



IFRS Consolidated Financial Statements

December 2017



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 2017, 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 2017 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

Loan Loss Provisions:

The Group exercises significant judgement using subjective assumptions over both when and how much to record as loan loss provisions, and estimation of the amount of the provision for loans and advances. Because loans and advances form a major portion of the Group's assets, and due to the significance of the judgments used in classifying loans and advances between performing and non-performing and determining related provision requirements, this audit area is considered a key audit risk.

As at 31 December 2017, the Group's gross loans and advances to customers amounted to EGP 102,400 million and the related impairment provisions amounted to EGP 1,742 million. The impairment provision policy is presented in the accounting policies and in Note 2.2 to the consolidated financial statements.

- We gained understanding of the Group's key credit processes comprising granting, booking, monitoring and provisioning and tested the operating effectiveness of key controls over these processes;
- For exposures determined to be individually impaired, we tested a sample of loans and advances and examined management's estimate of future cash flows, assessed their reasonableness and checked the resultant provision calculations;
- For loan loss provisions calculated on a collective basis we recalculated the probability of default (PDs) calculation prepared by the management by tracking the basis of PDs with historical non-performing obligors; and
- We assessed the adequacy of consolidated financial statement disclosures in accordance with the requirements of the IFRSs. Refer to the accounting policies, critical accounting estimates and judgements, disclosures of loans and advances and credit risk management in notes 2.2, 18 and 34.1 to the consolidated financial statements.

Other information included in The Group's 2017 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.

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



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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



29 March 2018

Cairo

Consolidated statement of profit or loss for the year ended December 31, 2017

	<i>Notes</i>	Dec. 31, 2017 EGP Thousands	Dec. 31, 2016 EGP Thousands
Interest and similar income		28,671,170	19,144,218
Interest and similar expense		<u>(16,167,383)</u>	<u>(9,127,195)</u>
Net interest income	3	<u>12,503,787</u>	<u>10,017,023</u>
Fee and commission income		2,676,944	1,965,529
Fee and commission expense		<u>(624,278)</u>	<u>(417,573)</u>
Net fee and commission income	4	<u>2,052,666</u>	<u>1,547,956</u>
Dividend income	5	34,514	34,236
Net trading income	6	1,292,215	1,315,182
Profits (Losses) on financial investments	22	165,111	(25,533)
Goodwill impairment	40	-	(217,078)
Administrative expenses	7	(3,983,324)	(3,119,378)
Other operating expenses	8	(1,059,651)	(1,233,620)
Impairment charge for credit losses	9	(1,742,281)	(892,874)
Intangible Assets amortization	40	-	-
Bank's share in the profits of associates	12	<u>29,066</u>	<u>2,989</u>
Profit before income tax from continuing operations		<u>9,292,103</u>	<u>7,428,903</u>
Current income tax expense		(2,778,973)	(2,017,034)
Deferred income tax	10.2	<u>(1,678)</u>	<u>(76,849)</u>
Net profit from continuing operations		<u>6,511,452</u>	<u>5,335,020</u>
Discontinuing Operations			
Profit from discontinuing operations (Net of tax)	39	122,234	127,376
Profit from disposal of discontinuing operations		<u>168,900</u>	<u>-</u>
Net profit for the year		<u>6,802,586</u>	<u>5,462,396</u>
Attributable to:			
Equity holders of the parent		6,778,536	5,448,248
Non-controlling interest		24,050	14,148
Net Profit for the year		<u>6,802,586</u>	<u>5,462,396</u>
Earning per share			
<i>11</i>			
Basic attributable to equity holders of the parent		5.85	4.72
Diluted attributable to equity holders of the parent		5.76	4.65
Earning per share from continuing operations			
Basic attributable to equity holders of the parent		5.60	4.61
Diluted attributable to equity holders of the parent		5.51	4.55

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

Consolidated statement of other comprehensive income for the year ended December 31, 2017

	<i>Notes</i>	Dec. 31, 2017 EGP Thousands	Dec. 31, 2016 EGP Thousands
Profit for the year		6,802,586	5,462,396
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net (Loss)/gain on available-for-sale financial assets		537,286	22,219
Cumulative foreign currencies translation differences	32	<u>(8,588)</u>	<u>8,588</u>
Other comprehensive income for the year		<u>528,698</u>	<u>30,807</u>
Total comprehensive income for the year		<u><u>7,331,284</u></u>	<u><u>5,493,203</u></u>
Attributable to:			
Equity holders of the parent		7,307,234	5,479,055
Non-controlling interest		24,050	14,148

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

Consolidated statement of financial position as at December 31, 2017

	<i>Notes</i>	Dec. 31, 2017 EGP Thousands	Dec. 31, 2016 EGP Thousands
Assets			
Cash and balances with central bank	<i>13</i>	14,663,289	10,522,040
Due from banks	<i>14</i>	45,319,766	58,011,034
Treasury bills and other governmental notes	<i>15</i>	54,478,202	39,177,184
Financial assets held for trading	<i>16</i>	7,295,197	2,445,134
Loans and advances to banks, net	<i>17</i>	1,313	159,651
Loans and advances to customers, net	<i>18</i>	88,427,103	85,224,148
Non current assets held for sale	<i>39</i>	-	4,890,438
Derivative financial instruments	<i>19</i>	40,001	269,269
Financial investments			
- Available for sale	<i>21</i>	30,474,781	5,447,291
- Held to maturity	<i>21</i>	45,167,722	53,924,936
Investments in associates and subsidiaries	<i>23</i>	65,039	36,723
Other assets	<i>24</i>	6,886,607	5,434,563
Goodwill	<i>40</i>	-	-
Intangible assets	<i>40</i>	651,041	651,041
Deferred tax assets	<i>10.2</i>	179,630	181,308
Property and equipment	<i>25</i>	1,415,746	1,324,808
Total assets		295,065,437	267,699,568
Liabilities and equity			
Liabilities			
Due to banks	<i>26</i>	1,877,918	3,008,996
Due to customers	<i>27</i>	250,723,052	231,740,795
Non current liabilities held for sale	<i>39</i>	-	3,684,676
Derivative financial instruments	<i>19</i>	196,984	331,091
Other liabilities	<i>29</i>	6,346,476	4,268,775
Current Tax Liability		2,778,973	2,017,034
Long term loans	<i>28</i>	3,674,736	160,243
Provisions	<i>30</i>	1,615,159	1,514,057
Total liabilities		267,213,298	246,725,667
Equity			
Issued and paid in capital	<i>31</i>	11,618,011	11,538,660
Reserves	<i>32</i>	8,867,806	3,448,737
Reserve for employee stock ownership plan (ESOP)		489,334	343,460
Retained earnings		6,876,988	5,509,967
Total equity attributable to equity holders of the parent		27,852,139	20,840,824
Non-controlling interest		-	133,077
Total equity		27,852,139	20,973,901
Total liabilities , equity and non-controlling interest		295,065,437	267,699,568

The accompanying 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
Attributable to equity holders of the parents

Dec. 31, 2017	Issued and paid in capital	Reserve for employee stock ownership plan (ESOP)	Retained earnings	Reserves	Total	Non-controlling interest	Total equity
							EGP Thousands
Beginning balance	11,470,603	248,148	4,160,601	149,480	16,028,832	47,432	16,076,264
Profit for the year	-	-	5,448,248	-	5,448,248	14,148	5,462,396
Other comprehensive income :							
Net (Loss)/gain on available-for-sale financial assets	-	-	-	22,219	22,219	-	22,219
Cumulative foreign currencies translation differences	-	-	-	8,588	8,588	-	8,588
Total comprehensive income	-	-	5,448,248	30,807	5,479,055	14,148	5,493,203
Capital increase	68,057	-	-	-	68,057	-	68,057
Reserve for employee stock ownership plan (ESOP)	-	187,000	-	-	187,000	-	187,000
Dividend	-	-	(1,467,346)	-	(1,467,346)	(1,395)	(1,468,741)
Transferred to reserves	-	(91,688)	(3,176,762)	3,268,450	-	-	-
Change during the year	-	-	545,226	-	545,226	72,892	618,118
Balance at 31 December 2016	11,538,660	343,460	5,509,967	3,448,737	20,840,824	133,077	20,973,901
Profit for the year	-	-	6,778,536.0	-	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 year	-	-	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

Consolidated cash flow statement for the year ended December 31, 2017

	Notes	Dec. 31, 2017 EGP Thousands	Dec. 31, 2016 EGP Thousands
Cash flow from operating activities			
Profit before income tax from continued operations		9,292,103	7,428,903
Profit before income tax from discontinued operations	40	-	158,040
Adjustments to reconcile net profit to net cash provided by operating activities			
Fixed assets depreciation		353,681	288,057
Impairment charge for credit losses		1,742,281	892,874
Other provisions charges		212,622	150,847
Trading financial investments revaluation differences		(248,072)	(269,283)
Available for sale and held to maturity investments exchange revaluation differences		100,078	(2,219,961)
Goodwill impairment		-	217,078
Financial investments impairment charge		(83,079)	82,428
Utilization of other provisions		(25,463)	(3,696)
Other provisions no longer used		(97,897)	(78,405)
Exchange differences of other provisions		11,840	583,550
Profits from selling property, plant and equipment		(607)	(1,682)
Profits from selling financial investments		99,047	(35,193)
Profits from selling investments in associates		-	90,447
Shares based payments		290,884	187,000
Bank's share in the profits of associates		(38,636)	(131,799)
Associates financial investments revaluation differences		228	683
Operating profits before changes in operating assets and liabilities		11,609,010	7,339,888
Net decrease (increase) in assets and liabilities			
Due from banks		(2,594,442)	264,072
Treasury bills and other governmental notes		(16,466,420)	(16,057,258)
Trading financial assets		(4,601,991)	3,672,526
Derivative financial instruments		95,161	(2,918)
Loans and advances to banks and customers		(4,019,132)	(29,440,654)
Other assets		(1,121,981)	(4,450,111)
Due to banks		(1,131,078)	1,408,227
Due to customers		18,802,058	76,506,379
Income tax obligations paid		(2,017,034)	(1,949,694)
Other liabilities		1,897,201	4,354,673
Net cash provided from operating activities		451,352	41,645,130
Cash flow from investing activities			
Proceeds from redemption of subsidiary and associates		750	(12,036)
Payment (proceeds) for purchases and sell of subsidiary and associates		(44,318)	176,161
Payment for purchases of property, plant, equipment and branches constructions		(745,089)	(560,631)
Proceeds from redemption of held to maturity financial investments		13,354,468	4,094
Payment for purchases of held to maturity financial investments		(4,597,254)	(44,667,810)
Payment for purchases of available for sale financial investments		(25,868,230)	(3,334,122)
Proceeds from selling available for sale financial investments		1,261,980	46,370,851
Proceeds from selling non current assets held for sale		628,521	(2,989)
Goodwill impairment		-	-
Non current assets held for sale		428,011	-
Net cash used in investing activities		(15,581,161)	(2,026,482)

