Consolidated Financial Statements

March 2017

CIB

KPMG Hazem Hassan
Public Accountant & Consultants

Deloitte – Saleh, Barsoum & Abdel Aziz
Accountants & Auditors

Review Report

To the Board of Directors of Commercial International Bank (Egypt)

Introduction

We have performed a limited review of the accompanying consolidated statement of Financial Position of Commercial International Bank (Egypt) S.A.E as of 31 March 2017 and the related consolidated statements of income, cash flows and changes in equity for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with the Central Bank of Egypt's rules issued on 16 December 2008. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements No. 2410, "Limited Review of Interim Financial Statements of an Entity Performed by its Independent Auditor." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the bank, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Commercial International Bank - Egypt (S.A.E) as at 31 March 2017 and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Central Bank of Egypt's rules issued on 16 December 2008 and in the light of the prevailing Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Auditors

Kamel Magdy Saleh
Egyptian Financial Supervisory Authority
Register Number "69"
Deloitte – Saleh, Barsoum & Abdel Aziz
Accountants & Auditors

Hassan Basyoni El Besha
Egyptian Financial Supervisory Authority
Register Number "98"
KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, 10 May, 2017

Consolidated balance sheet as at March 31, 2017

	Notes	Mar. 31, 2017 EGP Thousands	Dec. 31, 2016 EGP Thousands
Assets			
Cash and balances with central bank	15	15,101,163	10,522,040
Due from banks	16	65,449,817	58,011,034
Treasury bills and other governmental notes	17	39,956,034	39,177,184
Trading financial assets	18	2,209,221	2,445,134
Loans and advances to banks, net	19	69,384	159,651
Loans and advances to customers, net	20	86,670,859	85,224,148
Non current assets held for sale	42	239,875	4,890,438
Derivative financial instruments	21	95,242	269,269
Financial investments			
- Available for sale	22	5,139,805	5,447,291
- Held to maturity	22	49,389,060	53,924,936
Investments in associates	23	48,663	36,723
Other assets	24	6,241,263	5,434,563
Intangible assets	41	466,579	499,131
Deferred tax assets (Liabilities)	32	195,918	181,308
Property, plant and equipment	25	1,402,583	1,320,905
Total assets		272,675,466	267,543,755
Liabilities and equity			
Liabilities			
Due to banks	26	2,598,068	3,008,996
Due to customers	27	239,730,858	231,740,795
Non current liabilities held for sale	42	-	3,684,676
Derivative financial instruments	21	163,896	331,091
Dividends payable		576,933	-
Current tax liabilities		598,735	2,017,034
Other liabilities	29	5,204,188	3,579,330
Long term loans	28	155,218	160,243
Other provisions	30	1,603,192	1,514,057
Total liabilities		250,631,088	246,036,222
Equity			
Issued and paid up capital	31	11,538,660	11,538,660
Reserves	34	8,261,896	3,451,756
Reserve for employee stock ownership plan (ESOP)		420,564	343,460
Retained earnings (losses)		89,873	31,462
Total equity		20,310,993	15,365,338
Net profit for the period/year		1,733,385	6,009,118
Total equity and net profit for the period/year		22,044,378	21,374,456
Minority interest		-	133,077
Total minority interest , equity and net profit for the period		22,044,378	21,507,533
Total liabilities, equity, minority interest and net profit for the period		272,675,466	267,543,755

The accompanying notes are an integral part of these financial statements .
(Review report attached)

Hisham Ezz Al-Arab
Chairman and Managing Director

Consolidated income statement for the period ended March 31, 2017

	Notes	Mar. 31, 2017 EGP Thousands	Mar. 31, 2016 EGP Thousands
Continued Operations			
Interest and similar income		6,376,570	4,178,859
Interest and similar expense		(3,593,103)	(1,910,574)
Net interest income	6	2,783,467	2,268,285
Fee and commission income		647,861	463,058
Fee and commission expense		(130,060)	(83,981)
Net fee and commission income	7	517,801	379,077
Dividend income	8	1,799	492
Net trading income	9	386,603	107,642
Profits on financial investments	22	10,742	33,820
Administrative expenses	10	(746,457)	(601,548)
Other operating (expenses) income	11	(357,997)	(161,400)
Goodwill impairment	41	-	(10,854)
Intangible assets amortization	41	(32,552)	(32,552)
Impairment charge for credit losses	12	(506,570)	(287,613)
Bank's share in the profits of associates		11,940	(740)
Profit before income tax		2,068,776	1,694,609
Income tax expense	13	(598,735)	(482,726)
Deferred tax assets (Liabilities)	32 & 13	14,610	58,435
Net profit from continued operations		1,484,651	1,270,318
Discontinued Operations			
Net profit from discontinued operations	42	122,234	25,961
Profit (loss) of disposal from discontinued operations	43	150,550	-
Net profit for the period		1,757,435	1,296,279
Minority interest		24,050	4,725
Bank shareholders		1,733,385	1,291,554
Earning per share	14		
Basic		1.37	1.02
Diluted		1.35	1.00

Hisham Ezz Al-Arab
Chairman and Managing Director

Consolidated cash flow for the period ended March 31, 2017

	Mar. 31, 2017 EGP Thousands	Mar. 31, 2016 EGP Thousands
Cash flow from operating activities		
Profit before income tax from continued operations	2,044,726	1,694,609
Profit before income tax from discontinued operations	-	32,148
Adjustments to reconcile net profit to net cash provided by operating activities		
Fixed assets depreciation	84,592	64,951
Impairment charge for credit losses	506,570	287,613
Other provisions charges	88,440	23,622
Trading financial investments revaluation differences	(49,057)	195,000
Available for sale and held to maturity investments exchange revaluation differences	16,596	(263,567)
Goodwill impairment	-	10,854
Intangible assets amortization	32,552	32,552
Financial investments impairment charge	(59,574)	19,481
Utilization of other provisions	(358)	(470)
Other provisions no longer used	(2,470)	(33,132)
Exchange differences of other provisions	3,523	62,934
Profits from selling property, plant and equipment	-	(164)
Profits from selling financial investments	53,608	(16,259)
Profits from selling investments in associates	-	(84,934)
Shares based payments	77,104	48,661
Associates financial investments revaluation differences	11,940	740
Operating profits before changes in operating assets and liabilities	2,808,192	2,074,639
Net decrease (increase) in assets and liabilities		
Due from banks	(6,369,580)	(5,624,857)
Treasury bills and other governmental notes	(1,278,538)	3,942,273
Trading financial assets	284,970	686,027
Derivative financial instruments	6,832	(87,486)
Loans and advances to banks and customers	(1,095,248)	(3,506,838)
Other assets	(739,155)	(2,079,531)
Non current assets held for sale	188,136	-
Due to banks	(410,928)	(971,815)
Due to customers	7,765,546	14,117,734
Income tax obligations paid	(2,017,034)	(1,949,694)
Other liabilities	1,624,858	3,682,924
Income tax paid	768,051	10,283,376
Cash flow from investing activities		
Payment for purchase of subsidiary and associates	-	48,607
Proceeds from selling subsidiary and associates	-	159,989
Payment for purchases of property, plant, equipment and branches constructions	(204,805)	(174,558)
Proceeds from redemption of held to maturity financial investments	7,111,107	1,311
Payment for purchases of held to maturity financial investments	(2,575,231)	-
Payment for purchases of available for sale financial investments	(153,395)	(143,557)
Proceeds from selling available for sale financial investments	480,343	2,345,789
Proceeds from selling non current assets held for sale	500,867	-
Net cash used in investing activities	5,158,886	2,237,581

Consolidated cash flow for the period ended March 31, 2017 (Cont.)

	Mar. 31, 2017 EGP Thousands	Mar. 31, 2016 EGP Thousands
Cash flow from financing activities		
Increase (decrease) in long term loans	**(5,025)**	(7,094)
Dividend paid	**(773,274)**	(1,463,450)
Net cash used in financing activities	**(778,299)**	(1,470,544)
Net increase (decrease) in cash and cash equivalent during the period	**5,148,638**	11,050,413
Beginning balance of cash and cash equivalent	**61,518,700**	22,433,117
Cash and cash equivalent at the end of the period	**66,667,338**	33,483,530
Cash and cash equivalent comprise:		
Cash and balances with central bank	**15,101,163**	16,409,342
Due from banks	**65,449,817**	31,110,134
Treasury bills and other governmental notes	**39,956,034**	18,194,950
Obligatory reserve balance with CBE	**(10,066,100)**	(13,893,058)
Due from banks with maturities more than three months	**(4,307,610)**	(149,940)
Treasury bills with maturity more than three months	**(39,465,966)**	(18,187,898)
Total cash and cash equivalent	**66,667,338**	33,483,530

Consolidated statement of changes in shareholders' equity for the period ended on March 31, 2016

EGP Thousands

Mar. 31, 2016	Issued and paid up capital	Legal reserve	General reserve	Retained earnings (losses)	Special reserve	Reserve For A.F.S investments revaluation diff.	Banking risks reserve	Net profit for the period	Reserve for employee stock ownership plan	Cumulative foreign currencies translation differences	Total Shareholders Equity	Minority Interest	Total
Beginning balance	11,470,603	803,355	1,518,373	(64,566)	30,214	(2,202,462)	2,513	4,728,976	248,148	-	16,535,154	47,431	16,582,585
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-
Transferred to reserves	-	232,008	2,944,190	-	564	-	-	(3,176,762)	-	-	-	-	-
Transferred to retained earnings (losses)	-	-	-	88,258	-	-	-	(88,258)	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(1,463,450)	-	-	(1,463,450)	-	(1,463,450)
Net profit of the period	-	-	-	-	-	-	-	1,291,554	-	-	1,291,554	4,725	1,296,279
Change in ownership percentage	-	-	-	8,585	-	-	-	-	-	-	8,585	127,533	136,118
Net unrealised gain/(loss) on AFS	-	-	-	-	-	(1,873,055)	-	-	-	-	(1,873,055)	-	(1,873,055)
Transferred (from) to bank risk reserve	-	-	-	-	-	-	506	(506)	-	-	-	-	-
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	48,661	-	48,661	-	48,661
Cumulative foreign currencies translation differences	-	-	-	-	-	-	-	-	-	8551	8,551	-	8,551
Balance at the end of the period	11,470,603	1,035,363	4,462,563	32,277	30,778	(4,075,517)	3,019	1,291,554	296,809	8,551	14,556,000	179,689	14,735,689

Consolidated statement of changes in shareholders' equity for the period ended March 31, 2017

EGP Thousands

Mar. 31, 2017	Issued and paid up capital	Legal reserve	General reserve	Retained earnings (losses)	Special reserve	Reserve For A.F.S investments revaluation diff.	Banking risks reserve	Net profit for the period	Reserve for employee stock ownership plan	Cumulative foreign currencies translation differences	Total Shareholders Equity	Minority Interest	Total
Beginning balance	11,538,660	1,035,363	4,554,251	31,462	30,778	(2,180,243)	3,019	6,009,118	343,460	8,588	21,374,456	133,077	21,507,533
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-
Transferred to reserves	-	297,444	4,300,607	58,563	1,682	-	-	(4,658,296)	-	-	-	-	-
Transferred to retained earnings (losses)	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(1,350,207)	-	-	(1,350,207)	-	(1,350,207)
Net profit for the period	-	-	-	-	-	-	-	1,733,385	-	-	1,733,385	24,050	1,757,435
Disposal of subsidiary	-	-	152	(152)	-	-	-	-	-	(8,588)	(8,588)	-	(8,588)
Change in ownership percentage	-	-	-	-	-	-	-	-	-	-	-	(157,127)	(157,127)
Net unrealised gain/(loss) on AFS	-	-	-	-	-	218,228	-	-	-	-	218,228	-	218,228
Transferred (from) to bank risk reserve	-	-	-	-	-	-	615	(615)	-	-	-	-	-
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	77,104	-	77,104	-	77,104
Cumulative foreign currencies translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of the period	11,538,660	1,332,807	8,855,010	89,873	32,460	(1,962,015)	3,634	1,733,385	420,564	-	22,044,378	-	22,044,378

Notes to the consolidated financial statements for the period ended March 31, 2017

1. General information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate and investment banking services in various parts of Egypt through 171 branches, and 23 units employing 6451 employees on the statement of financial position date.

