



Consolidated Financial Statements

September 2017



Review Report on interim financial statements

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 30 September 2017 and the related consolidated statements of income, changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated interim 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 interim financial statements do not present fairly, in all material respects, the consolidated financial position of Commercial International Bank - Egypt (S.A.E) as at 30 September 2017 and of its consolidated financial performance and its consolidated cash flows for the nine 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.


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

Auditors


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

Consolidated balance sheet as at September 30, 2017

	<i>Notes</i>	Sep. 30, 2017 EGP Thousands	Dec. 31, 2016 EGP Thousands
Assets			
Cash and balances with central bank	<i>15</i>	23,174,630	10,522,040
Due from banks	<i>16</i>	38,891,261	58,011,034
Treasury bills and other governmental notes	<i>17</i>	54,950,084	39,177,184
Trading financial assets	<i>18</i>	4,599,462	2,445,134
Loans and advances to banks, net	<i>19</i>	1,207	159,651
Loans and advances to customers, net	<i>20</i>	87,996,206	85,224,148
Non current assets held for sale	<i>42</i>	-	4,890,438
Derivative financial instruments	<i>21</i>	68,570	269,269
Financial investments			
- Available for sale	<i>22</i>	17,781,240	5,447,291
- Held to maturity	<i>22</i>	47,494,845	53,924,936
Investments in associates	<i>23</i>	58,602	36,723
Other assets	<i>24</i>	5,953,598	5,434,563
Intangible assets	<i>41</i>	401,475	499,131
Deferred tax assets (Liabilities)	<i>32</i>	171,593	181,308
Property, plant and equipment	<i>25</i>	1,342,886	1,320,905
Total assets		282,885,659	267,543,755
Liabilities and equity			
Liabilities			
Due to banks	<i>26</i>	664,401	3,008,996
Due to customers	<i>27</i>	247,733,684	231,740,795
Non current liabilities held for sale	<i>42</i>	-	3,684,676
Derivative financial instruments	<i>21</i>	154,420	331,091
Current tax liabilities		1,945,105	2,017,034
Other liabilities	<i>29</i>	4,119,256	3,579,330
Long term loans	<i>28</i>	141,406	160,243
Other provisions	<i>30</i>	1,518,570	1,514,057
Total liabilities		256,276,842	246,036,222
Equity			
Issued and paid up capital	<i>31</i>	11,618,011	11,538,660
Reserves	<i>34</i>	8,824,048	3,451,756
Reserve for employee stock ownership plan (ESOP)		428,807	343,460
Retained earnings (losses)		89,873	31,462
Total equity		20,960,739	15,365,338
Net profit for the period/year		5,648,078	6,009,118
Total equity and net profit for the period/year		26,608,817	21,374,456
Minority interest		-	133,077
Total minority interest , equity and net profit for the period		26,608,817	21,507,533
Total liabilities, equity, minority interest and net profit for the period		282,885,659	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 September 30, 2017

	Notes	Last 3 Months Sep. 30, 2017 EGP Thousands	Last 9 Months Sep. 30, 2017 EGP Thousands	Last 3 Months Sep. 30, 2016 EGP Thousands	Last 9 Months Sep. 30, 2016 EGP Thousands
Continued Operations					
Interest and similar income		7,810,631	21,008,359	4,891,477	13,486,623
Interest and similar expense		(4,243,879)	(11,698,658)	(2,359,500)	(6,420,760)
Net interest income	6	3,566,752	9,309,701	2,531,977	7,065,863
Fee and commission income		702,114	2,019,148	448,520	1,385,726
Fee and commission expense		(168,273)	(435,430)	(105,876)	(279,399)
Net fee and commission income	7	533,841	1,583,718	342,644	1,106,327
Dividend income	8	1,708	27,844	3,108	32,019
Net trading income	9	287,430	908,024	287,889	696,412
Profits (Losses) on financial investments	22	(4,188)	6,792	(14,822)	(13,418)
Administrative expenses	10	(761,906)	(2,262,632)	(589,251)	(1,793,714)
Other operating (expenses) income	11	(202,434)	(730,741)	(240,802)	(557,683)
Goodwill impairment	41	-	-	(10,854)	(32,561)
Intangible assets amortization	41	(32,552)	(97,656)	(32,552)	(97,656)
Impairment charge for credit losses	12	(622,519)	(1,431,865)	(73,705)	(577,684)
Bank's share in the profits of associates		4,350	22,629	970	1,143
Profit before income tax		2,770,482	7,335,814	2,204,602	5,829,048
Income tax expense	13	(695,395)	(1,945,105)	(495,531)	(1,452,955)
Deferred tax assets (Liabilities)	32 & 13	(6,660)	(9,715)	(4,984)	(91)
Net profit from continued operations		2,068,427	5,380,994	1,704,087	4,376,002
Discontinued Operations					
Net profit from discontinued operations	42	-	122,234	7,409	95,897
Profit (loss) of disposal from discontinued operations	43	18,350	168,900	-	-
Net profit for the period		2,086,777	5,672,128	1,711,496	4,471,899
Minority interest		-	24,050	8,861	13,713
Bank shareholders		2,086,777	5,648,078	1,702,635	4,458,186
Earning per share					
Basic	14	1.59	4.34	1.30	3.38
Diluted		1.56	4.27	1.28	3.33


Hisham Ezz Al-Arab
Chairman and Managing Director

Consolidated cash flow for the period ended September 30, 2017

	Sep. 30, 2017 EGP Thousands	Sep. 30, 2016 EGP Thousands
Cash flow from operating activities		
Profit before income tax from continued operations	7,335,814	5,829,048
Profit before income tax from discontinued operations	-	122,401
Adjustments to reconcile net profit to net cash provided by operating activities		
Fixed assets depreciation	263,524	205,146
Impairment charge for credit losses	1,431,865	577,684
Other provisions charges	119,983	165,575
Trading financial investments revaluation differences	(269,480)	50,748
Available for sale and held to maturity investments exchange revaluation differences	115,734	(263,567)
Goodwill impairment	-	32,561
Intangible assets amortization	97,656	97,656
Financial investments impairment charge	(96,182)	46,492
Utilization of other provisions	(19,951)	(2,822)
Other provisions no longer used	(97,884)	(47,405)
Exchange differences of other provisions	2,365	60,254
Profits from selling property, plant and equipment	(607)	(575)
Profits from selling financial investments	101,546	(10,935)
Profits from selling investments in associates	-	(84,948)
Shares based payments	230,357	145,981
Bank's share in the profits of associates	(22,629)	(1,143)
Operating profits before changes in operating assets and liabilities	9,192,111	6,922,151
Net decrease (increase) in assets and liabilities		
Due from banks	(7,919,523)	(2,042,595)
Treasury bills and other governmental notes	(16,875,364)	538,374
Trading financial assets	(1,884,848)	2,135,885
Derivative financial instruments	24,028	(65,136)
Loans and advances to banks and customers	(3,277,713)	(4,526,838)
Other assets	(307,248)	(3,049,285)
Non current assets held for sale	428,011	-
Due to banks	(2,344,595)	(1,123,107)
Due to customers	15,768,372	22,834,097
Income tax obligations paid	(2,017,034)	(1,949,694)
Other liabilities	539,926	3,634,746
Income tax paid	(8,673,877)	23,308,598
Cash flow from investing activities		
Payment for purchase of subsidiary and associates	-	48,607
Proceeds from selling subsidiary and associates	750	161,503
Payment for purchases of property, plant, equipment and branches constructions	(467,699)	(439,372)
Proceeds from redemption of held to maturity financial investments	11,026,150	4,094
Payment for purchases of held to maturity financial investments	(4,596,059)	(2,367,123)
Payment for purchases of available for sale financial investments	(13,263,959)	(3,024,361)
Proceeds from selling available for sale financial investments	1,146,696	4,427,351
Proceeds from selling non current assets held for sale	628,521	-
Net cash used in investing activities	(5,525,600)	(1,189,301)

Consolidated cash flow for the period ended September 30, 2017 (Cont.)

