



Separate
Financial Statements



March - 2016
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Review Report

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

Introduction

We have performed a limited review of the accompanying Separate statement of Financial Position of Commercial International Bank (Egypt) S.A.E as of 31 March 2016 and the related Separate statements of income, cash flows and changes in equity for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim Separate financial statements in accordance with the Central Bank of Egypt's rules issued on 16 December 2008. Our responsibility is to express a conclusion on these interim Separate financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim Separate financial statements do not present fairly, in all material respects, the financial position of Commercial International Bank - Egypt (S.A.E) as at 31 March 2016 and of its financial performance and its cash flows for the three months then ended in accordance with the Central Bank of Egypt's rules issued on 16 December 2008 and in the light of the prevailing Egyptian laws and regulations relating to the preparation of these financial statements.



Kamel Magdy Saleh

Egyptian Financial Supervisory Authority

Register Number "69"

Deloitte – Saleh, Barsoum & Abdel Aziz

Accountants & Auditors

Cairo, 12 May, 2016

Auditors



Hassan Basyoni El Basha

Egyptian Financial Supervisory Authority

Register Number "98"

KPMG Hazem Hassan

Public Accountants & Consultants

KPMG Hazem Hassan
Public Accountants and Consultants

Separate balance sheet as at March 31, 2016

	<i>Notes</i>	Mar. 31, 2016 EGP Thousands	Dec. 31, 2015 EGP Thousands
Assets			
Cash and balances with central bank	15	16,409,342	9,848,954
Due from banks	16	31,110,134	21,002,305
Treasury bills and other governmental notes	17	18,194,950	22,130,170
Trading financial assets	18	4,967,350	5,848,377
Loans and advances to banks, net	19	43,172	38,443
Loans and advances to customers, net	20	60,779,839	57,172,705
Derivative financial instruments	21	150,374	80,995
Financial investments			
- Available for sale	22	42,474,133	46,289,075
- Held to maturity	22	9,259,909	9,261,220
Investments in associates	23	12,600	12,600
Non current assets held for sale	42	428,011	503,066
Other assets	24	4,493,287	4,799,937
Goodwill	41	198,988	209,842
Intangible assets	41	596,788	629,340
Deferred tax assets (Liabilities)	32	316,592	258,157
Property, plant and equipment	25	1,098,341	1,107,905
Total assets		190,533,810	179,193,091
Liabilities and equity			
Liabilities			
Due to banks	26	628,954	1,600,769
Due to customers	27	169,488,282	155,369,922
Derivative financial instruments	21	127,628	145,735
Current tax liabilities		482,726	1,949,694
Other liabilities	29	4,214,790	2,622,269
Long term loans	28	124,234	131,328
Other provisions	30	914,715	861,761
Total liabilities		175,981,329	162,681,478
Equity			
Issued and paid up capital	31	11,470,603	11,470,603
Reserves	34	1,456,357	152,144
Reserve for employee stock ownership plan (ESOP)		296,809	248,148
Total equity		13,223,769	11,870,895
Net profit for the period/year		1,328,712	4,640,718
Total equity and net profit for the period/year		14,552,481	16,511,613
Total liabilities and equity		190,533,810	179,193,091

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



Hisham Ezz El-Arab
Chairman and Managing Director

Separate income statement for the period ended March 31, 2016

	<i>Notes</i>	Mar. 31, 2016 EGP Thousands	Mar. 31, 2015 EGP Thousands
Interest and similar income		4,178,859	3,377,796
Interest and similar expense		<u>(1,910,574)</u>	<u>(1,508,295)</u>
Net interest income	6	<u>2,268,285</u>	<u>1,869,501</u>
Fee and commission income		463,058	455,338
Fee and commission expense		<u>(83,981)</u>	<u>(53,418)</u>
Net fee and commission income	7	<u>379,077</u>	<u>401,920</u>
Dividend income	8	492	491
Net trading income	9	107,642	63,528
Profits from financial investments	22	91,474	163,823
Administrative expenses	10	<u>(601,548)</u>	<u>(488,665)</u>
Other operating (expenses) income	11	<u>(161,400)</u>	12,623
Goodwill amortization	41	<u>(10,854)</u>	-
Intangible assets amortization	41	<u>(32,552)</u>	-
Impairment charge for credit losses	12	<u>(287,613)</u>	<u>(420,898)</u>
Profit before income tax		1,753,003	1,602,323
Income tax expense	13	<u>(482,726)</u>	<u>(542,567)</u>
Deferred tax assets (Liabilities)	32 & 13	<u>58,435</u>	<u>20,050</u>
Net profit for the period		<u>1,328,712</u>	<u>1,079,806</u>
Earning per share	14		
Basic		1.03	0.83
Diluted		1.01	0.82



Hisham Ezz El-Arab
Chairman and Managing Director

Separate cash flow for the period ended March,2016

	Mar. 31, 2016 EGP Thousands	Mar. 31, 2015 EGP Thousands
Cash flow from operating activities		
Profit before income tax	1,753,003	1,602,323
Adjustments to reconcile net profit to net cash provided by operating activities		
Fixed assets depreciation	64,951	53,088
Impairment charge for credit losses	287,613	420,898
Other provisions charges	23,622	25,945
Trading financial investments revaluation differences	195,000	94,997
Available for sale and held to maturity investments exchange revaluation differences	(263,567)	(69,351)
Goodwill amortization	10,854	-
Intangible assets amortization	32,552	-
Financial investments impairment charge	19,481	22,868
Utilization of other provisions	(470)	(155)
Other provisions no longer used	(33,132)	-
Exchange differences of other provisions	62,934	7,920
Profits from selling property, plant and equipment	(164)	(647)
Profits from selling financial investments	(16,259)	(177,242)
Profits from selling associates	(84,934)	-
Shares based payments	48,661	42,609
Real estate investments revaluation	-	(24,299)
Operating profits before changes in operating assets and liabilities	2,100,145	1,998,954
Net decrease (increase) in assets and liabilities		
Due from banks	(13,650,312)	(1,637,714)
Treasury bills and other governmental notes	5,128,034	(3,500,850)
Trading financial assets	686,027	(1,951,607)
Derivative financial instruments	(87,486)	56,209
Loans and advances to banks and customers	(3,899,476)	(4,795,185)
Other assets	425,985	(44,202)
Due to banks	(971,815)	(721,611)
Due to customers	14,118,360	13,930,297
Income tax obligations paid	(1,949,694)	(1,814,609)
Other liabilities	1,592,521	1,201,044
Net cash provided from operating activities	3,492,289	2,720,726
Cash flow from investing activities		
Proceeds from selling subsidiary and associates	159,989	-
Payment for purchases of property, plant, equipment and branches constructions	(174,558)	(114,796)
Proceeds from redemption of held to maturity financial investments	1,311	2,765,025
Payment for purchases of held to maturity financial investments	-	(3,813,120)
Payment for purchases of available for sale financial investments	(129,845)	(5,852,952)
Proceeds from selling available for sale financial investments	2,332,077	1,666,620
Net cash result from (used in) investing activities	2,188,974	(5,349,223)

Separate cash flow for the period ended March 31,2016 (Cont.)

	Mar. 31, 2016 EGP Thousands	Mar. 31, 2015 EGP Thousands
Cash flow from financing activities		
Increase (decrease) in long term loans	(7,094)	(28,216)
Dividend paid	<u>(1,463,450)</u>	<u>(473,838)</u>
Net cash used in financing activities	<u>(1,470,544)</u>	<u>(502,054)</u>
Net increase (decrease) in cash and cash equivalent during the period	4,210,719	(3,130,551)
Beginning balance of cash and cash equivalent	<u>12,622,530</u>	<u>14,811,360</u>
Cash and cash equivalent at the end of the period	<u>16,833,249</u>	<u>11,680,809</u>
Cash and cash equivalent comprise:		
Cash and balances with central bank	16,409,342	8,842,134
Due from banks	31,110,134	9,808,665
Treasury bills and other governmental notes	18,194,950	30,678,768
Obligatory reserve balance with CBE	(13,893,058)	(6,820,947)
Due from banks with maturities more than three months	(23,503,792)	(5,216,775)
Treasury bills with maturity more than three months	<u>(11,484,327)</u>	<u>(25,611,036)</u>
Total cash and cash equivalent	<u>16,833,249</u>	<u>11,680,809</u>

Separate statement of changes in shareholders' equity for the period ended March 31, 2015

Mar. 31, 2015	<u>Issued and paid up capital</u>	<u>Legal reserve</u>	<u>General reserve</u>	<u>Special reserve</u>	<u>Reserve For A.F.S. investments revaluation diff.</u>	<u>Banking risks reserve</u>	<u>Net profit for the year / period</u>	<u>Reserve for employee stock ownership plan</u>	<u>Total</u>	EGP Thousands
Beginning balance	9,081,734	621,084	1,850,648	28,108	(593,237)	1,991	3,647,530	177,766	14,815,624	
Transferred to reserves	-	182,271	1,898,985	2,106	-	-	(2,083,362)	-	-	
Dividend paid	-	-	-	-	-	-	(1,563,646)	-	(1,563,646)	
Net profit for the period	-	-	-	-	-	-	1,079,806	-	1,079,806	
Net unrealised gain/(loss) on AFS	-	-	-	-	117,431	-	-	-	117,431	
Transferred (from) to bank risk reserve	-	-	-	-	-	522	(522)	-	-	
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	42,609	42,609	
Balance at the end of the period	9,081,734	803,355	3,749,633	30,214	(475,806)	2,513	1,079,806	220,375	14,491,824	

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

Mar. 31, 2016

	<u>Issued and paid up capital</u>	<u>Legal reserve</u>	<u>General reserve</u>	<u>Special reserve</u>	<u>Reserve For A.F.S. investments revaluation diff.</u>	<u>Banking risks reserve</u>	<u>Net profit for the year / period</u>	<u>Reserve for employee stock ownership plan</u>	<u>Total</u>	EGP Thousands
Beginning balance	11,470,603	803,355	1,518,525	30,214	(2,202,463)	2,513	4,640,718	248,148	16,511,613	
Transferred to reserves	-	232,008	2,944,190	564	-	-	(3,176,762)	-	-	
Dividend paid	-	-	-	-	-	-	(1,463,450)	-	(1,463,450)	
Net profit for the period	-	-	-	-	-	-	1,328,712	-	1,328,712	
Net unrealised gain/(loss) on AFS	-	-	-	-	(1,873,055)	-	-	-	(1,873,055)	
Transferred (from) to bank risk reserve	-	-	-	-	-	506	(506)	-	-	
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	48,661	48,661	
Balance at the end of the period	11,470,603	1,035,363	4,462,715	30,778	(4,075,518)	3,019	1,328,712	296,809	14,552,481	

Notes to the separate financial statements for the period ended March 31, 2016

1. General information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate and investment banking services in various parts of Egypt through 161 branches, and 26 units employing 6191 employees on the statement of financial position date.