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

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

As of March 31, 2017 the Bank directly owns 54,988,500 shares representing 99.98% of CI Capital Holding Company's capital and on March 31, 2017 CI Capital Holding Co. Directly owns the following shares in its subsidiaries:

Company name	No. of shares	Ownership%	Indirect Share%
CIBC Co.	1,979,290	98.96	98.94
CI Assets Management	478,577	95.72	95.70
CI Investment Banking Co.	2,481,578	99.27	99.25
Dynamic Brokerage Co.	3,393,500	99.97	99.95
Corplease	1,262,237	72.96	72.94

2. Summary of accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Egyptian financial reporting standards issued in 2006 and its amendments and in accordance with the instructions of the Central Bank of Egypt approved by the Board of Directors on December 16, 2008 consistent with the principles referred to.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of trading, financial assets and liabilities held at fair value through profit or loss, available for sale and all derivatives contracts.

2.1.1. Basis of consolidation

The method of full consolidation is the basis of the preparation of the consolidated financial statement of the Bank, given that the Bank's acquisition proportion is 99.98 % (full control) in CI Capital Holding until 20 March 2017.

Consolidated financial statements consist of the financial statements of Commercial International Bank and consolidated financial statements of CI Capital Holding and its subsidiaries. Control is achieved through the Bank's ability to control the financial and operational policies of the companies that the Bank invests in it in order to obtain benefits from its activities. The basis of the consolidation is as follows:

- Eliminating all balances and transactions between the Bank and group companies.
- The cost of acquisition of subsidiary companies is based on the company's share in the fair value of assets acquired and obligations outstanding on the acquisition date.
- Minority shareholders represent the rights of others in subsidiary companies.
- Proportional consolidation is used in consolidating method for companies under joint control.

2.2. Subsidiaries and associates

2.2.1. Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Bank has owned directly or indirectly the control to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity or not.

2.2.2. Associates

Associates are all entities over which the Bank has significant influence but do not reach to the extent of control, generally accompanying a shareholding between 20% and 50% of the voting rights.

The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Bank share of the fair value of the identifiable net assets acquired is recorded as goodwill. A gain on acquisition is recognized in profit or loss if there is an excess of the Bank's share of the fair value of the identifiable net assets acquired over the cost of the acquisition.

The equity method is applied to account for investments associates, whereby, investments are recorded based on the equity method including any goodwill, deducting any impairment losses, and dividends are recorded in the income statement in the adoption of the distribution of these profits and evidence of the Bank right to collect them.

2.3. Segment reporting

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

2.4. Foreign currency translation

2.4.1. Functional and presentation currency

The financial statements are presented in Egyptian pound, which is the Bank's functional and presentation currency.

2.4.2. Transactions and balances in foreign currencies

The Bank maintains its accounting records in Egyptian pound. Transactions in foreign currencies during the period are translated into the Egyptian pound using the prevailing exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of reporting period at the prevailing exchange rates. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items:

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

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as available for sale assets are analyzed into valuation differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument.

Valuation differences resulting from changes in the amortized cost are recognized and reported in the income statement in 'income from loans and similar revenues' whereas differences resulting from changes in foreign exchange rates are recognized and reported in 'other operating revenues (expenses)'. The remaining differences resulting from changes in fair value are deferred in equity and accumulated in the 'revaluation reserve of available-for-sale investments'.

Valuation differences resulting from the non-monetary items include gains and losses of the change in fair value of such equity instruments held at fair value through profit and loss, as for recognition of the differences of valuation resulting from equity instruments classified as financial investments available for sale within the fair value reserve in equity.

2.5. Financial assets

The Bank classifies its financial assets in the following categories:

- Financial assets designated at fair value through profit or loss.
- Loans and receivables.
- Held to maturity investments.
- Available for sale financial investments.

Management determines the classification of its investments at initial recognition.

2.5.1. Financial assets at fair value through profit or loss

This category has two sub-categories:

- Financial assets held for trading.
- Financial assets designated at fair value through profit and loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit making. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

Financial instruments, other than those held for trading, are classified as financial assets designated at fair value through profit and loss if they meet one or more of the criteria set out below:

- When the designation eliminates or significantly reduces measurement and recognition inconsistencies that would arise from measuring financial assets or financial liabilities, on different bases. Under this criterion, an accounting mismatch would arise if the debt securities issued were accounted for at amortized cost, because the related derivatives are measured at fair value with changes in the fair value recognized in the income statement. The main classes of financial instruments designated by the Bank are loans and advances and long-term debt issues.
- Applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments is reported to management on that basis.
- Relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments, including certain debt issues and debt securities held.

Any financial derivative initially recognized at fair value can't be reclassified during the holding period. Re-classification is not allowed for any financial instrument initially recognized at fair value through profit and loss.

2.5.2. Loans and advances

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

- Those that the Bank intends to sell immediately or in the short term, which is classified as held for trading, or those that the Bank upon initial recognition designates as at fair value through profit or loss.
- Those that the Bank upon initial recognition designates as available for sale; or
- Those for which the holder may not recover substantially all of its initial investment, other than credit deterioration.

2.5.3. Held to maturity financial investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold till maturity. If the Bank has to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale unless in necessary cases subject to regulatory approval.

2.5.4. Available for sale financial investments

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

The following are applied in respect to all financial assets:

Debt securities and equity shares intended to be held on a continuing basis, other than those designated at fair value, are classified as available-for-sale or held-to-maturity. Financial investments are recognized on trade date, when the group enters into contractual arrangements with counterparties to purchase securities.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when the Bank transfers substantially all risks and rewards of the ownership. Financial liabilities are derecognized when they are extinguished, that is, when the obligation is discharged, cancelled or expired.

Available-for-sale, held–for-trading and financial assets designated at fair value through profit and loss are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are subsequently measured at amortized cost.

Gains and losses arising from changes in the fair value of the 'financial assets designated at fair value through profit or loss' are recognized in the income statement in 'net income from financial instruments designated at fair value'. Gains and losses arising from changes in the fair value of available for sale investments are recognized directly in equity, until the financial assets are either sold or become impaired. When available-for-sale financial assets are sold, the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

Interest income is recognized on available for sale debt securities using the effective interest method, calculated over the asset's expected life. Premiums and discounts arising on the purchase are included in the calculation of effective interest rates. Dividends are recognized in the income statement when the right to receive payment has been established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, or no current demand prices available, the Bank measures fair value using valuation models. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation models commonly used by market participants. If the Bank has not been able to estimate the fair value of equity instruments classified as available for sale, the value is measured at cost less impairment.

Available for sale investments that would have met the definition of loans and receivables at initial recognition may be reclassified out to loans and advances or financial assets held to maturity. In all cases, when the Bank has the intent and ability to hold these financial assets in the foreseeable future or till maturity. The financial asset is reclassified at its fair value on the date of reclassification, and any profits or losses that has been recognized previously in equity, is treated based on the following:

- If the financial asset has a fixed maturity, gains or losses are amortized over the remaining life of the investment using the effective interest rate method. In case of subsequent impairment of the financial asset, the previously recognized unrealized gains or losses in equity are recognized directly in the profits and losses.
- In the case of financial asset which has infinite life, any previously recognized profit or loss in equity will remain until the sale of the asset or its disposal, in the case of impairment of the value of the financial asset after the re-classification, any gain or loss previously recognized in equity is recycled to the profits and losses.
- If the Bank adjusts its estimates of payments or receipts of a financial asset that in return adjusts the carrying amount of the asset (or group of financial assets) to reflect the actual cash inflows, the carrying value is recalculated based on the present value of estimated future cash flows at the effective yield of the financial instrument and the differences are recognized in profit and loss.
- In all cases, if the Bank re-classifies financial asset in accordance with the above criteria and increases its estimate of the proceeds of future cash flow, this increase adjusts the effective interest rate of this asset only without affecting the investment book value.

2.6. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention to be settled on a net basis.

2.7. Derivative financial instruments and hedge accounting

Derivatives are recognized initially, and subsequently, at fair value. Fair values of exchange traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models. Derivatives are classified as assets when their fair value is positive and as liabilities when their fair value is negative.

Embedded derivatives in other financial instruments, such as conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, provided that the host contract is not classified as at fair value through profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognized in income statement unless the Bank chooses to designate the hybrid contact as at fair value through net trading income in profit or loss.

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

- Hedging instruments of the risks associated with fair value changes of recognized assets or liabilities or firm commitments (fair value hedge).
- Hedging of risks relating to future cash flows attributable to a recognized asset or liability or a highly probable forecast transaction (cash flow hedge)
- Hedge accounting is used for derivatives designated in a hedging relationship when the following criteria are met.

At the inception of the hedging relationship, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore,

At the inception of the hedge, and on ongoing basis, the Bank documents whether the hedging instrument is expected to be highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk.

2.7.1. Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of the interest rate swaps and the changes in the fair value of the hedged item attributable to the hedged risk are recognized in the ‘net interest income’ line item of the income statement. Any ineffectiveness is recognized in profit or loss in ‘net trading income’.

When the hedging instrument is no longer qualified for hedge accounting, the adjustment to the carrying amount of a hedged item, measured at amortized cost, arising from the hedged risk is amortized to profit or loss from that date using the effective interest method.

2.7.2. Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognized immediately in the income statement. These gains and losses are reported in ‘net trading income’, except where derivatives are managed in conjunction with financial instruments designated at fair value , in which case gains and losses are reported in ‘net income from financial instruments designated at fair value’.

2.8. Interest income and expense

Interest income and expense for all financial instruments except for those classified as held-for-trading or designated at fair value are recognized in ‘interest income’ and ‘interest expense’ in the income statement using the effective interest method.

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

Once loans or debts are classified as nonperforming or impaired, the revenue of interest income will not be recognized and will be recorded off balance sheet, and are recognized as income subsequently based on a cash basis according to the following:

- When all arrears are collected for consumer loans, personnel mortgages and micro-finance loans.
- When calculated interest for corporate are capitalized according to the rescheduling agreement conditions until paying 25% from rescheduled payments for a minimum performing period of one year, if the customer continues to perform, the calculated interest will be recognized in interest income (interest on the performing rescheduling agreement balance) without the marginalized before the rescheduling agreement which will be recognized in interest income after the settlement of the outstanding loan balance.

2.9. Fee and commission income

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

Commitment fees and related direct costs for loans and advances where draw down is probable are deferred and recognized as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognized at the maturity of the term of the commitment.

Fees are recognized on the debt instruments that are measured at fair value through profit and loss on initial recognition and syndicated loan fees received by the Bank are recognized when the syndication has been completed and the Bank does not hold any portion of it or holds a part at the same effective interest rate used for the other participants portions.

Commission and fee 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 properties are recognized upon completion of the underlying transaction in the income statement .

Other management advisory and service fees are recognized based on the applicable service contracts, usually on accrual basis. Financial planning fees related to investment funds are recognized steadily over the period in which the service is provided. The same principle is applied for wealth management; financial planning and custody services that are provided on the long term are recognized on the accrual basis also.

Operating revenues in the holding company are:

- Commission income is resulting from purchasing and selling securities to a customer account upon receiving the transaction confirmation from the Stock Exchange.
- Mutual funds and investment portfolios management which is calculated as a percentage of the net value of assets under management according to the terms and conditions of agreement. These amounts are credited to the assets management company’s revenue pool on a monthly accrual basis.

