Consolidated Financial Statements

September 2018

CIB

Deloitte - Saleh, Barsoum & Abdel Aziz Accountants & Auditors	Mansour & Co. PricewaterhouseCoopers Public Accountants & Consultants

Report on Review of Consolidated Interim Financial Statements

To: The Board of Directors of Commercial International Bank (S.A.E)

Introduction

We have reviewed the accompanying consolidated balance sheet of Commercial International Bank - Egypt (S.A.E) as of 30 September 2018 and the related consolidated statements of income, cash flows and changes in equity for the nine month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with the rules of preparation and presentation of the bank's financial statements issued by the Central Bank of Egypt on 16 December 2008 and its explanatory instructions and with the requirements of applicable Egyptian laws and regulations, our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Egyptian Standard on review engagements 2410. "Review of interim financial statements performed by the Independent Auditor of the Entity''. A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the bank, and applying analytical and other review procedures. A 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 consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 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 2018 and of its consolidated financial performance and consolidated cash flows for the nine month period then ended in accordance with the rules of preparation and presentation of the bank's financial statements issued by the Central Bank of Egypt on 16 December 2008 and its explanatory instructions and with the requirements of applicable Egyptian laws and regulations.

Cairo, November 7, 2018

Auditors

Abdallah El Adly Egyptian Financial Supervisory Authority Register Number "140" **Mansour & Co. PricewaterhouseCoopers** **Public Accountants & Consultants**	Kamel Magdy Saleh Egyptian Financial Supervisory Authority Register Number "69" **Deloitte - Saleh, Barsoum & Abdel Aziz** **Accountants & Auditors**

Consolidated balance sheet as at September 30, 2018

	Notes	Sep. 30, 2018 EGP Thousands	Dec. 31, 2017 EGP Thousands
Assets			
Cash and balances with central bank	15	33,253,111	14,663,289
Due from banks	16	45,038,599	45,319,766
Treasury bills and other governmental notes	17	48,324,427	54,478,202
Trading financial assets	18	4,113,070	7,295,197
Loans and advances to banks, net	19	77,309	1,313
Loans and advances to customers, net	20	104,354,329	88,427,103
Derivative financial instruments	21	14,993	40,001
Financial investments			
- Available for sale	22	36,735,035	30,474,781
- Held to maturity	22	42,549,178	45,167,722
Investments in associates	23	95,485	65,039
Other assets	24	10,698,505	6,886,607
Intangible assets	41	271,267	368,923
Deferred tax assets (Liabilities)	32	350,123	179,630
Property, plant and equipment	25	1,407,161	1,414,519
Total assets		327,282,592	294,782,092
Liabilities and equity			
Liabilities			
Due to banks	26	1,364,767	1,877,918
Due to customers	27	280,581,214	250,723,052
Derivative financial instruments	21	119,299	196,984
Current tax liabilities		2,563,006	2,778,973
Other liabilities	29	6,936,325	5,476,531
Other loans	28	3,679,094	3,674,736
Provisions	30	1,662,618	1,615,159
Total liabilities		296,906,323	266,343,353
Equity			
Issued and paid up capital	31	11,668,326	11,618,011
Reserves	34	10,979,229	10,137,515
Reserve for employee stock ownership plan (ESOP)		654,484	489,334
Retained earnings *	34	7,074,230	6,193,879
Total equity		30,376,269	28,438,739
Total liabilities and equity		327,282,592	294,782,092

The accompanying notes are an integral part of these financial statements .

(Review report attached)

* *Including net profit for the current period*

Hisham Ezz Al-Arab
Chairman and Managing Director

Consolidated income statement for the period ended September 30, 2018

	Notes	Last 3 Months Sep. 30, 2018 EGP Thousands	Last 9 Months Sep. 30, 2018 EGP Thousands	Last 3 Months Sep. 30, 2017 EGP Thousands	Last 9 Months Sep. 30, 2017 EGP Thousands
Continued Operations					
Interest and similar income		10,217,645	27,150,333	7,810,631	21,008,359
Interest and similar expense		(4,762,597)	(13,842,130)	(4,243,879)	(11,698,658)
Net interest income	6	5,455,048	13,308,203	3,566,752	9,309,701
Fee and commission income		832,156	2,464,173	702,114	2,019,148
Fee and commission expense		(265,853)	(703,749)	(168,273)	(435,430)
Net fee and commission income	7	566,303	1,760,424	533,841	1,583,718
Dividend income	8	4,530	25,063	1,708	27,844
Net trading income	9	359,323	745,248	287,430	908,024
Profits (Losses) on financial investments	22	158	402,153	(4,188)	6,792
Administrative expenses	10	(1,014,443)	(2,947,507)	(761,906)	(2,262,632)
Other operating (expenses) income	11	(347,912)	(997,218)	(202,434)	(730,741)
Intangible assets amortization	41	(32,552)	(97,656)	(32,552)	(97,656)
Impairment charge for credit losses	12	(1,512,235)	(2,803,402)	(622,519)	(1,431,865)
Bank's share in the profits of associates		8,889	16,346	4,350	22,629
Profit before income tax		3,487,109	9,411,654	2,770,482	7,335,814
Income tax expense	13	(877,452)	(2,563,006)	(695,395)	(1,945,105)
Deferred tax assets (Liabilities)	32 & 13	(14,928)	170,493	(6,660)	(9,715)
Net profit from continued operations		2,594,729	7,019,141	2,068,427	5,380,994
Discontinued Operations					
Net profit from discontinued operations		-	-	-	122,234
Profit (loss) of disposal from discontinued operations	42	-	-	18,350	168,900
Net profit for the period		2,594,729	7,019,141	2,086,777	5,672,128
Minority interest		-	-	-	24,050
Bank shareholders		2,594,729	7,019,141	2,086,777	5,648,078
Earning per share	14				
Basic		1.97	5.32	1.58	4.33
Diluted		1.93	5.23	1.56	4.26

Hisham Ezz Al-Arab
Chairman and Managing Director

Consolidated cash flow for the period ended September 30, 2018

	Sep. 30, 2018 EGP Thousands	Sep. 30, 2017 EGP Thousands
Cash flow from operating activities		
Profit before income tax from continued operations	9,411,654	7,335,814
Adjustments to reconcile net profit to net cash provided by operating activities		
Fixed assets depreciation	279,798	263,524
Impairment charge for credit losses	2,803,402	1,431,865
Other provisions charges	90,731	119,983
Trading financial investments revaluation differences	242,481	-
Available for sale investments exchange revaluation differences	(103,827)	115,734
Intangible assets amortization	97,656	97,656
Financial investments impairment charge	19,721	(96,182)
Utilization of other provisions	(969)	(19,951)
Other provisions no longer used	(45,079)	(97,884)
Exchange differences of other provisions	2,776	2,365
Profits from selling property, plant and equipment	(1,045)	(607)
(Losses) Profits from selling financial investments	(421,874)	101,546
Shares based payments	324,510	230,357
Bank's share in the profits of associates	(16,346)	(22,629)
Operating profits before changes in operating assets and liabilities	12,683,589	9,461,591
Net decrease (increase) in assets and liabilities		
Due from banks	(42,520,192)	(7,919,523)
Treasury bills and other governmental notes	6,405,425	(16,875,364)
Trading financial assets	3,182,127	(2,154,328)
Derivative financial instruments	(42,783)	24,028
Loans and advances to banks and customers	(18,806,624)	(3,277,713)
Other assets	(3,368,677)	(307,248)
Non current assets held for sale	-	428,011
Due to banks	(513,151)	(2,344,595)
Due to customers	29,858,162	15,768,372
Income tax obligations paid	(2,778,973)	(2,017,034)
Other liabilities	1,459,794	539,926
Net cash (used in) provided from operating activities	(14,441,303)	(8,673,877)
Cash flow from investing activities		
Proceeds from redemption of subsidiary and associates	-	750
Payment for purchases of associates	(10,575)	-
Payment for purchases of property, plant, equipment and branches constructions	(652,768)	(468,306)
Proceeds from selling property, plant and equipment	1,045	607
Proceeds from redemption of held to maturity financial investments	7,321,780	11,026,150
Payment for purchases of held to maturity financial investments	(4,703,236)	(4,596,059)
Payment for purchases of available for sale financial investments	(11,372,289)	(13,263,959)
Proceeds from selling available for sale financial investments	1,985,962	1,146,696
Proceeds from selling non current assets held for sale	-	628,521
Net cash (used in) provided from investing activities	(7,430,081)	(5,525,600)

Consolidated cash flow for the period ended September 30, 2018 (Cont.)

