



Consolidated Financial Statements

December 2018



Deloitte - Saleh, Barsoum & Abdel Aziz
Accountants & Auditors

Mansour & Co. PricewaterhouseCoopers
Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Commercial International Bank - Egypt

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated **financial** statements of Commercial International Bank - Egypt S.A.E, which comprise the consolidated balance sheet as at December 31, 2018 and the consolidated statements of income, changes in equity and cash flow for the financial year then ended, and a **summary** of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of Bank's management. **Management** is responsible for the preparation and fair presentation of these consolidated financial statements in accordance central bank of Egypt's rules, pertaining to the preparation and presentation of the banks' consolidated financial statements, issued on December 16, 2008 and in the light of the prevailing Egyptian laws, Management responsibility **includes**, designing, **Implementing** and maintaining internal **control** relevant to the preparation and fair presentation of **consolidated** financial statements that are free from **material** misstatements, whether due to fraud or error; **management** responsibility also includes selecting and applying appropriate accounting policies, and making accounting **estimates** that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We **conducted** our audit in accordance with the Egyptian **Standards** on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial **statements**. The **procedures selected** depend on the auditors' **judgment**, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor **considers** internal control relevant to the **entity's** preparation and fair presentation of the financial statements in order to **design** audit procedures that are **appropriate** in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the **appropriateness** of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall **presentation** of the consolidated financial **statements**.

We believe that the audit evidence we have obtained is **sufficient** and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the **consolidated** financial statements referred to above present fairly, in all material respects, the consolidated financial position of Commercial International Bank - Egypt as of December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with central bank of Egypt's rules, **pertaining** to the preparation and presentation of the banks' financial statements, issued on December 16, 2008 and the Egyptian laws and regulations related to the preparation of these financial statements.



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

Cairo; 4 February 2019



Consolidated balance sheet as at December 31, 2018

	Notes	Dec. 31, 2018 EGP Thousands	Dec. 31, 2017 EGP Thousands
Assets			
Cash and balances with central bank	15	20,058,974	14,663,289
Due from banks	16	46,518,892	45,319,766
Treasury bills and other governmental notes	17	41,999,252	54,478,202
Trading financial assets	18	2,737,705	7,295,197
Loans and advances to banks, net	19	67,703	1,313
Loans and advances to customers, net	20	106,309,205	88,427,103
Derivative financial instruments	21	52,289	40,001
Financial investments			
- Available for sale	22	39,217,890	30,474,781
- Held to maturity	22	73,630,764	45,167,722
Investments in associates	23	106,558	65,039
Other assets	24	9,563,018	6,886,607
Intangible assets	41	238,715	368,923
Deferred tax assets (Liabilities)	32	308,370	179,630
Property, plant and equipment	25	1,651,875	1,414,519
Total assets		342,461,210	294,782,092
Liabilities and equity			
Liabilities			
Due to banks	26	7,259,819	1,877,918
Due to customers	27	285,296,869	250,723,052
Derivative financial instruments	21	132,858	196,984
Current tax liabilities		3,625,579	2,778,973
Other liabilities	29	6,501,553	5,476,531
Other loans	28	3,721,529	3,674,736
Provisions	30	1,694,607	1,615,159
Total liabilities		308,232,814	266,343,353
Equity			
Issued and paid up capital	31	11,668,326	11,618,011
Reserves	34	12,184,667	10,137,515
Reserve for employee stock ownership plan (ESOP)	34	738,320	489,334
Retained earnings *	34	9,637,083	6,193,879
Total equity		34,228,396	28,438,739
Total liabilities and equity		342,461,210	294,782,092

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

* Including net profit for the current year



Hisham Ezz Al-Arab
Chairman and Managing Director

Consolidated income statement for the year ended December 31, 2018

	<i>Notes</i>	Dec. 31, 2018 EGP Thousands	Dec. 31, 2017 EGP Thousands
Continued Operations			
Interest and similar income		37,403,709	28,671,166
Interest and similar expense		<u>(19,260,190)</u>	<u>(16,167,155)</u>
Net interest income	6	<u>18,143,519</u>	<u>12,504,011</u>
Fee and commission income		3,402,616	2,794,211
Fee and commission expense		<u>(991,957)</u>	<u>(796,107)</u>
Net fee and commission income	7	<u>2,410,659</u>	<u>1,998,104</u>
Dividend income	8	25,958	34,513
Net trading income	9	1,089,076	1,292,215
Profits (Losses) on financial investments	22	402,067	165,111
Administrative expenses	10	<u>(4,223,959)</u>	<u>(3,118,839)</u>
Other operating (expenses) income	11	<u>(1,589,675)</u>	<u>(1,002,570)</u>
Intangible assets amortization	41	<u>(130,208)</u>	<u>(130,208)</u>
Impairment charge for credit losses	12	<u>(3,076,023)</u>	<u>(1,742,281)</u>
Bank's share in the profits of associates		<u>27,419</u>	<u>29,066</u>
Profit before income tax		13,078,833	10,029,122
Income tax expense	13	<u>(3,625,579)</u>	<u>(2,778,973)</u>
Deferred tax assets (Liabilities)	32 & 13	<u>128,740</u>	<u>(1,678)</u>
Net profit from continued operations		<u>9,581,994</u>	<u>7,248,471</u>
Discontinued Operations			
Net profit from discontinued operations		-	122,234
Profit (loss) of disposal from discontinued operations	42	<u>-</u>	<u>168,900</u>
Net profit for the year		<u>9,581,994</u>	<u>7,539,605</u>
Minority interest		<u>-</u>	<u>24,050</u>
Bank shareholders		<u>9,581,994</u>	<u>7,515,555</u>
Earning per share			
Basic	14	7.26	5.76
Diluted		7.22	5.67



Hisham Ezz Al-Arab
Chairman and Managing Director

Consolidated cash flow for the year ended December 31, 2018

	Notes	Dec. 31, 2018 EGP Thousands	Dec. 31, 2017 EGP Thousands
Cash flow from operating activities			
Profit before income tax from continued operations		13,078,833	10,029,122
Profit before income tax from discontinued operations		-	291,134
Adjustments to reconcile net profit to net cash provided by operating activities			
Fixed assets depreciation	25	390,830	351,005
Impairment charge for credit losses	12	3,076,023	1,742,281
Other provisions charges	30	101,501	212,622
Impairment charge for other assets	24	316,763	-
Available for sale investments exchange revaluation differences	22	(102,991)	100,078
Intangible assets amortization	41	130,208	130,208
Financial investments impairment charge	22	39,561	(108,349)
Utilization of other provisions	30	(2,114)	(25,463)
Other provisions no longer used	30	(17,670)	(97,897)
Exchange differences of other provisions	30	(2,269)	11,840
Profits from selling property, plant and equipment	11	(1,045)	(607)
(Profits) losses from selling financial investments	22	(441,628)	99,047
Shares based payments		408,346	290,884
Bank's share in the profits of associates		(27,419)	(38,636)
Operating profits before changes in operating assets and liabilities		16,946,929	12,987,269
Net decrease (increase) in assets and liabilities			
Due from banks	16	(13,661,577)	(2,594,442)
Treasury bills and other governmental notes	43	4,640,524	(16,466,420)
Trading financial assets	18	4,557,492	(4,850,063)
Derivative financial instruments	21	(66,141)	120,431
Loans and advances to banks and customers	19-20	(21,255,952)	(4,775,382)
Other assets	44	(2,263,465)	(863,655)
Due to banks	26	5,381,901	(1,131,078)
Due to customers	27	34,573,817	18,982,257
Income tax obligations paid		(2,778,973)	(2,017,034)
Other liabilities	29	1,025,022	1,897,201
Net cash provided from operating activities		27,099,577	1,289,084
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		(874,708)	(763,420)
Proceeds from selling property, plant and equipment	11	1,045	607
Proceeds from redemption of held to maturity financial investments	22	5,532,271	13,354,468
Payment for purchases of held to maturity financial investments	22	(33,995,313)	(4,597,254)
Payment for purchases of available for sale financial investments	22	(12,670,761)	(25,868,230)
Proceeds from selling available for sale financial investments	22	2,059,341	1,261,980
Proceeds from selling non current assets held for sale		-	768,515
Net cash used in investing activities		(39,958,700)	(15,842,584)

Consolidated cash flow for the year ended December 31, 2018 (Cont.)

