Banque Misr – (S.A.E)
Summarized Separate Financial Statements
Together with Auditors' report for the financial year
Ended June 30, 2017

Wahid Abd ELGhaffar
BAKER TILLY
Public Accountants and consultants

Sameh Saad Mohamed Abd ELMegeed
Accountability State Authority (ASA)

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AUDITORS' REPORT

ON THE SUMMERIZED FINANCIAL STATEMENTS

OF BANQUE MISR FOR THE YEAR ENDED June 30, 2017

Translation of Auditors' Report
Originally issued in Arabic

To : The Shareholders' of Banque Misr (S.A.E.)

We have audited the financial statements of Banque Misr (S.A.E) as of and for the year ended June 30, 2017 from which the accompanying summarized separate financial statements were derived in accordance with Egyptian Standards on Auditing and in the light of provision of applicable Egyptian laws and regulations. In our report dated February 4, 2018, we expressed an unqualified opinion on the bank's financial statements as of June 30, 2017 from which the accompanying summarized separate financial statements were derived.

In our opinion, the accompanying summarized separate financial statements are consistent, in all material respects, with the financial statements from which they were derived as of and for the year ended June 30, 2017.

For the better understanding of the Bank's financial position as of June 30, 2017 and the results of its operations for the year then ended, and the scope of our audit, the summarized separate financial statements should be read in conjunction with Bank's completed financial statements As of June 30,2017 and our audit report thereon.

Cairo on: 11 /03/2018

BAKER TILLY
WAHID ABDEL GHAFFAR & CO.
PUBLIC ACCOUNTANTS & CONSULTANTS

Auditors

Wahid Abdel Ghaffar
Baker Tilly Wahid Abdel Ghaffar & Co.
Public Accountants and consultants

Sameh Saad Mohamed Abd El-megeed
Accountability State Authority (ASA)

Summary of Banque Misr separate financial statements extracted from bank Misr financial statements for the year ended June 30, 2017

Separate Balance sheet as at June 30, 2017

Translated From Arabic
Amounts in EGP Thousands

	Note no	June 30,2017	June 30,2016
Assets			
Cash and balances with central banks		28,562,842	23,097,741
Due from banks		286,437,010	52,532,597
Treasury bills		111,219,953	72,047,855
Financial assets held for trading	(5)	4,213,138	2,212,211
Loans and advances to banks	(6)	608,629	434,897
Loans and advances to customers	(7)	179,137,131	127,946,188
Financial investments			
Available for sale investments	(8)	37,163,514	130,801,137
Investments held to maturity	(8)	99,041,285	496,186
Investments in subsidiaries and associates		17,299,797	4,224,966
Intangible assets		542	-
Other assets		21,941,241	15,437,862
Property,Plant,and Equipment		1,318,525	971,917
Total Assets		**786,943,607**	**430,203,557**
Liabilities and Shareholders' Equity			
Liabilities			
Due to banks		141,821,870	41,775,462
Customers' deposits	(9)	532,462,756	341,306,939
Other loans	(10)	29,862,619	8,997,510
Other liabilities		13,023,009	7,976,603
Other provisions	(11)	1,210,032	927,655
Deferred tax liabilities		798,154	415,704
Post retirement benefits liabilities	(12)	2,819,973	2,217,231
Total Liabilities		**721,998,413**	**403,617,104**
Shareholders' Equity			
Paid in capital	(13)	15,000,000	15,000,000
Reserves	(14)	41,768,244	6,079,597
Retained earnings		8,176,950	5,506,856
Total Shareholders' Equity		**64,945,194**	**26,586,453**
Total Liabilities and Shareholders' Equity		**786,943,607**	**430,203,557**
Contingent Liabilities and Commitments			
Liabilities for letters of guarantee, letters of credit and other commitments.		**67,176,707**	**25,760,044**

The accompanying notes are an integral part of these financial statements

Chief Financial Officer	Vice Chairman	Vice Chairman	Chairman
Sherif Samy Aguib	Sahar Kamel Eldamati	Akef El Maghraby	Mohamed Mahmoud Eletreby

