



IFRS Consolidated  
**Financial Statement**



December - 2016  
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## Independent auditor's report

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

### Report on the audit of the financial statements

#### Opinion

We have audited the consolidated financial statements of Commercial International Bank S.A.E (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016 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 2016, the Group's gross loans and advances to customers amounted to EGP 97,306 million and the related impairment provisions amounted to EGP 893 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.

### Valuation of investments:

During fiscal year 2016, the bank had transferred EGP 43,424 million from available for sale investments to Held to maturity investments. Because these investments form a major portion of the Group's assets, and due to the significance of the judgments used in determining the amortisation of previously held gains/losses on those investments that has been recognised in other comprehensive income and subsequent impairment assessment, this audit area is considered a key audit risk.

- We assessed the fair value of investments at the date of reclassification and ensured that impairment has not occurred on these investments.
- We recalculated the amortization of the HTM investments based on the remaining maturity period of the bonds.



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These investments are mainly in Egyptian treasury bonds.

- We recalculated the amortization of the previous gains/losses on these investments that has been recognised directly in other comprehensive income.
- The majority of these investments are in Egyptian treasury bonds, we inquired management regarding if there any impairment indicators and concluded that none exist.
- We have assessed the objective evidence of impairment by ensuring that the risk rating for the Egyptian treasury bonds were stable over the periods.
- 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 in notes 2.2 and 21 to the consolidated financial statements.

#### **Other information included in The Group's 2016 Annual Report**

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



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

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

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

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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



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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.

Allied For Accounting and Auditing  
Allied for Accounting and Auditing



30 March 2017

Cairo

## Consolidated statement of profit or loss for the year ended December 31, 2016

	Notes	Dec. 31, 2016 EGP Thousands	Dec. 31, 2015 EGP Thousands
Interest and similar income		19,144,218	14,765,337
Interest and similar expense		<u>(9,127,195)</u>	<u>(6,651,056)</u>
<b>Net interest income</b>	3	<u><b>10,017,023</b></u>	<u><b>8,114,281</b></u>
Fee and commission income		1,965,529	1,932,054
Fee and commission expense		<u>(417,573)</u>	<u>(299,696)</u>
<b>Net fee and commission income</b>	4	<u><b>1,547,956</b></u>	<u><b>1,632,358</b></u>
Dividend income	5	34,236	35,062
Net trading income	6	1,315,182	710,398
Profits (Losses) on financial investments	22	(25,533)	270,998
Goodwill impairment	40	(217,078)	-
Administrative expenses	7	(3,119,378)	(2,561,964)
Other operating expenses	8	(1,233,620)	(566,304)
Impairment charge for credit losses	9	(892,874)	(1,682,439)
Bank's share in the profits of associates	12	<u>2,989</u>	<u>27,829</u>
<b>Profit before income tax from continuing operations</b>		<u><b>7,428,903</b></u>	<u><b>5,980,219</b></u>
Current income tax expense		(2,017,034)	(1,949,694)
Deferred income tax	10.2	<u>(76,849)</u>	<u>136,047</u>
<b>Net profit from continuing operations</b>		<u><b>5,335,020</b></u>	<u><b>4,166,572</b></u>
<b>Discontinuing Operations</b>			
Profit from discontinuing operations (Net of tax)	39	<u>127,376</u>	<u>61,115</u>
<b>Net profit for the year</b>		<u><b>5,462,396</b></u>	<u><b>4,227,687</b></u>
<b>Attributable to:</b>			
Equity holders of the parent		5,448,248	4,227,001
Non-controlling interest		14,148	686
<b>Net Profit for the year</b>		<u><b>5,462,396</b></u>	<u><b>4,227,687</b></u>
<b>Earning per share</b>	11		
Basic attributable to equity holders of the parent		4.72	3.69
Diluted attributable to equity holders of the parent		4.65	3.64
<b>Earning per share from continuing operations</b>			
Basic attributable to equity holders of the parent		4.61	3.63
Diluted attributable to equity holders of the parent		4.55	3.58

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, 2016**

	<i>Notes</i>	<b>Dec. 31, 2016</b> EGP Thousands	Dec. 31, 2015 EGP Thousands
<b>Profit for the year</b>		<b>5,462,396</b>	4,227,687
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		<b>22,219</b>	(1,609,226)
Cumulative foreign currencies translation differences	<b>32</b>	<b>8,588</b>	-
Other comprehensive income for the year		<b>30,807</b>	(1,609,226)
Total comprehensive income for the year		<b>5,493,203</b>	2,618,461
<b>Attributable to:</b>			
Equity holders of the parent		<b>5,479,055</b>	2,617,775
Non-controlling interest		<b>14,148</b>	686

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, 2016

	Notes	Dec. 31, 2016 EGP Thousands	Dec. 31, 2015 EGP Thousands
<b>Assets</b>			
Cash and balances with central bank	13	10,522,040	9,848,954
Due from banks	14	58,011,034	21,002,305
Treasury bills and other governmental notes	15	39,177,184	22,130,170
Financial assets held for trading	16	2,445,134	5,848,377
Loans and advances to banks, net	17	159,651	38,443
Loans and advances to customers, net	18	85,224,148	56,797,576
Non current assets held for sale	39	4,890,438	1,066,270
Derivative financial instruments	19	269,269	80,995
<b>Financial investments</b>			
- Available for sale	21	5,447,291	46,289,075
- Held to maturity	21	53,924,936	9,261,220
Investments in associates	23	36,723	159,983
Other assets	24	5,434,563	4,789,291
Goodwill	40	-	217,078
Intangible assets	40	651,041	651,041
Deferred tax assets	10.2	181,308	258,157
Property and equipment	25	1,324,808	1,096,760
<b>Total assets</b>		<b>267,699,568</b>	<b>179,535,695</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks	26	3,008,996	1,600,769
Due to customers	27	231,740,795	155,234,416
Non current liabilities held for sale	39	3,684,676	371,622
Derivative financial instruments	19	331,091	145,735
Other liabilities	29	4,268,774	3,164,106
Current Tax Liability		2,017,034	1,949,694
Long term loans	28	160,243	131,328
Provisions	30	1,514,057	861,761
<b>Total liabilities</b>		<b>246,725,666</b>	<b>163,459,431</b>
<b>Equity</b>			
Issued and paid in capital	31	11,538,660	11,470,603
Reserves	32	3,448,737	149,480
Reserve for employee stock ownership plan (ESOP)		343,460	248,148
Retained earnings		5,509,967	4,160,601
<b>Total equity attributable to equity holders of the parent</b>		<b>20,840,824</b>	<b>16,028,832</b>
Non-controlling interest		133,078	47,432
<b>Total equity</b>		<b>20,973,902</b>	<b>16,076,264</b>
<b>Total liabilities , equity and non-controlling interest</b>		<b>267,699,568</b>	<b>179,535,695</b>

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, 2016	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	9,081,734	177,766	3,165,298	1,905,930	14,330,728	49,195	14,379,923
Profit for the year	-	-	4,227,687	-	4,227,687	686	4,228,373
Other comprehensive income	-	-	-	(1,609,226)	(1,609,226)	-	(1,609,226)
Total comprehensive income	-	-	4,227,687	(1,609,226)	2,618,461	686	2,619,147
Capital increase	2,388,869	-	-	(2,388,869)	-	-	-
Reserve for employee stock ownership plan (ESOP)	-	133,395	-	-	133,395	-	133,395
Dividend	-	-	(1,053,752)	-	(1,053,752)	(1,081)	(1,054,833)
Transferred to reserves	-	(63,013)	(2,178,632)	2,241,645	-	-	-
Change during the year	-	-	-	-	-	(1,368)	(1,368)
<b>Balance at 31 December 2015</b>	<b>11,470,603</b>	<b>248,148</b>	<b>4,160,601</b>	<b>149,480</b>	<b>16,028,832</b>	<b>47,432</b>	<b>16,076,264</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>5,448,248.0</b>	<b>-</b>	<b>5,448,248</b>	<b>14,148</b>	<b>5,462,396</b>
<b>Other comprehensive income :</b>							
<b>Net (Loss)/gain on available-for-sale financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,219</b>	<b>22,219</b>	<b>-</b>	<b>22,219</b>
<b>Cumulative foreign currencies translation differences</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,588</b>	<b>8,588</b>	<b>-</b>	<b>8,588</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>5,448,248</b>	<b>30,807</b>	<b>5,479,055</b>	<b>14,148</b>	<b>5,493,203</b>
<b>Capital increase</b>	<b>68,057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,057</b>	<b>-</b>	<b>68,057</b>
<b>Reserve for employee stock ownership plan (ESOP)</b>	<b>-</b>	<b>187,000</b>	<b>-</b>	<b>-</b>	<b>187,000</b>	<b>-</b>	<b>187,000</b>
<b>Dividend</b>	<b>-</b>	<b>-</b>	<b>(1,467,346.0)</b>	<b>-</b>	<b>(1,467,346)</b>	<b>(1,394)</b>	<b>(1,468,740)</b>
<b>Transferred to reserves</b>	<b>-</b>	<b>(91,688)</b>	<b>(3,176,762.0)</b>	<b>3,268,450</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change during the year</b>	<b>-</b>	<b>-</b>	<b>545,226.0</b>	<b>-</b>	<b>545,226</b>	<b>72,892</b>	<b>618,118</b>
<b>Balance at 31 December 2016</b>	<b>11,538,660</b>	<b>343,460</b>	<b>5,509,967</b>	<b>3,448,737</b>	<b>20,840,824</b>	<b>133,078</b>	<b>20,973,902</b>

## Consolidated cash flow statement for the year ended December 31, 2016

	<i>Notes</i>	<b>Dec. 31, 2016</b> EGP Thousands	Dec. 31, 2015 EGP Thousands
<b>Cash flow from operating activities</b>			
<b>Profit before income tax from continued operations</b>		<b>7,428,903</b>	5,980,219
<b>Profit before income tax from discontinued operations</b>	<i>40</i>	<b>158,040</b>	71,161
<b>Adjustments to reconcile net profit to net cash provided by operating activities</b>			
Fixed assets depreciation		288,057	197,988
Impairment charge for credit losses		892,874	1,682,439
Other provisions charges		150,847	135,866
Trading financial investments revaluation differences		(269,283)	353,590
Available for sale and held to maturity investments exchange revaluation differences		(2,219,961)	(96,638)
Goodwill impairment		217,078	-
Financial investments impairment charge		82,428	140,751
Utilization of other provisions		(3,696)	(17,242)
Other provisions no longer used		(78,405)	(505)
Exchange differences of other provisions		583,550	13,330
Profits from selling property, plant and equipment		(1,682)	(564)
Profits from selling financial investments		(35,193)	(163,270)
Profits (losses) from selling associates		90,447	(285,431)
Shares based payments		187,000	133,395
Impairment (Released) charges of associates		(131,799)	(27,829)
Associates financial investments revaluation differences		683	1,048
<b>Operating profits before changes in operating assets and liabilities</b>		<b>7,339,888</b>	8,118,308
<b>Net decrease (increase) in assets and liabilities</b>			
Due from banks		264,072	(13,346,479)
Treasury bills and other governmental notes		(16,057,258)	5,497,825
Trading financial assets		3,672,526	(2,439,249)
Derivative financial instruments		(2,918)	(20,247)
Loans and advances to banks and customers		(29,440,654)	(9,714,737)
Other assets		(4,450,111)	(1,273,556)
Due to banks		1,408,227	469,384
Due to customers		76,506,379	33,259,457
Income tax obligations paid		(1,949,694)	(1,814,609)
Other liabilities		4,354,673	15,319
<b>Net cash provided from operating activities</b>		<b>41,645,130</b>	18,751,416
<b>Cash flow from investing activities</b>			
Payment for purchase of subsidiary and associates		(12,036)	(868,119)
Proceeds from selling subsidiary and associates		176,161	334,451
Payment for purchases of property, plant, equipment and branches constructions		(560,631)	(304,401)
Proceeds from redemption of held to maturity financial investments		4,094	3,919,074
Payment for purchases of held to maturity financial investments		(44,667,810)	(4,019,548)
Payment for purchases of available for sale financial investments		(3,334,122)	(25,392,460)
Proceeds from selling available for sale financial investments		46,370,851	5,315,438
Proceeds (payments) from real estate investments		(2,989)	884,094
Goodwill impairment		-	217,078
Intangible Assets		-	651,041
<b>Net cash used in investing activities</b>		<b>(2,026,482)</b>	(19,263,352)

