)	(353,681)
Maintenance	(458,979)	(317,863)
Premises & Vehicles improvements and maintenance	(535,254)	(366,232)
Internship expense	(46,275)	(40,798)
Board Meeting & Director's expense	(2,541)	(2,420)
Other administrative expenses	(411,668)	(303,708)
Total	(5,322,654)	(3,989,883)
***include depreciation related to financial lease contract amounting to:**	-	(2,676)

8 . Other operating (expenses) income

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Forex (losses) gains from non-trading assets and liabilities revaluation	59,863	(61,065)
Gains from selling property, plant and equipment	1,045	607
Charges of Provisions	(400,596)	(114,725)
Care Service & Cash Trans. Expense	(220,925)	(172,026)
Regulatory Expense	(342,270)	(270,050)
Consultants	(60,157)	(55,168)
IT communications	(173,509)	(82,365)
Utilities	(126,393)	(101,423)
Other income/expenses	(326,731)	(142,539)
Total	(1,589,675)	(998,753)

9 . Impairment charge for credit losses

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Loans and advances to customers	(2,292,580)	(1,742,281)
Due from banks	165	-
Financial investments	(194,651)	-
Total	(2,487,066)	(1,742,281)

10 . Income Taxes

10.1 Adjustments to calculate the effective tax rate

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Profit before tax	12,652,038	9,292,103
Tax rate	22.5%	22.5%
Income tax based on accounting profit	2,846,709	2,090,723
Add / (Deduct)		
Non-deductible expenses	1,055,182	860,286
Tax exemptions	(314,360)	(173,358)
10% Withholding tax	2,041	3,000
Income tax / Deferred tax	3,589,571	2,780,651
Effective tax rate	28.37%	29.92%

28.37% 29.92%

10.2 Deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	Balance at 31 December 2018					
	Net balance at 1 January	OCI	Recognised in profit or loss	Net	Deferred tax assets	Deferred tax liabilities
Fixed assets (depreciation)	(31,409)	-	(18,341)	(49,750)	-	(49,750)
Provisions (excluded loan loss, contingent liabilities and income tax provisions)	31,038	-	22,514	53,552	53,552	-
Intangible Assets & Good will	36,712	-	16,945	53,657	53,657	-
Other investments impairment	56,698	92,732	(83,642)	65,788	65,788	-
Reserve for employee stock ownership plan (ESOP)	110,100	-	56,022	166,122	166,122	-
Interest rate swaps revaluation	5,340	-	(645)	4,695	4,695	-
Trading investment revaluation	(37,478)	-	44,872	7,394	7,394	-
Forward foreign exchange deals revaluation	8,629	-	(1,717)	6,912	-	6,912
Total Assets (Liabilities)	179,630	92,732	36,008	308,370	351,208	(42,838)

	Balance at 31 December 2017				
	Net balance at 1 January	Recognised in profit or loss	Net	Deferred tax assets	Deferred tax liabilities
Fixed assets (depreciation)	(28,741)	(2,668)	(31,409)	-	(31,409)
Provisions (excluded loan loss, contingent liabilities and income tax provisions)	16,300	14,738	31,038	31,038	-
Intangible Assets & Good will	17,090	19,622	36,712	36,712	-
Other investments impairment	86,845	(30,147)	56,698	56,698	-
Reserve for employee stock ownership plan (ESOP)	79,981	30,119	110,100	110,100	-
Interest rate swaps revaluation	3,722	1,618	5,340	5,340	-
Trading investment revaluation	18,338	(55,816)	(37,478)	(37,478)	-
Forward foreign exchange deals revaluation	(12,227)	20,856	8,629	-	8,629
Total Assets (Liabilities)	181,308	(1,678)	179,630	202,410	(22,780)

Recognised deferred tax assets

Recognition of deferred tax assets is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Group's entities will have future taxable profits against which these assets can be utilised.

	Impairment for loan losses	
Opening balance 1.1.2018		10,994,446
Impact of IFRS 9	xxxx	
Charges/(Reversals) PL	xxxx	
Ending Balance		11,521,436

11 Earning per share

(a) Basic earnings per share

	Earning per share		Earning per share from continuing operations	
	Dec.31, 2018	Dec.31, 2017	**Dec.31, 2018**	Dec.31, 2017
	EGP Thousands	EGP Thousands	**EGP Thousands**	EGP Thousands
(i) Profit attributable to ordinary shareholders (basic)				
Net profit for the year attributable to equity holders of the bank	**9,062,467**	6,778,536	**9,062,467**	6,487,402
(ii) Weighted - average number of ordinary shares (basic)				
Average number of shares	**1,163,898**	1,159,156	**1,163,898**	1,159,156
Basic earning per share	**7.79**	5.85	**7.79**	5.60
(b) Diluted earnings per share				
(i) Profit attributable to ordinary shareholders (diluted)				
Net profit for the year attributable to equity holders of the bank	**9,062,467**	6,778,536	**9,062,467**	6,487,402
(ii) Weighted - average number of ordinary shares (diluted)				
Issued ordinary shares	**1,163,898**	1,159,156	**1,163,898**	1,159,156
Effect of ESOP program	**7,744**	18,566	**7,744**	17,562
Weighted - average number of ordinary shares diluted	**1,171,642**	1,177,722	**1,171,642**	1,176,718
Diluted earning per share	**7.73**	5.76	**7.73**	5.51

12 . Bank's share in the profits of associates

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
- International Co. for Security and Services (Falcon)	**27,419**	29,066
Total	**27,419**	29,066

13 . Cash and balances with central bank

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Cash	**6,532,211**	5,784,303
Current accounts	**13,526,763**	8,878,986
Total	**20,058,974**	14,663,289
Non-interest bearing balances	**20,058,974**	14,663,289

14 . Due from banks*

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Current accounts	**4,168,973**	2,679,189
Deposits	**42,349,920**	42,640,577
Impairment Loss	**(7,314)**	-
Total	**46,511,579**	45,319,766
Central banks	**25,397,559**	15,863,399
Local banks	**4,109,576**	3,894,775
Foreign banks	**17,004,444**	25,561,592
Total	**46,511,579**	45,319,766
Non-interest bearing balances	**1,724**	-
Floating interest bearing balances	**10,203,376**	9,940,362
Fixed interest bearing balances	**36,306,479**	35,379,404
Total	**46,511,579**	45,319,766
Current balances	**46,511,579**	45,319,766
Total	**46,511,579**	45,319,766

Due from banks *

	Stage 1
Beginning Balance	45,319,766
Addition during the period	1,199,127
Deducation during the period	-
As of 31 December 2018	**46,518,893**
Impairment Loss*	7,314

* All due from banks is high grade

Below is an analysis of outstanding balance:

Balance	**Rating**
46,511,579.00	B-

15 Financial assets held for trading

	Dec.31, 2017
	EGP Thousands
Debt instruments	
- Governmental bonds	6,728,843
Total	6,728,843
Equity instruments	
- Mutual funds	99,587
Total	99,587
- Portfolio managed by others	466,767
Total	7,295,197

16 . Loans and advances to banks, net

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Time and term loans	**70,949**	1,383
Impairment provision	**(2,564)**	(70)
Total	**68,385**	1,313
Current balances	**68,385**	1,313
Non-current balances	**-**	-
Total	**68,385**	1,313

Analysis for impairment provision of loans and advances to banks

Dec.31, 2018 EGP Thousands	Stage 1
Beginning Balance	**(70)**
Addition during the period (IFRS9)	**(2,494)**
Deducation during the period	**-**
As of 31 December 2018	**(2,564)**

Below is an analysis of outstanding balance:

Balance	Rating
68,385.00	B-

17 . Loans and advances to customers, net

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Individual		
- Overdraft	**1,635,910**	1,780,416
- Credit cards	**3,540,849**	2,899,930
- Personal loans	**17,180,864**	13,910,837
- Real estate loans	**876,372**	416,616
- Other loans	**-**	-
Total 1	**23,233,995**	19,007,799
Corporate		
- Overdraft	**13,992,595**	12,450,826
- Direct loans	**49,179,820**	44,200,770
- Syndicated loans	**32,899,950**	26,627,825
- Other loans	**125,429**	112,802
Total 2	**96,197,794**	83,392,223
Total Loans and advances to customers (1+2)	**119,431,789**	102,400,022
Less:		
Unamortized bills discount*	**(65,718)**	(12,476)
Impairment provision*	**(11,537,474)**	(13,960,443)
Net loans and advances to customers	**107,828,597**	88,427,103
Distributed to		
Current balances	**44,549,290**	38,960,491
Non-current balances	**63,279,307**	49,466,612
Total	**107,828,597**	88,427,103

***At 31 December 2018 Impairment provision includes EGP 16,038 representing the interest in suspense and the provision of EGP 11,521,436 also at 31 December 2017 Impairment provision includes EGP 2,965,997 representing the interest in suspense and the provision of EGP 10,994,446.**

17.1 Loans and advances

Loans and advances are summarized as follows:

	Dec.31, 2018 EGP Thousands		Dec.31, 2017 EGP Thousands	
	Loans and advances to customers	**Loans and advances to banks**	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	**110,351,697**	**70,949**	89,395,036	1,383
Past due but not impaired	**4,224,632**	**-**	5,884,880	-
Individually impaired	**4,855,460**	**-**	7,120,106	-
Gross	**119,431,789**	**70,949**	102,400,022	1,383
Less:				
Impairment provision	**11,521,436**	**2,564**	10,994,446	70
Unamortized bills discount	**65,718**	**-**	12,476	-
Unearned interest	**16,038**	**-**	2,965,997	-
Net	**107,828,597**	**68,385**	88,427,103	1,313

Impairment provision losses for loans and advances reached EGP 11,524,000 thousand.
During the period, the Bank's total loans and advances increased by 16.70%.
In order to minimize the propable exposure to credit risk, the Bank focuses more on the business with large enterprises,banks or retail customers with good credit rating or sufficient collateral.

The below table covers Gross outstanding Exposure (EAD) by segment in each stage

EGP Thousands

	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Individually Assessed	**Total**
Individuals	4,076,876	176,675	78,170	-	**4,331,721**
Corporate	55,301,941	36,263,795	4,709,148	6,161,818	**102,436,702**

The below table covers Expected Credit Loss by segment in each stage

	Stage 1: 12 month ECL	Stage 2: Lifetime ECL not credit impaired	Stage 3:Lifetime ECL credit impaired	Individually Assessed	**Total**
Individuals	41,807	13,418	78,170	-	**133,395**
Corporate	694,268	2,167,762	4,709,148	3,819,427	**11,390,605**

By Internal Rating
Provision for impairment losses - Corporate

EGP Thousands

	PD Range	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Individually Assessed	Total
1 - High Grade (1-5)	1%-14%	676,124	301,763	-	-	**977,887**
2 - Standard (6)	15%-21%	18,144	1,803,695	-	-	**1,821,839**
3 - Sub Standard (7)	21%-28%	-	62,304	-	3,819,427	**3,881,731**
4 - Non - Performing Loans (8-10)	100%	-	-	4,709,148	-	**4,709,148**

By Internal Rating
Provision for impairment losses - Individuals

	PD Range	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Individually Assessed	Total
1 - High Grade (1-5)	(0% - 5%)	5,296	371	-	-	**5,667**
2 - Standard (6)	(5% - 10%)	19,712	10,411	-	-	**30,123**
3 - Sub Standard (7)	(10% above)	16,799	2,635	-	-	**19,434**
4 - Non - Performing Loans (8-10)	100%	-	-	78,170	-	**78,170**

By Internal Rating
Loans and Advances to customers - Corporate

	PD Range	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Individually Assessed	Total
1 - High Grade (1-5)	1%-12%	53,839,682	23,031,321	-	-	**76,871,003**
2 - Standard (6)	12%-21%	1,462,259	12,957,852	-	-	**14,420,111**
3 - Sub Standard (7)	21%-27%	-	274,622	-	6,161,818	**6,436,440**
4 - Non - Performing Loans (8-10)	100%	-	-	4,709,148	-	**4,709,148**