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

2. Summary of accounting policies

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

2.1. Basis of preparation

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

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

The separate and consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with the relevant domestic laws and the Egyptian financial reporting standards, the affiliated companies are entirely included in the consolidated financial statements and these companies are the companies that the Bank - directly or indirectly - has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of activity, the Bank's consolidated financial statements can be obtained from the Bank's management. The Bank accounts for investments in subsidiaries and associate companies in the separate financial statements at cost minus impairment loss.

The separate financial statements of the Bank should be read with its consolidated financial statements, for the period ended on March 31, 2016 to get complete information on the Bank's financial position, results of operations, cash flows and changes in ownership rights.

2.2. Subsidiaries and associates

2.2.1. Subsidiaries

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

2.2.2. Associates

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

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

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

2.3. Segment reporting

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

2.4. Foreign currency translation

2.4.1. Functional and presentation currency

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

2.4.2. Transactions and balances in foreign currencies

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

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

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

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

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

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

2.5. Financial assets

The Bank classifies its financial assets in the following categories:

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

Management determines the classification of its investments at initial recognition.

2.5.1. Financial assets at fair value through profit or loss

This category has two sub-categories:

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

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

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

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

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

2.5.2. Loans and advances

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

- Those that the Bank intends to sell immediately or in the short term, which is classified as held for trading, or those that the Bank upon initial recognition designates as at fair value through profit and loss.

- Those that the Bank upon initial recognition designates and available for sale; or

- Those for which the holder may not recover substantially all of its initial investment, other than credit deterioration.

2.5.3. Held to maturity financial investments

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

2.5.4. Available for sale financial investments

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

The following are applied in respect to all financial assets:

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

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

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

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

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

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

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

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

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

2.6. Offsetting financial instruments

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

Agreements of repos & reverse repos are shown by the net in the financial statement in treasury bills and other governmental notes.

2.7. Derivative financial instruments and hedge accounting

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

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

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

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

At the inception of the hedging relationship, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge, and on ongoing basis, the Bank documents whether the hedging instrument is expected to be highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk.

2.7.1. Fair value hedge

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

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

2.7.2. Derivatives that do not qualify for hedge accounting

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

2.8. Interest income and expense

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

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

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

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

2.9. Fee and commission income

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

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

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

Commission and fee arising from negotiating, or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares or other securities and the purchase or sale of properties are recognized upon completion of the underlying transaction in the income statement .

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

2.10. Dividend income

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

2.11. Sale and repurchase agreements

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

2.12. Impairment of financial assets

2.12.1. Financial assets carried at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

2.12.2. Available for sale investments

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

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

2.13. Real estate investments

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

2.14. Property, plant and equipment

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

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

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

Buildings	20 years.
Leasehold improvements	3 years, or over the period of the lease if less
Furniture and safes	5 years.
Typewriters, calculators and air-conditions	8 years
Transportations	5 years
Computers and core systems	3/10 years
Fixtures and fittings	3 years

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

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

2.15. Impairment of non-financial assets

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

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

2.15.1. Goodwill

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

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

2.15.2. Other intangible assets

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

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

2.16. Leases

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

2.16.1. Being lessee

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

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

2.16.2. Being lessor

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

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

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

2.17. Cash and cash equivalents

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

2.18. Other provisions

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

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

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

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

2.19. Share based payments

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

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

2.20. Income tax

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

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

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

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

2.21. Borrowings

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

2.22. Dividends

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

2.23. Comparatives

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

2.24. Non-current assets held for sale

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

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

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

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

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

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

2.25. Discontinued operation

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

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

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

3. Financial risk management

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

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

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

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

3.1. Credit risk

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

3.1.1. Credit risk measurement

3.1.1.1. Loans and advances to banks and customers

In measuring credit risk of loans and facilities to banks and customers at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations (ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

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

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

<u>Bank's rating</u>	<u>Description of the grade</u>
1	Performing loans
2	Regular watching
3	Watch list
4	Non-performing loans

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

3.1.1.2. Debt instruments and treasury and other bills

For debt instruments and bills, external rating such as standard and poor's rating or their equivalents are used for managing of the credit risk exposures, and if this rating is not available, then other ways similar to those used with the credit customers are uses. The

investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3.1.2. Risk limit control and mitigation policies

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

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

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

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

Some other specific control and mitigation measures are outlined below:

3.1.2.1. Collateral

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

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

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

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

3.1.2.2. Derivatives

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

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

3.1.2.3. Master netting arrangements

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

3.1.2.4. Credit related commitments

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

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

credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.3. Impairment and provisioning policies

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

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

Bank's rating	March 31, 2016		December 31, 2015	
	<u>Loans and advances</u> (%)	<u>Impairment provision</u> (%)	<u>Loans and advances</u> (%)	<u>Impairment provision</u> (%)
1-Performing loans	80.98	28.19	82.27	30.70
2-Regular watching	10.60	14.13	9.32	12.97
3-Watch list	3.74	19.98	4.43	21.78
4-Non-Performing loans	4.68	37.70	3.98	34.55

The internal rating tools assists management to determine whether objective evidence of impairment exists under EAS 26, based on the following criteria set by the Bank:

- Cash flow difficulties experienced by the borrower or debtor
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Bank granted concessions may not be approved under normal circumstances due to economic, legal reasons and financial difficulties facing the borrower
- Deterioration of the collateral value
- Deterioration of the credit situation

The Bank's policy requires the review of all financial assets that are above materiality thresholds at least annually or more regularly when circumstances require. Impairment provisions on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date, and are applied to all significant accounts individually. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collective impairment provisions are provided portfolios of homogenous assets by using the available historical loss experience, experienced judgment and statistical techniques.

3.1.4. Pattern of measuring the general banking risk

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

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

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

3.1.5. Maximum exposure to credit risk before collateral held

	Mar. 31, 2016 EGP Thousands	Dec. 31, 2015 EGP Thousands
In balance sheet items exposed to credit risk		
Treasury bills and other governmental notes	18,194,950	22,130,170
Trading financial assets:		
- Debt instruments	4,604,595	5,504,524
Gross loans and advances to banks	54,098	48,342
Less: Impairment provision	(10,926)	(9,899)
Gross loans and advances to customers		
Individual:		
- Overdraft	1,522,698	1,583,233
- Credit cards	2,052,705	2,001,159
- Personal loans	8,866,649	8,073,622
- Mortgages	295,600	298,817
- Other loans	20,867	20,881
Corporate:		
- Overdraft	9,945,935	8,936,219
- Direct loans	29,549,911	27,811,737
- Syndicated loans	14,944,326	14,088,786
- Other loans	88,754	84,402
Unamortized bills discount	(7,608)	(14,375)
Impairment provision	(5,394,623)	(4,709,107)
Unearned interest	(1,105,375)	(1,002,669)
Derivative financial instruments	150,374	80,995
Financial investments:		
- Debt instruments	51,003,168	54,818,500
- Investments in subsidiary and associates	12,600	12,600
Total	134,788,698	139,757,937
Off balance sheet items exposed to credit risk		
Financial guarantees	3,071,217	2,741,310
Customers acceptances	466,735	504,774
Letters of credit (import and export)	851,348	862,279
Letter of guarantee	32,404,068	29,640,729
Total	36,793,368	33,749,092

The above table represents the Bank's Maximum exposure to credit risk on March 31, 2016, before taking into account any held collateral. For assets recognized on balance sheet, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 45.24% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt instruments represent 41.26%.

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

- 91.58% of the loans and advances are concentrated in the top two grades of the internal credit risk rating system.
- 95.32% of loans and advances portfolio are considered to be neither past due nor impaired.
- Loans and advances assessed individually are valued EGP thousands 3,153,358.
- The Bank has implemented more prudent processes when granting loans and advances during the financial period ended on March 31, 2016.
- 96.78% of the investments in debt Instruments are Egyptian sovereign instruments.

3.1.6. Loans and advances

Loans and advances are summarized as follows:

	Mar.31, 2016		Dec.31, 2015	
	EGP Thousands		EGP Thousands	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	60,459,499	30,502	56,649,081	27,567
Past due but not impaired	3,698,183	-	3,765,257	-
Individually impaired	3,129,763	23,595	2,484,518	20,775
Gross	67,287,445	54,097	62,898,856	48,342
Less:				
Impairment provision	5,394,623	10,925	4,709,107	9,899
Unamortized bills discount	7,608	-	14,375	-
Unearned interest	1,105,375	-	1,002,669	-
Net	60,779,839	43,172	57,172,705	38,443

Impairment provision losses for loans and advances reached EGP 5,405,548 thousand.