## Consolidated cash flow statement for the year ended December 31, 2016 (Cont.)

	Dec. 31, 2016 EGP Thousands	Dec. 31, 2015 EGP Thousands
<b>Cash flow from financing activities</b>		
Increase (decrease) in long term loans	28,915	(111,550)
Dividend paid	(1,463,450)	(1,563,646)
Capital increase	68,057	94,748
Payment related to finance lease	(12,380)	(12,380)
<b>Net cash used in financing activities</b>	<b>(1,378,858)</b>	<b>(1,592,828)</b>
Net increase (decrease) in cash and cash equivalent during the year	38,239,790	(2,104,764)
Beginning balance of cash and cash equivalent	14,435,901	16,540,665
<b>Cash and cash equivalent at the end of the year</b>	<b>52,675,691</b>	<b>14,435,901</b>
<b>Cash and cash equivalent comprise:</b>		
Cash and balances with central bank	10,522,040	9,848,954
Due from banks	58,011,034	21,002,305
Treasury bills and other governmental notes	39,177,184	22,130,170
Obligatory reserve balance with CBE	(5,438,235)	(8,268,202)
Due from banks with maturities more than three months	(11,408,904)	(13,664,965)
Treasury bills with maturity more than three months	(38,187,428)	(16,612,361)
<b>Total cash and cash equivalent</b>	<b>52,675,691</b>	<b>14,435,901</b>

## Notes to the consolidated financial statements for the year ended December 31, 2016

### 1. Corporate information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate and investment banking services in various parts of Egypt through 168 branches, and 24 units (2015: 159 branches, and 28 units) employing 6422 (2015: 5983) 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 9<sup>th</sup>, 2005 under the capital market law no. 95 of 1992 and its executive regulations. Financial register no. 166798 on April 10<sup>th</sup>, 2005 and the company have been licensed by the Capital Market Authority to carry out its activities under license no. 353 on May 24<sup>th</sup>, 2006.

As of December 31, 2016 the Bank directly owns 54,988,500 shares representing 99.98% of CI Capital Holding Company's capital and on December 31, 2016 CI Capital Holding Co. Directly owns the following shares in its subsidiaries:

Company name	December 31, 2016	December 31, 2015
	Ownership%	Ownership%
• CIBC Co.	98.96	98.96
• CI Assets Management	95.72	95.72
• CI Investment Banking Co.	99.54	99.54
• Dynamic Brokerage Co.	99.96	99.96
• Corplease	56.52	-

### 2. Accounting policies

#### 2.1. Basis of preparation

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, equity settled share-based payments, 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.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the bank and its subsidiaries as at 31 December 2016. 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised 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 unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 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 recognise 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 recognised 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 recognises 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 recognised in the bank's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised 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 recognised 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 2016 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.

#### 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

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models. Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models

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, maximising the use of relevant observable inputs and minimising 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 recognised 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 34.4.

#### **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 judgement 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 utilisation, loan-to-collateral ratios, etc.), and judgements 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 recognised 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 recognised 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 recognised, 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 recognises 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 derecognition 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 recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised 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 recognised 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 recognised.

#### (i) Interest and similar income and expense

For all financial instruments measured at amortised 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 recognised 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 recognised on completion of the underlying

transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

*(iii) Dividend income*

Revenue is recognised 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 derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in Other operating income in the income statement in the year the asset is derecognised.

### **(13) Business combinations and goodwill**

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised 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 recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised 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 acquiree 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in profit or loss.

CI Capital Holding acquired dated January 4th 2016 56.52% stake in Corporate Leasing Company Egypt (Corplease) one of the leading financial leasing companies in Egypt .

The collaboration between CI Capital and Corplease bears a lot of potential and is expected to create operational and financial synergies benefiting both parties, thus enhancing cross selling opportunities and accelerating future expansions for the combined entity which in turn is expected to have a positive impact on CIB's financials in terms of profitability and capital adequacy .

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

Amortisation 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 recognised 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 recognised, 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 recognised 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 recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised in administrative expense is the expense as if the terms had not been modified. An additional expense is recognised 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 recognised for the award is recognised 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 recognised 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 recognised 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 utilised 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 utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised 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 realised 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 recognised directly in equity are also recognised 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 recognised 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 the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Bank plans to adopt the new standard on the required effective date. During 2016, The Bank has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to The Bank in the future. Overall, The Bank expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Bank expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

#### **(a) Classification and measurement**

The Bank expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently in accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as The Bank expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Bank expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact. If The Bank were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, The Bank expects that these will continue to be measured at

amortised cost under IFRS 9. However, The Bank will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

#### **(b) Impairment**

IFRS 9 requires The Bank to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Bank expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Bank expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

#### **(c) Hedge accounting**

The Bank believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, The Bank does not expect a significant impact as a result of applying IFRS 9. The Bank will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

#### **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to The Bank given that The Bank has not used a revenue-based method to depreciate its non-current assets.

#### **Annual Improvements 2012-2014 Cycle**

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

##### **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

##### **Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss
- Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

##### **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10.

The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

**3 Net interest income**

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
<b>Interest and similar income</b>		
- Banks	2,568,172	366,302
- Clients	<u>6,656,743</u>	<u>5,147,557</u>
	9,224,915	5,513,859
Treasury bills and bonds	9,794,089	9,154,619
Reverse repos	-	2,338
Financial investments in held to maturity and available for sale debt instruments	<u>125,214</u>	<u>94,521</u>
<b>Total</b>	<u><u>19,144,218</u></u>	<u><u>14,765,337</u></u>
<b>Interest and similar expense</b>		
- Banks	(115,577)	(79,801)
- Clients	<u>(9,010,782)</u>	<u>(6,561,613)</u>
	(9,126,359)	(6,641,414)
Financial instruments purchased with a commitment to re-sale (Repos)	(153)	(7,762)
Finance expense related to financial lease contract	(683)	(1,048)
Other	-	(832)
<b>Total</b>	<u><u>(9,127,195)</u></u>	<u><u>(6,651,056)</u></u>
<b>Net interest income</b>	<u><u>10,017,023</u></u>	<u><u>8,114,281</u></u>

**4 Net fee and commission income**

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
<b>Fee and commission income</b>		
Fee and commissions related to credit	965,388	1,041,382
Custody fee	69,967	73,268
Other fee	<u>930,174</u>	<u>817,404</u>
<b>Total</b>	<u>1,965,529</u>	<u>1,932,054</u>
<b>Fee and commission expense</b>		
Other fee	<u>(417,573)</u>	<u>(299,696)</u>
<b>Total</b>	<u>(417,573)</u>	<u>(299,696)</u>
<b>Net income from fee and commission</b>	<u><u>1,547,956</u></u>	<u><u>1,632,358</u></u>

**5 Dividend income**

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
Trading securities	5,045	4,060
Available for sale securities	<u>29,191</u>	<u>31,002</u>
<b>Total</b>	<u><u>34,236</u></u>	<u><u>35,062</u></u>

**6 Net trading income**

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
Gain from foreign exchange	603,565	214,574
Forex gain from revaluations of trading assets and liabilities	-	96
	12,947	2,928
Gain (Loss) from forward foreign exchange deals revaluation	(15,055)	(9,240)
Loss from interest rate swaps revaluation	38,472	7,752
Profit (Loss) from currency swap deals revaluation	<u>675,253</u>	<u>494,288</u>
Net gains on trading securities	<u>1,315,182</u>	<u>710,398</u>
<b>Total</b>	<u><u>1,315,182</u></u>	<u><u>710,398</u></u>

**7 . Administrative expenses**

	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
<b>Staff costs</b>		
Wages and salaries	(1,001,799)	(860,366)
Social insurance	(50,542)	(54,836)
Other benefits	(728,196)	(570,888)
Stock option	(187,000)	(133,395)
Depreciation *	(288,057)	(197,988)
Maintenance	(257,988)	(206,289)
Premises & Vehicles improvements and maintenance	(273,315)	(293,931)
Internship expense	(49,338)	(35,125)
Board Meeting & Director's expense	(2,266)	(2,220)
Other administrative expenses	(280,877)	(206,926)
<b>Total</b>	<b>(3,119,378)</b>	<b>(2,561,964)</b>
*include depreciation related to financial lease contract amounting to:	(2,676)	(9,732)

**8 . Other operating (expenses) income**

	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Forex (losses) gains from non-trading assets and liabilities revaluation	(682,556)	42,062
Gains from selling property, plant and equipment	1,682	564
Charges of Provisions	(72,442)	(135,361)
Care Service & Cash Trans. Expense	(84,204)	(52,467)
Regulatory Expense	(232,635)	(183,506)
Consultants	(37,838)	(31,862)
IT communications	(85,584)	(117,719)
Utilities	(50,495)	(48,430)
Other income/expenses	10,451	(39,585)
<b>Total</b>	<b>(1,233,620)</b>	<b>(566,304)</b>

**9 . Impairment charge for credit losses**

	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Loans and advances to customers	(892,874)	(1,682,439)
<b>Total</b>	<b>(892,874)</b>	<b>(1,682,439)</b>

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

	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Profit before tax	7,586,943	6,051,380
Tax rate	22.5%	22.5%
<b>Income tax based on accounting profit</b>	<b>1,707,062</b>	<b>1,361,561</b>
<b>Add / (Deduct)</b>		
Non-deductible expenses	1,079,614	381,849
Tax exemptions	(127,439)	(103,447)
Effect of provisions	(584,097)	186,107
Depreciation	42,922	(7,259)
10% Withholding tax	6,485	4,883
<b>Income tax / Deferred tax</b>	<b>2,124,547</b>	<b>1,823,693</b>
<b>Effective tax rate</b>	<b>28.00%</b>	<b>30.14%</b>

**10.2 . Deferred tax assets**

Deferred tax assets and liabilities are attributable to the following:

	<b>Balance at 31 December 2016</b>				
	<b>Net balance at 1 January</b>	<b>Recognised in profit or loss</b>	<b>Net</b>	<b>Deferred tax assets</b>	<b>Deferred tax liabilities</b>
Fixed assets (depreciation)	(22,367)	(6,374)	(28,741)	-	(28,741)
Other 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)
<b>Total Assets (Liabilities)</b>	<b>258,157</b>	<b>(76,849)</b>	<b>181,308</b>	<b>222,276</b>	<b>(40,968)</b>

	<b>Balance at 31 December 2015</b>				
	<b>Net balance at 1 January</b>	<b>Recognised in profit or loss</b>	<b>Net</b>	<b>Deferred tax assets</b>	<b>Deferred tax liabilities</b>
Fixed assets (depreciation)	(28,456)	6,089	(22,367)	-	(22,367)
Provisions (excluded loan loss, contingent liabilities and income tax provisions)	17,970	(3,417)	14,553	14,553	-
Intangible Assets & Good will	-	3,255	3,255	3,255	-
Other investments impairment	82,888	40,355	123,243	123,243	-
Reserve for employee stock ownership plan (ESOP)	49,335	11,535	60,870	60,870	-
Interest rate swaps revaluation	-	335	335	335	-
Trading investment revaluation	-	78,927	78,927	78,927	-
Forward foreign exchange deals revaluation	-	(659)	(659)	-	(659)
<b>Total Assets (Liabilities)</b>	<b>121,737</b>	<b>136,420</b>	<b>258,157</b>	<b>281,183</b>	<b>(23,026)</b>

**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, 2016	Dec.31, 2015	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
<b>Net profit for the year attributable to equity holders of the bank</b>	<b>5,448,248</b>	4,227,001	<b>5,320,872</b>	4,165,886
Average number of shares	<b>1,153,866</b>	1,147,060	<b>1,153,866</b>	1,147,060
<b>Basic earning per share</b>	<b>4.72</b>	3.69	<b>4.61</b>	3.63
<b>Net profit for the year attributable to equity holders of the bank</b>	<b>5,448,248</b>	4,227,001	<b>5,320,872</b>	4,165,886
Issued ordinary shares	<b>1,153,866</b>	1,147,060	<b>1,153,866</b>	1,147,060
Effect of ESOP program	<b>17,562</b>	15,557	<b>16,701</b>	15,557
Weighted - average number of ordinary shares diluted	<b>1,171,428</b>	1,162,617	<b>1,170,567</b>	1,162,617
<b>Diluted earning per share</b>	<b>4.65</b>	3.64	<b>4.55</b>	3.58

**12 . Bank's share in the profits of associates**

- Commercial International Life Insurance co.