Auditors

Wahid Abd ElGhaffar

Baker Tilly Wahid Abdel Ghaffar & CO.
Public Accountants and consultants

Sameh Saad Mohamed Abd ElMegeed

Accountability State Authority(ASA)

Banque Misr

Separate Income Statement

For The Financial Year Ended June 30,2017

Translated From Arabic

Amounts in EGP Thousands

	Note no	June 30,2017	June 30,2016
Interest on loans and similar income		54,889,952	32,583,821
Interest on deposits and similar expense		(39,343,416)	(21,260,161)
Net interest income		**15,546,536**	**11,323,660**
Fee and commission income		3,481,638	2,231,641
Fee and commission expense		(200,240)	(66,410)
Net fee and commission income		**3,281,398**	**2,165,231**
Dividend income		652,727	465,341
Net trading income		600,160	106,992
Gains from financial investments		2,633,684	279,452
Impairment charge for credit losses		(1,268,857)	(331,592)
Administrative expenses		(6,078,953)	(4,381,362)
Other operating income (expenses)		(1,267,111)	562,318
Profit before income tax		**14,099,584**	**10,190,040**
Income tax (expense)		(5,922,634)	(4,683,184)
Net Profit for the year		**8,176,950**	**5,506,856**
Earnings per share (EGP/Share)	**(15)**	**2.53**	**1.69**

Translated From Arabic

Banque Misr

Separate Statement of Changes in Shareholders' Equity

For the Financial Year Ended June 30,2017

Amounts in EGP Thousands

	Note no	Paid in Capital	Legal Reserve	General Reserve	Capital Reserve	Fair Value Reserve	Special Reserve	Banking Risks Reserve	Supportive Reserve	Differences between nominal value and fair value of subordinated Deposits	F.s Translation Differences Reserve	Retained Earnings	Total
Balance as of July 1, 2015		15,000,000	43,077	-	-	3,278,043	6,927	590,402	42,878	-	122,823	4,181,917	23,266,067
Dividends paid		-	-	-	-	-	-	-	-	-	-	(1,075,000)	(1,075,000)
Transferred to Reserves		-	394,452	327,262	237,396	-	-	277,448	1,870,359	-	-	(3,106,917)	-
Foreign currency translation differences		-	-	-	-	-	-	-	-	-	253,956	-	253,956
Net change in fair value of available for sale investments (net of tax)		-	-	-	-	(1,365,426)	-	-	-	-	-	-	(1,365,426)
Net profit for the year		-	-	-	-	-	-	-	-	-	-	5,506,856	5,506,856
Balance as of June 30, 2016	13,14	15,000,000	437,529	327,262	237,396	1,912,617	6,927	867,850	1,913,237	-	376,779	5,506,856	26,586,453
Balance as of July 1, 2016		15,000,000	437,529	327,262	237,396	1,912,617	6,927	867,850	1,913,237	-	376,779	5,506,856	26,586,453
Dividends paid		-	-	-	-	-	-	-	-	-	-	(1,337,500)	(1,337,500)
Transferred to Reserves		-	477,613	348,345	730,726	-	-	815,070	1,797,602	-	-	(4,169,356)	-
Net change in fair value of available for sale investments (net of tax)		-	-	-	-	5,140,114	-	-	-	-	-	-	5,140,114
Foreign currency translation differences		-	-	-	-	-	-	-	-	-	1,095,773	-	1,095,773
Additions		-	-	-	-	-	-	-	-	25,283,404	-	-	25,283,404
Net profit for the year		-	-	-	-	-	-	-	-	-	-	8,176,950	8,176,950
Balance as of June 30, 2017	13,14	15,000,000	915,142	675,607	968,122	7,052,731	6,927	1,682,920	3,710,839	25,283,404	1,472,552	8,176,950	64,945,194