By Internal Rating
Loans and Advances to customers - Individuals

	PD Range	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Individually Assessed	Total
1 - High Grade (1-5)	(0% - 5%)	1,254,707	36,642	-	-	**1,291,349**
2 - Standard (6)	(5% - 10%)	1,540,990	38,412	-	-	**1,579,402**
3 - Sub Standard (7)	(10% above)	1,281,179	101,621	-	-	**1,382,800**
4 - Non - Performing Loans (8-10)	100%	-	-	78,170	-	**78,170**

	Dec-18			
	12 Month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loans and Receivables				
Balance at 1 January (as per IAS 39)	-	-	4,746,823	4,746,823
Reversal on transition to IFRS 9	-	-	-	-
ECL recognized under IFRS 9	726,494	4,652,579	-	5,379,073
Balance at 1 January (Adjusted opening as per IFRS 9)	726,494	4,652,579	4,746,823	10,125,896
Allowances for impairment made during the year	9,581	1,348,028	40,495	1,398,104
Write back / recoveries made during the year	-	-	-	-
Amounts written off during the year	-	-	-	-
Exchange and other adjustments	-	-	-	-
Closing Balance	736,075	6,000,607	4,787,318	11,524,000

Analysis for impairment provision of loans and advances to customers

	Individual					
Dec.31, 2017	Overdraft	Credit cards	Personal loans	Real estate loans	Other loans	Total
Beginning balance	(11,166)	(25,056)	(190,592)	(7,801)	(20,838)	(255,453)
Charged during the year	(5,556)	(15,328)	(37,906)	(3,743)	20,838	(41,695)
Write off during the year	13,425	36,477	1,561	2,080	-	53,543
Recoveries during the year	-	(21,760)	(59)	(32)	-	(21,851)
Ending balance	(3,297)	(25,667)	(226,996)	(9,496)	-	(265,456)

	Corporate				
Dec.31, 2017	Overdraft	Direct loans	Syndicated loans	Other loans	Total
Beginning balance	(1,342,010)	(6,442,227)	(1,775,873)	(2,444)	(9,562,554)
Charged (Released) during the year	(387,038)	(1,125,372)	(189,364)	(509)	(1,702,283)
Write off during the year	-	382,185	-	-	382,185
Recoveries during the year	-	(23,054)	-	-	(23,054)
Exchange revaluation difference	21,921	100,778	54,011	6	176,716
Ending balance	(1,707,127)	(7,107,690)	(1,911,226)	(2,947)	(10,728,990)

Refer to Note 18 page 20.

18 . Derivative financial instruments

18.1 . Derivatives

A derivative is a financial instrument or other contract with all three of the following characteristics:
a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price , foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
b) it requires no initial net investment or an initial net investment that is smaller than would be required for other factors; and types of contracts that would be expected to have a similar response to changes in market.
c) it is settled at a future date.

18.1.1 . For trading derivatives

	Dec.31, 2018			Dec.31, 2017		
	Notional amount	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Foreign currencies derivatives						
- Forward foreign exchange contracts	**5,360,272**	**21,112**	**73,105**	6,820,350	36,597	49,687
- Currency swap	**3,628,415**	**18,243**	**12,807**	1,640,985	3,117	5,860
- Options	**-**	**-**	**-**	-	-	-
Total (1)		**39,355**	**85,912**		39,714	55,547
18.1.2 . Fair value hedge						
Interest rate derivatives						
- Governmental debt instruments hedging	**662,803**	**-**	**9,164**	655,925	-	25,996
- Customers deposits hedging	**7,103,638**	**12,934**	**37,782**	11,506,784	287	115,441
Total (2)		**12,934**	**46,946**		287	141,437
Total financial derivatives (1+2)		**52,289**	**132,858**		40,001	196,984
Distributed To:						
Current:		**39,355**	**89,588**		39,714	59,223
Non-current:		**-**	**43,270**		-	137,761
Total		**39,355**	**132,858**		39,714	196,984

19 Hedging derivatives

19.1 Fair value hedge

The Bank uses interest rate swap contracts to cover part of the risk of potential decrease in fair value of its fixed rate governmental debt instruments in foreign currencies and increase in fair value of its fixed rate customers deposits in foreign currencies.

Gains or losses due to changes on fair value hedges for the year:

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Gains/(Losses) on:		
- Hedged instruments	(68,249)	(56,669)
- Hedged item attributable to hedged risk	44,735	36,564
Net Gains/(Losses) on hedge	(23,514)	(20,105)

20. Financial Investments

EGP Thousands

	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Individually Assessed	Total
Debt investment securities at amortized cost					
AAA	-	-	-	-	-
AA - to AA+	-	-	-	-	-
A - to A+	-	-	-	-	-
Lower than A-	73,598,251	-	-	-	73,598,251
Unrated	-	-	-	-	-
Total	73,598,251	-	-	-	73,598,251
Debt investment securities at FVOCI					
AAA	-	-	-	-	-
AA - to AA+	-	-	-	-	-
A - to A+	-	-	-	-	-
Lower than A-	73,179,636	-	-	-	73,179,636
Unrated	-	-	-	-	-
Total	73,179,636	-	-	-	73,179,636

Provision for impairment losses	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Individually Assessed	Total
Debt investment securities at amortized cost					
AAA	-	-	-	-	-
AA - to AA+	-	-	-	-	-
A - to A+	-	-	-	-	-
Lower than A-	-	-	-	-	-
Unrated	-	-	-	-	-
Total	-	-	-	-	-
Debt investment securities at FVOCI					
AAA	-	-	-	-	-
AA - to AA+	-	-	-	-	-
A - to A+	-	-	-	-	-
Lower than A-	(599,314)	-	-	-	(599,314)
Unrated	-	-	-	-	-
Total	(599,314)	-	-	-	(599,314)

Financial investments

EGP Thousands

Listed	Dec.31, 2018			
	Financial Assets at Fair value through P&L	Financial Assets at Fair value through OCI	Amortized cost	Total
Governmental bonds	2,270,080	37,387,013	73,598,251	113,255,344
Treasury bills and other governmental notes	7,434,661	34,564,591	-	41,999,252
Other bonds	-	1,228,032	-	1,228,032
Equity shares	-	458,094	-	458,094
Portfolio managed by others	429,249	-	-	429,249
Unlisted				
Governmental bonds	-	-	-	-
Other bonds	-	-	-	-
Equity shares	-	308,829	-	308,829
Funds	169,329	-	-	169,329
Provision for impairment losses	-	(599,314)	-	(599,314)
Total	10,303,319	73,347,245	73,598,251	157,248,815

EGP Thousands

Listed	Dec.31, 2017			
	Trading Financial Assets	Available for sale Financial Assets	Held to maturity Financial Assets	Total
Governmental bonds	6,728,844	27,477,411	45,135,209	79,341,464
Treasury bills and other governmental notes	-	-	54,478,202	54,478,202
Other bonds	-	2,155,369	-	2,155,369
Equity shares	-	83,347	-	83,347
Portfolio managed by others	466,766	-	-	466,766
Unlisted				
Governmental bonds	-	-	-	-
Other bonds	-	-	-	-
Equity shares	-	585,025	-	585,025
Funds	99,587	173,629	32,513	305,729
Total Provision for impairment losses	7,295,197	30,474,781	99,645,924	137,415,902

Financial Assets at Fair value through OCI	Stage 1
Beginning Balance	30,474,781
Addition during the period	42,872,464
Deducation during the period	-
As of 31 December 2017	73,347,245

Opening Balance

Classification of financial assets and liabilities

Financial Assets	Original classification under IAS 39	Measurment under IAS 39	Classification under IFRS 9	The original carrying amount under IAS 39	Reclassfication	The value included under IFRS 9
				EGP Thousands	EGP Thousands	EGP Thousands
Cash and balances with the Central Bank	Loans and Receivebles	Amortized Cost	Amortized Cost	14,663,289	-	14,663,289
Due from banks	Loans and Receivebles	Amortized Cost	Amortized Cost	45,319,766	-	45,319,766
Treasury bills and other governmenta; notes*	HTM	Amortized Cost	FVTOCI	54,478,202	-	54,478,202
Gross loans and advances to banks	Loans and Receivebles	Amortized Cost	Amortized Cost	1,313	-	1,313
Gross loans and advances to customers	Loans and Receivebles	Amortized Cost	Amortized Cost	88,427,103	-	88,427,103
Debt financial insturment	HTM	Amortized Cost	Amortized Cost	45,135,209	-	45,135,209
Debt financial insturment (stage one)	AFS	FVTOCI	FVTOCI	28,502,644	-	28,502,644
Debt financial insturment	Trading	FVTPL	FVTPL	6,728,843	-	6,728,843
Financial investments - funds	Trading	FVTPL	FVTPL	99,587	-	99,587
Financial investments - funds	AFS	FVTOCI	FVTPL	173,630	-	173,630
Financial investments - funds	HTM	Amortized Cost	FVTPL	32,513	38,053	70,566
Financial investments - Equity	Trading	FVTPL	FVTPL	466,767	-	466,767
Financial investments - Equity	AFS	FVTOCI	FVTOCI without recycling	668,371	156,187	824,558
Total				284,697,236	194,240	284,891,476
Financial obligations						
Due to Banks	Amortized Cost		Amortized Cost	1,877,918	-	1,877,918
Due to customers	Amortized Cost		Amortized Cost	250,723,052	-	250,723,052
Long term loans	Amortized Cost		Amortized Cost	3,674,736	-	3,674,736
Total				256,275,706	-	256,275,706

* Significant portion in EGP which has zero ECL.

Breakdown of the IFSR9 Impact at the beginning of the year:	EGP 000 Charge/(Release)	
Classification and measurment	(92,732)	The impact of intial classification of financial assets using IFRS 9 Bussiness model
Impairment (ECL):		
Placing	7,479	The impact of intial ECL calculation placing
Investment	404,663	The impact of intial ECL calculation investment
loans	(736,630)	The impact of intial ECL calculation loans
FVOCI F.V adjustment:	(156,187)	The impact of intial F.V adoption for FVOCI financial asstes measured historically at cost
Total	(573,407)	

Analysis for Reserves

Dec.31, 2018

	EGP 000
Beginning Balance	8,867,806
Changes to Equity	756,689
Transferred to reserves	2,854,791
FVOCI F.V adjustment:	38,054
As of 31 December 2018	12,517,340

21 . Profits (Losses) on financial investments

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Profit (Loss) from selling FVOCI / available for sale financial instruments	441,628	(99,047)
Released (Impairment) charges of FVOCI / available for sale equity instruments	(39,561)	254,588
Released (Impairment) charges of non current assets held for sale	-	9,570
Total	402,067	165,111

22 Investments in associates and subsidiaries

Dec.31, 2018	Business activity	Company's country	Company's current assets	Company's non current assets	Company's current liabilities	Company's non current liabilities	Company's revenues	Company's net profit	Investment book value	Stake %
Associates										
- Fawry plus*		Egypt	-	-	-	-	-	-	14,100	24
- International Co. for Security and Services (Falcon)	Security Services		814,825	45,232	631,994	8,560	926,624	72,954	92,458	24
Total			814,825	45,232	631,994	8,560	926,624	72,954	106,558	

* The company is under construction and has no financial statements issued to date.