- Corplease co.

- Haykala for Investment

- Egypt Factors

- International Co. for Security and Services ( Falcon )

**Total**

	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
- Commercial International Life Insurance co.	-	(10,480)
- Corplease co.	-	21,912
- Haykala for Investment	(602)	171
- Egypt Factors	-	(816)
- International Co. for Security and Services ( Falcon )	<b>3,591</b>	17,042
<b>Total</b>	<b>2,989</b>	<b>27,829</b>

**13 . Cash and balances with central bank**

Cash

Current accounts

**Total**
**Non-interest bearing balances**

	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Cash	<b>5,083,805</b>	1,580,752
Current accounts	<b>5,438,235</b>	8,268,202
<b>Total</b>	<b>10,522,040</b>	9,848,954
<b>Non-interest bearing balances</b>	<b>10,522,040</b>	9,848,954

**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, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Current accounts	<b>4,090,352</b>	1,386,078
Deposits	<b>53,920,682</b>	19,616,227
<b>Total</b>	<b>58,011,034</b>	21,002,305
Central banks	37,447,892	14,121,507
Local banks	204,309	3,263,306
Foreign banks	<b>20,358,833</b>	3,617,492
<b>Total</b>	<b>58,011,034</b>	21,002,305
Non-interest bearing balances	33	353,197
Fixed interest bearing balances	<b>58,011,001</b>	20,649,108
<b>Total</b>	<b>58,011,034</b>	21,002,305
Current balances	<b>58,011,034</b>	21,002,305
<b>Total</b>	<b>58,011,034</b>	21,002,305

**15 Treasury bills and other governmental notes**

	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
91 Days maturity	1,051,375	5,595,527
182 Days maturity	4,350,975	7,513,324
364 Days maturity	36,010,730	9,892,302
Unearned interest	(2,196,693)	(870,983)
<b>Total 1</b>	<b>39,216,387</b>	<b>22,130,170</b>
Repos - treasury bills	(39,203)	-
<b>Total 2</b>	<b>(39,203)</b>	<b>-</b>
<b>Total (1+2)</b>	<b>39,177,184</b>	<b>22,130,170</b>

**16 Financial assets held for trading**

	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
<b>Debt instruments</b>		
- Governmental bonds	1,933,420	5,504,524
<b>Total</b>	<b>1,933,420</b>	<b>5,504,524</b>
<b>Equity instruments</b>		
- Mutual funds	180,157	157,336
<b>Total</b>	<b>180,157</b>	<b>157,336</b>
- Portfolio managed by others	331,557	186,517
<b>Total</b>	<b>2,445,134</b>	<b>5,848,377</b>

**17. Loans and advances to banks, net**

	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Time and term loans	161,451	48,342
Less: Impairment provision	(1,800)	(9,899)
<b>Total</b>	<b>159,651</b>	<b>38,443</b>
Current balances	110,053	3,090
Non-current balances	49,598	35,353
<b>Total</b>	<b>159,651</b>	<b>38,443</b>

**Analysis for impairment provision of loans and advances to banks**

	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Beginning balance	9,899	14,582
Charge during the year	(20,368)	(4,902)
Exchange revaluation difference	12,269	219
<b>Ending balance</b>	<b>1,800</b>	<b>9,899</b>



**18 . Loans and advances to customers, net**

	Dec.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
<b>Individual</b>		
- Overdraft	1,901,875	1,583,233
- Credit cards	2,423,125	2,001,159
- Personal loans	10,745,352	8,073,622
- Real estate loans	306,930	298,817
- Other loans	20,838	20,881
<b>Total 1</b>	<b>15,398,120</b>	<b>11,977,712</b>
<b>Corporate</b>		
- Overdraft	12,452,698	8,561,090
- Direct loans	44,503,511	27,811,737
- Syndicated loans	24,840,803	14,088,786
- Other loans	110,382	84,402
<b>Total 2</b>	<b>81,907,394</b>	<b>50,546,015</b>
<b>Total Loans and advances to customers (1+2)</b>	<b>97,305,514</b>	<b>62,523,727</b>
<b>Less:</b>		
Unamortized bills discount*	(5,533)	(14,375)
Impairment provision	(12,075,833)	(5,711,776)
<b>Net loans and advances to customers</b>	<b>85,224,148</b>	<b>56,797,576</b>
<b>Distributed to</b>		
Current balances	36,671,277	25,011,678
Non-current balances	48,552,871	31,785,898
<b>Total</b>	<b>85,224,148</b>	<b>56,797,576</b>

\*At 31 December 2016 Impairment provision includes EGP 2,257,826 representing the interest in suspense and the provision of EGP 9,809,909 also at 31 December 2015 Impairment provision includes EGP 1,002,669 representing the interest in suspense and the provision of EGP 4,709,107.

## Analysis for impairment provision of loans and advances to customers

Dec.31, 2016	<u>Individual</u>					<u>Total</u>
	<u>Overdraft</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Real estate loans</u>	<u>Other loans</u>	
Beginning balance	(11,835)	(26,985)	(135,339)	(10,192)	(20,881)	(205,232)
(Charged) released during the year	669	(20,366)	(55,022)	2,391	43	(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>(190,592)</u>	<u>(7,801)</u>	<u>(20,838)</u>	<u>(255,453)</u>

Dec.31, 2016	<u>Corporate</u>				<u>Total</u>
	<u>Overdraft</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	
Beginning balance	(589,620)	(2,888,702)	(1,024,226)	(1,327)	(4,503,875)
(Charged) released during the year	(132,021)	(1,206,476)	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)	(1,250,304)	-	(4,256,268)
Ending balance	<u>(1,342,010)</u>	<u>(6,442,227)</u>	<u>(1,775,873)</u>	<u>(2,444)</u>	<u>(9,562,554)</u>

Dec.31, 2015	<u>Individual</u>					<u>Total</u>
	<u>Overdraft</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Real estate loans</u>	<u>Other loans</u>	
Beginning balance	(10,550)	(7,434)	(81,153)	(8,422)	(20,934)	(128,493)
Charged during the year	(1,281)	(28,331)	(59,317)	(1,770)	53	(90,646)
Write off during the year	-	14,120	5,148	-	-	19,268
Recoveries during the year	(4)	(5,340)	(17)	-	-	(5,361)
Ending balance	<u>(11,835)</u>	<u>(26,985)</u>	<u>(135,339)</u>	<u>(10,192)</u>	<u>(20,881)</u>	<u>(205,232)</u>

Dec.31, 2015	<u>Corporate</u>				<u>Total</u>
	<u>Overdraft</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	
Beginning balance	(491,763)	(2,172,426)	(644,225)	(4,850)	(3,313,264)
Charged (Released) during the year	(79,462)	(1,201,442)	(349,313)	3,523	(1,626,694)
Write off during the year	-	545,777	-	-	545,777
Recoveries during the year	-	(3,399)	-	-	(3,399)
Exchange revaluation difference	(18,395)	(57,212)	(30,688)	-	(106,295)
Ending balance	<u>(589,620)</u>	<u>(2,888,702)</u>	<u>(1,024,226)</u>	<u>(1,327)</u>	<u>(4,503,875)</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, 2016			Dec.31, 2015		
	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>
<b>Foreign currencies derivatives</b>						
- Forward foreign exchange contracts	2,174,176	182,508	178,479	972,438	16,766	25,683
- Currency swap	2,662,940	79,890	61,404	3,448,349	51,258	71,244
- Options	-	-	-	26,830	47	47
<b>Total 1</b>		<u>262,398</u>	<u>239,883</u>		<u>68,071</u>	<u>96,974</u>
<b>Interest rate derivatives</b>						
- Interest rate swaps	34,706	144	-	14,687	395	-
<b>Total 2</b>		<u>144</u>	<u>-</u>		<u>395</u>	<u>-</u>
<b>Total assets (liabilities) for trading derivatives (1+2)</b>		<u>262,542</u>	<u>239,883</u>		<u>68,466</u>	<u>96,974</u>
<b>19.1.2 . Fair value hedge</b>						
<b>Interest rate derivatives</b>						
- Governmental debt instruments hedging	675,861	-	45,629	286,014	-	26,296
- Customers deposits hedging	16,382,128	6,727	45,579	7,965,211	12,529	22,465
<b>Total 3</b>		<u>6,727</u>	<u>91,208</u>		<u>12,529</u>	<u>48,761</u>
<b>Total financial derivatives (1+2+3)</b>		<u>269,269</u>	<u>331,091</u>		<u>80,995</u>	<u>145,735</u>
<b>Distributed To:</b>						
Current:		264,124	243,559		73,487	97,408
Non-current:		5,145	87,532		7,508	48,327
<b>Total</b>		<u>269,269</u>	<u>331,091</u>		<u>80,995</u>	<u>145,735</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:

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
<b>Gains/(Losses) on:</b>		
- Hedged instruments	(48,249)	10,488
- Hedged item attributable to hedged risk	<u>25,735</u>	<u>(21,401)</u>
<b>Hedge ineffectiveness recognized immediately in income statement</b>	<u>(22,514)</u>	<u>(10,913)</u>

**21 Financial investments**

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
<b>Available for sale</b>		
- Listed debt instruments with fair value	4,709,487	45,589,793
- Listed equity instruments with fair value	97,631	28,496
- Unlisted instruments	<u>640,173</u>	<u>670,786</u>
<b>Total</b>	<u>5,447,291</u>	<u>46,289,075</u>
<b>Held to maturity</b>		
- Listed debt instruments	53,892,423	9,228,707
- Unlisted instruments	<u>32,513</u>	<u>32,513</u>
<b>Total</b>	<u>53,924,936</u>	<u>9,261,220</u>
<b>Total financial investment</b>	<u>59,372,227</u>	<u>55,550,295</u>
Fixed interest debt instruments	56,090,139	53,244,689
Floating interest debt instruments	<u>2,511,772</u>	<u>1,573,811</u>
<b>Total</b>	<u>58,601,911</u>	<u>54,818,500</u>

	<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 2015	27,702,122	9,160,746	36,862,868
Addition	25,392,460	4,019,548	29,412,008
Deduction (selling - redemptions)	(5,152,168)	(3,919,074)	(9,071,242)
Exchange revaluation differences for foreign financial assets	96,638	-	96,638
Gain from fair value difference	(1,572,274)	-	(1,572,274)
Impairment charges	<u>(177,703)</u>	<u>-</u>	<u>(177,703)</u>
Ending Balance	<u>46,289,075</u>	<u>9,261,220</u>	<u>55,550,295</u>

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

**22 . Profits (Losses) on financial investments**

	Dec.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
Profit (Loss) from selling available for sale financial instruments	35,193	163,270
Released (Impairment) charges of available for sale equity instruments	(102,341)	(177,703)
Released (Impairment) charges of associates	(90,447)	285,431
Profit (Loss) from selling held to maturity debt investments	263	-
<b>Total</b>	<b>(25,533)</b>	<b>270,998</b>

**23 Investments in associates**

Dec.31, 2016	<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>
<b>Associates</b>										
- International Co. for Security and Services (Falcon)	Security Services	Egypt	90,222	210,517	62,456	145,732	301,390	12,478	36,723	35
<b>Total</b>			<b>90,222</b>	<b>210,517</b>	<b>62,456</b>	<b>145,732</b>	<b>301,390</b>	<b>12,478</b>	<b>36,723</b>	

\* The bank's ownership in its associates doesn't imply control only significant influence exists.

