



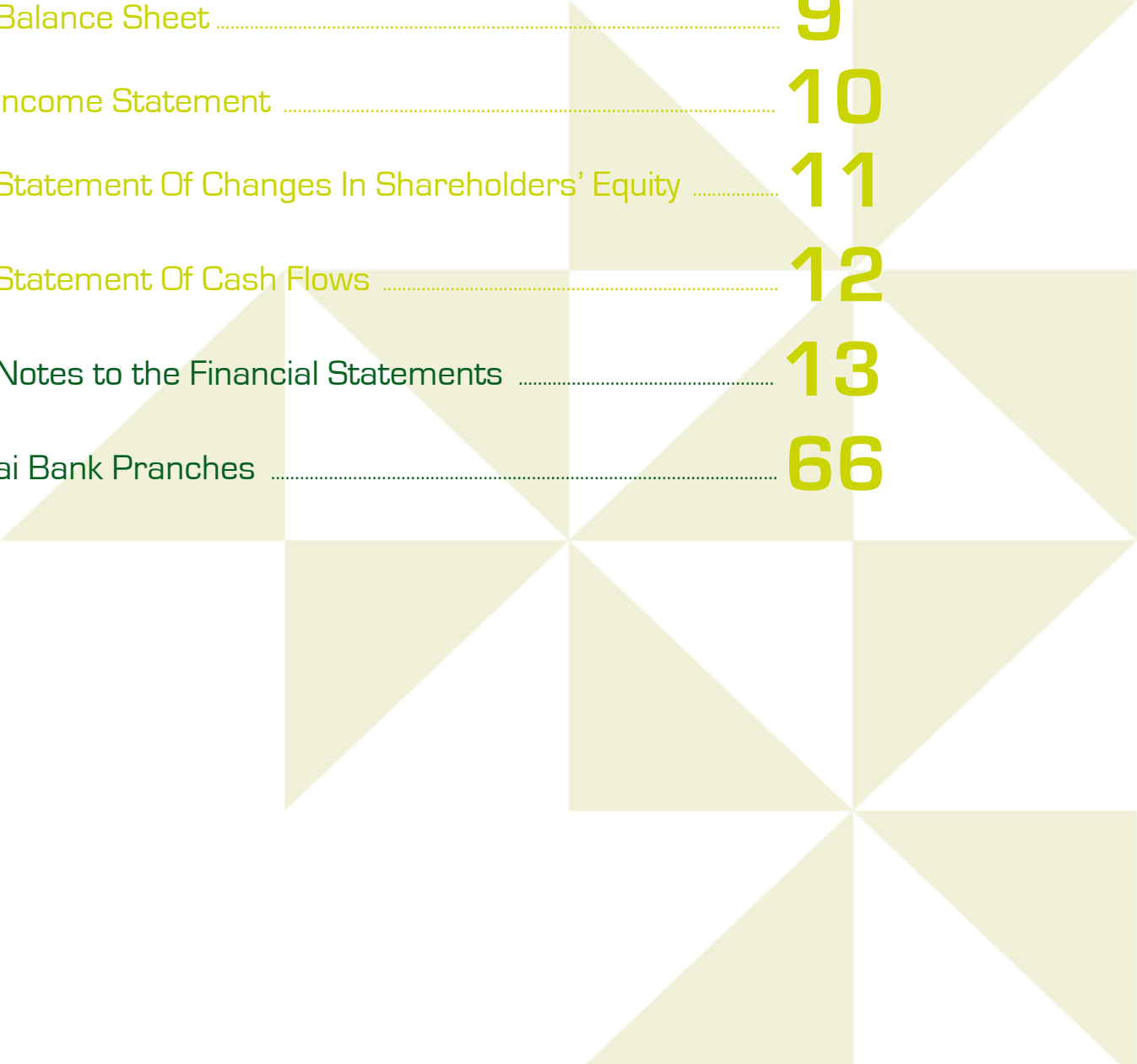
ai BANK

بنك الاستثمار العربي
ARAB INVESTMENT BANK

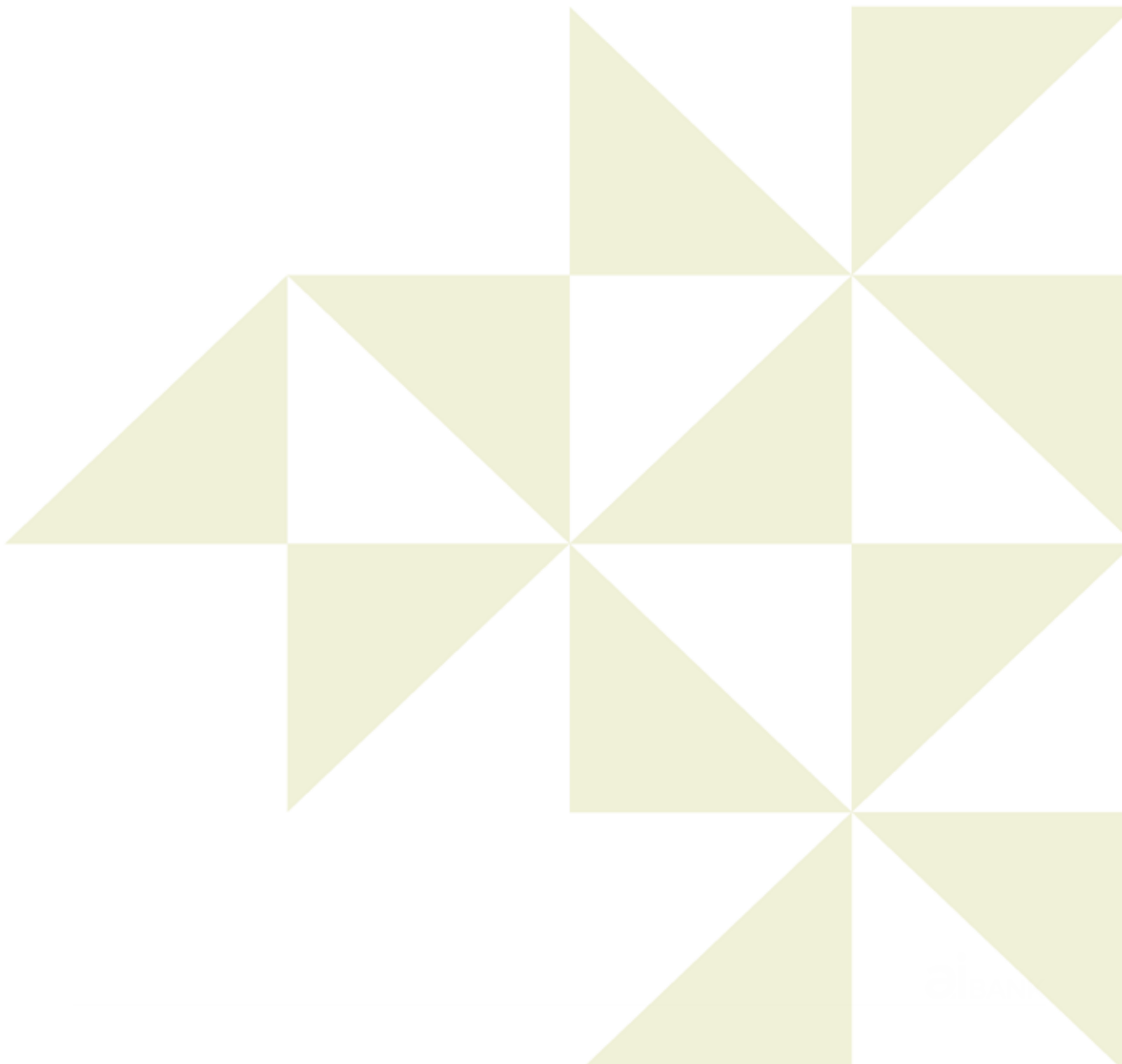
REPORT ON FINANCIAL STATEMENTS 2018

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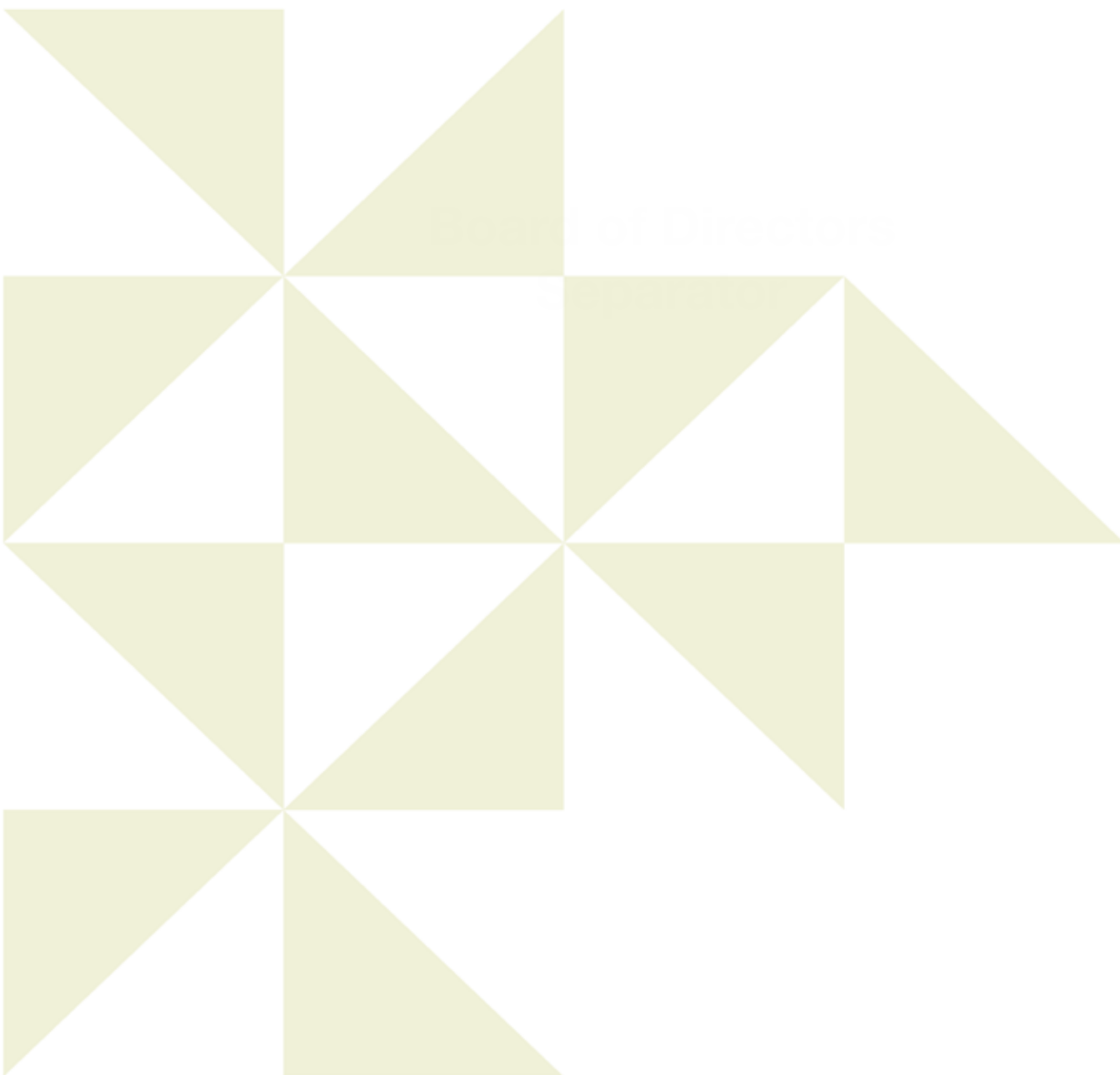
About the Bank



About the Bank

- **aiBANK** was established in 1974 as an investment and commercial bank under the supervision of the Central Bank of Egypt (CBE). aiBANK started its operation in 1978 with a capital of USD 40 million, which was increased to one billion forty thousand pounds in 2018, with participation of %91.42 from the National Investment Bank and %8.58 from the Federal Arab Republic & it will be increased again next year.
- **aiBANK** provides all types of banking services to individuals through different retail banking products, investment and treasury services, as well as Islamic banking services for which a solid legislative committee is dedicated to work according to Islamic banking standards. That is besides services provided to companies and incorporations through participating in financing national mega projects via syndicated loans, which are of great importance for the national economy as well as the Bank. Moreover aiBANK finds out a link between national projects and SMEs, which are seem to be the driving force for achieving socio-economic development currently.
- **aiBANK** provided its services to all its clients through (31) branches spread all over Egypt, yet, it is working on expanding geographically, and opening new branches. In addition to expanding its ATM network to cover most vital places.
- **aiBANK** is keen to maintain client satisfaction through providing distinctive services and it seeks to acquire the most updated IT systems to enhance performance and raise the level of its banking services. The Bank is also focusing on enhancing the competencies of its staff through extensive training using the most advanced programs.