Dec.31, 2017	Business activity	Company's country	Company's current assets	Company's non current assets	Company's current liabilities	Company's non current liabilities	Company's revenues	Company's net profit	Investment book value	Stake %
Associates										
- International Co. for Security and Services (Falcon)	Security Services	Egypt	153,716	358,672	110,241	257,229	505,461	52,695	65,039	33
Total			153,716	358,672	110,241	257,229	505,461	52,695	65,039	

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
The bank's share of proft from continuing operations	27,419	29,066
The bank's share of total comprehensive income	27,419	29,066

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
The Dividends distributed to the bank from associates	-	-

23 . Other assets

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Accrued revenues	4,509,314	3,870,454
Prepaid expenses	217,742	255,269
Advances to purchase fixed assets	768,733	522,211
Accounts receivable and other assets (after deducting the provision)*	3,790,710	2,193,590
Assets acquired as settlement of debts	276,520	45,083
Total	9,563,019	6,886,607

24 . Property and equipment

	Land	Premises	IT	Vehicles	Fitting -out	Machines and equipment	Furniture and furnishing	Total
Balance as at Jan.1, 2017	64,708	905,743	1,395,638	87,661	607,772	525,874	157,970	**3,745,366**
Additions during the year 2017	-	77,371	250,549	1,703	50,570	57,191	7,235	**444,619**
Ending gross assets at end of the year 2017	**64,708**	**983,114**	**1,646,187**	**89,364**	**658,342**	**583,065**	**165,205**	**4,189,985**
Accu.depreciation as at Jan.1, 2017	-	302,260	1,029,244	47,904	468,367	434,922	137,861	**2,420,558**
Depreciation 2017	-	44,507	176,155	5,184	70,311	50,271	7,253	**353,681**
Accu.depreciation at end of the year 2017	**-**	**346,767**	**1,205,399**	**53,088**	**538,678**	**485,193**	**145,114**	**2,774,239**
Net book value 2017	**64,708**	**636,347**	**440,788**	**36,276**	**119,664**	**97,872**	**20,091**	**1,415,746**
Balance as at Jan.1, 2018	64,708	983,114	1,646,187	89,364	658,342	583,065	165,205	4,189,985
Additions during the year 2018	-	61,606	347,376	5,601	72,276	133,192	8,135	628,186
Ending gross assets at end of the year 2018	**64,708**	**1,044,720**	**1,993,563**	**94,965**	**730,618**	**716,257**	**173,340**	**4,818,171**
Accu.depreciation as at Jan.1, 2018	-	346,767	1,205,399	53,088	538,678	485,193	145,114	2,774,239
Depreciation 2018	-	50,099	189,949	12,619	73,048	57,408	7,707	**390,830**
Accu.depreciation at end of the year 2018	**-**	**396,866**	**1,395,348**	**65,707**	**611,726**	**542,601**	**152,821**	**3,165,069**
Net book value 2018	**64,708**	**647,854**	**598,215**	**29,258**	**118,892**	**173,656**	**20,519**	**1,653,102**

25 Due to banks

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Current accounts	503,539	1,067,374
Deposits	6,756,280	810,544
Total	7,259,819	1,877,918
Central banks	190,801	128,527
Local banks	6,009,778	714,294
Foreign banks	1,059,240	1,035,097
Total	7,259,819	1,877,918
Non-interest bearing balances	257,355	740,158
Floating bearing interest balances	89,568	-
Fixed interest bearing balances	6,912,896	1,137,760
Total	7,259,819	1,877,918
Current balances	7,259,819	1,877,918
Non-current balances	-	-
Total	7,259,819	1,877,918

26 Due to customers

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Demand deposits	92,422,114	72,442,872
Time deposits	43,561,846	49,952,470
Certificates of deposit	81,059,934	70,486,930
Saving deposits	62,812,279	53,075,098
Other deposits	5,440,696	4,765,682
Total	285,296,869	250,723,052
Corporate deposits	116,842,160	107,753,682
Individual deposits	168,454,709	142,969,370
Total	285,296,869	250,723,052
Non-interest bearing balances	48,741,931	43,229,085
Floating interest bearing balances	23,738,113	-
Fixed interest bearing balances	212,816,825	207,493,967
Total	285,296,869	250,723,052
Current balances	202,126,154	178,786,275
Non-current balances	83,170,715	71,936,777
Total	285,296,869	250,723,052

27 Other loans

	Interest rate %	Maturity date	Maturing through next year	Balance on Dec.31, 2018	Balance on Dec.31, 2017
			EGP Thousands	EGP Thousands	EGP Thousands
Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years	117,286	125,429	87,314
Social Fund for Development (SFD)	3 months T/D or 9% which is more	01-Apr-20	13,380	13,380	41,882
European Bank for Reconstruction and Development (EBRD) subordinated Loan	3 months libor + 6.2%	10 years	-	1,791,360	1,772,770
International Finance Corporation (IFC) subordinated Loan	3 months libor + 6.2%	10 years	-	1,791,360	1,772,770
International Finance Corporation (IFC) subordinated Loan			**130,666**	**3,721,529**	3,674,736

28 Other liabilities

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Accrued interest payable	1,347,397	1,516,471
Accrued expenses	733,218	507,543
Accounts payable	5,200,579	4,145,491
Financial lease obligation	-	1,804
Other payables	319,054	175,167
Total	**7,600,248**	6,346,476
Distributed to:		
Current	7,600,248	6,346,476
Non Current	-	-

29 . Provisions

Dec.31, 2018	Beginning balance	Charged amounts	Exchange revaluation difference	Utilized amounts	Reversed amounts	Ending balance
						EGP Thousands
Provision for income tax claims	**6,910**	**-**	**-**	**-**	**-**	**6,910**
Provision for legal claims	**45,773**	**12,820**	**7**	**(923)**	**-**	**57,677**
Provision for contingent liabilities	**1,470,302**	**-**	**(2,942)**	**-**	**(17,670)**	**1,449,690**
Provision for other claim	**92,174**	**88,681**	**666**	**(1,191)**	**-**	**180,330**
Total	**1,615,159**	**101,501**	**(2,269)**	**(2,114)**	**(17,670)**	**1,694,607**

Dec.31, 2017	Beginning balance	Charged amounts	Exchange revaluation difference	Utilized amounts	Reversed amounts	Ending balance
						EGP Thousands
Provision for income tax claims	6,910	-	-	-	-	6,910
Provision for legal claims	46,035	549	(57)	(725)	(29)	45,773
Provision for contingent liabilities	1,434,703	118,370	12,627	-	(95,398)	1,470,302
Provision for other claim	26,409	93,703	(730)	(24,738)	(2,470)	92,174
Total	1,514,057	212,622	11,840	(25,463)	(97,897)	1,615,159

Provision for legal claims:are recognized when the Bank has present legal obligations as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

Provision for contingent liabilities: This is a provision provided for withdrawn amounts of issued Letters of Credit (LCs) and Letters of Guarantee (LGs). The provisions provided are short-term and are rolled over every year.

This provision are recognized when the Bank has present contingent obligations as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

Provision for other claim:are recognized to face the potential risk of banking operations obligations as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

30 . Issued and paid in capital

	2018	2017
	EGP Thousands	EGP Thousands
Authorized capital	20,000,000	20,000,000
Issued and Paid in Capital	11,668,326	11,618,011
Number of shares outstanding in Thousands	1,166,833	1,161,801

	2018	2017
	EGP	EGP
Par value per share	10	10

- Increase issued and Paid in Capital by amount EGP 50,315 thousand on August 02,2018 to reach EGP 11,668,326 thousand (against EGP 11,618,011 thousand in 2017) according to Board of Directors decision on January 31, 2018 by issuance of ninth tranche for E.S.O.P program.

31 . Reserves

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Legal reserve	1,710,293	1,332,807
General reserve	12,921,689	9,145,497
Retained earnings	9,637,083	32,460
Cumulative foreign currencies translation differences	-	-
Special reserve	20,645	(1,642,958)
Banking risks reserve	24,289,710	8,867,806

31.1 Legal reserve

As required by the Egyptian corporate law 159 of 1981 and the Articles of Association of the Egyptian companies of the Group, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50 % of the issued capital. As required by the Egyptian corporate law 159 of 1981, the reserve may be used upon a decision from the general assembly meeting based on the proposal of the board of directors.

31.2 . General reserve

The general reserve represents optional reserve approved by the general assembly meetings dated 10 March 2015 based on the proposal of the board of directors.

As required by the Egyptian corporate law 159 of 1981, the reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

31.3 . Retained earnings

The special reserve represents profits transferred in accordance with the resolutions of the general assembly meetings of dated 4 March 2018.

As required by the Egyptian corporate law 159 of 1981, the reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

31.4 . Reserve for A.F.S investments revaluation difference

This reserve records fair value changes on available-for-sale investments.

32 . Share-based payments

According to the extraordinary general assembly meeting on June 26, 2006, the Bank launched new Employees Share Ownership Plan (ESOP) scheme and issued equity-settled share-based payments. Eligible employees should complete a term of 3 years of service in The Bank to have the right in ordinary shares at face value (right to share) that will be issued on the vesting date, otherwise such grants will be forfeited. Equity-settled share-based payments are measured at fair value at the grant date, and expensed on a straight-line basis over the vesting period (3 years) with corresponding increase in equity based on estimated number of shares that will eventually vest(True up model). The fair value for such equity instruments is measured using the Black-Scholes pricing model.

Details of the rights to share outstanding during the year are as follows:

	Dec.31, 2018 **No. of shares in Thousands**	Dec.31, 2017 No. of shares in Thousands
Outstanding at the beginning of the year	**21,280**	22,351
Granted during the year	**8,338**	7,601
Forfeited during the year	**(828)**	(737)
Exercised during the year	**(5,032)**	(7,935)
Outstanding at the end of the year	**23,758**	21,280

Details of the rights to share outstanding during the 2018 are as follows :

Maturity date	EGP **Exercise price**	EGP **Fair value**	**No. of shares in thousand**
2019	10.00	28.43	8,433
2020	10.00	65.55	7,175
2021	10.00	68.13	8,150
Total			**23,758**

The fair value of granted shares is calculated using Black-Scholes pricing model with the following inputs into the model :

	12th tranche	**11th tranche**
Exercise price	10	10
Current share price	77.35	73.08
Expected life (years)	3	3
Risk free rate %	15.54%	16.77%
Dividend yield%	1.29%	0.68%
Volatility%	26%	30%

Volatility is calculated based on the daily standard deviation of returns for the last five years.

		Dec.31, 2018 **EGP Thousands**	Dec.31, 2017 EGP Thousands
Expense arising from equity–settled share–based payment transactions	(note 7)	**408,346**	290,884

Details of the outstanding tranches are as follows:

	EGP **Exercise price**	EGP **Average market value during the exercise date**
2017	10.00	78.42
2018	10.00	78.42

33. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and rewards and minimize potential adverse effects on the Bank's financial performance. The most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks. Also market risk includes exchange rate risk, rate of return risk and other prices risks.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by risk department under policies approved by the Board of Directors. Bank treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units.

The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, credit risk management is responsible for the independent review of risk management and the control environment.

33.1. Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances, debt securities, derivatives and other bills. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralized in a credit risk management team in Bank treasury and reported to the Board of Directors and head of each business unit regularly.

33.1.1. Credit risk measurement

33.1.1.1. Loans and advances to banks and customers

In measuring credit risk of loans and facilities to banks and customers at a counterparty level, the Bank reflects three components:

- The 'probability of default' by the client or counterparty on its contractual obligations
- Current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default.
- The likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'incurred loss model') are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee), and are embedded in the Bank's daily operational management.

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate. Clients of the Bank are segmented into four rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Bank's rating	Description of the rating
1	Low risk
2	Average risk
3	Satisfactory risk
4	Reasonable risk
5	Acceptable risk
6	Marginally acceptable risk
7	Watch list
8	Substandard
9	Doubtful
10	Bad debts

Loss given default or loss severity represents the Bank expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

33.1.1.2. Debt instruments , treasury bills and other governmental notes

For debt instruments , treasury bills and other governmental notes , external rating such as Standard and Poor's rating or their equivalents are used for managing of the credit risk exposures, and if this rating is not available, then other ways similar to those used with the credit customers are uses. The investments 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 requirement at the same time.