\*\* CI Capital Holding acquired 100% from Commercial International Bank's stake in Corporate Leasing Company Egypt (Corplease) associate- , which represents 43% of Corplease shares. According to the agreement with Commercial International Bank, transfer of risk and rewards of ownership of Corplease shares took place after CI Capital Holding Board of Directors meeting held to approve the financial statements of CI Capital Holding for the year ended 31 December 2015 .

Dec.31, 2015	<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>
<b>Associates</b>										
- Corplease	Financial Leasing	Egypt	787,189	1,836,775	706,940	1,649,526	421,621	24,752	124,149	43
- Haykala for Investment	Investment Banking	Egypt	1,503	3,507	63	148	272	41	1,202	40
- Egypt Factors	Factoring	Egypt	94,055	219,461	81,800	190,866	20,827	(15,672)	-	49
- International Co. for Security and Services (Falcon)	Security Services	Egypt	58,041	135,429	32,893	76,751	257,943	36,190	34,632	40
<b>Total</b>			<b>940,788</b>	<b>2,195,171</b>	<b>821,696</b>	<b>1,917,290</b>	<b>700,663</b>	<b>45,311</b>	<b>159,983</b>	

	Dec.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
The bank's share of profit from continuing operations	2,989	27,829
The bank's share of total comprehensive income	2,989	27,829

	Dec.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
The Dividends distributed to the bank from associates	-	-

**24 . Other assets**

	Dec.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
Accrued revenues	3,318,761	2,892,503
Prepaid expenses	164,190	139,357
Advances to purchase fixed assets	203,410	157,202
Accounts receivable and other assets	1,691,603	1,547,660
Assets acquired as settlement of debts	56,599	52,569
Other debit Balances	-	-
<b>Total</b>	<b>5,434,563</b>	<b>4,789,291</b>

**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>
<b>Balance as at Jan.1, 2015</b>	64,708	696,428	1,085,729	69,279	442,792	432,235	145,157	<b>2,936,328</b>
Additions during the year 2015	-	94,979	106,785	883	40,424	49,862	-	<b>292,933</b>
<b>Ending gross assets at end of the year 2015</b>	<b>64,708</b>	<b>791,407</b>	<b>1,192,514</b>	<b>70,162</b>	<b>483,216</b>	<b>482,097</b>	<b>145,157</b>	<b>3,229,261</b>
Accu.depreciation as at Jan.1, 2015	-	237,385	812,493	41,109	370,596	348,833	124,097	<b>1,934,513</b>
Depreciation 2015	-	29,917	85,091	1,141	43,251	38,588	-	<b>197,988</b>
<b>Accu.depreciation at end of the year 2015</b>	<b>-</b>	<b>267,302</b>	<b>897,584</b>	<b>42,250</b>	<b>413,847</b>	<b>387,421</b>	<b>124,097</b>	<b>2,132,501</b>
<b>Net book value 2015</b>	<b>64,708</b>	<b>524,105</b>	<b>294,930</b>	<b>27,912</b>	<b>69,369</b>	<b>94,676</b>	<b>21,060</b>	<b>1,096,760</b>
<b>Balance as at Jan.1, 2016</b>	64,708	791,407	1,192,514	70,162	483,216	482,097	145,157	<b>3,229,261</b>
Additions during the year 2016	-	114,336	203,124	17,499	124,556	43,777	12,813	<b>516,105</b>
<b>Ending gross assets at end of the year 2016</b>	<b>64,708</b>	<b>905,743</b>	<b>1,395,638</b>	<b>87,661</b>	<b>607,772</b>	<b>525,874</b>	<b>157,970</b>	<b>3,745,366</b>
Accu.depreciation as at Jan.1, 2016	-	267,302	897,584	42,250	413,847	387,421	124,097	<b>2,132,501</b>
Depreciation 2016	-	34,958	131,660	5,654	54,520	47,501	13,764	<b>288,057</b>
<b>Accu.depreciation at end of the year 2016</b>	<b>-</b>	<b>302,260</b>	<b>1,029,244</b>	<b>47,904</b>	<b>468,367</b>	<b>434,922</b>	<b>137,861</b>	<b>2,420,558</b>
<b>Net book value 2016</b>	<b>64,708</b>	<b>603,483</b>	<b>366,394</b>	<b>39,757</b>	<b>139,405</b>	<b>90,952</b>	<b>20,109</b>	<b>1,324,808</b>

According to first-time adoption of IFRS, IAS17 requires an entity entering into a finance lease to recognize the fair market value of the contract or the present value of minimum lease payments whichever is less as an asset against corresponding liability.

The bank had leased machines and equipment (printers) calculated the PV of the 1st contract dated first of September 2010 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 amounted to EGP 13,378,237 using the interest rate on taxable treasury bonds maturing in the same period which is 14.50%.

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
<b>Machines and equipment</b>		
Net book value include financial lease assets (Xerox machines) amount equal to	<b>3,903</b>	6,579

**26 Due to banks**

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
Current accounts	271,470	224,002
Deposits	2,737,526	1,376,767
<b>Total</b>	<b>3,008,996</b>	<b>1,600,769</b>
Central banks	163,420	816,844
Local banks	2,636,009	271,845
Foreign banks	209,567	512,080
<b>Total</b>	<b>3,008,996</b>	<b>1,600,769</b>
Non-interest bearing balances	545,463	59,127
Fixed interest bearing balances	2,463,533	1,541,642
<b>Total</b>	<b>3,008,996</b>	<b>1,600,769</b>
Current balances	3,008,996	224,002
Non-current balances	-	1,376,767
<b>Total</b>	<b>3,008,996</b>	<b>1,600,769</b>

**27 Due to customers**

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
Demand deposits	60,068,884	43,282,846
Time deposits	57,478,218	42,996,421
Certificates of deposit	69,215,320	37,518,922
Saving deposits	38,519,158	25,790,179
Other deposits	6,459,215	5,646,048
<b>Total</b>	<b>231,740,795</b>	<b>155,234,416</b>
Corporate deposits	110,157,621	82,185,251
Individual deposits	121,583,174	73,049,165
<b>Total</b>	<b>231,740,795</b>	<b>155,234,416</b>
Non-interest bearing balances	37,066,683	26,385,328
Fixed interest bearing balances	194,674,112	128,849,088
<b>Total</b>	<b>231,740,795</b>	<b>155,234,416</b>
Current balances	159,492,892	115,115,076
Non-current balances	72,247,903	40,119,340
<b>Total</b>	<b>231,740,795</b>	<b>155,234,416</b>

The fair value of those deposits approximates the carrying amount.

**28 Long term loans**

	<u>Interest rate %</u>	<u>Maturity date</u>	<u>Maturing</u>	<u>Balance on</u>	<u>Balance on</u>
			<u>through next year</u>	<u>Dec.31, 2016</u>	<u>Dec.31, 2015</u>
			EGP Thousands	EGP Thousands	EGP Thousands
Financial Investment & Sector Cooperation (FISC)	3.5 - 5.5 depends on maturity date	3-5 years	1,111	2,778	3,889
Environmental Compliance Project (ECO)	depends on maturity date 5.5 - 3.5	3-5 years	-	-	550
Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years	81,486	88,800	28,000
Social Fund for Development (SFD)	3 months T/D or 9% which is more	04-Jan-20	63,178	68,665	98,889
<b>Balance</b>			<b>145,775</b>	<b>160,243</b>	<b>131,328</b>

**29 Other liabilities**

	<u>Dec.31, 2016</u>	<u>Dec.31, 2015</u>
	EGP Thousands	EGP Thousands
Accrued interest payable	1,455,029	763,040
Accrued expenses	645,979	586,640
Accounts payable	2,013,241	1,612,381
Financial lease obligation	5,392	8,277
Other payables	149,133	193,768
Brokerage clients - credit balances	-	-
Reconciliation accounts - credit balances	-	-
<b>Total</b>	<b>4,268,774</b>	<b>3,164,106</b>
Distributed to:		
Current	4,266,970	3,155,829
Non Current	1,804	5,392

**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 amounted to EGP 52,923,68

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 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:

	<u>Dec.31, 2016</u>		<u>Dec.31, 2015</u>	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
After one year but not more than five years	3,816	3,588	3,568	2,885
	1,804	1,804	5,620	5,392
<b>Total minimum lease payments</b>	<b>5,620</b>	<b>5,392</b>	<b>9,188</b>	<b>8,277</b>
Less amounts representing finance charges	(228)	-	(911)	-
<b>Present value of minimum lease payments</b>	<b>5,392</b>	<b>5,392</b>	<b>8,277</b>	<b>8,277</b>



**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, 2016						EGP Thousands
Provision for income tax claims	22,146	-	-	-	-	22,146
Provision for legal claims	29,556	9,630	1,456	(924)	(5,451)	34,267
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	19,886	8,372	2,097	(2,772)	(4,642)	22,941
<b>Total</b>	<b>861,761</b>	<b>150,847</b>	<b>583,550</b>	<b>(3,696)</b>	<b>(78,405)</b>	<b>1,514,057</b>
Dec.31, 2015						EGP Thousands
Provision for income tax claims	22,146	-	-	-	-	22,146
Provision for legal claims	40,435	1,686	53	(12,113)	(505)	29,556
Provision for Stamp duty	31,000	-	-	-	-	31,000
Provision for contingent liabilities	620,546	125,764	12,863	-	-	759,173
Provision for other claim	16,185	8,416	414	(5,129)	-	19,886
Provision for other claim	730,312	135,866	13,330	(17,242)	(505)	861,761

**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:** 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**

	<b>2016</b>	2015
	EGP Thousands	EGP Thousands
Authorized capital	20,000,000	20,000,000
Issued and Paid in Capital	11,538,660	11,470,603
Number of shares outstanding in Thousands	1,153,866	1,147,060
	<b>2016</b>	2015
	EGP	EGP
Par value per share	10	10

- Increase issued and Paid in Capital by amount EGP 68,057 thousand on April 19, 2016 to reach EGP 11,538,660 thousand according to Board of Directors decision on November 10, 2015 by issuance of seventh tranche for E.S.O.P program.

