Banque Misr – (S.A.E)
Summarized Separate Financial Statements
For The Financial Period Ended June 30, 2018

Ahmed Mostafa Shawky
MAZARS Mostafa Shawky

Sameh Saad Mohamed Abd ELMegeed
Accountability State Authority (ASA)

Contents

Translation of Auditor's Report
Originally Issued in Arabic

Mostafa Shawki – MAZARS
Allied for Accounting & Auditing

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Accountability State Authority (ASA)

Auditors' Report
On The Condensed Financial Statements
Of Banque Misr for the Year Ended June 30, 2018

To The Shareholders of Banque Misr "SAE"

We have audited, the Separate Financial Statements of **Banque Misr "SAE"** as of June 30, 2018 from which the Financial Information set forth in the accompanying separate condensed financial statements have been derived. We conducted our audit according to the Egyptian Standards on Auditing and the requirements of applicable Egyptian law and regulations. In our report dated February 3, 2019, we expressed an unqualified opinion on the Complete Separate Financial Statements from which the Financial Information set forth in the accompanying condensed financial statements have been derived.

In our opinion, the information set forth in the accompanying separate condensed financial statements is fairly stated, in all material respects, in relation to the separate complete financial statements of the bank as of June 30, 2018.

For a complete understanding of the Financial Position of the Bank as of June 30, 2018 and its performance and cash flows of the year then ended, in addition to the scope of our audit, the condensed separate financial statements should be read in conjunction with the bank's separate complete financial statements of the bank as of June 30, 2018 and our report thereon.

Cairo: April 7, 2019

Independent Auditors

Dr. Ahmed Shawki

Mostafa Shawki-MAZARS

MOSTAFA SHAWKI MAZARS 5 Accountants & Auditors

Sameh Saad Mohamed Abd EL Mageed

Accountability State Authority (ASA)

Summary of Banque Misr separate financial statements

Extracted from Banque Misr financial statements for the year ended June 30,2018

Separate balance sheet as at June 30,2018

Translated From Arabic

Amounts In EGP Thousands

	Note No	June 30,2018	June 30,2017
Assets			
Cash and balances with central banks		62,484,692	28,562,842
Due from banks		280,288,925	286,437,010
Treasury bills		141,507,908	111,219,953
Financial assets held for trading	(5)	3,558,755	4,213,138
Loans and advances to banks	(6)	3,345,476	608,629
Loans and advances to customers	(7)	220,992,425	179,137,131
Financial investments			
- Available for sale investments	(8)	34,572,705	37,163,514
- Held to maturity	(8)	91,757,978	99,041,285
Investments in subsidiaries and associates		17,614,194	17,299,797
Intangible assets		299,168	542
Other assets		25,441,532	21,941,241
Property,Plant,and Equipment		2,203,355	1,318,525
Total Assets		**884,067,113**	**786,943,607**
Liabilities and Shareholders' Equity			
Liabilities			
Due to banks		81,681,324	141,821,870
Customers' deposits	(9)	669,592,542	532,462,756
Financial Derivatives		179,120	-
Other loans	(10)	46,704,066	29,862,619
Other liabilities		15,917,822	13,023,009
Other provisions	(11)	913,622	1,210,032
Deferred tax liabilities		923,240	798,154
Post retirement benefits liabilities	(12)	3,121,363	2,819,973
Total Liabilities		**819,033,099**	**721,998,413**
Shareholders' Equity			
Paid in capital	(13)	15,000,000	15,000,000
Reserves	(14)	45,971,440	41,768,244
Retained earnings		4,062,574	8,176,950
Total Shareholders' Equity		**65,034,014**	**64,945,194**
Total Liabilities and Shareholders' Equity		**884,067,113**	**786,943,607**
Contingent Liabilities and Commitments			
Liabilities for letters of guarantee, letters of credit and other commitments.		**49,814,659**	**67,176,707**

The accompanying notes are an integral part of these financial statements

Chief Financial Officer	Vice Chairman	Vice Chairman	Chairman
Sherif Samy Aguib	Hossam El Din Abdel Wahab	Akef El Maghraby	Mohamed Mahmoud Eletreby