33.1.2. Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations 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 industry 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 industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-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:

33.1.2.1. Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Mortgage business assets such as premises, and inventory.
- Mortgage financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimize the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other governmental securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

33.1.2.2. Derivatives

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Bank (i.e., assets with positive fair value), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank market transactions on any single day.

33.1.2.3. Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

33.1.3. Impairment and provisioning policies

The internal rating system described in Note 34.1.1 focus on the credit-quality mapping from the lending and investment activities perspective. Conversely, for only financial reporting purposes impairment losses are recognized for that has been incurred at the balance sheet date when there is an objective evidence of impairment. The impairment provision reported in balance sheet at the end of the period is derived from each of the four internal credit risk ratings. However, the majority of the impairment provision is usually driven by the last two rating degrees. The following table illustrates the proportional distribution of loans and advances reported in the balance sheet for each of the four internal credit risk ratings of the Bank and their relevant impairment losses

Amounts in Million EGP

	December 31, 2017		
Bank's rating	**Loans and advances**	**Impairment provision**	**Net Loans and advances**
1-Performing loans	**71,193**	**1,276**	**69,917**
2-Regular watching	**15,906**	**2,365**	**13,541**
3-Watch list	**8,183**	**2,606**	**5,577**
4-Non-Performing Loans	**7,120**	**4,747**	**2,373**
Total	**102,402**	**10,994**	**91,408**

Refer to Note 18 page 20.

The internal rating tools assists management to determine whether objective evidence of impairment exists, based on the following criteria set by the Bank:

- Cash flow difficulties experienced by the borrower or debtor
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Bank granted concessions may not be approved under normal circumstances due to economic, legal reasons and financial difficulties facing the borrower
- Deterioration of the collateral value
- Deterioration of the credit situation

The Bank's policy requires the review of all financial assets that are above materiality thresholds at least annually or more regularly when circumstances require. Impairment provisions on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date, and are applied to all significant accounts individually. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collective impairment provisions are provided portfolios of homogenous assets by using the available historical loss experience, experienced judgment and statistical techniques.

CIB will follow the following transition approach:

- The Bank will adopt IFRS 9 in its entirety on 1 January 2018.
- The Bank will reassess the classifications of its financial instruments as of that date under IFRS 9 and identify the adjustment. The Bank will also identify the debt instruments which are under the scope of IFRS 9 impairment.
- The Bank will refer to the section on Significant Increase in Credit Risk ("SICR") to assess and identify facilities, which are to be classified in Stage 2 and attract lifetime ECL as at that date.
- The Bank will identify credit-impaired facilities as at that date in reference to the criteria defined in section on default definition.
- The Bank will measure ECL at 1 January 2018 and consider the impact of the difference between the Impairment as per IAS 39 and that as per IFRS 9.
- The difference between the Impairment under IAS 39 and the IFRS 9 Impairment number as on 1 January 2018 will be recorded as an adjustment in equity on 1 January 2018.
- The Bank will not restate comparative financial information in the financial statements for the year ended 31 December 2018.

33.1.4. Maximum exposure to credit risk before collateral held

	Dec. 31, 2018	Dec. 31, 2017
In balance sheet items exposed to credit risk	**EGP Thousands**	EGP Thousands
Treasury bills and other governmental notes	**50,013,324**	54,653,848
Trading financial assets:		
- Debt instruments	**2,270,080**	6,728,843
Gross loans and advances to banks	**70,949**	1,383
Less:Impairment provision	**-**	(70)
Gross loans and advances to customers		
Individual:		
- Overdraft	**1,635,910**	1,780,416
- Credit cards	**3,540,849**	2,899,930
- Personal loans	**17,180,864**	13,910,837
- Mortgages	**876,372**	416,616
Corporate:		
- Overdraft	**13,992,595**	12,450,826
- Direct loans	**49,179,820**	44,200,770
- Syndicated loans	**32,899,950**	26,627,825
- Other loans	**125,429**	112,802
Unamortized bills discount	**(65,718)**	(12,476)
Impairment provision	**(16,038)**	(13,960,443)
Suspended credit account	**-**	40,001
Derivative financial instruments		
Financial investments:	**-**	74,767,989
- Other assets (Accrued revenues)	**171,704,386**	224,619,097
Total		
Financial guarantees	**7,962,043**	1,017,690
Customers acceptances	**1,050,573**	1,700,516
Letters of credit (import and export)	**4,178,288**	69,514,413
Letter of guarantee	**13,190,904**	72,232,619

The above table represents the Bank Maximum exposure to credit risk on December 31, 2017 , before taking account of any held collateral.

The above table represents the Bank's Maximum exposure to credit risk on December 31, 2018, before taking into account any held
For assets recognized on balance sheet, the exposures set out above are based on net carrying

As shown above 39.37% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt instruments represents 36.28%.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk resulting from both its loan: and advances portfolio and debt instruments based on the following:

- 85.06% of the loans and advances are concentrated in the top two grades of the internal credit risk rating system.
- 93.05% of loans and advances portfolio are considered to be neither past due nor impaired.
- Loans and advances assessed individualy are valued EGP 7,120,106.
- The Bank has implemented more prudent processes when granting loans and advances during the financial year ended on December 31, 2017.
- 96.80% of the investments in debt Instruments are Egyptian sovereign instruments.

33.1.5. Loans and advances

Loans and advances are summarized as follows:

	Dec.31, 2018		Dec.31, 2017	
	EGP Thousands		EGP Thousands	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	110,351,697	70,949	89,395,036	1,383
Past due but not impaired	4,224,632	-	5,884,880	-
Individually impaired	4,855,460	-	7,120,106	-
Gross	119,431,789	70,949	102,400,022	1,383
Less:				
Impairment provision	13,056,866	3,246	13,960,443	70
Unamortized bills discount	65,718	-	12,476	-
Suspended credit account	106,309,205	67,703	13,972,919	70

Impairment provision distributed to:

	Loans and advances to customers 2018	Loans and advances to banks 2018	Loans and advances to customers 2017	Loans and advances to banks 2017
Collective provision	205,235	-	205,235	-
Specific provision	4,510,525	3,246	4,513,701	70
Total	4,715,760	3,246	4,718,936	70

Refer to Note 18 page 20.

Impairment provision losses for loans and advances reached EGP 13,044,074 thousand.
During the year, the Bank's total loans and advances increased by 16.70%.
In order to minimize the propable exposure to credit risk, the Bank focuses more on the business with large enterprises,banks or retail customers with good credit rating or sufficient collatera

Collateral held and other credit enhancements, and their financial effect

The bank holds collateral and other credit enhancements against certain of its credit exposures.

The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Exposure	Percentage of exposure that is subject to collateral requirements		ECL	
		Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Principal type of coll
Trading derivative assets	-	100	100		Cash
Derivative assets held for risk management	52,289	100	100		Cash
Loans and advances to banks	68,385	-	-	2,564	None
Reverse sale and repurchase agreements	-	100	100		Marketable securities
Loans and advances to retail customers					
Real estate loans	876,372	80	80		Residential property
Personal loans	17,180,864	100	100	133,395	Cash
Credit cards	3,540,849	-	-		None
Overdraft	1,635,910	100	100		Cash
Loans and advances to corporate customers					
Other	96,197,794	40	40	11,390,605	Cash
Reverse sale and repurchaseagreements	-	100	100		Marketable securities
Investment debt securities	156,482,628	-	-	599,314	None

Residential mortgage lending

The tables below stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral.The gross amounts exclude any impairment allowance.
The valuation of the collateral excludes any adjustments for obtaining and selling the collateral.
The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

LTV ratio	Dec. 31, 2018	Dec. 31, 2012	Dec. 31, 2017
Less than 50%	-	-	-
51–70%	-	-	-
71–90%	876,372	416,616	416,616
91–100%	-	-	-
More than 100%	-	-	-
Total	876,372	416,616	416,616

33.1.6. Loans and advances

Dec. 31, 2018

	Individual				**Corporate**				**EGP Thousands**	
Grades:	**Overdrafts**	**Credit cards**	**Personal loans**	**Mortgages**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total loans and advances to customers**	**Total loans and advances to banks**
Performing loans	**1,499,139**	**3,383,507**	**16,297,361**	**851,610**	**11,886,919**	**29,062,330**	**29,171,920**	**122,646**	**92,275,432**	**15,153**
Regular watching	**68,373**	**78,094**	**509,541**	**-**	**759,547**	**8,743,821**	**1,386,896**	**-**	**11,546,272**	**52,550**
Watch list	**20,319**	**34,784**	**253,811**	**-**	**265,760**	**1,597,634**	**284,808**	**-**	**2,457,116**	**-**
Non-performing loans	**43,967**	**12,850**	**43,676**	**2,377**	**4**	**9,267**	**-**	**-**	**112,141**	**-**
Total	**1,631,798**	**3,509,235**	**17,104,389**	**853,987**	**12,912,230**	**39,413,052**	**30,843,624**	**122,646**	**106,390,961**	**67,703**

Dec. 31, 2017

	Individual				Corporate				EGP Thousands	
Grades:	Overdrafts	Credit cards	Personal loans	Mortgages	Overdraft	Direct loans	Syndicated loans	Other loans	Total loans and advances to customers	Total loans and advances to banks
Performing loans	1,648,245	2,781,232	13,101,740	405,931	8,828,336	22,580,167	20,475,961	94,665	69,916,277	-
Regular watching	76,768	56,114	123,173	-	800,290	9,619,251	2,848,444	15,190	13,539,230	1,313
Watch list	12,976	22,537	18,120	-	463,257	3,918,513	1,141,383	-	5,576,786	-
Non-performing loans	39,130	14,380	440,808	1,189	651,816	975,149	250,811	-	2,373,283	-
Total	1,777,119	2,874,263	13,683,841	407,120	10,743,699	37,093,080	24,716,599	109,855	91,405,576	1,313

Refer to Note 18 page 20.

Loans and advances past due but not impaired:

Loans and advances less than 90 days past due are not considered impaired, unless there is an objective evidence of impairment.

EGP Thouands

Dec.31, 2018	**Individual**					**Corporate**			
	Overdrafts	**Credit cards**	**Personal loans**	**Mortgages**	**Total**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Total**
Past due up to 30 days	**472,341**	**450,435**	**38,318**	**397**	**961,491**	**594,739**	**768,415**	**99,957**	**1,463,111**
Past due 30 - 60 days	**68,644**	**83,381**	**28,168**	**192**	**180,385**	**24,524**	**157,374**	**17,273**	**199,171**
Past due over 60 days	**20,466**	**42,121**	**22,763**	**41**	**85,391**	**389,889**	**945,194**	**-**	**1,335,083**
Total	**561,451**	**575,937**	**89,249**	**630**	**1,227,267**	**1,009,152**	**1,870,983**	**117,230**	**2,997,365**

Dec.31, 2017	Individual					Corporate			
	Overdrafts	Credit cards	Personal loans	Mortgages	Total	Overdraft	Direct loans	Syndicated loans	Total
Past due up to 30 days	530,593	395,709	33,155	580	960,037	445,730	3,634,181	3,071	4,082,982
Past due 30-60 days	77,071	59,927	19,547	199	156,744	30,531	58,688	-	89,219
Past due over 60 days	13,038	27,020	10,520	69	50,647	427,811	117,440	-	545,251
Total	620,702	482,656	63,222	848	1,167,428	904,072	3,810,309	3,071	4,717,452

Individually impaired loans

Loans and advances individually assessed without taking into consideration cash flows from guarantees are totaled EGP 4,855,460 thousand.