	Sep. 30, 2017 EGP Thousands	Sep. 30, 2016 EGP Thousands
Cash flow from financing activities		
Increase (decrease) in long term loans	(18,837)	16,300
Dividend paid	(1,350,207)	(1,463,450)
Capital increase	<u>79,351</u>	<u>68,057</u>
Net cash used in financing activities	<u>(1,289,693)</u>	<u>(1,379,093)</u>
Net increase (decrease) in cash and cash equivalent during the period	(15,489,170)	20,740,204
Beginning balance of cash and cash equivalent	<u>61,518,700</u>	<u>22,583,060</u>
Cash and cash equivalent at the end of the period	<u>46,029,530</u>	<u>43,323,264</u>
Cash and cash equivalent comprise:		
Cash and balances with central bank	23,174,630	12,434,973
Due from banks	38,891,261	41,177,611
Treasury bills and other governmental notes	54,950,084	21,613,272
Obligatory reserve balance with CBE	(12,666,252)	(9,846,334)
Due from banks with maturities more than three months	(3,257,401)	(464,462)
Treasury bills with maturity more than three months	<u>(55,062,792)</u>	<u>(21,591,796)</u>
Total cash and cash equivalent	<u>46,029,530</u>	<u>43,323,264</u>

Consolidated statement of changes in shareholders' equity for the period ended on September 30, 2016

Sep. 30, 2016	<u>Issued and paid up capital</u>	<u>Legal reserve</u>	<u>General reserve</u>	<u>Retained earnings (losses)</u>	<u>Special reserve</u>	<u>Reserve For A.F.S. investments revaluation diff.</u>	<u>Banking risks reserve</u>	<u>Net profit for the period</u>	<u>Reserve for employee stock ownership plan</u>	<u>Cumulative foreign currencies translation differences</u>	<u>Total Shareholders Equity</u>	<u>Minority Interest</u>	<u>Total</u>
	EGP Thousands												
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	68,057	-	-	-	-	-	-	-	-	-	68,057	-	68,057
Transferred to reserves	-	232,008	3,035,878	-	564	-	-	(3,176,762)	(91,688)	-	-	-	-
Transferred to retained earnings (losses)	-	-	-	88,258	-	-	-	(88,258)	-	-	-	-	-
Dividend paid	-	-	-	(5,550)	-	-	-	(1,463,450)	-	-	(1,469,000)	(1,220)	(1,470,220)
Net profit of the period	-	-	-	-	-	-	-	4,458,186	-	-	4,458,186	13,713	4,471,899
Change in ownership percentage	-	-	-	11,611	-	-	-	-	-	-	11,611	72,892	84,503
Net unrealised gain/(loss) on AFS	-	-	-	-	-	(546,224)	-	-	-	-	(546,224)	-	(546,224)
Transferred (from) to bank risk reserve	-	-	-	-	-	-	506	(506)	-	-	-	-	-
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	145,981	-	145,981	-	145,981
Cumulative foreign currencies translation differences	-	-	-	-	-	-	-	-	-	8588	8,588	-	8,588
Balance at the end of the period	<u>11,538,660</u>	<u>1,035,363</u>	<u>4,554,251</u>	<u>29,753</u>	<u>30,778</u>	<u>(2,748,686)</u>	<u>3,019</u>	<u>4,458,186</u>	<u>302,441</u>	<u>8,588</u>	<u>19,212,353</u>	<u>132,816</u>	<u>19,345,169</u>

Consolidated statement of changes in shareholders' equity for the period ended September 30, 2017

Sep. 30, 2017	<u>Issued and paid up capital</u>	<u>Legal reserve</u>	<u>General reserve</u>	<u>Retained earnings (losses)</u>	<u>Special reserve</u>	<u>Reserve For A.F.S investments revaluation diff.</u>	<u>Banking risks reserve</u>	<u>Net profit for the period</u>	<u>Reserve for employee stock ownership plan</u>	<u>Cumulative foreign currencies translation differences</u>	<u>Total Shareholders Equity</u>	<u>Minority Interest</u>	<u>Total</u>
	EGP Thousands												
Beginning balance	11,538,660	1,035,363	4,554,251	31,462	30,778	(2,180,244)	3,019	6,009,118	343,460	8,588	21,374,455	133,077	21,507,532
Capital increase	79,351	-	-	-	-	-	-	-	-	-	79,351	-	79,351
Transferred to reserves	-	297,444	4,445,617	58,563	1,682	-	-	(4,658,296)	(145,010)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(1,350,207)	-	-	(1,350,207)	-	(1,350,207)
Net profit for the period	-	-	-	-	-	-	-	5,648,078	-	-	5,648,078	24,050	5,672,128
Disposal of subsidiary Change in ownership percentage	-	-	152	(152)	-	-	-	-	-	(8,588)	(8,588)	-	(8,588)
Net unrealised gain/(loss) on AFS	-	-	-	-	-	635,371	-	-	-	-	635,371	-	635,371
Transferred (from) to bank risk reserve	-	-	-	-	-	-	615	(615)	-	-	-	-	-
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	230,357	-	230,357	-	230,357
Balance at the end of the period	<u>11,618,011</u>	<u>1,332,807</u>	<u>9,000,020</u>	<u>89,873</u>	<u>32,460</u>	<u>(1,544,873)</u>	<u>3,634</u>	<u>5,648,078</u>	<u>428,807</u>	<u>-</u>	<u>26,608,817</u>	<u>-</u>	<u>26,608,817</u>

Notes to the consolidated financial statements for the period ended September 30, 2017

1. General information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate and investment banking services in various parts of Egypt through 172 branches, and 22 units employing 6474 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 September 30, 2017 the Bank directly owns 3,114,568 shares representing 10% of CI Capital Holding Company's capital and on September 30, 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 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.

<u>Bank’s rating</u>	<u>description of the grade</u>
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 used. 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:

Bank's rating	September 30, 2017		December 31, 2016	
	<u>Loans and advances</u> (%)	<u>Impairment provision</u> (%)	<u>Loans and advances</u> (%)	<u>Impairment provision</u> (%)
1-Performing loans	70.67	12.99	68.27	13.78
2-Regular watching	16.33	22.18	18.43	19.53
3-Watch list	6.06	18.70	6.54	16.81
4-Non-Performing Loans	6.94	46.13	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

	Sep. 30, 2017 EGP Thousands	Dec. 31, 2016 EGP Thousands
In balance sheet items exposed to credit risk		
Treasury bills and other governmental notes	55,062,792	39,216,387
Trading financial assets:		
- Debt instruments	4,119,748	1,933,420
Gross loans and advances to banks	1,220	161,451
Less: Impairment provision	(13)	(1,800)
Gross loans and advances to customers		
Individual:		
- Overdraft	1,875,786	1,901,875
- Credit cards	2,708,047	2,423,125
- Personal loans	13,889,281	10,745,352
- Mortgages	374,291	306,930
- Other loans	-	20,838
Corporate:		
- Overdraft	13,463,514	12,452,698
- Direct loans	44,017,467	44,503,511
- Syndicated loans	25,318,934	24,840,803
- Other loans	114,025	110,382
Unamortized bills discount	(8,758)	(5,533)
Impairment provision	(10,934,990)	(9,818,007)
Unearned interest	(2,821,391)	(2,257,826)
Derivative financial instruments	68,570	269,269
Financial investments:		
-Debt instruments	64,419,490	58,601,911
-Investments in associates	58,602	36,723
Total	211,726,615	185,441,509
Off balance sheet items exposed to credit risk		
Financial guarantees	3,605,001	2,832,705
Customers acceptances	1,321,704	650,607
Letters of credit (import and export)	2,045,495	2,382,849
Letter of guarantee	67,465,425	65,575,370
Total	74,437,625	71,441,531

The above table represents the Bank's Maximum exposure to credit risk on September 30, 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 41.56% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt instruments represents 32.37%.

