aiBANK

بنك الاستثمار العربي

ARAB INVESTMENT BANK

THE FINANCIAL REPORT 2019

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The Bank's Overview

The Bank’s Overview

- 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 five hundred forty thousand in 2019, 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 MEMBERS

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

Ms. Zeinab Hany Hashem
Board Member representing the National Investment Bank

BOARD SECRETARY

Ms. Mona Ahmed Ramadan
General Secretary to the Board

Auditors' Report

AUDITORS' REPORT

Shareholders of the Arab Investment Bank
(Federal Joint-Stock Company)

Report on the financial statements

We have audited the attached financial statements of the Arab Investment Bank (Federal Joint-Stock Company), consisting of the statement of balance-sheet as at December 31, 2019 and also the income statement, statement of change in shareholders' equity and cash flow statement for the financial year ended on such date in addition to a summary of the important accounting policies and other clarifications.

Responsibility of the Management for the financial statements

These financial statements are the responsibility of the management of the Bank as the management is responsible for the preparation and the fair and clear presentation of the financial accounts in accordance with the rules of preparation and presentation of the financial statements of the banks, the principles of recognition and measurement approved by the Board of Directors of the Central Bank of Egypt on December 16, 2008 in the light of the Egyptian in force. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair and clear presentation of the financial statements that are free from material and effective misstatements whether due to fraud or error; selecting and applying suitable accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to give opinion on such financial statements in the light of our auditing. Our audit has been done according to the Egyptian auditing standards and in the light of the Egyptian laws in force. Such standards require abidance by the requirements of the professional behaviour, planning and performance of auditing to obtain a suitable confirmation that the financial statements do not contain any material errors.

Audit includes performing procedures to obtain audit evidences about the values and disclosures in the financial statements. The procedures selected will depend on the auditor's professional judgment which shall include the evaluation of the risks of important and effective falsification in the financial statements whether resulting from fraud or error. When evaluating such risks, the auditor shall take into consideration the internal control relating to the company's preparation of the financial statements and their fair and clear presentation to design the audit procedures suitable for the situations but not to give opinion on the efficiency of the internal control of the establishment. Audit also includes an assessment of the suitability of the accounting policies and the important accounting estimations prepared by the management and the soundness of presentation of the financial statements.

In our opinion, we have obtained sufficient and suitable audit evidences and that the audit is considered a suitable basis for giving our opinion on the financial statements.

Basis of Unqualified Opinion

Subject to the rules and presentation of financial statements of the banks, principles of recognition and measurement issued by the Central Bank of Egypt on December 16, 2009 as amended by the instructions issued on February 26, 2019 relating to the Expected Credit Loss in accordance with Standard IFRS9, the deficit in the loan provision amounted to 207.9 million Egyptian pounds as the Bank prepared the financial statements as from 2019 according to the requirements of applying International Financial Reporting Standard no. 9. The Central Bank of Egypt approved on April 9, 2020 of the request of the bank on amortization of deficit in provisions on 6 quarterly periods till the end of the first half of year 2021.

Unqualified Opinion

With the exception of the effect of the content on the paragraph of basis of unqualified opinion; in our opinion, the above-mentioned financial statements express fairly and clearly in all its important aspects the financial position of the Bank as at December 31, 2019, its financial performance and its cash flows for the financial year ended on such date according to the rules of preparation and presentation of the financial statements of the banks; the principles of recognition and measurement ratified by the Board of Directors of the Central Bank of Egypt on December 16, 2008 and in the light of the Egyptian Laws and regulations relating to the preparation of such financial statements.

Report on the Legal and other Organizational Requirements

We have not found any infringement by the Bank during the financial year ended on December 31, 2019 to any of the provisions of the Law of Central Bank, the Banking Sector and Money no. 88/2003.
The Bank keeps regular financial accounts including all that which is provided for in the Law and the Bank's Articles of Association to be contained therein and the financial statements have been found conformable to what is entered in such accounts.