The breakdown of the gross amount of individually impaired loans and advances by product, along with the fair value of related collateral held by the Bank, are as follows:

EGP Thouands

Dec.31, 2018	**Individual**					**Corporate**				
	Overdrafts	**Credit cards**	**Personal loans**	**Mortgages**	**Other loans**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total**
Individually impaired loans	**46,253**	**22,872**	**61,869**	**6,047**	**-**	**80,311**	**4,465,444**	**172,664**	**-**	**4,855,460**

Dec.31, 2017	Individual					Corporate				
	Overdrafts	Credit cards	Personal loans	Mortgages	Other loans	Overdraft	Direct loans	Syndicated loans	Other loans	Total
Individually impaired loans	40,792	24,067	621,211	3,960	-	1,726,440	3,445,855	1,257,781	-	7,120,106

Refer to Note 18 page 20.

Loans and advances restructured

Restructuring activities include reschaduling arrangements, obligatory management programs, modification and deferral of payments. The application of restructuring policies are based on indicators or criteria of credit performance of the borrower that is based on the personal judgment of the management, indicate that payment will most likely continue. Restructuring is commonly applied to term loans, specially customer loans. Renegotiated loans totaled at the end of the year

	Dec.31, 2018	Dec.31, 2017
Loans and advances to customer		
Corporate		
- Direct loans stage 3	7,673,956	8,577,197
Total	7,673,956	8,577,197

34.1.7. Debt instruments, treasury bills and other governmental notes

The table below presents an analysis of debt instruments, treasury bills and other governmental notes by rating agency designation at end of financial year, based on MEIRS agency and other agencies as of 31 Dec 2017 :

EGP Thousands

Dec.31, 2018	Treasury bills and other gov. notes	Trading financial debt instruments	Non-trading financial debt instruments	Total
AAA	-	-	-	-
AA- to AA+	-	-	-	-
A- to A+	-	-	-	-
B-	-	-	112,213,297	112,213,297
Unrated*	-	-	-	-
Total	-	-	112,213,297	112,213,297

*The bank has no internal rating for the unrated investments.

EGP Thousands

Dec.31, 2017	Treasury bills and other gov. notes	Trading financial debt instruments	Non-trading financial debt instruments	Total
AAA	-	-	-	-
AA- to AA+	-	-	431,011	431,011
A- to A+	-	-	1,724,358	1,724,358
Lower than A-	54,478,202	5,007,483	72,612,620	132,098,305
Unrated*	-	-	-	-
Total	54,478,202	5,007,483	74,767,989	134,253,674

*The bank has no internal rating for the unrated investments.

33.1.8. Concentration of risks of financial assets with credit risk exposure

33.1.8.1. Geographical analysis

Following is a breakdown of the Bank's main credit exposure at their book values categorized by geographical region at the end of the year.

The Bank has allocated exposures to regions based on domicile of its counterparties.

Dec.31, 2018	Cairo	Alex, Delta and Sinai	Upper Egypt	Total
Treasury bills and other governmental notes	50,013,324	-	-	**50,013,324**
Trading financial assets:				
- Debt instruments	2,270,080	-	-	**2,270,080**
Gross loans and advances to banks	70,949	-	-	**70,949**
Less:Impairment provision	(3,246)	-	-	**(3,246)**
Gross loans and advances to customers				
Individual:				
- Overdrafts	948,571	558,087	129,252	**1,635,910**
- Credit cards	2,806,734	632,771	101,344	**3,540,849**
- Personal loans	10,820,446	5,401,963	958,455	**17,180,864**
- Mortgages	795,852	72,124	8,396	**876,372**
Corporate:				
- Overdrafts	11,941,245	1,415,913	635,437	**13,992,595**
- Direct loans	32,889,668	12,894,439	3,395,713	**49,179,820**
- Syndicated loans	30,010,681	2,687,040	202,229	**32,899,950**
- Other loans	80,000	45,429	-	**125,429**
Unamortized bills discount	(65,718)	-	-	**(65,718)**
Impairment provision	(9,723,380)	(3,024,196)	(309,290)	**(13,056,866)**
Suspended credit account	-	-	-	**-**
Derivative financial instruments				
Financial investments:	-	-	-	**-**
-Investments in associates	112,213,297	-	-	**112,213,297**
- Investments in associates and subsidiaries	**245,068,503**	**20,683,570**	**5,121,536**	**270,873,609**

Dec.31, 2017	Cairo	Alex, Delta and Sinai	Upper Egypt	Total
Treasury bills and other governmental notes	54,653,848	-	-	**54,653,848**
Trading financial assets:				
- Debt instruments	6,728,843	-	-	**6,728,843**
Gross loans and advances to banks	1,383	-	-	**1,383**
Less:Impairment provision	(70)	-	-	**(70)**
Gross loans and advances to customers				
Individual:				
- Overdrafts	956,756	621,743	201,917	**1,780,416**
- Credit cards	2,329,790	488,529	81,611	**2,899,930**
- Personal loans	8,632,679	4,437,647	840,511	**13,910,837**
- Mortgages	342,764	66,414	7,438	**416,616**
- Other loans	-	-	-	**-**
Corporate:				
- Overdrafts	10,228,588	1,731,524	490,714	**12,450,826**
- Direct loans	29,818,885	11,262,255	3,119,630	**44,200,770**
- Syndicated loans	23,487,639	2,831,056	309,130	**26,627,825**
- Other loans	87,088	25,714	-	**112,802**
Unamortized bills discount	(12,476)	-	-	**(12,476)**
Impairment provision	(13,357,388)	(495,481)	(107,574)	**(13,960,443)**
Derivative financial instruments	40,001	-	-	**40,001**
Financial investments:				
-Debt instruments	74,767,989	-	-	**74,767,989**
-Investments in associates	65,039	-	-	**65,039**
Total	**198,771,358**	**20,969,401**	**4,943,377**	**224,684,136**

Refer to Note 18 page 20.

33.1.8.2. Industry analysis

The following table analysis the Group's main credit exposure at their book value categorized by the Bank's customers activities.

EGP Thousands

Dec.31, 2018	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Government sector	Other activities	Individual	Total
Treasury bills and other governmental notes	-	-	-	-	50,013,324	-	-	**50,013,324**
Trading financial assets:								
- Debt instruments	-	-	-	-	2,270,080	-	-	**2,270,080**
Gross loans and advances to banks	70,949	-	-	-	-	-	-	**70,949**
Less:Impairment provision	(3,246)	-	-	-	-	-	-	**(3,246)**
Gross loans and advances to customers								
Individual:								
- Overdrafts	-	-	-	-	-	-	1,635,910	**1,635,910**
- Credit cards	-	-	-	-	-	-	3,540,849	**3,540,849**
- Personal loans	-	-	-	-	-	-	17,180,864	**17,180,864**
- Mortgages	-	-	-	-	-	-	876,372	**876,372**
- Other loans	-	-	-	-	-	-	-	-
Corporate:								
- Overdrafts	554,027	7,482,009	1,695,229	493,626	1,086,755	2,680,949	-	**13,992,595**
- Direct loans	1,298,852	23,551,603	367,485	884,853	5,727,216	17,349,811	-	**49,179,820**
- Syndicated loans	226,331	8,178,023	222,300	-	23,108,258	1,165,038	-	**32,899,950**
- Other loans	-	106,000	-	16,000	-	3,429	-	**125,429**
Unamortized bills discount	(65,718)	-	-	-	-	-	-	**(65,718)**
Impairment provision	(41,632)	(4,282,971)	(5,939)	(65,139)	(274,825)	(8,235,736)	(150,624)	**(13,056,866)**
Suspended credit account	-	-	-	-	-	-	-	-
Derivative financial instruments								
Financial investments:	-	-	-	-	-	-	-	-
-Debt instruments	1,228,033	-	-	-	110,985,264	-	-	**112,213,297**
- Investments in associates and subsidiaries	**3,267,596**	**35,034,664**	**2,279,075**	**1,329,340**	**192,916,072**	**12,963,491**	**23,083,371**	**270,873,609**

Refer to Note 18 page 20.

The following table analysis the Group's main credit exposure at their book value categorized by the Bank customers activities as of 31 Dec 2017.

EGP Thousands

Dec.31, 2017	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Government sector	Other activities	Individual	Total
Treasury bills and other governmental notes	-	-	-	-	54,653,848	-	-	**54,653,848**
Trading financial assets:								
- Debt instruments	-	-	-	-	6,728,843	-	-	**6,728,843**
Gross loans and advances to banks	1,383	-	-	-	-	-	-	**1,383**
Less:Impairment provision	(70)	-	-	-	-	-	-	**(70)**
Gross loans and advances to customers								
Individual:								
- Overdrafts	-	-	-	-	-	-	1,780,416	**1,780,416**
- Credit cards	-	-	-	-	-	-	2,899,930	**2,899,930**
- Personal loans	-	-	-	-	-	-	13,910,837	**13,910,837**
- Mortgages	-	-	-	-	-	-	416,616	**416,616**
- Other loans	-	-	-	-	-	-	-	-
Corporate:								
- Overdrafts	391,918	5,845,706	817,441	521,605	616,248	4,257,908	-	**12,450,826**
- Direct loans	1,067,591	20,149,100	543,867	574,934	3,047,151	18,818,127	-	**44,200,770**
- Syndicated loans	112,801	11,536,893	784,161	-	12,633,579	1,560,391	-	**26,627,825**
- Other loans	-	111,202	-	-	-	1,600	-	**112,802**
Unamortized bills discount	(12,476)	-	-	-	-	-	-	**(12,476)**
Impairment provision	(36,691)	(5,042,186)	(21,606)	(174,635)	(38,857)	(8,381,012)	(265,456)	**(13,960,443)**
Derivative financial instruments	40,001	-	-	-	-	-	-	**40,001**
Financial investments:								
-Debt instruments	2,155,369	-	-	-	72,612,620	-	-	**74,767,989**
- Investments in subsidiary and associates	65,039	-	-	-	-	-	-	65,039
Total	**3,784,865**	**32,600,715**	**2,123,863**	**921,904**	**150,253,432**	**16,257,014**	**18,742,343**	**224,684,136**

The invesment balances and other assets are highly rated not impaired .

Refer to Note 18 page 20.

34.2. Market risk

Market risk represnted as fluctuations in fair value or future cash flow, including foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices will reduce the Bank's income or the value of its portfolios. the Bank separates exposures to market risk into trading or non-trading portfolios.

Market risks are measured, monitored and controlled by the market risk management department. In addition, regular reports are submitted to the Asset and Liability Management Committee (ALCO), Board Risk Committee and the heads of each business unit.

Trading portfolios include positions arising from market-making, position taking and others designated as marked-to-market. Non-trading portfolios include positions that primarily arise from the interest rate management of the group's retail and commercial banking assets and liabilities, financial investments designated as available for sale and held-to-maturity.

33.2.1. Market risk measurement techniques

As part of the management of market risk, the Bank undertakes various hedging strategies. the Bank also enters into interest rate swaps to match the interest rate risk associated with the fixed-rate long-term debt instrument and loans to which the fair value option has been applied .

	Note	Dec.31, 2018 Carrying amount	Dec.31, 2018 Market risk measure Trading portfolios	Dec.31, 2018 Market risk measure Non-trading portfolios	Dec.31, 2017 Carrying amount	Dec.31, 2017 Market risk measure Trading portfolios	Dec.31, 2017 Market risk measure Non-trading portfolios
Assets subject to market risk							
Cash and cash equivalents		20,058,974	-	20,058,974	14,663,289	-	14,663,289
Trading assets		-	-	-	7,295,197	7,295,197	-
Derivatives held for risk management		52,289	39,355	12,934	40,001	39,714	287
Loans and advances to banks		68,385	-	68,385	1,313	-	1,313
Loans and advances to customers		107,828,597	-	107,828,597	88,427,103	-	88,427,103
Investment securities		73,598,251	-	73,598,251	75,642,503	-	75,642,503
Liabilities subject to market risk					-	-	-
Trading liabilities		-	-	-	-	-	-
Derivatives held for risk management		132,858	85,912	46,946	196,984	55,547	141,437
Deposits		292,556,688	-	292,556,688	252,600,970	-	252,600,970
Debt securities		-	-	-	-	-	-
Subordinated liabilities		-	-	-	-	-	-

33.2.1.1. Value at Risk

The Bank applies a "Value at Risk" methodology (VaR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected under normal market conditions, based upon a number of assumptions for various changes in market conditions.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose , but only to a certain level of confidence (95%).