**Consolidated cash flow statement for the year ended December 31, 2017
(Cont.)**

	Dec. 31, 2017 EGP Thousands	Dec. 31, 2016 EGP Thousands
Cash flow from financing activities		
Increase (decrease) in long term loans	3,524,063	28,915
Dividend paid	(1,350,204)	(1,463,450)
Capital increase	79,351	68,057
Payment related to finance lease	(3,588)	(12,380)
Net cash used in financing activities	<u>2,249,622</u>	<u>(1,378,858)</u>
Net increase (decrease) in cash and cash equivalent during the year	(12,880,187)	38,239,790
Beginning balance of cash and cash equivalent	<u>52,675,691</u>	<u>14,435,901</u>
Cash and cash equivalent at the end of the year	<u>39,795,504</u>	<u>52,675,691</u>
Cash and cash equivalent comprise:		
Cash and balances with central bank	14,663,289	10,522,040
Due from banks	45,319,766	58,011,034
Treasury bills and other governmental notes	54,478,202	39,177,184
Obligatory reserve balance with CBE	(8,878,986)	(5,438,235)
Due from banks with maturities more than three months	(11,132,919)	(11,408,904)
Treasury bills with maturity more than three months	<u>(54,653,848)</u>	<u>(38,187,428)</u>
Total cash and cash equivalent	<u>39,795,504</u>	<u>52,675,691</u>

Notes to the consolidated financial statements for the year ended December 31, 2017

1. Corporate information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate and investment banking services in various parts of Egypt through 174 branches, and 22 units (2016: 168 branches, and 24 units) employing 6551 (2016: 6422) employees at the balance sheet 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 and GDR on London Stock Exchange.

CI Capital Holding Co S.A.E. it was established as a joint stock company on April 9th, 2005 under the capital market law no. 95 of 1992 and its executive regulations. Financial register no. 166798 on April 10th, 2005 and the company have been licensed by the Capital Market Authority to carry out its activities under license no. 353 on May 24th, 2006.

On 20th of March 2017, the bank had started a partial sale of its ownership stake in CI Capital Holding (“CI Capital”). The bank’s current stake in CICH reached 10%, the investment is classified as AFS, and on December 31, 2017 CI Capital Holding Co. Directly owns the following shares in its subsidiaries:

Company name	December 31, 2017	December 31, 2016
	Ownership%	Ownership%
<input type="checkbox"/> CIBC Co.	98.96	98.96
<input type="checkbox"/> CI Assets Management	95.72	95.72
<input type="checkbox"/> CI Investment Banking Co.	99.27	99.54
<input type="checkbox"/> Dynamic Brokerage Co.	99.97	99.96
<input type="checkbox"/> Corplease	72.96	56.52

The bank owns investments in a subsidiary “C-Ventures”, in which the bank’s share is 99.99% approved by management committee dated 2nd of May 2017. The company is still under establishment and has not yet started its operations and has not been registered in the commercial register

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) is presented in note 35.2.4.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the bank and its subsidiaries as at 31 December 2017. 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 policies.

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 2017 is set out below in relation to the impairment of financial instruments and in the following notes:

- Note 34.4 – 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 30 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 33 -Share-based payments.
- Note 35 -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 35.4.

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) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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 year end. 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) Segment reporting

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

(22) 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) is 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 date of reclassification becomes its cost for subsequent accounting.

(23) 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.

(24) 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.

(25) 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.

(26) 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.

2.4. 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 9 Financial Instruments

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 initial assessment and analysis stage was completed at the end of 2017 for all work streams. Both the classification and measurement and impairment sub-teams have now finished the analysis and design phases and have assessed the corresponding disclosure requirements.

(a) Classification and measurement

From a classification and measurement perspective, the new standard will 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 will be 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 will 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 will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment, the Bank has concluded that:

● **No impact on financial liabilities**

Category of financial asset	Existing accounting	IFRS 9 accounting	Change under IFRS 9
Loans and receivables (corporate, retail, business banking)	Amortised cost	Amortised cost	No impact
Bonds, bills (sovereign, corporate) – held to maturity	Amortised cost	Amortised cost	No impact
Bonds, bills (sovereign, corporate) – classified as available for sale	FVOCI	FVOCI	No impact
Bonds, bills (sovereign, corporate) – held for trading	FVTPL	FVTPL	No impact
Equity investments – classified as available for sale	FVOCI	FVOCI (without recycling)	No impact
Equity investments – held for trading	FVTPL	FVTPL	No impact
Mutual funds	Amortised cost, FVTPL and FVOCI	Only FVTPL	All investments in mutual funds classified as FVTPL
Other financial assets	Amortised cost	Amortised cost	No impact

FVOCI = Fair value through other comprehensive income (previously, available for sale under IAS 39)

FVTPL = Fair value through profit or loss

(b) Impairment

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be 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 will estimate 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 to be more volatile than under IAS 39 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.

Having completed its initial assessment, the Bank has concluded that the impairment amount for IFRS 9 will be EGP 10.6 billion changed from current impairment by EGP 3.3 billion to be released to retained earnings.

(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.

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.

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	1/1/2017	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

Cash flow from financing activities	1/1/2016	New loans	Settlement	Capital increase	31/12/2016
Long term loans	131,328	60,800	(31,885)	-	160,243
Issued and paid in capital	11,470,603	-	-	68,057	11,538,660
Financial lease obligation	8,277	-	(2,885)	-	5,392
Total	11,610,208	60,800	(34,770)	68,057	11,704,295

3 Net interest income

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Interest and similar income		
- Banks	3,532,278	2,568,172
- Clients	<u>10,921,054</u>	<u>6,656,743</u>
	14,453,332	9,224,915
Treasury bills and bonds	14,039,447	9,794,089
Reverse repos	-	-
Financial investments in held to maturity and available for sale debt instruments	<u>178,391</u>	<u>125,214</u>
Total	<u><u>28,671,170</u></u>	<u><u>19,144,218</u></u>
Interest and similar expense		
- Banks	(463,409)	(115,577)
- Clients	<u>(15,686,959)</u>	<u>(9,010,782)</u>
	(16,150,368)	(9,126,359)
Financial instruments purchased with a commitment to re-sale (Repos)	(2,037)	(153)
Finance expense related to financial lease contract	(228)	(683)
Other loans	<u>(14,750)</u>	<u>-</u>
Total	<u><u>(16,167,383)</u></u>	<u><u>(9,127,195)</u></u>

4 Net fee and commission income

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Fee and commission income		
Fee and commissions related to credit	1,362,658	965,388
Custody fee	117,268	69,967
Other fee	<u>1,197,018</u>	<u>930,174</u>
Total	2,676,944	1,965,529
Fee and commission expense		
Other fee	<u>(624,278)</u>	<u>(417,573)</u>
Total	<u><u>(624,278)</u></u>	<u><u>(417,573)</u></u>

5 Dividend income

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Trading securities	11,475	5,045
Available for sale securities	<u>23,039</u>	<u>29,191</u>
Total	<u><u>34,514</u></u>	<u><u>34,236</u></u>

6 Net trading income

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Gain from foreign exchange	764,732	603,565
Forex gain from revaluations of trading assets and liabilities	-	-
	(17,118)	12,947
Gain (Loss) from forward foreign exchange deals revaluation	(23,732)	(15,055)
Loss from interest rate swaps revaluation	(21,230)	38,472
Profit (Loss) from currency swap deals revaluation	<u>589,563</u>	<u>675,253</u>
Net gains on trading securities	<u><u>1,292,215</u></u>	<u><u>1,315,182</u></u>

7 . Administrative expenses

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Staff costs		
Wages and salaries	(1,329,442)	(1,001,799)
Social insurance	(65,033)	(50,542)
Other benefits	(919,822)	(728,196)
Stock option	(290,884)	(187,000)
Depreciation *	(353,681)	(288,057)
Maintenance	(317,863)	(257,988)
Premises & Vehicles improvements and maintenance	(366,232)	(273,315)
Internship expense	(40,798)	(49,338)
Board Meeting & Director's expense	(2,420)	(2,266)
Other administrative expenses	(297,149)	(280,877)
Total	(3,983,324)	(3,119,378)
*include depreciation related to financial lease contract amounting to:	(2,676)	(2,676)

8 . Other operating (expenses) income

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Forex (losses) gains from non-trading assets and liabilities revaluation	(61,065)	(682,556)
Gains from selling property, plant and equipment	607	1,682
Charges of Provisions	(114,725)	(72,442)
Care Service & Cash Trans. Expense	(172,026)	(84,204)
Regulatory Expense	(270,050)	(232,635)
Consultants	(55,168)	(37,838)
IT communications	(82,365)	(85,584)
Utilities	(101,423)	(50,495)
Other income/expenses	(203,437)	10,451
Total	(1,059,651)	(1,233,620)