		Dec. 31, 2018 EGP Thousands	Dec. 31, 2017 EGP Thousands
Cash flow from financing activities			
Increase in long term loans	28	46,793	3,514,493
Dividend paid		(2,143,177)	(1,350,207)
Capital increase		50,315	79,351
Net cash used in (provided from) financing activities		<u>(2,046,069)</u>	<u>2,243,637</u>
Net increase (decrease) in cash and cash equivalent during the year		(14,905,192)	(12,309,863)
Beginning balance of cash and cash equivalent		49,208,837	61,518,700
Cash and cash equivalent at the end of the year		<u>34,303,645</u>	<u>49,208,837</u>
Cash and cash equivalent comprise:			
Cash and balances with central bank	15	20,058,974	14,663,289
Due from banks	16	46,518,892	45,319,766
Treasury bills and other governmental notes	17	41,999,252	54,478,202
Obligatory reserve balance with CBE	15	(13,526,763)	(8,878,986)
Due from banks with maturities more than three months		(10,733,386)	(1,719,586)
Treasury bills with maturity more than three months	17	(50,013,324)	(54,653,848)
Total cash and cash equivalent		<u>34,303,645</u>	<u>49,208,837</u>

Consolidated statement of changes in shareholders' equity for the year ended December 31, 2017

Dec. 31, 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	4,445,620	-	1,682	-	-	-	(4,599,736)	(145,010)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(1,350,204)	-	-	(1,350,204)	-	(1,350,204)
Net profit of the year	-	-	-	-	-	-	-	-	7,515,555	-	-	7,515,555	24,050	7,539,605
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	-	-	-	-	-	537,286	-	-	-	-	-	537,286	-	537,286
Transferred (from) to bank risk reserve	-	-	-	-	-	-	615	-	(615)	-	-	-	-	-
IFRS 9 risk reserve	-	-	-	-	-	-	-	1,411,549	(1,411,549)	-	-	-	-	-
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	-	290,884	-	290,884	-	290,884
Balance at the end of the year	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

EGP Thousands

Consolidated statement of changes in shareholders' equity for the year ended December 31, 2018

Dec. 31, 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 for 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 year	-	-	-	-	-	-	-	-	9,581,994	-	-	9,581,994	-	9,581,994
Net unrealised gain/(loss) on AFS	-	-	-	-	-	(2,107,821)	-	-	-	-	-	(2,107,821)	-	(2,107,821)
Transferred (from) to bank risk reserve	-	-	-	-	-	-	689	-	(689)	-	-	-	-	-
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	-	408,346	-	408,346	-	408,346
Balance at the end of the year	11,668,326	1,710,293	12,776,215	20,645	12,421	(3,750,779)	4,323	1,411,549	9,637,083	738,320	-	34,228,396	-	34,228,396

EGP Thousands

Notes to the consolidated financial statements for the year ended December 31, 2018

1. General information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate and investment banking services in various parts of Egypt through 181 branches, and 22 units employing 6759 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 February 4, 2019.

2. Summary of accounting policies

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

2.1. Basis of preparation

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

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

2.1.1. Basis of consolidation

The basis of the consolidation is as follows:

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

2.2. Subsidiaries and associates

2.2.1. Subsidiaries

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

2.2.2. Associates

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

The Bank applies the Equity Method in its consolidated financial statements, initially recognizing the Bank's investments in associate companies at amortized cost. The book value of associate investments is subsequently increased or decreased by recognition of the Bank's share in the profits or losses of associate companies after the date of acquisition among the Bank's profit or loss. The book value for associate investments is also decreased by the dividends received from associate companies.

2.3. Segment reporting

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

2.4. Foreign currency translation

2.4.1. Functional and presentation currency

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

2.4.2. Transactions and balances in foreign currencies

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

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

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

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

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

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

2.5. Financial assets

The Bank classifies its financial assets in the following categories:

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

Management determines the classification of its investments at initial recognition.

2.5.1. Financial assets at fair value through profit or loss

This category has two sub-categories:

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

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

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

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

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

2.5.2. Loans and advances

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

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

2.5.3. Held to maturity financial investments

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

2.5.4. Available for sale financial investments

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

The following are applied in respect to all financial assets:

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

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

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

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

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

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

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

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

- If the financial asset has a fixed maturity, gains or losses are amortized over the remaining life of the investment using the effective interest rate method. In case of subsequent impairment of the financial asset, the previously recognized unrealized gains or losses in equity are recognized directly in the profits and losses.
- In the case of financial asset which has infinite life, any previously recognized profit or loss in equity will remain until the sale of the asset or its disposal, in the case of impairment of the value of the financial asset after the re-classification, any gain or loss previously recognized in equity is recycled to the profits and losses.
- If the Bank adjusts its estimates of payments or receipts of a financial asset that in return adjusts the carrying amount of the asset (or group of financial assets) to reflect the actual cash inflows, the carrying value is recalculated based on the present value of estimated future cash flows at the effective yield of the financial instrument and the differences are recognized in profit and loss.

- In all cases, if the Bank re-classifies financial asset in accordance with the above criteria and increases its estimate of the proceeds of future cash flow, this increase adjusts the effective interest rate of this asset only without affecting the investment book value.

2.6. Offsetting financial instruments

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

2.7. Derivative financial instruments and hedge accounting

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

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

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

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

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

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

2.7.1. Fair value hedge

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

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

2.7.2. Derivatives that do not qualify for hedge accounting

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

2.8. Interest income and expense

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

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

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

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

2.9. Fee and commission income

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue as the service is provided. Fees and commissions on non-performing or impaired loans or receivables cease to be recognized as income and are rather recorded off balance sheet. These are recognized as revenue, on a cash basis, only when interest income on those loans is recognized in profit and loss, at that time, fees and commissions that represent an integral part of the effective interest rate of a financial asset, are treated as an adjustment to the effective interest rate of that financial asset. Commitment fees and related direct costs for loans and advances where draw down is probable are deferred and recognized as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognized at the maturity of the term of the commitment.

Fees are recognized on the debt instruments that are measured at fair value through profit and loss on initial recognition and syndicated loan fees received by the Bank are recognized when the syndication has been completed and the Bank does not hold any portion of it or holds a part at the same effective interest rate used for the other participants portions. Commission and fee arising from negotiating, or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares or other securities or the purchase or sale of properties are recognized upon completion of the underlying transaction in the income statement .

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

Operating revenues in the holding company are:

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

2.10. Dividend income

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

2.11. Sale and repurchase agreements

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

2.12. Impairment of financial assets

2.12.1. Financial assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event/s') and that loss event/s has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales)
- Violation of the conditions of the loan agreement such as non-payment.
- Initiation of Bankruptcy proceedings.
- Deterioration of the borrower's competitive position.
- The Bank for reasons of economic or legal financial difficulties of the borrower by granting concessions may not agree with the Bank granted in normal circumstances.
- Deterioration in the value of collateral or deterioration of the creditworthiness of the borrower.

The objective evidence of impairment loss for a group of financial assets is observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, for instance an increase in the default rates for a particular Banking product.

The Bank estimates the period between a losses occurring and its identification for each specific portfolio. In general, the periods used vary between three months to twelve months.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant and in this field the following are considered:

- If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment according to historical default ratios.

- If the Bank determines that an objective evidence of financial asset impairment exist that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract when there is objective evidence for asset impairment. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

For the purposes of evaluation of impairment for a group of a financial assets according to historical default ratios future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other indicative factors of changes in the probability of losses in the Bank and their magnitude. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank.

2.12.2. Available for sale investments

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

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

2.13. Real estate investments

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

2.14. Property, plant and equipment

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

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

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

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

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

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

2.15. Impairment of non-financial assets

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

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

2.15.1. Goodwill

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

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

2.15.2. Other intangible assets

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

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

2.16. Leases

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

2.16.1. Being lessee

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

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

2.16.2. Being lessor

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

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

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

2.17. Cash and cash equivalents

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

2.18. Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has present legal or constructive obligations as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

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

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

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

2.19. Share based payments

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

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

CIB owns a private insurance fund for financing end of service benefits, pensions and medical insurance for employees under the supervision of the Ministry of Social Solidarity.

2.20. Income tax

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

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

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

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

2.21. Borrowings

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

2.22. Dividends

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

2.23. Comparatives

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

2.24. Noncurrent assets held for sale

a non-current asset (or disposal group) to be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Determining whether (and when) an asset stops being recovered principally through use and becomes recoverable principally through sale.

For an asset (or disposal group) to be classified as held for sale:

- (a) It must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets (or disposal groups);
- (b) Its sale must be highly probable;

The standard requires that non-current assets (and, in a 'disposal group', related liabilities and current assets,) meeting its criteria to be classified as held for sale be:

- (a) Measured at the lower of carrying amount and fair value less costs to sell, with depreciation on them ceasing; and
- (b) Presented separately on the face of the statement of financial position with the results of discontinued operations presented separately in the income statement.

2.25. Discontinued operation

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

- (a) Represents a separate major line of business or geographical area of operations,
- (b) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- (c) Is a subsidiary acquired exclusively with a view to resale.