Auditors

Ahmed Mostafa Shawky	Sameh Saad Mohamed Abd ElMegeed
MAZARS Mostafa Shawky	Accountability State Authority(ASA)

Banque Misr

Separate Income Statement

For The Financial Period Ended June 30,2018

Translated From Arabic

Amounts In EGP Thousands

	Note no	June 30,2018	June 30,2017
Interest on loans and similar income		82,831,934	54,889,952
Interest on deposits and similar expense		(76,751,695)	(39,343,416)
Net interest income		**6,080,239**	**15,546,536**
Fee and commission income		4,223,311	3,481,638
Fee and commission expense		(229,749)	(200,240)
Net fee and commission income		**3,993,562**	**3,281,398**
Dividend income		3,437,004	652,727
Net trading income		360,056	600,160
Gains from financial investments		3,066,455	2,633,684
Impairment charge for credit losses		(1,090,329)	(1,268,857)
Administrative expenses		(6,611,791)	(6,078,953)
Other operating income (expenses)		1,140,127	(1,267,111)
Profit before income tax		**10,375,323**	**14,099,584**
Income tax		(6,312,749)	(5,922,634)
Net Profit for the year		**4,062,574**	**8,176,950**
Earnings per share (EGP/Share)	**(15)**	**1.16**	**2.53**

Banque Misr

Separate Statement of Changes in Shareholders' Equity

For the Financial Period Ended June 30,2018

Translated From Arabic

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	Cash flow risk reserve	F.s Translation Differences Reserve	Retained Earnings	Total
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
Change between nominal value and present value of subordinated deposit		-	-	-	-	-	-	-	-	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
Balance as of July 1, 2017		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
Dividends paid		-	-	-	-		-	-	-	-		-	(2,090,757)	(2,090,757)
Transferred to Reserves		-	830,441	662,110	(127,458)		-	852,863	3,868,237	-		-	(6,086,193)	-
Net change in fair value of available for sale investments (net of tax)		-	-	-	-	(429,039)	-	-	-	-	-	-	-	(429,039)
Foreign currency translation differences		-	-	-	-	-	-	-	-	-	-	4,050	-	4,050
Change between nominal value and present value of subordinated deposit		-	-	-	-	-	-	-	-	(1,420,227)	-	-	-	(1,420,227)
Change in Cash flow		-	-	-	-	-	-	-	-	-	(37,781)	-	-	(37,781)
Net profit for the year		-	-	-	-	-	-	-	-	-	-	-	4,062,574	4,062,574
Balance as of June 30,2018	13,14	15,000,000	1,745,583	1,337,717	840,664	6,623,692	6,927	2,535,783	7,579,076	23,863,177	(37,781)	1,476,602	4,062,574	65,034,014

Banque Misr

Summarized Separate Statement of Cash Flows

For The Period Ended June 30,2018

Translated From Arabic
Amounts In EGP Thousands

	June 30,2018	June 30,2017
Net cash Flow (used in) provided from operating activities	(51,202,126)	175,623,464
Net cash Flow provided from (used in) investing activities	12,672,214	(844,386)
Net cash Flow Provided from financing activities	13,330,463	47,276,461
Net (decrease) increase in cash and cash equivalents during the year	**(25,199,449)**	**222,055,539**
Cash and cash equivalents at the beginning of the year	**273,798,721**	**51,743,182**
Cash and cash equivalents at the end of the year	**248,599,272**	**273,798,721**
Cash and cash equivalents are represented in :		
Cash and balances with central banks	62,484,692	28,562,842
Due from banks	280,288,925	286,437,010
Treasury bills	141,507,908	111,219,953
Balances with central banks (within the mandatory reserve percentage)	(55,054,438)	(20,464,662)
Due from banks (more than three months maturity)	(46,207,498)	(53,179,690)
Treasury bills and other government securities (more than three months maturity)	(134,420,317)	(78,776,732)
Cash and cash equivalents	**248,599,272**	**273,798,721**