9 . Impairment charge for credit losses

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Loans and advances to customers	(1,742,281)	(892,874)
Total	(1,742,281)	(892,874)

10 . Income Taxes
10.1 Adjustments to calculate the effective tax rate

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Profit before tax	9,292,103	7,586,943
Tax rate	22.5%	22.5%
Income tax based on accounting profit	2,090,723	1,707,062
Add / (Deduct)		
Non-deductible expenses	505,586	1,079,614
Tax exemptions	(173,358)	(127,439)
Effect of provisions	256,358	(584,097)
Depreciation	(6,797)	42,922
10% Withholding tax	3,000	6,485
Income tax / Deferred tax	2,675,512	2,124,547
Effective tax rate	28.79%	28.00%

10.2 . Deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	Net balance at 1 January	Balance at 31 December 2017			Deferred tax liabilities
		Recognised in profit or loss	Net	Deferred tax assets	
Fixed assets (depreciation)	(28,741)	(2,668)	(31,409)	-	(31,409)
Other 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)

	Net balance at 1 January	Balance at 31 December 2016			Deferred tax liabilities
		Recognised in profit or loss	Net	Deferred tax assets	
Fixed assets (depreciation)	(22,367)	(6,374)	(28,741)	-	(28,741)
Provisions (excluded loan loss, contingent liabilities and income tax provisions)	14,553	1,747	16,300	16,300	-
Intangible Assets & Good will	3,255	13,835	17,090	17,090	-
Other investments impairment	123,243	(36,398)	86,845	86,845	-
Reserve for employee stock ownership plan (ESOP)	60,870	19,111	79,981	79,981	-
Interest rate swaps revaluation	335	3,387	3,722	3,722	-
Trading investment revaluation	78,927	(60,589)	18,338	18,338	-
Forward foreign exchange deals revaluation	(659)	(11,568)	(12,227)	-	(12,227)
Total Assets (Liabilities)	258,157	(76,849)	181,308	222,276	(40,968)

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.

11 Earning per share
(a) Basic earnings per share

(i) Profit attributable to ordinary shareholders (basic)

Net profit for the year attributable to equity holders of the bank

(ii) Weighted - average number of ordinary shares (basic)

Average number of shares

Basic earning per share
(b) Diluted earnings per share

(i) Profit attributable to ordinary shareholders (diluted)

Net profit for the year attributable to equity holders of the bank

(ii) Weighted - average number of ordinary shares (diluted)

Issued ordinary shares

Effect of ESOP program

Weighted - average number of ordinary shares diluted

Diluted earning per share

	Earning per share		Earning per share from continuing operations	
	Dec.31, 2017	Dec.31, 2016	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
Net profit for the year attributable to equity holders of the bank	6,778,536	5,448,248	6,487,402	5,320,872
Average number of shares	1,159,156	1,153,866	1,159,156	1,153,866
Basic earning per share	5.85	4.72	5.60	4.61
Net profit for the year attributable to equity holders of the bank	6,778,536	5,448,248	6,487,402	5,320,872
Issued ordinary shares	1,159,156	1,153,866	1,159,156	1,153,866
Effect of ESOP program	18,566	17,562	17,562	16,701
Weighted - average number of ordinary shares diluted	1,177,722	1,171,428	1,176,718	1,170,567
Diluted earning per share	5.76	4.65	5.51	4.55

12 . Bank's share in the profits of associates

- Haykala for Investment

- International Co. for Security and Services (Falcon)

Total

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
- Haykala for Investment	-	(602)
- International Co. for Security and Services (Falcon)	29,066	3,591
Total	29,066	2,989

13 . Cash and balances with central bank

Cash

Current accounts

Total
Non-interest bearing balances

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Cash	5,784,303	5,083,805
Current accounts	8,878,986	5,438,235
Total	14,663,289	10,522,040
Non-interest bearing balances	14,663,289	10,522,040

14 . Due from banks

Current accounts

Deposits

Total

Central banks

Local banks

Foreign banks

Total

Non-interest bearing balances

Fixed interest bearing balances

Total

Current balances

Total

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Current accounts	2,679,189	4,090,352
Deposits	42,640,577	53,920,682
Total	45,319,766	58,011,034
Central banks	15,863,399	37,447,892
Local banks	3,894,775	204,309
Foreign banks	25,561,592	20,358,833
Total	45,319,766	58,011,034
Non-interest bearing balances	-	33
Fixed interest bearing balances	45,319,766	58,011,001
Total	45,319,766	58,011,034
Current balances	45,319,766	58,011,034
Total	45,319,766	58,011,034

15 Treasury bills and other governmental notes

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
91 Days maturity	-	1,051,375
182 Days maturity	1,289,425	4,350,975
364 Days maturity	57,602,997	36,010,730
Unearned interest	(4,238,574)	(2,196,693)
Total 1	54,653,848	39,216,387
Repos - treasury bills	(175,646)	(39,203)
Total 2	(175,646)	(39,203)
Total (1+2)	54,478,202	39,177,184

16 Financial assets held for trading

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Debt instruments		
- Governmental bonds	6,728,843	1,933,420
Total	6,728,843	1,933,420
Equity instruments		
- Mutual funds	99,587	180,157
Total	99,587	180,157
- Portfolio managed by others	466,767	331,557
Total	7,295,197	2,445,134

17. Loans and advances to banks, net

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Time and term loans	1,383	161,451
Less: Impairment provision	(70)	(1,800)
Total	1,313	159,651
Current balances	1,313	110,053
Non-current balances	-	49,598
Total	1,313	159,651

Analysis for impairment provision of loans and advances to banks

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Beginning balance	1,800	9,899
Charge during the year	(1,697)	(20,368)
Exchange revaluation difference	(33)	12,269
Ending balance	70	1,800

18 . Loans and advances to customers, net

	Dec.31, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Individual		
- Overdraft	1,780,416	1,901,875
- Credit cards	2,899,930	2,423,125
- Personal loans	13,910,837	10,745,352
- Real estate loans	416,616	306,930
- Other loans	-	20,838
Total 1	19,007,799	15,398,120
Corporate		
- Overdraft	12,450,826	12,452,698
- Direct loans	44,200,770	44,503,511
- Syndicated loans	26,627,825	24,840,803
- Other loans	112,802	110,382
Total 2	83,392,223	81,907,394
Total Loans and advances to customers (1+2)	102,400,022	97,305,514
Less:		
Unamortized bills discount*	(12,476)	(5,533)
Impairment provision	(13,960,443)	(12,075,833)
Net loans and advances to customers	88,427,103	85,224,148
Distributed to		
Current balances	38,960,491	36,671,277
Non-current balances	49,466,612	48,552,871
Total	88,427,103	85,224,148

*At 31 December 2017 Impairment provision includes EGP 2,965,997 representing the interest in suspense and the provision of EGP 10,994,446 also at 31 December 2016 Impairment provision includes EGP 2,257,826 representing the interest in suspense and the provision of EGP 9,818,007.

Analysis for impairment provision of loans and advances to customers

	<u>Individual</u>				<u>Total</u>
	<u>Overdraft</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Real estate loans</u>	
Dec.31, 2017					
Beginning balance	(11,166)	(25,056)	(190,592)	(7,801)	(255,453)
(Charged) released during the year	(5,556)	(15,328)	(37,906)	(3,743)	(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	<u>(3,297)</u>	<u>(25,667)</u>	<u>(226,996)</u>	<u>(9,496)</u>	<u>(265,456)</u>

	<u>Corporate</u>			<u>Total</u>
	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	
Dec.31, 2017				
Beginning balance	(1,342,010)	(1,775,873)	(2,444)	(9,562,554)
(Charged) released during the year	(387,038)	(1,125,372)	(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	6	176,716
Ending balance	<u>(1,707,127)</u>	<u>(7,107,690)</u>	<u>(2,947)</u>	<u>(10,728,990)</u>

	<u>Individual</u>			<u>Total</u>
	<u>Overdraft</u>	<u>Credit cards</u>	<u>Real estate loans</u>	
Dec.31, 2016				
Beginning balance	(11,835)	(26,985)	(10,192)	(205,232)
Charged during the year	669	(20,366)	2,391	(72,285)
Write off during the year	-	37,099	6	37,105
Recoveries during the year	-	(14,804)	(237)	(15,041)
Ending balance	<u>(11,166)</u>	<u>(25,056)</u>	<u>(7,801)</u>	<u>(255,453)</u>

	<u>Corporate</u>			<u>Total</u>
	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	
Dec.31, 2016				
Beginning balance	(589,620)	(1,024,226)	(1,327)	(4,503,875)
Charged (Released) during the year	(132,021)	498,657	(1,117)	(840,957)
Write off during the year	-	71,767	-	71,767
Recoveries during the year	-	(33,221)	-	(33,221)
Exchange revaluation difference	(620,369)	(2,385,595)	-	(4,256,268)
Ending balance	<u>(1,342,010)</u>	<u>(6,442,227)</u>	<u>(2,444)</u>	<u>(9,562,554)</u>

Refer to Note 18 page 20.

19 . Derivative financial instruments
19.1 . Derivatives

A derivative is a financial instrument or other contract with all three of the following characteristics:

- 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');
- 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.
- it is settled at a future date.