Board of directors



Board of Directors

Board of Directors

Ms. Omayma Omar Farahat

Chairman and Managing Director

Ms. Rafahia El Sayed Hussien

Board Member - Expert

Dr. Ashraf Mohamed Bahie El Din

Board Member representing the Central Bank of Egypt

Mr. Hisham Abd El-Aal

Board Member representing the Executive Management

Dr. Ahmed Gad Radwan Kamaly

Board Member representing the National Investment Bank

Ms. Dalia Mostafa Kamel

Board Member representing the National Investment Bank

Dr. Saleh Abd ElRahman Ahmed

Board Member representing the National Investment Bank

Board Secretary

Ms. Mona Ahmed Ramadan

General Secretary to the Board



Auditors' report

Auditors' Report
To The Shareholders of Arab Investment Bank
"Federal Joint Stock Company"

Report on the financial statements

We have audited the accompanying financial statement of the Arab Investment Bank "Federal Joint Stock Company" which comprise the statement of balance sheet as at December 2018 ,31, and the income statement, statement of changes in shareholders' equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Central Bank of Egypt's rules, pertaining to the preparation and presentation of the financial statements of banks and the recognition and measurement bases approved by the board of directors of the Central Bank of Egypt at December 2008 ,16, and in the light of the prevailing Egyptian laws. Management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. Management's responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments , the auditors consider internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates used and made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with the Central Bank of Egypt's rules pertaining to the preparation and the presentation of the financial statements of banks, the recognition & measurement basis approved by the board of directors of the Central Bank of Egypt at December 2008 ,16 and in the light of the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on other legal and regulatory requirements


According to the information and explanations given to us during the financial year ended December 2018 ,31, no violation of the Central Bank of Egypt, Banking and Monetary institution law No. 88 of 2003 and bank's articles of incorporation was noted.

The bank maintains proper books, which include all that is required by law and by the status of the Bank and the financial statements are in agreement thereto.

The financial information included in the Board of Directors' report, prepared in accordance with the Law No. 159 of 1981 and its executive regulations is in agreement with the bank's book of account, as far as such information is recorded therein.

Auditors

Dr. Mohamed abd Aziz Hegazy
Crowe Dr. A. M. Hegazy & Co
Public Accountants & Consultants



Saher Mohamed Zidan
Saher Zidan
Accountability State Authority

Cairo 2 July 2019

Financial statements



**Arab Investment Bank
(Federal Joint Stock Company)
Statement of Balance Sheet As at December 2018 ,31**

	Note no.	December 2018 ,31 EGP (000)	December 2017 ,31 EGP (000)
Assets			
Cash and balances with central Bank of Egypt	(15)	2 919 444	3 193 808
Due from banks	(16)	9 844 889	16 333 855
Treasury bills	(17)	2 464 353	1 021 165
Loans and advances to customers	(18)	8 014 913	7 713 899
Financial Investments			
Available for sale	(19)	1 098 450	996 040
Held to maturity	(19)	7 009 135	6 342 097
Investment in associates	(20)	239 778	209 470
Intangible assets	(21)	14 432	27 376
Other assets	(22)	685 139	501 115
Fixed assets	(23)	296 876	224 494
Deferred tax assets	(24)	11 559	6 641
Total assets		32 598 968	36 569 960
Liabilities and equity :			
Liabilities			
Due to banks	(25)	3 482 287	3 533 497
Customers' deposits	(26)	27 100 735	30 724 023
Other loans	(27)	232 067	186 263
Other liabilities	(28)	374 854	634 301
Other Provisions	(29)	54 065	38 640
Total liabilities		31 244 008	35 116 724
Equity			
Paid-up capital	(30)	1 040 000	1 000 000
Reserves	(31)	313 681	329 050
Retained earnings (including net profit of the year)	(32)	1 279	124 186
Total equity		1 354 960	1 453 236
Total Liabilities and Equity		32 598 968	36 569 960

The accompanying notes from Page (13) to page (65) form an integral part of these financial statements and to be read therewith. Independent Auditors' Report "attached".

Amr Jawfik

S.G.M Financial & Plan Divison

Dr. Mohamed Abd El-Aziz Hegazi

(Crowe Dr. A.M. Hegazy & Co.)



Omyma Omar Farahat

Chairman and Managing Director

Sahar Mohamed Zidan

Accounting State Authority

Auditors

Arab Investment Bank
(Federal Joint Stock Company)
Income Statement
For the Financial year Ended December 2018 ,31

	Note no.	Financial year ended Dec 2018 ,31 EGP (000)	Financial year ended Dec 2017 ,31 EGP (000)
Interest from loans & similar income	(6)	4 265 228	3 657 118
Interest on deposits & similar expenses	(6)	(3 668 988)	(3 162 772)
Net interest income		596 240	494 346
Fees and commissions income	(7)	263 022	282 495
Fees and commissions expenses		(11 063)	(327)
Net Fees and commissions income		251 959	282 168
Dividends income	(8)	2 208	4 872
Net trading income	(9)	35 514	34 737
Profits on financial investments	(19)	111 922	95 144
Impairment losses on loans	(12)	(78 648)	(46 467)
Administrative expenses	(10)	(762 544)	(605 325)
Other operating (expenses) Income	(11)	(23 080)	89 770
Net profit for the year before taxes		133 571	349 245
Income tax expenses	(13)	(185 942)	(195 141)
Net profit for the year		(52 371)	(154 104)
Earnings Per Share	(14)	- 0.50	1.34

Arab Investment Bank
(Federal Joint Stock Company)
Statement of Changes in Shareholders' Equity
For the financial year ended December 31, 2018

	Capital EGP (000)	Special Reserve EGP (000)	Capital Reserve EGP (000)	Legal Reserve EGP (000)	General Reserve EGP (000)	IFRS Reserve EGP (000)	Fair value Reserve For AFS Investments EGP (000)	Reserve of General Bank Risk EGP (000)	Retained Earnings EGP (000)	Total EGP (000)
Balances as of January 2017, 1	1 000 000	251	25 586	25 636	38 880	-	56 957	15 762	168 911	1 331 983
Transferred to Legal Reserve	-	-	-	6 074	-	-	-	-	(6 074)	-
Transferred to General Reserve	-	-	-	-	73 918	-	-	-	(73 918)	-
Dividends	-	-	-	-	-	-	-	-	(15 000)	(15 000)
Proceeds from capital increase	-	-	-	-	-	-	-	-	-	-
Net Profit for the year 2017	-	-	-	-	-	-	-	-	154 104	154 104
Transferred Form general bank risk reserve	-	-	-	-	-	-	-	(3 333)	3 333	-
Transferred to IFRS9 reserve	-	-	-	-	-	107 168	-	-	(107 168)	-
Transferred to Capital Reserve	-	-	2	-	-	-	-	-	(2)	-
Net change in fair value for AFS Investments	-	-	-	-	-	-	(17 851)	-	-	(17 851)
Balance as of December 2017, 31	1 000 000	251	25 588	31 710	112 798	107 168	39 106	12 429	124 186	1 453 236
Balances as of January 2018, 1	1 000 000	251	25 588	31 710	112 798	107 168	39 106	12 429	124 186	1 453 236
Transferred to Legal Reserve	-	-	-	7 705	-	-	-	-	(7 705)	-
Transferred to General Reserve	-	-	-	-	5 000	-	-	-	(5 000)	-
Transferred From general bank risk reserve	-	-	-	-	-	-	-	(2 170)	2 170	-
Dividends	-	-	-	-	-	-	-	-	(20 000)	(20 000)
Proceeds from capital increase	40 000	-	-	-	-	-	-	-	(40 000)	-
Net Loss for the year 2018	-	-	-	-	-	-	-	-	(52 371)	(52 371)
Transferred to Capital Reserve	-	-	1	-	-	-	-	-	(1)	-
Net change in fair value for AFS Investments	-	-	-	-	-	-	(25 905)	-	-	(25 905)
Balance as of December 2018, 31	1 040 000	251	25 589	39 415	117 798	107 168	13 201	10 259	1 279	1 354 960

**Arab Investment Bank
(Federal Joint Stock Company)
Statement of cash flows
For the Financial year Ended December 2018 ,31**

	Note	Financial year ended	Financial year ended
		Dec 2018 ,31	Dec 2017 ,31
		EGP (000)	EGP (000)
Cash flows from operating activities			
Net Profit before taxes		133 571	349 245
Adjustments to reconcile net profit to net cash flows from operating activities			
Depreciation and amortization		46 808	30 446
Intangible assets amortization		10 937	8 480
Other provisions		25 043	(78 420)
(Gain) from sale of financial investments		(83 716)	(55 238)
Undistributed gains from investments in associated companies		(30 348)	(33 092)
Revaluation differences of financial investments		(14 890)	(88 823)
Amortization of (discount) premium of available for sale and held to maturity investments		(31 550)	(35 008)
Used provisions excluding loans provision		(9 673)	(25)
(Gains) on sale of fixed assets		(1)	(2)
Impairment losses of Assets owned by the bank for debts		397	-
Impairment losses of available for sale investment		2 142	(6 814)
(Gains) on sale of Assets owned by the bank for debts		(3 680)	(500)
Revaluation differences for provisions other than loans provision in foreign currency		55	(2 260)
Operating income before changes in assets and liabilities from operating activities		45 095	87 989
Net decrease (increase) in assets			
Due from banks		(3 277 172)	(82 266)
Treasury bills		(48 430)	1 406 313
Loans and advances to customers		(298 872)	(100 857)
Other assets		(187 395)	(30 546)
Net decrease (increase) in liabilities			
Due to banks		(51 210)	2 277 862
Trading financial investment		-	-
Customers' deposits		(3 623 288)	10 366 464
Other Liabilities		(249 260)	270 000
Income tax paid		(197 777)	(222 333)
Net cash flows provided from operating activities		(7 888 309)	13 972 626
Cash flows from investing activities			
Payments for purchase of fixed assets & branch preparation		(119 902)	(180 175)
Proceeds from sale of fixed assets		-	37
Payments for purchase of intangible assets		(425)	(35 110)
Proceeds from sale of intangible assets		2 432	-
Proceeds from selling of financial investment other than trading financial assets		2 599 076	924 352
Dividends received		1 883	27 259
Payments for purchase financial investment other than trading financial assets		(3 266 304)	(2 111 967)
Net cash flows used in investing activities		(783 240)	(1 375 604)
Cash flows from financing activities			
Dividends paid		(20 000)	(15 000)
Proceeds from capital increase		-	-
Other loans		45 804	(211 442)
Net cash flows provided from financing activities		25 804	(226 442)
Net decrease in cash and cash equivalents during the year		(8 645 745)	12 370 580
Cash and cash equivalents at beginning of the year		16 715 405	4 344 825
Cash and cash equivalents at end of the year		8 069 660	16 715 405
Cash and cash equivalents are represented in: (33)			
Cash and balances with Central Bank of Egypt		2 919 444	3 193 808
Due from banks		9 844 889	16 333 855
Treasury bills		2 499 970	1 029 245
Obligatory reserve balance with CBE		(2 674 606)	(2 944 250)
Bank Deposits		(3 600 000)	(53 183)
Treasury bills due in more than 3 months		(920 037)	(844 070)
Cash and cash equivalents at end of the year		8 069 660	16 715 405

The background features a stack of financial documents with a pen resting on them. The documents are slightly out of focus, showing some text and a bar chart. The overall color scheme is a mix of light and dark green.

Notes to the financial statements



Arab Investment Bank

Notes to the financial statements

For the financial year ended 31 December 2018

1. Background

Arab Investment Bank (Previously- The Federal Arab Bank for Development and Investment) provides corporate, retail and investment banking services in Arab Republic of Egypt through its head office located in Cairo (8th Abd Elkhalek Tharwat st.) and 31 branches and the bank employs (1022) employees at the balance sheet date.

Arab Investment Bank (Previously- The Federal Arab Bank for Development and Investment) as investment and commercial bank was established on February 1974 ,20, pursuant to the presidential Council decree no. (1) of 1974.

- According to the Extraordinary General Assembly decision on June 3, 2013 the name of the bank has been modified to be Arab Investment Bank instead of The Federal Arab Bank for Development and Investment.

2. Summary of Significant 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 the years presented, unless otherwise stated.

A. Basis of Preparation

The financial statements are prepared in accordance with Egyptian accounting standards issued at 2006 and its amendments and Central bank of Egypt regulations approved by its board of directors on December 16, 2008 in addition to the historical cost convention basis, modified by the revaluation of financial assets and liabilities held for trading, financial assets and liabilities originally valued with fair value through profits and losses, and available for sale investments, and all financial derivatives contracts, these financial statements were prepared in accordance with relevant local laws.

B. Associates company

- Associates are all entities which the bank owns direct or indirect significant effect but not control, generally the bank owns %20to %50 of the voting rights.
- The purchase method is used to account for the acquisition of companies by the bank. The cost of an acquisition is measured with the fair value of the assets or asset given and/or equity instruments issued and/or commitments incurred by the bank and/or loans assumed on behalf of the acquired company at the date of exchange, plus costs directly attributable to the acquisition. Net assets including specific contingent liabilities assumed in a business combination are measured at their fair value 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, the differences is recognized directly in the income statement under the item "Other operating income (expenses)"
- Accounting for investment associates is recorded by using equity method. According to this method, investment recorded upon acquisition at cost, then the balance of investment is increased or decreased by the amount of change in bank share in the equity of associate company after the acquisition date, then the investment balance is decreased by the amounts of dividends distributed by associate companies.
- if there are subject evidences for an impairment loss of associate company, the value of Loss is calculated as the difference between the book value of investment and the higher of discontinued expected future cash flow with current market rate and net salvage value for each single investment.

The book value of the asset is reduced directly and the value of loss is recognized directly in income statement under “financial investment income (loss)”. If any later time, the decrease and increase in impairment can be subjectively linked with an event occurring after recording the impairment value of impairment previously recognized loss can be recovered to income statement and the book value of investment mustn't be more than its cost in the date of impairment loss cancelation if this impairment loss is not recognized.