There is therefore a specified statistical probability (5%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain 'holding period' until positions can be closed (1 Day).

The Bank is assessing the historical movements in the market prices based on volatilities and correlations data for the past five years.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VaR constitutes an integral part of the Bank's market risk control regime, the Market Risk Management set Soft VaR Limits, trading book, which have been approved by the board, and are monitored and reported on a daily basis to the Senior Management.

In addition, monthly limits compliance is reported to the ALCO.

The Bank has developed the internal model to calculate VaR and is not yet approved by the Central Bank as the regulator is currently applying and requiring banks to calculate the Market Risk Capital Requirements according to Basel II Standardized Approach.

33.2.1.2. Stress tests

Stress tests provide an indication of the potential size of losses that could arise under extreme market conditions. Therefore, bank computes on a daily basis trading Stress VaR, combined with trading Normal VaR to capture the abnormal movements in financial markets and to give more comprehensive picture of risk. The results of the stress tests are reviewed by the ALCO on a monthly basis and the board risk committee on a quarterly basis.

33.2.2. Value at risk (VaR) Summary

Total VaR by risk type	Dec.31, 2018 Medium	Dec.31, 2018 High	Dec.31, 2018 Low	Dec.31, 2017 Medium	Dec.31, 2017 High	Dec.31, 2017 Low
Foreign exchange risk	**231**	**1,482**	**20**	13,647	82,695	275
Interest rate risk	**453,569**	**645,193**	**238,077**	588,938	815,249	363,366
Equities risk	**-**	**-**	**-**	-	-	-
Portfolio managed by others risk	**7,030**	**11,507**	**1,969**	7,280	10,454	4,854
Investment fund	**119**	**267**	**55**	370	692	215
Total VaR	**455,104**	**647,983**	**238,493**	591,508	826,941	364,408

The aggregate of the trading and non-trading VaR results does not constitute the Bank's VaR due to correlations and consequent diversification effects between risk types and portfolio types.

33.2.3. Foreign exchange risk

The Bank's financial position and cash flows are exposed to fluctuations in foreign currency exchange rates. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank’s exposure to foreign currency exchange rate risk and Bank’s financial instruments at carrying amounts, categorized by currency as of 31 Dec 2014.

	Local Currency	Foreign Currencies				Equivalent EGP
Dec.31, 2018	**EGP**	**USD**	**EUR**	**GBP**	**Other**	**Total**
Financial assets						
Cash and balances with Central Bank	15,822,884	2,511,902	657,323	80,582	986,283	**20,058,974**
Due from banks	15,730,309	23,594,720	6,743,789	366,545	83,529	**46,518,892**
Treasury bills and other governmental notes	31,491,429	12,272,607	1,333,103	-	-	**45,097,139**
Trading financial assets	1,802,626	935,079	-	-	-	**2,737,705**
Gross loans and advances to banks	-	70,949	-	-	-	**70,949**
Gross loans and advances to customers	63,518,898	52,952,122	2,938,691	22,078	-	**119,431,789**
Derivative financial instruments	39,355	12,934	-	-	-	**52,289**
Financial investments						
- Available for sale	26,664,326	12,367,155	186,409	-	-	**39,217,890**
- Held to maturity	73,630,764	-	-	-	-	**73,630,764**
Investments in associates	106,558	-	-	-	-	**106,558**
Total financial assets	**228,807,149**	**104,717,468**	**11,859,315**	**469,205**	**1,069,812**	**346,922,949**
Financial liabilities						
Due to banks	5,958,780	1,099,145	92,882	12,773	96,239	**7,259,819**
Due to customers	182,983,217	89,794,399	11,046,226	1,005,452	467,575	**285,296,869**
Derivative financial instruments	85,912	46,946	-	-	-	**132,858**
Long term loans	138,809	3,582,720	-	-	-	**3,721,529**
Total financial liabilities	**189,166,718**	**94,523,210**	**11,139,108**	**1,018,225**	**563,814**	**296,411,075**
Net on-balance sheet financial position	**39,640,431**	**10,194,258**	**720,207**	**(549,020)**	**505,998**	**50,511,874**

Dec.31, 2017	EGP	USD	EUR	GBP	Other	Equivalent EGP Total
Financial assets						
Cash and balances with Central Bank	10,910,051	2,419,832	849,425	71,041	412,940	**14,663,289**
Due from banks	4,465,131	31,854,175	7,996,060	875,492	128,908	**45,319,766**
Treasury bills and other governmental notes	45,189,229	12,145,247	1,382,300	-	-	**58,716,776**
Trading financial assets	5,573,837	1,721,360	-	-	-	**7,295,197**
Gross loans and advances to banks	-	1,383	-	-	-	**1,383**
Gross loans and advances to customers	53,565,401	46,899,704	1,893,051	41,866	-	**102,400,022**
Derivative financial instruments	39,714	287	-	-	-	**40,001**
Financial investments	-	-	-	-	-	**-**
- Available for sale	24,667,305	5,807,476	-	-	-	**30,474,781**
- Held to maturity	45,167,722	-	-	-	-	**45,167,722**
Investments in associates	65,039	-	-	-	-	**65,039**
Total financial assets	**189,643,429**	**100,849,464**	**12,120,836**	**988,399**	**541,848**	**304,143,976**
Financial liabilities						
Due to banks	534,701	1,212,410	45,974	26,079	58,754	**1,877,918**
Due to customers	152,712,537	85,772,953	10,952,101	935,525	349,936	**250,723,052**
Derivative financial instruments	55,547	141,437	-	-	-	**196,984**
Long term loans	129,196	3,545,540	-	-	-	3,674,736
Total financial liabilities	**153,431,981**	**90,672,340**	**10,998,075**	**961,604**	**408,690**	**256,472,690**
Net on-balance sheet financial position	**36,211,448**	**10,177,124**	**1,122,761**	**26,795**	**133,158**	**47,671,286**

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant.
The impact on the Bank's profit before tax is due to changes in the fair value of monetary assets and liabilities.
The Bank's exposure to foreign currency changes for all other currencies is not material.

	Change in USD rate	Effect on profit before tax
		EGP '000
2018	+10%	1,019,426
	-10%	(1,019,426)
2017	+13%	1,167,431
	-13%	(1,167,431)

	Change in EUR rate	Effect on profit before tax
		EGP '000
2018	+10%	1,069,323
	-10%	(1,069,323)
2017	+13%	1,167,431
	-13%	(1,167,431)

33.2.4. Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but Gain may decrease in the event that unexpected movements arise.The Board sets limits on the gaps of interest rate repricing that may be undertaken, which is monitored by bank's Risk Management Department.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of repricing or contractual maturity dates.

Dec.31, 2018	Up to1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non- Interest Bearing	Total
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	20,058,974	**20,058,974**
Due from banks	33,676,642	12,438,963	401,563	-	-	1,724	**46,518,892**
Treasury bills and other governmental notes*	(3,711,230)	5,425,047	43,383,322	-	-	-	**45,097,139**
Trading financial assets	38,375	-	-	1,643,653	626,428	429,249	**2,737,705**
Gross loans and advances to banks	3,969	5,483	17,829	42,233	1,435	-	**70,949**
Gross loans and advances to customers	77,155,228	13,993,151	14,231,235	10,708,275	3,343,900	-	**119,431,789**
Derivatives financial instruments (including IRS notional amount)	1,510,540	9,650	399,197	5,899,343	-	-	**7,818,730**
Financial investments							
- Available for sale	132,500	73,030	457,834	19,793,116	18,158,565	602,845	**39,217,890**
- Held to maturity	9,361,480	2,055,231	26,632,213	27,257,651	8,324,189	-	**73,630,764**
Investments in associates	-	-	-	-	-	106,558	**106,558**
Total financial assets	**118,167,504**	**34,000,555**	**85,523,193**	**65,344,271**	**30,454,517**	**21,199,350**	**354,689,390**
Financial liabilities							
Due to banks	7,002,464	-	-	-	-	257,355	**7,259,819**
Due to customers	148,862,473	22,012,700	24,470,575	40,675,873	533,317	48,741,931	**285,296,869**
Derivatives financial instruments (including IRS notional amount)	2,148,569	5,011,865	33,028	705,837	-	-	**7,899,299**
Long term loans	33,380	10,000	87,286	443,188	3,147,675	-	**3,721,529**
Total financial liabilities	**158,046,886**	**27,034,565**	**24,590,889**	**41,824,898**	**3,680,992**	**48,999,286**	**304,177,516**
Total interest re-pricing gap	**(39,879,382)**	**6,965,990**	**60,932,304**	**23,519,373**	**26,773,525**	**(27,799,936)**	**50,511,874**

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of repricing or contractual maturity dates.

Dec.31, 2017	Up to1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non- Interest Bearing	Total
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	14,663,289	**14,663,289**
Due from banks	32,633,606	12,038,721	647,439	-	-	-	**45,319,766**
Treasury bills and other governmental notes*	3,395,960	6,823,666	48,497,150	-	-	-	**58,716,776**
Trading financial assets	99,586	-	904	3,807,571	2,920,368	466,768	**7,295,197**
Gross loans and advances to banks	1,383	-	-	-	-	-	**1,383**
Gross loans and advances to customers	65,216,595	11,787,421	14,459,839	8,594,614	2,341,553	-	**102,400,022**
Derivatives financial instruments (including IRS notional amount)	967,641	494,350	7,628,334	3,112,098	-	287	**12,202,710**
Financial investments							
- Available for sale	1,602,509	-	195,543	15,888,478	12,119,880	668,371	**30,474,781**
- Held to maturity	32,499	2,955,001	9,089,021	25,263,827	7,827,374	-	**45,167,722**
Investments in associates	-	-	-	-	-	65,039	**65,039**
Total financial assets	**103,949,779**	**34,099,159**	**80,518,230**	**56,666,588**	**25,209,175**	**15,863,754**	**316,306,685**
Financial liabilities							
Due to banks	1,137,760	-	-	-	-	740,158	**1,877,918**
Due to customers	106,568,106	18,578,123	31,298,719	50,294,632	710,069	43,273,403	**250,723,052**
Derivatives financial instruments (including IRS notional amount)	5,866,665	5,684,039	11,627	655,925	-	141,437	**12,359,693**
Long term loans	36,393	3,552,283	82,631	3,429	-	-	**3,674,736**
Total financial liabilities	**113,608,924**	**27,814,445**	**31,392,977**	**50,953,986**	**710,069**	**44,154,998**	**268,635,399**
Total interest re-pricing gap	**(9,659,145)**	**6,284,714**	**49,125,253**	**5,712,602**	**24,499,106**	**(28,291,244)**	**47,671,286**

Interest rate sensitivity

Sensitivity Analysis extends Gap Analysis by focusing on changes in the bank's earnings, due to changes in Interest Rates and Balance Sheet Interest Sensitive items composition.

Defined as the impact on the bank's consolidated Net Income over the following 12 months, based on adverse changes in Interest Rates.