19.1.1 . For trading derivatives

	Dec.31, 2017			Dec.31, 2016		
	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>
Foreign currencies derivatives						
- Forward foreign exchange contracts	6,820,350	36,597	49,687	2,174,176	182,508	178,479
- Currency swap	1,640,985	3,117	5,860	2,662,940	79,890	61,404
- Options	-	-	-	-	-	-
Total 1		<u>39,714</u>	<u>55,547</u>		<u>262,398</u>	<u>239,883</u>
Interest rate derivatives						
- Interest rate swaps	-	-	-	34,706	144	-
Total 2		<u>-</u>	<u>-</u>		<u>144</u>	<u>-</u>
Total assets (liabilities) for trading derivatives (1+2)		<u>39,714</u>	<u>55,547</u>		<u>262,542</u>	<u>239,883</u>
19.1.2 . Fair value hedge						
Interest rate derivatives						
- Governmental debt instruments hedging	655,925	-	25,996	675,861	-	45,629
- Customers deposits hedging	11,506,784	287	115,441	16,382,128	6,727	45,579
Total 3		<u>287</u>	<u>141,437</u>		<u>6,727</u>	<u>91,208</u>
Total financial derivatives (1+2+3)		<u>40,001</u>	<u>196,984</u>		<u>269,269</u>	<u>331,091</u>
Distributed To:						
Current:		41,440	59,223		264,124	243,559
Non-current:		<u>1,439</u>	<u>137,761</u>		<u>5,145</u>	<u>87,532</u>
Total		<u>40,001</u>	<u>196,984</u>		<u>269,269</u>	<u>331,091</u>

20 Hedging derivatives
20.1 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, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Gains/(Losses) on:		
- Hedged instruments	(56,669)	(48,249)
- Hedged item attributable to hedged risk	36,564	25,735
Net Gains/(Losses) on hedge	(20,105)	(22,514)

21 Financial investments

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Available for sale		
- Listed debt instruments with fair value	29,632,780	4,709,487
- Listed equity instruments with fair value	83,346	97,631
- Unlisted instruments	758,655	640,173
Total	30,474,781	5,447,291
Held to maturity		
- Listed debt instruments	45,135,209	53,892,423
- Unlisted instruments	32,513	32,513
Total	45,167,722	53,924,936
Total financial investment	75,642,503	59,372,227
Fixed interest debt instruments	72,612,620	56,090,139
Floating interest debt instruments	2,155,369	2,511,772
Total	74,767,989	58,601,911

	<u>Available for sale</u> <u>financial</u> <u>investments</u>	<u>Held to maturity</u> <u>financial</u> <u>investments</u>	<u>Total</u>
	EGP Thousands		
Beginning balance 2016	46,289,075	9,261,220	55,550,295
Addition	3,334,122	44,667,810	48,001,932
Deduction (selling - redemptions)	(46,335,658)	(4,094)	(46,339,752)
Exchange revaluation differences for foreign financial assets	2,219,961	-	2,219,961
Gain from fair value difference	42,132	-	42,132
Impairment charges	(102,341)	-	(102,341)
Ending Balance	5,447,291	53,924,936	59,372,227

Beginning balance 2017	5,447,291	53,924,936	59,372,227
Addition	25,868,230	4,597,254	30,465,484
Deduction (selling - redemptions)	(1,361,027)	(13,354,468)	(14,715,495)
Exchange revaluation differences for foreign financial assets	(100,078)	-	(100,078)
losses from fair value difference	512,016	-	512,016
Impairment charges	108,349	-	108,349
Ending Balance	30,474,781	45,167,722	75,642,503

22 . Profits (Losses) on financial investments

Profit (Loss) from selling available for sale financial instruments	
Released (Impairment) charges of available for sale equity instruments	
Released (Impairment) charges of non current assets held for sale	
Total	

Dec.31, 2017	Dec.31, 2016
EGP Thousands	EGP Thousands
(99,047)	35,193
254,588	(102,078)
-	(90,447)
9,570	131,799
<u>165,111</u>	<u>(25,533)</u>

23 Investments in associates and subsidiaries
Dec.31, 2017
Associates
- International Co. for Security and Services (Falcon)
Total

<u>Business activity</u>	<u>Company's country</u>	<u>Company's current assets</u>	<u>Company's non current assets</u>	<u>Company's current liabilities</u>	<u>Company's non current liabilities</u>	<u>Company's revenues</u>	<u>Company's net profit</u>	<u>Investment book value</u>	<u>Stake %</u>
Security Services	Egypt	153,716	358,672	110,241	257,229	505,461	52,695	65,039	33
		<u>153,716</u>	<u>358,672</u>	<u>110,241</u>	<u>257,229</u>	<u>505,461</u>	<u>52,695</u>	<u>65,039</u>	

Dec.31, 2016
Associates
- International Co. for Security and Services (Falcon)
Total

<u>Business activity</u>	<u>Company's country</u>	<u>Company's current assets</u>	<u>Company's non current assets</u>	<u>Company's current liabilities</u>	<u>Company's non current liabilities</u>	<u>Company's revenues</u>	<u>Company's net profit</u>	<u>Investment book value</u>	<u>Stake %</u>
Security Services	Egypt	90,222	210,517	62,456	145,732	301,390	12,478	36,723	35
		<u>90,222</u>	<u>210,517</u>	<u>62,456</u>	<u>145,732</u>	<u>301,390</u>	<u>12,478</u>	<u>36,723</u>	

The bank's share of profit from continuing operations

The bank's share of total comprehensive income

Dec.31, 2017	Dec.31, 2016
EGP Thousands	EGP Thousands
29,066	2,989
<u>29,066</u>	<u>2,989</u>

The Dividends distributed to the bank from associates

24 . Other assets

Accrued revenues	
Prepaid expenses	
Advances to purchase fixed assets	
Accounts receivable and other assets	
Assets acquired as settlement of debts	
Total	

Dec.31, 2017	Dec.31, 2016
EGP Thousands	EGP Thousands
3,870,454	-
255,269	3,318,761
522,211	164,190
2,193,590	203,410
45,083	1,691,603
<u>6,886,607</u>	<u>5,434,563</u>

25 . Property and equipment

	<u>Land</u>	<u>Premises</u>	<u>IT</u>	<u>Vehicles</u>	<u>Fitting-out</u>	<u>Machines and equipment</u>	<u>Furniture and furnishing</u>	<u>Total</u>
Balance as at Jan.1, 2016	64,708	791,407	1,192,514	70,162	483,216	482,097	145,157	3,229,261
Additions during the year 2016	-	114,336	203,124	17,499	124,556	43,777	12,813	516,105
Ending gross assets at end of the year 2016	64,708	905,743	1,395,638	87,661	607,772	525,874	157,970	3,745,366
Accu.depreciation as at Jan.1, 2016	-	267,302	897,584	42,250	413,847	387,421	124,097	2,132,501
Depreciation 2016	-	34,958	131,660	5,654	54,520	47,501	13,764	288,057
Accu.depreciation at end of the year 2016	-	302,260	1,029,244	47,904	468,367	434,922	137,861	2,420,558
Net book value 20156	64,708	603,483	366,394	39,757	139,405	90,952	20,109	1,324,808
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

26 Due to banks

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Current accounts	1,067,374	271,470
Deposits	810,544	2,737,526
Total	1,877,918	3,008,996
Central banks	128,527	163,420
Local banks	714,294	2,636,009
Foreign banks	1,035,097	209,567
Total	1,877,918	3,008,996
Non-interest bearing balances	740,158	545,463
Fixed interest bearing balances	1,137,760	2,463,533
Total	1,877,918	3,008,996
Current balances	1,877,918	3,008,996
Non-current balances	-	-
Total	1,877,918	3,008,996

27 Due to customers

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Demand deposits	72,442,872	60,068,884
Time deposits	49,952,470	57,478,218
Certificates of deposit	70,486,930	69,215,320
Saving deposits	53,075,098	38,519,158
Other deposits	4,765,682	6,459,215
Total	250,723,052	231,740,795
Corporate deposits	107,753,682	110,157,621
Individual deposits	142,969,370	121,583,174
Total	250,723,052	231,740,795
Non-interest bearing balances	43,229,085	37,066,683
Fixed interest bearing balances	207,493,967	194,674,112
Total	250,723,052	231,740,795
Current balances	178,786,275	159,492,892
Non-current balances	71,936,777	72,247,903
Total	250,723,052	231,740,795

The fair value of those deposits approximates the carrying amount.

28 Long term loans

	<u>Interest rate %</u>	<u>Maturity date</u>	<u>Maturing through next year</u>		<u>Balance on</u>	
			EGP Thousands	Dec.31, 2017	EGP Thousands	Dec.31, 2016
Financial Investment & Sector Cooperation (FISC)	3.5 - 5.5 depends on maturity date	3-5 years	-	-	-	2,778
Environmental Compliance Project (ECO)	depends on maturity date 5.5 - 3.5	3-5 years	-	-	-	-
Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years	83,886	87,314	88,800	88,800
Social Fund for Development (SFD)	3 months T/D or 9% which is more	04-Jan-20	41,882	41,882	68,665	68,665
European Bank for Reconstruction and Development (EBRD) subordinated Loan	3 months libor + 6.2%		-	1,772,770	-	-
International Finance Corporation (IFC) subordinated Loan	3 months libor + 6.2%		-	1,772,770	-	-
International Finance Corporation (IFC) subordinated Loan			125,768	3,674,736	160,243	160,243

29 Other liabilities

	Dec.31, 2017	Dec.31, 2016
Accrued interest payable	EGP Thousands	EGP Thousands
	1,516,471	1,455,029
Accrued expenses	507,543	645,979
Accounts payable	4,145,491	2,013,241
Financial lease obligation	1,804	5,392
Other payables	175,167	149,134
Total	6,346,476	4,268,775
Distributed to:		
Current	6,346,476	4,266,971
Non Current	-	1,804

29.1 Finance lease and hire purchase commitments

The bank had leased machines and equipment (printers) calculated the PV of the 1st contract dated first of September 2010 ending September 2013 amounted to EGP 52,923,687 using the interest rate on taxable treasury bonds maturing in the same period which is 12.8%. Also the bank had calculated the PV of the 2nd contract dated 15 of June 2013 ending June 2017 amounted to EGP 13,378,237 using the interest rate on taxable treasury bonds maturing in the same period which is 14.50%. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	Dec.31, 2017		Dec.31, 2016	
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
After one year but not more than five years				
Total minimum lease payments	2,032	1,804	3,816	3,588
Less amounts representing finance charges	(228)	-	1,804	1,804
Present value of minimum lease payments	1,804	1,804	5,620	5,392
			(228)	-
			5,392	5,392

30 . Provisions

	<u>Beginning balance</u>	<u>Charged amounts</u>	<u>Exchange revaluation difference</u>	<u>Utilized amounts</u>	<u>Reversed amounts</u>	<u>Ending balance</u>
Dec.31, 2017						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 Stamp duty	-	-	-	-	-	-
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
Dec.31, 2016						EGP Thousands
Provision for income tax claims	6,910	-	-	-	-	6,910
Provision for legal claims	41,324	9,630	1,456	(924)	(5,451)	46,035
Provision for Stamp duty	31,000	-	-	-	(31,000)	-
Provision for contingent liabilities	759,173	132,845	579,997	-	(37,312)	1,434,703
Provision for other claim	23,354	8,372	2,097	(2,772)	(4,642)	26,409
Total	861,761	150,847	583,550	(3,696)	(78,405)	1,514,057

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.