C. 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.

D. Translation of Foreign Currencies

D/1. Functional and presentation currency:

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

D/2. Transactions and Balances of Foreign Currencies

The bank maintains its accounts in Egyptian pound and records transactions in foreign currencies during the financial year on the basis of prevailing exchange rates at the date of the transaction, Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of the financial period on the basis of prevailing exchange rates at that date. Foreign exchange gains and losses resulting from the settlement and translation of such transactions and balances are recognized in the income statement and reported under the following items:

- Net trading income or net income from financial instruments initially classified at fair value through profit and loss for assets / liabilities held for trading or those initially classified at fair value through profit and loss through initial recognition.
- Other operating Income (expense) for the other items.
- Changes in fair value of financial instruments denominated in foreign currency classified as available for sale investments (debt instruments) is analysed between valuation differences resulting from changes in amortized cost of the instrument, differences resulted from changes in the prevailing exchange rates, and differences resulted from changes in the fair value of the instrument. Those changes are recognized in the income statement as income on loans and similar income regarding changes in amortised cost and differences related to changes in the exchange rate are recognised as other operating income (expense), and changes in fair value of available-for-sale investments are recognized in equity (fair value reserve - available for sale investments).
- Valuation differences resulting from non-monetary items include profits and losses resulting from changes in fair value such as equity instruments held at fair value through profits and losses, while valuation differences resulting from equity instruments classified as financial investments available for sale are recognized as “fair value reserve – available for sale investments” under the equity caption.

E. Financial Assets

The Bank classifies its financial assets into the following categories:

Financial assets classified at fair value through profit or loss, loans , receivables, held-to- maturity investments, and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

E/1 Financial assets at fair value through profit or loss

- **This category includes:** financial assets held for trading, and those classified at fair value through profit or 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 near 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-taking.
- Financial assets are designated at fair value through profit or loss in the following cases:
 - When managing certain investments, such as equity investments, at a fair value basis in accordance with a documented risk management or investment strategy and reporting to key management personnel on that basis.
 - Financial instruments, such as debt securities held-to-maturity, containing one or more embedded derivatives which significantly modify the cash flows, are designated at fair value through profit and loss.

E/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 are classified as held for trading, or those that the bank upon initial recognition designates at fair value through profit or loss.
- The bank upon initial recognition designates at available for sale.
- The bank may not recover substantially all of its initial investment, for other than deterioration in credit worthiness of the issuer.

E/3 Held-to-maturity financial investments

- Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the bank has positive intent and ability to hold to maturity. Reclassification will be made to Available-for sale category in case the bank has, during the current financial year sold or reclassified more than an insignificant amount of held to maturity investments before maturity other than those allowed in specific circumstances as specified by the Central Bank of Egypt.

E/4 Financial Investments Available for Sale

- Available for sale financial Investments are those non-derivative financial assets 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 applies to financial assets:

- Purchases or sales of financial assets at fair value through income statement, held to maturity financial investments, and available for sale financial investments are recognized at the trade date which is the date the bank is committed to purchase or sell the financial asset.
- Financial assets that are not classified at fair value through profit and loss at initial recognition are recognized at fair value plus transaction cost, while the financial assets classified as at fair value through profit and loss are initially recognized at fair value only and the transaction cost is recognized in the income statement under “net trading income”
- Financial assets are derecognized when the rights to receive cash flows have expired or when the bank transfer all asset risks and rewards to another party, while a financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.
- Available for sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair value. While loans and advances and held to maturity investments are measured subsequently at amortized cost.
- Gains and losses arising from changes in fair value of financial assets designated at fair value through profit and loss are recorded in income statement during the year it occurred, while gains and losses arising from changes in fair value of available for sale financial investments are recognized in “fair value reserve for available for sale investments” in equity until the financial asset is sold, or impaired at which time, the cumulative gain or loss previously recognized in equity should be recognized in income statement.

- Interest income related to monetary assets classified as available for sale is recognized based on the amortized cost method in profit and loss. The foreign currency revaluation differences related to available for sale investments are recognized in income statement.
- Dividends related to available for sale equity instruments are recognized in the income statement when they are declared.
- 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, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, options pricing models and other valuation techniques commonly used by market participants, if the Bank could not assess the value of the equity classified as available for sale, these instruments should be valued at cost less of any impairment losses.
- Debt instruments can be reclassified from the available for sale investments to "loans and receivables" or financial assets held to maturity" using fair value when the bank has the intention and ability to hold the instrument on the future or till maturity. Any related profits or losses that have been previously recognized in equity are treated as follows:
 - i. Financial assets with fixed or determinable payments and fixed maturity valued at amortized cost, using the effective interest method. The difference between the amortized cost using the effective interest method and the repayment value is amortized using the effective interest rate method.
 - ii. In case of financial asset's impairment any profits or losses previously recognized in equity is recognized in income statement.
- Profits and losses related to the financial assets without fixed or determinable maturity are recorded in equity till selling or disposing it. In case of impairment, profit and losses that have been previously recognized directly in equity are recognized in the income statement.
- If the Bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument.
This adjustment is recognized as either income or expense in the income statement.
- In all cases, if the bank re-classified financial asset in accordance with what is referred to above and the Bank subsequently increase its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate not as an adjustment in the book value of the asset at the date of change in estimate.

E/5 Offsetting between financial instruments

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Treasury bills, Repos and reverse Repos agreements are netted on the balance sheet and disclosed under treasury bills and other government notes.

E/6 Financial derivatives instruments and hedge accounting

- Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, or recent market transactions, or valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.
- Embedded derivatives in other financial instruments, such as conversion option in a convertible bond, are considered 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 through net trading income.

- The derivatives are measured by its fair value changes in fair value recognized in income statement under the article net trading income. The embedded derivatives are not separated if the bank decides to classify the entire compound contract by the fair value through profits and losses. Recognizing the profits and losses resulted from the fair value depends on whether the derivative is a covering instrument provision and according to the nature of the covered item; the bank classifies some of the derivatives as one of the following:
 - Hedging of the fair value of recognized assets and liabilities or confirmed commitments (fair value hedging)
 - Risk hedging of future highly expected cash flows related to a recognizes asset or liability or related to an expected transaction (cash flows hedging).
 - Hedging accounting is used for provision derivative for that purpose if the needed conditions are available. At the beginning of the transaction the bank documents the relations between the covered items and hedging instruments, also the objectives of risk management and the strategy of having different hedging transactions. At the beginning of hedging and consciously, the bank documents the estimation of whether the derivative used in hedging transactions are effective in facing the changes in the fair value or cash flows of the covered items.

E/1/6 Fair value hedging:

The changes in the fair value of qualified derivatives provisions for hedging of the fair value are recognized in the income statement, this with any change in the fair value related to the risk of the covered asset or liability. The effective changes in the fair value of return transfers contracts and the related covered items are added to the net return and effective changes in the fair value of the future currency contracts are added to net trading income. Inefficiency in all of the contracts and the related covered items mentioned in the previous paragraph are added to the net trading income. If the hedging is no longer following the hedging accounting procedures, the modification added to the book value of the covered items recorded by the amortized cost method, this is through charging it against the profits and losses along the period till its maturity. Amendments in covered equity instrument's book value remain within the owners' equity till it has been excluded.

E/6/2 Cash flows hedging:

The effective part in the changes in the fair value of the qualified derivative provision to cover the cash flows is recognized as owners' equity, while the profit and losses related to the ineffective part are recognized immediately as (net trading income) in the income statement.

The amounts accumulated in the owners' equity are transferred to the income statement in the same periods that the covered item has an effect on profits and losses, profits and losses related to the effective part of the currency transfers and options are added to the net trading item. When the hedging instrument is being due or sold, or when the hedging is no longer following the hedging accounting procedures, the profits and losses accumulated in the owners' equity in that time remain within the owners' equity item and it is recognized in the income statement when the expected transaction is finally recognized. But if The expected transaction is no longer expected to occur then the profits and losses accumulated in the owners' equity are immediately transferred to the income statement.

E/6/3. Unqualified derivative of hedging accounting:

Changes in the fair value of the unqualified derivatives of hedging accounting are being recognized in the (net trading income) item. In the income statement, the profits and losses resulted from the changes in the fair value is recognized as (net income of classified financial instruments valued by the fair value of profits and losses), this is through the profits and losses resulted from the changed in the fair value of derivatives managed in relation to the classified assets and liabilities in the profits and losses.

F. Recognizing first day's deferred profits and losses:

Considering the tools that evaluate the fair value, the transaction price is considered to be the best instrument to evaluate the fair value on the transaction date (fair value of delivered or received return) unless the fair value of the instrument on that date is indicated depending in the transaction's price

in published market or using evaluation modules. When the bank has a long term transaction, its fair value is specified using evaluation modules that their inputs may not all be from the published market rates or prices, those financial instruments are recognized according to transaction price which is the best indication of the fair value.

Although the value calculated from evaluation modules may be different, and the difference between the transaction price and the amount resulted from the module is not immediately recognized as first day's profits and losses and it is listed as other assets in the case of loss, and as other liabilities in the case of profit.

The timing of recognizing the deferred profit and loss is specified separately for each case through its amortization on the transaction or when it is possible to identify the instrument's fair value using published market's inputs or by approving it when adjusting the transactions, the instruments is measured by the fair value, the subsequent changes in the fair value are immediately recognized in the income statement.

G Interest Income and Expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognized within '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 are 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 the interest income will not be recognized and will be recorded off balance sheet and recognized as income subsequently based on cash basis according to the following :

- When it is collected and this is after redeeming all dues of consumer loans and personnel mortgages also small loans for economic activities.
- For corporate loans, interest income is recognized on a cash-basis after the bank collects 25 % of the rescheduled instalments and when these instalments continue to be paid for at least one year. If a loan continues to be performing thereafter, interest accrued on the principal then outstanding starts to be recognized in revenues. Interest that is marginalized prior to the date when the loan becomes performing is not recognized in profit or loss except when the total balance of loan, prior to that date, is paid in full.

H. Fees and Commissions Income

Fees charged for servicing a loan or facility, 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 the cash basis - only when interest income on those loans is recognized in profit or loss, at which time, fees and commissions that are an integral part of the effective interest rate of a financial asset are treated as adjustment to the effective interest rate of that financial asset.

Commitment fees received by the bank to originate a loan are deferred if it is probable that the bank will enter into a specific lending arrangement and are regarded as a compensation for an ongoing involvement with the acquisition of the financial instrument and recognized as an adjustment to the effective interest rate. If the commitment expires without the bank making the loan, the fees are recognized as revenue on expiry.

Fees related to debt instruments which are measured at fair value are recognized under revenue at initial recognition. The fees for promotion of joint loans are recognized within revenues upon

completing the promotion process without retaining any part of the loan by the bank, or if the bank maintains a part there of with the actual interest rate available to other participants

Fees and commissions that are earned on negotiating or participating in the negotiation of a transaction in favour of another entity, such as arrangements for the allotment of shares or another financial instrument or acquisition or sale of an enterprise on behalf of a customer, are recognized as revenue when the transaction has been completed.

Administrative consultations and other service fees are usually recognized as revenue on a straight-line basis over the period in which the service is rendered. Fees from financial planning management and custodian services provided to customers over long periods are usually recognized as revenue on a straight-line basis over the period in which these services are rendered.

I. Dividends

Dividends are recognized in the income statement when the bank's right to receive payment is established.

J. Purchase and Resale Agreements, and sale & repurchase agreements:

Financial instruments sold under repurchase agreements. These are shown in the assets side as an addition to the "treasury bills and other governmental notes" line item in the balance sheet. On the other hand, the bank's obligation arising from financial instruments acquired under purchase and resale agreements, is shown as a deduction from the "treasury bills and other governmental notes" line item in the balance sheet. Differences between the selling and repurchase price or between the purchase and resale price is recognized as interest expense or income throughout the period of agreements using the effective interest rate method.

K. Impairment of financial Assets

K/1. Financial Assets Measured 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.

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter into bankruptcy or liquidation or finance restructure.
- Deterioration of the competitive position of the borrower;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- Impairment in the value of collaterals; or
- Deterioration in the creditworthiness of the borrower.

An objective evidence for impairment loss of the financial assets includes observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, such as the increase of default cases with respect to a banking product.

The estimated period between the date in which the loss occurred and the date on which the impairment loss has been identified for each specific portfolio is 12 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 in this respect the following should be 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 based on the historical loss rates.

Assets 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 no impairment losses result from the previous assessment of impairment in this case the asset included in a collective assessment of impairment.

Provision amount of impairment loss is measured by the difference between the asset's book value and the present value of the expected future cash flows excluding the future credit losses that have not been incurred yet, deducted from the use of actual return rate of the financial asset. The book value of the asset is decreased by the provision of impairment loss. The impairment loss is recognized as credit losses in the income statement.

If the loan or investment held to maturity has a variable interest rate, the discount rate used to measure any impairment losses is the original effective contractual interest rate when there is an objective evidence on the asset's impairment. Where practicable, the bank measures the impairment losses based on the fair value of the instrument using declared market prices. In the case of collateralized financial assets, the addition of the present value of the expected future cash flows from the financial asset that may originate from the execution and sale of the collateral after deducting the related expenses must be observed.

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

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

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative 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.