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

3. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and rewards and minimize potential adverse effects on the Bank's financial performance. The most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks. Also market risk includes exchange rate risk, rate of return risk and other prices risks.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by risk department under policies approved by the Board of Directors. Bank treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units.

The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, credit risk management is responsible for the independent review of risk management and the control environment.

3.1. Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances, debt securities and other bills. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralized in a credit risk management team in Bank treasury and reported to the Board of Directors and head of each business unit regularly.

3.1.1. Credit risk measurement

3.1.1.1. Loans and advances to banks and customers

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

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

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

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated,

where appropriate. Clients of the Bank are segmented into four rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

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

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

3.1.1.2. Debt instruments and treasury and other bills

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

3.1.2. Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by individual, counterparties, product, and industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below:

3.1.2.1. Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Mortgage business assets such as premises, and inventory.
- Mortgage financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimize the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other governmental securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

3.1.2.2. Derivatives

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Bank (i.e., assets with positive fair value), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank market transactions on any single day.

3.1.2.3. Master netting arrangements

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

3.1.2.4. Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.3. Impairment and provisioning policies

The internal rating system described in Note 3.1.1 focus on the credit-quality mapping from the lending and investment activities perspective. Conversely, for only financial reporting purposes impairment losses are recognized for that has been incurred at the balance sheet date when there is an objective evidence of impairment. Due to the different methodologies applied, the amount of incurred impairment losses in balance sheet are usually lower than the amount determined from the expected loss model that is used for internal operational management and CBE regulation purposes.

The impairment provision reported in balance sheet at the end of the period is derived from each of the four internal credit risk ratings. However, the majority of the impairment provision is usually driven by the last two rating degrees. The following table illustrates the proportional distribution of loans and advances reported in the balance sheet for each of the four internal credit risk ratings of the Bank and their relevant impairment losses:

Bank's rating	December 31, 2018		December 31, 2017	
	<u>Loans and advances</u> (%)	<u>Impairment provision</u> (%)	<u>Loans and advances</u> (%)	<u>Impairment provision</u> (%)
1-Performing loans	78.61	12.61	69.53	11.61
2-Regular watching	11.65	17.85	15.53	21.51
3-Watch list	5.68	33.18	7.99	23.70
4-Non-Performing Loans	4.06	36.36	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.

3.1.4. Pattern of measuring the general banking risk

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

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

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

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

3.1.5. Maximum exposure to credit risk before collateral held

	Dec. 31, 2018	Dec. 31, 2017
	EGP Thousands	EGP Thousands
In balance sheet items exposed to credit risk		
Treasury bills and other governmental notes	50,013,324	54,653,848
Trading financial assets:		
- Debt instruments	2,270,080	6,728,843
Gross loans and advances to banks	70,949	1,383
Gross loans and advances to customers		
Individual:		
- Overdraft	1,635,910	1,780,416
- Credit cards	3,540,849	2,899,930
- Personal loans	17,180,864	13,910,837
- Mortgages	876,372	416,616
Corporate:		
- Overdraft	13,992,595	12,450,826
- Direct loans	49,179,820	44,200,770
- Syndicated loans	32,899,950	26,627,825
- Other loans	125,429	112,802
Unamortized bills discount	(65,718)	(12,476)
Unearned interest	(16,038)	(2,965,997)
Derivative financial instruments	52,289	40,001
Financial investments:		
-Debt instruments	112,213,297	74,767,989
- Other assets (Accrued revenues)	4,509,314	3,870,454
Total	288,479,286	239,484,067
Off balance sheet items exposed to credit risk		
Financial guarantees	7,962,043	3,605,001
Customers acceptances	1,050,573	1,017,690
Letters of credit (import and export)	4,178,288	1,700,516
Letter of guarantee	66,166,953	69,514,413
Total	79,357,857	75,837,620

The above table represents the Bank's Maximum exposure to credit risk on December 31, 2018, before taking into account any held collateral. For assets recognized on balance sheet, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 41.40% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt instruments represent 39.69%.

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

- 90.26% of the loans and advances are concentrated in the top two grades of the internal credit risk rating system.
- 95.94% of loans and advances portfolio are considered to be neither past due nor impaired.
- Loans and advances assessed individually are valued EGP 4,855,460 thousand.
- The Bank has implemented more prudent processes when granting loans and advances during the financial year ended on December 31, 2018.
- 98.56% of the investments in debt Instruments are Egyptian sovereign instruments.

Loans and advances past due but not impaired:

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

	Individual				Corporate				
	Overdrafts	Credit cards	Personal loans	Mortgages	Total	Overdraft	Direct loans	Syndicated loans	Total
Dec.31, 2018									
Past due up to 30 days	472,341	450,435	38,318	397	961,491	594,739	768,415	99,957	1,463,111
Past due 30 - 60 days	68,644	83,381	28,168	192	180,385	24,524	157,374	17,273	199,171
Past due 60-90 days	20,466	42,121	22,763	41	85,391	389,889	945,194	-	1,335,083
Total	561,451	575,937	89,249	630	1,227,267	1,009,152	1,870,983	117,230	2,997,365

	Individual				Corporate				
	Overdrafts	Credit cards	Personal loans	Mortgages	Total	Overdraft	Direct loans	Syndicated loans	Total
Dec.31, 2017									
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 4,855,460 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				
	Overdrafts	Credit cards	Personal loans	Mortgages	Other loans	Overdraft	Direct loans	Syndicated loans	Total
Dec.31, 2018									
Individually impaired loans	46,253	22,872	61,869	6,047	-	80,311	4,465,444	172,664	4,855,460
Dec.31, 2017									
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 year:

	Dec.31, 2018	Dec.31, 2017
Loans and advances to Corporate		
- Direct loans	7,673,956	8,577,197
Total	7,673,956	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 year, based on Standard & Poor's ratings or their equivalent:

EGP Thousands

Dec.31, 2018	<u>Treasury bills and other gov. notes</u>	<u>Trading financial debt instruments</u>	<u>Non-trading financial debt instruments</u>	<u>Total</u>
AAA	-	-	-	-
AA- to AA+	-	-	-	-
A- to A+	-	-	-	-
Lower than A-	41,999,252	2,270,080	112,213,297	156,482,629
Total	41,999,252	2,270,080	112,213,297	156,482,629

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 year.

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

EGP Thousands

Dec.31, 2018	<u>Cairo</u>	<u>Alex, Delta and Sinai</u>	<u>Upper Egypt</u>	<u>Total</u>
Treasury bills and other governmental notes	50,013,324	-	-	50,013,324
Trading financial assets:				
- Debt instruments	2,270,080	-	-	2,270,080
Gross loans and advances to banks	70,949	-	-	70,949
Less: Impairment provision	(3,246)	-	-	(3,246)
Gross loans and advances to customers				
Individual:				
- Overdrafts	948,571	558,087	129,252	1,635,910
- Credit cards	2,806,734	632,771	101,344	3,540,849
- Personal loans	10,820,446	5,401,963	958,455	17,180,864
- Mortgages	795,852	72,124	8,396	876,372
Corporate:				
- Overdrafts	11,941,245	1,415,913	635,437	13,992,595
- Direct loans	32,889,668	12,894,439	3,395,713	49,179,820
- Syndicated loans	30,010,681	2,687,040	202,229	32,899,950
- Other loans	80,000	45,429	-	125,429
Unamortized bills discount	(65,718)	-	-	(65,718)
Impairment provision	(9,707,342)	(3,024,196)	(309,290)	(13,040,828)
Unearned interest	(16,038)	-	-	(16,038)
Derivative financial instruments	52,289	-	-	52,289
Financial investments:				
- Debt instruments	112,213,297	-	-	112,213,297
Total	245,120,792	20,683,570	5,121,536	270,925,898

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.