	Increase/decreasein basis points	Effect on P&L EGP '000
2018		
EGP	+ 200 bps	(150,653)
USD	+ 200 bps	143,315
EUR	+ 200 bps	16,328
EGP	- 200 bps	150,653
USD	- 200 bps	(143,315)
EUR	- 200 bps	(16,328)
2017		
EGP	+ 100 bps	(75,326)
USD	+ 100 bps	71,658
EUR	+ 100 bps	8,164
EGP	- 100 bps	75,326
USD	- 100 bps	(71,658)
EUR	- 100 bps	(8,164)

33.3. Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations arises from its financial liabilities as they fall due or to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill lending commitments.

33.3.1 Liquidity risk management process

The Bank's liquidity management process is carried by the Assets and Liabilities Management Department and monitored independently by the Risk Management Department, which includes:
Projecting cash flows by major currency under various stress scenarios and considering the level of liquid assets necessary in relation thereto:

- The Bank maintains an active presence in global money markets to enable this to happen.
- Maintaining a diverse range of funding sources with back-up facilities.
- Monitoring balance sheet liquidity and advances to core funding ratios against internal regulations.
- Managing the concentration and profile of debt maturities.
- Monitoring and reporting takes the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point

for those assets projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Bank's Risk Management Department also monitors unmatched medium-term.

33.3.2. Funding approach

Sources of liquidity are regularly reviewed jointly by the Bank's Assets & Liabilities Management Department and Consumer Banking to maintain a wide diversification within currencies, geographical area,depositors, products and tenors.

33.3.3. Non-derivative cash flows

The table below presents the undiscounted cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities and the maturities assumption for non contractual products are based on there behavior studies.
These accounts are presented in the financial statement at cost not at present value.

Dec.31, 2018	**Up to 1 month**	**One to three months**	**Three months to one year**	**One year to five years**	**Over five years**	**Total** EGP Thousands
Financial liabilities						
Due to banks	6,632,843	626,976	-	-	-	7,259,819
Due to customers	31,894,334	25,110,083	76,931,013	152,063,312	14,985,086	300,983,828
Long term loans	33,380	10,000	87,286	443,188	3,418,675	3,992,529
Total liabilities (contractual and non contractual maturity dates)	38,560,557	25,747,059	77,018,299	152,506,500	18,403,761	312,236,176
Cash & Cash Item	5,083,805	-	-	-	-	5,083,805
Due From CBE	13,958,000	15,923,996	7,565,899	5,438,232	-	42,886,127
Due From Local Banks	204,309	-	-	-	-	204,309
Due From Foreign Banks	19,866,454	382,172	110,207	-	-	20,358,833
Available For Sale Investments	525,388	-	153,523	4,735,500	32,880	5,447,291
Trading Investments	490,769	221,987	126,111	1,243,272	362,995	2,445,134
Held To Maturity Investments	4,016,605	3,295,916	6,664,146	29,628,561	10,319,708	53,924,936
Investments in associates and subsidiaries	-	-	-	-	14,100	14,100
Treasury Bills	4,027,742	4,614,183	32,771,155	-	-	41,413,080
Net Loans & Overdraft	13,368,396	9,668,819	17,055,324	34,887,070	10,409,723	85,389,332
Total financial assets (contractual and non contractual maturity dates)	61,541,468	34,107,073	64,446,365	75,932,635	21,139,406	257,166,947

Dec.31, 2017	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total EGP Thousands
Financial liabilities						
Due to banks	1,877,918	-	-	-	-	1,877,918
Due to customers	33,309,498	23,087,659	75,798,557	116,425,773	17,788,524	266,410,011
Long term loans	36,393	6,743	82,631	3,429	3,816,540	3,945,736
Total liabilities (contractual and non contractual maturity dates)	35,223,809	23,094,402	75,881,188	116,429,202	21,605,064	272,233,665
Cash & Cash Item	13,958,000	15,923,996	7,565,899	5,438,232	-	42,886,127
Due From Cbe	204,309	-	-	-	-	204,309
Due From Commercial Banks Local	19,866,454	382,172	110,207	-	-	20,358,833
Due From Foreign Banks	525,388	-	153,523	4,735,500	32,880	5,447,291
Available For Sale Investments	490,769	221,987	126,111	1,243,272	362,995	2,445,134
Trading Investments	4,016,605	3,295,916	6,664,146	29,628,561	10,319,708	53,924,936
Held To Maturity Investments	-	-	-	-	65,039	65,039
Investments in associates and subsidiaries	4,027,742	4,614,183	32,771,155	-	-	41,413,080
Treasury Bills	13,368,396	9,668,819	17,055,324	34,887,070	10,409,723	85,389,332
Net Loans & Overdraft	61,541,468	34,107,073	64,446,365	75,932,635	21,190,345	257,217,886
Total financial assets (contractual and non contractual maturity dates)	117,999,131	68,214,146	128,892,730	151,865,270	42,380,690	509,351,967

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, due from CBE and due from banks, treasury bills, other government notes , loans and advances to banks and customers.

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt instrument and treasury bills and other governmental notes have been pledged to secure liabilities. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

33.3.4. Derivative cash flows

Derivatives settled on a net basis

the Bank's derivatives that will be settled on a net basis include:

Foreign exchange derivatives: exchange traded options and over-the-counter (OTC) ,exchange traded forwards currency options.

Interest rate derivatives: interest rate swaps, forward rate agreements, OTC and exchange traded interest rate options, other interest rate contracts and exchange traded futures .

The table below analyses the Bank's derivative undiscounted financial liabilities that will be settled on a net basis into maturity groupings based on the remaining period of the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

EGP Thousands

Dec.31, 2018	**Up to 1 month**	**One to three months**	**Three months to one year**	**One year to five years**	**Over five years**	**Total**
Liabilities						
Derivatives financial instruments						
Inflows	109,750	102,737	189	11,954	-	224,630
Outflows	(201,744)	(214,633)	(324)	(22,915)	-	(409,325)
Net	**(91,994)**	**(111,896)**	**(135)**	**(10,961)**	**-**	**(184,695)**
interbank rates	**(91,994)**	**(111,896)**	**(135)**	**(10,961)**	**-**	**(214,986)**

Dec.31, 2017	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total
Liabilities						
Derivatives financial instruments						
Inflows	112,174	108,682	222	12,542	-	233,620
Outflows	(238,499)	(231,074)	(473)	(26,665)	-	(496,711)
Net	**(126,325)**	**(122,392)**	**(251)**	**(14,123)**	**-**	**(263,091)**

Letters of credit, guarantees and other commitments

	Up to 1 year	**1-5 years**	**Over 5 years**	**Total**
Dec.31, 2018	51,260,372	14,088,753	6,046,689	71,395,814
Dec.31, 2017	47,214,887	18,219,180	6,798,552	72,232,619

33.4. Fair value of financial assets and liabilities

33.4.1. Financial instruments not measured at fair value

The table below summarizes the book value and fair value of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Book value		Fair value	
	Dec.31, 2018	Dec.31, 2017	**Dec.31, 2018**	Dec.31, 2017
Financial assets				
Cash and balances with central bank	**20,058,974**	14,663,289	**20,058,974**	14,663,289
Due from banks	**46,511,579**	45,319,766	**46,511,579**	45,319,766
Gross loans and advances to banks	**70,949**	1,383	**70,949**	1,383
Gross loans and advances to customers		-		-
- Individual	**23,233,995**	19,007,799	**23,907,444**	19,394,020
- Corporate	**96,197,794**	83,392,223	**91,544,932**	77,003,593
Financial investments		-		-
Held to Maturity	**73,630,764**	45,167,722	**74,058,076**	45,595,034
Total financial assets	**259,704,055**	207,552,182	**256,151,954**	201,977,085
Financial liabilities				
Due to banks	**7,259,819**	1,877,918	**7,259,819**	1,877,918
Due to customers	**285,296,869**	250,723,052	**280,685,969**	245,616,661
Long term loans	**3,721,529**	3,674,736	**3,721,529**	3,674,736
Total financial liabilities	**296,278,217**	256,275,706	**291,667,317**	251,169,315

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and similar maturity date.

Fair values of financial instruments

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2017:

instruments:

Level 1 - Quoted prices in active markets for the same instrument (i.e. without modification or repacking);

Level 2 - Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3 - Valuation techniques for which any significant input is not based on observable market data.

Dec.31, 2018	Date of Valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (level 2)	Valuation techniques (level 3)
Measured at fair value:					
Financial assets					
Financial assets held for trading	30-Jun-18	-	-	-	-
Financial investments available for sale	30-Jun-18	39,217,890	39,073,139	144,751	-
Treasury bills and other governmental notes	30-Jun-18	-	-	-	-
Total		**39,217,890**	**39,073,139**	**144,751**	**-**
Derivative financial instruments					
Financial assets	30-Jun-18	**52,289**	-	52,289	-
Financial liabilities	30-Jun-18	**132,858**	-	132,858	-
Assets for which fair values are disclosed:					
Financial investments held to maturity	30-Jun-18	74,058,076	-	74,058,076	-
Loans and advances to banks	30-Jun-18	68,385	-	-	68,385
Loans and advances to customers	30-Jun-18	115,452,376	-	-	115,452,376
Total		**189,578,837**	**-**	**74,058,076**	**115,520,761**
Liabilities for which fair values are disclosed:					
Other loans	30-Jun-18	3,721,529	-	3,721,529	-
Due to customers	30-Jun-18	285,296,869			285,296,869
Total		**289,018,398**	**-**	**3,721,529**	**285,296,869**

Dec.31, 2017	Date of Valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (level 2)	Valuation techniques (level 3)
Measured at fair value:					
Financial assets					
Financial assets held for trading	31-Dec-17	7,295,197	7,295,197	-	-
Financial investments available for sale	31-Dec-17	30,474,781	29,716,126	758,655	-
Treasury bills and other governmental notes	31-Dec-17	54,478,202	-	54,478,202	-
		92,248,180	**37,011,323**	**55,236,857**	**-**
Derivative financial instruments					
Financial assets	31-Dec-17	40,001	-	40,001	-
Financial liabilities	31-Dec-17	196,984	-	196,984	-
		-	-	-	-
Assets for which fair values are disclosed:		-	-	-	-
Financial investments held to maturity	31-Dec-17	45,595,034	-	45,595,034	-
Loans and advances to banks	31-Dec-17	1,313	-	-	1,313
Loans and advances to customers	31-Dec-17	96,397,613	-	-	96,397,613
Total		**141,993,960**	**-**	**45,595,034**	**96,398,926**
Liabilities for which fair values are disclosed:					
Long term loans	31-Dec-17	3,674,736	-	3,674,736	-
Due to customers	31-Dec-17	250,723,052	-	-	250,723,052
Total		**254,397,788**	**-**	**3,674,736**	**250,723,052**

There are no financial instruments that qualify for classification under level 3 as at 31 December 2018 & 2017 .
there have been no transferss between level 1 and 2.
The fair values of on-balance sheet financial instruments, except for other investments held at amortised cost and held-to-maturity investments which are carried at amortised cost, are not significantly different from the carrying values included in the consolidated financial statements. The fair values of loans and advances, commission bearing customers' deposits, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks.
The estimated fair values of held-to-maturity investments and other investments held at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds respectively. The fair values of these investments are also disclosed in note 35.4.1.
The value obtained from the relevant valuation model may differ, with the transaction price of a financial instrument. The difference between the transaction price and the model value is commonly referred to as 'day-one profit or loss'. It is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal. Subsequent changes in fair value are recognized immediately in the statement of consolidated income without reversal of deferred day-one profits or losses.
The valuation of each publicly traded investment is based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted.
Unrealized private investments are valued at each reporting date using a combination of three methods:
(i) a comparable public market valuation ;
(ii) a comparable acquisition valuation;
(iii) a discounted cash flow analysis.
The relative weightings applied to each valuation method reflect the manager's judgment as to the relative applicability and strength of each valuation approach to the specific unrealized investment. Differences under the methods are reconciled through a variety of quantitative analysis and qualitative factors, as required.