	Sep. 30, 2018 EGP Thousands	Sep. 30, 2017 EGP Thousands
Cash flow from financing activities		
Increase (decrease) in long term loans	**4,358**	(18,837)
Dividend paid	**(2,143,177)**	(1,350,207)
Capital increase	**50,315**	79,351
Net cash used in financing activities	**(2,088,504)**	(1,289,693)
Net increase (decrease) in cash and cash equivalent during the period	**(23,959,888)**	(15,489,170)
Beginning balance of cash and cash equivalent	**49,208,837**	61,518,700
Cash and cash equivalent at the end of the period	**25,248,949**	46,029,530
Cash and cash equivalent comprise:		
Cash and balances with central bank	**33,253,111**	23,174,630
Due from banks	**45,038,599**	38,891,261
Treasury bills and other governmental notes	**48,324,427**	54,950,084
Obligatory reserve balance with CBE	**(23,004,955)**	(12,666,252)
Due from banks with maturities more than three months	**(30,113,810)**	(3,257,401)
Treasury bills with maturity more than three months	**(48,248,423)**	(55,062,792)
Total cash and cash equivalent	**25,248,949**	46,029,530

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

EGP Thousands

Sep. 30, 2017	Issued and paid up capital	Legal reserve	General reserve	Special reserve	Capital reserve	Reserve For A.F.S investments revaluation diff.	Banking risks reserve	IFRS 9 risk reserve	Retained earnings	Reserve for employee stock ownership plan	Cumulative foreign currencies translation differences	Total Shareholders Equity	Minority Interest	Total
Beginning balance	11,538,660	1,035,363	4,554,251	20,645	10,133	(2,180,244)	3,019	-	6,040,580	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	-	1,682	-	-	-	(4,599,733)	(145,010)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(1,350,207)	-	-	(1,350,207)	-	(1,350,207)
Net profit of the period	-	-	-	-	-	-	-	-	5,648,078	-	-	5,648,078	24,050	5,672,128
Disposal of subsidiary	-	-	152	-	-	-	-	-	(152)	-	(8,588)	(8,588)	-	(8,588)
Change in ownership percentage	-	-	-	-	-	-	-	-	-	-	-	-	(157,127)	(157,127)
Net unrealised gain/(loss) on AFS	-	-	-	-	-	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	11,618,011	1,332,807	9,000,020	20,645	11,815	(1,544,873)	3,634	-	5,737,951	428,807	-	26,608,817	-	26,608,817

Consolidated statement of changes in shareholders' equity for the period ended September 30, 2018

EGP Thousands

Sep. 30, 2018	Issued and paid up capital	Legal reserve	General reserve	Special reserve	Capital reserve	Reserve For A.F.S investments revaluation diff.	Banking risks reserve	IFRS 9 risk reserve	Retained earnings	Reserve for employee stock ownership plan	Cumulative foreign currencies translation differences	Total Shareholders Equity	Minority Interest	Total
Beginning balance	11,618,011	1,332,807	9,000,023	20,645	11,815	(1,642,958)	3,634	1,411,549	6,193,879	489,334	-	28,438,739	-	28,438,739
Capital increase	50,315	-	-	-	-	-	-	-	-	-	-	50,315	-	50,315
Transferred to reserves	-	377,486	3,776,192	-	606	-	-	-	(3,994,924)	(159,360)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(2,143,177)	-	-	(2,143,177)	-	(2,143,177)
Net profit of the period	-	-	-	-	-	-	-	-	7,019,141	-	-	7,019,141	-	7,019,141
Net unrealised gain/(loss) on AFS	-	-	-	-	-	(3,313,259)	-	-	-	-	-	(3,313,259)	-	(3,313,259)
Transferred (from) to bank risk reserve	-	-	-	-	-	-	689	-	(689)	-	-	-	-	-
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	-	324,510	-	324,510	-	324,510
Balance at the end of the period	11,668,326	1,710,293	12,776,215	20,645	12,421	(4,956,217)	4,323	1,411,549	7,074,230	654,484	-	30,376,269	-	30,376,269

Notes to the consolidated financial statements for the period ended September 30, 2018

1. General information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate and investment banking services in various parts of Egypt through 179 branches, and 22 units employing 6657 employees on the statement of financial position date.

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

The bank owns investments in a subsidiary “C-Ventures”, in which the bank’s share is 99.99%.

Financial statements have been approved by board of directors on November 7, 2018.

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.

1.1. 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.

1.1.1. Basis of consolidation

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.

1.2. Subsidiaries and associates

1.2.1. 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.

1.2.2. 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.

1.3. 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.

1.4. Foreign currency translation

1.4.1. Functional and presentation currency

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

1.4.2. 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.

1.5. 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.

1.5.1. 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.

1.5.2. 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.

1.5.3. 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.

1.5.4. 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.

1.6. 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.

1.7. 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.

1.7.1. 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.

1.7.2. 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’.

1.8. 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.

1.9. 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.

1.10. Dividend income

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

1.11. 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.

1.12. Impairment of financial assets

1.12.1. 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.

1.12.2. 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.

1.13. 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.

1.14. 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.

1.15. 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.

1.15.1. 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.

1.16. 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.

1.16.1. 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'.

1.16.2. Being lessor

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

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

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

1.17. 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.

1.18. 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.

1.19. 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.

1.20. 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.

1.21. 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.

1.22. 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.

1.23. Comparatives

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

1.24. 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.

1.25. 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.

2. 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.

2.1. 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.

2.1.1. Credit risk measurement

2.1.1.1. Loans and advances to banks and customers

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

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

These credit risk measurements, which reflect expected loss (the 'expected loss model') are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee), and are embedded in the Bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under EAS 26, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses (note 3.1).

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

Bank's rating	description of the grade
1	performing loans
2	regular watching
3	watch list
4	non-performing loans

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

2.1.1.2. Debt instruments and treasury and other bills

For debt instruments and bills, external rating such as standard and poor's rating or their equivalents are used for managing of the credit risk exposures, and if this rating is not available, then other ways similar to those used with the credit customers are uses. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

2.1.2. 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:

2.1.2.1. 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.

2.1.2.2. 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.

2.1.2.3. 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.

2.1.2.4. 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.

2.1.3. 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:

	September 30, 2018		December 31, 2017	
Bank's rating	**Loans and advances (%)**	**Impairment provision (%)**	Loans and advances (%)	Impairment provision (%)
1-Performing loans	**76.31**	**11.74**	69.53	11.61
2-Regular watching	**13.54**	**18.30**	15.53	21.51
3-Watch list	**5.51**	**29.73**	7.99	23.70
4-Non-Performing Loans	**4.64**	**40.23**	6.95	43.18

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.

2.1.4. 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, 2018	Dec. 31, 2017
In balance sheet items exposed to credit risk	**EGP Thousands**	EGP Thousands
Treasury bills and other governmental notes	**48,886,758**	54,653,848
Trading financial assets:		
- Debt instruments	**3,639,106**	6,728,843
Gross loans and advances to banks	**79,396**	1,383
Less:Impairment provision	**(2,087)**	(70)
Gross loans and advances to customers		
Individual:		
- Overdraft	**1,719,294**	1,780,416
- Credit cards	**3,344,133**	2,899,930
- Personal loans	**17,253,788**	13,910,837
- Mortgages	**810,320**	416,616
Corporate:		
- Overdraft	**11,866,769**	12,450,826
- Direct loans	**50,273,564**	44,200,770
- Syndicated loans	**32,202,933**	26,627,825
- Other loans	**90,571**	112,802
Unamortized bills discount	**(78,849)**	(12,476)
Impairment provision	**(13,110,156)**	(10,994,446)
Unearned interest	**(18,038)**	(2,965,997)
Derivative financial instruments	**14,993**	40,001
Financial investments:		
-Debt instruments	**78,634,927**	74,767,989
Total	**235,607,422**	224,619,097
Off balance sheet items exposed to credit risk		
Financial guarantees	**7,815,692**	3,605,001
Customers acceptances	**896,687**	1,017,690
Letters of credit (import and export)	**4,112,753**	1,700,516
Letter of guarantee	**65,758,693**	69,514,413
Total	**78,583,825**	75,837,620

The above table represents the Bank's Maximum exposure to credit risk on September 30, 2018, before taking into account any held collateral. For assets recognized on balance sheet, the exposures set out above are based on net carrying

As shown above 44.32% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt instruments represents 34.92%.

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:

-89.85% of the loans and advances are concentrated in the top two grades of the internal credit risk rating system.

-95.36% of loans and advances portfolio are considered to be neither past due nor impaired.