Dec.31, 2018	EGP Thousands					Total		
	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Government sector		Other activities	Individual
Treasury bills and other governmental notes	-	-	-	-	50,013,324	-	-	50,013,324
Trading financial assets:								
- Debt instruments	-	-	-	-	2,270,080	-	-	2,270,080
Gross loans and advances to banks	70,949	-	-	-	-	-	-	70,949
Less: Impairment provision	(3,246)	-	-	-	-	-	-	(3,246)
Gross loans and advances to customers								
Individual:								
- Overdrafts	-	-	-	-	-	-	1,635,910	1,635,910
- Credit cards	-	-	-	-	-	-	3,540,849	3,540,849
- Personal loans	-	-	-	-	-	-	17,180,864	17,180,864
- Mortgages	-	-	-	-	-	-	876,372	876,372
Corporate:								
- Overdrafts	554,027	7,482,009	1,695,229	493,626	1,086,755	2,680,949	-	13,992,595
- Direct loans	1,298,852	23,551,603	367,485	884,853	5,727,216	17,349,811	-	49,179,820
- Syndicated loans	226,331	8,178,023	222,300	-	23,108,258	1,165,038	-	32,899,950
- Other loans	-	106,000	-	16,000	-	3,429	-	125,429
Unamortized bills discount	(65,718)	-	-	-	-	-	-	(65,718)
Impairment provision	(41,632)	(4,282,971)	(5,939)	(65,139)	(274,825)	(8,235,736)	(134,586)	(13,040,828)
Unearned interest	-	-	-	-	-	-	(16,038)	(16,038)
Derivative financial instruments	52,289	-	-	-	-	-	-	52,289
Financial investments:								
-Debt instruments	1,228,033	-	-	-	110,985,264	-	-	112,213,297
Total	3,319,885	35,034,664	2,279,075	1,329,340	192,916,072	12,963,491	23,083,371	270,925,898

3.2. Market risk

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

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

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

3.2.1. Market risk measurement techniques

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

3.2.1.1. Value at Risk

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

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

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

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

3.2.1.2. Stress tests

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

3.2.2. Value at risk (VaR) Summary

EGP Thousands

Total VaR by risk type	Dec.31, 2018			Dec.31, 2017		
	Medium	High	Low	Medium	High	Low
Foreign exchange risk	231	1,482	20	13,647	82,695	275
Interest rate risk	453,569	645,193	238,077	588,938	815,249	363,366
- For non trading purposes	429,195	586,852	232,882	553,426	739,977	351,674
- For trading purposes	24,374	58,341	5,195	35,512	75,272	11,692
Portfolio managed by others risk	7,030	11,507	1,969	7,280	10,454	4,854
Investment fund	119	267	55	370	692	215
Total VaR	455,104	647,983	238,493	591,508	826,941	364,408

Trading portfolio VaR by risk type

Trading portfolio VaR by risk type	Dec.31, 2018			Dec.31, 2017		
	Medium	High	Low	Medium	High	Low
Foreign exchange risk	231	1,482	20	13,647	82,695	275
Interest rate risk	24,374	58,341	5,195	35,512	75,272	11,692
- For trading purposes	24,374	58,341	5,195	35,512	75,272	11,692
Funds managed by others risk	7,030	11,507	1,969	7,280	10,454	4,854
Investment fund	119	267	55	370	692	215
Total VaR	26,165	60,912	5,611	46,039	113,250	13,804

Non trading portfolio VaR by risk type

Non trading portfolio VaR by risk type	Dec.31, 2018			Dec.31, 2017		
	Medium	High	Low	Medium	High	Low
Interest rate risk						
- For non trading purposes	429,195	586,852	232,882	553,426	739,977	351,674
Total VaR	429,195	586,852	232,882	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.

	EGP	USD	EUR	GBP	Other	Total
Dec.31, 2018						Equivalent EGP Thousands
Financial assets						
Cash and balances with central bank	15,822,884	2,511,902	657,323	80,582	986,283	20,058,974
Due from banks	15,730,309	23,594,720	6,743,789	366,545	83,529	46,518,892
Treasury bills and other governmental notes	31,491,429	12,272,607	1,333,103	-	-	45,097,139
Trading financial assets	1,802,626	935,079	-	-	-	2,737,705
Gross loans and advances to banks	-	70,949	-	-	-	70,949
Gross loans and advances to customers	63,518,898	52,952,122	2,938,691	22,078	-	119,431,789
Derivative financial instruments	39,355	12,934	-	-	-	52,289
Financial investments						
- Available for sale	26,664,326	12,367,155	186,409	-	-	39,217,890
- Held to maturity	73,630,764	-	-	-	-	73,630,764
Investments in associates	92,458	14,100	-	-	-	106,558
Total financial assets	228,793,049	104,731,568	11,859,315	469,205	1,069,812	346,922,949
Financial liabilities						
Due to banks	5,958,780	1,099,145	92,882	12,773	96,239	7,259,819
Due to customers	182,983,217	89,794,399	11,046,226	1,005,452	467,575	285,296,869
Derivative financial instruments	85,912	46,946	-	-	-	132,858
Other loans	138,809	3,582,720	-	-	-	3,721,529
Total financial liabilities	189,166,718	94,523,210	11,139,108	1,018,225	563,814	296,411,075
Net on-balance sheet financial position	39,626,331	10,208,358	720,207	(549,020)	505,998	50,511,874

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.

Dec.31, 2018

	<u>Up to 1 Month</u>	<u>1-3 Months</u>	<u>3-12 Months</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Non- Interest Bearing</u>	<u>Total</u>
Financial assets							
Cash and balances with central bank	-	-	-	-	-	20,058,974	20,058,974
Due from banks	33,676,642	12,438,963	401,563	-	-	1,724	46,518,892
Treasury bills and other governmental notes*	(3,711,230)	5,425,047	43,383,322	-	-	-	45,097,139
Trading financial assets	38,375	-	-	1,643,653	626,428	429,249	2,737,705
Gross loans and advances to banks	3,969	5,483	17,829	42,233	1,435	-	70,949
Gross loans and advances to customers	77,155,228	13,993,151	14,231,235	10,708,275	3,343,900	-	119,431,789
Derivatives financial instruments (including IRS notional amount)	1,510,540	9,650	399,197	5,899,343	-	-	7,818,730
Financial investments							
- Available for sale	132,500	73,030	457,834	19,793,116	18,158,565	602,845	39,217,890
- Held to maturity	9,361,480	2,055,231	26,632,213	27,257,651	8,324,189	-	73,630,764
Investments in associates	-	-	-	-	-	106,558	106,558
Total financial assets	118,167,504	34,000,555	85,523,193	65,344,271	30,454,517	21,199,350	354,689,390
Financial liabilities							
Due to banks	7,002,464	-	-	-	-	257,355	7,259,819
Due to customers	148,862,473	22,012,700	24,470,575	40,675,873	533,317	48,741,931	285,296,869
Derivatives financial instruments (including IRS notional amount)	2,148,569	5,011,865	33,028	705,837	-	-	7,899,299
Other loans	33,380	10,000	87,286	443,188	3,147,675	-	3,721,529
Total financial liabilities	158,046,886	27,034,565	24,590,889	41,824,898	3,680,992	48,999,286	304,177,516
Total interest re-pricing gap	(39,879,382)	6,965,990	60,932,304	23,519,373	26,773,525	(27,799,936)	50,511,874

* 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.

	<u>Up to</u> <u>1 month</u>	<u>One to three</u> <u>months</u>	<u>Three months</u> <u>to one year</u>	<u>One year to</u> <u>five years</u>	<u>Over five</u> <u>years</u>	<u>Total</u> <u>EGP Thousands</u>
Dec.31, 2018						
Financial liabilities						
Due to banks	6,632,843	626,976	-	-	-	7,259,819
Due to customers	29,932,979	23,750,618	72,467,784	145,207,840	13,937,648	285,296,869
Other loans	33,380	10,000	87,286	443,188	3,147,675	3,721,529
Total liabilities (contractual and non contractual maturity dates)	36,599,202	24,387,594	72,555,070	145,651,028	17,085,323	296,278,217
Total financial assets (contractual and non contractual maturity dates)	41,324,915	40,718,467	74,369,489	141,260,576	49,075,657	346,749,104
Dec.31, 2017						
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

The Bank's derivatives include:

Foreign exchange derivatives: exchange traded options and over-the-counter (OTC) ,exchange traded forwards currency options that will be settled on a gross basis

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 into maturity groupings based on the remaining period of the balance sheet to the contractual maturity date will be settled on a net basis. The amounts disclosed in the table are the contractual undiscounted cash flows:

	EGP Thousands				
Dec.31, 2018	<u>Up to 1 month</u>	<u>One to three months</u>	<u>Three months to one year</u>	<u>One year to five years</u>	<u>Total</u>
Liabilities					
Derivatives financial instruments					
- Foreign exchange derivatives	34,388	22,205	29,319	-	85,912
- Interest rate derivatives	197	6	3,709	43,034	46,946
Total	34,585	22,211	33,028	43,034	132,858

Off balance sheet items

	EGP Thousands			
Dec.31, 2018	Up to 1 year	1-5 years	Over 5 years	Total
Letters of credit, guarantees and other commitments	51,260,372	14,088,753	6,046,689	71,395,814
Total	51,260,372	14,088,753	6,046,689	71,395,814

	EGP Thousands		
Dec.31, 2018	Up to 1 year	1-5 years	Total
Credit facilities commitments	1,399,900	7,773,882	9,173,782
Total	1,399,900	7,773,882	9,173,782

3.4. Fair value of financial assets and liabilities

3.4.1. Financial instruments not measured at fair value

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

	<u>Book value</u>		<u>Fair value</u>	
	Dec.31, 2018	Dec.31, 2017	Dec.31, 2018	Dec.31, 2017
Financial assets				
Due from banks	46,518,892	45,319,766	46,859,224	44,782,984
Gross loans and advances to banks	70,949	1,383	70,949	1,383
Gross loans and advances to customers	119,431,789	102,400,022	115,452,376	96,397,613
Financial investments				
Held to Maturity	73,630,764	45,167,722	41,237,872	45,595,034
Total financial assets	239,652,394	192,888,893	203,620,421	186,777,014
Financial liabilities				
Due to banks	7,259,819	1,877,918	7,069,442	1,813,466
Due to customers	285,296,869	250,723,052	280,685,969	245,616,661
Other loans	3,721,529	3,674,736	3,721,529	3,674,736
Total financial liabilities	296,278,217	256,275,706	291,476,940	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 floating 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 operational risk). While taking into consideration the conservation buffer.