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:

- 87.00% of the loans and advances are concentrated in the top two grades of the internal credit risk rating system.
- 93.06% of loans and advances portfolio are considered to be neither past due nor impaired.
- Loans and advances assessed individually are valued EGP thousands 7,061,606
- The Bank has implemented more prudent processes when granting loans and advances during the financial period ended on September 30, 2017.
- 96.86% of the investments in debt Instruments are Egyptian sovereign instruments.

3.1.6. Loans and advances

Loans and advances are summarized as follows:

	Sep.30, 2017		Dec.31, 2016	
	EGP Thousands		EGP Thousands	
	<u>Loans and advances to customers</u>	<u>Loans and advances to banks</u>	<u>Loans and advances to customers</u>	<u>Loans and advances to banks</u>
Neither past due nor impaired	89,939,142	1,220	85,586,627	161,451
Past due but not impaired	4,760,597	-	5,133,220	-
Individually impaired	7,061,606	-	6,585,667	-
Gross	101,761,345	1,220	97,305,514	161,451
Less:				
Impairment provision	10,934,990	13	9,818,007	1,800
Unamortized bills discount	8,758	-	5,533	-
Unearned interest	2,821,391	-	2,257,826	-
Net	87,996,206	1,207	85,224,148	159,651

Impairment provision losses for loans and advances reached EGP 10,935,003 thousand.

During the period, the Bank's total loans and advances increased by 3.59%.

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):

Sep. 30, 2017	Individual				Corporate				EGP Thousands	
	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Mortgages</u>	<u>Overdraft</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	<u>Total loans and advances to customers</u>	<u>Total loans and advances to banks</u>
Performing loans	1,800,500	2,589,094	13,137,868	364,885	10,093,038	23,331,247	19,082,272	96,139	70,495,043	1,207
Regular watching	14,579	64,015	277,061	-	806,589	10,101,970	2,909,421	15,190	14,188,825	-
Watch list	39,861	18,389	119,592	-	303,818	2,507,052	1,136,290	-	4,125,002	-
Non-performing loans	11,574	12,343	134,434	1,160	620,929	997,696	239,349	-	2,017,485	-
Total	1,866,514	2,683,841	13,668,955	366,045	11,824,374	36,937,965	23,367,332	111,329	90,826,355	1,207

Dec. 31, 2016	Individual				Corporate				EGP Thousands	
	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Mortgages</u>	<u>Overdraft</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	<u>Total loans and advances to customers</u>	<u>Total loans and advances to banks</u>
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.

Sep.30, 2017	Individual					Corporate			
	Overdrafts	Credit cards	Personal loans	Mortgages	Total	Overdraft	Direct loans	Syndicated loans	Total
Past due up to 30 days	690,114	404,486	30,224	719	1,125,543	1,189,658	1,346,460	33,836	2,569,954
Past due 30 - 60 days	14,673	68,437	15,799	207	99,116	18,231	57,525	17,112	92,868
Past due 60-90 days	40,047	22,116	12,858	42	75,063	500,674	267,133	30,246	798,053
Total	744,834	495,039	58,881	968	1,299,722	1,708,563	1,671,118	81,194	3,460,875

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 7,061,606 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:

Sep.30, 2017	Individual					Corporate			
	Overdrafts	Credit cards	Personal loans	Mortgages	Other loans	Overdraft	Direct loans	Syndicated loans	Total
Individually impaired loans	18,374	20,775	308,386	3,950	-	1,667,420	3,766,539	1,276,162	7,061,606

Dec.31, 2016	Individual					Corporate			
	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:

	Sep.30, 2017	Dec.31, 2016
Loans and advances to Corporate		
- Direct loans	7,849,248	7,771,415
Total	7,849,248	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:

Sep.30, 2017	EGP Thousands			
	Treasury bills and other gov. notes	Trading financial debt instruments	Non-trading financial debt instruments	Total
AAA	-	-	-	-
AA- to AA+	-	-	218,138	218,138
A- to A+	-	-	1,564,311	1,564,311
Lower than A-	-	-	3,847,664	3,847,664
Unrated	54,950,084	4,119,748	58,789,377	117,859,209
Total	54,950,084	4,119,748	64,419,490	123,489,322

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.

Sep.30, 2017	EGP Thousands			
	Cairo	Alex, Delta and Sinai	Upper Egypt	Total
Treasury bills and other governmental notes	55,062,792	-	-	55,062,792
Trading financial assets:				
- Debt instruments	4,119,748	-	-	4,119,748
Gross loans and advances to banks	1,220	-	-	1,220
Less: Impairment provision	(13)	-	-	(13)
Gross loans and advances to customers				
Individual:				
- Overdrafts	1,040,988	635,675	199,123	1,875,786
- Credit cards	2,181,673	450,153	76,221	2,708,047
- Personal loans	8,558,870	4,477,769	852,642	13,889,281
- Mortgages	300,981	66,391	6,919	374,291
Corporate:				
- Overdrafts	11,202,456	1,806,318	454,740	13,463,514
- Direct loans	29,346,714	11,494,042	3,176,711	44,017,467
- Syndicated loans	22,324,270	2,665,297	329,367	25,318,934
- Other loans	99,168	14,857	-	114,025
Unamortized bills discount	(8,758)	-	-	(8,758)
Impairment provision	(10,934,990)	-	-	(10,934,990)
Unearned interest	(2,210,145)	(513,656)	(97,590)	(2,821,391)
Derivative financial instruments	68,570	-	-	68,570
Financial investments:				
-Debt instruments	64,419,490	-	-	64,419,490
-Investments in associates	58,602	-	-	58,602
Total	185,631,636	21,096,846	4,998,133	211,726,615

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.

Sep.30, 2017								EGP Thousands
	<u>Financial institutions</u>	<u>Manufacturing</u>	<u>Real estate</u>	<u>Wholesale and retail trade</u>	<u>Government sector</u>	<u>Other activities</u>	<u>Individual</u>	<u>Total</u>
Treasury bills and other governmental notes	-	-	-	-	55,062,792	-	-	55,062,792
Trading financial assets:								
- Debt instruments	-	-	-	-	4,119,748	-	-	4,119,748
Gross loans and advances to banks	1,220	-	-	-	-	-	-	1,220
Less: Impairment provision	(13)	-	-	-	-	-	-	(13)
Gross loans and advances to customers								
Individual:								
- Overdrafts	-	-	-	-	-	-	1,875,786	1,875,786
- Credit cards	-	-	-	-	-	-	2,708,047	2,708,047
- Personal loans	-	-	-	-	-	-	13,889,281	13,889,281
- Mortgages	-	-	-	-	-	-	374,291	374,291
Corporate:								
- Overdrafts	313,240	5,659,859	1,259,427	550,404	1,036,091	4,644,493	-	13,463,514
- Direct loans	838,057	21,018,877	200,413	806,987	3,100,889	18,052,244	-	44,017,467
- Syndicated loans	195,152	11,736,446	559,161	-	11,032,706	1,795,469	-	25,318,934
- Other loans	-	114,025	-	-	-	-	-	114,025
Unamortized bills discount	(8,758)	-	-	-	-	-	-	(8,758)
Impairment provision	(28,841)	(4,476,184)	(15,073)	(145,194)	(48,083)	(5,959,565)	(262,050)	(10,934,990)
Unearned interest	(780)	(928,467)	-	(31,198)	-	(1,860,946)	-	(2,821,391)
Derivative financial instruments	68,570	-	-	-	-	-	-	68,570
Financial investments:								
- Debt instruments	1,782,449	-	-	-	62,637,041	-	-	64,419,490
- Investments in associates	58,602	-	-	-	-	-	-	58,602
Total	3,218,898	33,124,556	2,003,928	1,180,999	136,941,184	16,671,695	18,585,355	211,726,615