K/2. Available for Sale and Held to Maturity Financial Investments

At each balance sheet date, the bank assesses whether there is objective evidence that any financial assets or a group of financial assets classified as available for sale or held to maturity has been impaired. In case, of investments in equity instruments classified as available for sale to be taken into consideration a significant or prolonged decline in the fair value of the instrument below its book value when there is an objective evidence that the assets is impaired.

During Periods start from First of January 2009, The Decrease Consider significant cause it become %10 From cost of book value 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.

L. Property investment

Property investment is requested in land & Buildings owned by the bank for gain rental revenues or capital appreciation. Therefore it doesn't include real-estate assets used in the bank's operations or which was received in settlement of the bank's liability.

Investment is accounted by the same method applied for fixed assets.

M. Intangible assets

M/1. Computer programs

Expenses related to improvement & maintenance of computer programs are recognized as expenses in income statement when incurred. Recognized as an intangible asset expenses related directly with definite programs and under the bank control & expected to generate economical benefits which exceed its cost for more than one year.

Direct expenses includes labour cost in the program improvement team in addition to appropriate average of related general expenses and it is recognized as an improvement cost in the expenses that leads to an increased expansion or performance of the computer program more than its original standards, it is added to the program cost.

Computer programs' costs which are recognized as an asset are depreciated over its life time within a period of not more than 3 years.

M/2 Other intangible assets:

Represented in the intangible assets other than goodwill and computer programs for example (trademarks, license, and rental contracts benefits). Intangible assets are recorded by acquisition cost and are amortized by straight line method or the economic benefits expected, along its estimated useful life. Considering assets with no definite useful life, they are not amortized but its impairment loss is yearly examined and recorded (if found) in the income statement.

N. Fixed Assets

Land and buildings comprise mainly branches and offices. All fixed assets are carried at historical cost net of accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized separately, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Bank and The cost of the item can be measured reliably.

All other repairs and maintenance expenses are recognized in income statement within "other operating expenses" during the financial period in which they are incurred

Depreciation is charged so as to write off the cost of assets, other than land which is not depreciated, over their estimated useful lives, using the straight-line method to the extent of their estimated residual values based on the following annual rates:

Buildings	20 years
Furniture & safe	10 years
Machinery and equipment	8 years
Transportation vehicles	5 years
Computers & Automated systems	5 years
Fixtures and Fitting	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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 asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. Gains and losses on disposals are determined by comparing proceeds with relevant carrying amount. These are included in income statement other operating income (expenses) in the income statement.

O. Non-financial asset impairment

Assets without definite useful life are not depreciated & it is being tested annually for impairment. Assets are tested for impairment of events or circumstances indicated that the book value may not be recoverable.

Then the impairment is recognized & decreasing the assets value by the amount of the asset's book value exceeding the recoverable value.

The recoverable values represent the net asset's sale value or the assets usable value whichever is higher.

In order to estimate the impairment, asset is joined to smallest possible generating-cash unit.

Non-financial assets with impairment are being reviewed to check if there is any impairment to be credited to the income statement at the date of preparing the financial statement.

P. Rental

Payments are recorded in operating rent account after deducting any discounts received from the lessor in the expenses in the income statement according to straight line method within the contract period.

Q. 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 other government securities.

R. Other Provisions

Provisions for restructuring costs and legal claims are recognized when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that cash outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions which negated the purpose of wholly or partly repaid within the item other operating income (expense).

S. Financial guarantees contracts

Financial guarantees contracts are the contracts issued by the bank to collateral loans or debit current accounts presented to its customers from other parties and it is required from the bank to pay certain payments to compensate the beneficiaries of carried loss because debit payment in the due date according to the debt instrument's conditions. These financial collaterals are presented to banks, financial institutions and other parties on behalf of the bank's customers.

Initial recognition in the financial statements is recorded by the fair value at the date of granting the collateral which may reflect the collateral fees. Later on, the bank's liability is measured by the virtue of the collateral on the basis of the initial recognition amount less the amortization to recognize the collateral fees in the income statement by the straight line method over the collateral lifetime, or the best estimation of the needed payments to adjust any financial liability resulted from the financial collaterals on the balance sheet date which is higher. These estimations are specified according to the experience in similar transactions and historical losses and also by the management's judgment.

Any increase in the liabilities resulted from financial collaterals, is recognized in the income statement as other operating revenues (expenses).

T. Employees benefits:

T/1. Pension liabilities:

The bank is committed to pay the contributions to the Social Insurance Public Authority, with no other liabilities after paying these contributions. Those contributions are recorded periodically in the income statement in its maturity year and are listed as labor benefits.

The bank has insurance fund for the employees of the bank, which was founded 1979/1/26 Working according to law no. 54 for year 1975 and its executive regulations, in the purpose of granting compensation and insurance benefits for the members, this pension fund and its amendments are implemented on all of the employees of the bank's head office and its branches.

The bank is committed to pay the annual and monthly subscription to the fund according to the funds regulation and its amendments. No other liabilities on the bank after the payment of the subscription. Those subscriptions are recognized as administrative expenses when they come due.

The prepaid subscriptions are recognized as assets to the limit that the deposit leads to reduce the future payments or to a refund.

U. Income Taxes

Income tax expense on the year's profit or loss includes the sum of the tax currently payable and deferred tax and is recognized in the income statement, except when they relate to items that are recognized directly in equity, in which case the tax is also recognized 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 is recognized on temporary time differences between the book value of assets and liabilities according to accounting principles and the corresponding tax bases used in the computation of taxable profit. Deferred tax is measured based on expected method applied in which the asset is realized or liability is settled, based on tax rates that have been enacted at the date of the balance sheet preparation.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized, the carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

However, when it is expected that the tax benefit will increase, the carrying amount of deferred tax assets shall increase to the extent of previous reduction.

V. Borrowing

Loans obtained by the bank are initially recognized at fair value net of transaction costs incurred in connection with obtaining the loan. Borrowings are subsequently measured at amortized cost, with the difference between net proceeds and the value to be paid over the borrowing period, recognized in income statement using the effective interest rate method.

W. Capital

W/1. Cost of capital:

The issuance expenses that are related directly with issuing new shares or shares of acquiring entity or issuance options, are presented as a deduction from owners equity and the net revenues after tax.

W/2. Dividends

Dividends are recognized when the general assembly of shareholders approves them.

Dividends include the employees' profit share and the board of directors' remuneration as prescribed by the bank's articles of association and the corporate law.

X. Comparative Figures

Comparative figures are reclassified, as necessary, to conform with changes in the current period's presentation.

3. Management of Financial Risks

The bank, as a result of conducting its activities, is exposed to various financial risks. Since financial activities are based on the concept of accepting risks and analysing and managing group of risks altogether, the bank aims at achieving a well-balanced risks and relevant rewards, as appropriate and to reduce the probable adverse effects on the bank's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency risk, interest rate risk and other pricing risks.

The risk management policies have been laid down to determine and analyze the risks, set limits to the risks and control them through reliable methods and up-to-date systems. The bank regularly reviews the risk management policies and systems and amendments thereto, so that they reflect the changes in markets, products and services and the best up-to-date applications.

Risks are managed through risk management department in accordance with preapproved policies by the board of directors. The risk management department identifies, evaluates and covers financial

risks, in close collaboration with the bank's various operating units. The board of directors provides written rules to manage risk as whole and cover certain risk areas, such as credit risk, foreign exchange risk, interest rate risk and the use of derivative and non-derivative financial instruments. Moreover, the risk department is responsible for the periodic review of risk management and the control environment independently.

A. Credit Risk

The bank is exposed to the credit risk which is the risk resulting from failure of the customer to meet its contractual obligations towards the Bank. The credit risk is considered to be the most significant risk for the bank, therefore requiring careful management. The credit risk manifests itself in the lending activities and debt instruments in bank's assets as well as off balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralized in a credit risk management team in Bank Risk management department and reported to the Board of Directors and head of each business unit regularly.

A/1 Measuring the Credit Risk

Loans and advances to customers

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank's rating system is based on three key pillars:

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

These credit risk measurements, are embedded in bank daily operation which reflect expected loss. The operational measurements can be contrasted with impairment allowances required under Central Bank of Egypt's rules, pertaining to the preparation and presentation of the financial statements of banks and the recognition and measurement bases approved by the board of directors of the Central Bank of Egypt at December 2008 ,16, which are based on losses that have been incurred at the balance sheet date rather than expected losses.

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. Customers 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.

Bank's internal ratings scale

Bank's Rating	Description of the grade
1	Performing Debts
2	Regular Watching
3	Watch List
4	Nonperforming Debts

And the loans expose to default depend on the banks expectation for the outstanding amounts when default occur. 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.

Debt Instruments, Treasury Bills and other Bills

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

A.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, 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.

Collaterals

The bank employs a range of policies and controls 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 for credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages.
- Mortgage business assets such as premises, inventory.
- Mortgage financial instruments such as debt securities and equities Longer-term finance and lending to corporate entities are generally secured; revolving individual credit advances 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.

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 favourable to the bank (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or negotiable 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 or equities or other securities is made in the expectation of a corresponding receipt in cash or equities or other securities. Cash or equities or other Securities 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.

Commitments Related to Credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Collaterals and standby letter 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, collaterals 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

A.3. Impairment and Provisions Policies

The internal rating systems described in Note a.1 focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment.

The impairment provision shown in the balance sheet at the period-end is derived from each of the four internal rating grades. However, the majority of the impairment provision comes from the last two grades. The table below shows the percentage of the Bank's in balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

Bank evaluation	December 2018 ,31		December 2017 ,31	
	Loans and Advances %	Impairment losses provision %	Loans and Advances %	Impairment losses provision %
Performing loans	74.89	9.04	69.85	5.36
Regular loans	9.36	2.95	10.93	12.55
watch-list	3.47	1.30	3.89	1.91
Non-performing loans	12.28	86.71	15.33	80.18
	100	100	100	100

The internal rating tools assists management to determine whether objective evidence of impairment according to the basis of preparing and previewing the financial statements of banks , assurance and measurements basis held by board of directors of Central Bank of Egypt at 16th of December 2008 and based on the following criteria set out by the Bank:

- Cash flow difficulties experienced by the borrower
- 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,for economic, legal reasons, or financial difficulties facing the borrower
- Deterioration in the value of collateral
- Deterioration in 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 individual circumstances require.

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts.

The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Impairment loss provision is formed on homogenous experience of loan losses, available personal judgment of bank management and statistical methods .

A.4. Bank Risks Measurement General Model

In addition to the four categories of measuring credit worthiness discussed in disclosure 1.a the management makes small groups more detailed according to the CBE rules. Assets facing credit risk are classified to detailed conditions relying greatly on customer's information, activities, financial position and his regular payments to his debts.

The bank calculates the provisions needed for assets impairment facing credit risk in addition to credit regulations according to special percentages determined by CBE.

In the case of increase of impairment loss provision needed according to Impairment Losses as per Credit Worthiness Rules than that for purposes of making the financial statements according to the preparation and presentation of the financial statements of banks and the recognition and measurement bases approved by the board of directors of the Central Bank of Egypt at December 2008 ,16, the general banking risk reserve is included in owners equity deducted from the retained earning with this increase, this reserve is modified with periodic basis with the increase and decrease, which equals the increase in provisions and this reserve is not distributed.

And this are categories of institutional worthiness according to internal ratings compared with CBE ratings and rates of provisions needed for assets impairment related to credit risk:

Classification of the Central Bank of Egypt		Required provision rate		
	Classification Significance		Internal classification	Internal classification Significance
1	Low risks	Zero	1	Performing loans
2	Average Risk	1%	1	Performing loans
3	Satisfactory risks	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 Debt	100%	4	Non performing loans

A. 5 Maximum limits for credit risk before collateral.

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Items exposed to credit risk in Balance sheet		
Treasury Bills	2,464,353	1,021,165
Loans and advances to customers:		
Retail loans		
overdrafts	605,658	892,014
personal loans	557,866	134,144
Corporate loans:		
overdrafts	5,636,960	5,550,724
Direct Loans	791,445	872,092
Syndicated loans	1,362,659	1,746,844
Financial investments		
Investment in associates companies	239,778	209,470
debt instruments	8,035,752	7,248,199
Other assets- Accrued Revenue	437,439	356,156
Total	20,131,910	18,030,808
Off Balance sheet items exposed to credit risk		
Accepted discounted bills	97,761	178,867
Letter of Credit	276,412	647,935
Letter of guarantee	1,653,312	1,587,376
Total	2,027,485	2,414,178

The above table represents the Maximum bank exposure to credit risk at December 2018 ,31 and at December 2017 ,31, without taking account of any collateral held. For in balance sheet items, the exposures set out above based on net carrying amounts as reported in the balance sheet.

- As shown above, 44.48 % of the total maximum exposure is derived from loans and advances to banks and customers at December 2018 ,31 against 51 % at December 31,2017; while 39.92 % at December 31,2018 represents investments in debt instruments against %40.20 as at December 31,2017.

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

- 83.73 % of the loans and advances portfolio is categorized in the top two grades of the internal rating system of the loans portfolio and credit advances at 2018/12/31 against %80.68 at 2017/12/31
- %87.72 of the loans and advances without accruals or impairment indicators at 2018/12/31 against %86.06 at 2017/12/31.
- 97.1 % at December 2018 ,31 against %99 in 2017/12/31 of the investments in debt instruments are represented in governmental instruments.