2.10. Dividend income

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

2.11. Sale and repurchase agreements

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

2.12. Impairment of financial assets

2.12.1. Financial assets carried at amortised cost

The Bank assesses at 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 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 (for example, equity ratio, net income percentage of sales)
- Violation of the conditions of the loan agreement such as non-payment.
- Initiation of Bankruptcy proceedings.
- Deterioration of the borrower’s competitive position.

- The Bank for reasons of economic or legal financial difficulties of the borrower by granting concessions may not agree with the Bank granted in normal circumstances.
- 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 are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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.

For the purposes of evaluation of impairment for a group of a financial assets according to historical default ratios 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 reflect and be directionally consistent with changes in related observable data from period to period (for example, 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.

2.12.2. Available for sale investments

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classify under available for sale is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. During periods start from first of January 2009, the decrease consider significant when it became 10% from the book value of the financial instrument and the decrease consider to be extended if it continues for period more than 9 months, and if the mentioned evidences become available then any cumulative gains or losses previously recognized in equity are recognized in the income statement , in respect of available for sale equity securities, impairment losses previously recognized in profit or loss are not reversed through the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement to the extent of previously recognized impairment charge from equity to income statement.

2.13. Real estate investments

The real estate investments represent lands and buildings owned by the Bank in order to obtain rental returns or capital gains and therefore do not include real estate assets which the Bank exercised its work through or those that have owned by the Bank as settlement of debts. The accounting treatment is the same used with property, plant and equipment.

2.14. Property, plant and equipment

Land and buildings comprise mainly branches and offices. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their residual values over estimated useful lives, as follows:

Buildings	20 years.
Leasehold improvements	3 years, or over the period of the lease if less
Furniture and safes	3/5 years.
Typewriters, calculators and air-conditions	5 years
Vehicles	5 years
Computers and core systems	3/10 years
Fixtures and fittings	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Depreciable assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An asset's carrying amount is written down immediately to its recoverable value if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing the selling proceeds with the asset carrying amount and charged to other operating expenses in the income statement.

2.15. Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized -except goodwill- and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Assets are tested for impairment with reference to the lowest level of cash generating unit/s. A previously recognized impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not been recognized.

2.15.1. Goodwill

Goodwill is capitalized and represents the excess of acquisition cost over the fair value of the Bank's share in the acquired entity's net identifiable assets on the date of acquisition. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows. Goodwill is included in the cost of investments in associates and subsidiaries in the Bank's separate financial statements. Goodwill is tested for impairment, impairment loss is charged to the income statement.

Goodwill is allocated to the cash generating units for the purpose of impairment testing. The cash generating units represented in the Bank main segments.

2.15.2. Other intangible assets

Is the intangible assets other than goodwill and computer programs (trademarks, licenses, contracts for benefits, the benefits of contracting with clients).

Other intangible assets that are acquired by the Bank are recognized at cost less accumulated amortization and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible asset with definite life. Intangible assets with indefinite life are not amortized and tested for impairment.

2.16. Leases

The accounting treatment for the finance lease is complied with law 95/1995, if the contract entitles the lessee to purchase the asset at a specified date and predefined value, or the current value of the total lease payments representing at least 90% of the value of the asset. The other leases contracts are considered operating leases contracts.

2.16.1. Being lessee

Finance lease contract recognizes the lease cost, including the cost of maintenance of the leased assets in the income statement for the period in which they occurred. If the Bank decides to exercise the right to purchase the leased asset the leased assets are capitalized and included in 'property, plant and equipment' and depreciated over the useful life of the expected remaining life of the asset in the same manner as similar assets.

Operating lease payments leases are accounted for on a straight-line basis over the periods of the leases and are included in 'general and administrative expenses'.

2.16.2. Being lessor

For finance lease, assets are recorded in the property, plant and equipment in the balance sheet and amortized over the expected useful life of this asset in the same manner as similar assets. Lease income is recognized on the basis of rate of return on the lease in addition to an amount corresponding to the cost of depreciation for the period. The difference between the recognized rental income and the total finance lease clients' accounts is transferred to the in the income statement until the expiration of the lease to be reconciled with a net book value of the leased asset. Maintenance and insurance expenses are charged to the income statement when incurred to the extent that they are not charged to the tenant.

In case there is objective evidence that the Bank will not be able to collect the of financial lease obligations, the finance lease payments are reduced to the recoverable amount.

For assets leased under operating lease it appears in the balance sheet under property, plant and equipment, and depreciated over the expected useful life of the asset in the same way as similar assets, and the lease income recorded less any discounts given to the lessee on a straight-line method over the contract period.

2.17. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with Central Bank, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.18. Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has present legal or constructive 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.

In case of similar obligations, the related cash outflow should be determined in order to settle these obligations as a group. The provision is recognized even in case of minor probability that cash outflow will occur for an item of these obligations.

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

Provisions for obligations, other than those for credit risk or employee benefits, due within more than 12 months from the balance sheet date are recognized based on the present value of the best estimate of the consideration required to settle the present obligation at the balance sheet date. An appropriate pretax discount rate that reflects the time value of money is used to calculate the present value of such provisions. For obligations due within less than twelve months from the balance sheet date, provisions are calculated based on undiscounted expected cash outflows unless the time value of money has a significant impact on the amount of provision, then it is measured at the present value.

2.19. Share based payments

The Bank applies an equity-settled, share-based compensation plan. The fair value of equity instruments recognized as an expense over the vesting period using appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted. The vesting period is the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied. Vesting conditions include service conditions and performance conditions and market performance conditions are taken into account when estimating the fair value of equity instruments at the date of grant. At each balance sheet date the number of options that are expected to be exercised are estimated. Recognizes estimate changes, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.20. Income tax

Income tax on the profit or loss for the period and deferred tax are recognized in the income statement except for income tax relating to items of equity that are recognized directly in equity.

Income tax is recognized based on net taxable profit using the tax rates applicable at the date of the balance sheet in addition to tax adjustments for previous years.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundations of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable at the date of the balance sheet.

Deferred tax assets of the Bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset, and is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years, that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

2.21. Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost also any difference between proceeds net of transaction costs and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

2.22. Dividends

Dividends on ordinary shares and profit sharing are recognized as a charge of equity upon the general assembly approval. Profit sharing includes the employees' profit share and the Board of Directors' remuneration as prescribed by the Bank's articles of incorporation and the corporate law.

2.23. Comparatives

Comparative figures have been adjusted to conform to changes in presentation in the current period where necessary.

2.24. Noncurrent assets held for sale

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;

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 income statement.

2.25. Discontinued operation

Discontinued operation as 'a component of an entity that either has been disposed of, or is classified as held for sale, and

(a) Represents a separate major line of business or geographical area of operations,

(b) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or

(c) Is a subsidiary acquired exclusively with a view to resale.

When presenting discontinued operations in the income statement, the comparative figures should be adjusted as if the operations had been discontinued in the comparative period.

3. 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.

3.1. 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.

3.1.1. Credit risk measurement

3.1.1.1. 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 'expected 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 operational measurements can be contrasted with impairment allowances required under EAS 26, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses (note 3.1).

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.

3.1.1.2. Debt instruments and treasury and other bills

For debt instruments and bills, 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.

3.1.2. 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:

3.1.2.1. 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.

3.1.2.2. 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.

3.1.2.3. Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

3.1.2.4. 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.

3.1.3. Impairment and provisioning policies

The internal rating system described in Note 3.1.1 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. Due to the different methodologies applied, the amount of incurred impairment losses in balance sheet are usually lower than the amount determined from the expected loss model that is used for internal operational management and CBE regulation purposes.

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:

	March 31, 2017		December 31, 2016	
Bank's rating	**Loans and advances (%)**	**Impairment provision (%)**	Loans and advances (%)	Impairment provision (%)
1-Performing loans	**68.61**	**13.68**	68.27	13.78
2-Regular watching	**18.08**	**16.20**	18.43	19.53
3-Watch list	**6.29**	**19.30**	6.54	16.81
4-Non-Performing Loans	**7.02**	**50.82**	6.76	49.88

The internal rating tools assists management to determine whether objective evidence of impairment exists under EAS 26, 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.

3.1.4. Pattern of measuring the general banking risk

In addition to the four categories of the Bank's internal credit ratings indicated in note 3.1.1, management classifies loans and advances based on more detailed subgroups in accordance with the CBE regulations. Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position and his repayment track record. The Bank calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the provision required for impairment losses as per CBE credit worthiness rules exceeds the required provisions by the application used in balance sheet preparation in accordance with EAS. That excess shall be debited to retained earnings and carried to the general banking risk reserve in the equity section. Such reserve is always adjusted, on a regular basis, by any increase or decrease so, that reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution.

Below is a statement of institutional worthiness according to internal ratings compared with CBE ratings and rates of provisions needed for assets impairment related to credit risk:

Below is a statement of institutional worthiness according to internal ratings, compared to CBE ratings and rates of provisions needed for assets impairment related to credit risk:

CBE Rating	Categorization	Provision %	Internal rating	Categorization
1	Low risk	0%	1	Performing loans
2	Average risk	1%	1	Performing loans
3	Satisfactory risk	1%	1	Performing loans
4	Reasonable risk	2%	1	Performing loans
5	Acceptable risk	2%	1	Performing loans
6	Marginally acceptable risk	3%	2	Regular watching
7	Watch list	5%	3	Watch list
8	Substandard	20%	4	Non performing loans
9	Doubtful	50%	4	Non performing loans
10	Bad debts	100%	4	Non performing loans

3.1.5. Maximum exposure to credit risk before collateral held

	Mar. 31, 2017 EGP Thousands	Dec. 31, 2016 EGP Thousands
In balance sheet items exposed to credit risk		
Treasury bills and other governmental notes	39,995,703	39,216,387
Trading financial assets:		
- Debt instruments	1,749,556	1,933,420
Gross loans and advances to banks	70,272	161,451
Less:Impairment provision	(888)	(1,800)
Gross loans and advances to customers		
Individual:		
- Overdraft	1,938,943	1,901,875
- Credit cards	2,495,917	2,423,125
- Personal loans	12,129,238	10,745,352
- Mortgages	295,257	306,930
- Other loans	20,828	20,838
Corporate:		
- Overdraft	12,642,698	12,452,698
- Direct loans	44,848,407	44,503,511
- Syndicated loans	24,864,817	24,840,803
- Other loans	107,083	110,382
Unamortized bills discount	(6,280)	(5,533)
Impairment provision	(10,261,631)	(9,818,007)
Unearned interest	(2,404,418)	(2,257,826)
Derivative financial instruments	95,242	269,269
Financial investments:		
-Debt instruments	53,758,270	58,601,911
-Investments in associates	48,663	36,723
Total	182,387,677	185,441,509
Off balance sheet items exposed to credit risk		
Financial guarantees	3,723,817	2,832,705
Customers acceptances	1,009,618	650,607
Letters of credit (import and export)	2,224,383	2,382,849
Letter of guarantee	67,583,154	65,575,370
Total	74,540,972	71,441,531

The above table represents the Bank's Maximum exposure to credit risk on March 31, 2017, before taking into account 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 47.50% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt instruments represents 30.39%.

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.

-92.98% of loans and advances portfolio are considered to be neither past due nor impaired.

- Loans and advances assessed individualy are valued EGP thousands 6,978,186
- The Bank has implemented more prudent processes when granting loans and advances during the financial period ended on March 31, 2017.
- 95.24% of the investments in debt Instruments are Egyptian sovereign instruments.

3.1.6. Loans and advances

Loans and advances are summarized as follows:

	Mar.31, 2017		Dec.31, 2016 EGP Thousands	
		and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	**88,866,527**	**70,272**	85,586,627	161,451
Past due but not impaired	**3,498,475**	**-**	5,133,220	-
Individually impaired	**6,978,186**	**-**	6,585,667	-
Gross	**99,343,188**	**70,272**	97,305,514	161,451
Less:				
Impairment provision	**10,261,631**	**888**	9,818,007	1,800
Unamortized bills discount	**6,280**	**-**	5,533	-
Unearned interest	**2,404,418**	**-**	2,257,826	-
Net	**86,670,859**	**69,384**	85,224,148	159,651

Impairment provision losses for loans and advances reached EGP 10,262,519 thousand.