3.2. Market risk

Market risk represents 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

Total VaR by risk type	Sep.30, 2017			Dec.31, 2016		
	Medium	High	Low	Medium	High	Low
Foreign exchange risk	18,226	82,695	275	31,561	300,218	276
Interest rate risk	578,549	815,249	363,366	365,258	1,028,396	112,744
- For non trading purposes	549,536	739,977	351,674	340,853	973,882	102,443
- For trading purposes	29,013	75,272	11,692	24,405	54,514	10,301
Portfolio managed by others risk	7,408	10,454	4,854	4,775	10,341	2,682
Investment fund	403	692	215	392	643	264
Total VaR	582,022	828,817	364,439	381,247	1,193,075	113,480

EGP Thousands

Trading portfolio VaR by risk type	Sep.30, 2017			Dec.31, 2016		
	Medium	High	Low	Medium	High	Low
Foreign exchange risk	18,226	82,695	275	31,561	300,218	276
Interest rate risk	29,013	75,272	11,692	24,405	54,514	10,301
- For trading purposes	29,013	75,272	11,692	24,405	54,514	10,301
Funds managed by others risk	7,408	10,454	4,854	4,775	10,341	2,682
Investment fund	403	692	215	392	643	264
Total VaR	43,177	113,250	13,804	51,651	335,888	11,285

Non trading portfolio VaR by risk type	Sep.30, 2017			Dec.31, 2016		
	Medium	High	Low	Medium	High	Low
Interest rate risk						
- For non trading purposes	549,536	739,977	351,674	340,853	973,882	102,443
Total VaR	549,536	739,977	351,674	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.

Sep.30, 2017	Equivalent EGP Thousands					
	<u>EGP</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>Other</u>	<u>Total</u>
Financial assets						
Cash and balances with central bank	14,865,324	6,471,379	1,127,603	91,330	618,994	23,174,630
Due from banks	5,019,697	25,312,239	7,666,308	784,632	108,385	38,891,261
Treasury bills and other governmental notes	46,336,742	12,091,056	1,350,894	-	-	59,778,692
Trading financial assets	4,599,462	-	-	-	-	4,599,462
Gross loans and advances to banks	-	1,220	-	-	-	1,220
Gross loans and advances to customers	53,148,748	46,507,250	2,061,225	44,122	-	101,761,345
Derivative financial instruments	67,124	1,446	-	-	-	68,570
Financial investments						
- Available for sale	12,587,416	5,193,824	-	-	-	17,781,240
- Held to maturity	47,494,845	-	-	-	-	47,494,845
Investments in associates	58,602	-	-	-	-	58,602
Total financial assets	184,177,960	95,578,414	12,206,030	920,084	727,379	293,609,867
Financial liabilities						
Due to banks	48,578	510,869	25,187	7,765	72,002	664,401
Due to customers	148,994,479	85,868,659	11,594,346	903,540	372,660	247,733,684
Derivative financial instruments	81,810	72,610	-	-	-	154,420
Long term loans	141,406	-	-	-	-	141,406
Total financial liabilities	149,266,273	86,452,138	11,619,533	911,305	444,662	248,693,911
Net on-balance sheet financial position	34,911,687	9,126,276	586,497	8,779	282,717	44,915,956

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.

	<u>Up to 1 Month</u>	<u>1-3 Months</u>	<u>3-12 Months</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Non- Interest Bearing</u>	<u>Total</u>
Sep.30, 2017							
Financial assets							
Cash and balances with central bank	-	-	-	-	-	23,174,630	23,174,630
Due from banks	18,663,898	17,456,533	2,770,830	-	-	-	38,891,261
Treasury bills and other governmental notes*	1,013,261	13,099,592	45,665,839	-	-	-	59,778,692
Trading financial assets	97,012	131,452	-	1,925,471	2,062,824	382,703	4,599,462
Gross loans and advances to banks	1,220	-	-	-	-	-	1,220
Gross loans and advances to customers	61,595,529	19,196,073	10,404,460	8,362,175	2,203,108	-	101,761,345
Derivatives financial instruments (including IRS notional amount)	1,285,898	722,817	7,312,100	4,133,832	17,648	1,446	13,473,741
Financial investments							
- Available for sale	283,869	-	1,152,453	10,002,358	5,720,180	622,380	17,781,240
- Held to maturity	374,729	2,121,312	9,043,924	28,139,706	7,815,174	-	47,494,845
Investments in associates	-	-	-	-	-	58,602	58,602
Total financial assets	83,315,416	52,727,779	76,349,606	52,563,542	17,818,934	24,239,761	307,015,038
Financial liabilities							
Due to banks	364,600	-	-	-	-	299,801	664,401
Due to customers	97,105,155	20,421,456	32,400,831	51,800,321	813,465	45,192,456	247,733,684
Derivatives financial instruments (including IRS notional amount)	6,450,615	6,379,382	3,987	652,998	-	72,609	13,559,591
Long term loans	43,314	27,623	65,342	5,127	-	-	141,406
Total financial liabilities	103,963,684	26,828,461	32,470,160	52,458,446	813,465	45,564,866	262,099,082
Total interest re-pricing gap	(20,648,268)	25,899,318	43,879,446	105,096	17,005,469	(21,325,105)	44,915,956

* 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.

Sep.30, 2017	<u>Up to 1 month</u>	<u>One to three months</u>	<u>Three months to one year</u>	<u>One year to five years</u>	<u>Over five years</u>	<u>Total EGP Thousands</u>
Financial liabilities						
Due to banks	664,401	-	-	-	-	664,401
Due to customers	24,998,754	28,123,485	72,634,833	105,676,727	16,299,885	247,733,684
Long term loans	43,314	27,623	65,342	5,127	-	141,406
Total liabilities (contractual and non contractual maturity dates)	<u>25,706,469</u>	<u>28,151,108</u>	<u>72,700,175</u>	<u>105,681,854</u>	<u>16,299,885</u>	<u>248,539,491</u>
Total financial assets (contractual and non contractual maturity dates)	<u>43,358,588</u>	<u>45,692,193</u>	<u>79,300,468</u>	<u>95,345,562</u>	<u>29,795,633</u>	<u>293,492,444</u>
Dec.31, 2016	<u>Up to 1 month</u>	<u>One to three months</u>	<u>Three months to one year</u>	<u>One year to five years</u>	<u>Over five years</u>	<u>Total EGP Thousands</u>
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)	<u>33,286,028</u>	<u>24,506,955</u>	<u>55,847,875</u>	<u>108,578,728</u>	<u>12,690,448</u>	<u>234,910,034</u>
Total financial assets (contractual and non contractual maturity dates)	<u>63,513,318</u>	<u>35,561,586</u>	<u>67,012,053</u>	<u>81,180,812</u>	<u>23,129,786</u>	<u>270,397,555</u>

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

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

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				
Sep.30, 2017	<u>Up to 1 month</u>	<u>One to three months</u>	<u>Three months to one year</u>	<u>One year to five years</u>	<u>Total</u>
Liabilities					
Derivatives financial instruments					
- Foreign exchange derivatives	34,554	43,270	3,987	-	81,811
- Interest rate derivatives	108	140	15,897	56,464	72,609
Total	34,662	43,410	19,884	56,464	154,420

Off balance sheet items

	EGP Thousands			
Sep.30, 2017	<u>Up to 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Letters of credit, guarantees and other commitments	47,720,538	16,764,099	6,347,987	70,832,624
Total	47,720,538	16,764,099	6,347,987	70,832,624

	EGP Thousands		
	<u>Up to 1 year</u>	<u>1-5 years</u>	<u>Total</u>
Credit facilities commitments	1,494,838	6,262,180	7,757,018
Total	1,494,838	6,262,180	7,757,018

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.

