Bank of Alexandria
(Egyptian Joint Stock Company)

Financial Statements
At 31 December 2017
& Auditors' Report

BDO

BAKER TILLY

BDO Khaled & Co.
Public Accountant & Advisers

Wahid Abdel Ghaffar & Co.
Public Accountant & Consultants

Contents | **Page**

BAKER TILLY

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Public Accountant & Advisers

Translation of financial statements originally issued in Arabic

Auditors' Report

To the Shareholders of
Bank of Alexandria (S.A.E)

Report on the financial statements

We have audited the accompanying financial statements of Bank of Alexandria (S.A.E) which comprise the statement of financial position as of 31 December 2017 and the statements of income, cash flows, and change in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Bank's management, Management is responsible for the preparation and fair presentation of these financial statements in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and in light of the prevailing Egyptian laws and regulations, the management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements ,whether due to fraud or error. In making those risk assessment, 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 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 financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank of Alexandria (S.A.E) as of 31 December 2017, and 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 financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and in light of the prevailing Egyptian laws and regulations.

Report on Legal and Other Regulatory Requirements

No material contravention of the Central Bank of Egypt, Banking and Monetary Institutions Law No. 88 of 2003, were noted during the financial year ended 31 December 2017.

The bank keeps proper records, which include all that is required by law and the statutes of the bank, and the accompanying financial statements are in agreement therewith.

The financial information contained in the report of Board of Directors prepared in conformity with Law № 159 of 1981 and its executive regulations is in agreement with the bank's accounting records within the limits that such information is recorded therein.

Auditors

BAKER TILLY
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PUBLIC ACCOUNTANTS & CONSULTANTS

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BDO Khaled & Co.

BDO Khaled & Co.
BDO
Public Accountants & Advisors

Cairo, 31st January 2018

Bank of Alexandria
(Egyptian Joint Stock Company)
Balance sheet
At 31 December 2017

Assets	Note No.	31/12/2017 EGP 000	31/12/2016 EGP 000
Cash and due from Central Bank of Egypt	(16)	4 137 615	2 146 767
Due from banks	(17)	23 795 746	15 424 789
Treasury bills and other governmental notes	(18)	14 885 831	11 845 036
Loans and advances to customers	(19)	32 148 661	30 000 028
Financial assets classified at fair value through profit and loss	(20)	5 388	6 430
Financial investments :			
Available -for- sale	(21)	1 244 791	2 134 901
Held -to- maturity	(21)	31 885	26 565
Investments in associates	(22)	58 122	43 584
Intangible assets	(23)	152 308	41 222
Other assets	(24)	777 220	772 076
Fixed assets	(25)	459 331	370 789
Total assets		**77 696 898**	**62 812 187**
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(26)	404 737	318 947
Customers' deposits	(27)	63 537 024	51 620 592
Other loans	(28)	718 578	756 397
Other liabilities	(29)	2 049 291	2 100 442
Other provisions	(30)	564 728	510 687
Current income tax liabilities		515 376	154 152
Deferred tax liabilities	(31)	133 050	155 142
Retirement benefits obligations	(32)	798 000	705 629
Total Liabilities		**68 720 784**	**56 321 988**
Shareholders' equity			
Share capital	(33)	800 000	800 000
Reserves	(34)	1 896 198	1 609 248
Retained earnings	(34)	6 279 916	4 080 951
Total Shareholders' equity		**8 976 114**	**6 490 199**
Total liabilities and Shareholders' equity		**77 696 898**	**62 812 187**

The accompanying notes from page (6) to page (76) are an integral part of these financial statements and are to be read therewith.

Auditors' Report "attached"

Dante Campioni
CEO and Managing Director

Mohamed Raef
Chief Financial Officer

Bank of Alexandria

(Egyptian Joint Stock Company)

Statement of income

for the year ended 31 December 2017

	Note No.	For the year 31/12/2017 EGP 000	For the year 31/12/2016 EGP 000
Interest and similar income	(6)	9 268 731	5 423 714
Interest and similar expense	(6)	(4 407 137)	(2 094 690)
Net interest income		**4 861 594**	**3 329 024**
Fee and commission income	(7)	705 256	547 446
Fee and commission expense	(7)	(142 443)	(111 687)
Net fee and commission income		**562 813**	**435 759**
Net income		**5 424 407**	**3 764 783**
Dividend income	(8)	31 705	26 362
Net income from financial assets classified at fair value through profit and loss	(9)	1 651	2 926
Net trading income	(10)	87 351	97 578
Gain on financial investments	(21)	226 324	23 130
Bank's share in undistributed Profit of associated companies		18 020	4 337
Impairment loss on loans and advances	(13,19)	(234 222)	(97 667)
Administrative expenses	(11)	(1 822 402)	(1 702 299)
Other operating expenses	(12)	(67 532)	(249 905)
Net profit before income tax		**3 665 302**	**1 869 245**
Income tax expense	(14)	(882 557)	(355 279)
Net profit for the year		**2 782 745**	**1 513 966**
Earnings per share (EGP/share) - Basic	(15)	**6.26**	**3.41**

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Dante Campioni
CEO and Managing Director

Mohamed Raef
Chief Financial Officer

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of cash flows
for the year ended 31 December 2017

		For the year ended	
		31/12/2017 EGP 000	**31/12/2016 EGP 000**
Cash flows from operating activities			
Net profit before tax		3 665 302	1 869 245
Adjustments to reconcile net profit to cash flows from operating activities			
Depreciation and amortization	(25,23)	104 993	81 892
Impairment loss on loans and advances	(19,13)	234 222	97 667
Other provisions formed	(30)	69 955	22 311
Net income from financial assets classified at fair value through profit and loss		(1 651)	(2 926)
Provisions used (other than loans provision)	(30)	(17 252)	(31 009)
Foreign currencies revaluation differences of other provisions	(30)	4 135	42 332
Foreign currencies revaluation differences of other loans		(19 102)	71 338
Trading financial investments revaluation differences other than financial assets held for trading		(572)	-
Revaluation differences of the fair value reserve / Financial investments held for trading	(34.C)	(2 871)	-
Interest income from treasury bills and bonds - impact of the recalculation of bonds by the amortized cost	(34.C)	(167)	1 066
Losses (Gains) from sale of fixed assets		(3 934)	(799)
Dividend income	(8)	(31 705)	(26 362)
Impairment of equity avaiable for sale	(21)	4 196	-
Gains from financial investments (other than financial assets held -for- trading)	(21)	(230 520)	(23 130)
Gains of financial investments transferred from reserve of fair value account		(337 749)	(2 729)
Bank's share in undistributed Profit of associated companies		(18 020)	(4 337)
Operating profits before changes in assets and liabilities used in operating activities		**3 419 260**	**2 094 559**
Net decrease (increase) in assets and (decrease) increase in liabilities			
Balances with Central Bank within the mandatory reserve percentage		(1 941 203)	2 185 680
Due from banks		4 471 000	(4 500 000)
Treasury bills and other governmental notes		(1 564 693)	2 639 946
Loans and advances to customers		(2 383 554)	(5 303 421)
Financial assets classified at fair value through profit and loss		2 693	-
Other assets		(59 700)	(357 220)
Due to banks		85 790	(1 229 884)
Customers' deposits		11 916 432	14 055 092
Other liabilities		322 873	419 702
Retirement benefits obligations		92 371	72 006
Paid taxes		(504 802)	(468 764)
Net cash flows provided from operating activities		**13 856 467**	**9 607 696**
Cash flows from investing activities			
Payments to purchase fixed assets and preparation of branches	(25)	(157 121)	(45 847)
Proceeds from sale of fixed assets		11 515	1 920
Proceeds from sale of financial investments other than financial assets held -for- trading		1 346 489	2 452 057
Payments to purchase financial investments other than financial assets held -for- trading		(38 048)	(1 367 549)
Payments to purchase intangible assets		(102 623)	3 308
Dividends Received (include dividends from associates)		35 187	27 896
Net cash flows provided/(used in) from investing activities		**1 095 399**	**1 071 785**
Cash flows from financing activities			
Proceeds from other loans		(118 733)	(57 244)
Payments of other loans		100 016	616 240
Dividends paid		(565 445)	(321 553)
Net cash flows used in financing activities		**(584 162)**	**237 443**
Net change in cash and cash equivalents during the year		14 367 704	10 916 924
Cash and cash equivalents at the beginning of the year		19 435 926	8 519 002
Cash and cash equivalents at the end of the year		**33 803 630**	**19 435 926**
Cash and cash equivalents are represented in the following (note no. 36):			
Cash and due from Central Bank		4 137 615	2 146 767
Due from banks		23 795 746	15 424 789
Treasury bills and other governmental notes		14 885 831	11 845 036
Balances with Central Bank within the mandatory reserve percentage		(2 660 156)	(718 953)
Deposits with banks with maturity more than three months *		(29 000)	(4 500 000)
Treasury bills and other governmental notes (with maturity more than 3 months)		(6 326 406)	(4 761 713)
Cash and cash equivalents		**33 803 630**	**19 435 926**

Non-cash transactions

For the purpose of preparing the statement of cash flows the following non - cash transactions were eliminated:

EGP 000 52 458 from both payments to purchase intangible assets and fixed assets and the change in debit balances, which represent the amounts, transferred from assets under construction.

EGP 000 196 755 from both changes in fair value reserve and financial investments available for sale (investments valuation differences).

* From the date of acquisition.

The accompanying notes from page (6) to page (76) are an integral part of these financial statements and are to be read therewith.

Dante Campioni
CEO and Managing Director

Mohamed Raef
Chief Financial Officer

Bank of Alexandria

(Egyptian Joint Stock Company)

Statement of changes in shareholders' equity

for the year ended 31 December 2017

	Note No.	Share capital EGP 000	Reserves EGP 000	Retained earnings EGP 000	Total EGP 000
Balance as at 31 December 2015		800 000	1 401 949	3 281 374	5 483 323
Transferred to Legal Reserve		-	19 856	(19 856)	-
Profit appropriation for the year 2015		-	-	(695 577)	(695 577)
Net change in fair value of the Available-for-Sale Investments		-	188 487	-	188 487
Net change in General Banking Risks Reserve		-	(1 044)	1 044	-
Net profit for the year ended 31 December 2016		-	-	1 513 966	1 513 966
Balance as at 31 December 2016		**800 000**	**1 609 248**	**4 080 951**	**6 490 199**
Balance as at 31 December 2016		800 000	1 609 248	4 080 951	6 490 199
Transferred to special capital reserve	(34)	-	799	(799)	-
Profit appropriation for the year 2016		-	-	(191 421)	(191 421)
Net change in fair value of the Available-for-Sale Investments	(34)	-	(105 409)	-	(105 409)
Net change in General Banking Risks Reserve	(34)	-	25	(25)	-
Net profit for the year ended 31 December 2017		-	-	2 782 745	2 782 745
Transferred to IFRS 9 Risks Reserve		-	391 535	(391 535)	2 782 745
Balance as at 31 December 2017		**800 000**	**1 896 198**	**6 279 916**	**8 976 114**

The accompanying notes from page (6) to page (76) are an integral part of these financial statements and are to be read therewith.

Dante Campioni
CEO and Managing Director

Mohamed Raef
Chief Financial Officer

Bank of Alexandria
(Egyptian Joint Stock Company)
Profit Appropriation Statement (Proposed)
for the year ended 31 December 2017

	31/12/2017	31/12/2016
	EGP 000	EGP 000
Net profit for the year	2 782 745	1 513 966
Less:		
Capital gains transferred to reserve according to the law	(3 934)	(799)
Banking risk reserve	(25)	1 044
Banking risk reserve - IFRS 9 *	(391 535)	-
Net profit for the year available for distribution	2 387 251	1 514 211
Retained earnings at the beginning of the year	3 888 730	2 565 940
Total	**6 275 981**	**4 080 151**
Appropriation		
Legal reserve *	-	-
Shareholders' dividends	1 166 086	40 000
Employees' profit share **	277 878	151 421
Retained earnings carried forward	4 832 017	3 888 730
	6 275 981	**4 080 151**

* Starting from 2015, as prescribed by the article of association , the bank will no longer deduct from issued and paid - in - capital as it exceeded the 50 % range

** The Employees' profit share was calculated as 10% for Net profit for the year available for distribution excluding the IFRS 9 reserve effect.

The accompanying notes from page (6) to page (76) are an integral part of these financial statements and are to be read therewith.

Dante Campioni

CEO and Managing Director

Mohamed Raef

Chief Financial Officer

1- General information

- Bank of Alexandria renders retail, corporate and investment banking services in Arab Republic of Egypt through its Head Office in Cairo (49, Kasr El Nil street) and through 210 branches and banking units, and employs 4 707 staff members as of 31 December 2017.

- Bank of Alexandria (S.A.E) was established on 17 April 1957, as a State wholly owned commercial bank. On 31 October 2006, SanPaolo I.M.I (Italian Bank) acquired 80% of its issued and paid-in capital. On 1 January 2007, a merger was announced between SanPaolo I.M.I and Banca Intesa S.P.A., and the name of SanPaolo I.M.I has been amended to Intesa Sanpaolo S.P.A.
- Bank of Alexandria currently performs its activities under the provisions of the Central Bank, Banking Sector, and Monetary Law No. 88/2003.

- On 22 March 2009, the International Finance Corporation I.F.C purchased 9.75% of the bank shares, so Intesa Sanpaolo S.P.A capital share decreased to 70.25%.

- The Bank's Board of Directors' have approved the financial statements hereunder for issuance on 31 January 2018.

2- Summary of accounting policies

Following are the significant accounting policies applied in the preparation of the financial statements. These policies have been consistently applied for all periods presented unless otherwise stated.

A- Basis of preparation of financial statements

The financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) issued in 2006 and their amendments and in accordance with the instructions of the Central Bank of Egypt (CBE), approved by its Board of Directors on 16 December 2008 that are compliant with the standards referred to; under the historical cost convention, as modified by revaluation of financial assets, liabilities held for trading, financial assets and liabilities classified at inception at fair value through profit and loss, available for sale financial investments and all financial derivatives contracts.

The financial statements of the Bank have been prepared in accordance with the provisions of the relevant local laws.

B- Associates

Associates are entities over which the bank exercises a direct or indirect significant influence without reaching the extent of control. Normally the bank holds ownership equities ranging between 20% and 50% of the voting rights.

Purchase method of accounting has been applied for the bank's acquisition of companies. The acquisition cost is measured by fair value or the equivalent value offered by the bank for acquired assets and/or issued shareholders' equity's instruments and/or obligations the bank incurred and/or obligations the bank accepted on behalf of the acquired company to complete the acquisition process at the date of the exchange process, plus any costs that can be directly attributed to the acquisition process. Net assets including acquired defined potential obligations are measured at fair value at the acquisition date regardless of the minority's rights existence. The excess of the acquisition cost over the fair value of the bank’s share in the net assets is considered goodwill. And if there is a decrease in the acquisition cost below the net fair value referred to, the difference shall be recorded directly in the income statement within the item of “Other operating income (expenses)”.

The associates in the bank's financial statements are accounted by the equity method. In addition, dividend payouts are deducted in the value of the investment when approved.

C- Segment reporting

A business segment is a group of assets and operations related to providing products or services subject to risk and returns, different from those that are related to other business segments. A geographical segment is related to providing products and services within the same economic environment subject to risk and returns different from those that are related to other geographical segments that operate in a different economic environment.

D- Foreign currencies translation

D-1 Functional and presentation currency:

The bank's financial statements presented to the nearest thousand Egyptian pounds, which represents the bank's functional and presentation currency.

D-2 Transactions and balances in foreign currencies

- The bank holds its accounts in the Egyptian pound. Transactions in foreign currencies during the fiscal period are recorded using the prevailing exchange rates at the date of the transaction. Balances of assets and liabilities with monetary nature in foreign currency are re-evaluated at the end of the year using the prevailing exchange rates at that date. The gains and losses resulting from settlement of such transactions, as well as the differences resulting from the re-evaluation, are recognized in the income statement among the following items:

- Net trading income or net income on the financial instruments classified at inception in fair value through the profit and loss of assets / liabilities held for trading or those classified at inception in fair value through profit and loss according to their type.

- Shareholders' equity for financial derivatives which are eligible for qualified hedge for cash flows or eligible for qualified hedge for net investment.

- Other operating income (expenses) for the remaining items.

- Changes in the fair value of the financial instruments with monetary nature in foreign currencies, classified as investments available for sale (debt instruments), are analyzed into evaluation differences resulting from changes in the amortized cost of the instruments, differences resulting from changes in the prevailing exchange rates or differences resulting from the changes in the instrument's fair value. The evaluation differences resulting from the changes in the amortized cost are recognized in the income statement within "Interest income and similar income". The differences relating to exchange rates changes are recognized in "Other operating income (expenses)", whereas the change in the fair value (fair value reserve/financial investments available for sale) are recognized within shareholders' equity.

- The revaluation differences resulting from items other than those with monetary nature include the gains and losses resulting from the change of the fair value such as the equity instruments held in fair value through profit and loss. The revaluation differences resulting from equity instruments classified as financial investments available for sale are recognized within the fair value reserve in the shareholders' equity.

E- Financial assets

The bank classifies financial assets among the following categories: financial assets classified at fair value through profit and loss, loans and receivables, financial investments held to maturity and financial investments available for sale. The management determines the classification of its investments at initial recognition.

E-1 Financial assets classified at fair value through profit and loss:

This category includes financial assets held for trading and assets classified at inception at fair value through profit and loss.