Banque Misr

Summarized Statement of approved Separate Profit Appropriation

For the Financial Year Ended June 30,2018

According to the General Assembly Decision on Aprail 7, 2019

Translated From Arabic

Amounts in EGP Thousands

	June 30,2018	June 30,2017
Net Profit for the year	**4,062,574**	**8,176,950**
Add (Deduct)		
Losses (Gains) on sale of property,plant,and equipment transferred to capital reserve	(88,350)	127,458
General banking risk reserve	(799,087)	(852,863)
Net Distributable Profit	**3,175,137**	**7,451,545**
Distributed as follows		
Legal reserve	397,422	830,441
General Reserve	277,772	662,110
Supportive Reserve	-	3,868,237
State share in profits	1,912,400	1,494,858
Employees` share in profit	587,543	595,899
Total Distributable Profit	**3,175,137**	**7,451,545**

BANQUE MISR - S.A.E

Summarized notes to the separate financial statements

For the financial year ended June 30,2018

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 618 branches in Arab Republic of Egypt and 5 branches in U.A.E, and one branch in France and representative office In Russia and China, The number of employees at the balance sheet date is 16052 employees.
These financial statements were approved by the general assembly meeting on April 7, 2019

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.

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 treasury bills and bonds) item by using the effective interest rate method. Thus, the nominal value and the nominal recoverable value become the same on the maturity date.

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- <u>Investments in subsidiaries and associates</u>

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- <u>Derivative financial instruments and hedge accounting</u>

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- <u>Intangible Assets</u>

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 amortized by straight-line method and using amortization rate from 20% to 100% or the duration of licenses for programs, whichever is less.

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 From 10% To 20%	IT equipment From 14.5% To 100%
Furniture From 10% To 100%	Fixtures From 6.5% To 33.5%

Lease hold improvement 12.5% or lease period whichever is less.

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.

Banque Misr granted for its employees in foreign branches post retirement benefit according to united Arab Emirates (UAE) and france labor law.

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 period ended June 30, 2018 and comparative year according to CBE regulations issued on Basle II applications :

	June 30,2018	June 30,2017
Capital		
Tier 1 Capital	42,294,398	42,436,566
Tier 2 Capital	23,848,560	19,634,092
Total Capital	**66,142,958**	**62,070,658**
Total risk weighted assets and contingent liabilities	**431,067,703**	**410,699,666**
Capital Adequacy Ratio	**15.34%**	**15.11%**

The Financial Leverage Ratio according to the financial statements of banking group	**June 30,2018**
	3.85%

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.

	30/06/2018	30/06/2017
		Amounts in EGP Thousands
(5) Financial assets held for trading		
Debt instruments		
other debt securities	3,318,957	4,029,485
Total Debt instruments	**3,318,957**	**4,029,485**
Equity instruments		
Local Shares	228,847	174,788
Mutual fund certificates	10,951	8,865
Total Equity instruments	**239,798**	**183,653**
Total Financial assets held for trading	**3,558,755**	**4,213,138**
(6) Loans and advances to banks		
Term loans	3,367,577	631,890
Deduct : provision for loan losses	(22,101)	(23,261)
Total	**3,345,476**	**608,629**
(7) Loans and advances to customers		
(1) Retail		
Over draft	1,891,665	1,377,529
Credit card loans	435,664	319,739
Personal loans	21,678,337	18,045,181
Mortgages loans	2,975,857	1,904,617
Total retail (1)	**26,981,523**	**21,647,066**
(2) Corporate loans (including loans to small businesses)		
Over draft	46,546,769	51,782,362
Direct loans	108,137,365	86,427,114
Syndicated loans	46,989,348	25,156,175
Other Loans	842,916	2,138,813
Total Corporate (2)	**202,516,398**	**165,504,464**
Total loans and advances to customers(1+2)	**229,497,921**	**187,151,530**
Deduct: provision for loan losses	(8,104,047)	(7,757,560)
Deduct: interest in suspense	(324,554)	(256,839)
Deduct: unearned discount	(76,895)	0
Net loans and advances to customers	**220,992,425**	**179,137,131**
Gross loans distributed to:		
Current	62,812,527	55,266,487
Non-Current	166,685,394	131,885,043
	229,497,921	**187,151,530**