Banque Misr

Summarized Separate Statement of Cash Flows for the year ended June 30,2017

Translated From Arabic
Amounts In EGP Thousands

	June 30,2017	June 30,2016
Net cash provided from operating activities	151,040,220	38,825,608
Net cash (used in) investing activities	(844,386)	(21,136,195)
Net cash Provided from financing activities	47,276,461	4,318,561
Net increase (decrease) in cash and cash equivalents during the year	**197,472,295**	**22,007,974**
Cash and cash equivalents at the beginning of the year	**51,743,182**	**29,735,208**
Cash and cash equivalents at the end of the year	**249,215,477**	**51,743,182**
Cash and cash equivalents are represented in :		
Cash and balances with central banks	28,562,842	23,097,741
Due from banks	286,437,010	52,532,597
Treasury bills	111,219,953	72,047,855
Balances with central banks (within the mandatory reserve percentage)	(20,464,662)	(18,624,689)
Due from banks (more than three months maturity)	(53,179,690)	(5,441,120)
Treasury bills and other government securities (more than three months maturity)	(103,359,976)	(71,869,202)
Cash and cash equivalents	**249,215,477**	**51,743,182**

Banque Misr

Summarized Statement of approved Separate Profit Appropriation

For the Financial Year Ended June 30,2017

According to the General Assembly Decision on March 11 , 2018

Translated From Arabic

Amounts in EGP Thousands

	June 30,2017	June 30,2016
Net Profit for the year	**8,176,950**	**5,506,856**
Add (Deduct)		
Losses (Gains) on sale of property,plant,and equipment transferred to capital reserve	127,458	(730,726)
General banking risk reserve	(852,863)	(815,070)
Net Distributable Profit	**7,451,545**	**3,961,060**
Distributed as follows		
Legal reserve	830,441	477,613
General Reserve	662,110	348,345
Supportive Reserve	3,868,237	1,797,602
State share in profits	1,494,858	900,000
Employees` share in profit	595,899	437,500
Total Distributable Profit	**7,451,545**	**3,961,060**

Summarized notes to the separate financial statements for the year ended June 30, 2017

1. General information

Banque Misr (S.A.E.) was established on April 3, 1920 as a commercial bank. The head office is located at 151, Mohamed Farid Street, Cairo.
The Bank carries out corporate, retail and investment banking in addition to Islamic banking through 588 branches in Arab Republic of Egypt and 5 branches in U.A.E. and one branch in City of Paris in the French republic. The number of employees at the balance sheet date is 14497 employees.
These financial statements were approved by the general assembly meeting on March 11, 2018.

2. Summary of accounting policies

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

A- Basis of preparation

These separate financial statements have been prepared in accordance with Egyptian financial Accounting standards issued in 2006 and its adjustments and in accordance with the Central Bank of Egypt regulations approved by the board of directors on December 16, 2008 under the historical cost, as modified by the revaluation of financial assets held for trading and available for sale investments. According to the bank's statute, the financial year begins on the first of July and ends on June 30 and the financial statements are presented close to the nearest thousands of pounds.

B- Foreign currency translation

B/1 Functional and presentation currency

The separate financial statements are presented in Egyptian pound. Items included in the financial statements of each of the bank's foreign branches are measured using their functional currency, being the basic currency of economic environment in which the foreign branch operates.

B/2 Transaction and balances in foreign currencies

Each Branch maintains its accounting records in its Functional currency and transactions in other currencies are recorded during the financial year using the prevailing exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated on the balance sheet date 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 items:

- Net Trading Income. (Case of held-for-trading financial assets).
- Other operating revenues (expenses) for the remaining items.

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 arising on the measurement of non-monetary items at fair value include gains or losses resulting from changes in foreign currency exchange rates used to translate those items. Total fair value changes arising on the measurement of equity instruments classified as at fair value through profit or loss are recognized in the income statement, whereas total fair value changes arising on the measurement of equity instruments classified as available-for-sale financial assets are recognized directly in equity in the 'revaluation reserve of available-for-sale investments'.