- Loans and advances assessed individualy are valued EGP 5,458,420 thousand.
- The Bank has implemented more prudent processes when granting loans and advances during the financial period
- 97.89% 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, 2018 EGP Thousands		Dec.31, 2017 EGP Thousands	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	107,083,093	79,396	89,395,036	1,383
Past due but not impaired	5,019,859	-	5,884,880	-
Individually impaired	5,458,420	-	7,120,106	-
Gross	117,561,372	79,396	102,400,022	1,383
Less:				
Impairment provision	13,110,156	2,087	10,994,446	70
Unamortized bills discount	78,849	-	12,476	-
Unearned interest	18,038	-	2,965,997	-
Net	104,354,329	77,309	88,427,103	1,313

Impairment provision losses for loans and advances reached EGP 13,112,243 thousand.
During the period, the Bank's total loans and advances increased by 14.88%.
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, 2018	Individual				Corporate					EGP Thousands
Grades:	Overdrafts	Credit cards	Personal loans	Mortgages	Overdraft	Direct loans	Syndicated loans	Other loans	Total loans and advances to customers	Total loans and advances to banks
Performing loans	1,546,042	3,209,625	16,299,432	787,899	9,829,518	29,570,989	26,862,288	73,064	88,178,857	57,000
Regular watching	74,662	63,517	512,606	-	896,969	8,964,572	2,978,648	15,234	13,506,208	20,309
Watch list	8,312	26,136	296,218	-	236,551	1,692,527	323,344	-	2,583,088	-
Non-performing loans	86,457	13,850	62,440	2,185	1,314	16,817	-	-	183,063	-
Total	1,715,473	3,313,128	17,170,696	790,084	10,964,352	40,244,905	30,164,280	88,298	104,451,216	77,309

Dec. 31, 2017	Individual				Corporate					EGP Thousands
Grades:	Overdrafts	Credit cards	Personal loans	Mortgages	Overdraft	Direct loans	Syndicated loans	Other loans	Total loans and advances to customers	Total loans and advances to banks
Performing loans	1,648,245	2,781,232	13,101,740	405,931	8,828,336	22,580,167	20,475,961	94,665	69,916,277	-
Regular watching	76,768	56,114	123,173	-	800,290	9,619,251	2,848,444	15,190	13,539,230	1,313
Watch list	12,976	22,537	18,120	-	463,257	3,918,513	1,141,383	-	5,576,786	-
Non-performing loans	39,130	14,380	440,808	1,189	651,816	975,149	250,811	-	2,373,283	-
Total	1,777,119	2,874,263	13,683,841	407,120	10,743,699	37,093,080	24,716,599	109,855	91,405,576	1,313

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, 2018	**Individual**					**Corporate**			
	Overdrafts	**Credit cards**	Personal loans	**Mortgages**	**Total**	Overdraft	Direct loans	Syndicated loans	Total
Past due up to 30 days	**508,988**	**423,420**	**39,056**	**599**	**972,063**	**1,015,996**	**960,678**	**997,350**	**2,974,024**
Past due 30 - 60 days	**74,886**	**67,642**	**29,785**	**114**	**172,427**	**17,027**	**30,688**	**17,273**	**64,988**
Past due 60-90 days	**8,572**	**31,471**	**24,571**	**23**	**64,637**	**503,968**	**241,653**	**26,099**	**771,720**
Total	**592,446**	**522,533**	**93,412**	**736**	**1,209,127**	**1,536,991**	**1,233,019**	**1,040,722**	**3,810,732**

Dec.31, 2017	Individual					Corporate			
	Overdrafts	Credit cards	Personal loans	Mortgages	Total	Overdraft	Direct loans	Syndicated loans	Total
Past due up to 30 days	530,593	395,709	33,155	580	960,037	445,730	3,634,181	3,071	4,082,982
Past due 30-60 days	77,071	59,927	19,547	199	156,744	30,531	58,688	-	89,219
Past due 60-90 days	13,038	27,020	10,520	69	50,647	427,811	117,440	-	545,251
Total	620,702	482,656	63,222	848	1,167,428	904,072	3,810,309	3,071	4,717,452

Individually impaired loans

Loans and advances individually assessed without taking into consideration cash flows from guarantees are totaled EGP 5,458,420 thousand.

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

	Individual					**Corporate**			
Sep.30, 2018	**Overdrafts**	**Credit cards**	Personal loans	**Mortgages**	**Other loans**	Overdraft	Direct loans	Syndicated loans	Total
Individually impaired loans	**88,341**	**26,964**	**88,874**	**5,416**	**-**	**89,751**	**4,986,395**	**172,679**	**5,458,420**

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

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, 2018	Dec.31, 2017
Loans and advances to		
Corporate		
- Direct loans	**8,362,537**	8,577,197
Total	**8,362,537**	8,577,197

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 period, based on Standard & Poor's ratings or their equivalent:

EGP Thousands

Sep.30, 2018	Treasury bills and other gov. notes	Trading financial debt instruments	Non-trading financial debt instruments	Total
AAA	-	-	-	-
AA- to AA+	-	-	-	-
A- to A+	-	-	-	-
Lower than A-	48,324,427	3,639,106	78,634,927	**130,598,460**
Total	**48,324,427**	**3,639,106**	**78,634,927**	**130,598,460**

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

3.1.8.1. Geographical sectors

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

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

EGP Thousands

Sep.30, 2018	Cairo	Alex, Delta and Sinai	Upper Egypt	Total
Treasury bills and other governmental notes	48,886,758	-	-	**48,886,758**
Trading financial assets:				
- Debt instruments	3,639,106	-	-	**3,639,106**
Gross loans and advances to banks	79,396	-	-	**79,396**
Less:Impairment provision	(2,087)	-	-	**(2,087)**
Gross loans and advances to customers				
Individual:				
- Overdrafts	949,202	601,483	168,609	**1,719,294**
- Credit cards	2,656,124	593,321	94,688	**3,344,133**
- Personal loans	10,676,880	5,616,046	960,862	**17,253,788**
- Mortgages	730,368	72,117	7,835	**810,320**
Corporate:				
- Overdrafts	10,049,408	1,340,602	476,759	**11,866,769**
- Direct loans	34,579,208	12,485,366	3,208,990	**50,273,564**
- Syndicated loans	29,148,884	2,831,582	222,467	**32,202,933**
- Other loans	40,000	50,571	-	**90,571**
Unamortized bills discount	(78,849)	-	-	**(78,849)**
Impairment provision	(9,926,605)	(2,907,893)	(275,658)	**(13,110,156)**
Unearned interest	(18,038)	-	-	**(18,038)**
Derivative financial instruments	14,993	-	-	**14,993**
Financial investments:				
-Debt instruments	78,634,927	-	-	**78,634,927**
Total	**210,059,675**	**20,683,195**	**4,864,552**	**235,607,422**

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, 2018	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Government sector	Other activities	Individual	Total (EGP Thousands)
Treasury bills and other governmental notes	-	-	-	-	48,886,758	-	-	**48,886,758**
Trading financial assets:								
- Debt instruments	-	-	-	-	3,639,106	-	-	**3,639,106**
Gross loans and advances to banks	79,396	-	-	-	-	-	-	**79,396**
Less:Impairment provision	(2,087)	-	-	-	-	-	-	**(2,087)**
Gross loans and advances to customers								
Individual:								
- Overdrafts	-	-	-	-	-	-	1,719,294	**1,719,294**
- Credit cards	-	-	-	-	-	-	3,344,133	**3,344,133**
- Personal loans	-	-	-	-	-	-	17,253,788	**17,253,788**
- Mortgages	-	-	-	-	-	-	810,320	**810,320**
Corporate:								
- Overdrafts	609,898	5,588,902	1,365,994	549,902	1,034,796	2,717,277	-	**11,866,769**
- Direct loans	1,210,212	24,334,212	426,514	504,418	5,777,597	18,020,611	-	**50,273,564**
- Syndicated loans	22,581	8,435,794	782,248	-	21,600,725	1,361,585	-	**32,202,933**
- Other loans	-	70,000	-	16,000	-	4,571	-	**90,571**
Unamortized bills discount	(78,849)	-	-	-	-	-	-	**(78,849)**
Impairment provision	(35,261)	(4,228,071)	(37,166)	(72,354)	(273,833)	(8,325,317)	(138,154)	**(13,110,156)**
Unearned interest	-	-	-	-	-	-	(18,038)	**(18,038)**
Derivative financial instruments	14,993	-	-	-	-	-	-	**14,993**
Financial investments:								
-Debt instruments	1,310,972	-	-	-	77,323,955	-	-	**78,634,927**
Total	**3,131,855**	**34,200,837**	**2,537,590**	**997,966**	**157,989,104**	**13,778,727**	**22,971,343**	**235,607,422**

3.2. Market risk

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

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

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

3.2.1. Market risk measurement techniques

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

3.2.1.1. Value at Risk

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

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the ‘maximum’ amount the Bank might lose , but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain ‘holding period’ until positions can be closed (1 Day). The Bank assesses the historical movements in the market prices based on volatilities and correlations data for the past five years. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VaR constitutes an integral part of the Bank’s market risk control regime, the Market Risk Management set VaR Limits, for the trading book, which have been approved by the board, and are monitored and reported on a daily basis to the Senior Management. In addition, monthly limits compliance is reported to the ALCO.