**32 . Reserves**

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
Legal reserve	<b>1,035,363</b>	803,355
General reserve	<b>4,554,251</b>	1,518,373
Special reserve	<b>30,778</b>	30,214
Cumulative foreign currencies translation differences	<b>8,588</b>	-
Reserve for A.F.S investments revaluation difference	<b>(2,180,243)</b>	(2,202,462)
<b>Total</b>	<b><u>3,448,737</u></b>	<b><u>149,480</u></b>

**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:

	<b>Dec.31, 2016</b>	Dec.31, 2015
	<b><u>No. of shares in</u></b>	<u>No. of shares in</u>
	<b><u>Thousands</u></b>	<u>Thousands</u>
Outstanding at the beginning of the year	20,373	21,872
Granted during the year	9,262	8,653
Forfeited during the year	(478)	(677)
Exercised during the year	(6,806)	(9,475)
<b>Outstanding at the end of the year</b>	<b>22,351</b>	<b>20,373</b>

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

	EGP	EGP	<b><u>No. of shares in</u></b>
<b>Maturity date</b>	<b><u>Exercise price</u></b>	<b><u>Fair value</u></b>	<b><u>thousand</u></b>
2017	10.00	18.27	7,935
2018	10.00	31.67	5,314
2019	10.00	28.43	9,102
<b>Total</b>			<b>22,351</b>

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

	<b><u>10th tranche</u></b>	<b><u>9th tranche</u></b>
Exercise price	10	10
Current share price	38.09	39.35
Expected life (years)	3	3
Risk free rate %	12.40%	13.40%
Dividend yield%	2.50%	2.00%
Volatility%	31%	31%

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

	<b>Dec.31, 2016</b>	Dec.31, 2014
	<b>EGP Thousands</b>	EGP Thousands
Expense arising from equity-settled share-based payment transactions	(note 7) <b>187,000</b>	133,395

	EGP	EGP
<b>Maturity date</b>	<b><u>Exercise price</u></b>	<b><u>Average market value</u></b>
		<b><u>during the exercise date</u></b>
2015	10.00	43.52
2016	10.00	41.09

### 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, 2016			December 31, 2015		
	<u>Loans and advances</u>	<u>Impairment provision</u>	<u>Net Loans and advances</u>	<u>Loans and advances</u>	<u>Impairment provision</u>	<u>Net Loans and advances</u>
1-Performing loans	66,541	1,354	65,187	51,411	1,450	49,961
2-Regular watching	1,7967	1,918	16,049	5,867	612	5,255
3-Watch list	6,373	1,651	4,722	2,789	1,027	1,762
4-Non-Performing Loans	6,586	4,898	1,688	2,505	1,630	875
<b>Total</b>	<b>97,467</b>	<b>9,821</b>	<b>87,646</b>	<b>62,572</b>	<b>4,719</b>	<b>57,853</b>

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, 2016 EGP Thousands	Dec. 31, 2015 EGP Thousands
<b>In balance sheet items exposed to credit risk</b>		
Treasury bills and other governmental notes	39,216,387	22,130,170
<b>Trading financial assets:</b>		
- Debt instruments	1,933,420	5,504,524
Gross loans and advances to banks	161,451	48,342
Less: Impairment provision	(1,800)	(9,899)
<b>Gross loans and advances to customers</b>		
<b>Individual:</b>		
- Overdraft	1,901,875	1,583,233
- Credit cards	2,423,125	2,001,159
- Personal loans	10,745,352	8,073,622
- Mortgages	306,930	298,817
- Other loans	20,838	20,881
<b>Corporate:</b>		
- Overdraft	12,452,698	8,561,090
- Direct loans	44,503,511	27,811,737
- Syndicated loans	24,840,803	14,088,786
- Other loans	110,382	84,402
Unamortized bills discount	(5,533)	(14,375)
Impairment provision	(12,075,833)	(5,711,776)
Derivative financial instruments	269,269	80,995
<b>Financial investments:</b>		
- Debt instruments	58,601,911	54,818,500
<b>Total</b>	<b>185,404,786</b>	<b>139,370,208</b>
<b>Off balance sheet items exposed to credit risk</b>		
Customers acceptances	650,607	504,774
Letters of credit (import and export)	2,382,849	862,279
Letter of guarantee	65,575,370	29,640,729
<b>Total</b>	<b>68,608,826</b>	<b>31,007,782</b>

The above table represents the Bank Maximum exposure to credit risk on December 31, 2016 , 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 46.05% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt instruments represents 32.65%.

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

- 86.70% of the loans and advances are concentrated in the top two grades of the internal credit risk rating system.
- 93.30% of loans and advances portfolio are considered to be neither past due nor impaired.
- Loans and advances assessed individually are valued EGP 6,585,667.
- The Bank has implemented more prudent processes when granting loans and advances during the financial year ended on December 31, 2016.
- 95.33% 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, 2016		Dec.31, 2015	
	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	85,586,627	161,451	56,273,952	27,567
Past due but not impaired	5,133,220	-	3,765,257	-
Individually impaired	6,585,667	-	2,484,518	20,775
<b>Gross</b>	<b>97,305,514</b>	<b>161,451</b>	<b>62,523,727</b>	<b>48,342</b>
<b>Less:</b>				
Impairment provision	12,075,833	1,800	5,711,776	9,899
Unamortized bills discount	5,533	-	14,375	-
<b>Net</b>	<b>85,224,148</b>	<b>159,651</b>	<b>56,797,576</b>	<b>38,443</b>

### Impairment provision distributed to:

Collective provision	205,235	-	205,235	-
Specific provision	4,511,971	1,800	4,503,872	9,899
<b>Total</b>	<b>4,717,206</b>	<b>1,800</b>	<b>4,709,107</b>	<b>9,899</b>

Refer to Note 18 page 20.

Impairment provision losses for loans and advances reached EGP 9,819,807 thousand.

During the year, the Bank's total loans and advances increased by 5% representing actual increase after eliminating the devaluation impact.

In order to minimize the probable 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		Principal type of collateral held
	Dec. 31, 2016	Dec. 31, 2015	
Trading derivative assets	100	100	Cash
Derivative assets held for risk management	100	100	Cash
<b>Loans and advances to banks</b>			
Reverse sale and repurchase agreements	100	100	Marketable securities
<b>Loans and advances to retail customers</b>			
Mortgage lending	80	80	Residential property
Personal loans	100	100	Cash
Credit cards	-	-	None
<b>Loans and advances to corporate customers</b>			
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, 2016	Dec. 31, 2015
Less than 50%	-	-
51–70%	-	-
71–90%	306,930	298,817
91–100%	-	-
More than 100%	-	-
<b>Total</b>	<b>306,930</b>	<b>298,817</b>



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

Dec. 31, 2016	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	1,784,301	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	-	
<b>Total</b>	<b>1,890,709</b>	<b>2,398,069</b>	<b>10,554,759</b>	<b>299,130</b>	<b>-</b>	<b>15,142,667</b>	<b>11,110,688</b>	<b>38,061,284</b>	<b>23,064,930</b>	<b>107,938</b>	<b>72,344,840</b>	<b>159,651</b>	

  

Dec. 31, 2015	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	1,512,038	1,907,963	7,585,578	286,266	-	11,291,845	7,287,534	20,014,726	11,257,517	83,075	38,642,852	25,881	
Regular watching	37,236	39,542	211,668	-	-	288,446	243,102	3,001,782	1,720,835	-	4,965,719	1,355	
Watch list	8,661	16,795	65,985	-	-	91,441	200,937	1,447,610	21,997	-	1,670,544	-	
Non-performing loans	13,463	9,874	75,052	2,359	-	100,748	239,897	458,917	64,211	-	763,025	11,207	
<b>Total</b>	<b>1,571,398</b>	<b>1,974,174</b>	<b>7,938,283</b>	<b>288,625</b>	<b>-</b>	<b>11,772,480</b>	<b>7,971,470</b>	<b>24,923,035</b>	<b>13,064,560</b>	<b>83,075</b>	<b>46,042,140</b>	<b>38,443</b>	

**Refer to Note 18 page 20.**

**Loans and advances past due but not impaired:**

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

EGP Thousands

Dec.31, 2016	Individual					Corporate			
	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Mortgages</u>	<u>Total</u>	<u>Overdraft</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Total</u>
Past due up to 30 days	582,120	422,066	24,732	751	1,029,669	400,439	2,522,360	43,878	2,966,677
Past due 30 - 60 days	75,290	54,952	14,679	66	144,987	74,593	55,022	-	129,615
Past due over 60 days	13,801	22,964	9,382	21	46,168	423,474	392,630	-	816,104
<b>Total</b>	<b>671,211</b>	<b>499,982</b>	<b>48,793</b>	<b>838</b>	<b>1,220,824</b>	<b>898,506</b>	<b>2,970,012</b>	<b>43,878</b>	<b>3,912,396</b>

Dec.31, 2015	Individual					Corporate			
	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Mortgages</u>	<u>Total</u>	<u>Overdraft</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Total</u>
Past due up to 30 days	496,599	319,812	107,881	491	924,783	1,024,665	1,289,946	4,300	2,318,911
Past due 30-60 days	37,361	42,765	40,608	142	120,876	54,301	40,768	-	95,069
Past due over 60 days	8,735	20,820	19,823	41	49,419	143,274	112,925	-	256,199
<b>Total</b>	<b>542,695</b>	<b>383,397</b>	<b>168,312</b>	<b>674</b>	<b>1,095,078</b>	<b>1,222,240</b>	<b>1,443,639</b>	<b>4,300</b>	<b>2,670,179</b>

**Individually impaired loans**

Loans and advances individually assessed without taking into consideration cash flows from guarantees are totaled EGP thousands 2,505,293 (2014 :2,501,700).

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

EGP Thousands

Dec.31, 2016	Individual					Corporate				
	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Mortgages</u>	<u>Other loans</u>	<u>Overdraft</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	<u>Total</u>
<b>Individually impaired loans</b>	<b>26,350</b>	<b>25,180</b>	<b>248,302</b>	<b>7,479</b>	<b>20,838</b>	<b>1,368,375</b>	<b>3,569,454</b>	<b>1,319,689</b>	<b>-</b>	<b>6,585,667</b>

Dec.31, 2015	Individual					Corporate				
	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Mortgages</u>	<u>Other loans</u>	<u>Overdraft</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	<u>Total</u>
Individually impaired loans	19,154	21,581	157,450	9,456	20,881	567,565	1,118,675	590,531	-	2,505,293

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, 2016	Dec.31, 2015
<b>Loans and advances to customer</b>		
<b>Corporate</b>		
- Direct loans	<u>7,771,415</u>	<u>3,126,928</u>
<b>Total</b>	<u><b>7,771,415</b></u>	<u><b>3,126,928</b></u>

**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 2016 :

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

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

**Dec.31, 2015**

	EGP Thousands			
	Treasury bills and other gov. notes	Trading financial debt instruments	Non-trading financial debt instruments	Total
AAA	-	-	168,408	<b>168,408</b>
AA- to AA+	-	-	467,645	<b>467,645</b>
A- to A+	-	-	937,758	<b>937,758</b>
Lower than A-	22,130,170	-	1,087,336	<b>23,217,506</b>
Unrated*	-	5,504,524	52,157,353	<b>57,661,877</b>
<b>Total</b>	<u><b>22,130,170</b></u>	<u><b>5,504,524</b></u>	<u><b>54,818,500</b></u>	<u><b>82,453,194</b></u>

\*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 current year.