The financial data contained in the report of the Board of Directors prepared according to the requirements of Law no. 159/1981 and its Executive Regulations are conformable to what is recorded in the Bank books as far as such information is recorded in books.

Auditors

Dr. Mohamed Abdelaziz Hegazy	Sahar Mohamed Hassan Zidan
Dr. Abdelaziz Hegazy & Partners Crowe	Central Auditing Organization
(Signed)	(Signed)

Cairo on August 19, 2020

Seal: Dr. Abdelaziz Hegazy & Partners
Crowe
Chartered Accountants & Consultants

Financial Statements

ARAB INVESTMENT BANK
FEDERAL JOINT-STOCK COMPANY
STATEMENT OF BALANCE-SHEET AS AT DECEMBER 31, 2019

	Clarification no.	December 31, 2019 In thousand Egyptian pounds	December 31, 2018 In thousand Egyptian pounds
Assets:			
Cash and balances due from the Central Bank of Egypt	(15)	1 733 167	2 919 444
Due from banks	(16)	9 023 826	9 844 889
Loans and advances to customers	(17)	7 596 705	8 014 913
Financial Investments			
Financial investments through comprehensive income	(18)	1 934 667	3 553 544
Financial investments at amortized cost	(18)	7 540 649	7 018 394
Investments in associates	(19)	250 896	239 778
Intangible assets	(20)	6 949	14 432
Other assets	(21)	1 330 928	685 139
Fixed assets	(22)	407 392	296 876
Deferred tax assets	(23)	14 121	11 559
Total assets		**29 839 300**	**32 598 968**
Liabilities and Shareholders' Equity:			
Liabilities:			
Balances due for banks	(24)	431 003	3 482 287
Customers' deposits	(25)	27 073 009	27 100 735
Other loans	(26)	206 046	232 067
Other liabilities	(27)	386 826	374 854
Other provisions	(28)	231 311	54 065
Total liabilities		**28 328 195**	**31 244 008**
Shareholders' Equity			
Paid-up capital	(29)	1 540 000	1 040 000
Reserves	(30)	257 754	313 681
Retained earnings (losses) (including net losses for the period)	(31)	(286 649)	1 279
Total Shareholders' Equity		**1 511 105**	**1 354 960**
Total liabilities and shareholders' equity		**29 839 300**	**32 598 968**

The attached clarifications from Page (5) to Page (76) are inseparable part of the financial statements and to be read therewith.

(Signed)
Head of Financial Sector

(Signed)
Omaima Omar Farahat
Board Chairman & Executive Managing Director

Auditors' report is attached.

Auditors

Dr. Mohamed Abdelaziz Hegazy
Dr. Abdelaziz Hegazy & Partners Crowe
(Signed)

Sahar Mohamed Hassan Zidan
Central Auditing Organization
(Signed)

Cairo on August 19, 2020

Seal: Dr. Abdelaziz Hegazy & Partners
Crowe
Chartered Accountants & Consultants

ARAB INVESTMENT BANK
FEDERAL JOINT-STOCK COMPANY
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31,2019

	Clarification no.	Financial year ended on December 31, 2019 In thousand Egyptian pounds	Financial year ended on December 31, 2018 In thousand Egyptian pounds
Interest from loans and similar income	(6)	3 458 202	4 265 228
Interest on deposits and similar expenses	(6)	(2 832 677)	(3 668 988)
Net interest income		625 525	596 240
Revenues from fees and commissions	(7)	206 859	263 646
Expenses of fees and commissions		(8 076)	(11 687)
Net income from fees and commissions		198 783	251 959
Profit dividends	(8)	1 162	2 208
Net trading income	(9)	30 186	35 514
Profits from financial investments	(18)	36 729	111 922
Burden of credit loss impairment	(12)	(101 267)	(78 648)
Administrative expenses	(10)	(718 066)	(762 544)
Other operation revenues (expenses)	(11)	(77 209)	(23 080)
Net profit before taxes		(4 157)	133 571
Expenses of income taxes	(13)	(172 162)	(185 942)
Net losses for the year		(176 319)	(52 371)
Loss per share in net losses for the year	(14)	(0.11)	(0.5)