During the period the Bank's total loans and advances increased by 6.98%.

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

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

Mar. 31, 2016	Individual			Corporate			EGP Thousands			
	Overdrafts	Credit cards	Personal loans	Mortgages	Overdraft	Direct loans	Syndicated loans	Other loans	Total loans and advances to customers	Total loans and advances to banks
Performing loans	1,468,166	1,960,112	8,374,172	285,318	8,656,293	20,815,624	11,331,423	87,291	52,978,399	30,152
Regular watching	20,429	41,782	172,939	-	346,820	3,378,962	2,410,912	-	6,371,844	-
Watch list	10,535	15,073	86,674	-	48,017	1,279,571	-	-	1,439,870	-
Non-performing loans	14,867	9,351	82,802	2,329	269,795	645,912	77,653	-	1,102,709	13,020
Total	1,513,997	2,026,318	8,716,587	287,647	9,320,925	26,120,069	13,819,988	87,291	61,892,822	43,172
Dec. 31, 2015	Individual			Corporate			EGP Thousands			
Grades:	Overdrafts	Credit cards	Personal loans	Mortgages	Overdraft	Direct loans	Syndicated loans	Other loans	Total loans and advances to customers	Total loans and advances to banks
Performing loans	1,512,038	1,907,963	7,585,578	286,266	7,662,663	20,014,726	11,257,517	83,075	50,309,826	25,881
Regular watching	37,236	39,542	211,668	-	243,102	3,001,782	1,720,835	-	5,254,165	1,355
Watch list	8,661	16,795	65,985	-	200,937	1,447,610	21,997	-	1,761,985	-
Non-performing loans	13,463	9,874	75,052	2,359	239,897	458,917	64,211	-	863,773	11,207
Total	1,571,398	1,974,174	7,938,283	288,625	8,346,599	24,923,035	13,064,560	83,075	58,189,749	38,443

Loans and advances past due but not impaired:

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

	Individual				Corporate				Total
	Overdrafts	Credit cards	Personal loans	Mortgages	Overdraft	Direct loans	Syndicated loans	Total	
Mar.31, 2016									EGP Thousands
Past due up to 30 days	528,386	294,479	127,589	965	1,201,073	878,421	-	2,079,494	
Past due 30 - 60 days	20,551	45,705	46,481	70	4,582	84,786	-	89,368	
Past due 60-90 days	10,579	19,213	22,970	76	188,026	224,231	-	412,257	
Total	559,516	359,397	197,040	1,111	1,393,681	1,187,438	-	2,581,119	
Dec.31, 2015									
Past due up to 30 days	496,599	319,812	107,881	491	1,024,665	1,289,946	4,300	2,318,911	
Past due 30-60 days	37,361	42,765	40,608	142	54,301	40,768	-	95,069	
Past due 60-90 days	8,735	20,820	19,823	41	143,274	112,925	-	256,199	
Total	542,695	383,397	168,312	674	1,222,240	1,443,639	4,300	2,670,179	

Individually impaired loans

Loans and advances individually assessed without taking into consideration cash flows from guarantees are totaled EGP 3,153,358 thousand.

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

	Individual				Corporate				Total
	Overdrafts	Credit cards	Personal loans	Mortgages	Overdraft	Direct loans	Syndicated loans	Total	
Mar.31, 2016									EGP Thousands
Individually impaired loans	21,329	19,800	180,100	7,154	625,380	1,606,899	671,829	3,153,358	
Dec.31, 2015									
Individually impaired loans	19,154	21,581	157,450	9,456	567,565	1,118,675	590,531	2,505,293	

Loans and advances restructured

Restructuring activities include rescheduling arrangements, applying obligatory management programs, modifying and deferral of payments. The application of restructuring policies are based on indicator criteria of credit performance of the borrower that is based on the personal judgment of the management, which indicate that payment will most likely continue. Restructuring is commonly applied to term loans, specially customer loans. Renegotiated loans totaled at the end of the period:

	Mar.31, 2016	Dec.31, 2015
Loans and advances to customer		
Corporate		
- Direct loans	3,708,866	3,126,928
Total	3,708,866	3,126,928

3.1.7. Debt instruments, treasury bills and other governmental notes

The table below presents an analysis of debt instruments, treasury bills and other governmental notes by rating agency designation at end of financial period, based on Standard & Poor's ratings or their equivalent:

Mar.31, 2016	EGP Thousands			
	<u>Treasury bills and other gov. notes</u>	<u>Trading financial debt instruments</u>	<u>Non-trading financial debt instruments</u>	<u>Total</u>
AAA	-	-	144,350	144,350
AA- to AA+	-	-	428,687	428,687
A- to A+	-	-	1,024,899	1,024,899
Lower than A-	-	-	1,235,018	1,235,018
Unrated	18,194,950	4,604,595	48,170,214	70,969,759
Total	18,194,950	4,604,595	51,003,168	73,802,713

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

3.1.8.1. Geographical sectors

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

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

Mar.31, 2016	EGP Thousands			
	<u>Cairo</u>	<u>Alex, Delta and Sinai</u>	<u>Upper Egypt</u>	<u>Total</u>
Treasury bills and other governmental notes	18,194,950	-	-	18,194,950
Trading financial assets:				
- Debt instruments	4,604,595	-	-	4,604,595
Gross loans and advances to banks	54,098	-	-	54,098
Less: Impairment provision	(10,926)	-	-	(10,926)
Gross loans and advances to customers				
Individual:				
- Overdrafts	849,877	498,872	173,949	1,522,698
- Credit cards	1,652,828	341,798	58,079	2,052,705
- Personal loans	5,660,448	2,646,778	559,423	8,866,649
- Mortgages	234,849	48,538	12,213	295,600
- Other loans	-	20,867	-	20,867
Corporate:				
- Overdrafts	8,448,841	1,352,156	144,938	9,945,935
- Direct loans	22,085,829	6,975,739	488,343	29,549,911
- Syndicated loans	13,071,553	1,872,773	-	14,944,326
- Other loans	68,754	20,000	-	88,754
Unamortized bills discount	(7,608)	-	-	(7,608)
Impairment provision	(5,394,623)	-	-	(5,394,623)
Unearned interest	(871,086)	(205,073)	(29,216)	(1,105,375)
Derivative financial instruments	150,374	-	-	150,374
Financial investments:				
- Debt instruments	51,003,168	-	-	51,003,168
- Investments in subsidiary and associates	12,600	-	-	12,600
Total	119,808,521	13,572,448	1,407,729	134,788,698

3.1.8.2. Industry sectors

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

Mar.31, 2016	EGP Thousands						Total
	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Government sector	Other activities	
Treasury bills and other governmental notes	-	-	-	-	18,194,950	-	18,194,950
Trading financial assets:							
- Debt instruments	-	-	-	-	4,604,595	-	4,604,595
Gross loans and advances to banks	54,098	-	-	-	-	-	54,098
Less: Impairment provision	(10,926)	-	-	-	-	-	(10,926)
Gross loans and advances to customers							
Individual:							
- Overdrafts	-	-	-	-	-	1,522,698	1,522,698
- Credit cards	-	-	-	-	-	2,052,705	2,052,705
- Personal loans	-	-	-	-	-	8,866,649	8,866,649
- Mortgages	-	-	-	-	-	295,600	295,600
- Other loans	-	-	-	-	-	20,867	20,867
Corporate:							
- Overdrafts	60,524	3,797,353	889,964	1,011,178	1,042,903	3,144,013	9,945,935
- Direct loans	987,432	14,154,413	189,348	561,375	2,680,833	10,976,510	29,549,911
- Syndicated loans	26,828	7,316,472	460,605	-	5,973,382	1,167,039	14,944,326
- Other loans	9,531	79,223	-	-	-	-	88,754
Unamortized bills discount	(7,608)	-	-	-	-	-	(7,608)
Impairment provision	(32,656)	(2,598,884)	(12,372)	(27,592)	(38,426)	(2,492,243)	(5,394,623)
Unearned interest	(8,418)	(476,042)	-	(759)	-	(565,551)	(1,105,375)
Derivative financial instruments	150,374	-	-	-	-	-	150,374
Financial investments:							
- Debt instruments	1,597,936	-	-	-	49,405,232	-	51,003,168
- Investments in subsidiary and associates	12,600	-	-	-	-	-	12,600
Total	2,839,715	22,272,535	1,527,545	1,544,202	81,863,469	12,229,768	134,788,698

3.2. Market risk

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

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

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

3.2.1. Market risk measurement techniques

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

3.2.1.1. Value at Risk

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

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

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

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

3.2.1.2. Stress tests

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

3.2.2. Value at risk (VaR) Summary

EGP Thousands

Total VaR by risk type

	Mar.31, 2016			Dec.31, 2015		
	<u>Medium</u>	<u>High</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>	<u>Low</u>
Foreign exchange risk	3,586	21,446	276	248	1,894	5
Interest rate risk	177,185	290,244	112,744	157,097	258,851	96,690
- For non trading purposes	159,156	253,629	101,651	134,436	217,625	88,109
- For trading purposes	18,029	36,615	11,093	22,661	41,227	8,581
Equities risk	-	-	-	-	-	-
Portfolio managed by others risk	4,036	6,654	2,682	5,072	7,426	2,689
Investment fund	350	485	279	361	492	287
Total VaR	179,561	300,705	113,504	156,811	257,954	96,562

Trading portfolio VaR by risk type

	Mar.31, 2016			Dec.31, 2015		
	<u>Medium</u>	<u>High</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>	<u>Low</u>
Foreign exchange risk	3,586	21,446	276	248	1,894	5
Interest rate risk						
- For trading purposes	18,029	36,615	11,093	22,661	41,227	8,581
Equities risk	-	-	-	-	-	-
Funds managed by others risk	4,036	6,654	2,682	5,072	7,426	2,689
Investment fund	350	485	279	361	492	287
Total VaR	18,054	35,756	11,285	23,462	41,655	11,345