33.5 Capital Management

For capital management purposes, the Bank's capital includes total equity as reported in the balance sheet .
The Bank manages its capital to ensure that the following objectives are achieved:
- Compliance with the legally imposed capital requirements in Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth of the Bank's operations.

Capital adequacy and the use of regulatory capital are monitored on a daily basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the banking supervision unit in the Central Bank of Egypt.
The required data is submitted to the Central Bank of Egypt on a quarterly basis.

Central Bank of Egypt requires the following:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital.
- Maintaining a minimum level of capital adequacy ratio of 11.25%, calculated as the ratio between total value of the capital elements, and the risk-weighted assets and contingent liabilities of the Bank.

Tier one:

Tier one, comprised of paid-in capital (after deducting the book value of treasury shares), retained earnings and reserves resulting from the distribution of profits except the banking risk reserve and deducting previously recognized goodwill and any retained losses

Tier two:

Represents the gone concern capital which comprised of general risk provision according to the impairment provision guidelines issued by the Central Bank of Egypt for to the maximum of 1.25% risk weighted assets and contingent liabilities ,subordinated loans with more than five years to maturity (amortizing 20% of its carrying amount in each year of the remaining five years to maturity) and 45% of the increase in fair value than book value for available for sale , held to maturity , subsidiaries and associates investments.
When calculating the numerator of capital adequacy ratio, the rules set limits of total tier 2 to no more than tier 1 capital and also limits the subordinated to no more than 50% of tier1.
Assets risk weight scale ranging from zero to 100% based on the counterparty risk to reflect the related credit risk scheme, taking into considration the cash collatrals. Similar criteria are used for off balance sheet items after adjusting it to reflect the nature of contingency and the potential loss of those amounts. The Bank has complied with all local capital adequacy requirements for the current year.

The tables below summarizes the compositions of Teir 1, Teir 2 , the capital adequacy ratio and leverage ratio .

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
		Restated**
Tier 1 capital		
Share capital (net of the treasury shares)	**11,668,326**	11,618,011
Reserves	**14,829,948**	10,543,783
IFRS 9 Reserve	**1,411,549**	1,411,549
Retained Earnings (Losses)	**55,089**	89,873
Total deductions from tier 1 capital common equity	**(4,754,596)**	(2,450,399)
Net profit for the year	**6,881,450**	3,960,829
Total qualifying tier 1 capital	**30,091,766**	25,173,646
Tier 2 capital		
45% of special reserve	**49**	49
Impairment provision for loans and regular contingent liabilities	**1,879,734**	1,679,656
Subordinated Loans	**3,582,720**	3,545,540
Total qualifying tier 2 capital	**5,462,503**	5,225,245
Total capital 1+2	**35,554,269**	30,398,891
Risk weighted assets and contingent liabilities		
Total credit risk	**156,952,618**	141,154,879
Total market risk	**5,959,133**	9,239,998
Total operational risk	**23,292,505**	18,222,831
Total	**186,204,256**	168,617,708
***Capital adequacy ratio (%)**	**19.09%**	18.03%

**Based on consolidated financial statement figures and in accordance with Centeral Bank of Egypt regulation issued on 24 December 2012.*

***After 2017 profit distribution.*

2-Leverage ratio

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
		Restated**
Total qualifying tier 1 capital	**30,091,766**	25,173,646
On-balance sheet items & derivatives	**346,163,131**	300,593,997
Off-balance sheet items	**45,407,765**	44,965,272
Total exposures	**391,570,896**	345,559,269
***Percentage**	**7.68%**	7.28%

**Based on consolidated financial statement figures and in accordance with Centeral Bank of Egypt regulation issued on 14 July 2015.*

34. Segment analysis

34.1. By business segment

The Bank is divided into main business segments on a worldwide basis:

- Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products
- SME's – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products
- Investment banking – incorporating financial instruments Trading, structured financing, Corporate leasing,and merger and acquisitions advice.
- Retail banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Transactions between the business segments are on normal commercial terms and conditions.

EGP thouands

	Corporate banking	SME's	Investment banking	Retail banking	Total
Dec.31, 2018					
External revenue					
Net interest income	7,012,137	64,778	(83,300)	5,510,172	12,503,787
Net fee and commission income	1,145,256	19,503	104,513	783,394	2,052,666
Net trading income	631,416	4,472	-	656,327	1,292,215
Total segment revenue	8,788,809	88,753	21,213	6,949,893	15,848,668
Impairment charge for credit losses	(415,460)	-	-	(1,410)	(416,870)
Reportable segment profit before tax	3,428,218	1,650,300	3,333,439	3,671,967	12,083,924
Reportable segment assets	121,421,797	2,691,043	196,714,584	26,864,803	347,692,227
Reportable segment liabilities	92,220,132	445,062	404	174,819,134	267,484,732
Letters of guarantee	37,813,332	380,197	31,241,687	79,197	69,514,413
Letters of credit	1,126,363	30,567	529,817	13,769	1,700,516
Customers acceptances	1,009,450	-	-	8,240	1,017,690
Total contingent liabilities and commitments	39,949,145	410,764	31,771,504	101,206	72,232,619

	Corporate banking	SME's	Investment banking	Retail banking	Total
Dec.31, 2017					
External revenue					
Net interest income	7,012,137	64,778	(83,300)	5,510,172	12,503,787
Net fee and commission income	1,145,256	19,503	104,513	783,394	2,052,666
Net trading income	631,416	4,472	-	656,327	1,292,215
Total segment revenue	8,788,809	88,753	21,213	6,949,893	15,848,668
Impairment charge for credit losses	(415,460)	-	-	(1,410)	(416,870)
Reportable segment profit before tax	(415,460)	-	-	(1,410)	(416,870)
Reportable segment assets	100,789,535	2,884,039	168,775,454	22,616,409	295,065,437
Reportable segment liabilities	92,220,132	445,062	404	174,819,134	267,484,732
Letters of guarantee	37,813,332	380,197	31,241,687	79,197	69,514,413
Letters of credit	1,126,363	30,567	529,817	13,769	1,700,516
Customers acceptances	1,009,450	-	-	8,240	1,017,690
Total contingent liabilities and commitments	39,949,145	410,764	31,771,504	101,206	72,232,619

34.2 . By geographical segment

EGP Thousands

	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Dec.31, 2018				
Revenue according to geographical segment	**16,788,381**	**3,424,556**	**934,803**	**21,147,740**
Expenses according to geographical segment	**(7,545,066)**	**(1,304,228)**	**(223,716)**	**(9,073,010)**
Profit before tax	**9,243,315**	**2,120,328**	**711,087**	**12,074,730**
Tax	**(2,738,280)**	**(568,053)**	**(190,506)**	**(3,496,839)**
Profit for the year	**6,505,035**	**1,552,275**	**520,581**	**8,577,891**
Total assets	**316,956,666**	**19,340,837**	**6,447,052**	**342,744,555**
Non current assets				

	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Dec.31, 2017				
Revenue according to geographical segment	12,441,078	2,499,912	491,190	15,432,180
Expenses according to geographical segment	(5,306,193)	(670,176)	(163,708)	(6,140,077)
Profit before tax	7,134,885	1,829,736	327,482	9,292,103
Tax	(2,200,134)	(492,390)	(88,127)	(2,780,651)
Profit for the year	4,934,751	1,337,346	239,355	6,511,452
Total assets	265,948,920	22,598,945	6,517,572	295,065,437
Non current assets				

35 . Contingent liabilities and commitments

35.1 . Legal claims

Litigation is a common occurrence in the Banking industry due to the nature of the business undertaken.
The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year-end, the Bank had several unresolved legal claims.

35.2 . Capital commitments

35.2.1 . Financial investments

The capital commitments for the financial investments reached on the date of financial position EGP 165,675 thousand as follows:

Available for sale financial investments	Investments value EGP Thousands	Paid EGP Thousands	Remaining EGP Thousands
Dec.31, 2018	**358,268**	**192,593**	**165,675**
Dec.31, 2017	368,650	201,853	166,797

35.2.2 . Fixed assets and branches constructions

The value of commitments for the purchase of fixed assets contracts and branches constructions that have not been implemented till the date of financial statement amount to :

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
	198,026	196,284

35.3 . Letters of credit, guarantees and other commitments

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Letters of guarantee	**66,166,953**	69,514,413
Letters of credit (import and export)	**4,178,288**	1,700,516
Customers acceptances	**1,050,573**	1,017,690
Total	**71,395,814**	72,232,619

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Credit facilities commitments	**9,173,782**	7,024,376

36 . Related party disclosures

36.1 Compensation of key management personnel of the Bank

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Bank and its employees.
The remuneration paid by the bank to its key management personnel represents short term employee benefits and equity settled shares based payment as follows:

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Short Term Employee benefits	143,604	130,549
Termination benefit	13,640	12,400
Total	157,244	142,949

Regarding Employee share ownership plan for the top 20 key management personnel, the average number of shares in 2018 amounted to 42,443 shares.
In accordance to the equity settled share based payment program approved by the extraordinary general assembly meeting of the bank in April 2011 with the same conditions previously approved by the extraordinary general assembly meeting of the bank in June 2006, these shares are vested after 3 years (in 2021) and should not be exercised until the beneficiaries pay its full par value of EGP 10 per share.

	Dec.31, 2018		Dec.31, 2017	
	Outstanding balance	Income (expense)	Outstanding balance	Income
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
Loans and advances	5,414	2,830	5,936	849
Deposits	137,766	(281,998)	64,779	(234,189)

36.2 Transactions with associates

	Dec.31, 2018			
	Interest from	Interest to	Amounts owed by	Amounts owed to
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
International Co. for Security & Services	94	277,139	-	9,919

	Dec.31, 2017			
	Interest from	Interest to	Amounts owed by	Amounts owed to
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
International Co. for Security & Services *	185	228,429	-	8,356

Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at normal commercial rates.
Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables.

37 . Tax status

Corporate income tax

Settlment of corporate income tax since the start of activity till 2016

2017 examined & paid

The yearly income tax return is submitted in legal dates

Salary tax

Settlment of salary tax since the start of activity till 2017

Stamp duty tax

The period since the start of activity till 31/07/2006 was examined & paid, disputed points have been transferred to the court for adjudicat

The period from 01/08/2006 till 31/12/2017 was examined & paid in accordance with the protocol signed between the Federation of Egyptian Banks & the Egyptian Tax Authority

38 . Intangible assets:

Commercial International Bank of Egypt has acquired Citibank Egypt's Retail Banking and Credit Cards businesses in Egypt on 29 October 2015.
The transfer process concerns Citibank's retail banking and cards businesses including employees,branches and its ATM network.

	Dec.31, 2018
	EGP Thousands
Loans and advances to customers	1,078,684
Due to customers	1,380,765

The acquisition resulted in a goodwill and intangible assets including customers relationships , which is the outcome from the difference between the purchase price and the fair value of Citibank's portfolio.
Excess Earnings Method has been used to estimate the value of customer relationships. According to this method, the value of this intangible asset is represented in the present value of the earnings attributable to the subject intangible asset after providing for the proportion of earnings that attribute to returns for contributory assets.
The estimated the value of customer relationships was based on the expected profit to be earned from interest, fees, and charges.
No impairment indicators exist as of the statement of financial position.

A summary of the policies applied to the group's intangible assets is as follows:

	Goodwill	**Customer Relations**
Useful lives	Indefinite	Indefinite
Amortisation method used	No amortisation	No amortisation
Internally generated or acquired	Acquired	Acquired

Due to the nature of acquired Citibank Egypt's Retail Banking and Credit Cards businesses goodwill and intangible assets couldn't be allocated to cash generating unit.

38.1 Intangible assets:

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Fair value at acquisition at 1 November 2015	**651,041**	651,041
Impairment	-	-
Net book value	**651,041**	651,041

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