B/3 Foreign Branches

For the purpose of translation into the Egyptian pound, Assets and liabilities of foreign branches are translated using the closing rate at the balance sheet date while items of income and expense are translated into the Egyptian pound at the rates prevailing at the dates of the transactions or average rates of exchange where these approximate to actual rates. Resulted valuation differences are recognized as (foreign currency valuation differences) under the equity caption. Also, valuation differences resulting from valuation of net investment in foreign branches, loans, financial instruments in foreign currency for net investment hedge for that item retained to equity caption. These valuation differences recognized as (other operating income (loss)) in income statement when these net investment disposed.

C- Revenue recognition

C/1 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 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 .

C/2 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.
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.
Fees and Commissions resulting from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction in the income statement.
Administrative and other services fees are recognized as income on a time proportionate basis over the lifetime of the service.
Fees charged for custodian services provided over long periods are recognized as income over the period during which the service is rendered.

C/3 Dividends Income

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

D- Treasury bills

Treasury bills are recorded at par value while discount (un-earned interest) is included in Credit Balances and Other Liabilities. Treasury bills are presented on the balance sheet net of unearned interest.

E- Purchase and resale agreements and Sale and repurchase agreements

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

F- Loans and advances to banks and customers

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

G- Impairment of financial assets

G/1 Financial Assets carried at amortized cost

- The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

- If the bank determines that there is not an impairment loss based on the previous study then, the asset is added to the group.

- 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.

G/2 Available-for-sale Investments

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classify under available for sale is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. The Decrease Consider significant when it becomes 10% From cost of book value of the financial instrument and the decrease consider to be extended if it continue for period more than 9 months, and if the mentioned evidences become available then the accumulated loss to be post from the equity and disclosed at the income statement, impairment losses recognized in the income statement on equity instruments 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 profit or loss, the impairment loss is reversed through the income statement.

H- Financial assets held for trading

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near future or if it is a part of a portfolio of identified financial instruments that are managed together for short-term profit taking. Financial assets held for trading are measured at fair value. Unrealized holding gains and losses are recognized in the income statement.

I-Available for sale investments

Available for sale investments are non-derivative financial assets that are either designated as available for sale or do not fit into any other category of financial assets. Available for sale investments are measured at fair value. Unrealized holding gains and losses are included in a separate component of equity until the financial asset is sold or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in the income statement.

J- Held to maturity investments

Investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank management has the positive intent and ability to hold to maturity.

Debt investments held to maturity are measured at amortized cost using the effective interest method, which represent the nominal value of bonds plus the premium or deduct the discount. The premium is amortized by deduction on the income statement or the discount is amortized by addition to the income statement on (interest on loans and similar income) item by using the effective interest rate method. Thus, the nominal value and the nominal recoverable value become the same on the maturity date.

- The same method of valuation is used if the bonds have been purchased from the stock market with amount higher or lower than the nominal value (taking into consideration deducting the implicit interest that may be a part of acquisition cost of which belong to the period prior to the acquisition date and the seller did not get it).
- In case of bonds purchased in foreign currency, this bonds is valued using the prevailing exchange rates and the inclusion of valuation differences in the income statement in other operating revenues (expenses) prior to conduct adjustments relating to premium , discount, or determine impairment losses.

Banque Misr mutual funds certificates which the Bank is required by law to hold until fund liquidation are included in held to maturity investments according to Central Bank of Egypt rules and are measured at cost. Any decrease in redemption value below cost is recognized as impairment in the income statement. Impairment loss previously recognized is reversed in case of subsequent increase. The reversal cannot result in a carrying value greater than original cost.

K- Investments in subsidiaries and associates

Subsidiaries are entities (including special purpose entities) which Banque Misr exercises direct or indirect control over its financial and operating policies and usually has an ownership share of more than half of its voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Bank has the ability to control the entity. Associates are entities over which Banque Misr exercises significant influence directly or indirectly, but without exercising control, generally the bank owns between 20% and 50% of the voting rights.