Non trading portfolio VaR by risk type

	Mar.31, 2016			Dec.31, 2015		
	<u>Medium</u>	<u>High</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>	<u>Low</u>
Interest rate risk						
- For non trading purposes	159,156	253,629	101,651	134,436	217,625	88,109
Total VaR	159,156	253,629	101,651	134,436	217,625	88,109

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

3.2.3. Foreign exchange risk

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

	<u>EGP</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>Other</u>	<u>Total</u>
Mar.31, 2016						Equivalent EGP Thousands
Financial assets						
Cash and balances with central bank	14,985,276	1,011,193	200,630	42,266	169,977	16,409,342
Due from banks	16,101,302	10,811,953	3,709,492	350,870	136,517	31,110,134
Treasury bills and other governmental notes	13,005,700	4,969,480	699,722	-	-	18,674,902
Trading financial assets	4,790,345	177,005	-	-	-	4,967,350
Gross loans and advances to banks	-	54,098	-	-	-	54,098
Gross loans and advances to customers	37,577,010	27,923,429	1,521,424	140,096	125,486	67,287,445
Derivative financial instruments	95,631	54,707	36	-	-	150,374
Financial investments						
- Available for sale	40,270,000	2,204,133	-	-	-	42,474,133
- Held to maturity	9,259,909	-	-	-	-	9,259,909
Investments in subsidiary and associates	12,600	-	-	-	-	12,600
Total financial assets	136,097,773	47,205,998	6,131,304	533,232	431,980	190,400,287
Financial liabilities						
Due to banks	47,691	566,615	9,958	4,690	-	628,954
Due to customers	119,609,246	43,033,086	6,067,940	532,437	245,573	169,488,282
Derivative financial instruments	91,228	36,364	36	-	-	127,628
Long term loans	124,234	-	-	-	-	124,234
Total financial liabilities	119,872,399	43,636,065	6,077,934	537,127	245,573	170,369,098
Net on-balance sheet financial position	16,225,374	3,569,933	53,370	(3,895)	186,407	20,031,189

3.2.4. Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but profit may decrease in the event that unexpected movements arise. The Board sets limits on the gaps of interest rate repricing that may be undertaken, which is monitored by the bank's Risk Management Department.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of repricing or contractual maturity dates.

	<u>Up to 1 Month</u>	<u>1-3 Months</u>	<u>3-12 Months</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Non-Interest Bearing</u>	<u>Total</u>
Financial assets							
Cash and balances with central bank	-	-	-	-	-	16,409,342	16,409,342
Due from banks	25,203,121	4,730,246	1,176,735	-	-	32	31,110,134
Treasury bills and other governmental notes*	1,745,100	5,051,890	11,877,912	-	-	-	18,674,902
Trading financial assets	161,383	-	346,651	2,757,434	1,500,510	201,372	4,967,350
Gross loans and advances to banks	2,700	-	-	51,398	-	-	54,098
Gross loans and advances to customers	38,737,752	15,021,457	6,009,356	6,363,816	1,155,064	-	67,287,445
Derivatives financial instruments (including IRS notional amount)	427,745	229,708	1,264,761	7,247,276	237,060	54,707	9,461,257
Financial investments							
- Available for sale	279,968	1,426,938	7,068,339	24,647,442	8,440,110	611,336	42,474,133
- Held to maturity	-	-	2,711,814	6,310,014	238,081	-	9,259,909
Investments in subsidiary and associates	-	-	-	-	-	12,600	12,600
Total financial assets	66,557,769	26,460,239	30,455,568	47,377,380	11,570,825	17,289,389	199,711,170
Financial liabilities							
Due to banks	514,195	-	-	-	-	114,759	628,954
Due to customers	66,640,846	17,897,649	22,414,492	34,424,736	1,476,862	26,633,697	169,488,282
Derivatives financial instruments (including IRS notional amount)	3,627,531	5,448,591	1,165	324,860	-	36,364	9,438,511
Long term loans	58,679	6,337	28,134	31,084	-	-	124,234
Total financial liabilities	70,841,251	23,352,577	22,443,791	34,780,680	1,476,862	26,784,820	179,679,981
Total interest re-pricing gap	(4,283,482)	3,107,662	8,011,777	12,596,700	10,093,963	(9,495,431)	20,031,189

* After adding Reverse repos and deducting Repos.

3.3. Liquidity risk

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

3.3.1. Liquidity risk management process

The Bank's liquidity management process, carried by the assets and Liabilities Management Department and monitored independently by the Risk Management Department, and includes

Projecting cash flows by major currency under various stress scenarios and considering the level of liquid assets necessary in relation thereto:

- Maintaining an active presence in global money markets to enable this to happen.
- Maintaining a diverse range of funding sources with back-up facilities.
- Monitoring balance sheet liquidity and advances to core funding ratios against internal and CBE regulations.
- Managing the concentration and profile of debt maturities.

Monitoring and reporting takes the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those assets projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Bank's Risk Management Department also monitors unmatched medium-term

3.3.2. Funding approach

Sources of liquidity are regularly reviewed jointly by the Bank's Assets & Liabilities Management Department and Consumer Banking to maintain a wide diversification within currencies, geographical area, depositors, products and tenors.

3.3.3. Non-derivative cash flows

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

	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total EGP Thousands
Mar.31, 2016						
Financial liabilities						
Due to banks	628,954	-	-	-	-	628,954
Due to customers	20,358,172	18,315,773	45,178,174	74,761,850	10,874,313	169,488,282
Long term loans	58,679	6,337	28,134	31,084	-	124,234
Total liabilities (contractual and non contractual maturity dates)	21,045,805	18,322,110	45,206,308	74,792,934	10,874,313	170,241,470
Total financial assets (contractual and non contractual maturity dates)	39,925,592	17,887,007	34,566,201	77,481,662	20,817,461	190,677,923
Dec.31, 2015						
Financial liabilities						
Due to banks	1,450,264	73,900	76,605	-	-	1,600,769
Due to customers	21,653,305	18,636,129	42,695,183	69,919,823	2,465,482	155,369,922
Long term loans	46,925	3,649	46,372	34,382	-	131,328
Total liabilities (contractual and non contractual maturity dates)	23,150,494	18,713,678	42,818,160	69,954,205	2,465,482	157,102,019
Total financial assets (contractual and non contractual maturity dates)	29,723,449	15,309,386	32,853,492	78,479,205	22,348,416	178,713,948

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

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

3.3.4. Derivative cash flows

Derivatives settled on a net basis

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

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

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

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

	EGP Thousands					
Mar.31, 2016	<u>Up to 1 month</u>	<u>One to three months</u>	<u>Three months to one year</u>	<u>One year to five years</u>	<u>Over five years</u>	<u>Total</u>
Liabilities						
Derivatives financial instruments						
- Foreign exchange derivatives	44,413	45,686	1,165	-	-	91,264
- Interest rate derivatives	-	-	-	36,364	-	36,364
Total	44,413	45,686	1,165	36,364	-	127,628

Off balance sheet items

	EGP Thousands			
Mar.31, 2016	<u>Up to 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Letters of credit, guarantees and other commitments	20,113,220	12,225,134	1,383,797	33,722,151
Total	20,113,220	12,225,134	1,383,797	33,722,151

	EGP Thousands			
Mar.31, 2016	<u>Up to 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Credit facilities commitments	21,995,827	2,006,707	256,676	24,259,210
Total	21,995,827	2,006,707	256,676	24,259,210

3.4. Fair value of financial assets and liabilities

3.4.1. Financial instruments not measured at fair value

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

	<u>Book value</u>		<u>Fair value</u>	
	Mar.31, 2016	Dec.31, 2015	Mar.31, 2016	Dec.31, 2015
Financial assets				
Due from banks	31,110,134	21,002,305	31,110,134	21,002,305
Gross loans and advances to banks	54,098	48,342	54,098	48,342
Gross loans and advances to customers				
- Individual	12,758,519	11,977,712	11,984,916	11,292,972
- Corporate	54,528,926	50,921,144	53,232,246	49,738,382
Financial investments				
Held to Maturity	9,259,909	9,261,220	8,587,829	8,864,356
Total financial assets	107,711,586	93,210,723	104,969,223	90,946,357
Financial liabilities				
Due to banks	628,954	1,600,769	628,954	1,600,769
Due to customers	169,488,282	155,369,922	165,044,766	151,400,615
Long term loans	124,234	131,328	124,234	131,328
Total financial liabilities	170,241,470	157,102,019	165,797,954	153,132,712

Due from banks

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and similar maturity date.

Loans and advances to banks

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

Loans and advances to customers

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

Financial Investments

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

Due to other banks and customers

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

3.5 Capital management

For capital management purposes, the Bank's capital includes total equity as reported in the balance sheet plus some other elements that are managed as capital. The Bank manages its capital to ensure that the following objectives are achieved:

- Complying with the legally imposed capital requirements in Egypt.
- Protecting the Bank's ability to continue as a going concern and with the bank.
- Maintaining a strong capital base to enhance growth of the Bank's operations.

Capital adequacy and the use of regulatory capital are monitored on a daily basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the banking supervision unit in the Central Bank of Egypt. The required data is submitted to the Central Bank of Egypt on a quarterly basis.

Central Bank of Egypt requires the following:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital.
- Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk-weighted assets and contingent liabilities of the Bank.

Tier one:

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

Tier two:

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

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

Assets risk weight scale ranging from zero to 100% is based on the counterparty risk to reflect the related credit risk scheme, taking into consideration the cash collatrls. Similar criteria are used for off balance sheet items after adjustments to reflect the nature of contingency and the potential loss of those amounts. The Bank has complied with all local capital adequacy requirements for the current period.