- A financial instrument is classified as an instrument held for trading if it is primarily acquired for the purpose of the sale in the short term or if it represents a part of a portfolio of specific financial instruments that are managed together and there is evidence of recent actual transactions that resulted in short-term profit taking. Further, derivatives are classified as held for trading.
- Financial assets are classified at inception at the fair value through profit and loss in the following cases:

  - When such classification reduces the measurement inconsistency that could arise from handling the related derivative as held for trading at the time of the valuation of the financial instrument in the place of the derivative at amortized cost for loans and facilities to banks and customers, and issued debt instruments.
  - When some investments, such as investments in equity instruments are managed, and valuated at fair value according to the investment strategy or risk management and reports are prepared for the top management on this basis;
  - The financial instruments such as held debt instruments, which contain one or more embedded derivatives that strongly affect cash flows are classified through fair value through profit and loss.

- Profits and losses resulting from changes in the fair value of the financial derivatives that managed in conjunction with the assets and liabilities classified at inception at fair value through profit and loss are recorded in the income statement under "Net income from financial instruments classified at inception at fair value through profit and loss".

- No reclassification for any derivative from the financial instruments valuated at fair value through profit and loss is made during the period in which it is held or its validity period. In addition, any instrument from the financial instruments valuated at fair value through profit and loss, is not reclassified if it has been classified by the bank at its initial recognition as an instrument valuated at fair value through profit and loss.

E-2 Loans and receivables

Loans and receivables represent non-derivative financial assets with fixed or determinable payment that are not quoted in an active market, with the exception of:

- Assets which the bank intends to sell immediately or in the short term. In which case, they are classified as assets held for trading or assets classified at inception at fair value through profit and loss.
- Assets classified as available for sale at initial recognition.
- Assets for which the bank will not be able to substantially recover the value of its initial investment for reasons other than creditworthiness deterioration.

E-3 Held -to- maturity financial investments

Held to maturity investments represent non- derivative financial assets with fixed or determinable amount of payment and with a fixed maturity date, which the bank's management has the intention and the ability to hold and maintain until the date of maturity. The whole group is to be reclassified as available for sale in case the bank sells a significant part of assets held to maturity except in cases of necessity.

E-4 Available -for- sale investments

Available for sale investments are non-derivative financial assets the bank has the intention to hold and maintain for an indefinite period. Such assets may be sold in response to needs for liquidity or to changes in interest rates, exchange rates, or equity prices.

The following is applied to financial assets:

- Purchase and sale transactions of the financial assets classified at fair value through profit and loss, of the held-to-maturity financial investments and of the available-for-sale investments shall be recognized in the ordinary way on the trade date on which the bank is committed to purchase or sell the asset.

- The financial assets which are not classified at inception at fair value through profit and loss shall be recognized at fair value plus the transaction costs, whereas financial assets classified at inception at fair value through profit and loss are recognized only at fair value with the transaction costs associated to those assets being reported in the income statement under "Net Trading Income" item.

- Financial assets shall be derecognized when the contractual right validity to receive cash flows from the asset expires or when the bank transfers most of risk and returns associated with the ownership to a third party. Financial liabilities are derecognized when they expire by either discharging, cancellation, or the expiration of the contractual period.

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

- Gains and losses resulting from changes in the fair value of assets classified at fair value through profit and loss shall be recognized in the income statement in the period in which they are made, while the gains and losses arising from changes in the fair value of the available for sale investments shall be directly recognized in shareholders' equity statement, until the asset is derecognized or impaired. In which case, the cumulative profit and losses previously recognized in shareholders' equity statement shall be recognized in the income statement.

- Income calculated at the amortized cost method and gains and losses on foreign currencies related to the assets with monetary nature classified as available-for-sale assets shall be recognized in the income statement. Dividends resulting from equity instruments classified as available for sale shall be recognized in the income statement when the right of the bank to receive payment is established.

- Fair value of the investments quoted in active markets shall be defined pursuant to the current Bid Prices. In case there is no active market for the financial assets or the current Bid Prices are unavailable, the bank shall define the fair value by using one of the valuation methods. This includes either using arm's length transactions, discounted cash flow analysis, options pricing models or other valuation methods commonly used by market traders. In case the bank is unable to estimate the fair value of equity instruments classified as available for sale, their value shall be measured by cost after deducting any impairment in value.

- The bank shall reclassify the financial asset previously classified within the group of financial instruments available for sale and within the definition of loans and receivables (bonds or loans) by transferring the same from the group of available for sale instruments to the group of loans and receivables or to financial assets held-to-maturity as the case may be, when the bank has the intention and the ability to hold and maintain these assets through the near future or until maturity date. The reclassification shall be made at fair value on the date of reclassification. Any gains or losses related to these assets, which previously recognized within shareholders' equity shall be treated as follows:

  1- In case of the reclassification of financial assets with fixed maturity date, the gains or losses shall be amortized over the remaining lifetime of the investment held to maturity by using the effective interest rate method. Any value difference based on the amortized cost and the value based on maturity date shall be amortized over the remaining lifetime of the financial asset by using the effective interest rate method. Later, in case of any impairment in the financial asset value, any gains or losses previously recognized directly among shareholders' equity shall be recognized in the profit /loss statement.

  2- In case of the financial asset that has an unfixed maturity date, the gains or losses shall remain within shareholders' equity until the asset is sold or disposed, and then be recognized within profit /loss statement. Later, in case of any impairment in the asset's value, any gains or losses previously recognized directly in shareholders' equity shall be recognized in the profits and losses as well.

- If the bank adjusts its estimates of payments or receivables, the book value of the financial asset (or the group of financial assets) shall be settled in a way that reflects the actual cash flows and the adjusted estimates, provided that the book value is recalculated by calculating the present value of future cash flows estimated by the actual return rate of the financial instrument. The result of the settlement shall be recognized as revenue or expenses in the profit and loss.

- In all cases, if the bank reclassifies a financial asset according to the abovementioned and on a subsequent date it raises its estimates of future cash receipts due to an increase in recovered cash, then the impact of this increase shall be recognized as an adjustment of the actual rate of return from the date of the estimates change and not as a settlement to the asset's book balance on the date of estimates change.

F- Offsetting of financial instruments

Financial assets and liabilities are offset in case the bank has a legal right in force to undertake the offsetting of the recognized amounts and it intends to settle the amounts on a net basis or to receive the asset and settle the liability simultaneously.

The items of the agreements for purchasing treasury bills with commitment to resell and the agreements for selling treasury bills with commitment to repurchase shall be presented based on the net basis in the balance sheet within the item of treasury bills and other governmental notes.

G- Financial Derivatives

Derivatives shall be recognized at fair value at the date of the entering into its contract and subsequently be re-measured at fair value. The fair value is defined either from the quoted market prices in the active markets, recent market transactions, or valuation techniques such as discounted cash flow models and options pricing models, as appropriate. All derivatives shall be recognized within the assets if their fair value is positive or within the liabilities if their fair value is negative.

H- Interest income and expense

Interest income and expense of all interest-bearing financial instruments, except those classified as held-for-trading or which been classified at inception at fair value through profit and loss shall be recognized in the income statement under "Interest income on loans and similar income" item or "Interest expenses on deposits and similar charges" by using the effective interest rate method.

The effective interest rate is the method to calculate the amortized cost of a financial asset or liability and to distribute the interest income or expenses over the related instruments' lifetime. The actual rate of return is the rate used to discount the estimated future cash flows of expected payments or receivables during the expected lifetime of the financial instrument or shorter period of time when appropriate in order to reach accurately the book value of a financial asset or liability. When the effective rate of return is calculated, the bank estimates cash flows by considering all the contractual terms and conditions of the financial instrument's contract (for example accelerated repayment options) and not to consider the future credit losses. The method of calculation includes all fees paid or received by and between the contract's parties, which are considered part of the effective interest rate. The cost of transaction includes any premiums or discounts.

When loans or receivables are classified as non-performing or impaired ones as the case may be, the related interest income shall not be recognized nor recorded as off-balance sheet items. However, such interest income shall be recognized under the revenue item pursuant to the cash basis according to the following:

H-1 As for consumer loans, mortgage loans for personal housing and small loans for economic activities, when the interest income is collected and after arrears are fully recovered.

H-2 As for corporate loans, the cash basis shall be also applied, as the return rose according to loans' rescheduling contract terms until payment of 25% of the rescheduling installments and at a minimum of one year of regular payments. In case of the continuation of the customer to repay regularly then the calculated interest will be included in the balance of the loan and included in the income (return on the balance of regular rescheduling) without the marginal interest before the rescheduling, which is not included in the income except after the full repayment of the loan's balance in the balance sheet before rescheduling.

I- Fee and commission income

Fees due from servicing the loan or facility shall be recognized in the income when performing the service, while the fee and commission income related to non-performing or impaired loans or receivables shall not be recognized, as it shall be on off-balance sheet of the financial statements. Then it shall be recognized within the income pursuant to the cash basis when the interest income is recognized according to item (h-2). As for fees, which represent an integral part of the actual return of the financial assets in general, they shall be treated as an amendment to the effective rate of return.

Commitment fees on loans shall be postponed, if there is a probability that these loans will be withdrawn, taking into account that these fees which the bank receives are a compensation for the constant intervention to acquire the financial instrument. Then they shall be recognized by amending the effective rate of return on the loan. When the period of commitment expires without the loan being issued by the bank, these fees shall be recognized within the income at the expiry of the commitment's validity.

Fees on debt instruments measured at fair value shall be recognized within revenue at the initial recognition. Fees on the promotion of the syndicated loans shall be recognized within revenue when the promotion process is completed, and the bank does not retain any portion of the loan or if the bank retains a portion for itself earning of the actual rate return which is available to other participants as well.

Fees and commission resulting from negotiations or the participation in negotiations on a transaction in favor of a third party shall be recognized within the income statement- such as the arrangement of the acquisition of shares or other financial instruments, or the acquisition or selling of premises- when the specific transaction is completed. The administrative consultations fees and other services are normally recognized based on the distribution over time relative to the service performance period. However, the financial planning management fees and conservation services fees, which are provided for long periods of time, are recognized over the period during which the service is performed.

J- Dividend income

Dividend income shall be recognized when the right to receive such income is established.

K- Purchase and resale agreements and sale and repurchase agreements

The financial instruments sold under repurchase agreements within the assets of the balances of treasury bills and other governmental notes in the balance sheet. Whereas, the liability (purchase and resale agreements) is deducted from the treasury bills and other governmental notes in the balance sheet. The difference between the sell price and repurchase price is recognized as a return over the period of the agreement by applying the effective interest rate method.

L- Impairment of financial assets

L-1 Financial assets recorded at amortized cost

At reporting dates, the bank assesses whether there is objective evidence on the impairment of a financial asset or a group of financial assets. The financial asset or the group of assets shall be considered impaired and impairment losses shall be recognized when there is objective evidence on the impairment as a consequence of an event or more events that occurred after the initial recognition of the asset and such (Loss Event) affects the reliability of the estimated future cash flow of the financial asset or the group of financial assets.

The indicators that the bank considers determining the existence of objective evidence on impairment losses include the following:

- Significant financial difficulties that face the borrower / debtor;
- Breach of the terms of the loan facility, such as the stopping of repayments;
- Expectation of the declaration of the borrower's bankruptcy, the entering into the liquidation lawsuit or the restructuring of the granted finance;
- Deterioration of the competitive position of the borrower;
- Granting privileges or concessions by the bank to the borrower for legal or economic reasons related to the latter’s financial difficulties, which the bank may not accept granting the same in ordinary circumstances;
- The impairment of the collateral's value;
- The deterioration of the credit situation and positions.

Objective evidence of the impairment losses of a group of financial assets includes the existence of observable data indicating a decrease in the measurement in the future cash flows of the group since the initial recognition though it is not possible to determine the decline of each individual asset, such as the increase of default cases in regards with a bank product.

The bank estimates the period between the loss event and its identification for each specific portfolio. This period normally ranges between three and twelve months.

Further, the bank first assesses whether there is objective evidence of impairment exists for each individual financial asset if it represents significance. The assessment is made individually or collectively for the financial assets that are not significant on an individual basis. In this regard, the following shall be taken into account:

- If the bank identifies there is no objective evidence on the impairment of a financial asset assessed separately whether it has a significance of its own or not, then this asset shall be added to the group of financial assets with similar credit risk features for assessment together to estimate impairment pursuant to historic default ratios.

- If the bank identifies the existence of objective evidence of impairment of a financial asset assessed separately, then this asset shall not be included in the group of assets for which impairment losses are assessed on a collective basis.

- If the aforementioned assessment resulted in the non-existence of impairment losses, then the asset is included in the group.

The amount of impairment loss provision shall be measured by the difference between the asset's book value and the present value of expected future cash flows discounted by applying the original effective interest rate of the asset, future credit losses not incurred should not be included in the above. The book value of the asset shall be reduced by using the impairment losses provision's account and the impairment charge on credit losses, shall be recognized in the income statement .

If the loan or investment held to maturity date bears a variable interest rate, then the discount rate applied to measure any impairment losses, shall be the effective interest rate pursuant to the contract on determining the existence of objective evidence of the impairment of the asset. For practical purposes, the bank may measure the impairment loss value on the basis of the instrument's fair value by applying the quoted market rates. As for collateralized financial assets, the present value of the future cash flows expected from the financial asset shall be credited. Besides, these flows which result from the implementation and selling of the collateral after deducting the expenses related thereto shall be credited.

For the purposes of the estimation of impairment on group basis, the financial assets are pooled in groups of similar characteristics in terms of credit risk, based on classification process conducted by the bank, taking into consideration the type of asset, the industry, the geographical location, the collateral type, the position of arrears, and the other related factors. These characteristics are related to the assessment of future cash flows of the groups of these assets, as they are deemed an indicator of the debtors' ability to repay the amounts due pursuant to the contractual conditions of the assets under consideration.

Upon estimating the impairment of a group of the financial assets based on historical default ratios, the future cash flows of the group shall be estimated based on the contractual cash flows of the banks' assets and the amount of historical losses of these assets with similar credit risk characteristics of these assets held by the bank. The amount of historical losses shall be adjusted based on the current disclosed data in a way that reflects the impact of the current conditions which did not occur in the period over which the amount of historical losses has been identified. Besides, this will cause that the effects of the conditions that existed in the historical periods but no longer exists be cancelled.

The bank seeks that the forecasts of changes in cash flows of a group of assets are reflected in line with these changes in relevant reliable data which occur from time to time; for example, changes in unemployment rates, real estate prices, the position of repayments and any other factors indicating changes in the likelihood of loss in the group and its amount. The bank conducts a periodic review of the method and assumptions used to estimate future cash flows.

L-2 Financial investments available-for-sale

On each reporting date, the bank estimates whether there is objective evidence on the impairment of an asset or a group of assets classified within financial investments available for sale or financial investment held to maturity.

In the case of the existence of investments in equity instruments classified as available-for-sale investments, the significant or prolonged decline in the fair value of the instrument below its book value shall be taken into account upon the estimation of whether there is impairment in the asset or not.

The decline shall be considered as a significant one, when it reaches 10% of the book value cost and the decline shall be considered as a prolonged one if it continues for more than 9 months. If the mentioned evidence is available, then the accumulated loss shall be carried over from shareholders' equity to the income statement. The impairment in value recognized in the income statement concerning equity's instruments shall not be reversed, if a later increase in the fair value occurs. Meanwhile, in case the fair value of debt instruments classified available-for-sale instruments has increased, and has been found possible to objectively link the mentioned increase to an event that took place after the recognition of impairment in the income statement, then the impairment shall be reversed through the income statement.

M- Investments Property

Investments property represent lands and buildings the bank owns in order to obtain rental revenues or capital appreciation. Consequently, these investments do not include the real estate assets where the bank practices its business and activities or the assets reverted to the bank in settlement of debts. The same accounting method applied for fixed assets, shall be applied for investments property.

N- Intangible assets

N-1 Computer software

Expenditure on the development or maintenance of the computer software shall be recognized when being incurred in the income statement. Expenditures associated directly with specific software under the bank's control which are expected to generate economic benefits exceeding their cost for more than a year shall be recognized as intangible asset. The direct expenses include the cost of the staff involved in the software development, in addition to an adequate share of related overheads.

Expenditure which leads to the increase or expansion in the performance of computer software beyond their original specifications shall be recognized as a development cost and shall be added to the cost of original software.

The cost of the computer software shall be amortized over their expected useful life with a maximum of three years starting from the year 2010.

N-2 Other intangible assets

Other intangible assets represent intangible assets other than goodwill and computer software (for example but not limited to trademark, licenses, and benefits of rental contracts).

The recognition of other intangible assets, at their acquisition cost, shall be recognized and amortized on the straight-line method or based on the economic benefits expected from these assets over their estimated useful life. Concerning the assets which do not have a finite useful life, they shall not be subject to amortization; however, they shall be annually assessed for impairment and the value of impairment, (if any), shall be charged to the income statement.

O- Fixed assets

Lands and buildings are mainly represented in head office premises, branches, and offices. All fixed assets shall be disclosed at historical cost minus accumulated depreciation and impairment losses. The historical cost includes expenses directly attributable to the acquisition of the fixed assets' items.

Subsequent expenditures shall be recognized within the book value of the outstanding asset or as an independent asset, as appropriate, when the generation of future economic benefits to the bank from the concerned asset and the reliable determination of its cost become possible. Any maintenance and fixing expenses, during the period in which they are incurred, shall be carried to other operating expenses.

Land shall not be subject to depreciation, while depreciation of other fixed assets shall be calculated using the straight-line method to allocate the cost over the useful life of the asset in a way that the remaining carrying value would equal to its residual value as follows:

Buildings and constructions	20 years
Elevators	10 years
Leased real estate improvements	4 years or leasing period, whichever is less
Office furniture	10 years
Machinery	10 years
Means of transport	5 years
Computers /core banking system	5 years
Fittings and fixtures	10 years

The residual value and useful life of the fixed assets shall be reviewed on each reporting date and shall be adjusted whenever required. Depreciated assets shall be reviewed for purposes of determining the extent of impairment when an event or a change in conditions suggesting that the book value may not be redeemable occurs. Consequently, the book value of the asset shall be reduced immediately to the asset's net realizable value in case of the increase of the book value over the net realizable value.