The purchase method is used to account for the acquisitions of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets, or/and asset given or/and equity instruments issued and loans assumed at the date of exchange, plus cost directly attributable to the acquisition. Net assets including contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the minority interest. The excess of acquisition cost over the Bank's share fair value in the net assets acquired is recorded
as goodwill. If the acquisition cost is less than the fair value of the net assets, the difference is recognized directly in the income statement under the item "Other operating income (expenses) ".
Accounting for subsidiaries and associates in these separate financial statements is recorded by using cost method. According to this method, investments recorded at cost of acquisition including goodwill if any and impairment losses are deducted. Dividends are recorded in the separate income statement when they are declared and the bank's right to collect them has been established.

L- 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 price. Fair value 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.

M- Intangible Assets

Intangible Assets represent the cost of acquiring computer software and the licenses of using it. Intangible assets appear with historical cost after deducting accumulated amortization and provision of impairment losses. Intangible Assets are amortised by straight-line method and using amortization rate from 25 % to 100%.

N- Fixed assets & Depreciation

Fixed assets are recorded at historical cost less depreciation and impairment losses. Depreciation of Fixed assets is calculated using the straight-line method to allocate their residual values over estimated useful lives, as follows:

Buildings & constructions	5%	Vehicles	From 20% To 25%
Equipment	12.5%	Furniture	From 10% To 100%
IT equipment	From 25% To 100%	Fixtures	From 12.5% To 33.5%

O- Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash and balances due from Central Bank of Egypt, current accounts with banks, and treasury bills maturing within 3 months from the acquisition date.

P- Post retirement benefits liabilities

Banque Misr granted its employees who work in local branches some benefits after they retired. This benefits considered one of other benefits that have been charged to expenses

through employees years of service and recognized in the liability according to Egyptian Accounting Standards prevailed in 2006 and central bank rules prevailed in 2008.
Liabilities resulting from specified system benefits which employees have obtained at the end of financial year on the base of the present value of expected future cash flows by the actuarial using " **projected unit credit method** " which contains assumptions related to population sciences, employees turn over, interest rate , and inflation rate.
These benefits are represented in:

- **Post-retirement benefit (loyalty benefit)** it is paid for employee honoring for his role of serving the bank , and it is for employees who retired or completed their fixed term contract with a comprehensive monthly rewards. It is paid according to regulatory rules.
  It reaches 12 times of the gross salary (without allowances) up to a maximum of 500 thousand pounds or 100 times of basic monthly salary on July 1, 2016.wichever is better for the woeker

- **The bank bore health care benefits for retirees and their unemployed wife's** such benefits are conditional on the stay of the employee in service until retirement age and completion of minimum period of service.

Banque Misr granted for its employees in foreign branches post retirement benefit according to united Arab Emirates (UAE) labor law with maximum 24 times of last basic salary and according to article of employees in banks assigned from Banque De France which differs from period of service and can be reached to 6 times basic monthly salary.

Q- Other provisions

Other provisions 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 are measured at the present value of the expected required expenditures to settle obligations after one year from financial statement date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year the estimated value of obligation is calculated.

R- Income tax

Income tax on the profit or loss for the year and deferred tax are recognized in the income statement except for income tax relating to items of equity that are recognized directly in equity.
Income tax is recognized based on net taxable profit using the tax rates applicable at the date of the balance sheet in addition to tax adjustments for previous years.
Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundations of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable at the date of the balance sheet. Deferred tax assets of the bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset,

and is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years, that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

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 return and minimize potential adverse effects on the Bank's financial performance. And 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 a risk department under policies approved by the Board of Directors. Risk department identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. In addition, risk department is responsible for the independent

review of risk management and the control environment.

Capital Management

Capital adequacy and the use of regulatory capital are monitored periodically by the Bank's management through employing techniques based on the guidelines developed by the Basel Committee for Banking supervision. 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 average of the bank's assets and contingent liabilities

Overseas branches are subject to the supervision rules regulating banking business in countries where they operate.