	<u>Book value</u>		<u>Fair value</u>	
	Sep.30, 2017	Dec.31, 2016	Sep.30, 2017	Dec.31, 2016
Financial assets				
Due from banks	38,891,261	58,011,034	44,680,511	56,270,958
Gross loans and advances to banks	1,220	161,451	1,220	161,451
Gross loans and advances to customers	101,761,345	97,305,514	98,146,318	99,578,137
Financial investments				
Held to Maturity	47,494,845	53,924,936	41,776,436	51,541,583
Total financial assets	188,148,671	209,402,935	184,604,485	207,552,129
Financial liabilities				
Due to banks	664,401	3,008,996	88,243	2,924,416
Due to customers	247,733,684	231,740,795	240,618,727	234,065,309
Long term loans	141,406	160,243	141,406	160,243
Total financial liabilities	248,539,491	234,910,034	240,848,376	237,149,968

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 operational 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 composed 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 consideration the cash collaterals. 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 tier 1, tier 2, the capital adequacy ratio and leverage ratio .

1-The capital adequacy ratio	Sep.30, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands Restated**
Tier 1 capital		
Share capital (net of the treasury shares)	11,618,011	11,538,660
Goodwill	-	(22,981)
Reserves	10,543,091	10,542,939
Retained Earnings (Losses)	89,873	90,025
Total deductions from tier 1 capital common equity	(2,308,332)	(2,793,404)
Net profit for the period	5,648,078	-
Total qualifying tier 1 capital	25,590,721	19,355,239
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	1,623,387	1,606,644
Total qualifying tier 2 capital	1,623,436	1,610,558
Total capital 1+2	27,214,157	20,965,797
Risk weighted assets and contingent liabilities		
Total credit risk	138,508,931	128,698,992
Total market risk	7,372,308	6,701,579
Total operational risk	14,696,762	14,696,762
Total	160,578,001	150,097,333
*Capital adequacy ratio (%)	16.95%	13.97%

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

**After 2016 profit distribution.

2-Leverage ratio

	Sep.30, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands Restated**
Total qualifying tier 1 capital	25,590,721	19,355,239
On-balance sheet items & derivatives	288,114,209	271,962,373
Off-balance sheet items	44,057,349	41,080,543
Total exposures	332,171,558	313,042,916
*Percentage	7.70%	6.18%

*Based on consolidated financial statement figures and in accordance with Central 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 should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating the availability of a 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 when 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 prices. 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					
	<u>Corporate banking</u>	<u>SME's</u>	<u>Investment banking</u>	<u>Retail banking</u>	<u>Asset Liability Mangement</u>	<u>Total</u>
Sep.30, 2017						
Revenue according to business segment	4,073,622	1,705,208	2,341,755	3,562,597	496,112	12,179,294
Expenses according to business segment	(2,736,745)	(447,305)	(77,939)	(1,308,727)	(5,680)	(4,576,396)
Profit before tax	1,336,877	1,257,903	2,263,816	2,253,870	490,432	7,602,898
Tax	(416,028)	(321,682)	(515,314)	(576,379)	(125,417)	(1,954,820)
Profit for the period	920,849	936,221	1,748,502	1,677,491	365,015	5,648,078
Total assets	89,937,393	3,245,352	124,948,091	18,378,394	46,376,429	282,885,659
Dec.31, 2016						
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			
	<u>Cairo</u>	<u>Alex, Delta & Sinai</u>	<u>Upper Egypt</u>	<u>Total</u>
Sep.30, 2017				
Revenue according to geographical segment	9,942,131	1,825,386	411,777	12,179,294
Expenses according to geographical segment	(3,965,684)	(492,874)	(117,838)	(4,576,396)
Profit before tax	5,976,447	1,332,512	293,939	7,602,898
Tax	(1,538,891)	(340,761)	(75,168)	(1,954,820)
Profit for the period	4,437,556	991,751	218,771	5,648,078
Total assets	252,725,382	22,912,716	7,247,561	282,885,659
Dec.31, 2016				
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

	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands	Last 3 Months Sep.30, 2016 EGP Thousands	Last 9 Months Sep.30, 2016 EGP Thousands
Interest and similar income				
- Banks	1,119,909	3,275,266	753,663	1,680,146
- Clients	2,982,032	7,936,787	1,706,586	4,763,805
Total	4,101,941	11,212,053	2,460,249	6,443,951
Treasury bills and bonds	3,666,437	9,658,333	2,402,368	6,954,222
Financial investments in held to maturity and available for sale debt instruments	42,253	137,973	28,860	88,450
Total	7,810,631	21,008,359	4,891,477	13,486,623
Interest and similar expense				
- Banks	(58,928)	(306,816)	(25,218)	(69,629)
- Clients	(4,184,407)	(11,390,764)	(2,334,282)	(6,351,131)
Total	(4,243,335)	(11,697,580)	(2,359,500)	(6,420,760)
Financial instruments purchased with a commitment to re-sale (Repos)	(544)	(1,078)	-	-
Total	(4,243,879)	(11,698,658)	(2,359,500)	(6,420,760)
Net interest income	3,566,752	9,309,701	2,531,977	7,065,863

7 . Net fee and commission income

	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands	Last 3 Months Sep.30, 2016 EGP Thousands	Last 9 Months Sep.30, 2016 EGP Thousands
Fee and commission income				
Fee and commissions related to credit	362,833	1,039,394	204,653	663,199
Custody fee	20,007	88,806	17,198	52,569
Other fee	319,274	890,948	226,669	669,958
Total	702,114	2,019,148	448,520	1,385,726
Fee and commission expense				
Other fee paid	(168,273)	(435,430)	(105,876)	(279,399)
Total	(168,273)	(435,430)	(105,876)	(279,399)
Net income from fee and commission	533,841	1,583,718	342,644	1,106,327

8 . Dividend income

	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands	Last 3 Months Sep.30, 2016 EGP Thousands	Last 9 Months Sep.30, 2016 EGP Thousands
Trading securities	222	6,451	623	3,272
Available for sale securities	1,486	21,393	2,485	28,747
Total	1,708	27,844	3,108	32,019

9 . Net trading income

	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands	Last 3 Months Sep.30, 2016 EGP Thousands	Last 9 Months Sep.30, 2016 EGP Thousands
Profit (losses) from foreign exchange	201,659	583,527	94,609	251,460
Profit (Loss) from forward foreign exchange deals revaluation	(6,145)	(15,135)	(4,787)	8,989
Profit (Loss) from interest rate swaps revaluation	(8,370)	(15,615)	(3,496)	(8,393)
Profit (Loss) from currency swap deals revaluation	(3,330)	(22,068)	9,269	19,793
Trading debt instruments	103,616	377,315	192,294	424,563
Total	287,430	908,024	287,889	696,412