The net realizable value represents the net selling value of the asset or its utilization value whichever is greater. Gains and losses from the disposal of fixed assets shall be determined by comparing the net proceeds at book value. Gains (losses) shall be included within other operating income (expenses) in the income statement.

P- Impairment of non-financial assets

Assets other than goodwill, which do not have a finite useful life, shall not be subject to amortization and shall be reviewed annually to determine whether there is any indication of impairment. Impairment of depreciable assets shall be assessed, whenever there are events or changes in conditions suggesting that the book value may not be redeemable.

The impairment loss shall be recognized, and the asset's value shall be reduced by the in the asset's book value over its net realizable value. The net realizable value represents the net selling value of the asset or its utilization value whichever is greater. For purposes of the estimation of impairment, the asset shall be linked to the smallest available cash-generating unit. On the date of the preparing the financial statements, the non-financial assets that have been impaired shall be reviewed to assess a reversal of the impairment to the income statement.

Q- Finance Lease

Finance lease is accounted for pursuant to law no. 95 for the year 1995 on leasing; if the lease contract gives the lessee the right to purchase the asset on a fixed date for a fixed amount and the contract's period represents more than 75% of the asset's expected useful life at least or the present value of total rental payments represents is not less than 90% of the asset value. Other leasing contracts shall be considered operational leasing ones.

Q-1 Lease

With regard to financial leasing contracts, the lease cost including the maintenance cost of leased assets shall be recognized within the expenses in the income statement for the period in which it has been incurred. If the bank decides to exercise the right of the purchase of leased assets, then the cost of the purchasing right shall be capitalized as fixed assets and amortized over the expected remaining useful life of the asset in the same way applied to similar assets.

Payments under the operational leasing minus any discounts granted by the lessor shall be recognized within expenses in the income statement by applying the straight-line method over the period of contract.

R- Cash and cash equivalents

For the purpose of presentation of the statement of cash flows, cash and cash equivalents shall include the balances with maturity not exceeding three months from the date of the acquisition, and cash and balances at the Central Bank of Egypt, other than those that are deemed within the compulsory reserve, due from banks, treasury bills and other governmental notes.

S- Other provisions

The restructuring costs and legal claims' provision shall be recognized when there is a legal or a present indicative obligation due to previous events, and it is also likely that the situation shall require the utilization of the bank's resources to settle the mentioned obligations with the provision of a reliable estimation of the obligation’s value being possible.

When there are similar obligations, the cash outflow that can be used in settlement shall be identified, taking into consideration this set of liabilities. The related provision shall be recognized even if there is a little possibility that an outflow with respect to any one item is included in the same class of obligations.

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

T- Employees’ benefits

T-1 Retirement benefits obligations

The bank manages a variety of retirement benefit plans which are often funded through payments that are defined based on periodical actuarial calculations and are made to insurance companies and other specialized funds. The bank has defined benefits and defined contribution plans.

Defined benefit plans: these are retirement rules, which specify the amount of the retirement benefits that the employee will be granted by the end of the period of service. This benefit normally depends on one factor or more such as age, years of services and income.

The recognized liability in the balance sheet with regards to defined benefit plans is represented in the present value of the defined benefit liabilities at the reporting date, after deducting the fair value of the retirement plans' assets and debiting (crediting) unrealized actuarial reconciliations of profits (losses), as well as the cost of additional benefits related to prior service terms.

An independent actuary who applies the Projected Unit Credit Method calculates the liability of the defined benefit plans (future cash flows expected to be paid) annually. The present value of the identified plans liability is determined through deducting these expected future cash flows to be paid by using the rate of return of high quality corporate bonds or the rate of return of the government bonds in the same currency to be used in payment of the benefits and which have almost the same maturity period of the related obligations of the retirement benefits.

Gains (losses) resulting from changes and adjustments in actuarial estimates and assumptions shall be calculated, and such gains shall be deducted from (the losses shall be added to) the income statement, if they do not exceed 10% of the plan assets' value or 10% of the defined benefits' liability whichever is higher. In case gains (losses) rise above the mentioned percentage, then the increase shall be deducted (added) in the income statements over the average of the remaining years of service.

Past service costs shall be immediately recognized in the income statement within administrative expenses, unless the introduced changes on the retirements' plans are conditional on that employees must be in service for a specified period of time (vesting period). In which case, the past service costs shall be amortized by the straight-line method over the vesting period.

Defined contribution plans: These are pension schemes pursuant to which the bank pays fixed contributions to an independent entity while there is no legal or constrictive commitment on the bank to pay further contributions, if the entity has not established sufficient assets to pay all the employees' benefits related to their service whether in current or previous periods.

Regarding the defined contribution plans, the bank pays contributions according to the retirement's insurance regulations in the public and private sectors on either mandatory or voluntary contractual basis and the bank has no further obligations following the payment of contributions. These contributions shall be recognized within the employees' benefit expenses when maturing (vesting). Paid contributions paid in advance shall be recognized within assets to the extent where the advance payment reduces future payments or cash refund.

T-2 Liabilities of other post-service's benefits

The bank provides health care benefits to retirees, after the end of service term. Usually, such benefits are given provided that the employee remains in the employ of the bank's service until the retirement age, and completes a minimum period of service. The expected costs of these benefits are matured (vested) over the period of employment by adopting an accounting method similar to the method adopted in the defined benefit plans previously explained in the item 2-T/1.

U- Income tax

The income tax on the year's profits or losses include the tax of the current year and the deferred tax and shall be recognized in the income statement, with the exception of the income tax on the items of shareholder's equity, which is directly recognized within shareholders' equity.

The income tax shall be recognized based on the net profit subject to tax through the application of the applicable tax rates at the date of preparing the balance sheet, in addition to the tax adjustments related to previous years.

Deferred tax arising from temporary timing differences between the book value of assets and liabilities calculated according to the accounting principles, as well as its values shall be recognized according to the tax principles. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates enacted or substantively enacted by the end of the reporting year.

The deferred tax assets shall be recognized when profits to be subject to tax in the future are likely to be generated, through which this asset can be utilized. The deferred tax shall be decreased with the portion from which the expected taxable benefit will not be achieved over the coming years. In case of the increase of the expected taxable benefits, the deferred tax assets shall be increased within the limit of previous reduction in the value of deferred tax assets.

V- Borrowing

Loans obtained by the bank shall be recognized at inception at fair value minus the cost of the loan obtaining. Subsequently, the loans shall be measured by amortized cost. The difference between net proceeds and the amount to be paid over the borrowing period using the effective interest rate shall be recognized to the income statement.
The fair value of the portion that represents a liability regarding bonds convertible into shares shall be defined by applying the market equivalent rate of return of non- convertible bonds. This liability shall be recognized by the amortized cost method until conversion or maturity of bonds. The remaining proceeds shall be charged to the conversion option included within shareholders' equity in net value after deduction of the income tax effect.

The preferred shares that either carry mandatory coupons, or are redeemed at a defined date or according to the shareholders' option, shall be included within the financial liabilities and be presented in the item of "Other loans". The dividends of these preferred shares shall be recognized in the income statement under "Interest expense on deposits and similar charges" item based on the amortized cost method and by using the effective rate of return.

W- Share capital

W-1 Cost of capital

The issuance expenses, directly attributable to the issuance of new shares or shares against the acquisition of an entity, or the issuance of options shall be presented as a deduction from the shareholders' equity in net proceeds after taxes.

W-2 Dividends

Dividends shall be recognized through deducting the same from shareholders' equity in the period where the General Assembly meeting shareholder approves these dividends. They include the employees' share in profits and the remuneration of the board of directors prescribed by the article of association of the bank and the law.

X- Custody activities

The bank practices custody services, which leads to owning or managing private assets of individuals, trust funds, or post service benefits funds. These resulting assets and profits shall be excluded from the financial statements, as they not considered among the bank's assets.

Y- Comparative figures

Comparative figures shall be reclassified whenever it is necessary to conform to the changes in the adopted presentation of the current period/year.

3- Financial risk management

The bank is exposed to a variety of financial risks, while it practices its business and activities, and the acceptance of risk is considered the basis of financial business. Some risk aspects or a combination of risk are analyzed, assessed, and managed. The bank targets to achieve adequate balance between the risk and return, and to minimize likely adverse impacts on its financial performance. The most important types of risk are credit risk, market risk, liquidity risk and other operating risks. Market risk includes the risk of foreign exchange rates, interest rates and the other pricing risks.

The bank has developed risk management policies to define, analyze and control risk, and set, control and comply with its limits through a variety of reliable methods and up to date information systems. The bank conducts regular reviews and amendments of the risk management policies in order to reflect changes in the markets, products, and services, as well as the best up to date applications.

Risk management is carried out by Risk Management Division in the light of the policies approved by the Board of Directors. Risk division identifies, assesses, and hedges against the financial risk in close collaboration with the different operating units of the bank. The board of directors provides written principles for risk management as a whole, in addition to written policies, which cover defined risk areas such as credit risk, foreign exchange risk, interest- rate risk, and the use of derivatives and non-derivatives financial instruments. In addition, Risk division is responsible for the periodic review of risk management and control environment independently.

A- Credit risk

The bank is exposed to credit risk, which is the risk of default of one party on its obligations. Credit risk is considered as the most important risk the bank faces. Thus, the top management carefully manages risk exposure. Credit risk is mainly represented in lending business from which activities of loans and facilities arise, and in investment activities which cause that the bank's assets include debt instruments. Credit risk is also found in the financial instruments off- balance sheet, such as loan commitments. The credit risk management team in the division, which reports to the board of directors, top management as well as heads of business units, conducts mainly all operations related to the management and control of the credit risk.

A-1 Measurement of credit risk

- **Loans and facilities to banks and customers**

To measure credit risk related to loans and facilities extended to banks and customers, the bank examines the following three components:

- Probability of default of the customer or a third party on their contractual obligations.

- The current position and the likely expected future development from which the bank can conclude the balance exposed to default (Exposure at default).

- Loss given default.

The daily activities of the bank's business involve the measurement of credit risk which reflects the expected loss (The Expected Loss Model) required by the Basel Committee on Banking Supervision. The operating measures may contradict with the impairment charge according to the Egyptian Accounting Standard no. (26), which depends on losses realized at the reporting date (realized losses model) and not on expected losses (Note 3/A).

- The bank estimates the probability of default at the level of every customer by applying internal rating methods to rate the creditworthiness of the different categories of customers in details. These methods have been developed for internal rating and the statistical analysis are taken into account together with the personal reasoning of credit officials to reach the adequate rating. The bank's customers have been divided into four categories of creditworthiness rating. The structure of creditworthiness adopted by the bank as illustrated in the following table reflects how probable default of each category is, which mainly means that credit positions move among mentioned categories pursuant to the change in the assessment of the extent of default probability. The assessment methods are reviewed and developed whenever required. Further, the bank periodically assesses the performance of the creditworthiness rating methods and how they are able to predict default cases.

The bank's internal classification categories:

Classification	The classification's Indication
1	Performing loans
2	Regular watching
3	Watch list
4	Nonperforming loans

- The position exposed to default depends on the amounts the bank expects to be outstanding amounts when the default takes place; for example, as for a loan, the position is the nominal value while for commitments, the bank enlists all already withdrawn amounts in addition to these amounts expected to be withdrawn until the date of default, if it happens.

- Loss given default or loss severity each represents the bank's expectations of the loss to the extent when claiming repayment of debt if the default occurs. Expressed by the percentage of loss to the debt; this certainly differs in accordance with category of the debtor, the claim's seniority and availability guarantees or other credit mitigation.

- **Debt instruments, treasury bills and other bills**
  Concerning debt instruments and bills, the bank uses the external foreign rating such as the rating of "Standard and Poors" or of similar agencies to manage credit risk. If such ratings are not available, then the bank applies similar methods to those applied to credit customers. Investment in securities, financial papers, and bonds shall be considered as a way to gain a better credit quality and maintain a readily available source to meet funding requirements at the same time.

A-2 Risk Mitigation Policies

The bank manages, mitigates, and controls credit risk concentration at the level of debtor, groups, industries, and countries.

The bank structures the levels of credit risk tolerance by placing limits for the risk tolerance in relation to each borrower or a class of borrowers, and at the level of economic activities and geographical sectors. Such risk shall be constantly monitored and controlled and shall be subject to reviews on an annual basis or more frequently if necessary. Limits of credit risk at the level of borrower/ the group / producer, the sector and the country shall be quarterly approved by the board of directors.

Lines of credit for any borrower including banks shall be divided into sub-lines which include in- and off- the balance sheet amounts and daily risk limit related to trading items such as forward foreign exchange contracts. Actual amounts shall be compared daily with the mentioned limits.

Credit risk exposure is also managed by the regular analysis of the present and the potential borrowers' ability to fulfill their obligations and by amendment of the lending lines when appropriate.

Following are some methods to mitigate risk:

- **Collaterals**

  The bank sets a range of policies and controls to mitigate credit risk. Among these implemented methods is to obtain a security against the extended funds. The bank sets guide rules for defined types of acceptable collaterals.

  Main types of collaterals against loans and facilities include the following:

  - Mortgage.
  - Mortgage of business assets such as equipment and goods.
  - Mortgage of financial instruments such as debt instruments and equity.

  Longer-term finance and lending to corporate are often secured, while credit facilities granted to retail customers are generally unsecured. To reduce credit loss to its minimum level, the bank seeks to get additional collateral from the concerned parties as soon as indicators of impairment in a loan or facility appear.

  Collateral held as a security against assets other than loans and facilities; determined by the nature of the instrument, and debt instruments and treasury bills are normally unsecured with the exception of asset-backed securities and the similar instruments backed by a securities portfolio.

- **Derivatives**

  The bank maintains control procedures over the net open positions for derivatives i.e. the difference between purchase and sale contracts at the level of value and period. The amount exposed to credit risk is at any time defined at the fair value of the instrument that achieves benefit to the bank i.e. an asset that has a positive fair value and represents a small portion of the contractual (nominal) value adopted to express for the volume of outstanding instruments. This credit risk is managed as a part of the aggregate lending line granted to the customer together with the expected risk due to market changes.

  Collateral or other security is not usually obtained against credit risk exposures in these instruments, except where the bank requires that collateral be taken as margin deposits from the counterparties.

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

- **Master Netting Arrangements**

  The bank mitigates the credit risk by entering into Master Netting Arrangements with counterparties that represent a signification volume of transaction. In general, these arrangements do not result in conducting offset between balance sheet assets and liabilities because these settlements are always conducted on a gross basis. However, the credit risk associated to the contracts which serve the bank's interest is reduced through master netting arrangements, as in case of default, all amounts with the counterparty are settled by clearance.

  The bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can be substantially changed within a short period, as it is affected by each transaction subject to these arrangements.

- **Credit related commitments**

  The primary purpose of credit related commitments is to ensure the availability of funds to the customer at demand. Guarantees and standby letters of credit also carry the same credit risk related to loans. Documentary and commercial letters of credit which are issued by the bank on behalf of its customer to grant a third party the right of withdrawal from the bank within the limit of certain amounts and under predefined conditions – are collateralized by the underlying shipments of goods and consequently carry a lesser degree of risk, compared to direct loans.

  The commitments for granting credit represent the unutilized part of the authorized limit to grant loans, guarantees, or documentary letters of credit. The bank is exposed to a potential loss that represents the amount equal to the total of unutilized commitments as concerning credit risk arising from credit granting commitments. Nevertheless, the amount of loss that is likely to occur is below the unutilized commitments, as most credit granting commitments represents potential liabilities of customers who have defined credit specifications. The bank monitors the duration until maturity date of credit commitments, as long-term commitments have a higher degree of credit risk, compared to short-term commitments.

A-3 Impairment policies and provisions

The internal systems of aforementioned assessments (note no.3.A-1) focus to a great extent on the planning of the credit quality, from the starting point of the recognition of lending and investment activities. However, the impairment losses incurred at the reporting date are only recognized for purpose of the preparation of financial statements based on objective evidence, which refers to impairment pursuant to the disclosure below in light of the implementation of different methods.

The impairment loss provision included in the balance sheet at the end of the fiscal year is derived from the four internal ratings; however, the majority of the provision results from the last two ratings. The following table shows the percentage for the items within the balance sheet relate to loans and facilities and the relevant impairment for each of the bank's internal ratings:

Bank's Assessment	**31/12/2017**		**31/12/2016**	
	Loans and advances %	**Impairment loss provision %**	**Loans and advances %**	**Impairment loss provision %**
1-Performing loans	27.69	6.93	29.27	5.95
2-Regular watching	60.78	31.86	56.45	25.23
3-Watch list	7.36	17.21	7.94	12.03
4-Non-performing loans	4.17	44.00	6.34	56.79
	100	**100**	**100**	**100**

The tools of internal rating help the management define whether there is objective evidence on the existence of impairment pursuant to the Egyptian Accounting Standard no. 26 and depending on the following indicators the bank has defined:

- Great financial difficulties facing the borrower or debtor.
- Breach of the loan agreement's terms such as the non-payment.
- Expectation of the borrower's bankruptcy, entrance into liquidation case, or restructuring of the finance granted.
- Deterioration of the competitive position of the borrower.
- For economic or legal reasons related to the borrower's financial difficulties, the bank grants privileges and concessions to the borrower, which may not be approved thereby in normal circumstances.
- Deterioration of the collateral's value.
- Deterioration of the credit situation.