Impairment from loans provision for customers

• Movement analysis of the Impairment provision of loans and advances for customers during the year :-

Amounts in EGP Thousands

Item	6/30/2018			30/06/2017		
	Non Performing Loans	Performing Loans	Total	Non Performing Loans	Performing Loans	Total
Balance at beginning of the year	5,945,277	1,812,283	7,757,560	3,509,005	1,137,790	4,646,795
Transfers	76	5 991	6,067	7,258	2,921	10,179
Charge (Release)of Impairment during the year	(193,143)	1 423 015	1,229,872	1,088,572	(8,474)	1,080,098
Recoveries of loans previously written off	494,889	-	494,889	830,109	-	830,109
Foreign currency revaluation differences	(48,049)	6,150	(41,899)	1,227,099	680,046	1,907,145
Write off during the year	(1,342,442)	-	(1,342,442)	(716,766)	-	(716,766)
Balance at the End of the year	**4,856,608**	**3,247,439**	**8,104,047**	**5,945,277**	**1,812,283**	**7,757,560**

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

Item	Individual				
	Overdrafts	Credit cards	Personal loans	Mortgages	Total
30/06/2018	50,099	10,029	365,470	74,339	499,937
30/06/2017	81,485	2,810	340,191	32,876	457,362

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

Item	Corporate				
	Overdrafts	Direct loans	Syndicated loans	Others Loans	Total
30/06/2018	2,072,280	1,744,534	3,566,317	220,979	7,604,110
30/06/2017	2,033,485	1,434,012	3,121,687	711,014	7,300,198

	Amounts in EGP Thousands	
	30/06/2018	30/06/2017

(8) Financial investments

(A) Available for sale Investments

	30/06/2018	30/06/2017
Debt instruments - Listed	1,882,982	2,917,100
Equity instruments - Listed	10,505,960	10,098,810
Debt instruments - Unlisted	16,099,020	16,281,990
Equity instruments - Unlisted	6,084,743	7,865,614
Total available for sale investments (1)	**34,572,705**	**37,163,514**

B) Held to maturity Investment

	30/06/2018	30/06/2017
Debt instruments - Listed	75,403,133	98,756,416
Debt instruments - Unlisted	16,071,384	71,384
Equity instruments - Unlisted	283,461	213,485
Total held to maturity investments (2)	**91,757,978**	**99,041,285**
Total financial Investments (1+2)	**126,330,683**	**136,204,799**

The following table analyzes movements on financial investments during the year:	**Available for sale investments**	**Held to maturity investments**
Beginning balance on 01/07/2017	**37,163,514**	**99,041,285**
Additions	3,914,402	3,633,059
Deductions	(5,720,756)	(11,072,545)
Transfers	(181,273)	156,179
Revaluation differences resulting from monetary foreign currency assets	(247,311)	-
Gains (losses) from fair value difference	(303,953)	-
Impairment charges	(51,918)	-
Balance at end of year 30/06/2018	**34,572,705**	**91,757,978**
Beginning balance on 01/07/2016	130,801,137	496,186
Addition	21,970,964	20,800,645
Deduction	(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 Release (charge)	(100,551)	12,354
Balance at end of year 30/06/2017	**37,163,514**	**99,041,285**

	Amounts in EGP Thousands	
	30/06/2018	**30/06/2017**

(9) Customers' Deposits

Demand deposits	63,801,364	62,460,003
Call and time deposits	117,869,439	112,623,696
Saving certificates	311,684,403	218,758,023
Saving deposits	168,105,421	130,341,148
Other deposits	8,131,915	8,279,886
Total	**669,592,542**	**532,462,756**
Corporate deposits	162,094,425	155,189,486
Retail deposits	507,498,117	377,273,270
Total	**669,592,542**	**532,462,756**
Non-interest bearing balances	54,715,183	45,157,683
Variable interest rate balances	321,441,563	278,026,350
Fixed interest rate balances	293,435,796	209,278,723
Total	**669,592,542**	**532,462,756**
Current	196,523,284	241,635,099
Non current	473,069,258	290,827,657
Total	**669,592,542**	**532,462,756**