Tier one:

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

Tier two:

Tier two represents the gone concern capital which is composed of general risk provision according to the impairment provision guidelines issued by the Central Bank of Egypt to the maximum of 1.25% risk weighted assets and contingent liabilities, subordinated loans with more than five years to maturity (amortizing 20% of its carrying amount in each year of the remaining five years to maturity) and 45% of

the increase in fair value than book value for available for sale, held to maturity, subsidiaries and associates investments.

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

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

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

1-The capital adequacy ratio	Dec.31, 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	14,829,948	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	(4,754,596)	(2,450,399)
Net profit for the year	6,881,450	3,960,829
Total qualifying tier 1 capital	30,091,766	25,173,646
Tier 2 capital		
45% of special reserve	49	49
Subordinated Loans	3,582,720	3,545,540
Impairment provision for loans and regular contingent liabilities	1,879,734	1,679,656
Total qualifying tier 2 capital	5,462,503	5,225,245
Total capital 1+2	35,554,269	30,398,891
Risk weighted assets and contingent liabilities		
Total credit risk	156,952,618	141,154,879
Total market risk	5,959,133	9,239,998
Total operational risk	23,292,505	18,222,831
Total	186,204,256	168,617,708
*Capital adequacy ratio (%)	19.09%	18.03%

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

**After 2017 profit distribution.

2-Leverage ratio	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
		Restated**
Total qualifying tier 1 capital	30,383,474	25,173,646
On-balance sheet items & derivatives	346,163,131	300,593,997
Off-balance sheet items	45,407,765	44,965,272
Total exposures	391,570,896	345,559,269
*Percentage	7.76%	7.28%

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

**After 2017 profit distribution.

For December 2018 NSFR ratio record 209.70% (LCY 243.36% and FCY 165.61%), and LCR ratio record 601.53% (LCY 667.84% and FCY 338.82%).

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					
	<u>Corporate banking</u>	<u>SME's</u>	<u>Investment banking</u>	<u>Retail banking</u>	<u>Asset Liability Mangement</u>	<u>Total</u>
Dec.31, 2018						
Revenue according to business segment	9,025,518	2,452,934	3,870,401	6,163,506	639,484	22,151,843
Expenses according to business segment	(5,516,282)	(739,340)	(427,332)	(2,373,798)	(16,258)	(9,073,010)
Profit before tax	3,509,236	1,713,594	3,443,069	3,789,708	623,226	13,078,833
Tax	(933,068)	(459,085)	(922,426)	(1,015,293)	(166,967)	(3,496,839)
Profit for the year	2,576,168	1,254,509	2,520,643	2,774,415	456,259	9,581,994
Total assets	102,781,541	2,159,095	165,584,686	22,693,303	49,242,585	342,461,210

	<u>Corporate banking</u>	<u>SME's</u>	<u>Investment banking</u>	<u>Retail banking</u>	<u>Asset Liability Mangement</u>	<u>Total</u>
Dec.31, 2017						
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			
	<u>Cairo</u>	<u>Alex, Delta & Sinai</u>	<u>Upper Egypt</u>	<u>Total</u>
Dec.31, 2018				
Revenue according to geographical segment	17,792,484	3,424,556	934,803	22,151,843
Expenses according to geographical segment	(7,545,066)	(1,304,228)	(223,716)	(9,073,010)
Profit before tax	10,247,418	2,120,328	711,087	13,078,833
Tax	(2,738,280)	(568,053)	(190,506)	(3,496,839)
Profit for the year	7,509,138	1,552,275	520,581	9,581,994
Total assets	316,673,321	19,340,837	6,447,052	342,461,210
Dec.31, 2017				
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

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Interest and similar income		
- Banks	3,338,266	3,532,274
- Clients	15,274,649	10,921,054
Total	18,612,915	14,453,328
Treasury bills and bonds	18,582,089	14,039,447
Reverse repos	2,519	-
Financial investments in held to maturity and available for sale debt instruments	206,186	178,391
Total	37,403,709	28,671,166
Interest and similar expense		
- Banks	(840,233)	(463,409)
- Clients	(18,001,197)	(15,686,959)
Total	(18,841,430)	(16,150,368)
Financial instruments purchased with a commitment to re-sale (Repos)	(112,366)	(2,037)
Other loans	(306,394)	(14,750)
Total	(19,260,190)	(16,167,155)
Net interest income	18,143,519	12,504,011

7 . Net fee and commission income

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Fee and commission income		
Fee and commissions related to credit	1,456,930	1,362,660
Custody fee	140,247	117,268
Other fee	1,805,439	1,314,283
Total	3,402,616	2,794,211
Fee and commission expense		
Other fee paid	(991,957)	(796,107)
Total	(991,957)	(796,107)
Net income from fee and commission	2,410,659	1,998,104

8 . Dividend income

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Trading securities	9,951	11,474
Available for sale securities	16,007	23,039
Total	25,958	34,513

9 . Net trading income

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Profit (Loss) from foreign exchange	668,071	764,732
Profit (Loss) from forward foreign exchange deals revaluation	(38,904)	(17,118)
Profit (Loss) from interest rate swaps revaluation	(20,865)	(23,732)
Profit (Loss) from currency swap deals revaluation	8,179	(21,230)
Trading debt instruments	472,595	589,563
Total	1,089,076	1,292,215

10 . Administrative expenses

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Staff costs		
Wages and salaries	(2,237,595)	(1,620,326)
Social insurance	(78,841)	(65,033)
Other benefits	(61,976)	(51,682)
Other administrative expenses *	<u>(1,845,547)</u>	<u>(1,381,798)</u>
Total	<u><u>(4,223,959)</u></u>	<u><u>(3,118,839)</u></u>

* The expenses related to the activity for which the bank obtains a commodity or service and all taxes and charges incurred by the bank - except for income tax - donations, depreciation and impairment of non financial assets other than subsidiaries and associates

11 . Other operating (expenses) income

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Profits (losses) from non-trading assets and liabilities revaluation	59,863	(61,065)
Profits from selling property, plant and equipment	1,045	607
Release (charges) of other provisions	(400,596)	(114,725)
Other income/expenses	<u>(1,249,987)</u>	<u>(827,387)</u>
Total	<u><u>(1,589,675)</u></u>	<u><u>(1,002,570)</u></u>

12 . Impairment charge for credit losses

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Loans and advances to customers and banks	<u>(3,076,023)</u>	<u>(1,742,281)</u>
Total	<u><u>(3,076,023)</u></u>	<u><u>(1,742,281)</u></u>

13 . Adjustments to calculate the effective tax rate

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Profit before tax	13,078,833	10,320,256
Tax rate	22.50%	22.50%
Income tax based on accounting profit	<u>2,942,737</u>	<u>2,322,058</u>
Add / (Deduct)		
Non-deductible expenses	866,421	628,951
Tax exemptions	(314,360)	(173,358)
10% Withholding tax	<u>2,041</u>	<u>3,000</u>
Income tax / Deferred tax	<u><u>3,496,839</u></u>	<u><u>2,780,651</u></u>
Effective tax rate	<u>26.74%</u>	<u>26.94%</u>

14 . Earning per share

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Net profit for the year, available for distribution	9,553,868	7,549,043
Board member's bonus	(143,308)	(113,236)
Staff profit sharing	<u>(955,387)</u>	<u>(754,904)</u>
* Profits shareholders' Stake	<u>8,455,173</u>	<u>6,680,903</u>
Weighted Average number of shares	<u>1,163,898</u>	<u>1,159,156</u>
Basic earning per share	<u>7.26</u>	<u>5.76</u>
By issuance of ESOP earning per share will be:		
Average number of shares including ESOP shares	<u>1,171,642</u>	<u>1,177,722</u>
Diluted earning per share	<u>7.22</u>	<u>5.67</u>

* Based on separate financial statement profits.