ARAB INVESTMENT BANK
FEDERAL JOINT-STOCK COMPANY
OTHER COMPREHENSIVE INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31,2019

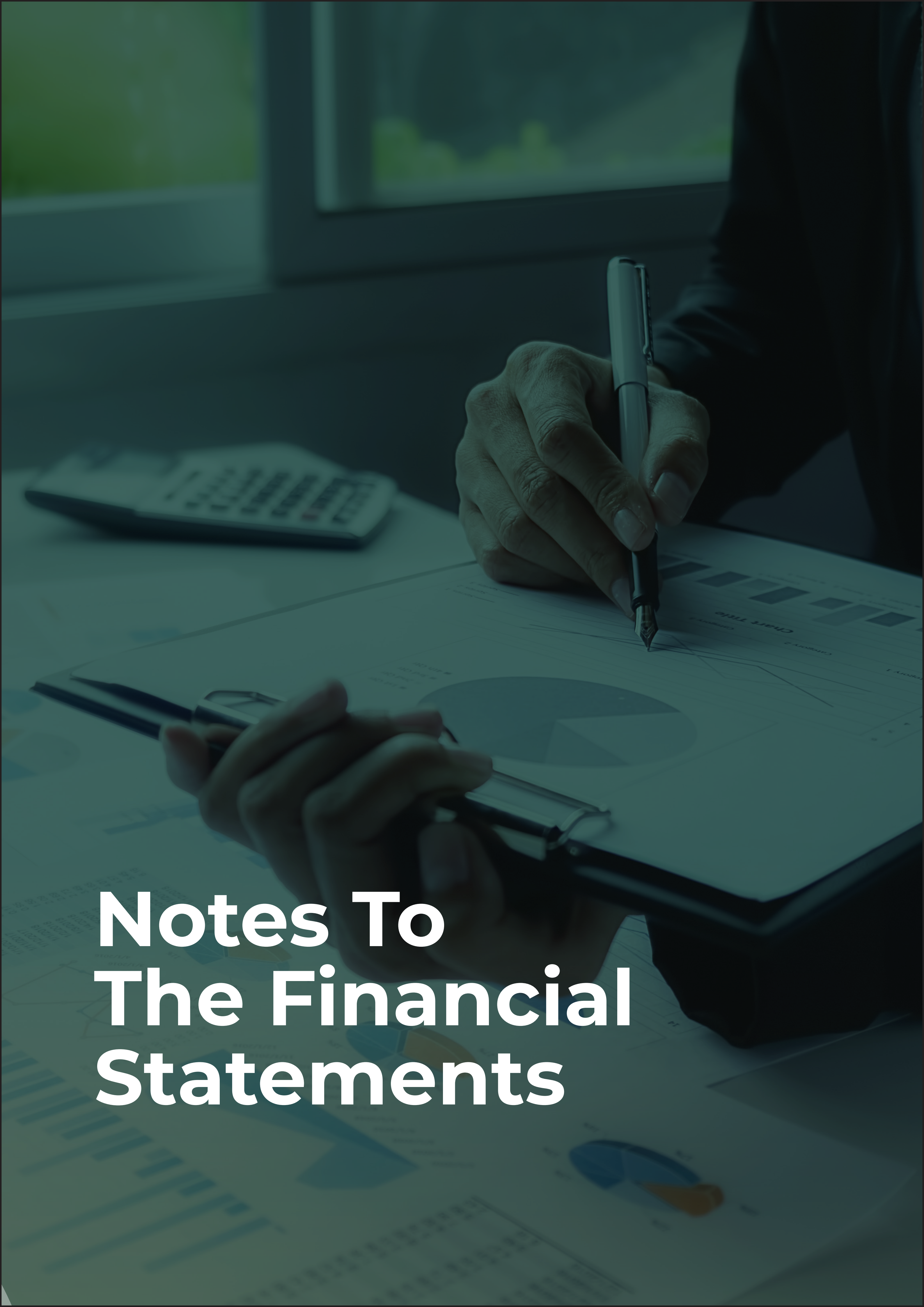
	Financial year ended on In thousand Egyptian pounds	Financial year ended December 31, 2018 In thousand Egyptian pounds
Net losses for the year	(176 319)	(52 371)
Items of Other Comprehensive Income		
Change in fair value reserve of the financial investments at the fair value through other comprehensive income	61 253	(25 905)
	(115 066)	**(78 276)**