10 . Administrative expenses	Last 3 Months	Last 9 Months	Last 3 Months	Last 9 Months
	Sep.30, 2017	Sep.30, 2017	Sep.30, 2016	Sep.30, 2016
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
. 1.Staff costs				
Wages and salaries	(406,926)	(1,223,835)	(291,623)	(882,529)
Social insurance	(16,211)	(48,615)	(14,472)	(36,064)
Other benefits	(13,009)	(37,887)	(10,188)	(32,917)
. 2.Other administrative expenses	(325,760)	(952,295)	(272,968)	(842,204)
Total	(761,906)	(2,262,632)	(589,251)	(1,793,714)
11 . Other operating (expenses) income	Last 3 Months	Last 9 Months	Last 3 Months	Last 9 Months
	Sep.30, 2017	Sep.30, 2017	Sep.30, 2016	Sep.30, 2016
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
Profits from non-trading assets and liabilities revaluation	8,588	(53,433)	1,592	(21,603)
Profits from selling property, plant and equipment	607	607	38	575
Release (charges) of other provisions	28,446	(22,099)	(103,935)	(118,170)
Other income/expenses	(240,075)	(655,816)	(138,497)	(418,485)
Total	(202,434)	(730,741)	(240,802)	(557,683)
12 . Impairment charge for credit losses	Last 3 Months	Last 9 Months	Last 3 Months	Last 9 Months
	Sep.30, 2017	Sep.30, 2017	Sep.30, 2016	Sep.30, 2016
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
Loans and advances to customers	(622,519)	(1,431,865)	(73,705)	(577,684)
Total	(622,519)	(1,431,865)	(73,705)	(577,684)
13 . Adjustments to calculate the effective tax rate	Last 3 Months	Last 9 Months	Last 3 Months	Last 9 Months
	Sep.30, 2017	Sep.30, 2017	Sep.30, 2016	Sep.30, 2016
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
Profit before tax	2,788,832	7,626,948	2,222,202	5,951,449
Tax rate	22.50%	22.50%	22.50%	22.50%
Income tax based on accounting profit	627,487	1,716,063	499,995	1,339,076
Add / (Deduct)				
Non-deductible expenses	47,527	183,200	(30,061)	83,287
Tax exemptions	(27,265)	(145,356)	(11,545)	(6,231)
Effect of provisions	56,357	198,214	46,119	48,926
Depreciation	(1,221)	(3,663)	-	-
10% Withholding tax	149	2,498	187	2,813
Income tax / Deferred tax	703,034	1,950,956	504,695	1,467,871
Effective tax rate	25.21%	25.58%	22.71%	24.66%
14 . Earning per share	Last 3 Months	Last 9 Months	Last 3 Months	Last 9 Months
	Sep.30, 2017	Sep.30, 2017	Sep.30, 2016	Sep.30, 2016
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
Net profit for the period, available for distribution	2,082,427	5,689,299	1,703,115	4,432,514
Board member's bonus	(31,236)	(85,339)	(25,547)	(66,488)
Staff profit sharing	(208,243)	(568,930)	(170,312)	(443,251)
* Profits shareholders' Stake	1,842,948	5,035,030	1,507,256	3,922,775
Weighted Average number of shares	1,159,156	1,159,156	1,159,156	1,159,156
Basic earning per share	1.59	4.34	1.30	3.38
By issuance of ESOP earning per share will be:				
Average number of shares including ESOP shares	1,178,527	1,178,396	1,177,158	1,176,468
Diluted earning per share	1.56	4.27	1.28	3.33

* Based on separate financial statement profits.

15. Cash and balances with central bank

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Cash	10,508,378	5,083,805
Obligatory reserve balance with CBE		
- Current accounts	<u>12,666,252</u>	<u>5,438,235</u>
Total	<u>23,174,630</u>	<u>10,522,040</u>
Non-interest bearing balances	<u>23,174,630</u>	<u>10,522,040</u>

16. Due from banks

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Current accounts	4,087,508	4,090,352
Deposits	<u>34,803,753</u>	<u>53,920,682</u>
Total	<u>38,891,261</u>	<u>58,011,034</u>
Central banks	18,392,481	37,447,892
Local banks	2,091,168	204,309
Foreign banks	<u>18,407,612</u>	<u>20,358,833</u>
Total	<u>38,891,261</u>	<u>58,011,034</u>
Non-interest bearing balances	-	33
Fixed interest bearing balances	<u>38,891,261</u>	<u>58,011,001</u>
Total	<u>38,891,261</u>	<u>58,011,034</u>
Current balances	<u>38,891,261</u>	<u>58,011,034</u>

17. Treasury bills and other governmental notes

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
91 Days maturity	-	1,051,375
182 Days maturity	3,073,900	4,350,975
364 Days maturity	56,817,500	36,010,730
Unearned interest	<u>(4,828,608)</u>	<u>(2,196,693)</u>
Total 1	<u>55,062,792</u>	<u>39,216,387</u>
Repos - treasury bills	<u>(112,708)</u>	<u>(39,203)</u>
Total 2	<u>(112,708)</u>	<u>(39,203)</u>
Net	<u>54,950,084</u>	<u>39,177,184</u>

18. Trading financial assets

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Debt instruments		
- Governmental bonds	<u>4,119,748</u>	<u>1,933,420</u>
Total	<u>4,119,748</u>	<u>1,933,420</u>
Equity instruments		
- Mutual funds	<u>97,013</u>	<u>180,157</u>
Total	<u>97,013</u>	<u>180,157</u>
- Portfolio managed by others	<u>382,701</u>	<u>331,557</u>
Total	<u>4,599,462</u>	<u>2,445,134</u>

19 . Loans and advances to banks, net

	Sep.30, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Time and term loans	1,220	161,451
Less: Impairment provision	(13)	(1,800)
Total	1,207	159,651
Current balances	1,207	110,053
Non-current balances	-	49,598
Total	1,207	159,651

Analysis for impairment provision of loans and advances to banks

	Sep.30, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Beginning balance	(1,800)	(9,899)
Release during the period	1,752	20,368
Exchange revaluation difference	35	(12,269)
Ending balance	(13)	(1,800)

20 . Loans and advances to customers, net

	Sep.30, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Individual		
- Overdraft	1,875,786	1,901,875
- Credit cards	2,708,047	2,423,125
- Personal loans	13,889,281	10,745,352
- Real estate loans	374,291	306,930
- Other loans	-	20,838
Total 1	18,847,405	15,398,120
Corporate		
- Overdraft	13,463,514	12,452,698
- Direct loans	44,017,467	44,503,511
- Syndicated loans	25,318,934	24,840,803
- Other loans	114,025	110,382
Total 2	82,913,940	81,907,394
Total Loans and advances to customers (1+2)	101,761,345	97,305,514
Less:		
Unamortized bills discount	(8,758)	(5,533)
Impairment provision	(10,934,990)	(9,818,007)
Unearned interest	(2,821,391)	(2,257,826)
Net loans and advances to customers	87,996,206	85,224,148
Distributed to		
Current balances	39,538,685	36,671,277
Non-current balances	48,457,521	48,552,871
Total	87,996,206	85,224,148

Analysis for impairment provision of loans and advances to customers

Sep.30, 2017	<u>Individual</u>					<u>Total</u>
	<u>Overdraft</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Real estate loans</u>	<u>Other loans</u>	
Beginning balance	(11,166)	(25,056)	(190,592)	(7,801)	(20,838)	(255,453)
Released (charged) released during the period	(11,531)	(10,617)	(31,239)	(2,493)	20,838	(35,042)
Write off during the period	13,425	25,338	1,561	2,080	-	42,404
Recoveries during the period	-	(13,871)	(56)	(32)	-	(13,959)
Ending balance	<u>(9,272)</u>	<u>(24,206)</u>	<u>(220,326)</u>	<u>(8,246)</u>	<u>-</u>	<u>(262,050)</u>

Sep.30, 2017	<u>Corporate</u>				<u>Total</u>
	<u>Overdraft</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	
Beginning balance	(1,342,010)	(6,442,227)	(1,775,873)	(2,444)	(9,562,554)
Released (charged) released during the period	(324,327)	(831,776)	(242,214)	(258)	(1,398,575)
Write off during the period	-	86,863	-	-	86,863
Recoveries during the period	-	(17,371)	-	-	(17,371)
Exchange revaluation difference	27,197	125,009	66,485	6	218,697
Ending balance	<u>(1,639,140)</u>	<u>(7,079,502)</u>	<u>(1,951,602)</u>	<u>(2,696)</u>	<u>(10,672,940)</u>

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

Dec.31, 2016	<u>Corporate</u>				<u>Total</u>
	<u>Overdraft</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	
Beginning balance	(589,620)	(2,888,702)	(1,024,226)	(1,327)	(4,503,875)
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	<u>(1,342,010)</u>	<u>(6,442,227)</u>	<u>(1,775,873)</u>	<u>(2,444)</u>	<u>(9,562,554)</u>

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 reflect 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

	Sep.30, 2017			Dec.31, 2016		
	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>
Foreign currencies derivatives						
- Forward foreign exchange contracts	6,816,675	59,394	70,499	2,174,176	182,508	178,479
- Currency swap	2,073,470	7,730	11,312	2,662,940	79,890	61,404
Total 1		<u>67,124</u>	<u>81,811</u>		<u>262,398</u>	<u>239,883</u>
Interest rate derivatives						
- Interest rate swaps	-	-	-	34,706	144	-
Total 2		<u>-</u>	<u>-</u>		<u>144</u>	<u>-</u>
Total assets (liabilities) for trading derivatives (1+2)		<u>67,124</u>	<u>81,811</u>		<u>262,542</u>	<u>239,883</u>