15. Cash and balances with central bank

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Cash	6,532,211	5,784,303
Obligatory reserve balance with CBE		
- Current accounts	13,526,763	8,878,986
Total	<u>20,058,974</u>	<u>14,663,289</u>
Non-interest bearing balances	<u>20,058,974</u>	<u>14,663,289</u>

16. Due from banks

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Current accounts	4,168,973	2,679,189
Deposits	42,349,919	42,640,577
Total	<u>46,518,892</u>	<u>45,319,766</u>
Central banks	25,397,558	15,863,399
Local banks	4,109,576	3,894,775
Foreign banks	17,011,758	25,561,592
Total	<u>46,518,892</u>	<u>45,319,766</u>
Non-interest bearing balances	1,724	-
Floating interest bearing balances	10,203,376	9,940,362
Fixed interest bearing balances	36,313,792	35,379,404
Total	<u>46,518,892</u>	<u>45,319,766</u>
Current balances	<u>46,518,892</u>	<u>45,319,766</u>

17. Treasury bills and other governmental notes

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
91 Days maturity	-	-
182 Days maturity	3,669,700	1,289,425
364 Days maturity	49,441,511	57,602,997
Unearned interest	(3,097,887)	(4,238,574)
Total 1	<u>50,013,324</u>	<u>54,653,848</u>
Repos - treasury bills	(8,014,072)	(175,646)
Total 2	<u>(8,014,072)</u>	<u>(175,646)</u>
Net	<u>41,999,252</u>	<u>54,478,202</u>

18. Trading financial assets

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Debt instruments		
- Governmental bonds	2,270,080	6,728,843
Total	<u>2,270,080</u>	<u>6,728,843</u>
Equity instruments		
- Mutual funds	38,376	99,587
Total	<u>38,376</u>	<u>99,587</u>
- Portfolio managed by others	429,249	466,767
Total	<u>2,737,705</u>	<u>7,295,197</u>

19 . Loans and advances to banks, net

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Time and term loans	70,949	1,383
Impairment provision	<u>(3,246)</u>	<u>(70)</u>
Total	<u>67,703</u>	<u>1,313</u>
Current balances	<u>67,703</u>	<u>1,313</u>
Total	<u>67,703</u>	<u>1,313</u>

Analysis for impairment provision of loans and advances to banks

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Beginning balance	(70)	(1,800)
Release during the year	(3,140)	1,697
Exchange revaluation difference	<u>(36)</u>	<u>33</u>
Ending balance	<u>(3,246)</u>	<u>(70)</u>

20 . Loans and advances to customers, net

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Individual		
- Overdraft	1,635,910	1,780,416
- Credit cards	3,540,849	2,899,930
- Personal loans	17,180,864	13,910,837
- Real estate loans	<u>876,372</u>	<u>416,616</u>
Total 1	<u>23,233,995</u>	<u>19,007,799</u>
Corporate		
- Overdraft	13,992,595	12,450,826
- Direct loans	49,179,820	44,200,770
- Syndicated loans	32,899,950	26,627,825
- Other loans	<u>125,429</u>	<u>112,802</u>
Total 2	<u>96,197,794</u>	<u>83,392,223</u>
Total Loans and advances to customers (1+2)	<u>119,431,789</u>	<u>102,400,022</u>
Less:		
Unamortized bills discount	(65,718)	(12,476)
Impairment provision*	(13,040,828)	(10,994,446)
Unearned interest	<u>(16,038)</u>	<u>(2,965,997)</u>
Net loans and advances to customers	<u>106,309,205</u>	<u>88,427,103</u>
Distributed to		
Current balances	44,549,290	38,960,491
Non-current balances	<u>61,759,915</u>	<u>49,466,612</u>
Total	<u>106,309,205</u>	<u>88,427,103</u>

* 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					
	Overdraft	Credit cards	Personal loans	Real estate loans	Other loans	Total
Dec.31, 2018						
Beginning balance	(3,297)	(25,667)	(226,996)	(9,496)	-	(265,456)
Released (charged) released during the year	(798)	(24,509)	(51,976)	(12,889)	-	(90,172)
Write off during the year	-	42,967	228,363	-	-	271,330
Recoveries during the year*	(17)	(24,405)	(25,866)	-	-	(50,288)
Ending balance	(4,112)	(31,614)	(76,475)	(22,385)	-	(134,586)

	Corporate			Total	
	Overdraft	Direct loans	Syndicated loans		Other loans
Dec.31, 2018					
Beginning balance	(1,707,127)	(7,107,690)	(1,911,226)	(2,947)	(10,728,990)
Released (charged) released during the year	633,877	(2,927,862)	(688,890)	164	(2,982,711)
Write off during the year	-	356,501	571,273	-	927,774
Recoveries during the year*	-	(42,020)	-	-	(42,020)
Exchange revaluation difference	(7,115)	(45,697)	(27,483)	-	(80,295)
Ending balance	(1,080,365)	(9,766,768)	(2,056,326)	(2,783)	(12,906,242)

	Individual					
	Overdraft	Credit cards	Personal loans	Real estate loans	Other loans	Total
Dec.31, 2017						
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			Total	
	Overdraft	Direct loans	Syndicated loans		Other loans
Dec.31, 2017					
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 reflect credit risk or interest rate risk.

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

21.1.1 . For trading derivatives

	Dec.31, 2018			Dec.31, 2017		
	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>
Foreign currencies derivatives						
- Forward foreign exchange contracts	5,360,272	21,112	73,105	6,820,350	36,597	49,687
- Currency swap	3,628,415	18,243	12,807	1,640,985	3,117	5,860
Total (1)		<u>39,355</u>	<u>85,912</u>		<u>39,714</u>	<u>55,547</u>

21.1.2 . Fair value hedge

	Dec.31, 2018			Dec.31, 2017		
	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>
Interest rate derivatives						
- Governmental debt instruments hedging	662,803	-	9,164	655,925	-	25,996
- Customers deposits hedging	7,103,638	12,934	37,782	11,506,784	287	115,441
Total (2)		<u>12,934</u>	<u>46,946</u>		<u>287</u>	<u>141,437</u>
Total financial derivatives (1+2)		<u>52,289</u>	<u>132,858</u>		<u>40,001</u>	<u>196,984</u>

21.2 . Hedging derivatives
21.2.1 . Fair value hedge

The Bank uses interest rate swap contracts to cover part of the risk of potential decrease in fair value of its fixed rate governmental debt instruments in foreign currencies. Net derivative value resulting from the related hedging instruments is EGP 9,164 thousand at December 31, 2018 against EGP 25,996 thousand at the December 31, 2017. Resulting in gains from hedging instruments at December 31, 2018 EGP 16,832 thousand against EGP 19,633 thousand at the December 31, 2017. Losses arose from the hedged items at December 31, 2018 reached EGP 34,193 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 24,848 thousand at the end of December 31, 2018 against EGP 115,154 thousand at December 31, 2017, resulting in gains from hedging instruments at December 31, 2018 of EGP 90,306 thousand against losses of EGP 76,302 thousand at December 31, 2017. Losses arose from the hedged items at December 31, 2018 reached EGP 94,856 thousand against gains EGP 81,488 thousand at December 31, 2017.

22 . Financial investments

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Available for sale		
- Listed debt instruments with fair value	38,615,045	29,632,780
- Listed equity instruments with fair value	458,094	83,346
- Unlisted equity instruments by amortized cost	144,751	758,655
Total	39,217,890	30,474,781
Held to maturity		
- Listed debt instruments	73,598,251	45,135,209
- Unlisted instruments	32,513	32,513
Total	73,630,764	45,167,722
Total financial investment	112,848,654	75,642,503
- Actively traded instruments	108,496,980	73,721,199
- Not actively traded instruments	4,351,674	1,921,304
Total	112,848,654	75,642,503
Fixed interest debt instruments	110,985,264	72,612,620
Floating interest debt instruments	1,228,033	2,155,369
Total	112,213,297	74,767,989

	<u>Available for sale</u>	<u>Held to maturity</u>	<u>Total</u>
	<u>financial</u>	<u>financial</u>	
	<u>investments</u>	<u>investments</u>	EGP Thousands
Beginning balance	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	<u>30,474,781</u>	<u>45,167,722</u>	<u>75,642,503</u>
Beginning balance	30,474,781	45,167,722	75,642,503
Addition	12,670,761	33,995,313	46,666,074
Deduction	(1,872,988)	(5,532,271)	(7,405,259)
Exchange revaluation differences for foreign financial assets	102,991	-	102,991
Profit (losses) from fair value difference	(2,118,094)	-	(2,118,094)
Released (Impairment) charges of available for sale	(39,561)	-	(39,561)
Ending Balance as of Dec.31, 2018	<u>39,217,890</u>	<u>73,630,764</u>	<u>112,848,654</u>