The bank's policies require review of all financial assets, which exceed defined relative importance at least annually or more if necessary. The impairment charge is to be defined to accounts that have been assessed on an individual basis by assessing the realized loss at the reporting date on each individual case and is to be applied individually to all accounts that have relative importance. The assessment usually includes the outstanding collateral with a reconfirmation of the possibility to realize the collateral as well as the expected collections from these identified accounts being made.

The impairment loss provision shall be made on the basis of a group of homogeneous assets by using the available historical experience, personal judgment, and statistical methods.

A-4 The General Model for Measurement of Banking Risk

In addition to the four-creditworthiness ratings shown in (note no. A-1), the management also prepares ratings in the form of more detailed subgroups, which are in line with the requirements of the Central Bank of Egypt (CBE). Assets exposed to credit risk shall be rated in these subgroups pursuant to detailed rules and terms, which depend largely on customer related information, business and activities, financial position and regularity of payments thereof.

The bank calculates the provision required for the impairment of these assets exposed to credit risk, including credit related commitments based on defined rates set by the Central Bank of Egypt. In case the impairment loss provision required according to Central Bank of Egypt's rules exceeds the provisions as required for the purposes of the preparation of the financial statements according to the Egyptian Accounting Standards (EAS), that excess shall be debited to retained earnings and carried to the general reserve for banking risk in the shareholders' equity section. Such reserves shall be regularly adjusted, by any increase or decrease so that the reserve shall always be equal to the amount of increase between the two provisions. Such provision shall not be subject to distribution.

Following is an indication of corporate credit worthiness categories according to internal rating principles, compared to the rating principles of the Central Bank of Egypt, and of the required provision percentages for the impairment of assets exposed to credit risk:

Central Bank Of Egypt's rating	Rating's meaning	Provision's ratio required	Internal Rating	Meaning of Internal Rating
1	Low risk	Zero	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 follow up
7	Watch List	5%	3	Special follow up
8	Substandard	20%	4	Non-performing loans
9	Doubtful	50%	4	Non-performing loans
10	Bad debt	100%	4	Non-performing loans

A/5 The Maximum Limit for Credit Risk before Collateral

Credit Risk exposures in the Balance Sheet:

	31/12/2017	31/12/2016
	EGP 000	**EGP 000**
Treasury bills and other governmental notes	14 885 831	11 845 036
Loans and advances to customers		
Loans to individuals (Retail): -		
Overdraft accounts	683 947	642 298
Credit cards	88 054	86 040
Personal loans	14 664 005	13 621 235
Mortgage	14 932	16 531
Corporate loans: -		
Overdraft accounts	4 618 243	4 733 812
Direct loans	9 937 588	8 096 049
Syndicated loans	4 862 458	5 872 447
Other loans	1 540	3 701
Financial investments:		
Debt instruments	694 939	1 388 518
Other assets	250 850	198 316
Total	**50 702 387**	**46 503 983**

Credit risk exposures of off-balance sheet items:

Financial guarantees	4 998 039	5 341 262
Non-revocable credit-related commitments for loans and other liabilities	5 060 455	6 759 595
Letters of credit	848 023	547 693
Letters of guarantee (incentive)	4 646 032	3 659 476
Total	**15 552 549**	**16 308 026**

- The previous table represents the maximum limit of exposure as at 31 December 2017 and as at 31 December 2016, without taking into consideration any financial guarantees. As for the balance sheet items, the enlisted amounts depend on the net book value presented in the balance sheet.

  As illustrated in the previous table 68.8 % of the maximum limit exposed to credit risk as at 31 December 2017 arises from loans and advances to banks and customers versus 71.1 % as at 31

December 2016 whereas investments in the debt instruments represent 1.4 % as at 31 December 2017 versus 3.0% as at 31 December 2016.

The management has confidence in its abilities to continue of controlling and maintaining the minimum limit of credit risk resulted from loans, facilities, and debt instruments portfolios based on the following:

- 0.35 % of the loans and advances' portfolio is classified in the two higher categories of the internal assessment (low/ average risks) as at 31 December 2017, versus 0.72 % as at 31/12/2016.
- 85.7 % of the loans and advances' portfolio is free from any delays or impairment indicators as at 31 December 2017 versus 80.1 % as at 31 December 2016.
- The mortgages covered by collaterals, represent an important group in the portfolio.
- The loans and advances that have been assessed on an individual basis reach EGP 1 434 278 thousand as at 31 December 2017 versus EGP 2 061 368 thousand as at 31 December 2016. Formed from it an 83.2 % as a provision as at 31 December 2017 versus 85.1 % as at 31 December 2016.
- The bank applied more conservative selecting process when extending loans and advances during the year.
- More than 99.8 % as at 31 December 2017 versus 99.8 % as at 31 December 2016, of the investments in debt instruments and treasury bills represents debt instruments on the Egyptian government.

A/6 Loans and advances

The following is the position of loans and advances' balances as regarding creditworthiness:

	31/12/2017 EGP 000 Loans and advances to customers	**31/12/2016 EGP 000 Loans and advances to customers**
With no past dues or impairment	29 899 517	26 481 975
With past dues but not subject to impairment	3 536 972	4 528 770
Subject to impairment	1 434 278	2 061 368
Total	**34 870 767**	**33 072 113**
Less: Impairment loss provision	(2 722 106)	(3 072 085)
Net	**32 148 661**	**30 000 028**

- The total impairment loss on loans and advances; reached EGP 2 722 106 thousand as of 31 December 2017 versus EGP 3 072 085 thousand as of 31 December 2016, including EGP 1 193 304 thousand as of 31 December 2017 versus EGP 1 754 259 thousand as of 31 December 2016, of which represents the impairment of individual loans and the remaining amounting to EGP 1 528 802 thousand versus EGP 1 317 826 thousand representing the impairment losses on a group basis of the credit portfolio. Note no. 19 include further information on the impairment losses provision of loans and advances to banks and customers.

Loans and advances with no past dues or impairment:
The creditworthiness of the loans and advances portfolio with no past dues or impairment is assessed with reference to the internal assessment adopted by the bank.

EGP 000

31/12/2017

Assessment	Retail				Corporate				Net loans and advances to customers
	Debit Current accounts	Credit Cards	Personal Loans	Mortgage	Debit Current accounts	Direct Loans	Syndicated Loans	Other Loans	
1- Performing	-	-	-	-	1 935 691	5 667 818	1 508 065	111	9 111 685
2- Regular Watching	545 641	63 129	11 874 904	7 767	1 530 532	2 101 539	1 585 783	262	17 709 557
3- Watch List	-	-	-	-	141 608	814 026	750 510	63	1 706 207
Total	**545 641**	**63 129**	**11 874 904**	**7 767**	**3 607 831**	**8 583 383**	**3 844 358**	**436**	**28 527 449**

- The guaranteed loans; are not considered subjected to impairment for the non-performing loans after taking into consideration the probability of collecting these guarantees.

EGP 000

31/12 /2016

Assessment	Retail				Corporate				Net loans and advances to customers
	Debit Current accounts	Credit Cards	Personal Loans	Mortgage	Debit Current accounts	Direct Loans	Syndicated Loans	Other Loans	
1- Performing	-	-	-	-	2 495 374	5 035 262	1 917 178	98	9 447 912
2- Regular Watching	555 195	57 510	9 935 374	9 687	974 879	1 206 748	1 523 612	245	14 263 250
3- Watch List	-	-	52 533	-	56 853	787 442	919 136	24	1 815 988
Total	**555 195**	**57 510**	**9 987 907**	**9 687**	**3 527 106**	**7 029 452**	**4 359 926**	**367**	**25 527 150**

Loans and advances with past dues but are not subject to impairment
These are loans and advances with delays up to 90 days but are not subject to impairment unless there is other information to the contrary a loan and advances to customers with past dues but not subject to impairment and the fair value of their collaterals are represented in the following:

EGP 000

31/12/2017

	Retail				Corporate				Net loans and advances to customers
	Overdraft accounts	Credit Cards	Personal Loans	Mortgage	Overdraft accounts	Direct Loans	Syndicated Loans	Other Loans	
Past dues up to 30 days	713	13 908	2 020 333	602	244 638	329 934	-	37	**2 610 165**
Past dues more than 30 days to 60 days	53 663	-	147 333	4 441	121 787	252 974	-	49	**580 247**
Past dues more than 60 days to 90 days	18 813	-	45 886	-	1 539	33 546	90 004	38	**189 826**
Total	**73 189**	**13 908**	**2 213 552**	**5 043**	**367 964**	**616 454**	**90 004**	**124**	**3 380 238**
The fair value of collaterals	**73 190**	-		-	**173 621**	**208 602**	-	**3 005**	**458 418**

EGP 000

31/12/2016

	Retail				Corporate				
	Overdraft accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Overdraft accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Net loans and advances to customers**
Past dues up to 30 days	61 521	18 740	2 601 169	267	409 214	81 578	125 534	42	3 298 065
Past dues more than 30 days to 60 days	25 103	-	135 878	706	43 318	431 023	-	18	636 046
Past dues more than 60 days to 90 days	-	-	39 047	955	-	18 997	**172 618**	1	231 658
Total	**86 624**	**18 740**	**2 776 094**	**1 968**	**452 532**	**531 598**	**298 152**	**61**	**4 165 769**
The fair value of collaterals	**86 700**	**-**	**683 297**	**-**	**171 068**	**163 768**	**1 453**	**-**	**1 106 286**

At the initial recognition of loans and advances, the fair value of collaterals is evaluated based on the same financial assets evaluation methods used, and in subsequent periods, the fair value is updated by the market prices or the similar assets' prices.

Loans and advances subject to impairment on an individual basis

The balance of loans & advances which are subject to impairment on an individual basis, before taking into account the cash flow from collaterals, amounted to EGP 1 434 278 thousand as at 31 December 2017 versus EGP 2 061 368 thousand as at 31 December 2016.

Herein below, is the analysis of the net value of loans and advances subject to impairment on individual basis including the fair value of collaterals the bank has obtained against these loans:

EGP 000

31/12/2017

	Retail				Corporate				
	Overdraft accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Overdraft accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Total loans and advances to customers**
Balance	65 091	8 634	306 247	1 726	526 686	76	524 930	888	1 434 278
Provision	(64 730)	(2 003)	(127 229)	(1 049)	(472 462)	(15)	(524 930)	(886)	(1 193 304)
Net	**361**	**6 631**	**179 018**	**677**	**54 224**	**61**	**-**	**2**	**240 974**
The fair value of collaterals	**-**	**-**	**-**	**-**	**23 120**	**-**	**-**	**13**	**23 133**

EGP 000

31/12/2016

	Retail				Corporate				
	Overdraft accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Overdraft accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Total loans and advances to customers**
Balance	349	7 432	472 390	4 516	626 737	76	946 610	3 258	2 061 368
Provision	(344)	(1 264)	(287 322)	(1 345)	(514 139)	(19)	(946 610)	(3 216)	(1 754 259)
Net	**5**	**6 168**	**185 068**	**3 171**	**112 598**	**57**	**-**	**42**	**307 109**
The fair value of collaterals	**-**	**-**	**-**	**-**	**13 153**	**-**	**-**	**19**	**13 172**

Restructured Loans & Facilities:

The restructuring activities include extending of repayment's arrangements, implementation of obligatory management programs, amending and postponing repayment. The policies of restructuring application depend on indicators or standards which refer to the high prospects of continuance repayment based on the management's personal judgment. These policies are reviewed on regular basis. Restructuring is usually applied on long term loans, especially customers financing loans. Loans which have been subject to renegotiations have reached EGP 751 136 thousand as at 31 December 2017 versus EGP 971 383 thousand as at 31 December 2016.

	31/12/2017 EGP 000	31/12/2016 EGP 000
Retail		
- Personal Loans	-	52 492
Total Retail Loans	-	52 492
Corporate		
- Overdraft account	22 948	31 105
- Direct loans	728 188	887 786
Total Corporate Loans	751 136	918 891
Total	**751 136**	**971 383**
	=========	=========

A/7 Debt instruments, treasury bills and other governmental notes:

The following table represents an analysis of debt instruments, treasury bills and other governmental notes at the end of the financial period based on the assessment of Standard & Poor's rating or its equivalent:

EGP 000

	Treasury bills and other governmental notes	Investments in Securities	Total
AAA	-	-	-
Less than - A	14 885 831	637 766	15 523 597
Unclassified	-	57 173	57 173
Total	**14 885 831**	**694 939**	**15 580 770**
	========	=======	========

A/8 Acquisition of collaterals

During the present financial year, the bank has not obtained any assets by acquiring some collaterals as follows.

A/9 The concentration of financial assets' risks exposed to credit risk

Geographical segments

The following table represents an analysis of the bank's most important boundaries of credit risk at book value, distributed in accordance with the geographical segment as at 31 December 2017.

EGP 000

31/12/2017	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Treasury bills and other governmental notes	14 885 831	-	-	**14 885 831**
Loans and advances to customers:				
- Loans to individuals (Retail):				
Overdraft accounts	238 852	318 063	127 032	**683 947**
Credit cards	88 054	-	-	**88 054**
Personal loans	3 853 972	6 586 172	4 223 861	**14 664 005**
Mortgage	13 450	780	702	**14 932**
- Loans to corporate				
Overdraft accounts	2 969 390	1 244 375	404 478	**4 618 243**
Direct loans	8 405 607	1 328 863	203 118	**9 937 588**
Syndicated loans	4 862 458	-	-	**4 862 458**
Other loans	422	987	131	**1 540**
Financial Investments				
Debt instruments	694 939	-	-	**694 939**
Other assets	196 178	41 277	13 395	**250 850**
Total as at 31/12/2017	**36 209 153**	**9 520 517**	**4 972 717**	**50 702 387**
Total as at 31/12/2016	**33 534 283**	**8 427 207**	**4 542 493**	**46 503 983**

Business Segment

The following represents an analysis of the most important boundaries of credit risk at book value, distributed according to the customers' business and activities.

EGP 000

31/12/2017	Financial Institutions	Industrial Institutions	Real estate Activity	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Treasury bills and other governmental notes	-	-	-	-	14 885 831	-	-	**14 885 831**
Loans & advances to customers:								
Loans to individuals (Retail)								
Overdraft accounts	-	-	-	-	-	-	683 947	**683 947**
Credit cards	-	-	-	-	-	-	88 054	**88 054**
Personal loans	-	-	-	-	-	-	14 664 005	**14 664 005**
Mortgage	-	-	-	-	-	-	14 932	**14 932**
Loans to Corporate								
Overdraft accounts	-	703 427	767 454	922 793	934 364	1 290 205	-	**4 618 243**
Direct loans	-	2 072 213	946 248	668 439	4 843 249	1 407 439	-	**9 937 588**
Syndicated loans	-	2 594 923	67 735	103 714	1 286 163	809 923	-	**4 862 458**
Other loans	-	137	46	824	317	216	-	**1 540**
Financial Investments								
Debt instruments	31 885	-	-	-	663 054	-	-	**694 939**
Other assets	38 538	-	-	-	25 971	101 437	84 904	**250 850**
Total as at 31/12/2017	**70 423**	**5 370 700**	**1 781 483**	**1 695 770**	**22 638 949**	**3 609 220**	**15 535 842**	**50 702 387**
Total as at 31/12/2016	**218 084**	**7 730 947**	**1 593 482**	**2 059 246**	**16 935 387**	**3 532 052**	**14 434 785**	**46 503 983**

B- Market Risk

The bank is exposed to market risk represented in volatility in fair value or future cash flows resulted from changes in market prices. Market risk arise from the open positions of interest rates, currency rates and the equity instruments as each of them is exposed to the market's general and specific movements as well as to the changes in the sensitivity level of market prices or rates such as interest rates, foreign exchange rates and the equity instruments' prices. The bank separates exposures to market risk either held for trading or held for non-trading portfolios.

The management of market risk resulted from trading, non-trading activities are centralized in the market risk department in the bank and market risks reports are submitted to the board of directors and heads of business units on a regular basis.

The trading portfolios include these positions resulting from the bank's direct dealing with customers or with the market. Whereas, the non-trading portfolios, arise mainly from management of the return rate of assets and liabilities related to retail transactions. These portfolios include the foreign exchange risks and equity instruments resulted from investments available for sale.

B-1 Methods of Measuring Market Risk

As part of the market risk management the bank, enters into interest rate swaps in order to balance the risk associated with the debt instruments and long-term loans with fixed interest rate in case the fair value option is applied. The following are the most important measurement methods applied to control the market risk.

- **Value at Risk**

  The bank applies "value at risk" method for trading and non-trading portfolios in order to estimate the market risk of outstanding positions and the maximum limit of expected loss based on a number of assumptions for the various changes of market conditions. The board of directors sets limits for "value at risk" which the bank can accept for trading and non-trading separately and monitored daily by the Market Risk department in the bank.

  Value at risk is a statistical estimate of the potential movements of the present portfolio due to market's adverse moves. It is an expression of the maximum value the bank can lose using a defined confidence factor (99%) consequently there is a statistical probability of (1%) that the actual loss may be greater than the expected value at risk. The value at risk model assumes a defined retention period (ten days) before closing of the open positions. It also assumes that the market movement during the retention period will follow the same pattern of movement that occurred during the previous ten days. The bank should assess these historical changes in rates, prices, and indicators directly on current positions, a method known as historical simulation. Actual outputs should be monitored and controlled on a regular basis to measure the integrity of the assumptions and factors applied to calculate value at risk.

The use of this method does not prevent the losses over these limits and within the limits of large movements in the market. Since the value at risk is an essential part of the banks' system in control of the market risk. The Board of Directors set the value at risk limits annually for each of the trading and non-trading and split on units of activity. The actual values at risk; are compared with limits set by the Bank and reviewed daily by the bank's risk management. The average daily value at risk during the financial year ended 31 December 2017 amounted to EGP 54 398 thousand, versus EGP 44 244 thousand during the comparative year.