21.1.2 . Fair value hedge

Interest rate derivatives						
- Governmental debt instruments hedging	652,999	-	33,997	675,861	-	45,629
- Customers deposits hedging	12,752,172	1,446	38,612	16,382,128	6,727	45,579
Total 3		<u>1,446</u>	<u>72,609</u>		<u>6,727</u>	<u>91,208</u>
Total financial derivatives (1+2+3)		<u>68,570</u>	<u>154,420</u>		<u>269,269</u>	<u>331,091</u>

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 33,997 thousand at September 30, 2017 against EGP 45,629 thousand at the December 31, 2016, Resulting in gains form hedging instruments at September 30, 2017 EGP 11,632 thousand against losses EGP 19,333 thousand at the December 31, 2016. Losses arose from the hedged items at September 30, 2017 reached EGP 25,761 thousand against losses of 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 37,166 thousand at the end of September 30, 2017 against EGP 38,852 thousand at December 31, 2016, resulting in gains from hedging instruments at September 30, 2017 of EGP 1,686 thousand against losses of EGP 28,916 thousand at December 31, 2016. Gains arose from the hedged items at September 30, 2017 reached EGP 898 thousand against gains EGP 56,314 thousand at December 31 , 2016.

22 . Financial investments

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Available for sale		
- Listed debt instruments with fair value	16,957,157	4,709,487
- Listed equity instruments with fair value	83,142	97,631
- Unlisted instruments	740,941	640,173
Total	17,781,240	5,447,291
Held to maturity		
- Listed debt instruments	47,462,332	53,892,423
- Unlisted instruments	32,513	32,513
Total	47,494,845	53,924,936
Total financial investment	65,276,085	59,372,227
- Actively traded instruments	63,377,537	57,097,553
- Not actively traded instruments	1,898,548	2,274,674
Total	65,276,085	59,372,227
Fixed interest debt instruments	62,637,041	56,090,139
Floating interest debt instruments	1,782,449	2,511,772
Total	64,419,490	58,601,911

	<u>Available for sale</u>	<u>Held to maturity</u>	<u>Total</u>
	<u>financial</u>	<u>financial</u>	
	<u>investments</u>	<u>investments</u>	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	<u>5,447,291</u>	<u>53,924,936</u>	<u>59,372,227</u>
Beginning balance	5,447,291	53,924,936	59,372,227
Addition	13,263,959	4,596,059	17,860,018
Deduction	(1,545,829)	(11,026,150)	(12,571,979)
Exchange revaluation differences for foreign financial assets	(115,734)	-	(115,734)
Profit (losses) from fair value difference	623,215	-	623,215
Available for sale impairment charges	108,338	-	108,338
Ending Balance as of Sep.30, 2017	<u>17,781,240</u>	<u>47,494,845</u>	<u>65,276,085</u>

22.1 . Profits (Losses) on financial investments

	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands	Last 3 Months Sep.30, 2016 EGP Thousands	Last 9 Months Sep.30, 2016 EGP Thousands
Profit (Loss) from selling available for sale financial instruments	(81)	(101,546)	(5,308)	10,935
Released (Impairment) charges of available for sale equity instruments	(4,107)	108,338	(9,514)	(51,647)
Profit (Loss) from selling investments in associates	-	-	-	27,294
Total	(4,188)	6,792	(14,822)	(13,418)

23 Investments in associates

	EGP Thousands						
Sep.30, 2017	<u>Company's country</u>	<u>Company's assets</u>	<u>Company's liabilities (without equity)</u>	<u>Company's revenues</u>	<u>Company's net profit</u>	<u>Investment book value</u>	<u>Stake %</u>
Associates							
- International Co. for Security and Services (Falcon)	Egypt	501,109	375,997	358,646	32,889	58,602	32.5
Total		501,109	375,997	358,646	32,889	58,602	

	EGP Thousands						
Dec.31, 2016	<u>Company's country</u>	<u>Company's assets</u>	<u>Company's liabilities (without equity)</u>	<u>Company's revenues</u>	<u>Company's net profit</u>	<u>Investment book value</u>	<u>Stake %</u>
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

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Accrued revenues	3,915,983	3,318,761
Prepaid expenses	240,374	144,422
Advances to purchase of fixed assets	403,935	203,410
Accounts receivable and other assets	1,314,235	1,691,603
Assets acquired as settlement of debts	54,204	56,599
Insurance	24,867	19,768
Total	5,953,598	5,434,563

25 . Property, plant and equipment

	Sep.30, 2017							EGP Thousands
	<u>Land</u>	<u>Premises</u>	<u>IT</u>	<u>Vehicles</u>	<u>Fitting -out</u>	<u>Machines and equipment</u>	<u>Furniture and furnishing</u>	
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	3	23,293	181,235	1,820	35,406	38,368	5,380	285,505
Ending gross assets (2)	64,712	942,551	1,576,873	89,480	643,179	497,940	149,834	3,964,569
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	-	33,155	127,250	9,165	53,552	34,899	5,503	263,524
Accumulated depreciation at end of the period (4)	-	348,347	1,156,494	57,069	521,920	407,421	130,432	2,621,683
Ending net assets (2-4)	64,712	594,204	420,379	32,411	121,259	90,519	19,402	1,342,886
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 365,300 thousand non registered assets while their registrations procedures are in process.

26 Due to banks

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Current accounts	511,124	271,470
Deposits	153,277	2,737,526
Total	664,401	3,008,996
Central banks	80,863	163,420
Local banks	219,655	2,636,009
Foreign banks	363,883	209,567
Total	664,401	3,008,996
Non-interest bearing balances	299,801	545,463
Fixed interest bearing balances	364,600	2,463,533
Total	664,401	3,008,996
Current balances	664,401	3,008,996

27 Due to customers

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Demand deposits	67,801,178	60,068,884
Time deposits	52,543,745	57,478,218
Certificates of deposit	70,697,139	69,215,320
Saving deposits	51,247,752	38,519,158
Other deposits	5,443,870	6,459,215
Total	247,733,684	231,740,795
Corporate deposits	104,926,642	110,157,621
Individual deposits	142,807,042	121,583,174
Total	247,733,684	231,740,795
Non-interest bearing balances	45,192,456	26,385,328
Fixed interest bearing balances	202,541,228	205,355,467
Total	247,733,684	231,740,795
Current balances	174,826,960	159,492,892
Non-current balances	72,906,724	72,247,903
Total	247,733,684	231,740,795
0		

28 Long term loans

	<u>Interest rate %</u>	<u>Maturity date</u>	<u>Maturing through next year</u>	<u>Balance on Sep.30, 2017</u>	<u>Balance on Dec.31, 2016</u>
			EGP Thousands	EGP Thousands	EGP Thousands
Financial Investment & Sector Cooperation (FISC)	3.5 - 5.5 depends on maturity date	3-5 years	1,111	1,667	2,778
Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years	85,223	89,794	88,800
Social Fund for Development (SFD)	3 months T/D or 9% which is more	4 January 2020	49,945	49,945	68,665
Balance			136,279	141,406	160,243

29 . Other liabilities

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Accrued interest payable	1,878,510	1,455,029
Accrued expenses	539,006	645,979
Accounts payable	1,588,672	1,329,189
Other credit balances	113,068	149,133
Total	4,119,256	3,579,330

30 . Other provisions

Sep.30, 2017	<u>Beginning balance</u>	<u>Charged amounts</u>	<u>Exchange revaluation difference</u>	<u>Utilized amounts</u>	<u>Reversed amounts</u>	<u>Ending balance</u>
	EGP Thousands					
Provision for income tax claims	22,145	-	-	-	-	22,145
Provision for legal claims	34,267	227	(65)	(428)	(16)	33,985
Provision for contingent	1,434,704	58,439	3,338	-	(95,398)	1,401,083
* Provision for other claim	22,941	61,317	(908)	(19,523)	(2,470)	61,357
Total	1,514,057	119,983	2,365	(19,951)	(97,884)	1,518,570

Dec.31, 2016	<u>Beginning balance</u>	<u>Charged amounts</u>	<u>Exchange revaluation difference</u>	<u>Utilized amounts</u>	<u>Reversed amounts</u>	<u>Ending balance</u>
	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 11,618,011 thousand to be divided on 1,161,801 thousand shares with EGP 10 par value for each share and registered in the commercial register dated 17th May 2017.