The bank has complied with all local capital requirements and in countries where its oversea branches work during the last two years. The Board of Central Bank of Egypt held on December 18, 2012 decided to approve the instructions of minimum capital adequacy in the context of applying Basel II.The following table summarizes the components of tier one capital, subordinated capital and capital adequacy ratio for the financial statements of banking group as at the end of current year ended June 30,2017 and comparative year according to CBE regulations issued on Basle II applications :

	June 30,2017	June 30,2016
Capital		
Tier 1 Capital	42,436,566	14,747,544
Tier 2 Capital	19,634,092	4,169,058
Total Capital	**62,070,658**	**18,916,602**
Total risk weighted assets and contingent liabilities	**410,699,666**	**243,802,352**
Capital Adequacy Ratio	**15.11%**	**7.76%**

The Financial Leverage Ratio according to the financial statements of banking group as of 30-June 2017 is 4.31%

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 info.

A. Impairment of loans and advances

The bank reviews its loans and *advances* portfolio, at least, on a quarterly basis to assess impairment. The bank uses its discretionary judgment in determining whether it is necessary to recognize impairment loss in the income statement. This requires it to identify any reliable evidence indicating measurable decline in the expected future cash flows from loan portfolio before identifying any decline for each individual loan.
This evidence includes data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default.
On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having similar credit risks. Such experience refers to impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on expertise.

B. 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, operational and financing cash flows, industry and sector performance and changes in technology.

	30/06/2017	30/6/2016
	Amounts in EGP Thousand	
(5) Financial assets held for trading		
Debt instruments		
other debt securities	4,029,485	2,126,616
Total Debt instruments	**4,029,485**	**2,126,616**
Equity instruments		
Local Shares	174,788	79,761
Mutual fund certificates	8,865	5,834
Total Equity instruments	**183,653**	**85,595**
Total Financial assets held for trading	**4,213,138**	**2,212,211**
(6) Loans and advances to banks		
Term loans	631,890	446,707
Deduct : provision for loan losses	(23,261)	(11,810)
Total	**608,629**	**434,897**
(7) Loans and advances to customers		
(1) Retail		
Over draft	1,377,529	1,528,415
Credit card loans	319,739	223,609
Personal loans	18,045,181	13,522,069
Mortgages loans	1,904,617	806,935
Total retail	**21,647,066**	**16,081,028**
(2) Corporate loans (including loans to small businesses)		
Over draft	51,782,362	27,485,571
Direct loans	86,427,114	68,790,992
Syndicated loans	25,156,175	18,488,837
Other Loans	2,138,813	1,882,278
Total Corporate	**165,504,464**	**116,647,678**
Total loans and advances to customers(1+2)	**187,151,530**	**132,728,706**
Deduct: provision for loan losses	(7,757,560)	(4,646,795)
Deduct: unearned discount and interest in suspense	(256,839)	(135,723)
Net loans and advances to customers	**179,137,131**	**127,946,188**
Gross loans distributed to:		
Current	55,266,487	42,263,784
Non-Current	131,885,043	90,464,922
	187,151,530	**132,728,706**

Impairment from loans provision for customers

• **Movement analysis of the Impairment provision of loans and advances for customers**

Amounts in EGP Thousand

Item	30/06/2017			30/6/2016		
	Non Performing Loans	Performing Loans	Total	Non Performing Loans	Performing Loans	Total
Balance at beginning of the year	3,509,005	1,137,790	4,646,795	4,032,813	976,317	5,009,130
Transfers	7,258	2,921	10,179	-	-	-
Charge (Release)of Impairment during the year	1,088,572	(8,474)	1,080,098	264,742	69,588	334,330
Recoveries of loans previously written off	830,109	-	830,109	423,498	-	423,498
Foreign currency revaluation differences	1,227,099	680,046	1,907,145	166,605	91,885	258,490
Write off during the year	(716,766)	-	(716,766)	(1,378,653)	-	(1,378,653)
Balance at the End of the year	**5,945,277**	**1,812,283**	**7,757,560**	**3,509,005**	**1,137,790**	**4,646,795**