During the period, the Bank's total loans and advances increased by 1.60% representing actual increase after eliminating the FX rate impact.

In order to minimize the propable exposure to credit risk, the Bank focuses more on the business with large enterprises,banks or retail customers with good credit rating or sufficient collateral.

Net loans and advances to customers and banks (after deducting impairment provision):

Mar. 31, 2017	**Individual**				**Corporate**					**EGP Thousands**
Grades:	**Overdrafts**	**Credit cards**	**Personal loans**	**Mortgages**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total loans and advances to customers**	**Total loans and advances to banks**
Performing loans	**1,811,714**	**2,408,067**	**11,532,608**	**284,907**	**9,487,272**	**22,779,758**	**18,336,289**	**97,110**	**66,737,725**	**67,060**
Regular watching	**97,696**	**39,178**	**226,259**	**-**	**947,832**	**10,401,175**	**4,593,339**	**7,596**	**16,313,075**	**2,324**
Watch list	**472**	**15,563**	**63,942**	**-**	**315,414**	**3,871,951**	**-**	**-**	**4,267,342**	**-**
Non-performing loans	**17,823**	**11,712**	**108,058**	**2,875**	**507,271**	**926,243**	**189,433**	**-**	**1,763,415**	**-**
Total	**1,927,705**	**2,474,520**	**11,930,867**	**287,782**	**11,257,789**	**37,979,127**	**23,119,061**	**104,706**	**89,081,557**	**69,384**

Dec. 31, 2016	Individual				Corporate					EGP Thousands
Grades:	Overdrafts	Credit cards	Personal loans	Mortgages	Overdraft	Direct loans	Syndicated loans	Other loans	Total loans and advances to customers	Total loans and advances to banks
Performing loans	1,784,301	2,312,458	10,137,283	296,473	9,279,904	22,692,882	18,424,107	100,340	65,027,748	159,651
Regular watching	75,133	51,696	227,952	-	1,000,619	10,215,887	4,470,640	7,598	16,049,525	-
Watch list	13,589	19,202	85,313	-	352,793	4,251,195	-	-	4,722,092	-
Non-performing loans	17,686	14,713	104,211	2,657	477,372	901,320	170,183	-	1,688,142	-
Total	1,890,709	2,398,069	10,554,759	299,130	11,110,688	38,061,284	23,064,930	107,938	87,487,507	159,651

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.

Mar.31, 2017	**Individual**					**Corporate**			
	Overdrafts	**Credit cards**	**Personal loans**	**Mortgages**	**Total**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Total**
Past due up to 30 days	**676,732**	**326,499**	**24,126**	**1,118**	**1,028,475**	**280,209**	**1,160,283**	**11,729**	**1,452,221**
Past due 30 - 60 days	**97,828**	**41,854**	**14,361**	**141**	**154,184**	**49,355**	**198,029**	**46,445**	**293,829**
Past due 60-90 days	**494**	**18,839**	**8,418**	**16**	**27,767**	**445,366**	**96,633**	**-**	**541,999**
Total	**775,054**	**387,192**	**46,905**	**1,275**	**1,210,426**	**774,930**	**1,454,945**	**58,174**	**2,288,049**

Dec.31, 2016	Individual					Corporate			
	Overdrafts	Credit cards	Personal loans	Mortgages	Total	Overdraft	Direct loans	Syndicated loans	Total
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 60-90 days	13,801	22,964	9,382	21	46,168	423,474	392,630	-	816,104
Total	671,211	499,982	48,793	838	1,220,824	898,506	2,970,012	43,878	3,912,396

Individually impaired loans

Loans and advances individually assessed without taking into consideration cash flows from guarantees are totaled EGP 6,978,186 thousand.

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

	Individual					**Corporate**			
Mar.31, 2017	**Overdrafts**	**Credit cards**	**Personal loans**	**Mortgages**	**Other loans**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Total**
Individually impaired loans	**27,374**	**20,282**	**260,448**	**7,672**	**20,828**	**1,416,991**	**3,914,051**	**1,310,540**	**6,978,186**

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

Loans and advances restructured

Restructuring activities include rescheduling arrangements, applying obligatory management programs, modifying 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, which 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 period:

	Mar.31, 2017	Dec.31, 2016
Loans and advances to		
Corporate		
- Direct loans	**7,912,936**	7,771,415
Total	**7,912,936**	7,771,415

3.1.7. 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 Standard & Poor's ratings or their equivalent:

EGP Thousands

Mar.31, 2017	Treasury bills and other gov. notes	Trading financial debt instruments	Non-trading financial debt instruments	Total
AAA	-	-	48,117	**48,117**
AA- to AA+	-	-	362,237	**362,237**
A- to A+	-	-	1,882,754	**1,882,754**
Lower than A-	-	-	2,108,615	**2,108,615**
Unrated	39,956,034	1,749,556	49,356,547	**91,062,137**
Total	**39,956,034**	**1,749,556**	**53,758,270**	**95,463,860**

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

3.1.8.1. Geographical sectors

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

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

EGP Thousands

Mar.31, 2017	Cairo	Alex, Delta and Sinai	Upper Egypt	Total
Treasury bills and other governmental notes	39,995,703	-	-	**39,995,703**
Trading financial assets:				
- Debt instruments	1,749,556	-	-	**1,749,556**
Gross loans and advances to banks	70,272	-	-	**70,272**
Less:Impairment provision	(888)	-	-	**(888)**
Gross loans and advances to customers				
Individual:				
- Overdrafts	1,034,840	688,568	215,535	**1,938,943**
- Credit cards	2,011,760	413,657	70,500	**2,495,917**
- Personal loans	7,529,974	3,851,940	747,324	**12,129,238**
- Mortgages	232,716	55,777	6,764	**295,257**
- Other loans	-	20,828	-	**20,828**
Corporate:				
- Overdrafts	9,972,814	2,077,364	592,520	**12,642,698**
- Direct loans	30,248,980	11,319,083	3,280,344	**44,848,407**
- Syndicated loans	21,374,777	3,151,724	338,316	**24,864,817**
- Other loans	79,083	28,000	-	**107,083**
Unamortized bills discount	(6,280)	-	-	**(6,280)**
Impairment provision	(10,261,631)	-	-	**(10,261,631)**
Unearned interest	(2,004,988)	(350,447)	(48,983)	**(2,404,418)**
Derivative financial instruments	95,242	-	-	**95,242**
Financial investments:				
-Debt instruments	53,758,270	-	-	**53,758,270**
-Investments in associates	48,663	-	-	**48,663**
Total	**155,928,863**	**21,256,494**	**5,202,320**	**182,387,677**

3.1.8.2. Industry sectors

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

EGP Thousands

Mar.31, 2017	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Government sector	Other activities	Individual	Total
Treasury bills and other governmental notes	-	-	-	-	39,995,703	-	-	**39,995,703**
Trading financial assets:								
- Debt instruments	-	-	-	-	1,749,556	-	-	**1,749,556**
Gross loans and advances to banks	70,272	-	-	-	-	-	-	**70,272**
Less:Impairment provision	(888)	-	-	-	-	-	-	**(888)**
Gross loans and advances to customers								
Individual:								
- Overdrafts	-	-	-	-	-	-	1,938,943	**1,938,943**
- Credit cards	-	-	-	-	-	-	2,495,917	**2,495,917**
- Personal loans	-	-	-	-	-	-	12,129,238	**12,129,238**
- Mortgages	-	-	-	-	-	-	295,257	**295,257**
- Other loans	-	-	-	-	-	-	20,828	**20,828**
Corporate:								
- Overdrafts	207,057	5,201,174	1,244,542	667,542	1,158,732	4,163,651	-	**12,642,698**
- Direct loans	774,642	20,754,063	196,346	869,718	3,319,523	18,934,115	-	**44,848,407**
- Syndicated loans	199,614	12,637,020	493,457	-	9,889,506	1,645,220	-	**24,864,817**
- Other loans	2,344	104,739	-	-	-	-	-	**107,083**
Unamortized bills discount	(6,280)	-	-	-	-	-	-	**(6,280)**
Impairment provision	(26,053)	(4,098,131)	(13,261)	(94,552)	(44,811)	(5,753,510)	(231,313)	**(10,261,631)**
Unearned interest	(538)	(777,368)	-	(10,706)	-	(1,615,806)	-	**(2,404,418)**
Derivative financial instruments	95,242	-	-	-	-	-	-	**95,242**
Financial investments:								
-Debt instruments	2,293,108	-	-	-	51,465,162	-	-	**53,758,270**
- Investments in associates	48,663	-	-	-	-	-	-	**48,663**
Total	**3,657,183**	**33,821,497**	**1,921,084**	**1,432,002**	**107,533,371**	**17,373,670**	**16,648,870**	**182,387,677**

3.2. Market risk

Market risk represnts as fluctuations in fair value, future cash flow, foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices, and it may reduce the Bank's income or the value of its portfolios. The bank assigns the market risk management department to measure, monitor and control the market risk. In addition, regular reports are submitted to the Asset and Liability Management Committee (ALCO), Board Risk Committee and the heads of each business unit.

The bank separates exposures to market risk into trading or non-trading portfolios.

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.

3.2.1. Market risk measurement techniques

As part of the management of market risk, the Bank undertakes various hedging strategies and 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 .

3.2.1.1. 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 assesses 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 VaR Limits, for the 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, however, it 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.

3.2.1.2. Stress tests

Stress tests provide an indication of the potential size of losses that could arise under extreme market conditions. Therefore, the bank computes on a daily basis trading Stressed VaR, combined with the trading 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.

3.2.2. Value at risk (VaR) Summary

EGP Thousands

Total VaR by risk type	Mar.31, 2017			Dec.31, 2016		
	Medium	High	Low	Medium	High	Low
Foreign exchange risk	42,513	82,695	24,173	31,561	300,218	276
Interest rate risk	600,097	688,494	471,578	365,258	1,028,396	112,744
- For non trading purposes	565,193	646,131	443,591	340,853	973,882	102,443
- For trading purposes	34,904	42,363	27,986	24,405	54,514	10,301
Portfolio managed by others risk	9,457	10,454	7,864	4,775	10,341	2,682
Investment fund	587	692	398	392	643	264
Total VaR	621,861	728,574	484,942	381,247	1,193,075	113,480

Trading portfolio VaR by risk type

	Mar.31, 2017			Dec.31, 2016		
	Medium	High	Low	Medium	High	Low
Foreign exchange risk	42,513	82,695	24,173	31,561	300,218	276
Interest rate risk	34,904	42,363	27,986	24,405	54,514	10,301
- For trading purposes	34,904	42,363	27,986	24,405	54,514	10,301
Funds managed by others risk	9,457	10,454	7,864	4,775	10,341	2,682
Investment fund	587	692	398	392	643	264
Total VaR	68,434	113,250	45,214	51,651	335,888	11,285

Non trading portfolio VaR by risk type

	Mar.31, 2017			Dec.31, 2016		
	Medium	High	Low	Medium	High	Low
Interest rate risk						
- For non trading purposes	565,193	646,131	443,591	340,853	973,882	102,443
Total VaR	565,193	646,131	443,591	340,853	973,882	102,443

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.

3.2.3. 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 exchange rate risk and financial instruments at carrying amounts, categorized by currency.