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

3.2.1.2. Stress tests

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

3.2.2. Value at risk (VaR) Summary

EGP Thousands

Total VaR by risk type	Sep.30, 2018			Dec.31, 2017		
	Medium	**High**	**Low**	Medium	High	Low
Foreign exchange risk	**262**	**1,482**	**20**	13,647	82,695	275
Interest rate risk	**509,665**	**645,193**	**354,031**	588,938	815,249	363,366
- For non trading purposes	**480,121**	**586,852**	**341,841**	553,426	739,977	351,674
- For trading purposes	**29,544**	**58,341**	**12,189**	35,512	75,272	11,692
Portfolio managed by others risk	**7,746**	**11,507**	**4,330**	7,280	10,454	4,854
Investment fund	**119**	**267**	**55**	370	692	215
Total VaR	**511,267**	**647,817**	**354,894**	591,508	826,941	364,408

Trading portfolio VaR by risk type

	Sep.30, 2018			Dec.31, 2017		
	Medium	**High**	**Low**	Medium	High	Low
Foreign exchange risk	**262**	**1,482**	**20**	13,647	82,695	275
Interest rate risk	**29,544**	**58,341**	**12,189**	35,512	75,272	11,692
- For trading purposes	**29,544**	**58,341**	**12,189**	35,512	75,272	11,692
Funds managed by others risk	**7,746**	**11,507**	**4,330**	7,280	10,454	4,854
Investment fund	**119**	**267**	**55**	370	692	215
Total VaR	**31,278**	**60,912**	**14,692**	46,039	113,250	13,804

Non trading portfolio VaR by risk type

	Sep.30, 2018			Dec.31, 2017		
	Medium	**High**	**Low**	Medium	High	Low
Interest rate risk						
- For non trading purposes	**480,121**	**586,852**	**341,841**	553,426	739,977	351,674
Total VaR	**480,121**	**586,852**	**341,841**	553,426	739,977	351,674

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

3.2.3. Foreign exchange risk

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

Equivalent EGP Thousands

Sep.30, 2018	EGP	USD	EUR	GBP	Other	Total
Financial assets						
Cash and balances with central bank	26,704,610	4,212,794	1,011,447	80,066	1,244,194	**33,253,111**
Due from banks	22,032,571	15,028,439	6,896,076	942,187	139,326	**45,038,599**
Treasury bills and other governmental notes	38,195,294	12,273,841	1,360,719	-	-	**51,829,854**
Trading financial assets	2,373,753	1,739,317	-	-	-	**4,113,070**
Gross loans and advances to banks	-	79,396	-	-	-	**79,396**
Gross loans and advances to customers	60,077,515	54,724,997	2,738,232	20,628	-	**117,561,372**
Derivative financial instruments	14,993	-	-	-	-	**14,993**
Financial investments						
- Available for sale	24,709,523	11,829,610	195,902	-	-	**36,735,035**
- Held to maturity	42,549,178	-	-	-	-	**42,549,178**
Investments in associates	81,385	14,100	-	-	-	**95,485**
Total financial assets	**216,738,822**	**99,902,494**	**12,202,376**	**1,042,881**	**1,383,520**	**331,270,093**
Financial liabilities						
Due to banks	57,623	1,169,176	64,004	7,663	66,301	**1,364,767**
Due to customers	181,461,281	86,197,413	11,513,235	1,015,207	394,078	**280,581,214**
Derivative financial instruments	40,031	79,268	-	-	-	**119,299**
Other loans	96,014	3,583,080	-	-	-	**3,679,094**
Total financial liabilities	**181,654,949**	**91,028,937**	**11,577,239**	**1,022,870**	**460,379**	**285,744,374**
Net on-balance sheet financial position	**35,083,873**	**8,873,557**	**625,137**	**20,011**	**923,141**	**45,525,719**

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.

Sep.30, 2018	Up to1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non- Interest Bearing	Total
Financial assets							
Cash and balances with central bank	-	-	-	-	-	33,253,111	**33,253,111**
Due from banks	33,463,311	11,297,599	277,689	-	-	-	**45,038,599**
Treasury bills and other governmental notes*	2,269,219	11,144,122	38,416,513	-	-	-	**51,829,854**
Trading financial assets	37,631	931	-	2,513,433	1,124,741	436,334	**4,113,070**
Gross loans and advances to banks	32,485	30,821	13,873	2,217	-	-	**79,396**
Gross loans and advances to customers	74,216,508	15,780,606	12,567,074	11,741,359	3,255,825	-	**117,561,372**
Derivatives financial instruments (including IRS notional amount)	1,447,901	296,321	845,034	2,302,846	-	-	**4,892,102**
Financial investments							
- Available for sale	-	387,658	294,507	19,008,882	16,427,215	616,773	**36,735,035**
- Held to maturity	1,856,937	1,164,406	6,008,099	25,645,410	7,874,326	-	**42,549,178**
Investments in associates	-	-	-	-	-	95,485	**95,485**
Total financial assets	**113,323,992**	**40,102,464**	**58,422,789**	**61,214,147**	**28,682,107**	**34,401,703**	**336,147,202**
Financial liabilities							
Due to banks	792,921	179,154	-	-	-	392,692	**1,364,767**
Due to customers	143,280,715	21,003,520	18,764,529	45,879,863	559,670	51,092,917	**280,581,214**
Derivatives financial instruments (including IRS notional amount)	2,906,327	1,340,679	10,534	738,868	-	-	**4,996,408**
Other loans	37,444	9,143	39,143	445,374	3,147,990	-	**3,679,094**
Total financial liabilities	**147,017,407**	**22,532,496**	**18,814,206**	**47,064,105**	**3,707,660**	**51,485,609**	**290,621,483**
Total interest re-pricing gap	**(33,693,415)**	**17,569,968**	**39,608,583**	**14,150,042**	**24,974,447**	**(17,083,906)**	**45,525,719**

** 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, 2018	**Up to 1 month**	**One to three months**	**Three months to one year**	**One year to five years**	**Over five years**	**Total** EGP Thousands
Financial liabilities						
Due to banks	**1,023,087**	**32,187**	**309,493**	**-**	**-**	**1,364,767**
Due to customers	**30,444,433**	**22,866,499**	**68,520,400**	**144,537,142**	**14,212,740**	**280,581,214**
Other loans	**37,444**	**9,143**	**39,143**	**445,374**	**3,147,990**	**3,679,094**
Total liabilities (contractual and non contractual maturity dates)	**31,504,964**	**22,907,829**	**68,869,036**	**144,982,516**	**17,360,730**	**285,625,075**
Total financial assets (contractual and non contractual maturity dates)	**45,989,800**	**44,569,962**	**74,798,451**	**115,709,861**	**50,160,179**	**331,228,253**

Dec.31, 2017	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total EGP Thousands
Financial liabilities						
Due to banks	1,877,918	-	-	-	-	1,877,918
Due to customers	31,348,143	21,728,194	71,335,328	109,570,301	16,741,086	250,723,052
Other loans	36,393	6,743	82,631	3,429	3,545,540	3,674,736
Total liabilities (contractual and non contractual maturity dates)	33,262,454	21,734,937	71,417,959	109,573,730	20,286,626	256,275,706
Total financial assets (contractual and non contractual maturity dates)	57,644,515	33,970,656	79,938,643	96,174,026	36,636,599	304,364,439

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, 2018	Up to 1 month	One to three months	Three months to one year	One year to five years	Total
Liabilities					
Derivatives financial instruments					
- Foreign exchange derivatives	18,539	13,064	8,428	-	**40,031**
- Interest rate derivatives	722	442	2,106	75,998	**79,268**
Total	**19,261**	**13,506**	**10,534**	**75,998**	**119,299**

Off balance sheet items

EGP Thousands

Sep.30, 2018	Up to 1 year	1-5 years	Over 5 years	Total
Letters of credit, guarantees and other commitments	48,183,350	17,195,021	5,389,762	**70,768,133**
Total	**48,183,350**	**17,195,021**	**5,389,762**	**70,768,133**

EGP Thousands

Sep.30, 2018	Up to 1 year	1-5 years	Total
Credit facilities commitments	2,359,257	8,916,456	**11,275,713**
Total	**2,359,257**	**8,916,456**	**11,275,713**

3.4. Fair value of financial assets and liabilities

3.4.1. Financial instruments not measured at fair value

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

	Book value		Fair value	
	Sep.30, 2018	Dec.31, 2017	**Sep.30, 2018**	Dec.31, 2017
Financial assets				
Due from banks	**45,038,599**	45,319,766	**45,041,711**	44,782,984
Gross loans and advances to banks	**79,396**	1,383	**79,396**	1,383
Gross loans and advances to customers	**117,561,372**	102,400,022	**111,486,386**	96,397,613
Financial investments				
Held to Maturity	**42,549,178**	45,167,722	**39,985,597**	45,595,034
Total financial assets	**205,228,545**	192,888,893	**196,593,090**	186,777,014
Financial liabilities				
Due to banks	**1,364,767**	1,877,918	**1,749,995**	1,813,466
Due to customers	**280,581,214**	250,723,052	**262,028,534**	245,616,661
Other loans	**3,679,094**	3,674,736	**3,679,094**	3,674,736
Total financial liabilities	**285,625,075**	256,275,706	**267,457,623**	251,104,863

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 11.875%, calculated as the ratio between total value of the capital elements, and the risk-weighted assets and contingent liabilities of the Bank (credit risk, market risk and opertional risk). While taking into consideration the conservation buffer.

Tier one:

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

Tier two:

Tier two represents the gone concern capital which is compposed of general risk provision according to the impairment provision guidelines issued by the Central Bank of Egypt to the maximum of 1.25% risk weighted assets and contingent liabilities ,subordinated loans with more than five years to maturity (amortizing 20% of its carrying amount in each year of the remaining five years to maturity) and 45% of the increase in fair value than book value for available for sale , held to maturity , subsidiaries and associates investments.