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

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
<b>Trading financial assets:</b>				
- 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)
<b>Gross loans and advances to customers</b>				
<b>Individual:</b>				
- 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
<b>Corporate:</b>				
- 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
<b>Financial investments:</b>				
-Debt instruments	58,601,911	-	-	58,601,911
-Investments in associates	36,723	-	-	36,723
<b>Total</b>	<b>161,490,662</b>	<b>20,072,439</b>	<b>3,878,408</b>	<b>185,441,509</b>

Dec.31, 2015	<u>Cairo</u>	<u>Alex, Delta and Sinai</u>	<u>Upper Egypt</u>	<u>Total</u>
Treasury bills and other governmental notes	22,130,170	-	-	22,130,170
<b>Trading financial assets:</b>				
- Debt instruments	5,504,524	-	-	5,504,524
Gross loans and advances to banks	48,342	-	-	48,342
Less: Impairment provision	(9,899)	-	-	(9,899)
<b>Gross loans and advances to customers</b>				
<b>Individual:</b>				
- Overdrafts	950,784	474,132	158,317	1,583,233
- Credit cards	1,670,160	279,704	51,295	2,001,159
- Personal loans	5,383,836	2,218,448	471,338	8,073,622
- Mortgages	245,773	46,719	6,325	298,817
- Other loans	-	20,881	-	20,881
<b>Corporate:</b>				
- Overdrafts	7,038,404	1,310,932	211,754	8,561,090
- Direct loans	19,675,531	6,864,143	1,272,063	27,811,737
- Syndicated loans	12,150,627	1,634,739	303,420	14,088,786
- Other loans	72,402	12,000	-	84,402
Unamortized bills discount	(14,375)	-	-	(14,375)
Impairment provision	(5,505,777)	(176,141)	(29,858)	(5,711,776)
Derivative financial instruments	80,995	-	-	80,995
<b>Financial investments:</b>				
-Debt instruments	54,818,500	-	-	54,818,500
-Investments in associates	159,983	-	-	159,983
<b>Total</b>	<b>124,399,980</b>	<b>12,685,557</b>	<b>2,444,654</b>	<b>139,530,191</b>

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, 2016								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	-	-	-	-	39,216,387	-	-	39,216,387
<b>Trading financial assets:</b>								
- 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)
<b>Gross loans and advances to customers</b>								
<b>Individual:</b>								
- 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
<b>Corporate:</b>								
- 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
<b>Financial investments:</b>								
-Debt instruments	2,511,772	-	-	-	56,090,139	-	-	58,601,911
- Investments in associates	36,723	-	-	-	-	-	-	36,723
<b>Total</b>	<b>4,029,342</b>	<b>32,168,985</b>	<b>1,814,194</b>	<b>1,433,888</b>	<b>111,642,245</b>	<b>19,222,144</b>	<b>15,130,711</b>	<b>185,441,509</b>

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 2015.

Dec.31, 2015								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	-	-	-	-	22,130,170	-	-	-	22,130,170
<b>Trading financial assets:</b>									
- Debt instruments	-	-	-	-	5,504,524	-	-	-	5,504,524
Gross loans and advances to banks	48,342	-	-	-	-	-	-	-	48,342
Less: Impairment provision	(9,899)	-	-	-	-	-	-	-	(9,899)
<b>Gross loans and advances to customers</b>									
<b>Individual:</b>									
- Overdrafts	-	-	-	-	-	-	1,583,233	-	1,583,233
- Credit cards	-	-	-	-	-	-	2,001,159	-	2,001,159
- Personal loans	-	-	-	-	-	-	8,073,622	-	8,073,622
- Mortgages	-	-	-	-	-	-	298,817	-	298,817
- Other loans	-	-	-	-	-	-	20,881	-	20,881
<b>Corporate:</b>									
- Overdrafts	6,758	2,828,122	726,278	955,191	966,275	3,078,466	-	-	8,561,090
- Direct loans	882,127	13,445,533	191,793	490,861	2,723,409	10,078,014	-	-	27,811,737
- Syndicated loans	20,775	6,802,020	460,605	-	5,723,935	1,081,451	-	-	14,088,786
- Other loans	9,531	66,321	-	-	-	8,550	-	-	84,402
Unamortized bills discount	(14,375)	-	-	-	-	-	-	-	(14,375)
Impairment provision	(24,453)	(2,855,953)	(12,097)	(28,473)	(37,928)	(2,533,849)	(219,023)	-	(5,711,776)
Derivative financial instruments	80,995	-	-	-	-	-	-	-	80,995
<b>Financial investments:</b>									
- Debt instruments	1,573,811	-	-	-	53,244,689	-	-	-	54,818,500
- Investments in subsidiary and associates	159,983	-	-	-	-	-	-	-	159,983
<b>Total</b>	<b>2,733,595</b>	<b>20,286,043</b>	<b>1,366,579</b>	<b>1,417,579</b>	<b>90,255,074</b>	<b>11,712,632</b>	<b>11,758,689</b>	<b>11,758,689</b>	<b>139,530,191</b>

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, 2016			Dec.31, 2015		
	Carrying amount	Market risk measure		Carrying amount	Market risk measure	
		Trading portfolios	Non-trading portfolios		Trading portfolios	Non-trading portfolios
<b>Assets subject to market risk</b>						
Cash and cash equivalents	10,522,040	-	10,522,040	9,848,954	-	9,848,954
Trading assets	2,445,134	2,445,134	-	5,848,377	5,848,377	-
Derivatives held for risk management	269,269	262,542	6,727	80,995	68,466	12,529
Loans and advances to banks	159,651	-	159,651	38,443	-	38,443
Loans and advances to customers	85,224,148	-	85,224,148	56,797,576	-	56,797,576
Investment securities	59,372,227	-	59,372,227	55,550,295	-	55,550,295
<b>Liabilities subject to market risk</b>						
Trading liabilities	-	-	-	-	-	-
Derivatives held for risk management	331,091	239,883	91,208	145,735	96,974	48,761
Deposits	234,749,791	-	234,749,791	156,835,185	-	156,835,185
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, 2016			Dec.31, 2015		
	Medium	High	Low	Medium	High	Low
Foreign exchange risk	31,561	300,218	276	248	1,894	5
Interest rate risk	365,258	1,028,396	112,744	157,097	258,851	96,690
Equities risk	-	-	-	-	-	-
Portfolio managed by others risk	4,775	10,341	2,682	5,072	7,426	2,689
Investment fund	392	643	264	361	492	287
<b>Total VaR</b>	<b>381,247</b>	<b>1,193,075</b>	<b>113,480</b>	<b>156,811</b>	<b>257,954</b>	<b>96,562</b>

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.

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



<b>Dec.31, 2015</b>	<b><u>EGP</u></b>	<b><u>USD</u></b>	<b><u>EUR</u></b>	<b><u>GBP</u></b>	<b><u>Other</u></b>	Equivalent EGP <b>Total</b>
<b>Financial assets</b>						
Cash and balances with Central Bank	9,349,647	356,876	76,434	30,879	35,118	<b>9,848,954</b>
Due from banks	8,508,366	9,679,891	2,355,831	330,860	127,357	<b>21,002,305</b>
Treasury bills and other governmental notes	18,041,899	4,369,826	589,428	-	-	<b>23,001,153</b>
Trading financial assets	5,692,538	155,839	-	-	-	<b>5,848,377</b>
Gross loans and advances to banks	-	48,342	-	-	-	<b>48,342</b>
Gross loans and advances to customers	36,201,181	24,854,523	1,272,045	114,885	81,093	<b>62,523,727</b>
Derivative financial instruments	68,023	12,925	47	-	-	<b>80,995</b>
<b>Financial investments</b>						
- Available for sale	44,343,759	1,945,316	-	-	-	<b>46,289,075</b>
- Held to maturity	9,261,220	-	-	-	-	<b>9,261,220</b>
Investments in associates	159,983	-	-	-	-	<b>159,983</b>
<b>Total financial assets</b>	<b><u>131,626,616</u></b>	<b><u>41,423,538</u></b>	<b><u>4,293,785</u></b>	<b><u>476,624</u></b>	<b><u>243,568</u></b>	<b><u>178,064,131</u></b>
<b>Financial liabilities</b>						
Due to banks	303,105	1,241,688	42,426	11,651	1,899	<b>1,600,769</b>
Due to customers	113,490,778	36,285,344	4,813,066	461,909	183,319	<b>155,234,416</b>
Derivative financial instruments	96,928	48,760	47	-	-	<b>145,735</b>
Long term loans	131,328	-	-	-	-	<b>131,328</b>
<b>Total financial liabilities</b>	<b><u>114,022,139</u></b>	<b><u>37,575,792</u></b>	<b><u>4,855,539</u></b>	<b><u>473,560</u></b>	<b><u>185,218</u></b>	<b><u>157,112,248</u></b>
<b>Net on-balance sheet financial position</b>	<b><u>17,604,477</u></b>	<b><u>3,847,746</u></b>	<b><u>(561,754)</u></b>	<b><u>3,064</u></b>	<b><u>58,350</u></b>	<b><u>20,951,883</u></b>

**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.

		<b>Change in USD rate</b>	<b>Effect on profit before tax</b>
			<b>EGP '000</b>
<b>2016</b>		+13%	1,167,431
		-13%	(1,167,431)
2015		+5%	192,387
		-5%	(192,387)
		<b>Change in EUR rate</b>	<b>Effect on profit before tax</b>
			<b>EGP '000</b>
<b>2016</b>		+13%	79,649
		-13%	(79,649)
2015		+5%	(28,088)
		-5%	28,088.0

**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>
<b>Dec.31, 2016</b>							
<b>Financial assets</b>							
Cash and balances with Central Bank	-	-	-	-	-	10,522,040	<b>10,522,040</b>
Due from banks	34,129,196	16,306,169	7,575,636	-	-	33	<b>58,011,034</b>
Treasury bills and other governmental notes*	3,988,539	4,614,183	32,771,155	-	-	-	<b>41,373,877</b>
Trading financial assets	210,383	221,987	126,111	1,192,101	362,995	331,557	<b>2,445,134</b>
Gross loans and advances to banks	23,409	57,093	80,949	-	-	-	<b>161,451</b>
Gross loans and advances to customers	54,209,899	15,258,356	18,453,189	7,763,724	1,620,346	-	<b>97,305,514</b>
Derivatives financial instruments (including IRS notional amount)	854,063	564,788	4,792,125	10,650,921	493,196	6,871	<b>17,361,964</b>
<b>Financial investments</b>							
- Available for sale	2,106,096	-	48,968	2,698,548	32,880	560,799	<b>5,447,291</b>
- Held to maturity	4,044,117	3,295,916	6,669,361	29,628,346	10,287,196	-	<b>53,924,936</b>
Investments in associates	-	-	-	-	-	36,723	<b>36,723</b>
<b>Total financial assets</b>	<b>99,565,702</b>	<b>40,318,492</b>	<b>70,517,494</b>	<b>51,933,640</b>	<b>12,796,613</b>	<b>11,458,023</b>	<b>286,589,964</b>
<b>Financial liabilities</b>							
Due to banks	2,463,533	-	-	-	-	545,463	<b>3,008,996</b>
Due to customers	86,340,467	23,089,594	20,878,127	62,657,249	1,708,675	37,066,683	<b>231,740,795</b>
Derivatives financial instruments (including IRS notional amount)	6,817,163	9,819,461	20,093	675,861	-	91,208	<b>17,423,786</b>
Long term loans	49,862	11,298	84,614	14,469	-	-	<b>160,243</b>
<b>Total financial liabilities</b>	<b>95,671,025</b>	<b>32,920,353</b>	<b>20,982,834</b>	<b>63,347,579</b>	<b>1,708,675</b>	<b>37,703,354</b>	<b>252,333,820</b>
<b>Total interest re-pricing gap</b>	<b>3,894,677</b>	<b>7,398,139</b>	<b>49,534,660</b>	<b>(11,413,939)</b>	<b>11,087,938</b>	<b>(26,245,331)</b>	<b>34,256,144</b>