Equivalent EGP Thousands

Mar.31, 2017	EGP	USD	EUR	GBP	Other	Total
Financial assets						
Cash and balances with central bank	11,526,443	2,888,938	372,187	68,718	244,877	**15,101,163**
Due from banks	23,212,477	35,099,371	6,148,687	740,061	249,221	**65,449,817**
Treasury bills and other governmental notes	28,036,831	12,427,440	1,361,957	-	-	**41,826,228**
Trading financial assets	2,209,221	-	-	-	-	**2,209,221**
Gross loans and advances to banks	-	70,272	-	-	-	**70,272**
Gross loans and advances to customers	48,087,236	48,322,640	2,522,868	99,726	310,718	**99,343,188**
Derivative financial instruments	91,566	3,676	-	-	-	**95,242**
Financial investments						
- Available for sale	1,452,229	3,687,576	-	-	-	**5,139,805**
- Held to maturity	49,389,060	-	-	-	-	**49,389,060**
Investments in associates	48,663	-	-	-	-	**48,663**
Total financial assets	**164,053,726**	**102,499,913**	**10,405,699**	**908,505**	**804,816**	**278,672,659**
Financial liabilities						
Due to banks	2,135,866	385,596	9,575	6,570	60,461	**2,598,068**
Due to customers	135,826,403	92,790,156	9,830,042	882,646	401,611	**239,730,858**
Derivative financial instruments	68,464	95,432	-	-	-	**163,896**
Long term loans	155,218	-	-	-	-	**155,218**
Total financial liabilities	**138,185,951**	**93,271,184**	**9,839,617**	**889,216**	**462,072**	**242,648,040**
Net on-balance sheet financial position	**25,867,775**	**9,228,729**	**566,082**	**19,289**	**342,744**	**36,024,619**

3.2.4. 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 profit 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 the 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.

Mar.31, 2017	Up to1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non- Interest Bearing	Total
Financial assets							
Cash and balances with central bank	-	-	-	-	-	15,101,163	**15,101,163**
Due from banks	27,426,058	23,981,702	14,042,026	-	-	31	**65,449,817**
Treasury bills and other governmental notes*	2,534,681	9,749,732	29,541,815	-	-	-	**41,826,228**
Trading financial assets	93,199	-	128,796	1,620,760	-	366,466	**2,209,221**
Gross loans and advances to banks	7,492	62,780	-	-	-	-	**70,272**
Gross loans and advances to customers	58,580,613	18,248,326	11,845,076	8,825,246	1,843,927	-	**99,343,188**
Derivatives financial instruments (including IRS notional amount)	1,192,326	1,489,101	3,628,304	10,496,207	489,769	3,676	**17,299,383**
Financial investments							
- Available for sale	443,642	32,155	1,432,406	2,684,584	16,326	530,692	**5,139,805**
- Held to maturity	2,045,769	1,053,053	6,554,522	31,753,407	7,982,309	-	**49,389,060**
Investments in associates	-	-	-	-	-	48,663	**48,663**
Total financial assets	**92,323,780**	**54,616,849**	**67,172,945**	**55,380,204**	**10,332,331**	**16,050,691**	**295,876,800**
Financial liabilities							
Due to banks	2,461,005	-	-	-	-	137,063	**2,598,068**
Due to customers	96,224,563	18,240,913	24,038,145	63,719,550	1,595,129	35,912,558	**239,730,858**
Derivatives financial instruments (including IRS notional amount)	7,328,170	9,253,197	20,073	671,165	-	95,432	**17,368,037**
Long term loans	49,735	42,230	52,083	11,170	-	-	**155,218**
Total financial liabilities	**106,063,473**	**27,536,340**	**24,110,301**	**64,401,885**	**1,595,129**	**36,145,053**	**259,852,181**
Total interest re-pricing gap	**(13,739,693)**	**27,080,509**	**43,062,644**	**(9,021,681)**	**8,737,202**	**(20,094,362)**	**36,024,619**

** After adding Reverse repos and deducting Repos.*

3.3. Liquidity risk

Liquidity risk occurs when the Bank does not have sufficient financial resources to meet its obligations arising from its financial liabilities as they fall due or to replace funds when they are withdrawn. Consequently, the bank may fail to meet obligations to repay depositors and fulfill lending commitments.

3.3.1. Liquidity risk management process

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

- Maintaining 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 and CBE 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

3.3.2. 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.

3.3.3. Non-derivative cash flows

The table below presents the undiscounted cash flows payable by the Bank under non-derivative financial liabilities, measured by the remaining contractual maturities and the maturities assumption for non contractual products are based on there behavior studies.

Mar.31, 2017	**Up to 1 month**	**One to three months**	**Three months to one year**	**One year to five years**	**Over five years**	**Total** EGP Thousands
Financial liabilities						
Due to banks	**2,598,068**	**-**	**-**	**-**	**-**	**2,598,068**
Due to customers	**27,537,040**	**26,251,955**	**59,681,766**	**112,085,956**	**14,174,141**	**239,730,858**
Long term loans	**49,735**	**42,230**	**52,083**	**11,170**	**-**	**155,218**
Total liabilities (contractual and non contractual maturity dates)	**30,184,843**	**26,294,185**	**59,733,849**	**112,097,126**	**14,174,141**	**242,484,144**
Total financial assets (contractual and non contractual maturity dates)	**51,507,244**	**46,490,352**	**70,318,250**	**88,922,475**	**21,408,957**	**278,647,278**

Dec.31, 2016	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total EGP Thousands
Financial liabilities						
Due to banks	3,008,996	-	-	-	-	3,008,996
Due to customers	30,227,170	24,495,657	55,763,261	108,564,259	12,690,448	231,740,795
Long term loans	49,862	11,298	84,614	14,469	-	160,243
Total liabilities (contractual and non contractual maturity dates)	33,286,028	24,506,955	55,847,875	108,578,728	12,690,448	234,910,034
Total financial assets (contractual and non contractual maturity dates)	63,513,318	35,561,586	67,012,053	81,180,812	23,129,786	270,397,555

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.

3.3.4. Derivative cash flows

Derivatives settled on a net basis

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

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

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

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

EGP Thousands

Mar.31, 2017	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total
Liabilities						
Derivatives financial instruments						
- Foreign exchange derivatives	21,448	26,943	20,073	-	-	**68,464**
- Interest rate derivatives	41	541	4,455	90,395	-	**95,432**
Total	**21,489**	**27,484**	**24,528**	**90,395**	**-**	**163,896**

Off balance sheet items

EGP Thousands

Mar.31, 2017	Up to 1 year	1-5 years	Over 5 years	Total
Letters of credit, guarantees and other commitments	45,786,981	18,888,398	6,141,776	**70,817,155**
Total	**45,786,981**	**18,888,398**	**6,141,776**	**70,817,155**

EGP Thousands

	Up to 1 year	1-5 years	Total
Credit facilities commitments	1,724,442	5,453,069	**7,177,511**
Total	**1,724,442**	**5,453,069**	**7,177,511**

3.4. Fair value of financial assets and liabilities

3.4.1. Financial instruments not measured at fair value

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

	Book value		Fair value	
	Mar.31, 2017	Dec.31, 2016	**Mar.31, 2017**	Dec.31, 2016
Financial assets				
Due from banks	**65,449,817**	58,011,034	**65,449,817**	58,011,034
Gross loans and advances to banks	**70,272**	161,451	**70,272**	161,451
Gross loans and advances to customers				
- Individual	**16,880,183**	15,398,120	**16,880,183**	15,398,120
- Corporate	**82,463,005**	81,907,394	**82,463,005**	81,907,394
Financial investments				
Held to Maturity	**49,389,060**	53,924,936	**48,453,556**	57,393,464
Total financial assets	**214,252,337**	209,402,935	**213,316,833**	212,871,463
Financial liabilities				
Due to banks	**2,598,068**	3,008,996	**2,598,068**	3,008,996
Due to customers	**239,730,858**	231,740,795	**239,730,858**	231,965,312
Long term loans	**155,218**	160,243	**155,218**	160,243
Total financial liabilities	**242,484,144**	234,910,034	**242,484,144**	235,134,551

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.

Loans and advances to banks

Loans and advances to banks are represented in loans that do not consider bank placing. The expected fair value of the loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted using the current market rate to determine fair value.

Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Financial Investments

Investment securities include only interest-bearing assets, held to maturity assets, and available for sale assets that are measured at fair value. Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Due to other banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar maturity date.

3.5 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:
- Complying with the legally imposed capital requirements in Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling the generation of yield for shareholders and other parties dealing with the bank.

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 monthly basis.

Central Bank of Egypt requires the following:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital.
- Maintaining a minimum level of capital adequacy ratio of 11.25%, calculated as the ratio between total value of the capital elements, and the risk-weighted assets and contingent liabilities of the Bank (credit risk, market risk and opertional risk). While taking into consideration the conservation buffer.

Tier one:
Tier one comprises 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, interim profits and deducting previously recognized goodwill and any retained losses

Tier two:
Tier two represents the gone concern capital which is compposed of general risk provision according to the impairment provision guidelines issued by the Central Bank of Egypt 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% is based on the counterparty risk to reflect the related credit risk scheme, taking into considration the cash collatrals. Similar criteria are used for off balance sheet items after adjustments 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 .

1-The capital adequacy ratio	**Mar.31, 2017**	Dec.31, 2016
	EGP Thousands	EGP Thousands
		Restated**
Tier 1 capital		
Share capital (net of the treasury shares)	**11,538,660**	11,538,660
Goodwill	**-**	(22,981)
Reserves	**10,543,091**	10,542,939
Retained Earnings (Losses)	**89,873**	90,025
Total deductions from tier 1 capital common equity	**(2,924,839)**	(2,793,403)
Net profit for the period	**1,733,385**	-
Total qualifying tier 1 capital	**20,980,170**	19,355,240
Tier 2 capital		
45% of special reserve	**49**	49
45% of foreign currencies translation differences	**-**	3,865
Impairment provision for loans and regular contingent liabilities	**1,628,677**	1,606,644
Total qualifying tier 2 capital	**1,628,726**	1,610,558
Total capital 1+2	**22,608,896**	20,965,798
Risk weighted assets and contingent liabilities		
Total credit risk	**134,670,560**	128,698,992
Total market risk	**6,641,554**	6,701,579
Total operational risk	**14,696,762**	14,696,762
Total	**156,008,876**	150,097,333
***Capital adequacy ratio (%)**	**14.49%**	13.97%

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

***After 2016 profit distribution.*

2-Leverage ratio

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
		Restated**
Total qualifying tier 1 capital	**20,980,170**	19,355,240
On-balance sheet items & derivatives	**276,882,769**	271,962,373
Off-balance sheet items	**42,818,129**	41,080,543
Total exposures	**319,700,898**	313,042,916
***Percentage**	**6.56%**	6.18%

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

***After 2016 profit distribution.*

4. Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and available information.

4.1. Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on monthly and quarterly basis. In determining whether an impairment loss shoul be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating the availability of a m decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may indicate that there has been an adverse change in the payment status of borrowers in the Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio wh scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5%

4.2. Impairment of available for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

4.3. Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. these valuation techniques (as models) are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market pri For practicality purposes, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

4.4 Held-to-Maturity investments

The non-derivative financial assets with fixed or determinable payments and fixed maturity are being classified as held to maturity. This requires significant judgment, in which the bank evaluates its intention and ability to hold such investments to maturity. If the bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value not amortized cost.

5. Segment analysis

5.1. By business segment

The Bank is divided into four 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
- 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;
- Others –Including other banking business, such as Assets Management.

Transactions between the business segments are on normal commercial terms and conditions.