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

1-The capital adequacy ratio

	Mar.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands Restated**
Tier 1 capital		
Share capital (net of the treasury shares)	11,470,603	11,470,603
Goodwill	(206,814)	(209,842)
Reserves	5,755,642	5,755,642
Retained Earnings (Losses)	32,277	-
Total deductions from tier 1 capital common equity	<u>(4,394,610)</u>	<u>(2,666,248)</u>
Total qualifying tier 1 capital	<u>12,657,098</u>	<u>14,350,155</u>
Tier 2 capital		
45% of special reserve	303	50
45% of foreign currencies translation differences	3,848	-
45% of the Increase in fair value than the book value for available for sale and held to maturity investments	12,122	13,957
Impairment provision for loans and regular contingent liabilities	<u>1,069,525</u>	<u>991,210</u>
Total qualifying tier 2 capital	<u>1,085,798</u>	<u>1,005,217</u>
Total capital 1+2	<u>13,742,896</u>	<u>15,355,372</u>
Risk weighted assets and contingent liabilities		
Total credit risk	85,659,202	79,363,222
Total market risk	4,285,615	4,030,779
Total operational risk	<u>12,354,716</u>	<u>12,225,993</u>
Total	<u>102,299,533</u>	<u>95,619,994</u>
*Capital adequacy ratio (%)	13.43%	16.06%

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

**After 2015 profit distribution.

2-Leverage ratio

	Mar.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands Restated**
Total qualifying tier 1 capital	<u>12,657,098</u>	<u>14,350,155</u>
On-balance sheet items & derivatives	196,043,412	182,221,419
Off-balance sheet items	<u>25,050,949</u>	<u>23,224,714</u>
Total exposures	<u>221,094,361</u>	<u>205,446,133</u>
*Percentage	5.72%	6.98%

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

**After 2015 profit distribution.

4. Critical accounting estimates and judgments

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

4.1. Impairment losses on loans and advances

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

4.2. Impairment of available for-sale equity investments

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

4.3. Fair value of derivatives

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

4.4 Held-to-Maturity investments

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

5. Segment analysis

5.1. By business segment

The Bank is divided into four main business segments on a worldwide basis:

- Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products
- Investment banking – incorporating financial instruments Trading, structured financing, Corporate leasing, and merger and acquisitions advice.
- Retail banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Others – Including other banking business, such as Assets Management.

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

	EGP Thousands					
Mar.31, 2016	<u>Corporate banking</u>	<u>SME's</u>	<u>Investment banking</u>	<u>Retail banking</u>	<u>Asset Liability Mangement</u>	<u>Total</u>
Revenue according to business segment	1,116,274	230,823	459,140	671,054	346,002	2,823,293
Expenses according to business segment	(653,852)	(75,803)	(16,600)	(322,495)	(1,540)	(1,070,290)
Profit before tax	462,422	155,020	442,540	348,559	344,462	1,753,003
Tax	(104,629)	(38,397)	(109,612)	(86,334)	(85,319)	(424,291)
Profit for the period	357,793	116,623	332,928	262,225	259,143	1,328,712
Total assets	55,725,852	3,319,897	75,336,953	11,493,943	44,657,165	190,533,810

	<u>Corporate banking</u>	<u>SME's</u>	<u>Investment banking</u>	<u>Retail banking</u>	<u>Asset Liability Mangement</u>	<u>Total</u>
Dec.31, 2015						
Revenue according to business segment	5,076,710	916,342	2,248,793	2,465,783	246,862	10,954,490
Expenses according to business segment	(3,059,901)	(209,692)	(93,958)	(1,134,143)	(2,431)	(4,500,125)
Profit before tax	2,016,809	706,650	2,154,835	1,331,640	244,431	6,454,365
Tax	(566,713)	(198,566)	(605,499)	(374,185)	(68,684)	(1,813,647)
Profit for the period	1,450,096	508,084	1,549,336	957,455	175,747	4,640,718
Total assets	52,915,471	2,800,385	84,044,508	10,401,499	29,031,228	179,193,091

5.2. By geographical segment

	EGP Thousands			
Mar.31, 2016	<u>Cairo</u>	<u>Alex, Delta & Sinai</u>	<u>Upper Egypt</u>	<u>Total</u>
Revenue according to geographical segment	2,526,981	228,752	67,560	2,823,293
Expenses according to geographical segment	(926,211)	(110,212)	(33,867)	(1,070,290)
Profit before tax	1,600,770	118,540	33,693	1,753,003
Tax	(386,585)	(29,361)	(8,345)	(424,291)
Profit for the period	1,214,185	89,179	25,348	1,328,712
Total assets	174,509,844	14,201,495	1,822,471	190,533,810

	<u>Cairo</u>	<u>Alex, Delta & Sinai</u>	<u>Upper Egypt</u>	<u>Total</u>
Dec.31, 2015				
Revenue according to geographical segment	9,343,597	1,167,385	443,508	10,954,490
Expenses according to geographical segment	(3,877,962)	(420,704)	(201,459)	(4,500,125)
Profit before tax	5,465,635	746,681	242,049	6,454,365
Tax	(1,535,819)	(209,814)	(68,014)	(1,813,647)
Profit for the period	3,929,816	536,867	174,035	4,640,718
Total assets	161,706,218	13,712,913	3,773,960	179,193,091

6 . Net interest income

	Mar.31, 2016 EGP Thousands	Mar.31, 2015 EGP Thousands
Interest and similar income		
- Banks	376,188	60,093
- Clients	1,485,474	1,200,810
	<u>1,861,662</u>	<u>1,260,903</u>
Treasury bills and bonds	2,287,177	2,086,556
Reverse repos	-	1,927
Financial investments in held to maturity and available for sale debt instruments	30,020	28,410
Total	<u>4,178,859</u>	<u>3,377,796</u>
Interest and similar expense		
- Banks	(20,017)	(24,083)
- Clients	(1,890,557)	(1,483,167)
	<u>(1,910,574)</u>	<u>(1,507,250)</u>
Financial instruments purchased with a commitment to re-sale (Repos)	-	(930)
Other	-	(115)
Total	<u>(1,910,574)</u>	<u>(1,508,295)</u>
Net interest income	<u>2,268,285</u>	<u>1,869,501</u>

7 . Net fee and commission income

	Mar.31, 2016 EGP Thousands	Mar.31, 2015 EGP Thousands
Fee and commission income		
Fee and commissions related to credit	241,846	275,523
Custody fee	18,799	24,509
Other fee	202,413	155,306
Total	<u>463,058</u>	<u>455,338</u>
Fee and commission expense		
Other fee paid	(83,981)	(53,418)
Total	<u>(83,981)</u>	<u>(53,418)</u>
Net income from fee and commission	<u>379,077</u>	<u>401,920</u>

8 . Dividend income

	Mar.31, 2016 EGP Thousands	Mar.31, 2015 EGP Thousands
Trading securities	492	491
Total	<u>492</u>	<u>491</u>

9 . Net trading income

	Mar.31, 2016 EGP Thousands	Mar.31, 2015 EGP Thousands
Profit (losses) from foreign exchange	70,819	18,379
Profit (Loss) from forward foreign exchange deals revaluation	11,100	14,367
Profit (Loss) from interest rate swaps revaluation	(2,050)	(362)
Profit (Loss) from currency swap deals revaluation	22,205	(72,728)
Trading debt instruments	5,568	103,872
Total	<u>107,642</u>	<u>63,528</u>

10 . Administrative expenses

	Mar.31, 2016 EGP Thousands	Mar.31, 2015 EGP Thousands
1.Staff costs		
Wages and salaries	(282,320)	(266,345)
Social insurance	(17,205)	(18,723)
Other benefits	(12,841)	(13,227)
2.Other administrative expenses	<u>(289,182)</u>	<u>(190,370)</u>
Total	<u><u>(601,548)</u></u>	<u><u>(488,665)</u></u>

11 . Other operating (expenses) income

	Mar.31, 2016 EGP Thousands	Mar.31, 2015 EGP Thousands
Profits from non-trading assets and liabilities revaluation	(37,439)	112,806
Profits from selling property, plant and equipment	164	647
Release (charges) of other provisions	9,510	(25,945)
Other income/expenses	<u>(133,635)</u>	<u>(74,885)</u>
Total	<u><u>(161,400)</u></u>	<u><u>12,623</u></u>

12 . Impairment charge for credit losses

	Mar.31, 2016 EGP Thousands	Mar.31, 2015 EGP Thousands
Loans and advances to customers	<u>(287,613)</u>	<u>(420,898)</u>
Total	<u><u>(287,613)</u></u>	<u><u>(420,898)</u></u>

13 . Adjustments to calculate the effective tax rate

	Mar.31, 2016 EGP Thousands	Mar.31, 2015 EGP Thousands
Profit after settlement	1,753,003	1,602,323
* Tax rate	22.50%	25%-30%
Income tax based on accounting profit	<u>394,426</u>	<u>480,647</u>
Add / (Deduct)		
Non-deductible expenses	83,648	8,067
Tax exemptions	(18,476)	(14,227)
Effect of provisions	(35,356)	48,030
10% Withholding tax	49	-
Income tax / Deferred tax	<u>424,291</u>	<u>522,517</u>
Effective tax rate	<u><u>24.20%</u></u>	<u><u>32.61%</u></u>

* As per the law no. 96 of 2015 tax rate became 22.5%.