When calculating the numerator of capital adequacy ratio, the rules set limits of total tier 2 to no more than tier 1 capital and also limits the subordinated to no more than 50% of tier1.

Assets risk weight scale ranging from zero to 400% is based on the counterparty risk to reflect the related credit risk scheme, taking into considration the cash collatrals. Similar criteria are used for off balance sheet items after adjustments to reflect the nature of contingency and the potential loss of those amounts. The Bank has complied with all local capital adequacy requirements for the current year.

The tables below summarize the compositions of teir 1, teir 2 , the capital adequacy ratio and leverage ratio .

1-The capital adequacy ratio	**Sep.30, 2018**	Dec.31, 2017
	EGP Thousands	EGP Thousands
		Restated**
Tier 1 capital		
Share capital (net of the treasury shares)	**11,668,326**	11,618,011
Reserves	**14,828,903**	10,543,783
IFRS 9 Reserve	**1,411,549**	1,411,549
Retained Earnings (Losses)	**55,089**	89,873
Total deductions from tier 1 capital common equity	**(6,040,531)**	(2,450,399)
Net profit for the period	**7,019,141**	3,960,829
Total qualifying tier 1 capital	**28,942,477**	25,173,646
Tier 2 capital		
45% of special reserve	**49**	49
Subordinated Loans	**3,583,080**	3,545,540
Impairment provision for loans and regular contingent liabilities	**1,870,220**	1,679,656
Total qualifying tier 2 capital	**5,453,349**	5,225,245
Total capital 1+2	**34,395,826**	30,398,891
Risk weighted assets and contingent liabilities		
Total credit risk	**154,026,263**	141,154,879
Total market risk	**7,985,501**	9,239,998
Total operational risk	**18,222,830**	18,222,831
Total	**180,234,594**	168,617,708
***Capital adequacy ratio (%)**	**19.08%**	18.03%

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

***After 2017 profit distribution.*

2-Leverage ratio

	Sep.30, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
		Restated**
Total qualifying tier 1 capital	**28,942,477**	25,173,646
On-balance sheet items & derivatives	**329,235,079**	300,593,997
Off-balance sheet items	**45,661,754**	44,965,272
Total exposures	**374,896,833**	345,559,269
***Percentage**	**7.72%**	7.28%

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

***After 2017 profit distribution.*

For September 2018 NSFR ratio record 181.91% (LCY 193.53% and FCY 162.72%), and LCR ratio record 573.31% (LCY 724.57% and FCY 282.26%).

For December 2017 NSFR ratio record 195.33% (LCY 232.44% and FCY 152.27%), and LCR ratio record 1018.68% (LCY 626.59% and FCY 377.14%).

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 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 measurable 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

Sep.30, 2018	**Corporate banking**	**SME's**	**Investment banking**	**Retail banking**	**Asset Liability Mangement**	**Total**
Revenue according to business segment	**6,801,261**	**1,821,805**	**2,730,328**	**4,580,554**	**422,453**	**16,356,401**
Expenses according to business segment	**(4,553,634)**	**(509,378)**	**(116,245)**	**(1,753,518)**	**(11,972)**	**(6,944,747)**
Profit before tax	**2,247,627**	**1,312,427**	**2,614,083**	**2,827,036**	**410,481**	**9,411,654**
Tax	**(568,195)**	**(334,209)**	**(665,676)**	**(719,904)**	**(104,529)**	**(2,392,513)**
Profit for the period	**1,679,432**	**978,218**	**1,948,407**	**2,107,132**	**305,952**	**7,019,141**
Total assets	**124,212,825**	**2,082,611**	**132,352,677**	**22,591,699**	**46,042,780**	**327,282,592**

Dec.31, 2017	Corporate banking	SME's	Investment banking	Retail banking	Asset Liability Mangement	Total
Revenue according to business segment	5,656,651	2,342,539	2,955,690	4,841,757	639,646	16,436,283
Expenses according to business segment	(3,550,176)	(696,877)	(105,293)	(1,780,505)	(7,226)	(6,140,077)
Profit before tax	2,106,475	1,645,662	2,850,397	3,061,252	632,420	10,296,206
Tax	(576,762)	(442,854)	(767,053)	(823,795)	(170,187)	(2,780,651)
Profit for the year	1,529,713	1,202,808	2,083,344	2,237,457	462,233	7,515,555
Total assets	82,149,279	2,352,091	137,645,556	18,444,909	54,190,257	294,782,092

5.2. By geographical segment

EGP Thousands

Sep.30, 2018	**Cairo**	**Alex, Delta & Sinai**	**Upper Egypt**	**Total**
Revenue according to geographical segment	**13,042,099**	**2,563,162**	**751,140**	**16,356,401**
Expenses according to geographical segment	**(5,730,872)**	**(1,046,555)**	**(167,320)**	**(6,944,747)**
Profit before tax	**7,311,227**	**1,516,607**	**583,820**	**9,411,654**
Tax	**(1,857,639)**	**(386,204)**	**(148,670)**	**(2,392,513)**
Profit for the period	**5,453,588**	**1,130,403**	**435,150**	**7,019,141**
Total assets	**300,457,900**	**20,105,831**	**6,718,861**	**327,282,592**

Dec.31, 2017	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenue according to geographical segment	13,445,181	2,499,912	491,190	16,436,283
Expenses according to geographical segment	(5,306,193)	(670,176)	(163,708)	(6,140,077)
Profit before tax	8,138,988	1,829,736	327,482	10,296,206
Tax	(2,200,134)	(492,390)	(88,127)	(2,780,651)
Profit for the year	5,938,854	1,337,346	239,355	7,515,555
Total assets	265,665,575	22,598,945	6,517,572	294,782,092

6 . Net interest income

	Last 3 Months Sep.30, 2018 EGP Thousands	Last 9 Months Sep.30, 2018 EGP Thousands	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands
Interest and similar income				
- Banks	1,051,546	2,385,295	1,119,909	3,275,266
- Clients	4,599,785	11,572,894	2,982,032	7,936,787
Total	5,651,331	13,958,189	4,101,941	11,212,053
Treasury bills and bonds	4,509,595	13,031,644	3,666,437	9,658,333
Reverse repos	2,519	2,519	-	-
Financial investments in held to maturity and available for sale debt instruments	54,200	157,981	42,253	137,973
Total	10,217,645	27,150,333	7,810,631	21,008,359
Interest and similar expense				
- Banks	(89,716)	(529,034)	(57,748)	(303,136)
- Clients	(4,590,933)	(13,076,294)	(4,184,407)	(11,390,764)
Total	(4,680,649)	(13,605,328)	(4,242,155)	(11,693,900)
Financial instruments purchased with a commitment to re-sale (Repos)	(3,017)	(10,500)	(544)	(1,078)
Other loans	(78,931)	(226,302)	(1,180)	(3,680)
Total	(4,762,597)	(13,842,130)	(4,243,879)	(11,698,658)
Net interest income	5,455,048	13,308,203	3,566,752	9,309,701

7 . Net fee and commission income

	Last 3 Months Sep.30, 2018 EGP Thousands	Last 9 Months Sep.30, 2018 EGP Thousands	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands
Fee and commission income				
Fee and commissions related to credit	349,203	1,094,481	362,833	1,039,394
Custody fee	34,721	95,006	20,007	88,806
Other fee	448,232	1,274,686	319,274	890,948
Total	832,156	2,464,173	702,114	2,019,148
Fee and commission expense				
Other fee paid	(265,853)	(703,749)	(168,273)	(435,430)
Total	(265,853)	(703,749)	(168,273)	(435,430)
Net income from fee and commission	566,303	1,760,424	533,841	1,583,718

8 . Dividend income

	Last 3 Months Sep.30, 2018 EGP Thousands	Last 9 Months Sep.30, 2018 EGP Thousands	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands
Trading securities	1,001	9,769	222	6,451
Available for sale securities	3,529	15,294	1,486	21,393
Total	4,530	25,063	1,708	27,844

9 . Net trading income

	Last 3 Months Sep.30, 2018 EGP Thousands	Last 9 Months Sep.30, 2018 EGP Thousands	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands
Profit (Loss) from foreign exchange	199,868	472,088	201,659	583,527
Profit (Loss) from forward foreign exchange deals revaluation	(14,032)	(13,636)	(6,145)	(15,135)
Profit (Loss) from interest rate swaps revaluation	(5,973)	(16,209)	(8,370)	(15,615)
Profit (Loss) from currency swap deals revaluation	(540)	4,431	(3,330)	(22,068)
Trading debt instruments	180,000	298,574	103,616	377,315
Total	359,323	745,248	287,430	908,024

10 . Administrative expenses

	Last 3 Months Sep.30, 2018 EGP Thousands	Last 9 Months Sep.30, 2018 EGP Thousands	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands
Staff costs				
Wages and salaries	(554,398)	(1,606,492)	(406,926)	(1,223,835)
Social insurance	(20,729)	(57,867)	(16,211)	(48,615)
Other benefits	(15,881)	(44,375)	(13,009)	(37,887)
Other administrative expenses	(423,435)	(1,238,773)	(325,760)	(952,295)
Total	(1,014,443)	(2,947,507)	(761,906)	(2,262,632)