Analysis of the Impairment provision of loans and advances for individual :-

Item	Individual				
	Overdrafts	Credit cards	Personal loans	Mortgages	Total
30/06/2017	81,485	2,810	340,191	32,876	457,362
30/06/2016	**98,433**	**959**	**69,498**	**8,382**	**177,272**

Analysis of the Impairment provision of loans and advances for corporate :-

Item	Corporate				
	Overdrafts	Direct loans	Syndicated loans	Others Loans	Total
30/06/2017	2,033,485	1,434,012	3,121,687	711,014	7,300,198
30/06/2016	**2,075,579**	**1,005,124**	**1,312,149**	**76,671**	**4,469,523**

	30/06/2017	30/6/2016
	Amounts in EGP Thousand	
(8) Financial investments		
(A) Available for sale Investments		
Debt instruments - Listed	2,917,100	109,699,162
Equity instruments - Listed	10,098,810	7,963,292
Debt instruments - Unlisted	16,281,990	8,780,000
Equity instruments - Unlisted	7,865,614	4,358,683
Total available for sale investments (1)	**37,163,514**	**130,801,137**
B) Held to maturity Investment		
Debt instruments - Listed	98,756,416	137,007
Debt instruments - Unlisted	71,384	71,384
Equity instruments - Unlisted	213,485	287,795
Total held to maturity investments (2)	**99,041,285**	**496,186**
Total financial Investments (1+2)	**136,204,799**	**131,297,323**
Current	13,389,342	38,260,399
Non-current	122,815,457	93,036,924
Total financial Investments (1+2)	**136,204,799**	**131,297,323**

The following table analyzes movements on financial investments during the year:	**Available for sale investments**	**Held to maturity investments**
Beginning balance on 01/07/2016	**130,801,137**	**496,186**
Additions	21,970,964	20,800,645
Deductions	(41,091,053)	(11,261,159)
transfers	(89,470,835)	88,993,259
Revaluation differences resulting from monetary foreign currency assets	9,531,288	-
Gains (losses) from fair value difference	5,522,564	
Impairment charges	(100,551)	12,354
Balance at end of year 30/06/2017	**37,163,514**	**99,041,285**
Beginning balance on 01/07/2015	109,334,663	363,914
Addition	46,130,742	169,509
Deduction	(24,489,041)	(30,801)
transfers		
Translation differences resulting from monetary foreign currency assets	1,323,374	-
Gains (losses) from fair value difference	(1,198,836)	-
Impairment charges	(299,765)	(6,436)
Balance at end of year 30-06-2016	**130,801,137**	**496,186**

	Amounts in EGP Thousand	
	30/06/2017	**30/6/2016**
(9) Customers' Deposits		
Demand deposits	62,460,003	39,738,025
Call and time deposits	112,623,696	59,637,162
Saving certificates	218,758,023	127,076,600
Saving deposits	130,341,148	104,867,796
Other deposits	8,279,886	9,987,356
Total	**532,462,756**	**341,306,939**
Corporate deposits	155,189,486	92,004,225
Retail deposits	377,273,270	249,302,714
Total	**532,462,756**	**341,306,939**
Non-interest bearing balances	70,739,889	22,081,166
Variable interest rate balances	135,344,770	141,078,651
Fixed interest rate balances	326,378,097	178,147,122
Total	**532,462,756**	**341,306,939**
Current	393,919,650	230,139,149
Non current	138,543,106	111,167,790
Total	**532,462,756**	**341,306,939**