14 . Earning per share

	Mar.31, 2016 EGP Thousands	Mar.31, 2015 EGP Thousands
Net profit for the period available for distribution	1,328,712	1,079,806
Board member's bonus	(19,931)	(16,197)
Staff profit sharing	<u>(132,871)</u>	<u>(107,981)</u>
Profits shareholders' Stake	<u>1,175,910</u>	<u>955,628</u>
Average number of shares	<u>1,147,060</u>	<u>1,147,060</u>
Basic earning per share	<u>1.03</u>	<u>0.83</u>
By issuance of ESOP earning per share will be:		
Average number of shares including ESOP shares	<u>1,163,359</u>	<u>1,163,970</u>
Diluted earning per share	<u><u>1.01</u></u>	<u><u>0.82</u></u>

15 . Cash and balances with central bank

	Mar.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
Cash	2,516,284	1,580,752
Obligatory reserve balance with CBE		
- Current accounts	<u>13,893,058</u>	<u>8,268,202</u>
Total	<u>16,409,342</u>	<u>9,848,954</u>
Non-interest bearing balances	<u>16,409,342</u>	<u>9,848,954</u>

16 . Due from banks

	Mar.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
Current accounts	2,880,779	1,386,078
Deposits	<u>28,229,355</u>	<u>19,616,227</u>
Total	<u>31,110,134</u>	<u>21,002,305</u>
Central banks	23,334,357	14,121,507
Local banks	658,083	3,263,306
Foreign banks	<u>7,117,694</u>	<u>3,617,492</u>
Total	<u>31,110,134</u>	<u>21,002,305</u>
Non-interest bearing balances	32	353,197
Fixed interest bearing balances	<u>31,110,102</u>	<u>20,649,108</u>
Total	<u>31,110,134</u>	<u>21,002,305</u>
Current balances	<u>31,110,134</u>	<u>21,002,305</u>
Total	<u>31,110,134</u>	<u>21,002,305</u>

17 . Treasury bills and other governmental notes

	Mar.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
91 Days maturity	6,796,990	5,595,527
182 Days maturity	5,866,212	7,513,324
364 Days maturity	6,011,700	9,892,302
Unearned interest	<u>(479,952)</u>	<u>(870,983)</u>
Total 1	<u>18,194,950</u>	<u>22,130,170</u>
Net	<u>18,194,950</u>	<u>22,130,170</u>

18 . Trading financial assets

	Mar.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
Debt instruments		
- Governmental bonds	<u>4,604,595</u>	<u>5,504,524</u>
Total	<u>4,604,595</u>	<u>5,504,524</u>
Equity instruments		
- Mutual funds	<u>161,383</u>	<u>157,336</u>
Total	<u>161,383</u>	<u>157,336</u>
- Portfolio managed by others	<u>201,372</u>	<u>186,517</u>
Total	<u>4,967,350</u>	<u>5,848,377</u>

19 . Loans and advances to banks, net

	Mar.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
Time and term loans	54,098	48,342
Less: Impairment provision	(10,926)	(9,899)
Total	43,172	38,443
Current balances	2,700	3,090
Non-current balances	40,472	35,353
Total	43,172	38,443

Analysis for impairment provision of loans and advances to banks

	Mar.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
Beginning balance	(9,899)	(14,582)
Release during the period	(274)	4,902
Exchange revaluation difference	(753)	(219)
Ending balance	(10,926)	(9,899)

20 . Loans and advances to customers, net

	Mar.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
Individual		
- Overdraft	1,522,698	1,583,233
- Credit cards	2,052,705	2,001,159
- Personal loans	8,866,649	8,073,622
- Real estate loans	295,600	298,817
- Other loans	20,867	20,881
Total 1	12,758,519	11,977,712
Corporate		
- Overdraft	9,945,935	8,936,219
- Direct loans	29,549,911	27,811,737
- Syndicated loans	14,944,326	14,088,786
- Other loans	88,754	84,402
Total 2	54,528,926	50,921,144
Total Loans and advances to customers (1+2)	67,287,445	62,898,856
Less:		
Unamortized bills discount	(7,608)	(14,375)
Impairment provision	(5,394,623)	(4,709,107)
Unearned interest	(1,105,375)	(1,002,669)
Net loans and advances to customers	60,779,839	57,172,705
Distributed to		
Current balances	25,508,371	25,011,678
Non-current balances	35,271,468	32,161,027
Total	60,779,839	57,172,705

Analysis for impairment provision of loans and advances to customers

	Individual				Total
	Overdraft	Credit cards	Personal loans	Real estate loans	
Mar.31, 2016					
Beginning balance	(11,835)	(26,985)	(135,339)	(10,192)	(20,881)
(Charged) released during the period	3,134	(2,824)	(14,716)	2,239	14
Write off during the period	-	4,209	-	-	-
Recoveries during the period	-	(787)	(7)	-	-
Ending balance	(8,701)	(26,387)	(150,062)	(7,953)	(20,867)

	Corporate			Total
	Overdraft	Direct loans	Syndicated loans	
Mar.31, 2016				
Beginning balance	(589,620)	(2,888,702)	(1,024,226)	(1,327)
(Charged) released during the period	32,614	(321,755)	14,091	(136)
Write off during the period	-	12,654	-	-
Recoveries during the period	-	(5,629)	-	-
Exchange revaluation difference	(68,004)	(226,410)	(114,203)	-
Ending balance	(625,010)	(3,429,842)	(1,124,338)	(1,463)

	Individual			Total	
	Overdraft	Credit cards	Personal loans		Real estate loans
Dec.31, 2015					
Beginning balance	(10,550)	(7,434)	(81,153)	(8,422)	(20,934)
(Charged) released during the year	(1,281)	(28,331)	(59,317)	(1,770)	53
Write off during the year	-	14,120	5,148	-	-
Recoveries during the year	(4)	(5,340)	(17)	-	-
Ending balance	(11,835)	(26,985)	(135,339)	(10,192)	(20,881)

	Corporate			Total
	Overdraft	Direct loans	Syndicated loans	
Dec.31, 2015				
Beginning balance	(491,763)	(2,172,426)	(644,225)	(4,850)
(Charged) released during the year	(79,462)	(1,201,442)	(349,313)	3,523
Write off during the year	-	545,777	-	-
Recoveries during the year	-	(3,399)	-	-
Exchange revaluation difference	(18,395)	(57,212)	(30,688)	-
Ending balance	(589,620)	(2,888,702)	(1,024,226)	(1,327)

21 . Derivative financial instruments

21.1 . Derivatives

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

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

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

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

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

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

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

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

21.1.1 . For trading derivatives

EGP Thousands

	Mar.31, 2016			Dec.31, 2015		
	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Notional amount</u>	<u>Assets</u>	<u>Liabilities</u>
Foreign currencies derivatives						
- Forward foreign exchange contracts	1,321,347	32,853	30,670	972,438	16,766	25,683
- Currency swap	2,545,780	62,778	60,558	3,448,349	51,258	71,244
- Options	7,791	36	36	26,830	47	47
Total 1		<u>95,667</u>	<u>91,264</u>		<u>68,071</u>	<u>96,974</u>
Interest rate derivatives						
- Interest rate swaps	16,682	381	-	14,687	395	-
Total 2		<u>381</u>	<u>-</u>		<u>395</u>	<u>-</u>
Total assets (liabilities) for trading derivatives (1+2)		<u>96,048</u>	<u>91,264</u>		<u>68,466</u>	<u>96,974</u>
21.1.2 . Fair value hedge						
Interest rate derivatives						
- Governmental debt instruments hedging	324,860	-	35,518	286,014	-	26,296
- Customers deposits hedging	8,969,341	54,326	846	7,965,211	12,529	22,465
Total 3		<u>54,326</u>	<u>36,364</u>		<u>12,529</u>	<u>48,761</u>
Total financial derivatives (1+2+3)		<u>150,374</u>	<u>127,628</u>		<u>80,995</u>	<u>145,735</u>

21.2 . Hedging derivatives
21.2.1 . Fair value hedge

The Bank uses interest rate swap contracts to cover part of the risk of potential decrease in fair value of its fixed rate governmental debt instruments in foreign currencies. Net derivative value resulting from the related hedging instruments is EGP 35,518 thousand at March 31, 2016 against EGP 26,296 thousand at the December 31, 2015, Resulting in losses from hedging instruments at March 31, 2016 EGP 9,222 thousand against net gains EGP 37,106 thousand at the December 31, 2015. Net gains arose from the hedged items at March 31, 2016 reached EGP 2,262 thousand against EGP 48,941 thousand at December 31, 2015.

The Bank uses interest rate swap contracts to cover part of the risk of potential increase in fair value of its fixed rate customer deposits in foreign currencies. Net derivative value resulting from the related hedging instruments is EGP 53,480 thousand at the end of March 31, 2016 against EGP 9,936 thousand at December 31, 2015, resulting in net gains from hedging instruments at March 31, 2016 of EGP 63,416 thousand against net losses of EGP 26,618 thousand at December 31, 2015. Losses arose from the hedged items at March 31, 2016 reached EGP 55,745 thousand against gains EGP 27,540 thousand at December 31, 2015.