ARAB INVESTMENT BANK
(FEDERAL JOINT-STOCK COMPANY)
STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31,2019

	Capital	Special reserve	Capital reserve	Legal reserve	General reserve	Fair value reserve of available-for-sale financial investments	Reserve of bank risks	Retained earnings	Total
Particulars	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds
Balance as at January 1, 2017	1 000 000	251	25 588	31 710	112 798	39 106	119 597	124 186	**1 453 236**
Transferred to legal reserve	-	-	-	7 705	-	-	-	(7 705)	**-**
Transferred to general reserve	-	-	-	-	5 000	-	-	(5 000)	**-**
Transferred from reserve of bank risks	-	-	-	-	-	-	(2 170)	2 170	**-**
Transferred to reserve of bank risks	-	-	-	-	-	-	-	-	**-**
Profit dividends	-	-	-	-	-	-	-	(20 000)	**(20 000)**
Transferred from retained earnings for increasing the capital	40 000	-	-	-	-	-	-	(40 000)	**-**
Net losses for the year	-	-	-	-	-	-	-	(52 371)	**(52 371)**
Net change in fair value of financial investments through comprehensive income	-	-	-	-	-	(25 905)	-	-	**(25 905)**
Transferred to capital reserve	-	-	1	-	-	-	-	(1)	**-**
Balance as at December 31, 2018	**1 040 000**	**251**	**25 589**	**39 415**	**117 798**	**13 201**	**117 427**	**1 279**	**1 354 960**
Effect of International Standards IFRS9								(231 459)	**(231 459)**
Balance as at January 1, 2019 after amendment	**1 040 000**	**251**	**25 589**	**39 415**	**117 798**	**13 201**	**117 427**	**(230 180)**	**1 123 501**
Amount settled of the capital increase	500 000	-	-	-	-	-	-	-	**500 000**
Net losses for the year	-	-	-	-	-	-	-	(176 319)	**(176 319)**
Transferred from the reserve of bank risks	-	-	-	-	-	-	(117 427)	117 427	**-**
Transferred to capital risks reserve	-	-	247	-	-	-	-	(247)	**-**
Profits from sale of financial investments through comprehensive income	-	-	-	-	-	-	-	2 670	**2 670**
Net change in fair value of available-for-sale financial investments	-	-	-	-	-	61 253	-	-	**61 253**
Balance as at December 31, 2019	**1 540 000**	**251**	**25 836**	**39 415**	**117 798**	**74 454**	**-**	**(286 649)**	**1 511 105**