11 . Other operating (expenses) income

	Last 3 Months Sep.30, 2018 EGP Thousands	Last 9 Months Sep.30, 2018 EGP Thousands	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands
Profits (losses) from non-trading assets and liabilities revaluation	(13,578)	66,747	8,588	(53,433)
Profits from selling property, plant and equipment	1,045	1,045	607	607
Release (charges) of other provisions	(36,418)	(288,133)	28,446	(22,099)
Other income/expenses	(298,961)	(776,877)	(240,075)	(655,816)
Total	(347,912)	(997,218)	(202,434)	(730,741)

12 . Impairment charge for credit losses

	Last 3 Months Sep.30, 2018 EGP Thousands	Last 9 Months Sep.30, 2018 EGP Thousands	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands
Loans and advances to customers and banks	(1,512,235)	(2,803,402)	(622,519)	(1,431,865)
Total	(1,512,235)	(2,803,402)	(622,519)	(1,431,865)

13 . Adjustments to calculate the effective tax rate

	Last 3 Months Sep.30, 2018 EGP Thousands	Last 9 Months Sep.30, 2018 EGP Thousands	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands
Profit before tax	3,487,109	9,411,654	2,788,832	7,626,948
Tax rate	22.50%	22.50%	22.50%	22.50%
Income tax based on accounting profit	784,600	2,117,622	627,487	1,716,063
Add / (Deduct)				
Non-deductible expenses	228,141	461,993	102,905	385,278
Tax exemptions	(120,934)	(186,754)	(27,265)	(145,356)
Depreciation	(1,030)	(2,059)	(1,221)	(3,663)
10% Withholding tax	1,603	1,711	149	2,498
Income tax / Deferred tax	892,380	2,392,513	702,055	1,954,820
Effective tax rate	25.59%	25.42%	25.17%	25.63%

14 . Earning per share

	Last 3 Months Sep.30, 2018 EGP Thousands	Last 9 Months Sep.30, 2018 EGP Thousands	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands
Net profit for the period, available for distribution	2,585,840	7,002,795	2,082,427	5,689,299
Board member's bonus	(38,788)	(105,042)	(31,236)	(85,339)
Staff profit sharing	(258,584)	(700,280)	(208,243)	(568,930)
* **Profits shareholders' Stake**	2,288,468	6,197,473	1,842,948	5,035,030
Weighted Average number of shares	1,163,898	1,163,898	1,163,898	1,163,898
Basic earning per share	1.97	5.32	1.58	4.33
By issuance of ESOP earning per share will be:				
Average number of shares including ESOP shares	1,185,457	1,185,459	1,183,269	1,183,138
Diluted earning per share	1.93	5.23	1.56	4.26

* *Based on separate financial statement profits.*

15 . Cash and balances with central bank

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Cash	10,248,156	5,784,303
Obligatory reserve balance with CBE		
- Current accounts	23,004,955	8,878,986
Total	33,253,111	14,663,289
Non-interest bearing balances	33,253,111	14,663,289

16 . Due from banks

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Current accounts	4,613,959	2,679,189
Deposits	40,424,640	42,640,577
Total	45,038,599	45,319,766
Central banks	31,947,347	15,863,399
Local banks	2,034,342	3,894,775
Foreign banks	11,056,910	25,561,592
Total	45,038,599	45,319,766
Fixed interest bearing balances	45,038,599	45,319,766
Total	45,038,599	45,319,766
Current balances	45,038,599	45,319,766

17 . Treasury bills and other governmental notes

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
91 Days maturity	656,200	-
182 Days maturity	3,594,850	1,289,425
364 Days maturity	48,141,135	57,602,997
Unearned interest	(3,505,427)	(4,238,574)
Total 1	48,886,758	54,653,848
Repos - treasury bills	(562,331)	(175,646)
Total 2	(562,331)	(175,646)
Net	48,324,427	54,478,202

18 . Trading financial assets

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Debt instruments		
- Governmental bonds	3,639,106	6,728,843
Total	3,639,106	6,728,843
Equity instruments		
- Mutual funds	37,630	99,587
Total	37,630	99,587
- Portfolio managed by others	436,334	466,767
Total	4,113,070	7,295,197

19 . Loans and advances to banks, net

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Time and term loans	79,396	1,383
Impairment provision	(2,087)	(70)
Total	77,309	1,313
Current balances	77,309	1,313
Total	77,309	1,313

Analysis for impairment provision of loans and advances to banks

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Beginning balance	(70)	(1,800)
Release during the period / year	(1,970)	1,697
Exchange revaluation difference	(47)	33
Ending balance	(2,087)	(70)

20 . Loans and advances to customers, net

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Individual		
- Overdraft	1,719,294	1,780,416
- Credit cards	3,344,133	2,899,930
- Personal loans	17,253,788	13,910,837
- Real estate loans	810,320	416,616
Total 1	23,127,535	19,007,799
Corporate		
- Overdraft	11,866,769	12,450,826
- Direct loans	50,273,564	44,200,770
- Syndicated loans	32,202,933	26,627,825
- Other loans	90,571	112,802
Total 2	94,433,837	83,392,223
Total Loans and advances to customers (1+2)	117,561,372	102,400,022
Less:		
Unamortized bills discount	(78,849)	(12,476)
Impairment provision*	(13,110,156)	(10,994,446)
Unearned interest	(18,038)	(2,965,997)
Net loans and advances to customers	104,354,329	88,427,103
Distributed to		
Current balances	42,336,821	38,960,491
Non-current balances	62,017,508	49,466,612
Total	104,354,329	88,427,103

* An amount of EGP 1,818mn has been charged to impairment provision against unearned interest recognized in income.
Of this amount, EGP 1,057mn has been charged in Q3 2018, which is the second and final re-engineering for such accounts.

Analysis for impairment provision of loans and advances to customers

	Individual					
Sep.30, 2018	**Overdraft**	**Credit cards**	**Personal loans**	**Real estate loans**	**Other loans**	**Total**
Beginning balance	**(3,297)**	**(25,667)**	**(226,996)**	**(9,496)**	**-**	**(265,456)**
Released (charged) released during the period	**(507)**	**(17,966)**	**(42,088)**	**(10,740)**	**-**	**(71,301)**
Write off during the period	**-**	**28,319**	**202,419**	**-**	**-**	**230,738**
Recoveries during the period*	**(17)**	**(15,691)**	**(16,427)**	**-**	**-**	**(32,135)**
Ending balance	**(3,821)**	**(31,005)**	**(83,092)**	**(20,236)**	**-**	**(138,154)**

	Corporate				
Sep.30, 2018	**Overdraft**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total**
Beginning balance	**(1,707,127)**	**(7,107,690)**	**(1,911,226)**	**(2,947)**	**(10,728,990)**
Released (charged) released during the period	**812,659**	**(2,874,887)**	**(668,577)**	**674**	**(2,730,131)**
Write off during the period	**-**	**44,655**	**571,273**	**-**	**615,928**
Recoveries during the period*	**-**	**(40,943)**	**-**	**-**	**(40,943)**
Exchange revaluation difference	**(7,949)**	**(49,794)**	**(30,123)**	**-**	**(87,866)**
Ending balance	**(902,417)**	**(10,028,659)**	**(2,038,653)**	**(2,273)**	**(12,972,002)**

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

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

*From previously written off amounts

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 year for a predetermined amount in foreign currency or interest rate. Options contracts are either traded in the market or negotiated between The Bank and one of its clients (Off balance sheet). The Bank is exposed to credit risk for purchased options contracts only and in the line of its book cost which represent its fair value.

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

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

21.1.1 . For trading derivatives

	Sep.30, 2018			Dec.31, 2017		
	Notional amount	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Foreign currencies derivatives						
- Forward foreign exchange contracts	**5,792,439**	**12,525**	**39,251**	6,820,350	36,597	49,687
- Currency swap	**1,915,844**	**2,468**	**780**	1,640,985	3,117	5,860
Total (1)		**14,993**	**40,031**		39,714	55,547
21.1.2 . Fair value hedge						
Interest rate derivatives						
- Governmental debt instruments hedging	**662,869**	**-**	**9,570**	655,925	-	25,996
- Customers deposits hedging	**4,214,240**	**-**	**69,698**	11,506,784	287	115,441
Total (2)		**-**	**79,268**		287	141,437
Total financial derivatives (1+2)		**14,993**	**119,299**		40,001	196,984

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 9,570 thousand at September 30, 2018 against EGP 25,996 thousand at the December 31, 2017, Resulting in gains form hedging instruments at September 30, 2018 EGP 16,426 thousand against EGP 19,633 thousand at the December 31, 2017. Losses arose from the hedged items at September 30, 2018 reached EGP 27,822 thousand against losses of EGP 44,924 thousand at December 31, 2017.

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 69,698 thousand at the end of September 30, 2018 against EGP 115,154 thousand at December 31, 2017, resulting in gains from hedging instruments at September 30, 2018 of EGP 45,456 thousand against losses of EGP 76,302 thousand at December 31, 2017. Losses arose from the hedged items at September 30, 2018 reached EGP 51,279 thousand against gains EGP 81,488 thousand at December 31 , 2017.