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>
<b>Dec.31, 2015</b>							
<b>Financial assets</b>							
Cash and balances with Central Bank	-	-	-	-	-	9,848,954	<b>9,848,954</b>
Due from banks	16,368,055	4,150,629	130,424	-	-	353,197	<b>21,002,305</b>
Treasury bills and other governmental notes*	1,432,274	4,163,254	17,405,625	-	-	-	<b>23,001,153</b>
Trading financial assets	157,338	-	101,151	3,478,339	1,925,032	186,517	<b>5,848,377</b>
Gross loans and advances to banks	2,252	838	-	45,252	-	-	<b>48,342</b>
Gross loans and advances to customers	39,543,164	7,659,403	9,164,763	5,205,019	951,378	-	<b>62,523,727</b>
Derivatives financial instruments (including IRS notional amount)	383,992	37,006	1,120,238	6,584,035	208,712	12,924	<b>8,346,907</b>
<b>Financial investments</b>							-
- Available for sale	896,975	318,479	3,372,459	30,444,441	10,632,983	623,738	<b>46,289,075</b>
- Held to maturity	-	-	5,228	9,018,121	237,871	-	<b>9,261,220</b>
Investments in associates	-	-	-	-	-	159,983	<b>159,983</b>
<b>Total financial assets</b>	<b><u>58,784,050</u></b>	<b><u>16,329,609</u></b>	<b><u>31,299,888</u></b>	<b><u>54,775,207</u></b>	<b><u>13,955,976</u></b>	<b><u>11,185,313</u></b>	<b><u>186,330,043</u></b>
<b>Financial liabilities</b>							
Due to banks	1,391,139	73,899	76,604	-	-	59,127	<b>1,600,769</b>
Due to customers	63,058,113	16,302,639	15,545,522	32,586,811	1,356,003	26,385,328	<b>155,234,416</b>
Derivatives financial instruments (including IRS notional amount)	3,277,069	4,786,309	13,496	286,013	-	48,760	<b>8,411,647</b>
Long term loans	46,925	3,649	46,372	34,382	-	-	<b>131,328</b>
<b>Total financial liabilities</b>	<b><u>67,773,246</u></b>	<b><u>21,166,496</u></b>	<b><u>15,681,994</u></b>	<b><u>32,907,206</u></b>	<b><u>1,356,003</u></b>	<b><u>26,493,215</u></b>	<b><u>165,378,160</u></b>
<b>Total interest re-pricing gap</b>	<b><u>(8,989,196)</u></b>	<b><u>(4,836,887)</u></b>	<b><u>15,617,894</u></b>	<b><u>21,868,001</u></b>	<b><u>12,599,973</u></b>	<b><u>(15,307,902)</u></b>	<b><u>20,951,883</u></b>

**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.

	<b>Increase/decrease in basis points</b>	<b>Effect on P&amp;L EGP '000</b>
<b>2016</b>		
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)
<b>2015</b>		
EGP	+ 100 bps	(201,870)
USD	+ 100 bps	33,517
EUR	+ 100 bps	149
EGP	- 100 bps	201,870
USD	- 100 bps	(33,517)
EUR	- 100 bps	(149)

### 34.3. Liquidity risk

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

#### 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.

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
<b>Financial liabilities</b>						
<b>Due to banks</b>	3,008,996	-	-	-	-	3,008,996
<b>Due to customers</b>	30,227,170	24,495,657	55,763,261	108,564,259	12,690,448	231,740,795
<b>Long term loans</b>	49,862	11,298	84,614	14,469	-	160,243
<b>Total liabilities (contractual and non contractual maturity dates)</b>	<u>33,286,028</u>	<u>24,506,955</u>	<u>55,847,875</u>	<u>108,578,728</u>	<u>12,690,448</u>	<u>234,910,034</u>
<b>Cash &amp; Cash Item</b>	5,083,805	-	-	-	-	5,083,805
<b>Due From CBE</b>	13,958,000	15,923,996	7,565,899	5,438,232	-	42,886,127
<b>Due From Local Banks</b>	204,309	-	-	-	-	204,309
<b>Due From Foreign Banks</b>	19,866,454	382,172	110,207	-	-	20,358,833
<b>Available For Sale Investments</b>	525,388	-	153,523	4,735,500	32,880	5,447,291
<b>Trading Investments</b>	490,769	221,987	126,111	1,243,272	362,995	2,445,134
<b>Held To Maturity Investments</b>	4,016,605	3,295,916	6,664,146	29,628,561	10,319,708	53,924,936
<b>Investments in associates</b>	-	-	-	-	36,723	36,723
<b>Treasury Bills</b>	4,027,742	4,614,183	32,771,155	-	-	41,413,080
<b>Net Loans &amp; Overdraft</b>	<u>13,368,396</u>	<u>9,668,819</u>	<u>17,055,324</u>	<u>34,887,070</u>	<u>10,409,723</u>	<u>85,389,332</u>
<b>Total financial assets (contractual and non contractual maturity dates)</b>	<u>61,541,468</u>	<u>34,107,073</u>	<u>64,446,365</u>	<u>75,932,635</u>	<u>21,162,029</u>	<u>257,189,570</u>

Dec.31, 2015	<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	1,450,264	73,900	76,605	-	-	1,600,769
Due to customers	21,517,799	18,636,129	42,695,183	69,919,823	2,465,482	155,234,416
Long term loans	46,925	3,649	46,372	34,382	-	131,328
Total liabilities (contractual and non contractual maturity dates)	<u>23,014,988</u>	<u>18,713,678</u>	<u>42,818,160</u>	<u>69,954,205</u>	<u>2,465,482</u>	<u>156,966,513</u>
Cash & Cash Item	1,580,752	-	-	-	-	1,580,752
Due From Cbe	9,629,020	4,137,892	354,595	8,268,202	-	22,389,709
Due From Commercial Banks Local	3,263,306	-	-	-	-	3,263,306
Due From Foreign Banks	3,444,551	-	172,941	-	-	3,617,492
Available For Sale Investments	568,544	318,479	3,372,460	31,396,609	10,632,983	46,289,075
Trading Investments	309,467	-	101,152	3,512,726	1,925,032	5,848,377
Held To Maturity Investments	-	-	-	8,990,841	270,379	9,261,220
Investments in associates	-	-	-	-	159,983	159,983
Treasury Bills	1,432,273	4,163,255	17,405,625	-	-	23,001,153
Net Loans & Overdraft	8,575,837	6,041,818	10,338,037	23,762,471	8,132,231	56,850,394
Total financial assets (contractual and non contractual maturity dates)	<u>28,803,750</u>	<u>14,661,444</u>	<u>31,744,810</u>	<u>75,930,849</u>	<u>21,120,608</u>	<u>172,261,461</u>

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, 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
<b>Liabilities</b>						
<b>Derivatives financial instruments</b>						
- Foreign exchange derivatives	166,787	73,096	-	-	-	239,883
- Interest rate derivatives	-	286	11,375	79,547	-	91,208
<b>Total</b>	<u>166,787</u>	<u>73,382</u>	<u>11,375</u>	<u>79,547</u>	<u>-</u>	<u>331,091</u>

Dec.31, 2015	<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						
- Foreign exchange derivatives	74,061	12,272	10,641	-	-	96,974
- Interest rate derivatives	-	-	-	47,094	1,667	48,761
Total	<u>74,061</u>	<u>12,272</u>	<u>10,641</u>	<u>47,094</u>	<u>1,667</u>	<u>145,735</u>

##### 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, 2016	<u>42,110,948</u>	<u>19,714,615</u>	<u>6,783,263</u>	<u>68,608,826</u>
Dec.31, 2015	<u>20,632,761</u>	<u>7,382,522</u>	<u>2,992,499</u>	<u>31,007,782</u>

**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.

	<b>Book value</b>		<b>Fair value</b>	
	<b>Dec.31, 2016</b>	<b>Dec.31, 2015</b>	<b>Dec.31, 2016</b>	<b>Dec.31, 2015</b>
<b>Financial assets</b>				
Cash and balances with central bank	<b>10,522,040</b>	9,848,954	<b>10,522,040</b>	9,848,954
Due from banks	<b>58,011,034</b>	21,002,305	<b>58,011,034</b>	21,002,305
Gross loans and advances to banks	<b>161,451</b>	48,342	<b>161,451</b>	48,342
<b>Gross loans and advances to customers</b>				
- Individual	<b>15,398,120</b>	11,977,712	<b>14,148,833</b>	11,292,972
- Corporate	<b>81,907,394</b>	50,546,015	<b>65,086,670</b>	49,738,382
<b>Financial investments</b>				
Held to Maturity	<b>53,924,936</b>	9,261,220	<b>57,393,464</b>	8,864,356
<b>Total financial assets</b>	<b>219,924,975</b>	102,684,548	<b>205,323,492</b>	100,795,311
<b>Financial liabilities</b>				
Due to banks	<b>3,008,996</b>	1,600,769	<b>3,008,996</b>	1,600,769
Due to customers	<b>231,740,795</b>	155,234,416	<b>175,297,049</b>	151,400,615
Long term loans	<b>160,243</b>	131,328	<b>160,243</b>	131,328
<b>Total financial liabilities</b>	<b>234,910,034</b>	156,966,513	<b>178,466,288</b>	153,132,712

**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 2016:**

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, 2016	Date of Valuation	Fair value measurement using		
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (level 2)
<b>Measured at fair value:</b>				
<b>Financial assets</b>				
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
<b>Total</b>		<b>47,069,609</b>	<b>7,252,252</b>	<b>39,817,357</b>
<b>Derivative financial instruments</b>				
Financial assets	31-Dec-16	269,269	-	269,269
Financial liabilities	31-Dec-16	331,091	-	331,091
<b>Assets for which fair values are disclosed:</b>				
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
<b>Total</b>		<b>136,788,618</b>	<b>-</b>	<b>136,788,618</b>
<b>Liabilities for which fair values are disclosed:</b>				
Long term loans	31-Dec-16	160,243	-	160,243
<b>Total</b>		<b>160,243</b>	<b>-</b>	<b>160,243</b>

Dec.31, 2015	Date of Valuation	Fair value measurement using		
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (level 2)
<b>Measured at fair value:</b>				
<b>Financial assets</b>				
Financial assets held for trading	31-Dec-15	5,848,377	5,848,377	-
Financial investments available for sale	31-Dec-15	46,289,075	45,618,289	670,786
Investment property	31-Dec-15	-	-	-
Total equity attributable to equity holders of the parent	31-Dec-15	22,130,170	-	22,130,170
<b>Total</b>		<b>74,267,622</b>	<b>51,466,666</b>	<b>22,800,956</b>
<b>Derivative financial instruments</b>				
Financial assets	31-Dec-15	80,995	-	80,995
Financial liabilities	31-Dec-15	145,735	-	145,735
<b>Assets for which fair values are disclosed:</b>				
Financial investments held to maturity	31-Dec-15	8,864,356	-	8,864,356
Loans and advances to banks	31-Dec-15	38,443	-	38,443
Loans and advances to customers	31-Dec-15	61,031,354	-	61,031,354
<b>Total</b>		<b>69,934,153</b>	<b>-</b>	<b>69,934,153</b>
<b>Liabilities for which fair values are disclosed:</b>				
Long term loans	31-Dec-15	131,328	-	131,328
<b>Total</b>		<b>131,328</b>	<b>-</b>	<b>131,328</b>

There are no financial instruments that qualify for classification under level 3 as at 31 December 2016 & 2015 .  
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 plus some other elements that are managed as capital. The Bank manages its capital to ensure that the following objectives are achieved:

- Compliance with the legally imposed capital requirements in Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth of the Bank's operations.