22.1 . Profits (Losses) on financial investments

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
	441,628	(99,047)
	(39,561)	254,588
	-	9,570
Total	<u>402,067</u>	<u>165,111</u>

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

23 Investments in associates

Dec.31, 2018

Company's country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's net profit	EGP Thousands	
					Investment book value	Stake %
Egypt	-	-	-	-	14,100	23.50
Egypt	860,057	640,554	926,624	72,954	92,458	32.50
Total	<u>860,057</u>	<u>640,554</u>	<u>926,624</u>	<u>72,954</u>	<u>106,558</u>	

Associates

- Fawry plus

- International Co. for Security and Services (Falcon)

Total

Dec.31, 2017

Company's country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's net profit	EGP Thousands	
					Investment book value	Stake %
Egypt	512,388	367,470	505,461	52,695	65,039	32.50
Total	<u>512,388</u>	<u>367,470</u>	<u>505,461</u>	<u>52,695</u>	<u>65,039</u>	

Associates

- International Co. for Security and Services (Falcon)

Total

24 . Other assets

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Accrued revenues	4,509,314	3,870,454
Prepaid expenses	186,797	230,296
Advances to purchase of fixed assets	768,733	522,211
Accounts receivable and other assets (after deducting the provision)*	3,790,709	2,193,590
Assets acquired as settlement of debts	276,520	45,083
Insurance	30,945	24,973
Total	9,563,018	6,886,607

* A provision with amount EGP 317 million has been created against pending installments.

This item includes other assets that are not classified under specific items of balance sheet assets, such as: accrued income and prepaid expenses, amounts paid in advance relating to taxes on bills and bonds, custodies, debti accounts under settlement and any balance that has no place in another asset category.

25 . Property, plant and equipment

	Dec.31, 2018						Total
Land	Premises	IT	Vehicles	Fitting -out	Machines and equipment	Furniture and furnishing	EGP Thousands
Beginning gross assets (1)	64,709	996,629	1,646,187	89,363	658,343	516,763	4,123,683
Additions during the year	-	61,606	347,376	5,601	72,276	133,192	628,186
Disposals during the year*	-	(32,867)	(413,068)	(32,817)	(205,296)	(200,132)	(955,203)
Ending gross assets (2)	64,709	1,025,368	1,580,495	62,147	525,323	449,823	3,796,666
Accumulated depreciation at beginning of the year (3)	-	359,699	1,205,399	53,088	538,679	420,117	2,709,164
Current year depreciation	-	50,099	189,949	12,619	73,048	57,408	390,830
Disposals during the year*	-	(32,867)	(413,068)	(32,817)	(205,296)	(200,132)	(955,203)
Accumulated depreciation at end of the year (4)	-	376,931	982,280	32,890	406,431	277,393	2,144,791
Ending net assets (2-4)	64,709	648,437	598,215	29,257	118,892	172,430	1,651,875
Beginning net assets (1-3)	64,709	636,930	440,788	36,275	119,664	96,646	1,414,519
Depreciation rates	%5	%33.3	%20	%33.3	%20	%20	

Net fixed assets value on the balance sheet date includes EGP 316,688 thousand non registered assets while their registrations procedures are in process.

There was no impairment provision charged for fixed assets.

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

Property, plant and equipment

	Dec.31, 2017						Total
Land	Premises	IT	Vehicles	Fitting -out	Machines and equipment	Furniture and furnishing	EGP Thousands
Beginning gross assets (1)	64,709	919,258	1,395,638	87,660	607,773	459,572	3,679,064
Additions during the year	-	77,371	250,549	1,703	50,570	57,191	444,619
Disposals during the year*	-	-	-	-	-	-	-
Ending gross assets (2)	64,709	996,629	1,646,187	89,363	658,343	516,763	4,123,683
Accumulated depreciation at beginning of the year (3)	-	315,192	1,029,244	47,904	468,368	372,522	2,358,159
Current year depreciation	-	44,507	176,155	5,184	70,311	47,595	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	2,709,164
Ending net assets (2-4)	64,709	636,930	440,788	36,275	119,664	96,646	1,414,519
Beginning net assets (1-3)	64,709	604,066	366,394	39,756	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

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Current accounts	503,539	1,067,374
Deposits	6,756,280	810,544
Total	7,259,819	1,877,918
Central banks	190,801	128,527
Local banks	6,009,778	714,294
Foreign banks	1,059,240	1,035,097
Total	7,259,819	1,877,918
Non-interest bearing balances	257,355	740,158
Floating bearing interest balances	89,568	23,169
Fixed interest bearing balances	6,912,896	1,114,591
Total	7,259,819	1,877,918
Current balances	7,259,819	1,877,918

27 Due to customers

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Demand deposits	92,422,114	72,442,872
Time deposits	43,561,846	49,952,470
Certificates of deposit	81,059,934	70,486,930
Saving deposits	62,812,279	53,075,098
Other deposits	5,440,696	4,765,682
Total	285,296,869	250,723,052
Corporate deposits	116,842,160	107,753,682
Individual deposits	168,454,709	142,969,370
Total	285,296,869	250,723,052
Non-interest bearing balances	48,741,931	43,229,085
Floating interest bearing balances	23,738,113	21,022,474
Fixed interest bearing balances	212,816,825	186,471,493
Total	285,296,869	250,723,052
Current balances	202,126,154	178,786,275
Non-current balances	83,170,715	71,936,777
Total	285,296,869	250,723,052

28 Other loans

	<u>Interest rate %</u>	<u>Maturity date</u>	<u>Maturing through next year</u> EGP Thousands	<u>Balance on Dec.31, 2018</u> EGP Thousands	<u>Balance on Dec.31, 2017</u> EGP Thousands
Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years*	117,286	125,429	87,314
Social Fund for Development (SFD)	3 months T/D or 9% which is more	4 January 2020*	13,380	13,380	41,882
European Bank for Reconstruction and Development (EBRD) subordinated Loan	3 months libor + 6.2%	10 years	-	1,791,360	1,772,770
International Finance Corporation (IFC) subordinated Loan	3 months libor + 6.2%	10 years	-	1,791,360	1,772,770
Balance			130,666	3,721,529	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

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Accrued interest payable	1,347,397	1,516,471
Accrued expenses	733,218	507,543
Accounts payable	4,101,884	3,277,350
Other credit balances	319,054	175,167
Total	6,501,553	5,476,531

30 . Provisions

Dec.31, 2018	<u>Beginning balance</u>	<u>Charged amounts</u>	<u>Exchange revaluation difference</u>	<u>Utilized amounts</u>	<u>Reversed amounts</u>	<u>Ending balance</u>
						EGP Thousands
Provision for income tax claims	6,910	-	-	-	-	6,910
Provision for legal claims	45,773	12,820	7	(923)	-	57,677
Provision for contingent	1,470,302	-	(2,942)	-	(17,670)	1,449,690
* Provision for other claim	92,174	88,681	666	(1,191)	-	180,330
Total	1,615,159	101,501	(2,269)	(2,114)	(17,670)	1,694,607

Dec.31, 2017	<u>Beginning balance</u>	<u>Charged amounts</u>	<u>Exchange revaluation difference</u>	<u>Utilized amounts</u>	<u>Reversed amounts</u>	<u>Ending balance</u>
						EGP Thousands
Provision for income tax claims	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 at balance sheet date 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 (against EGP 11,618,011 thousand in 2017) 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 reserve to reaches 50% of The Bank's issued and paid in capital. Central Bank of Egypt concurrence for usage of special reserve is required.