31 . Issued and paid in capital

	2017 EGP Thousands	2016 EGP Thousands
Authorized capital	20,000,000	20,000,000
Issued and Paid in Capital	11,618,011	11,538,660
Number of shares outstanding in Thousands	1,161,801	1,153,866

	2017 EGP	2016 EGP
Par value per share	10	10

- Increase issued and Paid in Capital by amount EGP 79,351 thousand on May 17, 2017 to reach EGP 11,618,011 thousand according to Board of Directors decision on November 9, 2016 by issuance of eighth tranche for E.S.O.P program.

32 . Reserves

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Legal reserve	1,332,807	1,035,363
General reserve	9,145,497	4,554,251
Special reserve	32,460	30,778
Cumulative foreign currencies translation differences	-	8,588
Reserve for A.F.S investments revaluation difference	(1,642,958)	(2,180,243)
Total	<u>8,867,806</u>	<u>3,448,737</u>

32.1 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.

32.2 . 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.

32.3 . Special reserve

The special reserve represents profits transferred in accordance with the resolutions of the general assembly meetings of dated 4 March 2016.

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.

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

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

33 . 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, 2017	Dec.31, 2016
	<u>No. of shares in</u>	<u>No. of shares in</u>
	<u>Thousands</u>	<u>Thousands</u>
Outstanding at the beginning of the year	22,351	20,373
Granted during the year	7,601	9,262
Forfeited during the year	(737)	(478)
Exercised during the year	(7,935)	(6,806)
Outstanding at the end of the year	21,280	22,351

Details of the rights to share outstanding during the 2016 are as follows :

Maturity date	EGP		No. of shares in thousand
	Exercise price	Fair value	
2018	10.00	31.67	5,077
2019	10.00	28.43	8,791
2020	10.00	65.55	7,412
Total			21,280

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

	<u>11th tranche</u>	<u>10th tranche</u>
Exercise price	10	10
Current share price	73.08	38.09
Expected life (years)	3	3
Risk free rate %	16.77%	12.40%
Dividend yield%	0.68%	2.50%
Volatility%	30%	31%

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

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Expense arising from equity-settled share-based payment transactions	(note 7) 290,884	187,000

Maturity date	EGP	
	Exercise price	Average market value during the exercise date
2016	10.00	46.67
2017	10.00	78.42

34. 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.

34.1. 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 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.

34.1.1. Credit risk measurement

34.1.1.1. 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 grade

1	performing loans
2	regular watching
3	watch list
4	non-performing loans

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.

34.1.1.2. 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.

34.1.2. 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:

34.1.2.1. 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.

34.1.2.2. 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.

34.1.2.3. 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.

34.1.3. 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

Bank's rating	December 31, 2017			December 31, 2016		
	Loans and advances	Impairment provision	Net Loans and advances	Loans and advances	Impairment provision	Net Loans and advances
1-Performing loans	71,193	1,276	69,917	66,541	1,354	65,187
2-Regular watching	15,906	2,365	13,541	17,967	1,918	16,049
3-Watch list	8,183	2,606	5,577	6,373	1,651	4,722
4-Non-Performing Loans	7,120	4,747	2,373	6,586	4,898	1,688
Total	102,402	10,994	91,408	97,467	9,821	87,646

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.

34.1.4. Maximum exposure to credit risk before collateral held

	Dec. 31, 2017 EGP Thousands	Dec. 31, 2016 EGP Thousands
In balance sheet items exposed to credit risk		
Treasury bills and other governmental notes	54,653,848	39,216,387
Trading financial assets:		
- Debt instruments	6,728,843	1,933,420
Gross loans and advances to banks	1,383	161,451
Less: Impairment provision	(70)	(1,800)
Gross loans and advances to customers		
Individual:		
- Overdraft	1,780,416	1,901,875
- Credit cards	2,899,930	2,423,125
- Personal loans	13,910,837	10,745,352
- Mortgages	416,616	306,930
- Other loans	-	20,838
Corporate:		
- Overdraft	12,450,826	12,452,698
- Direct loans	44,200,770	44,503,511
- Syndicated loans	26,627,825	24,840,803
- Other loans	112,802	110,382
Unamortized bills discount	(12,476)	(5,533)
Impairment provision	(13,960,443)	(12,075,833)
Derivative financial instruments	40,001	269,269
Financial investments:		
-Debt instruments	74,767,989	58,601,911
Total	224,619,097	185,404,786
Off balance sheet items exposed to credit risk		
Customers acceptances	1,017,690	650,607
Letters of credit (import and export)	1,700,516	2,382,849
Letter of guarantee	69,514,413	65,575,370
Total	72,232,619	68,608,826

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

For assets recognized on balance sheet, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

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 individually 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.

34.1.5. Loans and advances

Loans and advances are summarized as follows:

	Dec.31, 2017		Dec.31, 2016	
	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	89,395,036	1,383	85,586,627	161,451
Past due but not impaired	5,884,880	-	5,133,220	-
Individually impaired	7,120,106	-	6,585,667	-
Gross	102,400,022	1,383	97,305,514	161,451
Less:				
Impairment provision	13,960,443	70	12,075,833	1,800
Unamortized bills discount	12,476	-	5,533	-
Net	88,427,103	1,313	85,224,148	159,651

Impairment provision distributed to:

Collective provision	205,235	-	205,235	-
Specific provision	4,513,701	70	4,511,971	1,800
Total	4,718,936	70	4,717,206	1,800

Refer to Note 18 page 20.

Impairment provision losses for loans and advances reached EGP 10,994,516 thousand.

During the year, the Bank's total loans and advances increased by 4.24%.

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.

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	Percentage of exposure that is subject to collateral requirements		
	Dec. 31, 2017	Dec. 31, 2016	Principal type of collateral held
Trading derivative assets	100	100	Cash
Derivative assets held for risk management	100	100	Cash
Loans and advances to banks			
Reverse sale and repurchase agreements	100	100	Marketable securities
Loans and advances to retail customers			
Mortgage lending	80	80	Residential property
Personal loans	100	100	Cash
Credit cards	-	-	None
Loans and advances to corporate customers			
Other	40	40	Cash
Reverse sale and repurchase agreements	100	100	Marketable securities
Investment debt securities	-	-	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, 2017	Dec. 31, 2016
Less than 50%	-	-
51–70%	-	-
71–90%	416,616	306,930
91–100%	-	-
More than 100%	-	-
Total	416,616	306,930

**34.1.6. Loans and advances
 Net loans and advances to customers and banks (after deducting impairment provision):**

Dec. 31, 2017	Individual						Corporate						EGP Thousands	
	Overdrafts	Credit cards	Personal loans	Mortgages	Other loans	Total loans and advances to individual	Overdraft	Direct loans	Syndicated loans	Other loans	Total loans and advances to corporate	Total loans and advances to banks		
Performing loans	1,648,245	2,781,232	13,101,740	405,931	-	17,937,148	8,828,336	22,580,167	20,475,961	94,665	51,979,129	-		
Regular watching	76,768	56,114	123,173	-	-	256,055	800,290	9,619,251	2,848,444	15,190	13,283,175	1,313		
Watch list	12,976	22,537	18,120	-	-	53,633	463,257	3,918,513	1,141,383	-	5,523,153	-		
Non-performing loans	39,130	14,380	440,808	1,189	-	495,507	651,816	975,149	250,811	-	1,877,776	-		
Total	1,777,119	2,874,263	13,683,841	407,120	-	18,742,343	10,743,699	37,093,080	24,716,599	109,855	72,663,233	1,313		
Dec. 31, 2016	Corporate												EGP Thousands	
Grades:	Overdrafts	Credit cards	Personal loans	Mortgages	Other loans	Total loans and advances to individual	Overdraft	Direct loans	Syndicated loans	Other loans	Total loans and advances to corporate	Total loans and advances to banks		
Performing loans	1,784,301	2,312,458	10,137,283	296,473	-	14,530,515	9,279,904	22,692,882	18,424,107	100,340	50,497,233	159,651		
Regular watching	75,133	51,696	227,952	-	-	354,781	1,000,619	10,215,887	4,470,640	7,598	15,694,744	-		
Watch list	13,589	19,202	85,313	-	-	118,104	352,793	4,251,195	-	-	4,603,988	-		
Non-performing loans	17,686	14,713	104,211	2,657	-	139,267	477,372	901,320	170,183	-	1,548,875	-		
Total	1,890,709	2,398,069	10,554,759	299,130	-	15,142,667	11,110,688	38,061,284	23,064,930	107,938	72,344,840	159,651		

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.