Capital adequacy and 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 10%, 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, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands Restated**
<b>Tier 1 capital</b>		
Share capital (net of the treasury shares)	11,538,660	11,470,603
Goodwill	(22,981)	(209,842)
Reserves	5,756,206	5,755,642
Retained Earnings (Losses)	31,462	-
Total deductions from tier 1 capital common equity	<u>(2,793,403)</u>	<u>(2,666,248)</u>
<b>Total qualifying tier 1 capital</b>	<u><b>14,509,944</b></u>	<u><b>14,350,155</b></u>
<b>Tier 2 capital</b>		
45% of special reserve	49	49
45% of foreign currencies translation differences	3,865	-
45% of the Increase in fair value than the book value for available for sale and held to maturity investments	-	13,957
Impairment provision for loans and regular contingent liabilities	<u>1,606,644</u>	<u>991,210</u>
<b>Total qualifying tier 2 capital</b>	<u><b>1,610,558</b></u>	<u><b>1,005,216</b></u>
<b>Total capital 1+2</b>	<u><b>16,120,502</b></u>	<u><b>15,355,371</b></u>
<b>Risk weighted assets and contingent liabilities</b>		
Total credit risk	128,698,992	79,363,222
Total market risk	6,701,579	4,030,779
Total operational risk	<u>14,696,762</u>	<u>12,225,993</u>
<b>Total</b>	<u><b>150,097,333</b></u>	<u><b>95,619,994</b></u>
<b>*Capital adequacy ratio (%)</b>	<b>10.74%</b>	16.06%

\*\*After 2015 profit distribution.

After the approval of appropriation account for the year 2016, The capital adequacy ratio will reach 13.97%

	Dec.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands Restated**
<b>2-Leverage ratio</b>		
<b>Total qualifying tier 1 capital</b>	<u><b>14,509,944</b></u>	<u><b>14,350,155</b></u>
On-balance sheet items & derivatives	271,962,373	182,221,419
Off-balance sheet items	<u>41,080,543</u>	<u>23,224,714</u>
<b>Total exposures</b>	<u><b>313,042,916</b></u>	<u><b>205,446,133</b></u>
<b>*Percentage</b>	<b>4.64%</b>	6.98%

\*\*After 2015 profit distribution.

**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>
<b>Dec.31, 2016</b>					
<b>External revenue</b>					
<b>Net interest income</b>	6,738,491	59,200	(37,016)	3,256,348	10,017,023
<b>Net fee and commission income</b>	894,115	33,563	37	620,241	1,547,956
<b>Net trading income</b>	1,185,757	2,392	-	127,033	1,315,182
<b>Total segment revenue</b>	<u>8,818,363</u>	<u>95,155</u>	<u>(36,979)</u>	<u>4,003,622</u>	<u>12,880,161</u>
<b>Reportable segment profit before tax</b>	2,335,568	1,105,199	2,360,974	1,785,202	7,586,943
<b>Reportable segment assets</b>	126,094,668	5,000,585	119,000,093	17,604,222	267,699,568
<b>Reportable segment liabilities</b>	85,063,074	410,522	373	161,251,698	246,725,666
<b>Letters of guarantee</b>	35,670,635	358,653	29,471,373	74,709	65,575,370
<b>Letters of credit</b>	1,578,317	42,833	742,407	19,292	2,382,849
<b>Customers acceptances</b>	645,339	-	-	5,268	650,607
<b>Total contingent liabilities and commitments</b>	<u>37,894,292</u>	<u>401,487</u>	<u>30,213,780</u>	<u>99,268</u>	<u>68,608,826</u>
	<u>Corporate banking</u>	<u>SME's</u>	<u>Investment banking</u>	<u>Retail banking</u>	<u>Total</u>
<b>Dec.31, 2015</b>					
<b>External revenue</b>					
<b>Net interest income</b>	5,458,509	47,955	(29,985)	2,637,802	8,114,281
<b>Net fee and commission income</b>	942,866	35,393	39	654,060	1,632,358
<b>Net trading income</b>	640,489	1,292	-	68,617	710,398
<b>Total segment revenue</b>	<u>7,041,864</u>	<u>84,640</u>	<u>(29,946)</u>	<u>3,360,479</u>	<u>10,457,037</u>
<b>Reportable segment profit before tax</b>	3,855,887	599,175	284,449	1,311,869	6,051,380
<b>Reportable segment assets</b>	165,913,970	1,124,475	632,464	11,864,786	179,535,695
<b>Reportable segment liabilities</b>	56,355,554	271,977	247	106,831,653	163,459,431
<b>Letters of guarantee</b>	16,123,487	162,115	13,321,358	33,769	29,640,729
<b>Letters of credit</b>	571,144	15,500	268,654	6,981	862,279
<b>Customers acceptances</b>	500,687	-	-	4,087	504,774
<b>Total contingent liabilities and commitments</b>	<u>17,195,318</u>	<u>177,615</u>	<u>13,590,012</u>	<u>44,837</u>	<u>31,007,782</u>

**35.2 . By geographical segment**

	EGP Thousands			
	<u>Cairo</u>	<u>Alex, Delta &amp; Sinai</u>	<u>Upper Egypt</u>	<u>Total</u>
<b>Dec.31, 2016</b>				
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
<b>Dec.31, 2015</b>				
Revenue according to geographical segment	9,441,901	1,167,385	443,508	11,052,794
Expenses according to geographical segment	(4,379,251)	(420,704)	(201,459)	(5,001,414)
Profit before tax	5,062,650	746,681	242,049	6,051,380
Tax	(1,545,865)	(209,814)	(68,014)	(1,823,693)
Profit for the year	3,516,785	536,867	174,035	4,227,687
Total assets	162,048,822	13,712,913	3,773,960	179,535,695

**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 Thousands 36,533 as follows:

Available for sale financial investments	Investments value	Paid	Remaining
	EGP Thousands	EGP Thousands	EGP Thousands
<b>Dec.31, 2016</b>	<b>182,665</b>	<b>146,132</b>	<b>36,533</b>
Dec.31, 2015	77,301	61,841	15,460

**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 :

<b>Dec.31, 2016</b>	Dec.31, 2015
EGP Thousands	EGP Thousands
<b>38,059</b>	50,013

**36.3 . Letters of credit, guarantees and other commitments**

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
Letters of guarantee	65,575,370	29,640,729
Letters of credit (import and export)	2,382,849	862,279
Customers acceptances	650,607	504,774
<b>Total</b>	<b>68,608,826</b>	<b>31,007,782</b>
	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
Credit facilities commitments	7,245,061	24,237,408

**37 . Related party disclosures**
**37.1 Transactions with key management personnel of the Bank**

	<u>Dec.31, 2016</u>		<u>Dec.31, 2015</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	155	111	784,014	107,869
Deposits	79,496	(2,819)	286,691	(92,388)

**37.2 Transactions with associates**

	<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	174	346	-	90,292

  

	<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 *	439	83,668	12,157	1,638
Corplease Co.	30,933	343	3,812	115,932
Haykala for Investment	660	281	-	73
Egypt Factors	12,947	135	117,697	25,376

**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.

\* The increase in interest to International Co. for Security & Services due to the increase in their deposits amount during 2016 Vs 2015.

**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.

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 2013.

The Bank's salary tax is currently under examination for the period 2014-2015.

**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 30/9/2015 according to the protocol between the Federation of Egyptian banks and the tax authority.

**39 . Non current assets held for sale**
**Assets**
**-CI Capital Holding**

The Non current assets held for sale represent CI Capital Holding CIB's investment banking arm, a subsidiary owned by CIB with a 99.98% owner shi CIB signed Sale and Purchase Agreement (SPA) with a group of non-related Egyptian and Gulf investors for the sale of 71.94% of the share capital of CI Capital Holding ("CI Capital"), for a total transaction value amounting to EGP 683.4 Million, with a total company value of EGP 950 Mi The transaction was structured as a book building process that targeted prominent local and regional individual and institutional investors.

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
Due from banks	<b>653,742</b>	246,791
Treasury bills and other governmental notes	<b>21,214</b>	2,085
Trading financial assets	<b>36,894</b>	33,655
Brokerage clients - debit balances	<b>463,052</b>	657,560
Financial investments available for sale	<b>9,850</b>	16,123
Reconciliation accounts- debit balances	-	978
Goodwill	<b>22,981</b>	-
Other assets	<b>3,576,254</b>	86,525
Deferred tax assets	-	3,234
Property, plant and equipment	<b>106,451</b>	19,319
<b>Total</b>	<b>4,890,438</b>	1,066,270

**Liabilities**

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
Brokerage clients - credit balances	<b>616,845</b>	223,840
Due to customers	<b>19,589</b>	-
Other liabilities	<b>2,972,202</b>	124,628
Current tax liabilities	<b>37,214</b>	13,653
Other provisions	<b>38,826</b>	9,501
<b>Total</b>	<b>3,684,676</b>	371,622
<b>Minority interest</b>	<b>89,689</b>	4,066
	<b>3,774,365</b>	375,688

**Net**

<b>1,116,073</b>	690,582
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**Profit from discontinuing operations**

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
Interest and similar income	<b>122,476</b>	7,692
Interest and similar expense	<b>(347,012)</b>	(59,443)
Fee and commission income	<b>781,147</b>	301,859
Fee and commission expense	<b>(1,869)</b>	(1,393)
Dividend income	<b>3,379</b>	2,555
Other provisions	<b>(22,127)</b>	-
Net trading income	<b>75,436</b>	(6,627)
Administrative expenses	<b>(250,177)</b>	(181,634)
Other operating (expenses) income	<b>29,263</b>	8,152
Financial lease	<b>(232,476)</b>	-
<b>Net Profit Before Tax</b>	<b>158,040</b>	71,161
Income tax expense	<b>(29,778)</b>	(13,653)
Deferred tax	<b>(886)</b>	3,607
<b>Net profit of the year</b>	<b>127,376</b>	61,115

	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
<b>Net cash flows from discontinuing operation:</b>		
Net cash provided from operating activities	113,018	105,698
Net cash used in investing activities	(1,047,942)	(10,638)
Net cash used in financing activities	801,170	(224,840)
<b>Net increase (decrease) in cash and cash equivalent during the year</b>	<b>(133,754)</b>	<b>(129,780)</b>
<b>financial statements translation</b>	<b>4,168</b>	-
Beginning balance of cash and cash equivalent	528,820	512,077
<b>Cash and cash equivalent at the end of the year</b>	<b>399,234</b>	<b>382,297</b>

	Dec.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
<b>Earning per share from discontinuing operations:</b>		
Basic earning per share	2.32	0.63
Diluted earning per share	2.32	0.63

#### 40 . Goodwill and 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, 2016
	EGP Thousands
<b>Loans and advances to customers</b>	<b>1,078,684</b>
<b>Due to customers</b>	<b>1,380,765</b>

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
<b>Useful lives</b>	Indefinite	Indefinite
<b>Amortisation method used</b>	No amortisation	No amortisation
<b>Internally generated or acquired</b>	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	Dec.31, 2015
	EGP Thousands	EGP Thousands
Fair value at acquisition at 1 November 2015	217,078	217,078
Impairment	(217,078)	-
<b>Net book value</b>	<b>-</b>	<b>217,078</b>

-An impairment study was prepared by An independent financial advisor. the valuator 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, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Fair value at acquisition at 1 November 2015	651,041	651,041
Impairment	-	-
<b>Net book value</b>	<b>651,041</b>	<b>651,041</b>



**41 . Important events**

The Central Bank of Egypt, in its meeting held on November 3, 2016, decided to float the exchange rate for foreign currencies in order to give the banks operating in Egypt the flexibility to determine the sale and purchase price for foreign currencies within legal channels. Accordingly, the value of foreign currency-denominated assets and liabilities may differ significantly from the values reported in the financial statements for the financial year which ended December 31, 2016. The income statement would also be impacted by the revaluation of the outstanding foreign currency positions on the date of financial position and in subsequent periods. Along with the exchange rate liberalization, the Central Bank of Egypt also decided to raise the overnight deposit and lending rates by 300 basis points to 14.75% and 15.75%, respectively, which is expected to impact the Bank's pricing policies for its current and future products.

	<b>Dec.31, 2016</b>	Dec.31, 2015
	EGP Thousands	EGP Thousands
Profits from non-trading assets and liabilities revaluation	<b>(682,556)</b>	42,062







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