32 . Deferred tax assets (Liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets (Liabilities) Dec.31, 2018 EGP Thousands	Assets (Liabilities) Dec.31, 2017 EGP Thousands
Fixed assets (depreciation)	(49,750)	(31,409)
Other provisions (excluded loan loss, contingent liabilities and income tax provisions)	53,552	31,038
Intangible Assets	53,657	36,712
Other investments impairment	65,788	56,698
Reserve for employee stock ownership plan (ESOP)	166,122	110,100
Interest rate swaps revaluation	4,695	5,340
Trading investment revaluation	7,394	(37,478)
Forward foreign exchange deals revaluation	6,912	8,629
Balance	308,370	179,630

	Assets (Liabilities) Dec.31, 2018 EGP Thousands	Assets (Liabilities) Dec.31, 2017 EGP Thousands
Movement of Deferred Tax Assets and Liabilities:		
Beginning Balance	179,630	181,308
Additions / disposals	128,740	(1,678)
Ending Balance	308,370	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 year are as follows:

	Dec.31, 2018 No. of shares in thousand	Dec.31, 2017 No. of shares in thousand
Outstanding at the beginning of the year	21,280	22,351
Granted during the year	8,338	7,601
Forfeited during the year	(828)	(737)
Exercised during the year	(5,032)	(7,935)
Outstanding at the end of the year	23,758	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	8,433
2020	10.00	65.55	7,175
2021	10.00	68.13	8,150
Total			23,758

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

	Dec.31, 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	9,637,083	6,193,879
Special reserve	20,645	20,645
Reserve for A.F.S investments revaluation difference	(3,750,779)	(1,642,958)
Banking risks reserve	4,323	3,634
IFRS 9 risk reserve	1,411,549	1,411,549
Ending balance	21,821,750	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, taken into consideration that IFRS 9 will be effective as of January 1, 2019.

34.1 . Banking risks reserve

	Dec.31, 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

	Dec.31, 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

	Dec.31, 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	(2,107,821)	537,286
Ending balance	(3,750,779)	(1,642,958)

34.4 . Retained earnings

	Dec.31, 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 year	9,581,994	7,515,555
Transferred (from) to bank risk reserve	(689)	(615)
Disposal of subsidiary	-	(152)
IFRS 9 risk reserve	-	(1,411,549)
Ending balance	9,637,083	6,193,879

34.5 Reserve for employee stock ownership plan

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Beginning balance	489,334	343,460
Transferred to reserves	(159,360)	(145,010)
Cost of employees stock ownership plan (ESOP)	408,346	290,884
Ending balance	738,320	489,334

35 . Cash and cash equivalent

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Cash and balances with central bank	20,058,974	14,663,289
Due from banks	46,518,892	45,319,766
Treasury bills and other governmental notes	41,999,252	54,478,202
Obligatory reserve balance with CBE	(13,526,763)	(8,878,986)
Due from banks with maturities more than three months	(10,733,386)	(1,719,586)
Treasury bills with maturities more than three months	(50,013,324)	(54,653,848)
Total	34,303,645	49,208,837

36 . Contingent liabilities and commitments

36.1 . Legal claims

- There is a number of existing cases filed against the bank on December 31,2018 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 165,676 thousand as follows:

	Investments value	Paid	Remaining
Available for sale financial investments	358,268	192,593	165,676

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 198,026 thousand.

36.3 . Letters of credit, guarantees and other commitments

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Letters of guarantee	66,166,953	69,514,413
Letters of credit (import and export)	4,178,288	1,700,516
Customers acceptances	1,050,573	1,017,690
Total	71,395,814	72,232,619

36.4 . Credit facilities commitments

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Credit facilities commitments	9,173,782	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 3,449,254 with redeemed value of EGP 1,247,250 thousands.
- The market value per certificate reached EGP 361.60 on December 31, 2018.
- The Bank portion got 137,112 certificates with redeemed value of EGP 49,580 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 511,604 with redeemed value of EGP 99,118 thousands.
- The market value per certificate reached EGP 193.74 on December 31, 2018.
- The Bank portion got 50,000 certificates with redeemed value of EGP 9,687 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 335,313 with redeemed value of EGP 34,336 thousands.
- The market value per certificate reached EGP 102.40 on December 31, 2018.
- The Bank portion got 27,690 certificates with redeemed value of EGP 2,835 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 91,131 with redeemed value of EGP 19,353 thousands.
- The market value per certificate reached EGP 212.37 on December 31, 2018.
- The Bank portion got 50,000 certificates with redeemed value of EGP 10,619 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 93,948 with redeemed value of EGP 21,779 thousands.
- The market value per certificate reached EGP 231.82 on December 31, 2018.
- The Bank portion got 50,000 certificates with redeemed value of EGP 11,591 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 145,943 with redeemed value of EGP 26,051 thousands.
- The market value per certificate reached EGP 178.50 on December 31, 2018.
- The Bank portion got 50,000 certificates with redeemed value of EGP 8,925 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	5,414
Deposits	137,766
Contingent liabilities	1,309

38.2. . Other transactions with related parties

	Income EGP Thousands	Expenses EGP Thousands
International Co. for Security & Services	94	277,139
CVenture Capital	850	2,041

39 . Main currencies positions

	Dec.31, 2018 EGP Thousands	Dec.31, 2017 EGP Thousands
Egyptian pound	(636,384)	182,639
US dollar	578,745	(313,246)
Sterling pound	2,189	(1,566)
Japanese yen	(20)	(523)
Swiss franc	658	637
Euro	37,144	46,768

Main currencies positions above represents what is recognized in the balance sheet position of the Central Bank of Egypt.

40 . Tax status

Corporate income tax

- Settlement of corporate income tax since the start of activity till 2016
- 2017 examined & paid
- The yearly income tax return is submitted in legal dates

Salary tax

- Settlement of salary tax since the start of activity till 2017

Stamp duty tax

- The period since the start of activity till 31/07/2006 was examined & paid, disputed points have been transferred to the court for adjudication
- The period from 01/08/2006 till 31/12/2017 was examined & paid in accordance with the protocol signed between the Federation of Egyptian Banks & the Egyptian Tax Authority

41 . Intangible assets:

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Book value	651,041	651,041
Amortization	(412,326)	(282,118)
Net book value	238,715	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

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Profits from disposal of investments in subsidiaries	-	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

	Dec.31, 2018	Dec.31, 2017
	EGP Thousands	EGP Thousands
Subsidiary net assets	-	(701,170)
Less:		
Add/Deduct:		
FX translation reserve	-	8,588
Non-controlling interests	-	157,127
CI Capital Holding Co. S.A.E sold stocks (Net)	-	704,355
Net	-	168,900

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

Cashflow disclosures
43 . Treasury bills and other governmental notes - net increase (decrease)

	Dec.31, 2018		Dec.31, 2017		Change
	Total	Net	Total	Net	
91 Days maturity	-	-	-	-	-
Unearned interest	-	-	-	-	-
Net					
182 Days maturity	3,669,700		1,289,425		
Unearned interest	(86,343)		(87,067)		
Net		3,583,357		1,202,358	(2,380,999)
364 Days maturity	49,441,511		57,602,997		
Unearned interest	(3,011,544)		(4,151,507)		
Net		46,429,967		53,451,490	7,021,523
Total unearned interest	(3,097,887)		(4,238,574)		
Net		50,013,324		54,653,848	
Change					4,640,524

Dec.31, 2017

	Dec.31, 2017		Dec.31, 2016		Change
	Total	Net	Total	Net	
91 Days maturity	-	-	1,051,375		
Unearned interest	-	-	(22,416)		
Net		-		1,028,959	1,028,959
182 Days maturity	1,289,425		4,350,975		
Unearned interest	(87,067)		(264,565)		
Net		1,202,358		4,086,410	2,884,052
364 Days maturity	57,602,997		36,010,730		
Unearned interest	(4,151,507)		(1,909,712)		
Net		53,451,490		34,101,018	(19,350,472)
Total unearned interest	(4,238,574)		(2,196,693)		
Net		54,653,848		38,187,428	
Change					(16,466,420)

44 . Other assets - net increase (decrease)

	Dec.31, 2018	
	EGP Thousands	
Total other assets by end of 2017	6,886,607	
Assets acquired as settlement of debts	(45,083)	
Advances to purchase of fixed assets	(522,211)	
Total 1	6,319,313	
Total other assets by end of 2018	9,563,018	
Assets acquired as settlement of debts	(276,520)	
Advances to purchase of fixed assets	(768,733)	
Unrealized amount from available for sale investments	(251,750)	
Impairment charge for other assets	316,763	
Total 2	8,582,778	
Change (1-2)	(2,263,465)	
	Dec.31, 2017	
	EGP Thousands	
Total other assets by end of 2016	5,715,667	
Assets acquired as settlement of debts	(56,599)	
Advances to purchase of fixed assets	(203,410)	
Total 1	5,455,658	
Total other assets by end of 2017	6,886,607	
Assets acquired as settlement of debts	(45,083)	
Advances to purchase of fixed assets	(522,211)	
Total 2	6,319,313	
Change (1-2)	(863,655)	

Non Cash Transactions:

Non-cash transactions that are not included in the statement of cash flows are as follows:

	Dec.31, 2018		
	EGP Thousands		
	Financial statements balance	Non cash transactions	Cash flow balance
Proceeds from selling available for sale financial investments	2,314,616	255,275	2,059,341
Payment for purchases of subsidiary and associates	(14,100)	(3,525)	(10,575)
Other assets	(2,515,215)	(251,750)	(2,263,465)



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