22 . Financial investments

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Available for sale		
- Listed debt instruments with fair value	**36,118,262**	29,632,780
- Listed equity instruments with fair value	**471,997**	83,346
- Unlisted instruments	**144,776**	758,655
Total	**36,735,035**	30,474,781
Held to maturity		
- Listed debt instruments	**42,516,665**	45,135,209
- Unlisted instruments	**32,513**	32,513
Total	**42,549,178**	45,167,722
Total financial investment	**79,284,213**	75,642,503
- Actively traded instruments	**74,940,295**	73,721,199
- Not actively traded instruments	**4,343,918**	1,921,304
Total	**79,284,213**	75,642,503
Fixed interest debt instruments	**77,323,956**	72,612,620
Floating interest debt instruments	**1,310,971**	2,155,369
Total	**78,634,927**	74,767,989

	Available for sale financial investments	Held to maturity financial investments	Total EGP Thousands
Beginning balance	5,447,291	53,924,936	59,372,227
Addition	25,868,230	4,597,254	30,465,484
Deduction	(1,361,027)	(13,354,468)	(14,715,495)
Exchange revaluation differences for foreign financial assets	(100,078)	-	(100,078)
Profit (losses) from fair value difference	512,016	-	512,016
Available for sale impairment charges	108,349	-	108,349
Ending Balance as of Dec.31, 2017	30,474,781	45,167,722	75,642,503
Beginning balance	**30,474,781**	**45,167,722**	**75,642,503**
Addition	**11,372,289**	**4,703,236**	**16,075,525**
Deduction	**(1,872,988)**	**(7,321,780)**	**(9,194,768)**
Exchange revaluation differences for foreign financial assets	**103,827**	**-**	**103,827**
Profit (losses) from fair value difference	**(3,323,153)**	**-**	**(3,323,153)**
Released (Impairment) charges of available for sale	**(19,721)**	**-**	**(19,721)**
Ending Balance as of Sep.30, 2018	**36,735,035**	**42,549,178**	**79,284,213**

22.1 . Profits (Losses) on financial investments

	Last 3 Months Sep.30, 2018 EGP Thousands	Last 9 Months Sep.30, 2018 EGP Thousands	Last 3 Months Sep.30, 2017 EGP Thousands	Last 9 Months Sep.30, 2017 EGP Thousands
Profit (Loss) from selling available for sale financial instruments	37	421,874	(81)	(101,546)
Released (Impairment) charges of available for sale equity instruments	121	(19,721)	(4,107)	108,338
Total	**158**	**402,153**	(4,188)	6,792

23 Investments in associates

EGP Thousands

Sep.30, 2018	**Company's country**	**Company's assets**	**Company's liabilities (without equity)**	**Company's revenues**	**Company's net profit**	**Investment book value**	**Stake %**
Associates							
- Fawry plus	**Egypt**	**-**	**-**	**-**	**-**	**14,100**	**23.50**
- International Co. for Security and Services (Falcon)	**Egypt**	**662,933**	**477,501**	**490,496**	**38,883**	**81,385**	**32.50**
Total		**662,933**	**477,501**	**490,496**	**38,883**	**95,485**	

EGP Thousands

Dec.31, 2017	Company's country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's net profit	Investment book value	Stake %
Associates							
- International Co. for Security and Services (Falcon)	Egypt	512,388	367,470	505,461	52,695	65,039	32.50
Total		512,388	367,470	505,461	52,695	65,039	

24 . Other assets

	Sep.30, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Accrued revenues	5,526,711	3,870,454
Prepaid expenses	256,722	230,296
Advances to purchase of fixed assets	902,539	522,211
Accounts receivable and other assets (after deducting the provision)*	3,930,645	2,193,590
Assets acquired as settlement of debts	50,195	45,083
Insurance	31,693	24,973
Total	10,698,505	6,886,607

* A provision with amount EGP 242 million has been created against pending installments.

25 . Property, plant and equipment

Sep.30, 2018

	Land	Premises	IT	Vehicles	Fitting -out	Machines and equipment	Furniture and furnishing	Total
								EGP Thousands
Beginning gross assets (1)	64,709	996,629	1,646,187	89,363	658,343	516,763	151,689	4,123,683
Additions during the period	-	80,383	56,830	5,537	44,238	79,938	5,514	272,440
Disposals during the period*	-	(28,046)	(411,546)	(26,040)	(180,345)	(185,604)	(70,405)	(901,986)
Ending gross assets (2)	64,709	1,048,966	1,291,471	68,860	522,236	411,097	86,798	3,494,137
Accumulated depreciation at beginning of the period (3)	-	359,699	1,205,399	53,088	538,679	420,117	132,182	2,709,164
Current period depreciation	-	36,115	139,719	9,221	54,412	34,885	5,446	279,798
Disposals during the period*	-	(28,046)	(411,546)	(26,040)	(180,345)	(185,604)	(70,405)	(901,986)
Accumulated depreciation at end of the period (4)	-	367,768	933,572	36,269	412,746	269,398	67,223	2,086,976
Ending net assets (2-4)	64,709	681,198	357,899	32,591	109,490	141,699	19,575	1,407,161
Beginning net assets (1-3)	64,709	636,930	440,788	36,275	119,664	96,646	19,507	1,414,519
Depreciation rates		%5	%33.3	%20	%33.3	%20	%20	

Net fixed assets value on the balance sheet date includes EGP 291,538 thousand non registered assets while their registrations procedures are in process.

* *Fixed assets are fully depreciated with a retention value of one pound for assets still in operation.*

Property, plant and equipment

Dec.31, 2017

	Land	Premises	IT	Vehicles	Fitting -out	Machines and equipment	Furniture and furnishing	Total
								EGP Thousands
Beginning gross assets (1)	64,709	919,258	1,395,638	87,660	607,773	459,572	144,454	3,679,064
Additions during the year	-	77,371	250,549	1,703	50,570	57,191	7,235	444,619
Disposals during the year*	-	-	-	-	-	-	-	-
Ending gross assets (2)	64,709	996,629	1,646,187	89,363	658,343	516,763	151,689	4,123,683
Accumulated depreciation at beginning of the year (3)	-	315,192	1,029,244	47,904	468,368	372,522	124,929	2,358,159
Current year depreciation	-	44,507	176,155	5,184	70,311	47,595	7,253	351,005
Disposals during the year*	-	-	-	-	-	-	-	-
Accumulated depreciation at end of the year (4)	-	359,699	1,205,399	53,088	538,679	420,117	132,182	2,709,164
Ending net assets (2-4)	64,709	636,930	440,788	36,275	119,664	96,646	19,507	1,414,519
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 353,462 thousand non registered assets while their registrations procedures are in process.

26 Due to banks

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Current accounts	488,245	1,067,374
Deposits	876,522	810,544
Total	1,364,767	1,877,918
Central banks	178,619	128,527
Local banks	182,741	714,294
Foreign banks	1,003,407	1,035,097
Total	1,364,767	1,877,918
Non-interest bearing balances	392,692	740,158
Fixed interest bearing balances	972,075	1,137,760
Total	1,364,767	1,877,918
Current balances	1,364,767	1,877,918

27 Due to customers

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Demand deposits	93,324,134	72,442,872
Time deposits	42,513,037	49,952,470
Certificates of deposit	76,210,067	70,486,930
Saving deposits	63,516,137	53,075,098
Other deposits	5,017,839	4,765,682
Total	280,581,214	250,723,052
Corporate deposits	115,962,012	107,753,682
Individual deposits	164,619,202	142,969,370
Total	280,581,214	250,723,052
Non-interest bearing balances	51,092,917	43,229,085
Fixed interest bearing balances	229,488,297	207,493,967
Total	280,581,214	250,723,052
Current balances	203,230,166	178,786,275
Non-current balances	77,351,048	71,936,777
Total	280,581,214	250,723,052

28 Other loans

	Interest rate %	Maturity date	Maturing through next year EGP Thousands	Balance on Sep.30, 2018 EGP Thousands	Balance on Dec.31, 2017 EGP Thousands
Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years*	64,286	74,571	87,314
Social Fund for Development (SFD)	3 months T/D or 9% which is more	4 January 2020*	21,443	21,443	41,882
European Bank for Reconstruction and Development (EBRD) subordinated Loan	3 months libor + 6.2%	10 years	-	1,791,540	1,772,770
International Finance Corporation (IFC) subordinated Loan	3 months libor + 6.2%	10 years	-	1,791,540	1,772,770
Balance			85,729	3,679,094	3,674,736

Interest rates on variable-interest subordinated loans are determined in advance every 3 months/every quarter. Subordinated loans are not repaid before their repayment dates.

* Represents the date of loan repayment to the lending agent.