ARAB INVESTMENT BANK
FEDERAL JOINT-STOCK COMPANY
CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31,2019

	Clarification no.	Financial year ended on December 31, 2019 In thousand Egyptian pounds	Financial year ended on December 31, 2018 In thousand Egyptian pounds
Cash flows from operation activities			
Net profits for the period before taxes		(4 157)	133 571
Amendments for adjusting net profits to the cash flows from operation activities			
Depreciation and amortization		66 718	46 808
Intangible assets amortization		11 638	10 937
Burden of other provisions		95 251	15 370
Gains on sale of financial investments		(6 825)	(83 716)
Undistributed profits from investments in associates		(29 904)	(30 348)
Differences from evaluating financial investments in foreign currencies		268 869	(14 890)
Amortization (discount) of available-for-sale and held-to-maturity investments premium		(31 366)	(31 550)
Reversal (Losses) of financial investments impairment		-	2 142
Reversal (Losses) of fixed assets impairment		-	397
Gains on sale of fixed assets		(274)	(1)
Gains on sale of devolved assets		-	(3 680)
Differences from evaluation of provisions in foreign currencies other than the loan provision		(2 408)	55
Operation profits before changes in assets and liabilities resulting from operation activities		367 542	45 095
Net decrease (increase) in assets			
Due from banks		3 175 525	(3 277 172)
Loans and advances		23 124	(298 872)
Other assets		(351 917)	(187 395)
Net increase (decrease) in liabilities			
Due for banks		(3 070 020)	(51 210)
Customers' deposits		(27 726)	(3 623 288)
Other liabilities		(45 373)	(249 260)
Income taxes paid		(159 819)	(197 777)
Net cash flows resulting from operation activities		**(88 664)**	**(7 839 879)**
Cash flows from investment activities			
Payments for purchasing fixed assets & preparation and furnishing of the branches		(178 339)	(119 902)
Proceeds from sale of fixed assets and preparation and furnishing of the branches		1 105	-
Payments for purchasing intangible assets		(4 631)	-425
Proceeds from sale of intangible assets		476	2 432
Proceeds from sale of financial investments other than held-for-trading financial assets		1 481 045	2 599 076
Dividends received		19 947	1 883
Payments for purchasing financial investments other than held-for-trading financial assets		(838 780)	(3 314 734)
Net cash flows used in investment activities		**480 823**	**(831 670)**
Cash flows from financing activities			
Dividends		-	(20 000)
Amount settled of capital increase		500 000	-
Other loans		11 973	45 804
Net cash flows resulting from (used in) financing activities		**511 973**	**25 804**
Net decrease in cash and cash equivalents during the year		904 132	(8 645 745)
Balance of cash and cash equivalents at start		8 069 660	16 715 405
Balance of cash and cash equivalents at end		**8 973 792**	**8 069 660**
Cash and cash equivalents is represented in the following:			
Cash and balances with the Central Bank of Egypt	(34)	1 733 167	2 919 444
Due from banks		9 005 415	9 844 889
Treasury bills		2 020 721	2 499 970
Balances with the Central Bank of Egypt within the frame of required reserve		(1 534 764)	(2 674 606)
Deposits with banks		(1 564 316)	(3 600 000)
Treasury bills- maturity more than three months		(686 431)	(920 037)
Cash and cash equivalents at end of the period/ year		**8 973 792**	**8 069 660**



Notes To The Financial Statements

ARAB INVESTMENT BANK
CLARIFICATIONS COMPLEMENTARY TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31,2019

1- General Information

Arab Investment Bank (Ex. Federal Arab Bank for Development and Investment) provides the services of corporate, retail banking and investment in the Arab Republic of Egypt through its head office located in Cairo City (8 Abdelkhalek Tharwat Street) and (31) branches; and it employs (948) employees as at the date of the statement of balance-sheet.

Arab Investment Bank (Ex. Federal Arab Bank for Development and Investment) established as investment and business bank on February 20, 1974 in accordance with the provisions of the Decree of the Presidential Council promulgated by Law no. 1/1974.

Subject to the decision of the Extraordinary General Meeting held on June 3, 2013, the name of the Bank was amended to be Arab Investment Bank instead of Federal Arab Bank for Development and Investment.

2- Summary of Accounting Policies

Hereunder is the most important accounting policies applied in the preparation of these financial statements. Such policies are applied constantly in all represented years unless otherwise is disclosed.

A- Principles of Preparation of the Financial Statements

As from January 1, 2018, the Bank applies IFRS (9)- Financial Instruments issued in July 2014 as an initial application on a trial basis during year 2018 to be applied officially as from the beginning of year 2019.

Requirements of the said standard are materially differ than the Egyptian Accounting Standard no. (26) "Financial Instruments- Recognition and Measurement", in particular what is relating to classification, measurement and disclosure of financial assets and some financial liabilities.