EGP Thousands

Mar.31, 2017	Corporate banking	SME's	Investment banking	Retail banking	Asset Liability Mangement	Total
Revenue according to business segment	1,834,717	505,682	481,074	1,014,276	120,675	3,956,424
Expenses according to business segment	(1,044,673)	(119,913)	(26,805)	(414,933)	(1,926)	(1,608,250)
Profit before tax	790,044	385,769	454,269	599,343	118,749	2,348,174
Tax	(192,949)	(95,096)	(149,727)	(147,744)	(29,273)	(614,789)
Profit for the period	597,095	290,673	304,542	451,599	89,476	1,733,385
Total assets	103,299,191	3,796,739	96,852,312	16,497,769	52,229,455	272,675,466

Dec.31, 2016	Corporate banking	SME's	Investment banking	Retail banking	Asset Liability Mangement	Total
Revenue according to business segment	5,117,764	1,558,634	2,367,468	3,017,976	201,808	12,263,650
Expenses according to business segment	(2,327,301)	(475,389)	(53,393)	(1,268,235)	(5,667)	(4,129,985)
Profit before tax	2,790,463	1,083,245	2,314,075	1,749,741	196,141	8,133,665
Tax	(724,546)	(281,954)	(611,561)	(455,433)	(51,053)	(2,124,547)
Profit for the year	2,065,917	801,291	1,702,514	1,294,308	145,088	6,009,118
Total assets	107,923,620	3,826,756	101,472,259	15,011,250	39,309,870	267,543,755

5.2. By geographical segment

EGP Thousands

Mar.31, 2017	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenue according to geographical segment	3,281,718	524,950	149,756	3,956,424
Expenses according to geographical segment	(1,361,469)	(211,452)	(35,329)	(1,608,250)
Profit before tax	1,920,249	313,498	114,427	2,348,174
Tax	(509,300)	(77,281)	(28,208)	(614,789)
Profit for the period	1,410,949	236,217	86,219	1,733,385
Total assets	244,309,699	22,129,230	6,236,537	272,675,466

Dec.31, 2016	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenue according to geographical segment	10,972,520	1,104,147	186,983	12,263,650
Expenses according to geographical segment	(3,464,852)	(499,518)	(165,615)	(4,129,985)
Profit before tax	7,507,668	604,629	21,368	8,133,665
Tax	(1,961,608)	(157,377)	(5,562)	(2,124,547)
Profit for the year	5,546,060	447,252	15,806	6,009,118
Total assets	240,916,621	21,740,165	4,886,969	267,543,755

6 . Net interest income

	Mar.31, 2017 EGP Thousands	Mar.31, 2016 EGP Thousands
Interest and similar income		
- Banks	1,051,041	376,188
- Clients	2,322,432	1,485,474
Total	3,373,473	1,861,662
Treasury bills and bonds	2,955,308	2,287,177
Reverse repos	-	-
Financial investments in held to maturity and available for sale debt instruments	47,789	30,020
Total	6,376,570	4,178,859
Interest and similar expense		
- Banks	(98,586)	(20,017)
- Clients	(3,494,273)	(1,890,557)
Total	(3,592,859)	(1,910,574)
Financial instruments purchased with a commitment to re-sale (Repos)	(244)	-
Other	-	-
Total	(3,593,103)	(1,910,574)
Net interest income	2,783,467	2,268,285

7 . Net fee and commission income

	Mar.31, 2017 EGP Thousands	Mar.31, 2016 EGP Thousands
Fee and commission income		
Fee and commissions related to credit	343,304	241,846
Custody fee	35,748	18,799
Other fee	268,809	202,413
Total	647,861	463,058
Fee and commission expense		
Other fee paid	(130,060)	(83,981)
Total	(130,060)	(83,981)
Net income from fee and commission	517,801	379,077

8 . Dividend income

	Mar.31, 2017 EGP Thousands	Mar.31, 2016 EGP Thousands
Trading securities	1,799	492
Total	1,799	492

9 . Net trading income

	Mar.31, 2017 EGP Thousands	Mar.31, 2016 EGP Thousands
Profit (losses) from foreign exchange	186,588	70,819
Profit (Loss) from forward foreign exchange deals revaluation	(158)	11,100
Profit (Loss) from interest rate swaps revaluation	(5,655)	(2,050)
Profit (Loss) from currency swap deals revaluation	744	22,205
Trading debt instruments	205,084	5,568
Total	386,603	107,642

10 . Administrative expenses

	Mar.31, 2017 EGP Thousands	Mar.31, 2016 EGP Thousands
. 1.Staff costs		
Wages and salaries	**(407,444)**	(282,320)
Social insurance	**(16,223)**	(17,205)
Other benefits	**(12,559)**	(12,841)
. 2.Other administrative expenses	**(310,231)**	(289,182)
Total	**(746,457)**	(601,548)

11 . Other operating (expenses) income

	Mar.31, 2017 EGP Thousands	Mar.31, 2016 EGP Thousands
Profits from non-trading assets and liabilities revaluation	**(64,825)**	(37,439)
Profits from selling property, plant and equipment	**-**	164
Release (charges) of other provisions	**(85,970)**	9,510
Other income/expenses	**(207,202)**	(133,635)
Total	**(357,997)**	(161,400)

12 . Impairment charge for credit losses

	Mar.31, 2017 EGP Thousands	Mar.31, 2016 EGP Thousands
Loans and advances to customers	**(506,570)**	(287,613)
Total	**(506,570)**	(287,613)

13 . Adjustments to calculate the effective tax rate

	Mar.31, 2017 EGP Thousands	Mar.31, 2016 EGP Thousands
Profit after settlement	**2,341,560**	1,726,757
Tax rate	**22.50%**	22.50%
Income tax based on accounting profit	**526,851**	388,520
Add / (Deduct)		
Non-deductible expenses	**71,790**	98,551
Tax exemptions	**(96,667)**	(21,494)
Effect of provisions	**76,890**	(35,052)
Depreciation	**(1,221)**	(96)
10% Withholding tax	**180**	49
Income tax / Deferred tax	**577,823**	430,478
Effective tax rate	**24.68%**	24.93%

14 . Earning per share

	Mar.31, 2017 EGP Thousands	Mar.31, 2016 EGP Thousands
Net profit for the period, available for distribution	**1,785,442**	1,328,712
Board member's bonus	**(26,782)**	(19,931)
Staff profit sharing	**(178,544)**	(132,871)
* **Profits shareholders' Stake**	**1,580,116**	1,175,910
Average number of shares	**1,153,866**	1,153,866
Basic earning per share	**1.37**	1.02
By issuance of ESOP earning per share will be:		
Average number of shares including ESOP shares	**1,172,992**	1,170,166
Diluted earning per share	**1.35**	1.00

* *Based on separate financial statement profits.*

15 . Cash and balances with central bank

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Cash	5,035,063	5,083,805
Obligatory reserve balance with CBE		
- Current accounts	10,066,100	5,438,235
Total	15,101,163	10,522,040
Non-interest bearing balances	15,101,163	10,522,040

16 . Due from banks

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Current accounts	4,221,148	4,090,352
Deposits	61,228,669	53,920,682
Total	65,449,817	58,011,034
Central banks	37,333,586	37,447,892
Local banks	4,429,647	204,309
Foreign banks	23,686,584	20,358,833
Total	65,449,817	58,011,034
Non-interest bearing balances	31	33
Fixed interest bearing balances	65,449,786	58,011,001
Total	65,449,817	58,011,034
Current balances	65,449,817	58,011,034

17 . Treasury bills and other governmental notes

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
91 Days maturity	546,300	1,051,375
182 Days maturity	5,094,375	4,350,975
364 Days maturity	36,225,222	36,010,730
Unearned interest	(1,870,194)	(2,196,693)
Total 1	39,995,703	39,216,387
Repos - treasury bills	(39,669)	(39,203)
Total 2	(39,669)	- 39,203
Net	39,956,034	39,177,184

18 . Trading financial assets

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Debt instruments		
- Governmental bonds	1,749,556	1,933,420
Total	1,749,556	1,933,420
Equity instruments		
- Mutual funds	93,200	180,157
Total	93,200	180,157
- Portfolio managed by others	366,465	331,557
Total	2,209,221	2,445,134

19 . Loans and advances to banks, net

	Mar.31, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Time and term loans	**70,272**	161,451
Less:Impairment provision	**(888)**	(1,800)
Total	**69,384**	159,651
Current balances	**18,874**	110,053
Non-current balances	**50,510**	49,598
Total	**69,384**	159,651

Analysis for impairment provision of loans and advances to banks

	Mar.31, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Beginning balance	**(1,800)**	(9,899)
Release during the period	**882**	20,368
Exchange revaluation difference	**30**	(12,269)
Ending balance	**(888)**	(1,800)

20 . Loans and advances to customers, net

	Mar.31, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Individual		
- Overdraft	**1,938,943**	1,901,875
- Credit cards	**2,495,917**	2,423,125
- Personal loans	**12,129,238**	10,745,352
- Real estate loans	**295,257**	306,930
- Other loans	**20,828**	20,838
Total 1	**16,880,183**	15,398,120
Corporate		
- Overdraft	**12,642,698**	12,452,698
- Direct loans	**44,848,407**	44,503,511
- Syndicated loans	**24,864,817**	24,840,803
- Other loans	**107,083**	110,382
Total 2	**82,463,005**	81,907,394
Total Loans and advances to customers (1+2)	**99,343,188**	97,305,514
Less:		
Unamortized bills discount	**(6,280)**	(5,533)
Impairment provision	**(10,261,631)**	(9,818,007)
Unearned interest	**(2,404,418)**	(2,257,826)
Net loans and advances to customers	**86,670,859**	85,224,148
Distributed to		
Current balances	**38,203,190**	36,671,277
Non-current balances	**48,467,669**	48,552,871
Total	**86,670,859**	85,224,148

Analysis for impairment provision of loans and advances to customers

	Individual					
Mar.31, 2017	**Overdraft**	**Credit cards**	**Personal loans**	**Real estate loans**	**Other loans**	**Total**
Beginning balance	**(11,166)**	**(25,056)**	**(190,592)**	**(7,801)**	**(20,838)**	**(255,453)**
Released (charged) released during the period	**(72)**	**426**	**(7,757)**	**326**	**10**	**(7,067)**
Write off during the period	**-**	**7,035**	**-**	**-**	**-**	**7,035**
Recoveries during the period	**-**	**(3,802)**	**(22)**	**-**	**-**	**(3,824)**
Ending balance	**(11,238)**	**(21,397)**	**(198,371)**	**(7,475)**	**(20,828)**	**(259,309)**

	Corporate				
Mar.31, 2017	**Overdraft**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total**
Beginning balance	**(1,342,010)**	**(6,442,227)**	**(1,775,873)**	**(2,444)**	**(9,562,554)**
Released (charged) released during the period	**(45,340)**	**(478,684)**	**23,572**	**67**	**(500,385)**
Write off during the period	**-**	**40,194**	**-**	**-**	**40,194**
Recoveries during the period	**-**	**(567)**	**-**	**-**	**(567)**
Exchange revaluation difference	**2,441**	**12,004**	**6,545**	**-**	**20,990**
Ending balance	**(1,384,909)**	**(6,869,280)**	**(1,745,756)**	**(2,377)**	**(10,002,322)**

	Individual					
Dec.31, 2016	Overdraft	Credit cards	Personal loans	Real estate loans	Other loans	Total
Beginning balance	(11,835)	(26,985)	(135,339)	(10,192)	(20,881)	(205,232)
Released (charged) released during the period	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	(11,166)	(25,056)	(190,592)	(7,801)	(20,838)	(255,453)

	Corporate				
Dec.31, 2016	Overdraft	Direct loans	Syndicated loans	Other loans	Total
Beginning balance	(589,620)	(2,888,702)	(1,024,226)	(1,327)	(4,503,875)
Released (charged) released during the period	(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	(1,342,010)	(6,442,227)	(1,775,873)	(2,444)	(9,562,554)

21 . Derivative financial instruments

21.1 . Derivatives

The Bank uses the following financial derivatives for non hedging purposes.

Forward contracts represent commitments to buy foreign and local currencies including unexecuted spot transactions. Future contracts for foreign currencies and/or interest rates represent contractual commitments to receive or pay net on the basis of changes in foreign exchange rates or interest rates, and/or to buy/sell foreign currencies or financial instruments in a future date with a fixed contractual price under active financial market.

Credit risk is considered low, and future interest rate contract represents future exchange rate contracts negotiated for case by case, These contracts require financial settlements of any differences in contractual interest rates and prevailing market interest rates on future interest rates on future dates based on contractual amount (nominal value) pre agreed upon.