A.6 Loans and Advances

Following is the position of loans and advances balances to the Customers and Banks in terms of credit solvency:

	<u>December 2018 ,31</u> <u>Loans and advances</u> <u>to customers</u> <u>EGP(000)</u>	<u>December 2017 ,31</u> <u>Loans and advances</u> <u>to customers</u> <u>EGP(000)</u>
Neither past due nor impaired	7,497,789	7,259,670
Past due but not impaired	357,454	526,757
Subject to impairment	1,099,345	1,409,391
Total	8,954,588	9,195,818
Less:		
Provision for impairment losses	(771,210)	(1,164,652)
Interest In Suspense	(141,517)	(299,906)
Deferred Profits of foreign Islamic operations	(26,948)	(17,361)
Net	8,014,913	7,713,899

Provision of impairment losses represents as at December 31, 2018 an amount of 771,210 thousands Egyptian pound against 1,164,652 thousand pounds at December 2017 ,31 including 676,415 thousands Egyptian pound as at December 2018 ,31 against 1,072,236 thousands Egyptian pound as of December 2017 ,31 represents impairment of individual loans and the rest amounted 94,795 thousand Egyptian pound represents impairment of grouped credit portfolio.

Note (18) including additional information about Provision of impairment losses.

Loans and advances without unpaid balances and is not impaired:

The credit quality of the portfolio of loans and advances without unpaid balances and is not impaired is evaluated by referring to the internal evaluation used by the bank.

3 Management of Financial Risks

A.7 Loans and advances

Loans and advances to Customers and Banks in net as of December 2018 ,31

Valuation	Retail		corporate			Total loans and advances to customers
	overdrafts	Personal loans	overdrafts	direct loans	Syndicated loans	
Performing loans	604,257	550,745	3,875,345	435,883	1,050,013	6,516,243
Regular watching	-	-	395,102	5,750	297,375	698,227
Watch list	-	-	207,943	75,376	-	283,319
Total	604,257	550,745	4,478,390	517,009	1,347,388	7,497,789

Loans and advances to Customers and Banks in net as of December 2017 ,31

Valuation	Retail		corporate			Total loans and advances to customers
	overdrafts	Personal loans	overdrafts	direct loans	Syndicated loans	
Performing loans	889,276	130,212	3,361,544	448,207	1,294,719	6,123,958
Regular watching	-	-	577,094	7,596	364,548	949,238
Watch list	-	-	158,755	27,719	-	186,474
Total	889,276	130,212	4,097,393	483,522	1,659,267	7,259,670

Loans and advances past due but not subject to impairment Unless other information is available to indicate the contrary. Customers' loans and advances with neither past due but not impaired. The fair values of the collateral related thereto are represented as follows:

December 2018 ,31				EGP (000)
<u>Retail</u>				
	Overdrafts	Direct loans		Total
Past due 30 days	1,023	364		1,387
<u>Corporate</u>				
	Overdrafts	Direct loans	Syndicated loans	Total
Past due more than 90 until 120 days	351,846	4,221	-	356,067

At the time of initial recording loans and advances, fair value of collateral is assessed based on the valuation techniques usually used with similar assets. In subsequent period, the fair value is updated at the market prices or similar assets prices.

December 31, 2017				EGP (000)
<u>Retail</u>				
	Overdrafts	Direct loans		Total
Past due 30 days	306	190		496
<u>Corporate</u>				
	Overdrafts	Direct loans	Syndicated loans	Total
Past due more than 90 until 120 days	511,154	15,107	-	526,261

Customers' loans and advances individually subject to impairment

Loans and advances assessed on an individual basis before cash flows from collaterals are amounted 1,099,344 thousands Egyptian Pound as at December 2018 ,31 against 1,409,391 thousands Egyptian Pound as at December 2017 ,31.

Following is an analysis of the total value of the loans and advances individually subject to impairment including the fair value of the collaterals that the bank received in return for such loans:

December 2018 ,31							EGP (000)
	<u>Retail</u>		<u>corporate</u>				Total loans and advances to customers
	Overdrafts	Personal loans	overdrafts	Direct loans	Syndicated loans	Other loans	
Subject to impairment individually	378	6,757	806,724	270,215	15,271	-	1,099,345
Fair value of collaterals	-	-	-	189,957	-	-	189,957

December 2017 ,31							EGP (000)
	<u>Retail</u>		<u>corporate</u>				Total loans and advances to customers
	overdrafts	Personal loans	overdrafts	Direct loans	Syndicated loans	Other loans	
Subject to impairment individually	2,432	3,742	942,177	373,463	87,577	-	1,409,391
Fair value of collaterals	-	-	-	42,072	-	-	42,072

Restructuring Loans and Advances:

Restructuring activities include extended payment arrangements; execute obligatory management programs, modification and deferral of payments. Restructuring policies are based on indicators or criteria which in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review.

Restructuring is most commonly applied to long term loans; in particular customer finance loans. Loans that were being renegotiated amounted 139,292 thousands Egyptian Pound against 293,706 thousands Egyptian Pound as at December 2017 ,31.

	<u>December 2018 ,31</u> <u>EGP(000)</u>	<u>December 2017 ,31</u> <u>EGP(000)</u>
loans and advances to customers		
Corporate		
Overdrafts	38,847	9,208
Direct loans	99,900	283,901
Individuals		
Overdrafts	188	406
Personal loans	357	191
Total	139,292	293,706

A.8 Debt instruments and treasury bills:

The following table represents the analysis of debt instruments and other treasury bills according to the evaluation agencies at 31/12/2018, based on Standard & Poor's evaluation and equivalents:

	<u>EGP(000)</u>		<u>Total</u>
	Treasury bills	Financial investments in securities	
B- to B+	-	9,290	9,290
Less B-	2,499,970	8,026,462	10,526,432
	<u>2,499,970</u>	<u>8,035,752</u>	<u>10,535,722</u>

A.9. Acquisition of collaterals:

The bank did not acquire any collateral during the current year.

A.10. The concentration of financial assets risks exposed to credit risks:

Geographical segments:

The following table represents the analysis of the most important bank's credit risk measured at the book value, allocated according to the geographical segment at 2018/12/31. While preparing this table, risks were allocated to the geographical segments according to the areas related to the bank's customers.

Arab Republic of Egypt			EGP (000)
December 2018 ,31	Cairo	Alexandria and the Delta and Sinai	Total
Treasury bills	2,499,970	-	2,499,970
Loans& advances to customers			
<u>Retail</u>			
overdrafts	531,398	74,260	605,658
Personal loans	513,842	44,024	557,866
<u>corporate</u>			
overdrafts	4,573,234	1,063,726	5,636,960
Direct loans	776,434	15,011	791,445
Syndicated loans	1,362,659		1,362,659
Other loans	-	-	-
Interest In Suspense	(141,517)	-	(141,517)
Deferred Profits of Islamic operations	(26,948)	-	(26,948)
Provision for impairment losses	(771,210)	-	(771,210)
<u>Financial Investments</u>			
Investment in associated companies	239,778	-	239,778
Debt instruments	8,035,752	-	8,035,752
<u>Other Assets</u>			
	685,139	-	685,139
Total as of December 2018 ,31	18,278,531	1,197,021	19,475,552
Total as of December 2017 ,31	15,615,817	1,078,031	16,693,848

Activity segments

The following table represent the analysis of the banks main credit exposure at book value categorized by the bank's customers activities.

Arab Republic of Egypt								EGP (000)
December 2018 ,31	Financial Institutions	Industrial Institutions	Real estate activity	Wholesale and retail trade	Governmental sector	Other Activity	Individuals	Total
Treasury bills	-	-	-	-	2,499,970	-	-	2,499,970
Loans and Customers								
Advances:								
Retail								
Overdrafts	-	-	-	-	-	-	605,658	605,658
Personal loans	-	-	-	-	-	-	557,866	557,866
corporate								
Overdrafts	-	1,427,405	351,187	1,975,072	-	1,883,296	-	5,636,960
Direct loans	-	97,880	98,240	173,065	-	422,260	-	791,445
Syndicated loans	-	633,996	9,418	17,822	-	701,423	-	1,362,659
Other loans	-	-	-	-	-	-	-	-
Financial Investments								
Affiliated companies	445	-	174,935	-	-	64,398	-	239,778
Debt instruments	-	-	-	-	8,035,752	-	-	8,035,752
Other Assets	-	-	-	-	-	685,139	-	685,139
Total As Of December 2018 ,31	445	2,159,281	633,780	2,165,959	10,535,722	3,756,516	1,163,524	20,415,227
Total As Of December 2017 ,31	449	2,078,887	1,797,718	2,370,931	8,228,080	2,632,260	1,026,158	18,134,483

B. Market Risk

The bank exposed to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of sensitivity of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risk management arising from trading and non-trading activities in Assets and Liabilities Committee and monitored by two teams separately. Periodic reports on market risks are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with customers or with the market Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's held-to-maturity and available-for-sale investments.

The bank uses the method of relating debit interest rate with credit interest rate to avoid the risk of fluctuations in interest rate. The bank also depends on fluctuated interest rate which does not exceed 3 months except in specific cases interest rates are specified for longer period relating resources portfolio with application portfolio to get return that covers its costs. In addition the bank should not exceed the following:

- The surplus amount of any foreign currency positions for 1 % from the capital base
- The total surplus of foreign currency positions for 2 % from capital base
- The total shortage amount in the position of any currency for 10 % from capital base
- The total shortage of (local/foreign) currency positions for 20 % from capital base

B.1 Summary on the Value at Risk of non-trading portfolios according to risk type

	Year ended December 2018 ,31			Year ended December 2017 ,31		
	Average	Higher	Lower	Average	Higher	Lower
Interest rate risk	25,665	26,339	24,321	32,143	41,819	26,090
Total value at risk	25,665	26,339	24,321	32,143	41,819	26,090

- The increase of VAR especially the interest rate risk, mainly relates to the increased sensitivity of market interest rates in global principal financial markets.
- The three previous values exposed to risk results are calculated independently from concerned centres and historical movements of market. The total amount exposed to risk for trading and for non-trading does not expresses the amount exposed to risk at the bank due to the relation between risks types and portfolio types and what follows for different impacts.

B.2 Foreign exchange risk

The Bank exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. 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 currency exchange rate risk and Bank's financial instruments at carrying amounts, categorized by currency.

Concentration of Foreign currency risk on the financial instruments						EGP (000)
December 2018 ,31	EGY Pound	US Dollar	Euro	Jap. Yen	Sterling Pound	Other Currencies
Financial Assets:						
Cash and Due From Central Bank	2,160,334	40,010	912	202	11	1,308
Due from banks	8,957,413	30,706	835	2,265	6,924	79
Treasury bills	622,625	104,800	-	-	-	-
Loans & Advances to customers	6,721,269	116,428	6,221	1	880	-
Financial investments:						
Available for sale	77,956	52,856	3,544	-	-	-
Held to maturity	5,385,613	90,631	-	-	-	-
Investment in Associates companies	239,778	-	-	-	-	-
Other assets	634,892	2,551	135	4	73	8
Total financial assets as of December 2018 ,31	24,799,880	437,982	11,647	2,472	7,888	1,395
Financial liabilities:						
Balances due to banks	1,925,000	83,500	3,000	-	-	-
Customers' deposits	20,937,156	323,532	8,883	1,322	7,868	312
Other Loans	232,067	-	-	-	-	-
Other provisions	37,085	948	-	-	-	-
Other liabilities	106,540	14,959	-	-	15	-
Total financial liabilities as of December 2018 ,31	23,237,848	422,939	11,883	1,322	7,883	312
Net financial position of the balance sheet as of December 2018, 31	1,562,032	15,043	(236)	1,150	5	1,083
Total financial assets as of December 2017 ,31	30,068,701	419,564	14,974	2,489	8,501	69
Total financial liabilities as of December 2017 ,31	28,684,116	421,311	16,654	1,328	8,476	2
Net financial position of the balance sheet as of December 2017 ,31	1,384,585	(1,747)	(1,680)	1,161	25	67

B.3 Interest rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. 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 may profit decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken, which is monitored daily by Risk Dept.

The following table summarizes the risk that the bank faces the change in the return value including the book value of financial instruments allocated based on the re-pricing dates or due dates price whichever is sooner.

December 2018 ,31	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Without return	Total EGP (000)
Financial Assets:							
Cash and Due From Central Bank	-	-	-	2,674,612	-	244,832	2,919,444
Due from banks	887,501	8,957,388	-	-	-	-	9,844,889
Treasury Bills	-	1,579,933	920,037	-	-	-	2,499,970
Loans & Advances to customers	404,575	25,023	1,624,643	336,575	1,150,122	5,413,650	8,954,588
Financial investments:							
Available for sale	1,050,001	-	-	48,449	-	-	1,098,450
Held to maturity	-	-	-	7,009,135	-	-	7,009,135
Associated Company	-	-	-	-	239,778	-	239,778
Other financial assets	-	-	-	-	-	685,139	685,139
Deferred tax	-	-	-	-	11,559	-	11,559
Total financial assets	2,342,077	10,562,344	2,544,680	10,068,771	1,401,459	6,343,621	33,262,952
Financial liabilities:							
Balances due to banks	3,303,150	179,137	-	-	-	-	3,482,287
Customer's deposits	3,375,233	3,255,143	4,968,869	6,962,639	669,730	7,869,121	27,100,735
Other loans	-	-	48,115	40,589	143,363	-	232,067
Other financial liabilities	-	-	-	-	-	374,854	374,854
Other provisions	-	-	-	-	54,065	-	54,065
Total financial liabilities	6,678,383	3,434,280	5,016,984	7,003,228	867,158	8,243,975	31,244,008
Re-pricing gap	(4,336,306)	7,128,064	(2,472,304)	3,065,543	534,301	(1,900,354)	2,018,944
December 2017 ,31							
Total financial assets	1,896,028	15,444,609	3,106,833	3,677,928	8,258,384	5,424,307	37,808,089
Total financial liabilities	6,743,134	4,872,832	32,893	5,970,829	10,476,131	7,020,905	35,116,724
Re-pricing gap	(4,847,106)	10,571,777	3,073,940	(2,292,901)	(2,217,747)	(1,596,598)	2,691,365

C. Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Liquidity Risk Management

The Bank's liquidity management process, as carried out within the Bank and monitored by Assets & Liabilities Committee, includes:

Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or is borrowed by customers. - The Bank maintains an active presence in global money markets to enable this to happen.

Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.

Monitoring balance sheet liquidity ratios against internal bank requirements and requirements of central bank of Egypt.

Managing the concentration and profile of debt maturities.

Monitoring and reporting take 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 projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Asset Liability Committee, also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft advances and the impact of contingent liabilities such as standby letters of credit and guarantees.

The following table represent the analysis of the banks Liquidity coverage Ratio:

	December 2018 ,31 EGP(000)
Total value of high quality liquid assets (1)	9,823,711
Total Cash outflow	4,587,939
Total Cash inflow within the limit	3,440,954
The value less than: Total Cash Inflows, 75% from Total Cash outflows	
Net Cash outflows (2)	1,146,985
Liquidity Coverage Ratio (2/1)	856.48%

Funding approach

Sources of liquidity are regularly reviewed by a separate team in the Assets and Liabilities Department in bank , to maintain a wide diversification by currencies and geographical areas providers, products and terms.

The available assets to cover all the liabilities and the loan's obligations include cash, balances at Central bank, dues from banks, treasury bills, other governmental securities and loans and advances to customers and banks, customers' loans that are due within a year are extended partially for the ordinary activity of the bank. In addition, some of debt instruments, treasury bills and governmental securities are mortgaged to guarantee the liabilities, the bank has the ability to cover the net unexpected cash flows through the sale of financial securities and finding other funding resources.

The following table represent the analysis of the net stable funding Ratio:

	December 2018 ,31 EGP (000)
Liabilities & Owner's equity with weighted average 100%	12,516,474
Consumer and small enterprises Deposits (which doesn't have maturity date & Deposits with maturity less than 1 year)	9,815,748
Liabilities with weighted average %50	1,044,367
Total available stable fund (A)	23,376,589
Assets with weighted average %5	519,565
Assets with weighted average %10	347,379
Assets with weighted average %50	402,966
Assets with weighted average %65	296,737
Assets with weighted average %100	1,730,075
Contingent liability or commitments	487,103
Total required stable fund (B)	3,783,825
Net stable fund ratio (A/B)	617.8%

D. Financial Assets and Liabilities Fair Value

According to the applied valuation bases used in evaluating banks' assets and liabilities included in the notes attached to the financial statements the fair value of the financial assets and liabilities do not significantly differ from its book value at the balance sheet date.

E. Capital Management

The Bank's objectives when managing capital, which consists of another items in addition of owner's equity stated in balance sheet are:

- To comply with the legal capital requirements in Egypt.
- To safeguard the Bank's ability to continue as ongoing concern so that it can continue to provide returns for shareholders and stakeholders and other parties that deal with the bank .
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Central bank Of Egypt, for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

Central bank Of Egypt requires the following:

- Hold the minimum level of the issued and paid up capital of EGP 1 Billion.
- Maintain a ratio of total regulatory capital to the risk weighted assets and contingent liabilities of the Bank (credit risk, market risk and operational risk) equal or above the agreed minimum of %10.
- According to Central bank of Egypt's requirements in updating the financial sector's situation of relevance with capital adequacy standard in accordance to Basel II requirements.

The numerator of capital adequacy standard consists of two tiers:

Tier One:

Tier one, Basic capital consisting of paid-in capital (after deducting the book value of treasury shares), and retained earnings and reserves resulting from the distribution of profits with the exception of banking risk reserve and deducting there from previously recognized goodwill and any transferred loss.

Tier Two:

Qualifying subordinated loan capital, which consists of the equivalent of the general risk allocation according to the principles of credit issued by the Central Bank of Egypt for not more than %1.25 of total assets and liabilities weighted with risk, loans / subordinated deposits in excess of the schedule of five years (with consumption of 20% of their value in each year of the last five years of the schedule) and 45% of the increase between the fair value and book value for each of the financial investments available for sale and held to maturity and associates.

When calculating the total dominator of capital adequacy, it shall not exceed the capital cushions (Qualifying subordinated loan capital) for Basic capital and loans not to increase (deposits) support for half of the common equity. Assets are risk weighted ranging from zero to 100% classified by the relation of the debtor to all each asset to reflect the credit risk associated with it, taking the cash collateral account. These are used for the treatment of off balance sheet items after adjustments to reflect the nature of contingency and the potential loss of those amounts.

The bank had complied with all the local capital requirements during the past two years. The following table summarizes the Tier 1 and Tier 2 capital components and the capital adequacy ratio at the end of these two years.

The tables below summarize the compositions of the capital adequacy ratio 31,December, 2018 according to the following:

	December 2018 ,31	December 2017 ,31
	EGP (000)	EGP (000)
Capital		
(Tier 1 capital) basic capital		EGP(000)
Paid-up capital	1,040,000	1,000,000
Other reserves	289,970	170,094
Retained earnings	1,280	186,563
Total deduct from common equity	(72,926)	(74,772)
Total Tier 1 capital after exclusion	1,258,324	1,281,885
(Tier 2 capital) backup capital		
General Risk Provision for advances & contingent liabilities	149,072	133,961
%45 of the Foreign currencies translation reserve	113	113
%45 of the increase in fair value over the book value for financial investments if it's positive	11,316	57,571
Total tier 2 capital after exclusion	160,501	191,645
Total paid up capital	1,418,825	1,473,530
Total risk-weighted assets and contingent liabilities (Credit, Market and Operational risks)	14,487,697	12,229,199
Capital Adequacy ratio (%)	% 9.793	% 12.05

According to the Central Bank of Egypt requirements, the improvement of banking organization situation related to capital adequacy of Basel II.

- Total capital adequacy ratio without capital conservation buffer/ total credit, market and operational risks weighted assets and contingent liabilities (taking into consideration the effect of biggest fifty customer). 7.918%
- Total capital adequacy ratio with capital conservation buffer/ total credit, market and operational risks weighted assets and contingent liabilities (taking into consideration the effect of biggest fifty customer). 9.793%
- Total capital adequacy ratio with capital conservation buffer/ total credit, market and operational risks weighted assets and contingent liabilities (without taking into consideration the effect of biggest fifty customer). 10.123%

Financial leverage ratio

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

- Guidance ratio starting from reporting period September 2015 till December 2017.
- Obligatory ratio to start from year 2018.

This ratio will be included in Basel requirement tier 1 (minimum level of capital adequacy ratio) in order to maintain the Egyptian Banking System strong and safe, as long as to keep up with the best international regulatory treatments. Financial leverage ratio reflects relation between tier 1 for capital that is used in capital adequacy ratio (After Exclusions) and bank assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

Ratio Elements

A-The numerator elements

The numerator consists of tier 1 for capital that is used in capital adequacy numerator (After deduction) in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE).

B-The denominator elements:

The denominator consists of all bank assets (on balance sheet and off-balance sheet) as per the financial statements "Bank exposure" which include the total of the following:

- 1 On balance sheet exposure items after deducting some of tier 1 exclusions for capital base
- 2 Exposures resulting from Derivatives contracts.
- 3-Exposures resulting from Financing the financial notes operations.
- 4 Exposures resulting from Off-balance sheet items (weighted by credit conversion factor).

- The following table summarizes the Financial leverage ratio in 2018/12/31 :

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Capital		
(Tier 1 capital) after exclusions	1,258,324	1,281,885
Cash and due from Central Bank of Egypt (CBE)	2,919,444	3,193,808
Due from banks	9,844,889	16,333,855
Treasury bills and Government notes	2,464,353	1,021,165
Financial investments available-for-sale	1,098,450	996,040
Financial investments held to maturity	7,009,135	6,342,097
Investments in subsidiaries and associates	239,778	209,470
Loans and credit facilities to customers	8,954,589	9,195,818
Provision for impairment loss (non performing)	(585,876)	(954,978)
Interest in suspense	(141,517)	(299,906)
Profits from Islamic operations	(26,948)	(17,361)
Fixed assets (Net of Accumulated depreciation & impairment loss Provisions)	311,308	224,494
Other assets	696,586	535,132
	(72,892)	(74,772)
Deducted amounts from exposures (some of tier 1 exclusions for capital base)		
Total on-balance sheet exposures	32,711,299	36,704,862
export L/Cs	21,938	26,614
Import L/Cs	33,344	30,289
L/Gs	819,335	663,680
L/Gs according to foreign banks request	7,321	6,671
Bank acceptance	97,761	175,876
Capital requirements	697,979	132,349
Contingent liabilities for general collaterals for financing facilities and similar collaterals. Can be cancelled without any conditions at any time by the bank without prior notice or that included cancellation or includes auto cancelation terms because customer's credit worthiness deterioration	18,600	163,806
Off- balance sheet items	1,696,278	1,199,285
Total exposures	34,407,577	37,904,147
Financial leverage ratio (%)	% 3.66	% 3.38

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.

A. Impairment losses on loans and advances

Based on personal basis The Bank reviews its loan portfolios to assess impairment at least on a 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 that there is 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 include observable data indicating that there has been an adverse change in the payment status of borrowers in a 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.

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 deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

C. Fair value of derivatives

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them.

D. Financial Investments Held to Maturity

The non-derivative financial assets with fixed or determinable payments and fixed maturity are being classified held to maturity. This classification requires significant judgment. In making this judgment, 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 and the classification of any such investments will be suspended

E. Income taxes

The bank created provisions for the expected results of the tax inspection that is being conducted and to account for probable additional tax. When there is a difference between the final results of the tax and the pre recorded amounts, these differences will be adjusted against the income tax and the deferred income tax provision at the period in which the difference has been determined.

5. Segment Analysis

Analysis of geographical Segments			
December 2018 ,31			EGP (000)
Income and expenditure in accordance with the geographical Segment	Cairo	Alexandria and the Delta	Total
Revenues	4,356,755	321,139	4,677,894
Expenses	(4,242,880)	(301,443)	(4,544,323)
Sector profit results	113,875	19,696	133,571
Taxes			(185,942)
Net income for the year			(52,371)
Assets and liabilities according to the geographical Segment			
Assets of geographic Segment	31,544,157	731,944	32,276,101
Unclassified Assets	322,867	-	322,867
Total Assets	31,867,024	731,944	32,598,968
Liabilities' of geographic Segment	29,522,065	1,667,877	31,189,942
Unclassified Liabilities	54,066	-	54,066
Total Liabilities	29,576,131	1,667,877	31,244,008

Analysis of geographical Segments			
December 2017 ,31			EGP (000)
Income and expenditure in accordance with the geographical Segment	Cairo	Alexandria and the Delta	Total
Revenues	3,868,820	295,316	4,164,136
Expenses	(3,544,355)	(270,536)	(3,814,891)
Sector profit results	324,465	24,780	349,245
Net income for the year before taxes	324,465	24,780	349,245
Taxes			(195,141)
Net income for the year			154,104
Assets and liabilities according to the geographical Segment			
Assets of geographic Segment	33,668,013	2,643,436	36,311,449
Unclassified Assets	258,511	-	258,511
Total Assets	33,926,524	2,643,436	36,569,960
Liabilities' of geographic Segment	35,037,829	40,255	35,078,084
Unclassified Liabilities	38,640	-	38,640
Total Liabilities	35,076,469	40,255	35,116,724

6. Net interest income

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Interest from loans & similar income:		
Loans & advances to customers	1,262,246	1,061,391
Treasury bills	171,975	214,139
Deposits and current accounts	1,881,515	1,469,798
Investments in debt instruments held to maturity and available for sale	949,492	911,790
	4,265,228	3,657,118
Interest on deposits & similar expenses:		
Deposits and current accounts to		
Banks	(223,791)	(385,517)
Customers	(3,445,197)	(2,777,255)
	(3,668,988)	(3,162,772)
Net	596,240	494,346

7. Fees and commissions income

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Fees and commissions related to credit	213,531	215,426
Other Fees	49,491	67,069
Total	263,022	282,495

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Fees and commissions Expenses		
Fees and commissions related to credit	(98)	(327)
Other Fees	(10,965)	-
Total	(11,063)	(327)
Net Income	251,959	282,168

8. Dividends income

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Financial securities Available for sale	2,208	4,872
	2,208	4,872

9. Net trading income

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Profits from dealing in foreign currencies	35,434	34,737
Profits from the sale Financial Assets held for trading	80	-
	35,514	34,737

10. Administrative Expenses

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Staff cost		
Wages and salaries	(467,564)	(373,920)
Social insurances	(12,143)	(9,426)
Specific contributions systems	(26,847)	(24,618)
	(506,554)	(407,964)
Other Administrative Expenses	(255,990)	(197,361)
	(762,544)	(605,352)

11. Other operating (expenses) income

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
(losses) Gains from revaluation of monetary assets & liabilities determined in foreign currency other than those classified for trading	(1,291)	10,994
Gain of selling assets reverted to the bank	3,680	500
Gain from sale of fixed assets	1	2
Other expenses	(427)	(84)
Release (charges) of other provisions	(25,043)	78,358
	(23,080)	89,770

12. Impairment of loan loss

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Loans & advances to customers (Note 18)	(78,648)	(46,467)
	(78,648)	(46,467)

13. Income tax expenses

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Deferred taxes	4,919	3,127
Current income taxes	(190,861)	(198,268)
	(185,942)	(195,141)

14. Earnings per share

The earnings per share is calculated by dividing the profit for the year by the number of shares outstanding during the year.