	Individual				Corporate				Total
	Overdrafts	Credit cards	Personal loans	Mortgages	Overdraft	Direct loans	Syndicated loans	Total	
Dec.31, 2017									
Past due up to 30 days	530,593	395,709	33,155	580	445,730	3,634,181	3,071	4,082,982	
Past due 30 - 60 days	77,071	59,927	19,547	199	30,531	58,688	-	89,219	
Past due over 60 days	13,038	27,020	10,520	69	427,811	117,440	-	545,251	
Total	620,702	482,656	63,222	848	904,072	3,810,309	3,071	4,717,452	
Dec.31, 2016									
Past due up to 30 days	582,120	422,066	24,732	751	400,439	2,522,360	43,878	2,966,677	
Past due 30-60 days	75,290	54,952	14,679	66	74,593	55,022	-	129,615	
Past due over 60 days	13,801	22,964	9,382	21	423,474	392,630	-	816,104	
Total	671,211	499,982	48,793	838	898,506	2,970,012	43,878	3,912,396	

Individually impaired loans

Loans and advances individually assessed without taking into consideration cash flows from guarantees are totaled EGP 7,120,106 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:

	Individual				Corporate				Total
	Overdrafts	Credit cards	Personal loans	Mortgages	Overdraft	Direct loans	Syndicated loans	Other loans	
Dec.31, 2017									
Individually impaired loans	40,792	24,067	621,211	3,960	1,736,440	3,445,855	1,257,781	-	7,120,106
Dec.31, 2016									
Individually impaired loans	26,350	25,180	248,302	7,479	1,368,375	3,569,454	1,319,689	-	6,585,667

Refer to Note 18 page 20.

Loans and advances restructured

Restructuring activities include rescheduling 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, 2017 Dec.31, 2016

Loans and advances to customer
Corporate

- Direct loans	8,577,197	7,771,415
Total	8,577,197	7,771,415

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 :

Dec.31, 2017	EGP Thousands			Total
	Treasury bills and other gov. notes	Trading financial debt instruments	Non-trading financial debt instruments	
AAA	-	-	-	-
AA- to AA+	-	-	431,011	431,011
A- to A+	-	-	1,724,358	1,724,358
B-	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.

Dec.31, 2016

Dec.31, 2016	EGP Thousands			Total
	Treasury bills and other gov. notes	Trading financial debt instruments	Non-trading financial debt instruments	
AAA	-	-	72,175	72,175
AA- to AA+	-	-	335,898	335,898
A- to A+	-	-	2,103,699	2,103,699
Lower than A-	39,177,184	1,933,420.00	56,090,139	97,200,743
Unrated*	-	-	-	-
Total	39,177,184	1,933,420	58,601,911	99,712,515

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

34.1.8. Concentration of risks of financial assets with credit risk exposure
34.1.8.1. 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, 2017	<u>Cairo</u>	<u>Alex, Delta and Sinai</u>	<u>Upper Egypt</u>	<u>Total</u>
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
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

Dec.31, 2016	<u>Cairo</u>	<u>Alex, Delta and Sinai</u>	<u>Upper Egypt</u>	<u>Total</u>
Treasury bills and other governmental notes	39,216,387	-	-	39,216,387
Trading financial assets:				
- Debt instruments	1,933,420	-	-	1,933,420
Gross loans and advances to banks	161,451	-	-	161,451
Less: Impairment provision	(1,800)	-	-	(1,800)
Gross loans and advances to customers				
Individual:				
- Overdrafts	1,079,308	610,432	212,135	1,901,875
- Credit cards	1,966,055	389,788	67,282	2,423,125
- Personal loans	6,853,463	3,245,954	645,935	10,745,352
- Mortgages	245,530	54,338	7,062	306,930
- Other loans	-	20,838	-	20,838
Corporate:				
- Overdrafts	9,799,474	1,931,226	721,998	12,452,698
- Direct loans	31,427,313	11,029,913	2,046,285	44,503,511
- Syndicated loans	21,312,520	3,245,102	283,181	24,840,803
- Other loans	82,382	28,000	-	110,382
Unamortized bills discount	(5,533)	-	-	(5,533)
Impairment provision	(11,487,211)	(483,152)	(105,470)	(12,075,833)
Derivative financial instruments	269,269	-	-	269,269
Financial investments:				
-Debt instruments	58,601,911	-	-	58,601,911
-Investments in associates	36,723	-	-	36,723
Total	161,490,662	20,072,439	3,878,408	185,441,509

Refer to Note 18 page 20.

34.1.8.2. Industry analysis

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

Dec.31, 2017	EGP Thousands							
	<u>Financial institutions</u>	<u>Manufacturing</u>	<u>Real estate</u>	<u>Wholesale and retail trade</u>	<u>Government sector</u>	<u>Other activities</u>	<u>Individual</u>	<u>Total</u>
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 associates and subsidiaries	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

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 2016.

Dec.31, 2016	EGP Thousands							
	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Government sector	Other activities	Individual	Total
Treasury bills and other governmental notes	-	-	-	-	39,216,387	-	-	39,216,387
Trading financial assets:								
- Debt instruments	-	-	-	-	1,933,420	-	-	1,933,420
Gross loans and advances to banks	161,451	-	-	-	-	-	-	161,451
Less: Impairment provision	(1,800)	-	-	-	-	-	-	(1,800)
Gross loans and advances to customers								
Individual:								
- Overdrafts	-	-	-	-	-	-	1,901,875	1,901,875
- Credit cards	-	-	-	-	-	-	2,423,125	2,423,125
- Personal loans	-	-	-	-	-	-	10,745,352	10,745,352
- Mortgages	-	-	-	-	-	-	306,930	306,930
- Other loans	-	-	-	-	-	-	20,838	20,838
Corporate:								
- Overdrafts	147,328	4,526,400	1,176,583	663,838	1,204,861	4,733,688	-	12,452,698
- Direct loans	751,342	20,125,913	189,348	875,430	3,405,137	19,156,341	-	44,503,511
- Syndicated loans	181,240	12,625,703	460,604	-	9,838,108	1,735,148	-	24,840,803
- Other loans	2,343	108,039	-	-	-	-	-	110,382
Unamortized bills discount	(5,533)	-	-	-	-	-	-	(5,533)
Impairment provision	(24,793)	(5,217,070)	(12,341)	(105,380)	(45,807)	(6,403,033)	(267,409)	(12,075,833)
Derivative financial instruments	269,269	-	-	-	-	-	-	269,269
Financial investments:								
- Debt instruments	2,511,772	-	-	-	56,090,139	-	-	58,601,911
- Investments in subsidiary and associates	36,723	-	-	-	-	-	-	36,723
Total	4,029,342	32,168,985	1,814,194	1,433,888	111,642,245	19,222,144	15,130,711	185,441,509

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

Refer to Note 18 page 20.

34.2. Market risk

Market risk represented 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.

34.2.1. 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, 2017		Dec.31, 2016	
	Carrying amount	Market risk measure Trading portfolios Non-trading portfolios	Carrying amount	Market risk measure Trading portfolios Non-trading portfolios
Assets subject to market risk				
Cash and cash equivalents	14,663,289	-	10,522,040	-
Trading assets	7,295,197	7,295,197	2,445,134	2,445,134
Derivatives held for risk management	40,001	39,714	269,269	262,542
Loans and advances to banks	1,313	-	159,651	6,727
Loans and advances to customers	88,427,103	-	85,224,148	-
Investment securities	75,642,503	-	59,372,227	-
Liabilities subject to market risk				
Trading liabilities	-	-	-	-
Derivatives held for risk management	196,984	55,547	331,091	239,883
Deposits	252,600,970	-	234,749,791	-
Debt securities	-	-	-	-
Subordinated liabilities	-	-	-	-

34.2.1.1. 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.

35.2.1.2. 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.

34.2.2. Value at risk (VaR) Summary

Total VaR by risk type	Dec.31, 2017			Dec.31, 2016		
	Medium	High	Low	Medium	High	Low
Foreign exchange risk	13,647	82,695	275	31,561	300,218	276
Interest rate risk	588,938	815,249	363,366	365,258	1,028,396	112,744
Equities risk	-	-	-	-	-	-
Portfolio managed by others risk	7,280	10,454	4,854	4,775	10,341	2,682
Investment fund	370	692	215	392	643	264
Total VaR	591,508	826,941	364,408	381,247	1,193,075	113,480

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.

34.2.3. 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.