(10) Other Loans

Amounts in EGP Thousand

Items	Interest Rate	Matured Through Current Year	Balance as at 30/06/2018	Balance as at 30/06/2017
Denmark International Development Loan of Egyptian Holding Co. Silos & Storage - Fayoum	Nil	-	-	4,349
Denmark International Development Loan of Egyptian Holding Co. Silos & Storage Qena / Menia / Beni Sweif Silos Complex	Nil	-	-	25,578
Subordinated Deposit	Nil	-	11,136,823	9,716,596
Social fund loans-Bright future	8.50%	8,438	8,438	25,313
Long – term loans -Egyptian Company for refinancing	10.25%	2,667	13,444	14,778
Social fund loans- Enterprise Development Project	8.50%	10,000	10,000	20,000
Social fund loans- agriculture projects support	8.50%	22,000	33,000	61,000
Social fund loans- bedaia SMEs Loan	8.50%	7,500	11,250	18,750
Social fund loans- bedayti	7.75%	80,000	500,000	300,074
Long -term loans from foreign banks	with interest	4 471 950	18,022,674	13,658,780
Short-term loans from foreign banks	with interest	16,968,437	16,968,437	6,017,401
Total Other Loans			**46,704,066**	**29,862,619**
Current			21,570,992	6,152,508
Non current			25,133,074	23,710,111
Total Other Loans			**46,704,066**	**29,862,619**

(11) Other Provisions

Provision for legal claims and taxes	274,507	683,810
Provision for contingent liabilities	627,992	513,250
Other	11,123	12,972
Total	**913,622**	**1,210,032**

12- Post retirement benefits liabilities

Amounts recognized in the Balance sheet

Post retirement medical benefits	2,478,404	2,294,877
End of service benefits	642,959	525,096
Total	**3,121,363**	**2,819,973**

Amounts recognized in the income statement

Liabilities for post retirement medical benefits	327,024	426,589
Liabilities for end of service benefits	138,970	132,672
Balances at the end of the year	**465,994**	**559,261**

The main actuarial assumptions used by the bank are outlined below

Discount rate	16.25%	16.25%
Long term inflation rate	12.50%	12.50%

(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

The Issued and paid-in capital reached EGP 15000 million divided into 3000 million shares of EGP 5 per share wholly owned by ministry of finance of Egypt.

(14) Reserves

- According to the bank status 10% of net profit is to increase legal reserve until it reaches 100% of paid in capital
- According to the central bank rules , it is not allowed to use special reserve balance unless getting its approval

Amounts In EGP Thousands

Reserves	30/06/2018	30/06/2017
Legal reserve	1,745,583	915,142
General reserve	1,337,717	675,607
Capital reserve	840,664	968,122
Supportive reserve	7,579,076	3,710,839
Fair value reserve	6,623,692	7,052,731
Special Reserve	6,927	6,927
General Banking risk reserve	2,535,783	1,682,920
Cash flow risk reserve	(37,781)	-
Financial statements translation differences	1,476,602	1,472,552
Differences between nominal value and fair value of subordinated Deposits	23,863,177	25,283,404
Total reserves	**45,971,440**	**41,768,244**

(15) Earnings per share

Earning per share is calculated by dividing the net profit attributable to the shareholder of the Bank by the weighted average number of ordinary shares during the year.

Net profit attributable to the shareholder (EGP thousand) (1)	**3,475,031**	**7,581,051**
Divided by weighted average number of shares (thousands of shares)(2)	**3,000,000**	**3,000,000**
Earnings per share (EGP)(1:2)	**1.16**	**2.53**

(16) Comparative figures

Comparative figures were reclassified for the year ended June 30, 2017 to be consistent with current year presentation.