The quality of value at risk model is continuously monitored by reinforcing testing to reinforce the results of value at risk of the trading portfolio and the results of such tests are usually reported to senior management and board of directors.

- **Stress Testing**

  Stress testing gives an indicator of the potential size of losses, which may arise from extremely adverse conditions. Stress testing is designed in a way that suites business and activity by applying typical analysis of defined scenarios. The market risk department undertakes Stress testing to include the stress testing of risk factors where a set of extreme movements is applied on each risk category. There is also stress testing applied on emerging markets, which are subject to extreme movements, and special stress testing that includes potential events, which may affect certain centers or regions such as what can happen in a region currency peg break. The senior management and board of director's monitor and review the results of stress testing.

B/2 Summary of value at risk

Total value at risk according to the risk type

	EGP 000 31/12/2017			EGP 000 31/12/2016		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	54 398	126 257	10 871	44 244	106 955	22 370
Total value at risk	**54 398**	**126 257**	**10 871**	**44 244**	**106 955**	**22 370**

The bank did not estimate exchange rate risk and equity instruments risk as the data is not available.

Value at risk of the trading portfolio according to the risk type

	EGP 000 31/12/2017			EGP 000 31/12/2016		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	-	-	-	-	-	-
Total value at risk	**-**	**-**	**-**	-	-	-

The bank did not estimate exchange rate risk and equity instruments risk as the data is not available.

Value at risk of the non-trading portfolio according to the risk type

	EGP 000 31/12/2017			EGP 000 31/12/2016		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	54 398	126 257	10 871	44 244	106 955	22 370
Total value at risk	**54 398**	**126 257**	**10 871**	**44 244**	**106 955**	**22 370**

The bank did not estimate exchange rate risk & equity instruments risk as the data is not available.

The increase in the value at risk, especially interest rate risk, related to the increase in the sensitivity of interest rates in international financial markets.

The previous results of value at risk calculated separately and independently from the concerned positions and historical movements of markets. Total values at risk for trading and non-trading do not form the bank's value at risk given the correlation between the types of risks and types of portfolios and the subsequent diverse impacts.

B/3 The risk of fluctuations in foreign exchange rates

The bank is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows and the board of directors have set limits of foreign currencies in total value for each position at the end of the day and during the day, which are monitored on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in exchange rates risk at 31 December 2017. The following table includes the book value of financial instruments distributed into its component currencies:

The concentration of currency risk of financial instruments

EGP 000

	EGP	USD	Euro	GBP	Other Currencies	Total
As at 31/12/2017						
Financial assets:						
Cash and balances with Central Bank of Egypt	3 829 012	227 568	36 836	2 450	41 749	**4 137 615**
Due from banks	17 290 106	5 192 518	967 587	172 748	172 787	**23 795 746**
Treasury bills and other governmental notes	14 695 328	190 503	-	-	-	**14 885 831**
Loans and advances to customers	24 787 181	7 034 709	310 527	-	16 244	**32 148 661**
Financial assets classified at fair value through profit and loss	-	-	5 388	-	-	**5 388**
Financial Investments:						
- Available -for- sale	1 182 248	61 451	1 092	-	-	**1 244 791**
- Held-to-maturity	31 885	-	-	-	-	**31 885**
Total financial assets	**61 815 760**	**12 706 749**	**1 321 430**	**175 198**	**230 780**	**76 249 917**
Financial liabilities:						
Due to banks	57 532	315 470	14 934	7 657	9 144	**404 737**
Customers' deposits	50 799 761	11 221 143	1 160 936	154 905	200 279	**63 537 024**
Other loans	108 036	610 542	-	-	-	**718 578**
Total financial liabilities	**50 965 329**	**12 147 155**	**1 175 870**	**162 562**	**209 423**	**64 660 339**
Net of financial position	**10 850 431**	**559 594**	**145 560**	**12 636**	**21 357**	**11 589 578**
Credit related commitments	4 033 156	2 411 763	3 777 381	246 780	23 014	**10 492 094**
As at 31/12/2016						
Total financial assets	47 287 697	12 808 070	1 113 099	168 368	207 282	61 584 516
Total financial liabilities	38 987 379	12 298 641	1 059 095	158 570	192 251	52 695 936
Net of financial position	8 300 318	509 429	54 004	9 798	15 031	8 888 580
Credit related commitments	3 360 244	2 024 857	3 942 483	216 700	4 148	9 548 432

B/4 Interest rate risk

The bank is exposed to the impact of the fluctuations in the levels of interest rates prevailing in the market, include the cash flow risk of interest rate represented in the volatility of future cash flow of a financial instrument due to changes in the interest rate of the mentioned instrument. Whereas the interest rates fair value risk is the risk of fluctuations in the value of the financial instrument due to changes in interest rates in the market. The interest margin may rise due to these changes but still the profits may decrease if unexpected movements occur. The board of directors set limits for the level of difference in the re-pricing of interest rate that the bank can maintain and treasury department in the bank daily monitors this.

The following table summarizes the extent of the bank's exposure to the risk of fluctuations in interest rates that includes the book value of financial instruments distributed based on the price of re-pricing dates or maturity dates whichever is sooner:

EGP 000

As at 31/12/2017	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial assets:							
Cash and balance with Central Bank of Egypt	-	-	-	-	-	4 137 615	**4 137 615**
Due from banks	20 426 401	3 269 987	-	-	-	99 358	**23 795 746**
Treasury bills and other governmental notes	4 421 812	7 210 143	3 253 876	-	-	-	**14 885 831**
Loans and advances to customers	16 751 525	4 180 193	3 638 077	6 538 846	821 683	218 337	**32 148 661**
Financial assets classified at fair value through profit and loss	5 388	-	-	-	-	-	**5 388**
Financial Investments:							
- Available for sale	-	852 717	227 937	4 958	159 179	-	**1 244 791**
- Held-to-maturity	-	-	-	31 885	-	-	**31 885**
Other financial assets	-	-	-	-	-	452 546	**452 546**
Total financial assets	**41 605 126**	**15 513 040**	**7 119 890**	**6 575 689**	**980 862**	**4 907 856**	**76 702 463**
Financial liabilities							
Due to banks	43 194	-	1 158	-	-	360 385	**404 737**
Customers' deposits	25 349 711	19 618 694	3 608 787	7 063 588	27 838	7 868 406	**63 537 024**
Other loans	19 677	-	94 078	478 718	126 105	-	**718 578**
Other financial liabilities	-	-	-	-	-	321 780	**321 780**
Total financial liabilities	**25 412 582**	**19 618 694**	**3 704 023**	**7 542 306**	**153 943**	**8 550 571**	**64 982 119**
The interest gap re-pricing	**16 192 544**	**(4 105 654)**	**3 415 867**	**(966 617)**	**826 919**	**(3 642 715)**	**11 720 344**
As at 31/12/2016							
Total financial assets	**27 404 720**	**13 737 826**	**7 509 703**	**8 821 063**	**1 762 559**	**2 705 791**	**61 941 662**
Total financial liabilities	**22 762 106**	**2 156 023**	**4 408 152**	**14 563 660**	**313 507**	**8 694 387**	**52 897 835**
Interest gap re-pricing	**4 642 614**	**11 581 803**	**3 101 551**	**(5 742 597)**	**1 449 052**	**(5 988 596)**	**9 043 827**

Liquidity risk

The liquidity risk is the risk that the bank is unable to meet its commitments associated with its financial obligations at maturity date and replacing the funds that withdrawn; and that may result of failure in meeting obligations related to repayment of the depositor's funds or meeting the borrowing commitments.

- **Liquidity risk management**

  The processes of liquidity risk control carried by Assets and Liabilities management department in the bank include the following:

- The daily funding is managed by monitoring and controlling the future cash flows to ensure the ability to fulfill all obligations and requirements. This includes replenishment of funds as they mature or is borrowed by customers. The bank maintains an active presence in the global money markets to ensure achievement of this target.
- Maintaining a portfolio of highly marketable assets, which can easily be liquidated to meet any interruption in cash flows.
- Monitoring liquidity ratios compared to the internal requirements of the bank and the Central Bank of Egypt's requirements.
- Management of concentration and profile the debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week, and month respectively. The starting point for these projections represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.

Assets and Liabilities management department controls the unmatched medium-term assets management, the level and type of the unutilized portion of loans' commitments, the extent of utilizing overdraft accounts advances and the impact of contingent liabilities such as letters of guarantees and letters of credit.

- **Financing approach**

  Liquidity resources; reviewed by a separate team in the Assets and Liabilities management department of the bank to provide a wide variety of currencies, geographical regions, resources, products, and maturities.

- **Non-derivative cash flows**

  The following table represents the cash flows payable by the method of non-derivative financial liabilities distributed based on remaining period from the contractual maturities on the balance sheet's date. The amounts presented in the table represent the undiscounted contractual cash flows while the bank manages the liquidity risk based on "expected" instead of contractual undiscounted cash flows,

EGP 000

31/12/2017	**Up to 1 month**	**1-3 months**	**More than 3 months – 1 year**	**1-5 years**	**More than 5 years**	**Total**
Due to banks	408 560	-	1 177	-	-	**409 737**
Customers' deposits	33 611 660	2 777 248	5 898 840	29 360 086	55 773	**71 703 607**
Other loans	30 639	-	104 090	520 608	189 494	**844 831**
Other financial liabilities	321 780	-	-	-	-	**321 780**
Total financial liabilities according to contractual maturity date	**34 372 639**	**2 777 248**	**6 004 107**	**29 880 694**	**245 267**	**73 279 955**
Total financial assets according to contractual maturity date	**35 339 095**	**16 099 840**	**13 697 101**	**18 131 841**	**3 195 120**	**86 522 997**

31/12/2016	**Up to 1 month**	**1-3 months**	**More than 3 months -1 year**	**1-5 years**	**More than 5 years**	**Total**
Financial liabilities (According to original amount + Interest)						
Due to banks	332 110	-	1 193	-	-	**333 303**
Customers' deposits	31 131 088	2 018 768	4 762 542	18 310 105	88 164	**56 310 667**
Other loans	20 276	-	79 861	383 463	273 879	**757 479**
Other financial liabilities	201 899	-	-	-	-	**201 899**
Total financial liabilities according to contractual maturity date	**31 685 373**	**2 018 768**	**4 843 596**	**18 693 568**	**362 043**	**57 603 348**
Total financial assets according to contractual maturity date	**27 431 285**	**13 737 826**	**7 509 703**	**8 794 498**	**1 762 559**	**59 235 871**

The assets available to meet all liabilities and to hedge commitments related to loans include cash and balances with Central Bank, due from banks, treasury bills and other governmental bills and loans and facilities to banks and customers. In the normal course of business, a proportion of customer loans contractually repayable within one year extended. The bank has the ability to meet unexpected net cash flows through selling financial securities as well as raising other funding resources.

- **Off-balance sheet items: -**

The following is according to Note no. (37)

EGP 000

31/12/2017	**Less than 1 year**	**1-5 years**	**Total**
Commitments of loans and facilities for customers	5 060 455	-	5 060 455
Financial guarantees, accepted bills and other financial facilities	10 492 094	-	10 492 094
Commitments on operational leasing contracts	3 707	7 256	10 963
Capital commitments due to fixed assets' acquisition	103 878	-	103 878
Capital commitments due to holding shares	-	1 682	1 682
Total	**15 660 134**	**8 938**	**15 669 072**

EGP 000

31/12/2016	**Less than 1 year**	**1-5 years**	**Total**
Commitments of loans and facilities for customers	6 759 595	-	6 759 595
Financial guarantees, accepted bills and other financial facilities	9 548 432	-	9 548 432
Commitments on operational leasing contracts	1 593	4 620	6 213
Capital commitments due to fixed assets' acquisition	78 382	-	78 382
Capital commitments due to holding shares	-	111 332	111 332
Total	**16 388 002**	**115 952**	**16 503 954**

D- The fair value of financial assets and liabilities

D-1 Financial instruments measured at fair value by applying valuation methods

The change in estimated fair value by applying valuation methods has reached EGP 165.9 million in the financial year ended 31 December 2017 versus EGP 50.2 million in the financial year ended 31 December 2016.

Financial instruments not measured at fair value

The following table summarizes the present value and the fair value of financial assets and liabilities, not presented in the bank's balance sheet at fair value:

EGP 000

	31/12/2017		31/12/2016	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial Assets:				
Due from banks	23 795 746	23 795 746	15 424 789	15 424 789
Loans and advances to customers				
Current balances	17 400 411	17 400 411	16 460 285	16 460 285
Financial investments:				
Held-to-maturity	31 885	48 749	26 565	39 905
Financial liabilities:				
Due to banks	404 737	404 737	318 947	318 947
Customers' deposits:				
Current balances	13 754 723	13 754 723	17 525 380	17 525 380
Other loans	718 578	718 578	756 397	756 397

- **Due from banks**

  The fair value of the Due from banks is the book value where all Due from banks mature within a year.

- **Loans and advances to banks**

  Loans and advances to banks represented in loans other than deposits with banks. The expected fair value for loans and advances represents the discounted value of future cash flows expected for collection. Cash flows discounted by adopting the current market rate to determine the fair value.

- **Loans and advances to customers**

  Loans and advances presented in net after discounting the impairment loss provision. Loans and advances to customers; are divided to current and non-current balances and the book value of current balances is equal to the fair value but it is difficult to obtain the fair value of non-current balances.

- **Investments in financial securities**

  Investments in financial securities in the previous table include only held to maturity bearing assets. Available for sale assets; are assessed at fair value with the exception of equity instruments which the bank has been unable to evaluate their fair value to a reliable extent. The fair value of financial assets held to maturity is determined based on market rates or prices obtained from brokers. If these data are unavailable then the fair value; is assessed by applying the financial markets' rates for negotiable financial securities with similar credit features, maturity dates as well as similar rates.

- **Due to banks**
  The fair value of the due to banks is the book value where all due to banks mature within a year.

- **Customers' deposits**
  Customers' deposits are divided to current and non-current balances and the book value of current balances is equal to the fair value while could not obtain the present value of non-current balances.

E/1 Capital Management

The bank's objectives behind managing capital which include other elements in addition to the shareholder's equity shown in the balance sheet are represented in the following:

- Comply with the legal capital requirements in Arab Republic of Egypt and in countries where the bank's branches operate.

- Protect the bank's ability to continue as going concern and enabling it to continue in generating return to shareholders and other parties that deals with the bank.

- Maintain a strong capital base that supports the growth of business.
- Capital adequacy and capital utilizations according to the regulator requirements (the Central Bank of Egypt in Arab Republic of Egypt); are reviewed and monitored daily by the bank's management through models, which depend on the guidelines of Basel Committee for Banking Supervision. Required information is submitted to the Central Bank of Egypt on a quarterly basis.

- Central Bank of Egypt requires each bank to do the following:

  - Maintain an amount of EGP 500 million as a minimum limit of issued and paid-up-capital.

  - Maintain a percentage between capital elements and asset and contingent liabilities elements weighted by risk equals to or exceeds 10%.

  - The overseas bank's branches outside Egypt are subject to the supervision rules regulating banking business in the countries where they operate.

- In accordance with the requirements of Basel II, the numerator of the capital adequacy ratio consists of the following two tiers:

Tier One:

A. Ongoing capital:

Consists of share capital, legal, statutory , IFRS 9 risks and capital reserves and retained earnings (retained losses) excluding the following: -

- Treasury Shares
- Good Will
- Bank investments in financial companies (Banks and Companies) and insurance companies [more than 10% or more of the company's issued capital].
- Increase in all bank investments where each investment individually is less than 10% of the company's issued capital for the value of 10% of ongoing capital after regulatory amendments (capital base before excluding investments in financial companies and insurance companies).

The following elements are not considered: -

- Fair value reserve of AFS financial investments (If negative).
- Foreign currency translation differences reserve (If negative).
- Where the above items are deducted from Basic capital if the balance is negative while it's not considered if it is positive.

B. Additional ongoing capital:

It consists of permanent non-cumulative preferred shares, quarterly profit (loss), minority rights and the difference between the nominal value and the current value of supplementary loans (deposits).

Interim profits is recognized only after approval of the auditor and the General Assembly approval of the distributions and the approval of CBE, interim losses are deducted without conditions.

Tier Two:

Consist of the following: -

- 45% of the increase in fair value of the book value of financial investments (AFS fair value reserve if positive, HTM financial investments, investments in associates and subsidiaries).
- 45% of the special reserve.
- 45% of positive foreign currency translation differences reserve.
- Hybrid financial instruments.
- Supplementary loans (deposits).
- Impairment loss provision of loans and contingent liabilities (must not exceed 1.25% of the total credit risk of performing assets and contingent liabilities weighted by risk weights, thus, the provision should be sufficient to meet the obligations for which the provision is allocated).

Exclusions of 50% of Tire I and 50% Tire II:

- Investments in non-financial companies (each individual) 15% or more of Basic ongoing capital of the bank before the regulatory amendments.
- Total value of bank investments in non-financial companies (each individual) less than 15% of core ongoing capital before regulatory amendments, these investments must exceed (collectively) 60% of ongoing capital of the bank before the regulatory amendments.
- Securitization portfolio.
- The share (in general banking risks reserve) of assets reverted to the Bank in settlement of debts.

When calculating the total numerator of capital adequacy, it should be noted that supplementary loans (deposits) must not exceed 50% of Tier I after exclusions.
Assets and contingent liabilities are likely weighted by credit risk weights, market risk and operating risks.