	Foreign Currencies				Equivalent EGP
	Local Currency	USD	EUR	Other	
	EGP		GBP		Total
Dec.31, 2016					
Financial assets					
Cash and balances with Central Bank	10,910,051	2,419,832	849,425	71,041	14,663,289
Due from banks	4,465,131	31,854,175	7,996,060	875,492	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	304,143,976
Financial liabilities					
Due to banks	534,701	1,212,410	45,974	26,079	1,877,918
Due to customers	152,712,537	85,772,953	10,952,101	935,525	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	256,472,690
Net on-balance sheet financial position	36,211,448	10,177,124	1,122,761	26,795	47,671,286

Notes to consolidated financial statements

Dec.31, 2016	EGP	USD	EUR	GBP	Other	Equivalent EGP
						Total
Financial assets						
Cash and balances with Central Bank	6,717,875	3,348,337	288,428	72,849	94,551	10,522,040
Due from banks	24,091,475	26,223,227	6,578,352	820,495	297,485	58,011,034
Treasury bills and other governmental notes	27,521,897	12,514,379	1,337,601	-	-	41,373,877
Trading financial assets	2,445,134	-	-	-	-	2,445,134
Gross loans and advances to banks	-	161,451	-	-	-	161,451
Gross loans and advances to customers	42,173,991	52,235,498	2,474,259	115,024	306,742	97,305,514
Derivative financial instruments	262,398	6,871	-	-	-	269,269
Financial investments						
- Available for sale	1,497,069	3,950,222	-	-	-	5,447,291
- Held to maturity	53,924,936	-	-	-	-	53,924,936
Investments in associates	36,723	-	-	-	-	36,723
Total financial assets	158,671,498	98,439,985	10,678,640	1,008,368	698,778	269,497,269
Financial liabilities						
Due to banks	2,631,353	285,468	14,435	17,021	60,719	3,008,996
Due to customers	131,213,293	89,083,074	10,051,523	984,837	408,068	231,740,795
Derivative financial instruments	239,883	91,208	-	-	-	331,091
Long term loans	160,243	-	-	-	-	160,243
Total financial liabilities	134,244,772	89,459,750	10,065,958	1,001,858	468,787	235,241,125
Net on-balance sheet financial position	24,426,726	8,980,235	612,682	6,510	229,991	34,256,144

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
2017	+10%	1,017,712
	-10%	(1,017,712)
2016	+13%	1,167,431
	-13%	(1,167,431)

	Change in EUR rate	Effect on profit before tax EGP '000
2017	+10%	112,276
	-10%	(112,276)
2016	+13%	79,649
	-13%	(79,649)

34.2.4. 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.

	<u>Up to 1 Month</u>	<u>1-3 Months</u>	<u>3-12 Months</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Non- Interest Bearing</u>	<u>Total</u>
Dec.31, 2017							
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

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, 2016

	<u>Up to 1 Month</u>	<u>1-3 Months</u>	<u>3-12 Months</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Non- Interest Bearing</u>	<u>Total</u>
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	10,522,040	10,522,040
Due from banks	34,129,196	16,306,169	7,575,636	-	-	33	58,011,034
Treasury bills and other governmental notes*	3,988,539	4,614,183	32,771,155	-	-	-	41,373,877
Trading financial assets	210,383	221,987	126,111	1,192,101	362,995	331,557	2,445,134
Gross loans and advances to banks	23,409	57,093	80,949	-	-	-	161,451
Gross loans and advances to customers	54,209,899	15,258,356	18,453,189	7,763,724	1,620,346	-	97,305,514
Derivatives financial instruments (including IRS notional amount)	854,063	564,788	4,792,125	10,650,921	493,196	6,871	17,361,964
Financial investments							
- Available for sale	2,106,096	-	48,968	2,698,548	32,880	560,799	5,447,291
- Held to maturity	4,044,117	3,295,916	6,669,361	29,628,346	10,287,196	-	53,924,936
Investments in associates	-	-	-	-	-	36,723	36,723
Total financial assets	99,565,702	40,318,492	70,517,494	51,933,640	12,796,613	11,458,023	286,589,964
Financial liabilities							
Due to banks	2,463,533	-	-	-	-	545,463	3,008,996
Due to customers	86,340,467	23,089,594	20,878,127	62,657,249	1,708,675	37,066,683	231,740,795
Derivatives financial instruments (including IRS notional amount)	6,817,163	9,819,461	20,093	675,861	-	91,208	17,423,786
Long term loans	49,862	11,298	84,614	14,469	-	-	160,243
Total financial liabilities	95,671,025	32,920,353	20,982,834	63,347,579	1,708,675	37,703,354	252,333,820
Total interest re-pricing gap	3,894,677	7,398,139	49,534,660	(11,413,939)	11,087,938	(26,245,331)	34,256,144

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/decrease in basis points	Effect on P&L EGP '000
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)
2016		
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)

34.3. Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations arising 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.

34.3.1 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.

34.3.2. 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.

34.3.3. 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 their behavior studies.

These accounts are presented in the financial statement at cost not at present value.

	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total EGP Thousands
Dec.31, 2017						
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						
Due From CBE	5,083,805	-	-	-	-	5,083,805
Due From Local Banks	13,958,000	15,923,996	7,565,899	5,438,232	-	42,886,127
Due From Foreign Banks	204,309	-	-	-	-	204,309
Available For Sale Investments	19,866,454	382,172	110,207	-	-	20,358,833
Trading Investments	525,388	-	153,523	4,735,500	32,880	5,447,291
Held To Maturity Investments	490,769	221,987	126,111	1,243,272	362,995	2,445,134
Investments in associates and subsidiaries	4,016,605	3,295,916	6,664,146	29,628,561	10,319,708	53,924,936
Treasury Bills	-	-	-	-	65,039	65,039
Net Loans & Overdraft	4,027,742	4,614,183	32,771,155	-	-	41,413,080
Total financial assets (contractual and non contractual maturity dates)	13,368,396	9,668,819	17,055,324	34,887,070	10,409,723	85,389,332
	61,541,468	34,107,073	64,446,365	75,932,635	21,190,345	257,217,886

Dec.31, 2016	<u>Up to</u> <u>1 month</u>	<u>One to three</u> <u>months</u>	<u>Three months</u> <u>to one year</u>	<u>One year to</u> <u>five years</u>	<u>Over five</u> <u>years</u>	<u>Total</u> EGP Thousands
Financial liabilities						
Due to banks	3,008,996	-	-	-	-	3,008,996
Due to customers	31,402,494	25,448,122	57,931,505	112,785,565	13,183,891	240,751,577
Long term loans	49,862	11,298	84,614	14,469	-	160,243
Total liabilities (contractual and non contractual maturity dates)	34,461,352	25,459,420	58,016,119	112,800,034	13,183,891	243,920,816
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 Commercial Banks Local	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	-	-	-	-	36,723	36,723
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	21,162,029	257,189,570

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.

34.3.4. 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:

Dec.31, 2017	<u>Up to</u> <u>1 month</u>	<u>One to three</u> <u>months</u>	<u>Three months</u> <u>to one year</u>	<u>One year to</u> <u>five years</u>	<u>Over five</u> <u>years</u>	<u>Total</u> EGP Thousands
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)	(250)	(14,124)	-	(263,091)
interbank rates	(126,325)	(122,392)	(250)	(12,839)	-	(261,806)

Dec.31, 2016	<u>Up to</u> <u>1 month</u>	<u>One to three</u> <u>months</u>	<u>Three months</u> <u>to one year</u>	<u>One year to</u> <u>five years</u>	<u>Over five</u> <u>years</u>	<u>Total</u>
Liabilities						
Derivatives financial instruments						
Inflows	140,750	202,737	415	13,954	-	357,857
Outflows	(301,744)	(434,633)	(889)	(29,915)	-	(767,182)
Net	(160,994)	(231,896)	(475)	(15,961)	-	(409,325)

Letters of credit, guarantees and other commitments

	<u>Up to 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Dec.31, 2017	47,214,887	18,219,180	6,798,552	72,232,619
Dec.31, 2016	42,110,948	19,714,615	6,783,263	68,608,826

34.4. Fair value of financial assets and liabilities
34.4.1. 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, 2017	Dec.31, 2016	Dec.31, 2017	Dec.31, 2016
Financial assets				
Cash and balances with central bank	14,663,289	10,522,040	14,663,289	10,522,040
Due from banks	45,319,766	58,011,034	45,319,766	58,011,034
Gross loans and advances to banks	1,383	161,451	1,383	161,451
Gross loans and advances to customers				
- Individual	19,007,799	15,398,120	19,394,020	14,148,833
- Corporate	83,392,223	81,907,394	77,003,593	65,086,670
Financial investments				
Held to Maturity	45,167,722	53,924,936	45,595,034	57,393,464
Total financial assets	207,552,182	219,924,975	201,977,085	205,323,492
Financial liabilities				
Due to banks	1,877,918	3,008,996	1,877,918	3,008,996
Due to customers	250,723,052	231,740,795	245,616,661	175,297,049
Long term loans	3,674,736	160,243	3,674,736	160,243
Total financial liabilities	256,275,706	234,910,034	251,169,315	178,466,288
Due from banks				

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, 2017	Date of Valuation	<u>Total</u>	Fair value measurement using		
			<u>Quoted prices in</u> <u>active markets</u> <u>(Level 1)</u>	<u>Significant</u> <u>observable inputs</u> <u>(level 2)</u>	<u>Valuation</u> <u>techniques (level</u> <u>3)</u>
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	-
Total		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

Dec.31, 2016	Date of Valuation	<u>Total</u>	Fair value measurement using		
			<u>Quoted prices in</u> <u>active markets</u> <u>(Level 1)</u>	<u>Significant</u> <u>observable inputs</u> <u>(level 2)</u>	<u>Valuation</u> <u>techniques (level</u> <u>3)</u>
Measured at fair value:					
Financial assets					
Financial assets held for trading	31-Dec-16	2,445,134	2,445,134	-	-
Financial investments available for sale	31-Dec-16	5,447,291	4,807,118	640,173	-
Treasury bills and other governmental notes	31-Dec-16	39,177,184	-	39,177,184	-
Total		47,069,609	7,252,252	39,817,357	-
Derivative financial instruments					
Financial assets	31-Dec-16	269,269	-	269,269	-
Financial liabilities	31-Dec-16	331,091	-	331,091	-
Assets for which fair values are disclosed:					
Financial investments held to maturity	31-Dec-16	57,393,464	-	57,393,464	-
Loans and advances to banks	31-Dec-16	159,651	-	-	159,651
Loans and advances to customers	31-Dec-16	79,235,503	-	-	79,235,503
Total		136,788,618	-	57,393,464	79,395,154
Liabilities for which fair values are disclosed:					
Long term loans	31-Dec-16	160,243	-	160,243	-
Due to customers	31-Dec-16	231,740,795	-	-	231,740,795
Total		231,901,038	-	160,243	231,740,795

There are no financial instruments that qualify for classification under level 3 as at 31 December 2017 & 2016 . there have been no transfers 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.