29 . Other liabilities

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Accrued interest payable	1,411,950	1,516,471
Accrued expenses	434,745	507,543
Accounts payable	3,595,125	3,277,350
Other credit balances	1,494,505	175,167
Total	**6,936,325**	5,476,531

30 . Provisions

Sep.30, 2018	Beginning balance	Charged amounts	Exchange revaluation difference	Utilized amounts	Reversed amounts	Ending balance EGP Thousands
Provision for income tax claims	6,910	-	-	-	-	6,910
Provision for legal claims	45,773	4,876	16	(555)	-	50,110
Provision for contingent	1,470,302	-	2,084	-	(45,079)	1,427,307
* **Provision for other claim**	92,174	85,855	676	(414)	-	178,291
Total	**1,615,159**	**90,731**	**2,776**	**(969)**	**(45,079)**	**1,662,618**

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

* *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 11,668,326 thousand to be divided on 1,166,833 thousand shares with EGP 10 par value for each share and registered in the commercial register dated 26th August 2018.

- Increase issued and Paid in Capital by amount EGP 50,315 thousand on August 02,2018 to reach EGP 11,668,326 thousand according to Board of Directors decision on January 31, 2018 by issuance of ninth tranche for E.S.O.P program.
- 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.
- The Extraordinary General Assembly approved in the meeting of March 21,2016 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 10% of issued and paid-in capital at par value ,through 10 years starting year 2016 and delegated the Board of Directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.
- Dividend deducted from shareholders' equity in the Year that the General Assembly approves the dispersment of this dividend, which includes staff profit share and remuneration of the Board of Directors stated in the law.

31.2 . Reserves

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

32 . Deferred tax assets (Liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets (Liabilities) Sep.30, 2018 EGP Thousands	Assets (Liabilities) Dec.31, 2017 EGP Thousands
Fixed assets (depreciation)	**(18,226)**	(31,409)
Other provisions (excluded loan loss, contingent liabilities and income tax provisions)	**51,390**	31,038
Intangible Assets	**49,421**	36,712
Other investments impairment	**61,318**	56,698
Reserve for employee stock ownership plan (ESOP)	**147,259**	110,100
Interest rate swaps revaluation	**4,982**	5,340
Trading investment revaluation	**49,867**	(37,478)
Forward foreign exchange deals revaluation	**4,112**	8,629
Balance	**350,123**	179,630

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, 2018 No. of shares in thousand	Dec.31, 2017 No. of shares in thousand
Outstanding at the beginning of the period/year	**21,280**	22,351
Granted during the period/year	**8,337**	7,601
Forfeited during the period/year	**(45)**	(737)
Exercised during the period/year	**(5,032)**	(7,935)
Outstanding at the end of the period/year	**24,540**	21,280

Details of the outstanding tranches are as follows:

Maturity date	EGP **Exercise price**	EGP **Fair value**	**No. of shares in thousand**
2019	10.00	28.43	8,792
2020	10.00	65.55	7,411
2021	10.00	68.13	8,337
Total			**24,540**

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

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

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

34 . Reserves and retained earnings

	Sep.30, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Legal reserve	1,710,293	1,332,807
General reserve	12,776,215	9,000,023
Capital reserve	12,421	11,815
Retained earnings	7,074,230	6,193,879
Special reserve	20,645	20,645
Reserve for A.F.S investments revaluation difference	(4,956,217)	(1,642,958)
Banking risks reserve	4,323	3,634
IFRS 9 risk reserve	1,411,549	1,411,549
Ending balance	18,053,459	16,331,394

On 28 January 2018, Central Bank of Egypt issued instructions indicating the following:
Creating IFRS 9 risk reserve (1% of the total weighted credit risk) deducted from 2017 net profit after tax, to be used after obtaining CBE's approval.

34.1 . Banking risks reserve

	Sep.30, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Beginning balance	3,634	3,019
Transferred to bank risk reserve	689	615
Ending balance	4,323	3,634

34.2 . Legal reserve

	Sep.30, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Beginning balance	1,332,807	1,035,363
Transferred from previous year profits	377,486	297,444
Ending balance	1,710,293	1,332,807

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

	Sep.30, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Beginning balance	(1,642,958)	(2,180,244)
Unrealized gain (loss) from A.F.S investment revaluation	(3,313,259)	537,286
Ending balance	(4,956,217)	(1,642,958)

34.4 . Retained earnings

	Sep.30, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Beginning balance	6,193,879	6,040,580
Transferred to reserves	(3,994,924)	(4,599,736)
Dividend paid	(2,143,177)	(1,350,204)
Net profit of the period	7,019,141	7,515,555
Transferred (from) to bank risk reserve	(689)	(615)
Disposal of subsidiary	-	(152)
IFRS 9 risk reserve	-	(1,411,549)
Ending balance	7,074,230	6,193,879

35 . Cash and cash equivalent

	Sep.30, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Cash and balances with central bank	33,253,111	14,663,289
Due from banks	45,038,599	45,319,766
Treasury bills and other governmental notes	48,324,427	54,478,202
Obligatory reserve balance with CBE	(23,004,955)	(8,878,986)
Due from banks with maturities more than three months	(30,113,810)	(1,719,586)
Treasury bills with maturities more than three months	(48,248,423)	(54,653,848)
Total	25,248,949	49,208,837

36 . Contingent liabilities and commitments

36.1 . Legal claims

- There is a number of existing cases filed against the bank on September 30,2018 without provision as the bank doesn't expect to incur losses from it.
- A provision for legal cases that are expected to generate losses has been created. (Disclosure No. 30)

36.2 . Capital commitments

36.2.1 . Financial investments

The capital commitments for the financial investments reached on the date of financial position EGP 165,692 thousand as follows:

	Investments value	Paid	Remaining
Available for sale financial investments	358,304	192,612	**165,692**

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 90,451 thousand.

36.3 . Letters of credit, guarantees and other commitments

	Sep.30, 2018 **EGP Thousands**	Dec.31, 2017 EGP Thousands
Letters of guarantee	**65,758,693**	69,514,413
Letters of credit (import and export)	**4,112,753**	1,700,516
Customers acceptances	**896,687**	1,017,690
Total	**70,768,133**	72,232,619

36.4 . Credit facilities commitments

	Sep.30, 2018 **EGP Thousands**	Dec.31, 2017 EGP Thousands
Credit facilities commitments	**11,275,713**	7,024,376

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 3,532,875 with redeemed value of EGP 1,232,125 thousands.
- The market value per certificate reached EGP 348.76 on September 30, 2018.
- The Bank portion got 137,112 certificates with redeemed value of EGP 47,819 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 654,824 with redeemed value of EGP 129,236 thousands.
- The market value per certificate reached EGP 197.36 on September 30, 2018.
- The Bank portion got 50,000 certificates with redeemed value of EGP 9,868 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 353,030 with redeemed value of EGP 36,503 thousands.
- The market value per certificate reached EGP 103.04 on September 30, 2018.
- The Bank portion got 27,690 certificates with redeemed value of EGP 2,863 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 94,658 with redeemed value of EGP 20,326 thousands.
- The market value per certificate reached EGP 214.73 on September 30, 2018.
- The Bank portion got 50,000 certificates with redeemed value of EGP 10,737 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 94,147 with redeemed value of EGP 20,988 thousands.
- The market value per certificate reached EGP 222.93 on September 30, 2018.
- The Bank portion got 50,000 certificates with redeemed value of EGP 11,147 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 142,468 with redeemed value of EGP 25,260 thousands.
- The market value per certificate reached EGP 177.30 on September 30, 2018.
- The Bank portion got 50,000 certificates with redeemed value of EGP 8,865 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	5,561
Deposits	79,837
Contingent liabilities	1,309

38.2. . Other transactions with related parties

	Income	Expenses
	EGP Thousands	EGP Thousands
International Co. for Security & Services	59	156,960

39 . Main currencies positions

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Egyptian pound	**(332,088)**	182,639
US dollar	**536,450**	(313,246)
Sterling pound	**(2,806)**	(1,566)
Japanese yen	**(12)**	(523)
Swiss franc	**1,033**	637
Euro	**(17,338)**	46,768

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 has been examined and paid for the period 2015 - 2016.
- Corporate income tax annual report is submitted at the legal dates.

Salary tax

- The Bank's salary tax has been examined, paid and settled since the operations start up until the end of 2017.

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 period from 1/8/2006 till 31/12/2017 was examined and paid in accordance with the protocol signed between the Federation of Egyptian banks and the tax authority.

41 . Intangible assets:

	Sep.30, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Book value	651,041	651,041
Amortization	(379,774)	(282,118)
Net book value	271,267	368,923

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 . Profit (loss) of disposal from discontinued operations

	Sep.30, 2018 EGP Thousands	Sep.30, 2017 EGP Thousands
Profits from disposal of investments in subsidaries	-	168,900
Total	-	168,900

CIB have 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, 2018 EGP Thousands	Sep.30, 2017 EGP Thousands
Subsidary net assets	-	(701,170)
Less:		
Add/Deduct:		
FX translation reserve	-	8,588
Non-controling interests	-	157,127
CI Capital Holding Co. S.A.E sold stocks (Net)	-	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 subsidary as at 31 December 2016 were adjusted by 2017 first quarter financial statements which is the earliest reliable date in the calculation of CI Capital shares selling profit.

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