The bank has committed all of the domestic capital requirements over the past two years, the following table summarizes the components of basic and additional capital ratios and capital adequacy according to Basel II requirements at the end of 31 December 2017, 31 December 2016: -

	31/12/2017	31/12/2016
	EGP 000	**EGP 000**
Capital		
Tier one (Ongoing basic capital)		
Share capital	800 000	800 000
General reserve	29 312	29 312
Legal reserve	400 000	400 000
Other reserves *	956 308	632 627
Retained profits	3 859 874	2 539 008
Profit for the period ended 30 September	1 717 773	-
Total ongoing basic capital	**7 763 267**	**4 400 947**
Tier two (Supplementary basic capital)		
Equivalent to general risks provisions	489 418	453 436
45% of the Special reserve	-	9 450
45% of the increase in the fair value over book value of financial investment without held-for-trading investment	186 535	225 840
Total supplementary basic capital	**675 953**	**688 726**
Total capital	**8 439 220**	**5 089 673**

Risk weighted assets and contingent liabilities:		
Credit Risk	39 153 463	36 274 883
The biggest overrun of 50 clients on the planned border weighted by risk	257 872	-
Market Risk	426 750	295 175
Operation Risk	4 852 331	4 299 125
Total risk weighted assets and contingent liabilities	**44 690 416**	**40 869 183**
Capital adequacy ratio (%)	**18.88%**	**12.45 %**

- An amount of EGP 391 535 thousand being the IFRS risks reserve has been included in Other reserves within the ongoing basic capital components.

E /2 Financial leverage ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on July 7, 2015 special supervisory instructions related to leverage ratio of maintaining a minimum level of leverage ratio of 3% to be reported on a quarterly basis as follows:

- As a guidance ratio starting from end of September 2015 till December 2017.
- As an obligatory ratio starting from the year 2018.

This ratio will be included in Basel requirement tier1 in order to maintain the effectiveness of the Egyptian Banking system, as well as keep up with the best international regulatory practices.

Financial leverage ratio reflects the relationship between tier I for capital that are used in capital adequacy ratio (after Exclusions) and the bank’s assets (on and off-balance sheet items) that are not risk weighted assets.

Ratio Components

The numerator components

The numerator consists of tier I for capital that are used in capital adequacy ratio (after Exclusions) in accordance with the requirements of the Central Bank of Egypt (CBE)

The denominator components

The denominator consists of all bank's assets (on and off-balance sheet items) according to the financial statements, called "Bank exposures" including the following totals:

1- On balance sheet exposure items after deducting Tier I Exclusions for capital base.
2- Derivatives contracts exposure.
3- Financing Financial securities operations exposures.
4- off-balance sheet exposures "weighted exchange transactions".

The Financial leverage ratio as of 31 December 2017 and 31 December 2016 is summarized in the following table:

	31/12/2017 EGP 000	31/12/2016 EGP 000
First: Tier I capital after exclusions	7 763 267	4 400 947
Total on-balance sheet exposures items (1)	**79 087 103**	**64 066 691**
Total contingent liabilities	5 183 513	4 674 808
Total commitments	1 128 615	1 547 846
Total exposures off-balance sheet (2)	**6 312 128**	**6 222 654**
Total exposures on and off-balance sheet (1+2)	**85 399 231**	**70 289 345**
Financial leverage ratio	**%9.09**	**% 6.26**

4- The significant accounting estimates and assumptions

The bank applies estimates and assumptions, which affect the amounts of assets and liabilities disclosed in the next financial year. The estimates and assumptions are continuously assessed based on historical experience and other factors as well, including expectations of future events, which are considered reasonable in light of the available information and surrounding circumstances.

A) Impairment loss on loans and advances

The bank reviews the portfolio of loans and advances to assess the impairment on a quarterly basis at least. The bank determines at its own discretion whether the impairment charges should be recorded in the income statement, in order to know if there is any reliable data referring to the existence of a measurable decline in the expected future cash flows of the loan portfolio, before identifying the decline of the level of each loan in the portfolio. Such evidence may include observable data referring to a negative change in the ability of a borrower's portfolio to repay the bank, or to local or economic circumstances related to default in the bank's assets. Upon scheduling the future cash flows, the management use estimates based on prior loss experience for assets with same credit risk characteristics, in the presence of objective evidence, which refers to impairment similar to those included in the portfolio. The method and assumptions used in estimating both the amount and timing of future cash flows are reviewed on a regular basis to minimize any differences between estimated and actual losses based on experience. If the net present value of estimated cash flows differs by +/-5%, then the estimated impairment loss provision will increase or decrease by EGP 49 915 thousand of the formed provisions.

B) Impairment of investments in equity instruments available for sale:

The bank determines the impairment in available for sale equity instruments, when there is a significant or prolonged decline in their fair value below its cost. This determination whether the decrease is significant or prolonged depends on a discretionary judgment. To reach this judgment, the bank estimates- among other factors- the normal volatility of the share price. Additionally, there could be impairment if there is evidence on the existence of deterioration in the company's financial position, in which investments are injected, or in its operating and financing cash flows, in the industry's or the sector's performance, or in changes in technology.

If the full decline in the fair value below the cost is considered significant or prolonged decline, then the bank will suffer an additional loss of

EGP 16 735 thousand, which represents the transfer of the negative balance of fair value reserve to the income statement.

C) Fair value of derivatives

Fair values of derivative financial instruments not quoted in active markets are determined by using valuation methods. When these methods are used to determine the fair value, they are tested and reviewed periodically by qualified personnel who are independent of the body that prepared them. All such models have been approved before being used and after being tested to ensure that their results reflect actual data and prices that can be compared with the market to the extent that is deemed practical. Reliable data is only used in these models; however; areas such as credit risk related to the bank and counterparties, volatility or correlations require the management to use estimates. Changes in assumptions surrounding these factors may affect the fair value of the disclosed financial instruments.

D) Financial investments held to maturity

The non-derivative financial assets with fixed or determinable payments and maturity dates are classified as financial investments held to maturity. This classification requires to a great extent the application of discretionary judgment. To reach such decision, the bank evaluates its willingness and ability to hold these investments until maturity. If the bank fails to hold these investments until maturity date, with the exception of special cases such as the sale of an insignificant amount near maturity, then these investments, which were classified as held–to-maturity investments, shall be reclassified as available-for-sale investments. Consequently, these investments are measured by fair value instead of the amortized cost, in addition to the suspension of the classification of any investments under the mentioned item.

If the classification of investments held to maturity is suspended, then the book value will be adjusted by an increase of EGP 16 864 thousand to reach the fair value through recording a corresponding entry in the fair value reserve within shareholders' equity statement.

E) Income tax

The bank records the liabilities of the expected results of tax examination according to the estimates of the probability of the emergence of additional tax. When there is a discrepancy between the final result of the Tax Authority and the amounts previously recorded, then these discrepancies will affect the income tax and deferred tax provision for the year, in which the discrepancy has been identified.

5- Segment analysis

A - Business segment analysis

Business segment includes operational processes, as well as assets used in providing banking services and management of their related risk and return that are different from those of other business segments. It includes related to segment analysis of these operations in accordance with type of banking business as mentioned in the following:

Large, medium and small enterprises (SMEs)
They include the activities of current accounts, deposits, overdraft accounts, loans, credit facilities and financial derivatives.

Investments
It includes the activities of companies' mergers, the purchase of investments; the financing of company restructuring and financial instruments.

Retail
They include the activities of current and savings accounts, deposits, credit cards, personal loans, and mortgage loans.

Other activities
They include other types of banking business activities such as treasury management.
Transactions between the segmental activities are made in accordance with the bank's ordinary course of business and include operational assets and liabilities as presented in the bank's balance sheet.

EGP 000

31/12/2017	**Corporate**	**Medium and small enterprises 31/12/2016**	**Investment**	**Retail**	**Other activities**	**Total**
Income and expenses according to segmental business activity						
Business activity income	2 776 885	888 641	64 144	8 623 080	(1 962 852)	**10 389 898**
Business activity expenses	(2 199 075)	(401 284)	(90 504)	(6 588 942)	3 272 953	**(6 006 852)**
Results of activity business	577 810	487 357	(26 360)	2 034 138	1 310 101	**4 383 046**
Unclassified expenses	-	-	-	-	(717 744)	**(717 744)**
Profit before income tax of the year	577 810	487 357	(26 360)	2 034 138	592 357	**3 665 302**
Income tax	-	-	-	-	(882 557)	**(882 557)**
Profit for the year	**577 810**	**487 357**	**(26 360)**	**2 034 138**	**(290 200)**	**2 782 745**
Assets and liabilities according to business activity as at 31/12/2017						
Business activity Assets	15 151 508	2 435 171	677 131	14 561 985	44 871 103	**77 696 898**
Business activity liabilities	4 881 753	4 354 506	-	54 100 385	14 360 254	**77 696 898**
Other items of business segment						
Depreciations	-	-	-	-	(104 993)	**(104 993)**
Impairment and other provisions on income statement	-	-	-	-	(304 177)	**(304 177)**

31/12/2016	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Income and expenses according to segmental business activity						
Business activity income	1 650 193	581 608	78 210	5 460 566	(1 637 459)	**6 133 118**
Business activity expenses	(1 112 266)	(360 429)	(51 930)	(4 188 177)	1 941 436	**(3 771 366)**
Results of activity business	537 927	221 179	26 280	1 272 389	303 977	**2 361 752**
Unclassified expenses	-	-	-	-	(492 507)	**(492 507)**
Profit before income tax of the year	537 927	221 179	26 280	1 272 389	(188 530)	**1 869 245**
Income tax	-	-	-	-	(355 279)	**(355 279)**
Profit for the year	**537 927**	**221 179**	**26 280**	**1 272 389**	**(543 809)**	**1 513 966**
Assets and liabilities according to segmental activity as at 31/12/2016						
Business activity assets	15 117 969	1 529 459	849 528	13 352 600	31 962 631	62 812 187
Business activity liabilities	6 358 923	3 393 899	-	41 492 446	11 566 919	62 812 187
Other items of business segment						
Depreciations	-	-	-	-	(81 892)	(81 892)
Impairment and other provisions on income statement	-	-	-	-	(119 978)	(119 978)

b- Geographical Segment Analysis

EGP 000

31/12/2017	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Income and expenses according to geographical segment				
Geographical segment Income	8 024 928	1 548 252	816 718	**10 389 898**
Geographical segment expense	(3 386 502)	(2 161 264)	(1 176 830)	**(6 724 596)**
Profit before income tax of the year	4 638 426	(613 012)	(360 112)	**3 665 302**
Income tax	(882 557)	-	-	**(882 557)**
Profit for the year	**3 755 869**	**(613 012)**	**(360 112)**	**2 782 745**
Assets and liabilities according to geographical segment				
Geographical segment assets	63 294 969	9 376 588	5 025 341	**77 696 898**
Geographical segment liabilities	36 316 923	27 135 951	14 244 024	**77 696 898**
Other items of geographical segment				
Depreciations	(104 993)	-	-	**(104 993)**
Impairment and other provisions on income statement	(304 177)	-	-	**(304 177)**

31/12/2016	**Cairo**	**Alex., Delta and Sinai**	**Upper Egypt**	**Total**
Income and expenses according to geographical segment				
Geographical segment income	4 178 022	1 258 408	696 688	**6 133 118**
Geographical segment expenses	(2 526 547)	(1 126 491)	(610 835)	**(4 263 873)**
Profit before income tax of the year	1 651 475	131 917	85 853	**1 869 245**
Income tax	(355 279)	-	-	**(355 279)**
Profit of the year	1 296 196	131 917	85 853	**1 513 966**
Assets and liabilities according to geographical segment as at 31/12/2016				
Geographical segment assets	49 768 737	8 364 478	4 678 972	**62 812 187**
Geographical segment liabilities	30 834 281	21 042 757	10 935 149	**62 812 187**
Other items of geographical segment				
Depreciations	(81 892)	-	-	**(81 892)**
Impairment and other provisions on income statement	(119 978)	-	-	**(119 978)**

6- Net interest income

	For the year ended 31/12/2017 EGP 000	**For the year ended 31/12/2016 EGP 000**
Interest income on loans and similar income:		
Loans and advances to:		
- Customers	4 339 004	3 167 673
	4 339 004	**3 167 673**
Treasury bills and bonds	2 435 140	1 491 304
Current accounts and deposits	2 494 395	763 889
Investments in debt instruments	192	848
	9 268 731	**5 423 714**
Interest expense on loans and similar income:		
Current accounts and deposits to:		
– Banks	(7 549)	(11 510)
– Customers	(4 368 723)	(2 071 107)
	(4 376 272)	**(2 082 617)**
Other loans	(30 865)	(12 073)
	(4 407 137)	(2 094 690)
Net	**4 861 594**	**3 329 024**

7- Net fee and commission income

	For the year ended 31/12/2017 EGP 000	For the year ended 31/12/2016 EGP 000
Fees & commissions income:		
Fees and commissions related to credit	354 549	260 992
Fees on the financing services (corporate)	298	627
Trust and custody fee	6 987	7 607
Other fees	343 422	278 220
	705 256	**547 446**
Fees and commissions expenses		
Other paid fees	(142 443)	(111 687)
	(142 443)	**(111 687)**
Net	**562 813**	**435 759**

8- Dividend income

	For the year ended 31/12/2017 EGP 000	For the year ended 31/12/2016 EGP 000
Available-for-sale securities	31 505	26 362
Held to maturity	200	-
	31 705	**26 362**

9- Net income from financial assets classified at fair value through profit and loss

	For the year ended 31/12/2017 EGP 000	For the year ended 31/12/2016 EGP 000
Net income from: -		
Equity instruments	1 651	2 926
	1 651	**2 926**

10- Net trading income

	For the year ended 31/12/2017 EGP 000	For the year ended 31/12/2016 EGP 000
Foreign currency transactions:		
Profits of trading in foreign currencies	77 791	87 660
Profits of Trading debt instruments	9 560	9 918
	87 351	**97 578**

11- Administrative expenses

	For the year ended 31/12/2017 EGP 000	For the year ended 31/12/2016 EGP 000
Employees cost		
- Wages and salaries	(899 020)	(824 368)
– Social Insurance	(49 557)	(43 961)
Pension cost		
– Defined-benefit plans (Note no.32)	(156 082)	(115 388)
– Early Retirement Benefits (*)	-	(226 075)
	(1 104 659)	**(1 209 792)**
Other administrative expenses	(717 743)	(492 507)
	(1 822 402)	**(1 702 299)**

12- Other operating expenses

	For the year ended 31/12/2017 EGP 000 Amount	Aggregate	For the year ended 31/12/2016 EGP 000 Amount	Aggregate
Revaluation losses of monetary assets and liabilities balances in foreign currencies the following:				
Revaluation Provision for loan credit / (debit)	24 596		(760 087)	
Revaluation Provision for contingent liabilities (debit)	(4 314)		(39 661)	
Revaluation Provision for Other assess credit/(debit)	179		(2 671)	
Revaluation losses of assets and liabilities balances in foreign currencies with monetary nature other than held for trading or classified at inception at fair value through profit and loss(credit)	16 535		604 606	
Revaluation losses of monetary assets and liabilities balances in foreign currencies with monetary nature other than held for trading or classified at inception at fair value through profit and loss		36 996		(197 813)
Gains from the disposition of the assets reverted to the Bank		421		2 196
(Loss) Gains on sale of property and equipment		3 934		799
Rents		(47 399)		(35 730)
Operating and finance lease		(1 549)		(1 678)
Reversal of other provisions (Note no. 30)		(69 956)		(22 311)
Others		10 021		4 632
		(67 532)		**(249 905)**

13- Impairment loss on loans and advances

	For the year ended 31/12/2017 EGP 000	For the year ended 31/12/2016 EGP 000
Loans and advances to customers (Note no. 19)	(234 222)	(98 020)
Impairment loss of Financial investments held to maturity (Note no. 21)	-	353
	(234 222)	**(97 667)**

14- Income tax expenses

	For the year ended 31/12/2017 EGP 000	For the year ended 31/12/2016 EGP 000
Current taxes	(866 026)	(345 476)
Deferred income taxes (Note no. 31)	(16 531)	(9 803)
	(882 557)	**(355 279)**

The view additional information about Deferred income taxes (Note no. 31), and different taxes on bank profits from the value that would result from the application of the applicable tax rates are as follows: -

	For the year ended 31/12/2017 EGP 000		For the year ended 31/12/2016 EGP 000	
	Amount	Aggregate	Amount	Aggregate
Accounting profit before tax		3 665 302		1 869 245
Tax at 22.5%	824 693		420 580	
Total tax		824 693		420 580
Add (deduct): -				
Expenses are not deductible	15 296		65 456	
The impact of provisions	(18 008)		(120 606)	
Tax exemptions	41 363		(12 485)	
		38 651		(67 635)
Tax according to the tax return		863 344		352 945
The price of the actual tax		23.55%		18.9 %

Tax Position

Bank Tax Policy

The Bank calculates and pays tax due in accordance with the applicable laws, rules and regulations, and makes provisions for all tax liabilities after conducting the required study in light of the actual and forecast tax claims.
Following is the Bank's tax position:

A- Corporate Income Tax:

- Financial year from 2009 till 2013 The Bank received Form (9) from tax authority with no tax due.
- Financial year 2014, The Bank finished the tax disputes in the internal committee for the mentioned year and The Bank is currently receiving Form (9).
- Financial year ended in 31 December 2015, the bank received form 19 and appealed on it at legal dates, currently tax authority determining the internal committee meeting date.
- Financial year ended in 31 December 2016, the inspection is going to be ended and the bank will receive form 19 for this year.
- Financial year ended in 31/12/2017, the corporate income tax declaration for this year resulted a tax due to large tax payers center and the declaration will be submit and paid in legal dates.

B- Stamp Tax Duty

First: The status of Stamp Tax Duty before the period from the application of Law No. 143 of 2006.