(10) Other Loans

Amounts in EGP Thousand

Items	Interest Rate	Matured Through Current Year	Balance as at 30/06/2017	Balance as at 30/6/2016
Denmark International Development Loan of Egyptian Holding Co. Silos & Storage - Fayoum	Nil	4,349	4,349	6,196
Denmark International Development Loan of Egyptian Holding Co. Silos & Storage Qena / Menia / Beni Sweif Silos Complex	Nil	25,577	25,578	24,667
The Contract of development of a poultry	4%	-	-	108
C.B.E .Local Supportive Loan	Nil	-	-	1,569,445
C.B.E .Local Supportive Loan (Five years)	Nil	-	-	896,003
Subordinated Deposit	Nil	-	9,716,596	-
Long term loans for financing SMEs- future step	7%		-	17,000
Social fund loans-Bright future	8.50%	16,875	25,313	42,188
Long – term loans -Egyptian Company for refinancing	10.25%	2,806	14,778	16,111
Social fund loans- Enterprise Development Project	8.50%	10,000	20,000	30,000
Social fund loans- agriculture projects support	8.50%	28,000	61,000	89,000
Social fund loans- bedaia SMEs Loan	8.50%	7,500	18,750	26,250
Social fund loans- bedayti	7.75%	40,000	300,074	-
Long -term loans from foreign banks	with interest	-	13,658,780	3,994,900
Short-term loans from foreign banks	with interest	6,017,401	6,017,401	2,285,642
Total Other Loans			29,862,619	8,997,510
Current			6,152,508	2,384,719
Non current			23,710,111	6,612,791
Total Other Loans			29,862,619	8,997,510

(11) Other Provisions

Provision for legal claims and taxes	683,810	569,078
Provision for contingent liabilities	513,250	348,952
Other	12,972	9,625
Total	**1,210,032**	**927,655**

12- Post retirement benefits liabilities

Amounts recognized in the Balance sheet

Post retirement medical benefits	2,294,877	1,989,352
End of service benefits	525,096	227,879
Total	2,819,973	2,217,231

Amounts recognized in the income statement

Liabilities for post retirement medical benefits	426,589	539,820
Liabilities for end of service benefits	132,672	67,788
Balances at the end of the year	**559,261**	**607,608**

The main actuarial assumptions used by the bank are outlined below

Discount rate	16.25%	11%
Long term inflation rate	12.5%	8%

(13) Paid in capital and reserves

A. Authorized capital

Based on the extraordinary general assembly meeting on March 22 , 2015 The authorized capital has been increased from EGP 15 000 million to EGP 30 000 million.

B. Issued and paid-in capital

Based on the extraordinary general assembly meeting on March 22 , 2015, The paid-in capital has been increased by 3600 million through capitalization of reserves . Accordingly , the Issued and paid-in capital reached EGP 15000 million divided into 3000 million shares totally owned by the state with par value of EGP 5 per share. This increase registered in the banks records of Central Bank Of Egypt (CBE) and published in Egypt newspaper facts on April 12,2015 and registered in the commercial register on April 15,2015

(14) Reserves

- According to the Bank's statue , 10% of net profit is to be credited to legal reserve. Crediting legal reserve ceases when its balance reaches 100% of the paid-In capital.
- According to Central Bank of Egypt regulations, it is not allowed to use special reserves balances unless getting the central bank approval.

Amounts in EGP Thousand

Reserves	30/06/2017	30/6/2016
Legal reserve	915,142	437,529
General reserve	675,607	327,262
Capital reserve	968,122	237,396
Supportive reserve	3,710,839	1,913,237
Fair value reserve	7,052,731	1,912,617
Special Reserve	6,927	6,927
General Banking risk reserve	1,682,920	867,850
Financial statements translation differences	1,472,552.00	376,779.00
Differences between nominal value and fair value of subordinated Deposits	25,283,404.00	-
Total reserves	**41,768,244**	**6,079,597**

(15) Earnings per share

	30/06/2017	31/03/2016
Net profit attributable to the shareholder (EGP thousand) (1)	7,581,051	5,069,356
Divided by weighted average number of shares (thousands of shares)(2)	3,000,000	3,000,000
Earnings per share (EGP)(1:2)	**2.53**	**1.69**

(16) Comparative figures

Comparative figures were reclassified for the year ended June 30, 2016 to be consistent with current year presentation.