- Increase issued and Paid in Capital by amount EGP 79,351 thousand on May 24,2017 to reach EGP 11,618,011 thousand according to Board of Directors decision on November 9, 2016 by issuance of eighth tranche for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 68,057 thousand on April 19,2016 to reach EGP 11,538,660 thousand according to Board of Directors decision on November 10, 2015 by issuance of seventh tranche for E.S.O.P program.
- 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 tranche 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 tranche 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 tranche 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 tranche 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 tranche 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 reserve 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) Sep.30, 2017 EGP Thousands	Assets (Liabilities) Dec.31, 2016 EGP Thousands
Fixed assets (depreciation)	(24,517)	(28,741)
Other provisions (excluded loan loss, contingent liabilities and income tax provisions)	24,880	16,300
Intangible Assets & Good will	28,076	17,090
Other investments impairment	85,071	86,845
Reserve for employee stock ownership plan (ESOP)	96,482	79,981
Interest rate swaps revaluation	7,236	3,722
Trading investment revaluation	(42,295)	18,338
Forward foreign exchange deals revaluation	(3,340)	(12,227)
Balance	171,593	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:

	Sep.30, 2017 <u>No. of shares in thousand</u>	Dec.31, 2016 <u>No. of shares in thousand</u>
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	EGP	<u>No. of shares in thousand</u>
	<u>Exercise price</u>	<u>Fair value</u>	
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:

	<u>11th tranche</u>	<u>10th tranche</u>
Exercise price	10	10
Current share price	73.08	38.09
Expected life (years)	3	3
Risk free rate %	16.8%	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

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Legal reserve	1,332,807	1,035,363
General reserve	9,000,020	4,554,251
Retained earnings (losses)	89,873	31,462
Special reserve	32,460	30,778
Reserve for A.F.S investments revaluation difference	(1,544,873)	(2,180,243)
Banking risks reserve	3,634	3,019
Cumulative foreign currencies translation differences	-	8,588
Total	8,913,921	3,483,218

34.1 . Banking risks reserve

	Sep.30, 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

	Sep.30, 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

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Beginning balance	(2,180,244)	(2,202,462)
Unrealized losses from A.F.S investment revaluation	635,371	22,219
Ending balance	(1,544,873)	(2,180,243)

34.4 . Retained earnings

	Sep.30, 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 from special reserve	(152)	-
Transferred to retained earnings (losses)	-	88,258
Transferred from previous period profits	58,563	-
Ending balance	89,873	31,462

35 . Cash and cash equivalent

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Cash and balances with central bank	23,174,630	10,522,040
Due from banks	38,891,261	58,011,034
Treasury bills and other governmental notes	54,950,084	39,177,184
Obligatory reserve balance with CBE	(12,666,252)	(5,438,235)
Due from banks with maturities more than three months	(3,257,401)	(2,565,895)
Treasury bills with maturities more than three months	(55,062,792)	(38,187,428)
Total	46,029,530	61,518,700

36 . Contingent liabilities and commitments

36.1 . Legal claims

There is a number of existing cases filed against the bank on September 30,2017 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 210,225 thousand as follows:

	Investments value	Paid	Remaining
Available for sale financial investments	367,072	156,847	210,225

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 225,695 thousand.

36.3 . Letters of credit, guarantees and other commitments

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Letters of guarantee	67,465,425	65,575,370
Letters of credit (import and export)	2,045,495	2,382,849
Customers acceptances	1,321,704	650,607
Total	70,832,624	68,608,826

36.4 . Credit facilities commitments

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Credit facilities commitments	7,757,018	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 5,775,671 with redeemed value of EGP 1,754,649 thousands.
- The market value per certificate reached EGP 303.80 on September 30, 2017.
- The Bank portion got 295,425 certificates with redeemed value of EGP 89,750 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 561,590 with redeemed value of EGP 85,861 thousands.
- The market value per certificate reached EGP 152.89 on September 30, 2017.
- The Bank portion got 140,000 certificates with redeemed value of EGP 21,405 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 348,471 with redeemed value of EGP 29,812 thousands.
- The market value per certificate reached EGP 85.55 on September 30, 2017.
- The Bank portion got 45,000 certificates with redeemed value of EGP 3,850 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 97,069 with redeemed value of EGP 17,559 thousands.
- The market value per certificate reached EGP 180.89 on September 30, 2017.
- The Bank portion got 50,000 certificates with redeemed value of EGP 9,045 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 282,647 with redeemed value of EGP 51,221 thousands.
- The market value per certificate reached EGP 181.22 on September 30, 2017.
- The Bank portion got 52,404 certificates with redeemed value of EGP 9,497 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 139,035 with redeemed value of EGP 20,344 thousands.
- The market value per certificate reached EGP 146.32 on September 30, 2017.
- The Bank portion got 50,000 certificates with redeemed value of EGP 7,316 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	224
Deposits	108,080
Contingent liabilities	1,372

38.2 . Other transactions with related parties

	Income EGP Thousands	Expenses EGP Thousands
International Co. for Security & Services	144	159,145

39 . Main currencies positions

	Sep.30, 2017 EGP Thousands	Dec.31, 2016 EGP Thousands
Egyptian pound	827,903	1,371,677
US dollar	(682,128)	(1,360,474)
Sterling pound	158	266
Japanese yen	4	851
Swiss franc	1,268	25
Euro	16,941	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.

The Bank's corporate income tax is currently under examination for the period 2015 - 2016.

Corporate income tax annual report is submitted.

Salary tax

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

Stamp duty tax

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

The Bank's stamp duty tax is being re-examined for the period from 1/8/2006 till 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:

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Book value	651,041	651,041
Amortization	(249,566)	(151,910)
Net book value	401,475	499,131

According to CBE's regulation issued on Dec 16, 2008, an annual amortization of 20% has been applied on intangible assets starting from acquisition date.

42 . Non current assets held for sale

Assets		Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands	EGP Thousands
Due from banks	-	653,742	
Treasury bills and other governmental notes	-	21,214	
Trading financial assets	-	36,894	
Brokerage clients - debit balances	-	463,052	
Financial investments available for sale	-	9,850	
Investments in subsidiary	-	-	
Goodwill	-	22,981	
Other assets	-	3,576,254	
Deferred tax assets	-	-	
Property, plant and equipment	-	106,451	
Total	-	4,890,438	

Liabilities

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Brokerage clients - credit balances	-	616,845
Due to customers	-	19,589
Other liabilities	-	2,972,202
Current tax liabilities	-	37,214
Other provisions	-	38,826
Total	-	3,684,676
Minority interest	-	89,689
	-	3,774,365
Net	-	1,116,073

43 Profits from disposal of investments in subsidiaries

	Sep.30, 2017	Dec.31, 2016
	EGP Thousands	EGP Thousands
Profits from disposal of investments in subsidiaries	168,900	-
Total	168,900	-

- * 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 76.55% of CICH's shares and remained a minority stake of 23.44% of CI Capital Holding for the time being.

CIB has excuted the transfer of 13.44% of CICH's shares and remained a minority stake of 10.00% of CI Capital Holding.

Minority stake has been transferred to available for sale due to the bank's intention for maintaining the ownership percentage of such investment.

CI Capital Holding
Co. S.A.E
Sep.30, 2017

EGP Thousands

** Subsidiary net assets	(701,170)
Less:	
Add/Deduct:	
FX translation reserve	8,588
Non-controlling interests	157,127
CI Capital Holding Co. S.A.E sold stocks (Net)	704,355
Net	168,900

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 subsidiary 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