In light with low no .79 for year 2016 stating the end of tax disputes, the Bank is currently taking actions to work with the mentioned law for pending tax disputes in internal committees, high challenge committees and specialized courts with its levels for the period before publication of low no. 143 for year 2006.

Second: The status of Stamp Tax Duty after the period from the application of Law No. 143 of 2006.

As per the protocol signed between the Federation of Egyptian Banks (FEB) and the representatives of the Taxation Authority, Executive Directives No. 61/2015 dated 16/12/2015 were issued on the principles of stamp tax precomputing as to banks. Such Directives include the following directives that positively affect our Bank:

1- Regarding the balances of non-performing customers, Banks will be accountable for their share rather than the non-performing customers' share. In case the Bank makes a settlement with the indebted customers in any subsequent phase, banks shall pay Stamp tax, due by such debtors as of the first quarter in which the non-performing debt arose or the application of Law 143/2006, along with each payment as per the settlement schedule.
2- Regarding the balances of the customers that are subject to Article 20 of Law No. 8/1997 on Investment Guarantees and Incentives law and its amended, Banks will be accountable for their share, with the customers being exempted from their share, as the estimated 25 % on loans and facilities balances that have been subject to stamp duty were cancelled

Accordingly, the following was applied:

- For the period from 1/8/2006 to 31/12/2007, the Bank's tax was re-inspected in light of these directives, and the Bank received Form (6) stamp tax and ending the settlement.
- Period starting from 1/1/2008 till 31/12/2009, the Bank's tax was re-inspected in light of these directives, and the Bank received Form (6) stamp tax and ending the settlement.
- Period starting from 1/1/2010 till 31/03/2013, the Bank was re-inspected and received a preliminary draft for the inspection.

- Period starting from 1/4/2013 till 31/12/2016, The bank received form 1 mentioning the inspection date, accordingly the bank submits the required data to large tax payers and coordinate with the mentioned tax authority for inspection and re-inspection process according to the protocol and proceeding, and currently inspection is ongoing, and the follow-up is ongoing.

C- Real- estate tax

- According to Law No. 196 of 2008, as amended by law No. 117 of 2014, the bank has paid the tax claims received up to 31/12/2017, it is tied to the owned buildings in relation to the estimates that are consistent with the bank and to challenge Over estimations.

D- The value added tax (VAT)

- In accordance with law No. 67 of 2016 and the agreement between the Egyptian Banks Federation and the Central Bank of Egypt, the banks are not subject to the mentioned law only within imported services where the bank calculates VAT (reverse charges) on the mentioned and pay tax due legal deadlines.

E- Payroll Tax

- The dispute with the Major Tax payers was settled for the period till 2004. Income tax is currently under inspection for the years from 2005 to 2014, The tax center has been provided with the necessary data to complete the examination.

15- Basic earnings per share *

	For the year ended 31/12/2017 EGP 000	For the year ended 31/12/2016 EGP 000
Net profit for the year	2 782 745	1 513 966
Employees' profit share (in net profit of the year)	(277 878)	(151 421)
Shareholders' share in net profit of the year (1)	**2 504 867**	**1 362 545**
The weighted average of the ordinary issued shares (2) "shares in thousands"	**400 000**	**400 000**
Basic earnings per share (in EGP) (1:2)	**6.26**	**3.41**

* Diluted earnings per share have not been calculated as the bank has issued a single class of shares which are ordinary shares.

16 - Cash and due from Central Bank of Egypt

	31/12/2017 EGP 000	31/12/2016 EGP 000
Cash	1 477 459	1 427 814
Balances at central bank within the mandatory reserve ratio	2 660 156	718 953
	4 137 615	**2 146 767**
Non- interest-bearing balances	4 137 615	2 146 767

* Represented in the amounts deposited with the Central Bank of Egypt in the context of the rules of the calculation of 14% as at 31 December 2017 versus 10% as at 31 December 2016 as a mandatory reserve, which is zero-return balances.

17 - Due from Banks

	31/12/2017 EGP 000	31/12/2016 EGP 000
Current accounts	1 410 487	848 879
Deposits	22 385 259	14 575 910
	23 795 746	**15 424 789**
Central banks other than the obligatory reserve ratio *	17 345 282	11 166 810
Local banks	1 923 175	1 181 223
Foreign banks	4 527 289	3 076 756
	23 795 746	**15 424 789**
Balances without interest	99 358	83 723
Balances with fixed return	23 696 388	15 341 066
	23 795 746	**15 424 789**
Current balances	22 506 464	14 109 290
Non-current balances	1 289 282	1 315 499
	23 795 746	**15 424 789**

* Including the amount of EGP 1 289 282 thousand, as the Bank shall maintain, as per the instructions of the Central Bank of Egypt, 10% of the customers' deposits in foreign currencies as a return-generating reserve with the CBE.

18- Treasury bills and other governmental notes

	31/12/2017 EGP 000	31/12/2016 EGP 000
Treasury bills due 91 days	8 773 575	7 286 900
Treasury bills due 182 days	540 600	882 125
Treasury bills due 273 days	2 224 850	2 542 978
Treasury bills due 364 days	3 945 509	1 511 550
Unearned income	(598 703)	(378 517)
Total	**14 885 831**	**11 845 036**

19- Loans and advances to customers

	31/12/2017 EGP 000	31/12/2016 EGP 000
Retail		
– Overdraft accounts	683 947	642 298
– Credit cards	88 054	86 040
– Personal loans	14 664 005	13 621 235
– Mortgage loans	14 932	16 531
Total (1)	**15 450 938**	**14 366 104**
Corporate including small loans for economic activities		
– Overdraft accounts	4 618 243	4 733 812
– Direct loans	9 937 588	8 096 049
– Syndicated loans	4 862 458	5 872 447
– Other loans	1 540	3 701
Total (2)	**19 419 829**	**18 706 009**
Total loans and advances to customers (1+2)	**34 870 767**	**33 072 113**
Impairment loss provision	(2 722 106)	(3 072 085)
Net	**32 148 661**	**30 000 028**
Distributed to:		
– Current balances	17 400 411	16 460 285
– Non-current balances	14 748 250	13 539 743
	32 148 661	**30 000 028**

Impairment loss provision

An analysis of the movement in the impairment loss provision for loans and advances to customers according to types:

31/12/2017

	Retail				
	Overdraft accounts EGP 000	**Credit Cards EGP 000**	**Personal Loans EGP 000**	**Mortgage loans EGP 000**	**Total EGP 000**
Balance at the beginning of the year	**474**	**3 622**	**672 166**	**1 705**	**677 967**
Impairment loss during the year	64 513	1 099	(144 895)	(246)	**(79 529)**
Amounts written-off during the year	(231)	(812)	(135 299)	(14)	**(136 356)**
Amounts recovered during the year *	-	477	4 560	-	**5 037**
Differences in revaluation of foreign currencies	-	-	(1)	-	**(1)**
Balance at the year end	**64 756**	**4 386**	**396 531**	**1 445**	**467 118**

	Overdraft accounts EGP 000	**Direct Loans EGP 000**	**Corporate Syndicated Loans EGP 000**	**Other Loans EGP 000**	**Total EGP 000**
Balance at the beginning of the year	**641 576**	**534 942**	**1 214 369**	**3 231**	**2 394 118**
Impairment loss during the year	347 808	204 107	(235 912)	(2 253)	**313 750**
Amounts written-off during the year	(439 757)	-	(27 220)	-	**(466 977)**
Amounts recovered during the year *	38 691	-	-	-	**38 691**
Differences in revaluation of foreign currencies	(94)	(1 359)	(23 141)	-	**(24 594)**
Balance at the year end	**588 224**	**737 690**	**928 096**	**978**	**2 254 988**
Total provision					**2 722 106**

31/12/2016	**Overdraft accounts EGP 000**	**Credit Cards EGP 000**	**Retail Personal Loans EGP 000**	**Mortgage loans EGP 000**	**Total EGP 000**
Balance at the beginning of the year	**412**	**3 118**	**698 951**	**5 231**	**707 712**
Impairment loss during the year	57	428	(61 402)	(3 526)	**(64 443)**
Amounts written-off during the year	-	(431)	(9 887)	-	**(10 318)**
Amounts recovered during the year *	-	507	2 127	-	**2 634**
Differences in revaluation of foreign currencies	5	-	42 377	-	**42 382**
Balance at the year end	**474**	**3 622**	**672 166**	**1 705**	**677 967**

	Overdraft accounts EGP 000	**Direct Loans EGP 000**	**Corporate Syndicated Loans EGP 000**	**Other Loans EGP 000**	**Total EGP 000**
Balance at the beginning of the year	**621 053**	**380 607**	**526 071**	**21**	**1 527 752**
Impairment loss during the year	19 944	47 503	91 808	3 208	**162 463**
Amounts written-off during the year	(42 428)	-	-	-	**(42 428)**
Amounts recovered during the year *	28 627	-	-	-	**28 627**
Differences in revaluation of Foreign currencies	14 380	106 832	596 490	2	**717 704**
Balance at the year end	**641 576**	**534 942**	**1 214 369**	**3 231**	**2 394 118**
Total Provision					**3 072 085**

* From amounts that have been previously written off.

20- Financial assets classified at fair value through profit and loss

	31/12/2017 EGP 000	**31/12/2016 EGP 000**
Equity instruments at fair value:		
- Listed in the market	5 388	6 430
Total Equity instrument at fair value	**5 388**	**6 430**
Total Financial assets classified at fair value through profit and loss	**5 388**	**6 430**

The value represents 91 766 shares of ISP equity securities owned by the bank with the dividends to be credited to the bank account. The amount due to Italian employee's beneficiary of these shares under the Parent Company's Remuneration System for Top Management is recorded under credit balances.

21- Financial investments

	31/12/2017 EGP 000	31/12/2016 EGP 000
Available-for-sale financial investments		
Debt instruments at fair value:		
Listed on the market	637 770	1 336 669
Unlisted on the market	25 284	25 284
Equity instruments at fair value:		
Unlisted on the market	581 737	772 948
Total available for sale financial investments (1)	**1 244 791**	**2 134 901**

Financial investments held to maturity		
Debt instruments:		
Unlisted on the market	31 885	26 565
Total Financial investments held to maturity (2)	**31 885**	**26 565**
Total of Financial investments (1+2)	**1 276 676**	**2 161 466**
Current balances	719 317	1 424 164
Non-current balances	557 359	737 302
	1 276 676	**2 161 466**
Debt instruments with fixed interest	663 049	1 356 764
Debt instruments with variable interest	31 890	31 754
	694 939	**1 388 518**

	Available-for-sale investments EGP 000	Held-to-maturity investments EGP 000	Total EGP 000
Balance as at 1/1/2017	**2 134 901**	**26 565**	**2 161 466**
Additions	4 746	25 683	30 429
Disposals (sale/ redemption)	(1 095 606)	(20 363)	(1 115 969)
Differences of valuation of monetary assets of monetary nature in foreign currencies	572	-	572
Gains from changes in fair value (Note no.34/c)	196 755	-	196 755
Impairment losses provision reversed	(4 196)	-	(4 196)
Amortization of issuance discount	7 619	-	7 619
Balance as at 31/12/2017	**1 244 791**	**31 885**	**1 276 676**
	========	=========	========
Balance as at 1/1/2016	**2 931 596**	**40 319**	**2 971 915**
Additions	1 208 548	-	1 208 548
Disposals (sale/ redemption)	(2 414 820)	(14 107)	(2 428 927)
Gains from changes in fair value (Note no.34/c)	250 576	-	250 576
Impairment losses provision reversed	-	353	353
Amortization of issuance discount	159 001	-	159 001
Balance as at 31/12/2016	**2 134 901**	**26 565**	**2 161 466**
	========	========	========

21.A. Gains from financial investments

	31/12/2017 EGP 000	31/12/2016 EGP 000
Gain on sale of available-for-sale financial investments	225 708	17 052
Impairment of equity instruments classified as available for sale	(4 196)	-
Gain from sale of financial investments held to maturity	4 812	6 078
	226 324	**23 130**

21.B. The settlement of the impairment loss provision of the financial investments held to maturity:

	31/12/2017 EGP 000	31/12/2016 EGP 000
Balance at the beginning of the year	-	(353)
Impairment losses on loans reversed during the year	-	353
Balance at the end of the year		**-**

22- Investments in associates

The Bank contributions in associates are as follows: -

31/12/2017	Total shareholders' equity EGP 000	Bank's share percentage %	Bank's share in shareholders' equity EGP 000
Misr International Towers Co.	208 648	27.86	58 122
	208 648		**58 122**

31/12/2016	Total shareholders' equity EGP 000	Bank's Share Percentage %	Bank's share in shareholders' equity EGP 000
Misr International Towers Co.	156 460	27.86	43 584
	156 460		**43 584**

The financial data of associates are as follows:

31/12/2017	Country of the Company's Head Office	Balance Sheet date	Company's Assets EGP 000	**Company's Liabilities (without shareholders' equity) EGP 000	Company's Revenues EGP 000	**Profits (losses) of the company EGP 000	Share Percentage %
Misr International Towers Co.	Egypt	30/09/2017*	247 316	38 668	36 474	22 433	27.86
			247 316	**38 668**	**36 474**	**22 433**	

* The financial statements are not approved yet

31/12/2016	**Country of the Company's Head Office**	**Balance Sheet date**	**Company's Assets**	**** Company's Liabilities (without shareholders' equity)**	**Company's Revenues**	**** Profits (losses) of the company**	**Share Percentage**
			EGP 000	**EGP 000**	**EGP 000**	**EGP 000**	**%**
Misr International Towers Co.	Egypt	30/9/2016	192 405	35 945	25 844	16 542	27.86
			192 405	**35 945**	**25 844**	**16 542**	

** It includes the effect of decision of dividend payout (The Board members' and the employees' share).

23- Intangible assets

31/12/2017	**Computer software programs**	**Benefits of rental contracts**	**Total**
	EGP 000	**EGP 000**	**EGP 000**
Cost at the beginning of the year	209 838	655	210 493
Additions	155 081	-	155 081
Total cost	**364 919**	**655**	**365 574**
Amortization at the beginning of the year	(168 734)	(537)	(169 271)
Amortization for the year	(43 969)	(26)	(43 995)
Accumulated amortization	**(212 703)**	**(563)**	**(213 266)**
Net book value at the year end	**152 216**	**92**	**152 308**

31/12/2016	**Computer Software Programs**	**Benefits of rental contracts**	**Total**
	EGP 000	**EGP 000**	**EGP 000**
Cost at the beginning of the year	195 276	655	195 931
Additions	14 562	-	14 562
Total cost	**209 838**	**655**	**210 493**
Amortization at the beginning of the year	(140 732)	(511)	(141 243)
Amortization for the year	(28 002)	(26)	(28 028)
Accumulated amortization	**(168 734)**	**(537)**	**(169 271)**
Net book value at the year end	**41 104**	**118**	**41 222**

24- Other assets

	31/12/2017	31/12/2016
	EGP 000	EGP 000
Accrued revenues	364 244	335 755
Prepaid expenses	51 646	49 097
Payments under purchase of fixed assets	98 740	52 785
Assets reverted to the Bank in settlement of debts (after deducting impairment)	9 009	28 369
Deposits with others	2 905	3 111
Others	359 555	409 041
	886 099	**878 158**
Less: Provisions for doubtful amounts	(108 879)	(106 082)
	777 220	**772 076**

25- Fixed assets

	Land and Buildings	Improvements on leased assets	Machinery and Equipment	Others	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance as at 1/1/2016					
Cost	281 160	53 906	141 963	363 592	**840 621**
Accumulated depreciation	(110 057)	(38 031)	(81 401)	(277 619)	**(507 108)**
	171 103	**15 875**	**60 562**	**85 973**	**333 513**
Additions	46 820	1 560	5 146	38 735	**92 261**
Disposals	(1 687)	-	(1 191)	(1 808)	**(4 686)**
Depreciation for the year	(13 354)	(6 318)	(9 868)	(24 324)	**(53 864)**
Disposals' accumulated depreciation	1 217	-	878	1 470	**3 565**
Net Book value as at 31/12/2016	**204 099**	**11 117**	**55 527**	**100 046**	**370 789**
Balance as at 1/1/2017					
Cost	326 293	55 466	145 918	400 519	**928 196**
Accumulated depreciation	(122 194)	(44 349)	(90 391)	(300 473)	**(557 407)**
Book value as at 1/1/2017	**204 099**	**11 117**	**55 527**	**100 046**	**370 789**
Additions	10 410	3 006	92 026	51 679	**157 121**
Disposals	(434)	-	(33 387)	(8 074)	**(41 895)**
Depreciation for the year	(13 377)	(5 424)	(14 506)	(27 691)	**(60 998)**
Disposals' accumulated depreciation	25	-	32 722	1 567	**34 314**
Book value as at 31/12/2017	**200 723**	**8 699**	**132 382**	**117 527**	**459 331**
Balance as at 31/12/2017					
Cost	336 269	58 472	204 557	444 124	**1 043 422**
Accumulated depreciation	(135 546)	(49 773)	(72 175)	(326 597)	**(584 091)**
Net book value	**200 723**	**8 699**	**132 382**	**117 527**	**459 331**

26- Due to banks

	31/12/2017 EGP 000	31/12/2016 EGP 000
Current accounts	403 579	284 737
Deposits	1 158	34 210
	404 737	**318 947**
Central Bank of Egypt – Current accounts	40 351	-
Local banks	30 824	77 838
Foreign banks	333 562	241 109
	404 737	**318 947**
Balances without interest	360 385	276 163
Balances with fixed interest	44 352	42 784
	404 737	**318 947**
Current balances	404 737	318 947

27- Customers' deposits

	31/12/2017 EGP 000	31/12/2016 EGP 000
Demand deposits	14 743 020	13 237 076
Term and notice deposits	5 103 243	5 727 753
Certificates of deposits and savings	26 863 363	16 918 204
Savings deposits	16 194 085	14 957 076
Other deposits	633 313	780 483
	63 537 024	**51 620 592**
Corporate deposits	9 479 276	10 122 475
Retail deposits	54 057 748	41 498 117
	63 537 024	**51 620 592**
Balances without interest	7 868 406	8 216 325
Balances with variable interest	46 673 028	35 132 668
Balances with fixed interest	8 995 590	8 271 599
	63 537 024	**51 620 592**
Current balances	13 754 723	17 525 380
Non-current balances	49 782 301	34 095 212
	63 537 024	**51 620 592**

Customers' accounts include deposits of EGP 1 380 676 thousand as at 31 December 2017 versus EGP 1 272 767 thousand as at 31 December 2016, which represent collateral of customer loans, letters of credit, and letters of guarantee. Deposits' fair value approximately equals the present value of such deposits.