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Net profit for the year	(52,371)	154,104
Deduct :		
profit share of employees (proposed)	-	(16,000)
profit share of Board members (proposed)	-	(4,000)
Net	(52,371)	134,104
Weighted average number of shares	104,000	100,000
Earning per share	-0.5	1,34

15. Cash and balances with Central Bank of Egypt

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Cash	244,838	249,558
Due from central Bank within the required reserve percentage	2,674,606	2,944,250
Total	2,919,444	3,193,808
interest Bearing balances	2,674,606	2,944,250
Non- interest Bearing balances	244,838	249,558
Total	2,919,444	3,193,808

16. Due from banks

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Current accounts	97,548	139,046
Deposits	9,747,341	16,194,809
	9,844,889	16,333,855
Central Banks	8,957,388	14,584,803
Local Banks	249,527	1,311,297
Foreign Banks	637,974	437,755
	9,844,889	16,333,855
Non- interest Bearing balances	97,548	139,046
Fixed interest Bearing balances	9,747,341	16,194,809
	9,844,889	16,333,855
Current balances	97,548	139,046
Non- current balances	9,747,341	16,194,809
	9,844,889	16,333,855

17. Treasury bills

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Treasury bills, maturity 91 days	1,579,933	185,175
Treasury bills, maturity 182 days	309,975	415,916
Treasury bills, maturity 272 days	-	357,243
Treasury bills, maturity 364 days	610,062	70,911
	2,499,970	1,029,245
Unearned interest	(35,617)	(8,080)
	2,464,353	1,021,165

The nominal value of the treasury bills mortgaged was secured by the Central Bank is 157,150 in 31/12/2018

18. Loans & advances to customers

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Retail		
Overdrafts	605,658	892,014
Personal loans	557,866	134,144
Total	1,163,524	1,026,158
Institutions including small loans for economic activities		
Overdrafts	5,636,960	5,550,724
Direct loans	791,445	872,092
Syndicated loans	1,362,659	1,746,844
Total	7,791,064	8,169,660
Total Loans & advances to customers	8,954,588	9,195,818
Less: Loan impairment loss provision	(771,210)	(1,164,652)
Interest in suspense	(141,517)	(299,906)
Deferred profit of Islamic operations	(26,948)	(17,361)
Total	8,014,913	7,713,899
Total is allocated to		
Current balances	6,800,484	6,576,882
Non- Current balances	2,154,104	2,618,936
	8,954,588	9,195,818

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Impairment loss provision		
Balance at the beginning of the year	1,164,652	1,259,879
Impairment loss during the year	78,648	46,467
Amounts written off during the year	(477,425)	(123,119)
Foreign currency valuation difference	3,712	(20,451)
Collection from bad debt previously written off	1,623	1,876
Provision at year end	771,210	1,164,652

19. Financial Investments

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Financial Investments available for sale		
Debt instruments at fair value :		
Debt instrument listed	1,041,617	921,102
Equity instruments at fair value		
Equity instrument listed	8,588	29,076
Equity instrument unlisted	48,245	45,862
Total Financial Investments available for sale	1,098,450	996,040
Financial Investments Held to maturity		
Debt Instruments – amortization cost method:		
Debt instrument listed	6,969,814	6,285,813
Debt instrument unlisted	24,321	41,284
Mutual funds instruments established according to issued rates	15,000	15,000
Total Financial Investments Held to maturity	7,009,135	6,342,097
Total Financial Investments	8,107,585	7,338,137
Current balances	1,049,669	174,815
Non- current balances	7,057,916	7,163,322
	8,107,585	7,338,137
Debt Instruments - fixed interest bearing	8,011,431	7,206,915
Debt Instruments – variable interest bearing	24,321	41,284
	8,035,752	7,248,199

	Financial Investments available for sale	Financial Investments Held to maturity	Total
	EGP(000)	EGP(000)	EGP(000)
Balance as of Jan 2018 ,1	996,040	6,342,097	7,338,137
Additions	2,470,520	795,784	3,266,304
Disposals (Sales/Redemption)	(2,406,899)	(141,913)	(2,548,812)
Revaluation differences of Monetary assets in foreign currency	4,470	10,420	14,890
Profit from the change of fair value	5,172	-	5,172
Amortization of (premium)/ discount	31,289	2,747	34,036
Impairment of Equity instrument	(2,142)	-	(2,142)
Balance as of December 2018 ,31	1,098,450	7,009,135	8,107,585
Balance as of Jan 2017 ,1	319,561	5,678,951	5,998,512
Additions	1,178,326	908,499	2,086,825
Disposals (Sales/Redemption)	(614,750)	(238,430)	(853,180)
Revaluation differences of Monetary assets in foreign currency	85,673	(17,057)	68,616
Profit from the change of fair value	2,356	-	2,356
Amortization of (premium)/ discount	24,874	10,134	35,008
Balance as of December 2017 ,31	996,040	6,342,097	7,338,137

Financial investments profit:

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Gains on sale of available for sale investments	83,716	55,238
Undistributed dividends from investments in associates	30,348	33,092
Released(Impairment) charges of investments in associates	-	6,814
Impairment loss of equity instruments available for sale	(2,142)	-
	111,922	95,144

20. Investments in associates

The percentage contribution of the Bank in associates companies

							EGP (000)
December 2018 ,31	Company's headquarters	Company's asset	Liabilities (less owners 'equity)	Net profit (loss) activity	Profit / (losses) Company	Percentage of contribution	Value Of contribution
Zahraa El Maadi Co.	Cairo	1,830,958	970,648	152,568	220,804	20.32%	174,935
Free trade Company for manufacturing and trade	Port said	2,498	9,395	(885)	(872)	31.90%	-
Middle East company for land reclamation	Cairo	47,974	192,215	(24,763)	-	24.47%	-
Festia Co. for Ready Made Clothes	Alex	47,702	26,750	222	20	20%	-
Prime services managements in mutual funds	Cairo	2,360	137	153	326	20%	445
Enmaa Company for financial leasing	Cairo	601,134	396,230	17,253	33,098	31.43%	64,398
Total							239,778

The market value of financial investment in associates registered in the Egyptian exchange market amounted L.E 175,338 thousands Egyptian pounds at 2018/12/31 against 182,786 thousands Egyptian pounds at 2017/12/31.

							EGP (000)
December 2017 ,31	Company's headquarters	Company's asset	Liabilities (less owners 'equity)	Net profit (loss) activity	Profit / (losses) Company	Percentage of contribution	Value Of contribution
Zahraa El Maadi Co.	Cairo	1,577,982	387,703	160,005	218,344	20.30%	149,249
Free trade Company for manufacturing and trade	Port said	2,498	9,395	(885)	(872)	31.90%	-
Middle East company for land reclamation	Cairo	47,974	192,215	(24,763)	-	24.47%	-
Festia Co. for Ready Made Clothes	Alex	47,702	26,750	222	20	20.00%	-
Prime services managements in mutual funds	Cairo	2,382	96	124	(95)	20.00%	457
Enmaa Company for financial leasing	Cairo	636,527	446,376	16,462	25,473	31.40%	59,764
Total							209,470

21. Intangible assets

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP (000)
Cost	40,522	5,412
Additions	425	35,110
Disposals	(3,302)	-
	37,645	40,522
Accumulated amortization as of 1/1/2018	(13,146)	(4,666)
Disposal from Accumulated amortization	870	-
Amortization	(10,937)	(8,480)
Accumulated amortization as of 31/12/2018	(23,213)	(13,146)
Net book value as of December 2018 ,31	14,432	27,376

22. Other assets

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Accrued revenues	437,439	356,156
Prepaid expenses	8,297	6,542
Assets acquired as settlements of debts(after deducting impairment)	-	2,144
Insurance and petty cash	3,517	9,471
Advances to purchase of fixed assets	229,493	123,840
Other	6,393	2,962
	685,139	501,115

23. Fixed assets

	EGP (000)				
	Land & building	Lease hold Improvement	Machines and equipment	Others	Total
As of January 2017 , 1	EGP (000)	EGP (000)	EGP (000)	EGP (000)	EGP (000)
Cost	77,115	32,586	12,599	39,518	161,818
Accumulated Depreciation	(25,065)	(26,197)	(7,010)	(28,746)	(87,018)
Net book value as of January 2017 .1	52,050	6,389	5,589	10,772	74,800
Additions	102,089	56,677	3,881	17,528	180,175
Disposals	-	(1,013)	-	(21)	(1,034)
Disposals cost of Depreciation	-	992	-	7	999
Cost of Depreciation	(6,605)	(15,762)	(1,290)	(6,789)	(30,446)
Net book value as of December 2017 ,31	147,534	47,283	8,180	21,497	224,494
Cost	179,204	88,250	16,480	57,025	340,959
Accumulated Depreciation	(31,670)	(40,967)	(8,300)	(35,528)	(116,465)
Net book value as of January 2018 ,1	147,534	47,283	8,180	21,497	224,494
Additions	54,944	38,785	6,108	20,065	119,902
Disposals	-	(343)	-	(794)	(1,137)
Disposals cost from acc Depreciation	-	133	-	292	425
Cost of Depreciation	(9,531)	(28,617)	(1,844)	(6,816)	(46,808)
Net book value as of December 2018 ,31	192,947	57,241	12,444	34,244	296,876
As of December 2018 ,31					
Cost	234,148	126,692	22,588	76,296	459,724
Accumulated Depreciation	(41,201)	(69,451)	(10,144)	(42,052)	(162,848)
Net book value as of December 2018 ,31	192,947	57,241	12,444	34,244	296,876

Fixed asset include amount of 81,367 thousand pounds representing assets not registered yet in the bank The legal procedures needed are currently performed to register those real-estates by the bank's name.

24. Deferred income tax

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Beginning balance	6,641	3,514
Additions	4,918	3,127
Ending balance	11,559	6,641

Deferred income tax not recognized for the following items :

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Provision for impairment losses excluding the %80 from charged within the year :	24,186	21,040
	24,186	21,040

25. Due to banks

	December 2018 ,31	December 2017 ,31
	EGP (000)	EGP (000)
Current accounts	61,502	353
Deposits	3,420,785	3,533,144
	3,482,287	3,533,497
local banks	3,420,786	3,533,144
Foreign banks	61,501	353
	3,482,287	3,533,497
Non-interest bearing balances	61,502	353
Fixed interest bearing balances	3,420,785	3,533,144
	3,482,287	3,533,497
Current balances	3,482,287	3,533,497

26. customers' deposits

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Demand deposit	6,162,624	4,705,893
Time & call deposits	10,446,310	15,016,058
Savings and deposits certificates	7,789,111	8,673,925
Saving deposits	775,661	503,629
Other deposits	1,927,029	1,824,518
	27,100,735	30,724,023
Institutions deposits	17,191,033	19,455,612
Individual deposits	9,909,702	11,268,411
	27,100,735	30,724,023
Non- interest bearing balances	7,121,096	5,996,815
Variable interest bearing balances	12,212,259	16,079,524
Fixed interest bearing balances	7,767,380	8,647,684
	27,100,735	30,724,023
Current balances	19,311,624	22,050,098
Non-current balances	7,789,111	8,673,925
	27,100,735	30,724,023

27. Other Loans

	Interest Rate	December 2018 ,31	December 2017 ,31
	%	EGP(000)	EGP(000)
Social fund for development	7	88,705	110,162
Housing low/middle -income loan	2.5-4.5-7-0.5	143,362	76,101
		232,067	186,263

28. Other liabilities

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Accrual interests	237,000	522,155
Revenue in advance	12,005	9,320
Accrual expenses	84,007	77,224
Creditors	35,681	21,554
Other credit balances	6,161	4,048
	374,854	634,301

29. Other Provisions

December 31, 2018	Beginning Balance	Charged amounts	FX revaluation differences	Refunded During the year	Utilized amounts	Ending Balance
claims	7,993	13,437	-	-	(9,673)	11,757
contingent	30,647	11,606	55	-	-	42,308
	38,640	25,043	55	-	(9,673)	54,065
December 2017 ,31						
claims	6,603	2,275	-	(860)	(25)	7,993
contingent	112,742	87	(2,260)	(79,922)	-	30,647
	119,345	2,362	(2,260)	(80,782)	(25)	38,640

30. Paid up capital

	No. of shares (in millions)	Comman Shares EGP(000)	Total EGP(000)
	104	1,040,000	1,040,000
Balance at 2018/12/31	104	1,040,000	1,040,000

- according to the extraordinary general assembly decision as of 2014/7/7, the issued and paid in capital increased from 500 million L.E. divided on 50 million shares with 10 L.E face value for each share to 1 billion L.E. divided on 100 million shares with face value 10 L.E., at 2014, payment of 100 million L.E from the bank reserves in the form of distributing one share for every outstanding share by capitalizing on the general reserve
- According to the extraordinary general assembly decision as of 2015/07/07 , An amount of LE 200 million of the second tranche of the bank capital increase was called up for payment .
- Moreover the remaining amount of the capital increase amounting to LE 200 million to be paid up during 2016 according to the decision of the extraordinary general meeting above mentioned.
- At 2016/11/30 the shareholders has paid the remaining amount of the capital increase amounting of LE 200 million.
- According to the general assembly decision as of 2018/7/25. An amount of 40 million LE has been retained from the distributed dividends to shareholders (additional 4 shares for every 100 shares),for capital raise.