Foreign exchange and/or interest rate swap represents commitments to exchange cash flows, resulting from these contracts are exchange of currencies or interest (fixed rate versus variable rate for example) or both (meaning foreign exchange and interest rate contracts). Contractual amounts are not exchanged except for some foreign exchange contracts.

Credit risk is represented in the expected cost of foreign exchange contracts that takes place if other parties default to fulfill their liabilities. This risk is monitored continuously through comparisons of fair value and contractual amount, and in order to control the outstanding credit risk, the Bank evaluates other parties using the same methods as in borrowing activities.

Options contracts in foreign currencies and/or interest rates represent contractual agreements for the buyer (issuer) to the seller (holders) as a right not an obligation whether to buy (buy option) or sell (sell option) at a certain day or within certain period for a predetermined amount in foreign currency or interest rate. Options contracts are either traded in the market or negotiated between The Bank and one of its clients (Off balance sheet). The Bank is exposed to credit risk for purchased options contracts only and in the line of its book cost which represent its fair value.

The contractual value for some derivatives options is considered a base to analyze the realized financial instruments on the balance sheet, but it doesn’t provide an indicator for the projected cash flows of the fair value for current instruments, and those amounts don’t reflects credit risk or interest rate risk.

Derivatives in the Bank's benefit that are classified as (assets) are conversely considered (liabilities) as a result of the changes in foreign exchange prices or interest rates related to these derivatives. Contractual / expected total amounts of financial derivatives can fluctuate from time to time as well as the range through which the financial derivatives can be in benefit for the Bank or conversely against its benefit and the total fair value of the financial derivatives in assets and liabilities. Hereunder are the fair values of the booked financial derivatives:

21.1.1 . For trading derivatives

	Mar.31, 2017			Dec.31, 2016		
	Notional amount	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Foreign currencies derivatives						
- Forward foreign exchange contracts	**3,730,295**	**67,337**	**63,465**	2,174,176	182,508	178,479
- Currency swap	**1,672,941**	**24,229**	**4,999**	2,662,940	79,890	61,404
- Options	**-**	**-**	**-**	0	-	-
Total 1		**91,566**	**68,464**		262,398	239,883
Interest rate derivatives						
- Interest rate swaps	**-**	**-**	**-**	34,706	144	-
Total 2		**-**	**-**		144	-
Total assets (liabilities) for trading derivatives (1+2)		**91,566**	**68,464**		262,542	239,883

21.1.2 . Fair value hedge

	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives						
- Governmental debt instruments hedging	**671,165**	**-**	**40,993**	675,861	-	45,629
- Customers deposits hedging	**16,532,976**	**3,676**	**54,439**	16,382,128	6,727	45,579
Total 3		**3,676**	**95,432**		6,727	91,208
Total financial derivatives (1+2+3)		**95,242**	**163,896**		269,269	331,091

21.2 . Hedging derivatives

21.2.1 . 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. Net derivative value resulting from the related hedging instruments is EGP 40,993 thousand at March 31, 2017 against EGP 45,629 thousand at the December 31, 2016, Resulting in gains form hedging instruments at March 31, 2017 EGP 4,636 thousand against losses EGP 19,333 thousand at the December 31, 2016. Net losses arose from the hedged items at March 31, 2017 reached EGP 10,156 thousand against EGP 30,579 thousand at December 31, 2016.

The Bank uses interest rate swap contracts to cover part of the risk of potential increase in fair value of its fixed rate customer deposits in foreign currencies. Net derivative value resulting from the related hedging instruments is EGP 50,763 thousand at the end of March 31, 2017 against EGP 38,852 thousand at December 31, 2016, resulting in net losses from hedging instruments at March 31, 2017 of EGP 11,911 thousand against net losses of EGP 28,916 thousand at December 31, 2016. Gains arose from the hedged items at March 31, 2017 reached EGP 11,340 thousand against gains EGP 56,314 thousand at December 31 , 2016.

22 . Financial investments

	Mar.31, 2017	Dec.31, 2016
Available for sale	**EGP Thousands**	EGP Thousands
- Listed debt instruments with fair value	**4,401,723**	4,709,487
- Listed equity instruments with fair value	**86,638**	97,631
- Unlisted instruments	**651,444**	640,173
Total	**5,139,805**	5,447,291
Held to maturity		
- Listed debt instruments	**49,356,547**	53,892,423
- Unlisted instruments	**32,513**	32,513
Total	**49,389,060**	53,924,936
Total financial investment	**54,528,865**	59,372,227
- Actively traded instruments	**52,451,443**	57,097,553
- Not actively traded instruments	**2,077,422**	2,274,674
Total	**54,528,865**	59,372,227
Fixed interest debt instruments	**51,465,162**	56,090,139
Floating interest debt instruments	**2,293,108**	2,511,772
Total	**53,758,270**	58,601,911

	Available for sale financial investments	Held to maturity financial investments	Total
			EGP Thousands
Beginning balance	46,289,075	9,261,220	55,550,295
Addition	3,334,122	44,667,810	48,001,932
Deduction	(46,335,658)	(4,094)	(46,339,752)
Exchange revaluation differences for foreign financial assets	2,219,961	-	2,219,961
Profit (losses) from fair value difference	42,132	-	42,132
Available for sale impairment charges	(102,341)	-	(102,341)
Ending Balance as of Dec.31, 2016	5,447,291	53,924,936	59,372,227
Beginning balance	**5,447,291**	**53,924,936**	**59,372,227**
Addition	**153,395**	**2,575,231**	**2,728,626**
Deduction	**(722,087)**	**(7,111,107)**	**(7,833,194)**
Exchange revaluation differences for foreign financial assets	**(16,596)**	**-**	**(16,596)**
Profit (losses) from fair value difference	**213,452**	**-**	**213,452**
Available for sale impairment charges	**64,350**	**-**	**64,350**
Ending Balance as of Mar.31, 2017	**5,139,805**	**49,389,060**	**54,528,865**

22.1 . Profits (Losses) on financial investments

	Mar.31, 2017 **EGP Thousands**	Mar.31, 2016 EGP Thousands
Profit (Loss) from selling available for sale financial instruments	**(53,608)**	16,259
Released (Impairment) charges of available for sale equity instruments	**64,350**	(9,719)
Profit (Loss) from selling investments in associates	**-**	27,280
Total	**10,742**	33,820

23 Investments in associates

EGP Thousands

Mar.31, 2017	**Company's country**	**Company's assets**	**Company's liabilities (without equity)**	**Company's revenues**	**Company's net profit**	**Investment book value**	**Stake %**
Associates							
- International Co. for Security and Services (Falcon)	**Egypt**	**469,069**	**343,327**	**626,233**	**46,591**	**48,663**	**35**
Total		**469,069**	**343,327**	**626,233**	**46,591**	**48,663**	

EGP Thousands

Dec.31, 2016	Company's country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's net profit	Investment book value	Stake %
Associates							
- International Co. for Security and Services (Falcon)	Egypt	300,739	208,188	301,390	12,478	36,723	35
Total		300,739	208,188	301,390	12,478	36,723	

24 . Other assets

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Accrued revenues	3,953,240	3,318,761
Prepaid expenses	193,971	144,422
Advances to purchase of fixed assets	259,669	203,410
Accounts receivable and other assets	1,753,397	1,691,603
Assets acquired as settlement of debts	56,599	56,599
Insurance	24,387	19,768
Total	6,241,263	5,434,563

25 . Property, plant and equipment

	Mar.31, 2017							
	Land	Premises	IT	Vehicles	Fitting -out	Machines and equipment	Furniture and furnishing	Total
								EGP Thousands
Beginning gross assets (1)	64,709	919,258	1,395,638	87,660	607,773	459,572	144,454	3,679,064
Additions during the period	-	22,320	109,243	(1,103)	18,147	15,194	2,469	166,270
Ending gross assets (2)	64,709	941,578	1,504,881	86,557	625,920	474,766	146,923	3,845,334
Accumulated depreciation at beginning of the period (3)	-	315,192	1,029,244	47,904	468,368	372,522	124,929	2,358,159
Current period depreciation	-	11,118	39,682	1,151	19,470	11,338	1,833	84,592
Accumulated depreciation at end of the period (4)	-	326,310	1,068,926	49,055	487,838	383,860	126,762	2,442,751
Ending net assets (2-4)	64,709	615,268	435,955	37,502	138,082	90,906	20,161	1,402,583
Beginning net assets (1-3)	64,709	604,066	366,394	39,756	139,405	87,050	19,525	1,320,905
Depreciation rates		%5	%33.3	%20	%33.3	%20	%20	

Net fixed assets value on the balance sheet date includes EGP 373,941 thousand non registered assets while their registrations procedures are in process.

26 Due to banks

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Current accounts	336,048	271,470
Deposits	2,262,020	2,737,526
Total	2,598,068	3,008,996
Central banks	138,899	163,420
Local banks	2,241,684	2,636,009
Foreign banks	217,485	209,567
Total	2,598,068	3,008,996
Non-interest bearing balances	137,063	545,463
Fixed interest bearing balances	2,461,005	2,463,533
Total	2,598,068	3,008,996
Current balances	2,598,068	3,008,996

27 Due to customers

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Demand deposits	61,156,101	60,068,884
Time deposits	58,470,756	57,478,218
Certificates of deposit	70,950,551	69,215,320
Saving deposits	43,332,717	38,519,158
Other deposits	5,820,733	6,459,215
Total	239,730,858	231,740,795
Corporate deposits	108,225,062	110,157,621
Individual deposits	131,505,796	121,583,174
Total	239,730,858	231,740,795
Non-interest bearing balances	35,912,558	26,385,328
Fixed interest bearing balances	203,818,300	205,355,467
Total	239,730,858	231,740,795
Current balances	165,189,677	159,492,892
Non-current balances	74,541,181	72,247,903
Total	239,730,858	231,740,795

During the period, the Bank’s total deposits increased by 3.7% representing actual increase after eliminating the FX rate impact.

28 Long term loans

	Interest rate %	Maturity date	Maturing through next year	Balance on Mar.31, 2017	Balance on Dec.31, 2016
			EGP Thousands	EGP Thousands	EGP Thousands
Financial Investment & Sector Cooperation (FISC)	3.5 - 5.5 depends on maturity date	3-5 years	1,111	2,222	2,778
Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years	81,486	88,800	88,800
Social Fund for Development (SFD)	3 months T/D or 9% which is more	4 January 2020	61,451	64,196	68,665
Balance			144,048	155,218	160,243

29 . Other liabilities

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Accrued interest payable	**1,555,040**	1,455,029
Accrued expenses	**656,481**	645,979
Accounts payable	**2,810,541**	1,329,189
Other credit balances	**182,126**	149,133
Total	**5,204,188**	3,579,330

30 . Other provisions

Mar.31, 2017	**Beginning balance**	**Charged amounts**	**Exchange revaluation difference**	**Utilized amounts**	**Reversed amounts**	**Ending balance**
						EGP Thousands
Provision for income tax claims	**22,145**	**-**	**-**	**-**	**-**	**22,145**
Provision for legal claims	**34,267**	**-**	**(14)**	**-**	**-**	**34,253**
Provision for contingent	**1,434,704**	**87,639**	**3,508**	**-**	**-**	**1,525,851**
* **Provision for other claim**	**22,941**	**801**	**29**	**(358)**	**(2,470)**	**20,943**
Total	**1,514,057**	**88,440**	**3,523**	**(358)**	**(2,470)**	**1,603,192**

Dec.31, 2016	Beginning balance	Charged amounts	Exchange revaluation difference	Utilized amounts	Reversed amounts	Ending balance
						EGP Thousands
Provision for income tax claims	22,145	-	-	-	-	22,145
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	759,174	132,845	579,997	-	(37,312)	1,434,704
Provision for other claim	19,886	8,372	2,097	(2,772)	(4,642)	22,941
Total	861,761	150,847	583,550	(3,696)	(78,405)	1,514,057

* *To face the potential risk of banking operations.*

31 . Equity

31.1 Capital

The authorized capital reached EGP 20 billion according to the extraordinary general assembly decision on March 17, 2010.