34.5 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 consideration the cash collaterals. 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 summarize the compositions of Teir 1, Teir 2 , the capital adequacy ratio and leverage ratio .

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
		Restated**
Tier 1 capital		
Share capital (net of the treasury shares)	11,618,011	11,538,660
Goodwill	-	(22,981)
Reserves	10,543,783	10,542,939
Retained Earnings (Losses)	7,605,428	90,025
Total deductions from tier 1 capital common equity	<u>(2,450,136)</u>	<u>(2,793,404)</u>
Total qualifying tier 1 capital	<u>27,317,086</u>	<u>19,355,239</u>
Tier 2 capital		
45% of special reserve	49	49
45% of foreign currencies translation differences	-	3,865
Subordinated Loans	3,545,540	-
Impairment provision for loans and regular contingent liabilities	<u>1,679,656</u>	<u>1,606,644</u>
Total qualifying tier 2 capital	<u>5,225,245</u>	<u>1,610,558</u>
Total capital 1+2	<u>32,542,331</u>	<u>20,965,797</u>
Risk weighted assets and contingent liabilities		
Total credit risk	141,154,879	128,698,992
Total market risk	9,241,563	6,701,579
Total operational risk	<u>18,222,831</u>	<u>14,696,762</u>
Total	<u>168,619,273</u>	<u>150,097,333</u>
*Capital adequacy ratio (%)	19.30%	13.97%

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

**After 2016 profit distribution.

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
		Restated**
2-Leverage ratio		
Total qualifying tier 1 capital	<u>27,317,086</u>	<u>19,355,239</u>
On-balance sheet items & derivatives	300,593,997	271,962,373
Off-balance sheet items	<u>44,965,272</u>	<u>41,080,543</u>
Total exposures	<u>345,559,269</u>	<u>313,042,916</u>
*Percentage	7.91%	6.18%

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

35. Segment analysis
35.1. 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 thousands

	<u>Corporate banking</u>	<u>SME's</u>	<u>Investment banking</u>	<u>Retail banking</u>	<u>Total</u>
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	<u>8,788,809</u>	<u>88,753</u>	<u>21,213</u>	<u>6,949,893</u>	<u>15,848,668</u>
Impairment charge for credit losses	<u>(415,460)</u>	<u>-</u>	<u>-</u>	<u>(1,410)</u>	<u>(416,870)</u>
Reportable segment profit before tax	2,025,457	1,582,368	2,740,767	2,943,511	9,292,103
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	<u>39,949,145</u>	<u>410,764</u>	<u>31,771,504</u>	<u>101,206</u>	<u>72,232,619</u>
	<u>Corporate banking</u>	<u>SME's</u>	<u>Investment banking</u>	<u>Retail banking</u>	<u>Total</u>
Dec.31, 2016					
External revenue					
Net interest income	6,738,491	59,200	(37,016)	3,256,348	10,017,023
Net fee and commission income	894,117	33,562	36	620,241	1,547,956
Net trading income	1,185,759	2,391	-	127,032	1,315,182
Total segment revenue	<u>8,818,367</u>	<u>95,153</u>	<u>(36,980)</u>	<u>4,003,621</u>	<u>12,880,161</u>
Impairment charge for credit losses	<u>(889,852)</u>	<u>-</u>	<u>-</u>	<u>(3,022)</u>	<u>(892,874)</u>
Reportable segment profit before tax	2,335,570	1,105,198	2,360,973	1,785,202	7,586,943
Reportable segment assets	126,094,670	5,000,585	119,000,092	17,604,221	267,699,568
Reportable segment liabilities	85,063,076	410,522	372	161,251,697	246,725,667
Letters of guarantee	35,670,635	358,653	29,471,372	74,708	65,575,368
Letters of credit	1,578,317	42,833	742,406	19,291	2,382,847
Customers acceptances	645,339	-	-	5,267	650,606
Total contingent liabilities and commitments	<u>37,894,291</u>	<u>401,486</u>	<u>30,213,778</u>	<u>99,266</u>	<u>68,608,821</u>

35.2 . By geographical segment

EGP Thousands

	<u>Cairo</u>	<u>Alex, Delta & Sinai</u>	<u>Upper Egypt</u>	<u>Total</u>
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
Dec.31, 2016				
Revenue according to geographical segment	10,425,798	1,104,147	186,983	11,716,928
Expenses according to geographical segment	(3,464,852)	(499,518)	(165,615)	(4,129,985)
Profit before tax	6,960,946	604,629	21,368	7,586,943
Tax	(1,961,608)	(157,377)	(5,562)	(2,124,547)
Profit for the year	4,999,338	447,252	15,806	5,462,396
Total assets	241,072,434	21,740,165	4,886,969	267,699,568

36 . Contingent liabilities and commitments
36.1 . 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.

36.2 . Capital commitments
36.2.1 . Financial investments

The capital commitments for the financial investments reached on the date of financial position EGP 166,798 thousand as follows:

	Investments value	Paid	Remaining
	EGP Thousands	EGP Thousands	EGP Thousands
Available for sale financial investments			
Dec.31, 2017	368,650	201,853	166,798
Dec.31, 2016	182,665	146,132	36,533

36.2.2 . 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, 2017	Dec.31, 2016
EGP Thousands	EGP Thousands
196,284	38,059

36.3 . Letters of credit, guarantees and other commitments

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Letters of guarantee	69,514,413	65,575,370
Letters of credit (import and export)	1,700,516	2,382,849
Customers acceptances	1,017,690	650,607
Total	72,232,619	68,608,826

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Credit facilities commitments	7,024,376	7,245,061

37 . Related party disclosures
37.1 . Compensation of key management personnel of the Bank

	<u>Dec.31, 2017</u>		<u>Dec.31, 2016</u>	
	<u>Outstanding balance</u>	<u>Income (expense)</u>	<u>Outstanding balance</u>	<u>Income</u>
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
Loans and advances	5,936	849	155	111
Deposits	64,779	(234,189)	79,496	(2,819)

37.2 Transactions with associates

	<u>Dec.31, 2017</u>		<u>Dec.31, 2016</u>	
	<u>Interest from</u>	<u>Interest to</u>	<u>Amounts owed by</u>	<u>Amounts owed to</u>
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
International Co. for Security & Services	185	228,429	-	8,356
International Co. for Security & Services *	174	346	-	90,292

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.

38 . Tax status
Corporate income tax

The Bank's corporate income tax position has been examined, paid and settled with the tax authority since the operations start up until the end of year 2014.

The Bank's corporate income tax has been examined and paid for the period 2015 - 2016.

Corporate income tax annual report is submitted.

Salary tax

The Bank's salary tax has been examined, paid and settled since the operations start up until the end of 2015.

Stamp duty tax

The Bank's stamp duty tax has been examined and paid since the operations start up until 31/7/2006. Any disputes are currently under discussion at the tax appeal committee and the court for adjudication.

The Bank's stamp duty tax is being re-examined for the period from 1/8/2006 till 31/12/2016 according to the protocol between the Federation of Egyptian banks and the tax authority.

39 . Non current assets held for sale
Assets

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Due from banks	-	653,742
Treasury bills and other governmental notes	-	21,214
Trading financial assets	-	36,894
Brokerage clients - debit balances	-	463,052
Financial investments available for sale	-	9,850
Reconciliation accounts- debit balances	-	-
Goodwill	-	22,981
Other assets	-	3,576,254
Deferred tax assets	-	-
Property, plant and equipment	-	106,451
Total	-	4,890,438

Liabilities

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Brokerage clients - credit balances	-	616,845
Due to customers	-	19,589
Other liabilities	-	2,972,202
Current tax liabilities	-	37,214
Other provisions	-	38,826
Total	-	3,684,676
Minority interest	-	89,689
	-	3,774,365

Net

-	1,116,073
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Profit from discontinuing operations

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Interest and similar income	-	122,476
Interest and similar expense	-	(347,012)
Fee and commission income	-	781,147
Fee and commission expense	-	(1,869)
Dividend income	-	3,379
Other provisions	-	(22,127)
Net trading income	-	75,436
Administrative expenses	-	(250,177)
Other operating (expenses) income	-	29,263
Financial lease	-	(232,476)
Net Profit Before Tax	-	158,040
Income tax expense	-	(29,778)
Deferred tax	-	(886)
Net profit of the period	-	127,376

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Net cash flows from discontinuing operation:		
Net cash provided from operating activities	-	113,018
Net cash used in investing activities	-	(1,047,942)
Net cash used in financing activities	-	801,170
Net increase (decrease) in cash and cash equivalent during the year	-	(133,754)
financial statements translation	-	4,168
Beginning balance of cash and cash equivalent	-	528,820
Cash and cash equivalent at the end of the year	-	399,234

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Earning per share from discontinuing operations:		
Basic earning per share	-	2.32
Diluted earning per share	-	2.32

40 . 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, 2017
	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.

40.1 Goodwill

	Dec.31, 2016
	EGP Thousands
Fair value at acquisition at 1 November 2015	217,078
Impairment	(217,078)
Net book value	-

-An impairment analysis was prepared by An independent financial advisor who used the Discounted Cash Flows method for 5 years to estimate the fair value of the Portfolio based upon business plan provided by the CIB to estimate the future cash flows to be generated by the acquired portfolio using discount rate of 19.9% based on CAPM.

-This impairment is attributable to the shrinkage of the business plan used in the impairment test compared to the business plan based on which the deal value was estimated.

-The shrinkage in the business plan is attributable to the following:

- the increase in market interest rates.
- the economic instability in Egypt.
- the Egyptian Pound free float.

40.2 Intangible assets:

	Dec.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Fair value at acquisition at 1 November 2015	651,041	651,041
Impairment	-	-
Net book value	651,041	651,041

41 The audit committee had authorized the financial statements dated 29 January 2018.



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