31. Reserves:

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Banking risks reserve	10,259	12,429
Legal reserve	39,415	31,710
Reserves for AFS investments revaluation difference	13,201	39,106
Special reserve	251	251
Capital reserve	25,589	25,588
General reserve	117,798	112,798
IFRS 9 reserve	107,168	107,168
Total reserves	313,681	329,050

Reserves are presented as follows:

A-Banking risks reserve

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Beginning balance	12,429	15,762
Transferred (to) retained earning	(2,170)	(3,769)
Transferred (from) retained earnings	-	436
Ending balance	10,259	12,429

B- Legal reserve

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Beginning balance	31,710	25,636
Transferred from retained earning	7,705	6,074
Ending balance	39,415	31,710

C- Unrealized gain of AFS evaluation :

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Beginning balance	39,106	56,957
Net profit of fair value change	5,061	528
Reserve for transfer of AFS to HTM	2,486	(1,302)
Net profit transferred to income statement after disposals	(33,452)	(17,077)
Ending balance	13,201	39,106

D- Special reserve

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Beginning balance	251	251
Ending balance	251	251

E- Capital reserve

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Beginning balance	25,588	25,586
Transferred from retained earnings	1	2
Ending balance	25,589	25,588

F- General reserve

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Beginning balance	112,798	38,880
Transferred from retained earnings	5000	73,918
Ending balance	117,798	112,798

G- IFRS 9 reserve

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Beginning balance	107,168	-
Transferred from retained earnings	-	107,168
Ending balance	107,168	107,168

32. Retained earnings

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Beginning balance	124,186	168,911
Transferred to legal reserve	(7,705)	(6,074)
Transferred to general reserve	(5,000)	(73,918)
Transferred to IFRS 9 reserve	-	(107,168)
The share of employees and members of the Board of Directors in profit	(20,000)	(15,000)
Free shares for shareholders	(40,000)	-
Transferred to capital reserve	(1)	(2)
Transferred from Banking risks reserve	2,170	3,333
Net profit for the year	(52,371)	154,104
Ending balance	1,279	124,186

33. Cash and cash equivalents

For presenting cash flow statement, cash and cash equivalents include the following balances that they do not mature within 3 months from the acquisition date:

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Cash and Due from central bank	244,838	249,558
Due from banks	6,244,889	16,280,672
Treasury bills, maturity 91 days	1,579,933	185,175
	8,069,660	16,715,405

34. Contingent liabilities and commitments

A- capital commitments:

A : Financial investments:

The commitments related to the financial investments that were not due till the balance sheet date 2018/12/31 according to the following:

	Share value	Amount	Remaining
	USD (000)	USD (000)	USD (000)
AFREXIM Bank	\$1066	\$586	\$480

Long-term Assets:

The value of capital commitments for the long-term assets as of 2018/12/31 amounted 689,422 L.E

B- Loans, collaterals, advances and commitments:

Loans, collaterals and advances commitments are represented in the following:

	December 2018 ,31	December 2017 ,31
	EGP(000)	EGP(000)
Letters of guarantees	1,977,428	1,340,702
Letters of credit (import& export)	662,656	284,521
Accepted notes of suppliers advances	154,281	175,876
Total	2,794,365	1,801,099

-35 Transactions with related parties:

The transactions and balances of related parties at the end of the financial year are represented in the following:

A - Loans & advances to related parties:

	Associated companies		Interest income	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	EGP (000)	EGP (000)	EGP (000)	EGP (000)
Loans and advances to customer				
Loans at the year end	8,165	287,351	722	-

B-deposits from related parties

	Deposits		Cost of deposits	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	EGP (000)	EGP (000)	EGP (000)	EGP (000)
Due to shareholders (National Investment Bank and Federation of Republic)				
Deposits at the year end	1,173,197	578,743	75,457	34,801
Due to customers				
Deposits at the year end	94,707	15,575	1,716	236
Total	1,267,904	594,318	77,173	35,037

C- The average gross monthly salary paid to the top 20 employees in the bank for the financial year ended December 31, 2018 amounted to 1,833,939 EGP against 1,541,023 EGP for the financial year ended December 2017 , 31.

36. Mutual Funds:

Fund is one of the bank activities licensed to the bank by the virtue of capital market law no. 95 of year 1992 and its executive regulation.

-1 The monetary investment fund of Arab Investment Bank (with the daily accumulated return in Egyptian Pound)

The fund is managed by EFG Hermes for Investments' Funds Management.

The number of investment certificates of this fund is 1,159,161 amounted L.E 119,591,610 from which 500,000 certificates were allocated to carry out the fund's activities (face value LE 5 million).

The certificate's redeemed value at 31/12/2018 reached LE 11,48 while the number of fund's certificates standing at the same date was 44,605,243 certificates.

According to the fund's management contract and shares subscription issue the Arab Investment Bank get the fees and commissions for its supervision as well as the other administrative services. The total commission amounted LE 1,862 thousand for the financial year ended 31/12/2018 listed at the fees & commissions in the revenue item/ other fees in the income statements.

-2 AIB Second Fund (HELAL):

The fund is managed by Cairo for Investments' Funds Management.

The number of investment certificates of this fund is 26,954 amounted L.E 26,954,900 from which 50 000 certificates were allocated to carry out the fund's activities (face value LE 5 million).

The certificate's redeemed value at 31/12/2018 reached LE 201.37 while the number of fund's certificates standing at the same date was 74 805 certificates.

According to the fund's management contract and shares subscription issue the Arab Investment Bank get the fees and commissions for its supervision as well as the other administrative services. The total commission amounted LE 73 thousand for the financial year ended 31/12/2018 listed at the fees & commissions in the revenue item/ other fees in the income statements.

3- AIB Third Fund for fixed returns instruments (SANADY):

The fund is managed by HC Securities and Investment.

The number of investment certificates of this fund is 5,206,672 amounted L.E 52,066,720 from which 500 thousand certificates were allocated to carry out the fund's activities (face value LE 5 million).

The certificate's redeemed value at 31/12/2018 reached LE 12,60 while the number of fund's certificates standing at the same date was 563,748 certificates.

According to the fund's management contract and shares subscription issue the Arab Investment Bank get the fees and commissions for its supervision as well as the other administrative services. The total commission amounted LE 45 thousand for the financial year ended 31/12/2018 listed at the fees & commissions in the revenue item/ other fees in the income statements.

37. Tax position

Income Tax :

The period at the beginning of business activity 2000 Tax inspections have been fully completed and all due taxes have been paid and the internal committee was set and no due taxes were reported.

The Bank's corporate income tax has been examined and paid for the period 2014 - 2001.

The period from 2017-2015 The due taxes are paid on time and the examination has not yet been completed.

Stamp duty tax

The Bank's books have been inspected for all branches till the end of law no 111 for 1980 for stamp tax..

Period from August 2006 ,01 the law no 143 for 2006 was imposed , and was update with law no 115 for 2008,therefore the due tax was paid, every quarter regularly.

A notification with forum 19 period form 01/08/2006 till 31/12/2007.include estimated claims with tax amounted 100 Millions L.E and it has appealed and settled.

A notification with forum 19 for the period 1/1/2008 to 31/12/2008 with amount 11.2 million L.E and it was appealed and the forum was re-examined and has been settled.

The period from 2009 to 2016 examination has been started and it was settled and paid.

Corporate income tax:

- periods from 1980 till 2004 has been inspected and finalized and all taxes due were paid.
- periods from 2007-2006-2005,The Bank submitted its endorsement in light of the provisions of Law 91 of 2005 and these years were examined and notify for model 19 were contested and resulted in the tax of LE 5113 thousand and the disagreement was resolved by the Internal Committee, which leads to tax settlement of 546 thousands L.E, has been paid to tax authority.
- periods from 2010-2009-2008 ,The Bank submitted its endorsement with the payment of the tax for these years and was contested and settled the dispute with the Internal Committee and the tax was canceled permanently from 2010-2005 .
- periods from 2011 till 2014, The Bank submitted its endorsement and the taxes were paid and the tax administration examined, and its fully paid.
- periods from 2015 till 2017, The bank pays the bank's obligations according to the tax declaration prepared by the bank. Payment is paid on time and the examination is not done.

Real estate Tax

Enforcement of the law no 196 for 2008, with its last update with law no 103 for 2012 the maturity of tax from July 2013 that the estimated Real estate Tax on the bank's branches, with amount of 652,187 L.E.

the bank objected on all of those estimations. And paid 25% from all of those claims form the tax authorities till the settlements on the objections proposed by the bank.

38. Subsequent evidence:

International financial reporting standard no (9): financial instruments On 28 January 2018, the Central Bank of Egypt issued instructions on the following: -

IFRS 9 will be applied starting from 1st of January 2019.

Translation

These financial statements are a translation into English from the original Arabic statements. The original Arabic statements are the official financial statements.



Branches

Head Office

Cairo Sky Building - 8 Abdel Khalek Tharwat St.- Cairo.
Phone: 25765020 - 25760031-25791250

Cairo Branch

Cairo Sky Building - 8 Abdel Khalek Tharwat St.- Cairo.
Phone: 25765020 - 25759249

Mosadak Branch

59 Mosadak St. - Dokki.
Phone: 33381547 - 33381546

Zamalek Club Branch

No.26 - 26July St. - beside Zamalek Club Gate - El Mohandseen.
Phone: 33467645 - 33467646

Lebanon square Branch

56 Lebanon St. - El Mohandseen
Phone: 33020162 - 33020156

Zamalek Branch - ELMansour Mohamed.

29 El Mansour Mohamed St. - Zamalek - Cairo.
Phone: 27369711 - 27369710

Giza Branch

Sky Center Building - 28 Mourad St. - Giza.
Phone: 35736420 - 35734234

Faisal Branch

48 King Faisal St. - Giza.
Phone: 33837751 - 33832354

Galleria Branch

Unit no. A53 - Galleria 40 Mall - ELSheikh Zayed.
Phone: 37966025 -37966026

Strip Mall Branch

Unit J3 - Strip Mall - ELSheikh Zayed.
Phone: 38863248-38863249

Shobra Branch

AghaKhan Towers -Cornich ElNile - Shobra.
Phone: 24301673 - 22034464

Maadi Branch - Degla

206 St., Salah Salem - Degla El Maadi - Cairo.
Phone: 252011 - 252011704

Maadi Branch - ElNasr

ElNasr Street - El Maadi - Cairo.
Phone: 25163450 - 25163449

Nasr City Branch

Nasr Center Building - Abass El Akaad St.- Nasr City - Cairo.
Phone: 22749680 - 22722967

City Stars Branch

Unit no. 110 - CityStars Mall - Nasr City.
Phone: 24150095- 24803992- 24803993

Obour Building Branch

7 Obour Building - Salah Salem St.
Phone : 22605125 - 22605154 - 22605145

Heliopolis Branch

29 Asmaa Fahmy St. - Heliopolis.
Phone: 24141053 - 24159385

Nehru Branch

40 Nehru St. - Behind Merryland - Heliopolis.
Phone: 24527122 - 24527827

El Khalefa El Mamoun Branch

27 El Khalefa El Mamoun St. - Heliopolis
Phone : 24157003 - 24157010 -24140197

Al Tagamoa Al Khamis Branch

Concord Mall - 90thSt. - New Cairo.
Phone: 29296158 -29296173

Arena Mall

Arena Mall - AlTagamoa Al Khamis
Phone: 28133342 -28133325

Tenth of Ramadan Branch

Plot No. 1/4/D the second phase - Tenth of Ramadan city.
Phone: 055471332 -0554371355

Obour Branch

Unit No. 17/18Commercial Mall - Golf City Mall.
Phone : 44828423

Alexandria Branch

68 El Horeya Road - Alexandria.
Phone: (03) 4807451 - 4807452

Smouha Branch

107 Albert AlAwal St. - Ali Ibn AbiTaleb square
Smouha - Alexandria.

Phone: (03) 4298455 - 4298465

Port Said Branch

23rd of July & Qaitbay St., Joly Ville Building - Port Said. Phone:(066) 3327758- 3327565

Suez Branch

45/45A ELShohadaa St. - City Mall -Suez City.
Phone: (062) 3350638 - 3350637

Ismailia Branch

Green Plaza Mall - Ismailia Channel St. - Ismailia.
Phone: (064) 3914704 - 3914703

Damietta Branch

AlSayad Plaza , Cornish ElNile, Damietta.
Phone: (057) 2221035 - 2221034 - 2221023

Al Menia Branch

236 Cornish El Nile St.
Phone: (086) 2317658 - 2317657

Islamic Branches

Zamalek Islamic Branch

8 El Mansour Mohamed St. - Zamalek - Cairo.
Phone : 27352012 - 27373105

Sporting Islamic Branch

303 El Horeya Road Sporting- Alexandria.
Phone : (03) 4243462 - 4243455

Opening soon

ELMoqattam Branch.
ElHaram Branch.

Arkan Mall Branch.