22 . Financial investments

	Mar.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Available for sale		
- Listed debt instruments with fair value	41,775,772	45,589,793
- Listed equity instruments with fair value	26,972	28,496
- Unlisted instruments	671,389	670,786
Total	42,474,133	46,289,075
Held to maturity		
- Listed debt instruments	9,227,396	9,228,707
- Unlisted instruments	32,513	32,513
Total	9,259,909	9,261,220
Total financial investment	51,734,042	55,550,295
- Actively traded instruments	50,067,562	53,957,991
- Not actively traded instruments	1,666,480	1,592,304
Total	51,734,042	55,550,295
Fixed interest debt instruments	49,405,232	53,244,689
Floating interest debt instruments	1,597,936	1,573,811
Total	51,003,168	54,818,500

	<u>Available for sale</u>	<u>Held to maturity</u>	Total
	<u>financial</u>	<u>financial</u>	
	<u>investments</u>	<u>investments</u>	EGP Thousands
Beginning balance	27,688,410	9,160,746	36,849,156
Addition	25,392,460	4,019,548	29,412,008
Deduction (selling - redemptions)	(5,138,456)	(3,919,074)	(9,057,530)
Exchange revaluation differences for foreign financial assets	96,638	-	96,638
Profit (losses) from fair value difference	(1,572,274)	-	(1,572,274)
Impairment charges	(177,703)	-	(177,703)
Ending Balance as of Dec.31, 2015	<u>46,289,075</u>	<u>9,261,220</u>	<u>55,550,295</u>
Beginning balance	46,289,075	9,261,220	55,550,295
Addition	129,845	-	129,845
Deduction (selling - redemptions)	(2,315,818)	(1,311)	(2,317,129)
Exchange revaluation differences for foreign financial assets	263,567	-	263,567
Profit (losses) from fair value difference	(1,882,554)	-	(1,882,554)
Impairment charges	(9,982)	-	(9,982)
Ending Balance as of Mar.31, 2016	<u>42,474,133</u>	<u>9,259,909</u>	<u>51,734,042</u>

22.1 . Profits (Losses) on financial investments

	Mar.31, 2016 EGP Thousands	Mar.31, 2015 EGP Thousands
Profit (Loss) from selling available for sale financial instruments	16,259	177,242
Impairment charges of available for sale equity instruments	(9,982)	(13,418)
Profit (Loss)/from selling investments in associates	84,934	-
Profit (Loss) from selling held to maturity debt investments	263	(1)
Total	91,474	163,823

23 . Investments in associates

Company's country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's net profit	EGP Thousands	
					Investment book value	Stake %
Associates						
- Haykala for investment	5,501	337	806	406	600	40
- Egypt Factors	335,474	296,156	28,822	24,882	-	49
- International Co. for Security and Services (Falcon)	199,046	116,345	332,135	33,975	12,000	40
Total	540,021	412,838	361,763	59,263	12,600	

Dec.31, 2015

Company's country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's net profit	EGP Thousands	
					Investment book value	Stake %
Associates						
- Haykala for Investment	5,010	211	272	41	600	40
- Egypt Factors	313,515	272,665	20,827	(15,672)	-	49
- International Co. for Security and Services (Falcon)	193,470	109,644	257,943	36,190	12,000	40
Total	511,995	382,520	279,042	20,559	12,600	

24 . Other assets

	Mar.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
Accrued revenues	2,462,804	2,903,149
Prepaid expenses	131,374	123,436
Advances to purchase of fixed assets	276,537	157,202
Accounts receivable and other assets	1,552,712	1,547,660
Assets acquired as settlement of debts	52,929	52,569
Insurance	16,931	15,921
Total	4,493,287	4,799,937

25 . Property, plant and equipment

	Land	Premises	IT	Vehicles	Fitting-out	Machines and equipment	Furniture and furnishing	Total
Beginning gross assets (1)	64,709	822,646	1,192,514	70,161	483,217	415,795	131,641	3,180,683
Additions during the period	-	-	26,220	5,225	8,722	12,958	2,262	55,387
Ending gross assets (2)	64,709	822,646	1,218,734	75,386	491,939	428,753	133,903	3,236,070
Accumulated depreciation at beginning of the period (3)	-	273,768	897,584	42,250	413,848	327,697	117,631	2,072,778
Current period depreciation	-	9,839	29,457	1,171	11,409	11,422	1,653	64,951
Accumulated depreciation at end of the period (4)	-	283,607	927,041	43,421	425,257	339,119	119,284	2,137,729
Ending net assets (2-4)	64,709	539,039	291,693	31,965	66,682	89,634	14,619	1,098,341
Beginning net assets (1-3)	64,709	548,878	294,930	27,911	69,369	88,098	14,010	1,107,905
Depreciation rates		%5	%33.3	%20	%33.3	%20	%20	

Net fixed assets value on the balance sheet date includes EGP 55,673 thousand non registered assets while their registrations procedures are in process.

26 . Due to banks

	Mar.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Current accounts	283,462	224,002
Deposits	345,492	1,376,767
Total	628,954	1,600,769
Central banks	30,783	816,844
Local banks	108,851	271,845
Foreign banks	489,320	512,080
Total	628,954	1,600,769
Non-interest bearing balances	114,759	59,127
Fixed interest bearing balances	514,195	1,541,642
Total	628,954	1,600,769
Current balances	283,462	224,002
Non-current balances	345,492	1,376,767
Total	628,954	1,600,769

27 . Due to customers

	Mar.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Demand deposits	46,741,564	43,418,352
Time deposits	49,108,189	42,996,421
Certificates of deposit	40,021,435	37,518,922
Saving deposits	28,442,765	25,790,179
Other deposits	5,174,329	5,646,048
Total	169,488,282	155,369,922
Corporate deposits	90,323,694	82,320,757
Individual deposits	79,164,588	73,049,165
Total	169,488,282	155,369,922
Non-interest bearing balances	26,633,697	26,385,328
Fixed interest bearing balances	142,854,585	128,984,594
Total	169,488,282	155,369,922
Current balances	127,039,074	115,250,582
Non-current balances	42,449,208	40,119,340
Total	169,488,282	155,369,922

28 . Long term loans

	<u>Interest rate %</u>	<u>Maturity date</u>	<u>Maturing through</u>	<u>Balance on</u>	<u>Balance on</u>
			<u>next year</u>	<u>Mar.31, 2016</u>	<u>Dec.31, 2015</u>
			EGP Thousands	EGP Thousands	EGP Thousands
Financial Investment & Sector Cooperation (FISC)	3.5 - 5.5 depends on maturity date	3-5 years	1,111	3,333	3,889
Environmental Compliance Project (ECO)	3.5 - 5.5 depends on maturity date	3-5 years	200	200	550
Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years	15,200	28,000	28,000
Social Fund for Development (SFD)	3 months T/D or 9% which is more	2020 يناير 4	76,641	92,701	98,889
Balance			93,152	124,234	131,328

29 . Other liabilities

	Mar.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Accrued interest payable	869,129	763,040
Accrued expenses	649,851	586,640
Accounts payable	2,596,347	1,078,821
Other credit balances	99,463	193,768
Total	4,214,790	2,622,269

30 . Other provisions

Mar.31, 2016	Beginning balance	Charged amounts	Exchange revaluation difference	Utilized amounts	Reversed amounts	Ending balance
	EGP Thousands					
Provision for income tax claims	6,910	-	-	-	-	6,910
Provision for legal claims	41,324	-	117	(20)	-	41,421
Provision for Stamp Duty	31,000	-	-	-	-	31,000
Provision for contingent	759,173	23,104	62,774	-	(33,132)	811,919
* Provision for other claim	23,354	518	43	(450)	-	23,465
Total	861,761	23,622	62,934	(470)	(33,132)	914,715

Dec.31, 2015	Beginning balance	Charged amounts	Exchange revaluation difference	Utilized amounts	Reversed amounts	Ending balance
	EGP Thousands					
Provision for income tax claims	6,910	-	-	-	-	6,910
Provision for legal claims	40,247	1,686	53	(157)	(505)	41,324
Provision for Stamp Duty	31,000	-	-	-	-	31,000
Provision for contingent	620,546	125,764	12,863	-	-	759,173
Provision for other claim	19,653	8,416	414	(5,129)	-	23,354
Total	718,356	135,866	13,330	(5,286)	(505)	861,761

* Provision for other claim formed on March 31, 2016 amounted to EGP 518 thousand to face the potential risk of banking operations against amount EGP 8,416 thousand on December 31, 2015 .

31 . Equity
31.1 . Capital

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

Issued and Paid in Capital reached EGP 11,470,603 thousand to be divided on 1,147,060 thousand shares with EGP 10 par value for each share and registered in the commercial register dated 19th November 2015

- Increase issued and Paid in Capital by amount EGP 2,294,121 thousand on December 10, 2015 according to Ordinary General Assembly Meeting decision on March 12 ,2015 by distribution of a one share for every four outstanding shares by capitalizing on the General Reserve.

- Increase issued and Paid in Capital by amount EGP 94,748 thousand on April 5,2015 to reach EGP 9,176,482 thousand according to Board of Directors decision on November 11, 2014 by issuance of sixth tranche for E.S.O.P program.

- Increase issued and Paid in Capital by amount EGP 79,299 thousand on March 23,2014 to reach EGP 9,081,734 thousand according to Board of Directors decision on December 10, 2013 by issuance of fifth tranche for E.S.O.P program.

- Increase issued and Paid in Capital by amount EGP 3,000,812 thousand on December 5, 2013 according to Extraordinary General Assembly Meeting decision on July 15 ,2013 by distribution of a one share for every two outstanding shares by capitalizing on the General Reserve.

- Increase issued and Paid in Capital by amount EGP 29,348 thousand on April 7,2013 to reach EGP 6,001,624 thousand according to Board of Directors decision on October 24,2012 by issuance of fourth tranche for E.S.O.P program.

- Increase issued and Paid in Capital by amount EGP 37,712 thousand on April 9, 2012 in according to Board of Directors decision on December 22,2011 by issuance of third tranche for E.S.O.P program.

- Increase issued and Paid in Capital by amount EGP 33,119 thousand on July 31, 2011 in according to Board of Directors decision on November 10,2010 by issuance of second tranche for E.S.O.P program.

- The Extraordinary General Assembly approved in the meeting of June 26, 2006 to activate a motivating and rewarding program for the Bank's employees and managers through Employee Share Ownership Plans (ESOP) by issuing a maximum of 5% of issued and paid-in capital at par value ,through 5 years starting year 2006 and delegated the Board of Directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.

- The Extraordinary General Assembly approved in the meeting of April 13,2011 continue to activate a motivating and rewarding program for The Bank's employees and managers through Employee Share Ownership Plans (ESOP) by issuing a maximum of 5% of issued and paid-in capital at par value ,through 5 years starting year 2011 and delegated the Board of Directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.