Issued and Paid in Capital reached EGP 11,538,660 thousand to be divided on 1,153,866 thousand shares with EGP 10 par value for each share and registered in the commercial register dated 19th April 2016.

- 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 tranch for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 2,294,121 thousand on December 10, 2015 to reach 11,470,603 according to Ordinary General Assembly Meeting decision on March 12 ,2015 by distribution of a one share for every four outstanding shares by capitalizing on the General Reserve.
- Increase issued and Paid in Capital by amount EGP 94,748 thousand on April 5,2015 to reach EGP 9,176,482 thousand according to Board of Directors decision on November 11, 2014 by issuance of sixth tranch for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 79,299 thousand on March 23,2014 to reach EGP 9,081,734 thousand according to Board of Directors decision on December 10, 2013 by issuance of fifth tranch for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 3,000,812 thousand on December 5, 2013 according to Extraordinary General Assembly Meeting decision on July 15 ,2013 by distribution of a one share for every two outstanding shares by capitalizing on the General Reserve.
- Increase issued and Paid in Capital by amount EGP 29,348 thousand on April 7,2013 to reach EGP 6,001,624 thousand according to Board of Directors decision on october 24,2012 by issuance of fourth tranch for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 37,712 thousand on April 9, 2012 in according to Board of Directors decision on December 22,2011 by issuance of third tranch for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 33,119 thousand on July 31, 2011 in according to Board of Directors decision on November 10,2010 by issuance of second tranch for E.S.O.P program.
- The Extraordinary General Assembly approved in the meeting of June 26, 2006 to activate a motivating and rewarding program for the Bank's employees and managers through Employee Share Ownership Plans (ESOP) by issuing a maximum of 5% of issued and paid-in capital at par value ,through 5 years starting year 2006 and delegated the Board of Directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.
- The Extraordinary General Assembly approved in the meeting of April 13,2011 continue to activate a motivating and rewarding program for The Bank's employees and managers through Employee Share Ownership Plans (ESOP) by issuing a maximum of 5% of issued and paid-in capital at par value ,through 5 years starting year 2011 and delegated the Board of Directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.
- Dividend deducted from shareholders' equity in the Year that the General Assembly approves the dispersment of this dividend, which includes staff profit share and remuneration of the Board of Directors stated in the law.

31.2 Reserves

According to The Bank status 5% of net profit is used to increase the legal reseve to reaches 50% of The Bank's issued and paid in capital.
Central Bank of Egypt concurrence for usage of special reserve is required.

32 . Deferred tax assets (Liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets (Liabilities) Mar.31, 2017	Assets (Liabilities) Dec.31, 2016
	EGP Thousands	EGP Thousands
Fixed assets (depreciation)	**(24,970)**	(28,741)
Other provisions (excluded loan loss, contingent liabilities and income tax provisions)	**15,847**	16,300
Intangible Assets & Good will	**20,752**	17,090
Other investments impairment	**86,845**	86,845
Reserve for employee stock ownership plan (ESOP)	**97,310**	79,981
Interest rate swaps revaluation	**4,995**	3,722
Trading investment revaluation	**7,300**	18,338
Forward foreign exchange deals revaluation	**(12,161)**	(12,227)
Balance	**195,918**	181,308

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 period are as follows:

	Mar.31, 2017 No. of shares in thousand	Dec.31, 2016 No. of shares in thousand
Outstanding at the beginning of the period	**22,351**	20,373
Granted during the period	**7,601**	9,262
Forfeited during the period	**-**	(478)
Exercised during the period	**(7,935)**	(6,806)
Outstanding at the end of the period	**22,017**	22,351

Details of the outstanding tranches are as follows:

Maturity date	EGP **Exercise price**	EGP **Fair value**	**No. of shares in thousand**
2018	10.00	31.67	5,314
2019	10.00	28.43	9,102
2020	10.00	65.55	7,601
Total			**22,017**

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

	11th tranche	**10th tranche**
Exercise price	10	10
Current share price	73.08	38.09
Expected life (years)	3	3
Risk free rate %	16.8%	12%
Dividend yield%	0.68%	2.50%
Volatility%	30%	31%

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

34 . Reserves

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Legal reserve	1,332,807	1,035,363
General reserve	8,855,010	4,554,251
Retained earnings (losses)	89,873	31,462
Special reserve	32,460	30,778
Reserve for A.F.S investments revaluation difference	(1,962,015)	(2,180,243)
Banking risks reserve	3,634	3,019
Cumulative foreign currencies translation differences	-	8,588
Total	8,351,769	3,483,218

34.1 . Banking risks reserve

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Beginning balance	3,019	2,513
Transferred to bank risk reserve	615	506
Ending balance	3,634	3,019

34.2 . Legal reserve

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Beginning balance	1,035,363	803,355
Transferred from previous period profits	297,444	232,008
Ending balance	1,332,807	1,035,363

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

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Beginning balance	(2,180,243)	(2,202,462)
Unrealized losses from A.F.S investment revaluation	218,228	22,219
Ending balance	(1,962,015)	(2,180,243)

34.4 . Retained earnings

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Beginning balance	31,462	(64,566)
Dividend previous year	-	(3,896)
Change in ownership percentage	-	11,666
Transferred to retained earnings (losses)	-	88,258
Ending balance	89,873	31,462

35 . Cash and cash equivalent

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Cash and balances with central bank	15,101,163	10,522,040
Due from banks	65,449,817	58,011,034
Treasury bills and other governmental notes	39,956,034	39,177,184
Obligatory reserve balance with CBE	(10,066,100)	(5,438,235)
Due from banks with maturities more than three months	(4,307,610)	(2,565,895)
Treasury bills with maturities more than three months	(39,465,966)	(38,187,428)
Total	66,667,338	61,518,700

36 . Contingent liabilities and commitments

36.1 . Legal claims

There is a number of existing cases filed against the bank on March 31,2017 without provision as the bank doesn't expect to incur losses from it

36.2 . Capital commitments

36.2.1 . Financial investments

The capital commitments for the financial investments reached on the date of financial position EGP 23,808 thousand as follows:

	Investments value	Paid	Remaining
Available for sale financial investments	181,396	157,588	**23,808**

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 amounted to EGP 26,397 thousand.

36.3 . Letters of credit, guarantees and other commitments

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Letters of guarantee	**67,583,154**	65,575,370
Letters of credit (import and export)	**2,224,383**	2,382,849
Customers acceptances	**1,009,618**	650,607
Total	**70,817,155**	68,608,826

36.4 . Credit facilities commitments

	Mar.31, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Credit facilities commitments	**7,177,511**	7,245,061

37 . Mutual funds

Osoul fund

- CIB established an accumulated return mutual fund under license no.331 issued from capital market authority on February 22, 2005. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 6,990,103 with redeemed value of EGP 1,999,379 thousands.
- The market value per certificate reached EGP 286.03 on March 31, 2017.
- The Bank portion got 295,425 certificates with redeemed value of EGP 84,500 thousands.

Istethmar fund

- CIB bank established the second accumulated return mutual fund under license no.344 issued from capital market authority on February 26, 2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 647,944 with redeemed value of EGP 91,619 thousands.
- The market value per certificate reached EGP 141.40 on March 31, 2017.
- The Bank portion got 150,000 certificates with redeemed value of EGP 21,210 thousands.

Aman fund (CIB and Faisal Islamic Bank Mutual Fund)

- CIB and Faisal Islamic Bank established an accumulated return mutual fund under license no.365 issued from capital market authority on July 30, 2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 469,696 with redeemed value of EGP 37,970 thousands.
- The market value per certificate reached EGP 80.84 on March 31, 2017.
- The Bank portion got 51,943 certificates with redeemed value of EGP 4,199 thousands.

Hemaya fund

- CIB bank established an accumulated return mutual fund under license no.585 issued from financial supervisory Authority on June 23, 2010. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 101,554 with redeemed value of EGP 17,165 thousands.
- The market value per certificate reached EGP 169.02 on March 31, 2017.
- The Bank portion got 50,000 certificates with redeemed value of EGP 8,451 thousands.

Thabat fund

- CIB bank established an accumulated return mutual fund under license no.613 issued from financial supervisory authority on September 13, 2011. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 503,603 with redeemed value of EGP 84,928 thousands.
- The market value per certificate reached EGP 168.64 on March 31, 2017.
- The Bank portion got 52,404 certificates with redeemed value of EGP 8,837 thousands.

Takamol fund

- CIB bank established an accumulated return mutual fund under license no.431 issued from financial supervisory authority on February 18, 2015. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 167,354 with redeemed value of EGP 22,951 thousands.
- The market value per certificate reached EGP 137.14 on March 31, 2017.
- The Bank portion got 50,000 certificates with redeemed value of EGP 6,857 thousands.

38 . Transactions with related parties

All banking transactions with related parties are conducted in accordance with the normal banking practices and regulations applied to all other customers without any discrimination.

38.1. . Loans, advances, deposits and contingent liabilities

	EGP Thousands
Loans and advances	116,041
Deposits	61,651
Contingent liabilities	1,436

38.2. . Other transactions with related parties

	Income EGP Thousands	Expenses EGP Thousands
International Co. for Security & Services	41	45,661
Commercial International Capital Holding Co.	5,290	282

39 . Main currencies positions

	Mar.31, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Egyptian pound	**1,282,725**	1,371,677
US dollar	**(1,281,523)**	(1,360,474)
Sterling pound	**1,876**	266
Japanese yen	**929**	851
Swiss franc	**(17)**	25
Euro	**13,764**	4,440

40 . 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.

The Bank's Stamp duty tax is currently under examination for the period from 1/10/2015 till 31/12/2016.

41 . Intangible assets:

	Mar.31, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Book value	651,041	651,041
Amortization	(184,462)	(151,910)
Net book value	466,579	499,131

42 . Non current assets held for sale

Assets

	Mar.31, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Due from banks	-	653,742
Treasury bills and other governmental notes	-	21,214
Trading financial assets	-	36,894
Brokerage clients - debit balances	-	463,052
Financial investments available for sale	-	9,850
Investments in subsidary	239,875	-
Goodwill	-	22,981
Other assets	-	3,576,254
Deferred tax assets	-	-
Property, plant and equipment	-	106,451
Total	239,875	4,890,438

Liabilities

	Mar.31, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Brokerage clients - credit balances	-	616,845
Due to customers	-	19,589
Other liabilities	-	2,972,202
Current tax liabilities	-	37,214
Other provisions	-	38,826
Total	-	3,684,676
Minority interest	-	89,689
	-	3,774,365
Net	239,875	1,116,073

43 Profits from disposal of investments in subsidaries

	Mar.31, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Profits from disposal of investments in subsidaries	150,550	-
Total	150,550	-

* On the 2nd of March 2017, the Egyptian Financial Supervisory Authority (EFSA) granted the bank its non-objection on a number of non-related Egyptian and Gulf investors for the sale of part of its ownership stake in CI Capital Holding ("CI Capital"), CIB has successfully excuted the transfer of 74.75% of CICH's shares and remained a minority stake of 25.24% of CI Capital Holding for the time being.

	CI Capital Holding Co. S.A.E Mar.31, 2017 EGP Thousands
** Subsidary net assets	(701,170)
Less:	
Add/Deduct:	
FX translation reserve	8,588
Non-controling interests	157,127
CI Capital Holding Co. S.A.E sold stocks (Net)	686,005
Net	150,550

Although the effective date of selling process is 20 March 2017, however, for the purpose of facilitating the calculation of the value of profits arising from the sale of shares, the net assets of the subsidary as at 31 December 2016 were adjusted by 2017 first quarter financial statements which is the earliest reliable date in the calculation of CI Capital shares selling profit.

A BANK TO TRUST