28- Other loans (long term loans)

	Interest Rate %	31/12/2017 EGP 000	31/12/2016 EGP 000
Loan within the framework of The Agricultural Sector Development Program	**3.5: 5.0**	108 036	86 747
Sanad Loan Fund for MSME	**Lipor 6month+2.45%**	78 711	121 655
Sanad Loan Fund for MSME	**Lipor 6month+2.85%**	177 277	182 665
Loan Green for Growth Fund Tranche one amounted to USD 15 million	**Lipor 6month+2.95 %**	265 916	273 998
Loan Green for Growth Fund Tranche two amounted to USD 5 million	**Lipor 6month+2.95%**	88 638	91 332
Total long-term loans		**718 578**	**756 397**
Current balances		113 755	99 055
Non-current balances		604 823	657 342
		718 578	**756 397**

- The bank has fulfilled all of its loan obligations in terms of the principal, interest or any other terms and conditions during the current year and the comparative year.

29- Other liabilities

	31/12/2017 EGP 000	31/12/2016 EGP 000
Accrued interest	321 780	201 899
Prepaid revenues	105 234	95 773
Accrued expenses	228 210	239 501
Creditors	296 360	208 720
Remittances of Egyptian workers in Iraq – due to customers	58 572	59 242
Dividend payable	-	374 024
Other credit balances	1 039 135	921 283
	2 049 291	**2 100 442**

30- Other provisions

	31/12/2017 EGP 000	31/12/2016 EGP 000
Balance at the beginning of the year	510 687	491 253
Differences in valuation of foreign currencies	4 135	42 332
Charged to income statement	69 955	22 311
Used amounts during the year	(17 252)	(31 009)
Transfers from doubtful amounts provisions (other assets)	(2 797)	(14 200)
Balance at the end of the year	**564 728**	**510 687**

Other provisions include of an amount of EGP 232 807 thousand at 31 December 2017 to meet contingent liabilities and contractual commitments that amount to EGP 10 492 094 thousand, versus to EGP 201 417 thousand as at 31 December 2016 to meet contingent liabilities and contractual commitments that amount to EGP 9 548 432 thousand.

31- Deferred tax liabilities

- The deferred income tax has been calculated in full on the deferred tax differences according to the liabilities method by applying the actual tax rate of 22.5% for the present fiscal year
- Deferred tax assets resulting from carried forward tax losses are not recognized unless future taxable profits, through which carried forward taxable losses can be utilized, are likely to be proven.
- Deferred tax assets resulting from other provisions are not recognized.

Following are the balances and the movement in deferred tax assets and liabilities:

A- Recognized deferred tax liabilities

	Deferred tax liabilities	
	31/12/2017	**31/12/2016**
	EGP 000	**EGP 000**
Fixed assets (depreciation)	(33 130)	(16 599)
Fair value differences	(99 920)	(138 543)
Total deferred tax liability	**(133 050)**	**(155 142)**

The movement of deferred tax liabilities:

	31/12/2017	**31/12/2016**
	EGP 000	**EGP 000**
Balance at the beginning of the year	(155 142)	(93 912)
Exclusions / (Additions)	22 092	(61 230)
Balance at the end of the year	**(133 050)**	**(155 142)**

The deferred tax recorded directly in equity:

	31/12/2017	**31/12/2016**
	EGP 000	**EGP 000**
Fair value differences	(99 920)	(138 543)
	(99 920)	**(138 543)**

B- Unrecognized deferred tax assets

	Deferred tax assets	
	31/12/2017	**31/12/2016**
	EGP 000	**EGP 000**
Other provisions (other than impairment loss, provision on customers' loans and income tax provision and performing contingent liabilities provision)	47 095	44 800
	47 095	**44 800**

Deferred tax assets related to the abovementioned items have not been recognized, due to the lack of reasonable assurance to benefit from them in the near future.

32- Retirement benefits obligations

	31/12/2017	**31/12/2016**
	EGP 000	**EGP 000**
Liabilities included in the financial position statement for:		
Post-retirement medical benefits	798 000	705 629
	798 000	**705 629**

Amounts recognized in the income statement:	**For the year ended 31/12/2017**	**For the year ended 31/12/2016**
	EGP 000	**EGP 000**
Post-retirement medical benefits	156 082	115 388
	156 082	**115 388**

The balances in the financial position statement are presented as follows:

	31/12/2017	**31/12/2016**
	EGP 000	**EGP 000**
The present value of funded obligations	934 765	905 397
Unrealized actuarial losses *	(136 765)	(199 768)
The liabilities in the financial position statement	**798 000**	**705 629**

The movement in liabilities during the year is represented in the following:

	31/12/2017	**31/12/2016**
	EGP 000	**EGP 000**
The balance at the beginning of the year	**705 629**	**633 623**
Current service cost	11 487	11 966
Interest cost	133 710	92 613
Actuarial losses	10 885	10 809
Paid benefits	(63 711)	(43 382)
Balance at the end of the year	**798 000**	**705 629**

The recognized amounts in the income statement are presented as follows:

	For the year ended 31/12/2017 EGP 000	For the year ended 31/12/2016 EGP 000
Current service cost	11 487	11 966
Interest cost	133 710	92 613
Actuarial losses	10 885	10 809
	156 082	**115 388**

The principal actuarial assumptions used are presented as follows:

	31/12/2017 EGP 000	31/12/2016 EGP 000
Discount rate	15%	15%
Previous service cost inflation rate	10.5%	11.5%
Future service assumption cost inflation rate	12%	13%
Mortality assumption	92 mortality cases every year	92 mortality cases every year
Employee turnover	15% pa at age 20 decreasing to 0.1% after age 50, 0% after age 54	15% pa at age 20 decreasing to 0.1% after age 50, 0% after age 54

* Whereas actuarial losses are higher than 10% of the defined benefits liability, then the amortized amount has been recognized in the income statement.

33- Share capital

	No. of Shares (In millions)	Ordinary Shares EGP 000	Total EGP 000
Balance at the beginning of the year	**400**	**800 000**	**800 000**
Balance at the end of the year	**400**	**800 000**	**800 000**

- The bank's authorized capital amounts to EGP 1 000 million.
- The issued and subscribed capital amounts to EGP 800 million, divided into 400 million shares with a par value of EGP 2 each and it has been fully subscribed and paid.
- On February 23rd, 2007, the Ministry of Investment (State owned assets management program) invited investment banks to submit their proposals for the public offering of 15% of the issued share capital and the remaining 5% to Alex Bank's employees and the subscription program is not implemented yet.

Therefore, the bank's issued and subscribed capital is divided as follows:

Name	Shareholding %	No. of Shares (000)	Nominal value Shares EGP 000
Intesa Sanpaolo S. P. A	70.25	281 000	562 000
International Finance Corporation I.F.C	9.75	39 000	78 000
Ministry of finance (Share of State)	20.00	80 000	160 000
	100%	400 000	800 000

34- Reserves and retained earnings

	31/12/2017 EGP 000	31/12/2016 EGP 000
Legal reserve	400 000	400 000
General reserve	29 312	29 312
Special capital reserve	414 182	413 383
Fair value reserve/financial investments available - for- sale	350 806	456 215
Other reserves	289 188	289 188
IFRS 9 Risks Reserve *	391 535	-
General Banking Risk Reserve	175	150
Specific reserve *	21 000	21 000
Total reserves	**1 896 198**	**1 609 248**

* No amounts shall be distributed from the balance of these reserves expect after obtaining the approval of the Central Bank of Egypt (CBE).

The movement in reserves is as follows:

(34/a) Legal reserve

	31/12/2017 EGP 000	31/12/2016 EGP 000
Balance at the beginning of the year	400 000	380 144
Formed from the financial year's profits 2015	-	19 856
Balance at the end of the year	**400 000**	**400 000**

- According to the Bank's Articles of Association, 5% of the annual net profit shall be retained to make the legal reserve, and retaining profit shall stop for the legal reserve balance when it reaches 50% of the share capital.

(34/b) Special capital reserve

	31/12/2017 EGP 000	31/12/2016 EGP 000
Balance at the beginning of the year	413 383	413 383
Formed from the financial year 's profits 2016, 2015	799	-
Balance at the end of the year	**414 182**	**413 383**

(34/c) Fair value reserve/ financial investments available for sale

	31/12/2017 EGP 000	31/12/2016 EGP 000
Balance at the beginning of the year	456 215	267 728
Net gains from change in fair value (Note no.21)	196 755	250 576
Net gains transferred to income statement resulting from disposals	(337 749)	(2 729)
Revaluation differences on fair value reserve as a result of impairment	(2 871)	-
The impact on the reserve after calculating the bonds by the amortized cost	(167)	1 066
Deferred tax liability (Note no.31)	38 623	(60 426)
Balance at the end of the year	**350 806**	**456 215**

(34/d) IFRS 9 Risks Reserve

	31/12/2017 EGP 000	31/12/2016 EGP 000
IFRS 9 Risks Reserve	391 535	-
Balance at the end of the year	**391 535**	**-**

(34/e) Retained earnings

The movement in retained earnings	**31/12/2017 EGP 000**	**31/12/2016 EGP 000**
Balance at the beginning of the year	4 080 951	3 281 374
Change in general banking risk reserve	(25)	1 044
Net profits of the current year	2 782 745	1 513 966
Employees' share in financial year 2016/2015 profit	(151 421)	(137 069)
Board of directors' member's remuneration for financial year 2016	-	(2 340)
Transferred to legal reserve	-	(19 856)
Transferred to Special capital reserve	(799)	-
Transferred to IFRS 9 risks reserve	(391 535)	-
Shareholders' dividends in financial year 2016/2015	(40 000)	(556 168)
Balance at the end of the year	**6 279 916**	**4 080 951**

35- Dividend

Dividend is not recorded until it is approved by the General Assembly of Shareholders. The Board of Directors in accordance with the Bank's Bylaws proposes to the Assembly scheduled to be held 1 March 2018 a distribution to the Shareholders of an amount of EGP 1 808 784 thousand; and the Board of Directors has to distribute an amount of EGP 277 878 thousand for employees as a share in profits (the actual distributions amounted of EGP 151 421 thousand for employees and not recognized in these presented financial statements resolution. And the dividend recorded for shareholders' and employees' share in profits and Board of Directors members' remuneration in equity distribution of retained earnings in the year ended 31 December 2017.

36- Cash and cash equivalents

For the presentation of the cash flows statement, cash and cash equivalents include the following balances with maturities of no later than three months from the acquisition date.

	31/12/2017 EGP 000	31/12/2016 EGP 000
Cash and due from Central Bank of Egypt (Note no.16)	1 477 459	1 427 814
Due from banks (Note no. 17)	23 766 746	10 924 789
Treasury bills and other governmental notes (Note no. 18)	8 559 425	7 083 323
	33 803 630	**19 435 926**

37- Contingent liabilities and commitments:

a) Legal Claims

There are a number of cases filed against the bank on 31 December 2017, and the balance of the claims' provision amounted to EGP 65 120 thousand.

b) Capital commitments

1- Financial investments

The value of the capital commitments related to financial investments which are not required to be paid until 31 December 2017 amounted to USD 95 thousand as follows:

			USD 000
Available - for - sale investments (foreign currency)	**Investment value**	**Paid amount**	**Remaining amount and not requested**
Horus Fund for Investment in Agricultural and Food Sector	3 496	3 401	95
	3 496	**3 401**	**95**

2- Fixed assets and fittings and fixtures of branches

The value of the commitments related to the purchase contracts of fixed assets and the fittings and fixtures of the branches that has not yet been made till the reporting date amounted to EGP 103 878 thousand on 31 December 2017, versus EGP 78 382 thousand on December 31, 2016. The Top Management has sufficient confidence in generating revenues and providing the finance required to cover these commitments.

c) Commitments related to loans, guarantees, and facilities

The bank's commitments related to loans, guarantees and facilities are represented in the following:

	31/12/2017 EGP 000	**31/12/2016 EGP 000**
Loan commitments	5 060 455	6 759 595
Accepted documentation	303 474	142 147
Letters of guarantee	9 644 071	9 000 738
Letters of credit “import”	391 878	317 941
Letters of credit “export”	152 671	87 606
Total	**15 552 549**	**16 308 027**

d) Commitments on operational leasing contracts:

The total of minimum lease payments on irrevocable operational leasing contracts is as follows:

	31/12/2017 EGP 000	31/12/2016 EGP 000
Not more than one year	3 707	1 593
More than one year but less than five years	7 256	4 620
Total	**10 963**	**6 213**

38- Transactions with related parties

- The bank is a subsidiary of the Parent Bank (Intesa Sanpaolo Bank - Italy), in which it owns 70.25% of the ordinary shares, whereas the remaining percentage 29.75% is owned by other shareholders.
- The bank has entered into many transactions with the related parties within the context of its normal business. These transactions include loans, deposits, as well as foreign currency swaps.
- The transactions and the balances of the related parties at the end of the fiscal year are as follow:

A) Deposits from related parties:

	31/12/2017 EGP 000	31/12/2016 EGP 000
Due to customers		
Deposits at the beginning of the year	4 157	4 225
Deposits at the end of the year	**4 157**	**4 225**

B) Transactions with the Parent Bank (Intesa Sanpaolo Bank):

	31/12/2017 EGP 000	31/12/2016 EGP 000
Statement of financial position		
Due from banks	319 253	204 636
Debit balances and other assets	3 151	5 548
Due to banks	860	4 780
Credit balances and other liabilities	29 123	372 820
Income statement		
	31/12/2017 EGP 000	**31/12/2016 EGP 000**
Interest income banks	-	354
Interest expenses banks	-	3
Expenses Central Depository Shares	-	1 600

C) Board of Directors and the Top Management Benefits

The monthly average amount of the 20 biggest employees' salaries for the current year is amounted to EGP 3.92 million as at 31 December 2017 versus EGP 3.08 million as at 31 December 2016.

39- Mutual funds

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations.

These funds, which are managed by EFG- Hermes Fund Management Company, are as follows:

A) Bank of Alexandria Mutual Fund (with periodical return and capital growth)

The certificates of the fund reached 3 million with an amount of EGP 300 million (after increasing the capital of the mutual fund on March 26th, 2006 with an amount of EGP 100 million). 50 thousand certificates were allocated to the Bank to undertake the fund's activity after Clause (6) of the prospectus was amended under the approval of the Capital Market Authority (CMA), in order that the percentage be amended to 2% instead of 5% under Article No. 150 by the Ministerial Decree No. 209 for period 2007 from the capital market law executive regulations.

The Bank investment in the fund amounted to 50 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 19.66 million as at 31 December 2017.

The redeemable value of the certificate as at 31 December 2017 amounted to EGP 393.19 and the outstanding certificates at that date reached 144 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions in return for its supervision of the fund and other administrative services rendered thereby. Total commissions amounted to EGP 2 570 thousand as at 31 December 2017, which were presented under the item of "Fee and commission income" in the income statement.

B) Bank of Alexandria's Monetary Mutual Fund (with daily-accumulated return in Egyptian pound)

The certificates of the fund reached 20 million certificates with an amount of EGP 200 million. As the fund is an open fund, the Bank adjusts its allocated percentage on a daily basis.

The Bank investments in the fund amounted to a number of 643 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 18.66 million as at 31 December 2017.

The redeemable value of the certificate amounted to EGP 29.02 as at 31 December 2017, and the outstanding certificates at that date reached 33 822 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 2 792 thousand as at 31 December 2017, which were presented under the item of "Fee and commission income" in the income statement.

C) Bank of Alexandria Fixed Income Fund (with quarterly return)

The certificates of the fund reached 10 million certificates with an amount of EGP 100 million. 500 thousand certificates have been allocated to the Bank to undertake the fund's activity according the Article No. 150 of the executive regulations of the Capital Market Law No. 95/1992. It is worth mentioning that the fund is an open-ended fund with a quarterly return.

The Bank investment in the fund amounted to 500 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 10.32 million as at 31 December 2017.

The redeemable value of the certificate amounted to EGP 20.6357 as at 31 December 2017 and the outstanding certificates at that date reached 2 988 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 183 thousand as at 31 December 2017 which were presented under the item of "Fee and commission income" in the income statement.

40- Subsequent Events

The CBE declared a circular on January 28th 2018 obliging the banks operating in the Arab Republic of Egypt to apply IFRS 9 on the financial statements of banks starting year 2019. In addition to the commitment of banks to start the experimental version of the standard starting the first Quarter in 2018. The IFRS 9 risk reserve was formed by 1% of the total credit risk weighted by risk weights from FY 2017 net profit after tax (Disclosure 34.D) . And was considered in the capital base components. The reserve is restricted for utilization except by the approval of the Central Bank.

Dante Campioni	**Mohamed Raef**
CEO and Managing Director	**Chief Financial Officer**