- Dividend deducted from shareholders' equity in the Year that the General Assembly approves the dispersment of this dividend, which includes staff profit share and remuneration of the Board of Directors stated in the law.

31.2 . Reserves

According to The Bank status 5% of net profit is used to increase the legal reserve to reaches 50% of The Bank's issued and paid in capital.

Central Bank of Egypt concurrence for usage of special reserve is required.

32 . Deferred tax assets (Liabilities)

Deferred tax assets and liabilities are attributable to the following:

	<u>Assets (Liabilities)</u> Mar.31, 2016 EGP Thousands	<u>Assets (Liabilities)</u> Dec.31, 2015 EGP Thousands
Fixed assets (depreciation)	(17,966)	(22,367)
Other provisions (excluded loan loss, contingent liabilities and income tax provisions)	14,600	14,553
Intangible Assets & Good will	8,139	3,255
Other investments impairment	125,432	123,243
Reserve for employee stock ownership plan (ESOP)	71,720	60,870
Interest rate swaps revaluation	796	335
Trading investment revaluation	122,802	78,927
Forward foreign exchange deals revaluation	(8,931)	(659)
Balance	316,592	258,157

33 . Share-based payments

According to the extraordinary general assembly meeting on June 26, 2006, the Bank launched new Employees Share Ownership Plan (ESOP) scheme and issued equity-settled share-based payments. Eligible employees should complete a term of 3 years of service in The Bank to have the right in ordinary shares at face value (right to share) that will be issued on the vesting date, otherwise such grants will be forfeited. Equity-settled share-based payments are measured at fair value at the grant date, and expensed on a straight-line basis over the vesting period (3 years) with corresponding increase in equity based on estimated number of shares that will eventually vest (True up model). The fair value for such equity instruments is measured using the Black-Scholes pricing model.

Details of the rights to share outstanding during the period are as follows:

	Mar.31, 2016 <u>No. of shares in</u> <u>thousand</u>	Dec.31, 2015 <u>No. of shares in</u> <u>thousand</u>
Outstanding at the beginning of the period	20,373	21,872
Granted during the period*	9,262	8,653
Forfeited during the period	-	(677)
Exercised during the period	(6,806)	(9,475)
Outstanding at the end of the period	22,829	20,373

Details of the outstanding tranches are as follows:

Maturity date	EGP	EGP	<u>No. of shares</u> <u>in thousand</u>
	<u>Exercise price</u>	<u>Fair value</u>	
2017	10.00	18.27	8,139
2018	10.00	31.67	5,428
2019	10.00	28.43	9,262
Total			22,829

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

	<u>10th tranche</u>	<u>9th tranche</u>
Exercise price	10	10
Current share price	38.09	39.35
Expected life (years)	3	3
Risk free rate %	12.40%	13.40%
Dividend yield%	2.50%	2.00%
Volatility%	31%	31%

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

34 . Reserves

	Mar.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Legal reserve	1,035,363	803,355
General reserve	4,462,715	1,518,525
Special reserve	30,778	30,214
Reserve for A.F.S investments revaluation difference	(4,075,518)	(2,202,463)
Banking risks reserve	3,019	2,513
Total	1,456,357	152,144

34.1 . Banking risks reserve

	Mar.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Beginning balance	2,513	1,991
Transferred to bank risk reserve	506	522
Ending balance	3,019	2,513

34.2 . Legal reserve

	Mar.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Beginning balance	803,355	621,084
Transferred from previous period profits	232,008	182,271
Ending balance	1,035,363	803,355

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

	Mar.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Beginning balance	(2,202,463)	(593,237)
Unrealized losses from A.F.S investment revaluation	(1,873,055)	(1,609,226)
Ending balance	(4,075,518)	(2,202,463)

35 . Cash and cash equivalent

	Mar.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Cash and balances with central bank	16,409,342	9,848,954
Due from banks	31,110,134	21,002,305
Treasury bills and other governmental notes	18,194,950	22,130,170
Obligatory reserve balance with CBE	(13,893,058)	(8,268,202)
Due from banks with maturities more than three months	(23,503,792)	(15,478,335)
Treasury bills with maturities more than three months	(11,484,327)	(16,612,361)
Total	16,833,249	12,622,531

36 . Contingent liabilities and commitments
36.1 . Legal claims

There is a number of existing cases filed against the bank on March 31,2016 without provision as the bank doesn't expect to incur losses from it

36.2 . Capital commitments
36.2.1 . Financial investments

The capital commitments for the financial investments reached on the date of financial position EGP 17,560 thousand as follows:

	Investments value	Paid	Remaining
Available for sale financial investments	87,800	70,240	17,560

36.2.2 . Fixed assets and branches constructions

The value of commitments for the purchase of fixed assets, contracts, and branches constructions that have not been implemented till the date of financial statement amounted to EGP 81,012 thousand.

36.3 . Letters of credit, guarantees and other commitments

	Mar.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
Letters of guarantee	32,404,068	29,640,729
Letters of credit (import and export)	851,348	862,279
Customers acceptances	466,735	504,774
Total	33,722,151	31,007,782

36.4 . Credit facilities commitments

	Mar.31, 2016 EGP Thousands	Dec.31, 2015 EGP Thousands
Credit facilities commitments	24,259,210	24,237,408

37 . Mutual funds
Osoul fund

- CIB established an accumulated return mutual fund under license no.331 issued from capital market authority on February 22, 2005. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 17,207,865 with redeemed value of EGP 4,457,009 thousands.
- The market value per certificate reached EGP 259.01 on March 31, 2016.
- The Bank portion got 601,064 certificates with redeemed value of EGP 155,682 thousands.

Istethmar fund

- CIB bank established the second accumulated return mutual fund under license no.344 issued from capital market authority on February 26, 2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 1,036,528 with redeemed value of EGP 82,456 thousands.
- The market value per certificate reached EGP 79.55 on March 31, 2016.
- The Bank portion got 194,744 certificates with redeemed value of EGP 15,492 thousands.

Aman fund (CIB and Faisal Islamic Bank Mutual Fund)

- CIB and Faisal Islamic Bank established an accumulated return mutual fund under license no.365 issued from capital market authority on July 30, 2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 589,942 with redeemed value of EGP 27,898 thousands.
- The market value per certificate reached EGP 47.29 on March 31, 2016.
- The Bank portion got 71,943 certificates with redeemed value of EGP 3,402 thousands.

Hemaya fund

- CIB bank established an accumulated return mutual fund under license no.585 issued from financial supervisory Authority on June 23, 2010. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 158,925 with redeemed value of EGP 24,181 thousands.
- The market value per certificate reached EGP 152.20 on March 31, 2016.
- The Bank portion got 50,000 certificates with redeemed value of EGP 7,610 thousands.

Thabat fund

- CIB bank established an accumulated return mutual fund under license no.613 issued from financial supervisory authority on September 13, 2011. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 1,705,190 with redeemed value of EGP 277,758 thousands.
- The market value per certificate reached EGP 162.89 on March 31, 2016.
- The Bank portion got 52,404 certificates with redeemed value of EGP 8,536 thousands.

Takamol fund

- CIB bank established an accumulated return mutual fund under license no.431 issued from financial supervisory authority on February 18, 2015. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 452,244 with redeemed value of EGP 41,606 thousands.
- The market value per certificate reached EGP 92.00 on March 31, 2016.
- The Bank portion got 63,440 certificates with redeemed value of EGP 5,836 thousands.

38 . Transactions with related parties

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

38.1 . Loans, advances, deposits and contingent liabilities

	EGP Thousands
Loans and advances	114,016
Deposits	70,825
Contingent liabilities	2,340

38.2 Other transactions with related parties

	<u>Income</u>	<u>Expenses</u>
	EGP Thousands	EGP Thousands
International Co. for Security & Services	44	24,126
Egypt Factors	2,856	25
Haykala for Investment	-	730

39 . Main currencies positions

	<u>Mar.31, 2016</u>	Dec.31, 2015
	EGP Thousands	EGP Thousands
Egyptian pound	349,551	166,732
US dollar	(344,596)	(191,276)
Sterling pound	(376)	(660)
Japanese yen	(29)	356
Swiss franc	158	32
Euro	(1,240)	(8,018)

40 . Tax status
Corporate income tax

The Bank's corporate income tax position has been examined, paid and settled with the tax authority since the operations start up until the end of year 2012.

Corporate income tax annual report is submitted.

Salary tax

The Bank's salary tax has been examined, paid and settled since the operations start up until the end of 2013.

The Bank's salary tax is currently under examination for the period 2014-2015.

Stamp duty tax

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

The Bank's stamp duty tax is being re-examined for the period from 1/8/2006 till 30/9/2015 according to the protocol between the Federation of Egyptian banks and the tax authority.

41 . Goodwill and Intangible assets:

Due to the acquisition process, Goodwill and Intangible assets have been arisen with the following balances :

41.1 . Goodwill:

	Mar.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
Book value at acquisition	217,078	217,078
Amortization	(18,090)	(7,236)
Net book value	198,988	209,842

41.2 . Intangible assets:

Book value at acquisition	651,041	651,041
Amortization	(54,253)	(21,701)
Net book value	596,788	629,340

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

42 . Non current assets held for sale

	Mar.31, 2016	Dec.31, 2015
	EGP Thousands	EGP Thousands
<u>Subsidiaries</u>	<u>Investment book value</u>	<u>Investment book value</u>

- CI Capital Holding	428,011	428,011
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CIB Board of Directors initially agreed to carry out acts of the due diligence examination for CI Capital Holding during the meeting held to determine the company's fair value for the purpose of selling the bank's full stake.

Associates

- Corplease	-	75,055
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