Hereunder is a summary of the main changes in the accounting policies of the Bank resulting from the application of the Standard:

Classification of the Financial Assets and Liabilities

- **Financial assets are classified to three main categories as follows:**
  - Financial assets measured at amortized cost
  - Financial assets at fair value through other comprehensive income statement
  - Financial assets at fair value through profit or loss

Classification of IFRS (9) depends in general on the business model of the Bank by which the financial assets and its contractual cash flows are managed; accordingly categories of the Egyptian Accounting Standard no. (26) (Held-to-maturity financial investments, loans and debts and available-for-sale financial investments).

- **Change in financial liabilities at fair value though profit or loss are represented as follows:**
  - Change in fair value relating to the change in the credit rating is recorded in the “Other comprehensive income statement”.
  - Remaining amount of change in fair value is recorded among “Net income from financial instruments at fair value through profit or loss” item in the “Profit and Loss Statement”.

Impairment of Financial Assets

“Expected Credit Losses” Model is used instead of “Recognizing Credit Losses” Model in accordance with the Egyptian Accounting Standard no. (26) upon measuring the impairment of all financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income statement in addition to some commitments of loans and financial collateral contracts.

Transitional Stage:

Changes in accounting policies resulting from applying the rules of the Central Bank of Egypt issued on January **28**, **2018**, are retroactively applied with the exception of the following:

- For Standard no. (9), numbers of comparison periods have not been changed and the difference in book value of financial assets and liabilities resulting from applying the said instructions of the Central Bank of Egypt is recognized in the statement of "Change in shareholders' equity" as at January **1 2018**; accordingly the financial statements for **2018** did not include the requirements of the new rules, hence they cannot be used for comparison in the financial statements for **2019**.
- Financial assets and liabilities are measured on the basis of facts and circumstances existing on the date of initial trial application.
- Determining the business model through which the bank keeps the financial asset.
- Classifying and cancellation of classification of some financial assets and liabilities previously classified upon the initial recognition to be measured at fair value through profit or loss.
- Classification of some investments in equity instruments not held-for-trading at fair value through other comprehensive income.
- Clarification no. **32** explains more information and details about the changes resulting from the re-classification.

B) Associates:

Associates are the corporate in which the Bank directly or indirectly has an effective influence but not controls them; usually the Bank has an ownership quota ranging from 20% to 50% of voting rights.

Purchase method is used in accounting for acquisition operations of companies by the Bank. Acquisition cost are measured at fair value or the counter-value submitted by the Bank such as assets for purchase and/or issued equity instruments and/or liabilities endured by the Bank and/or liabilities accepted on behalf of the acquired company at the date of exchange in addition to any costs attributed directly to the acquisition operation. Net assets including the identifiable probable liabilities acquired at their fair value on the acquisition date, regardless of any minority rights. Increase in acquisition cost than the fair value of the Bank's share in such net is considered a goodwill.

In case the acquisition cost is less than the fair value of the said net, the difference is directly recorded in the “Income Statement” among “Other operation revenues (expenses)”.

Financial investments in associates are valuated according to the equity method. According to such method, investment in Associates are recorded upon acquisition at cost; then the balance of investment is increased or decreased by the bank's share in change of shareholders' equity of sister company after the acquisition date; then the investment balance decreases by the value of dividends received by the Associate.

If there are objective evidences for an impairment loss in the value of investment in an Associate, the value of loss is calculated as the difference between the book value of investment and the present value of discounted expected future cash flow with current market rate of revenue and net sale value of a similar investment, whichever is higher for each single investment. The book value of the asset is directly reduced and the value of loss is recognized in the Income Statement under "financial investment profits (losses)". If in any later period, the decrease and increase in impairment loss can be subjectively linked with an event occurring after recording the impairment loss; previously recognized impairment loss can be reversed to Income Statement; the book value resulting from such cancellation should exceed the cost at the date of impairment loss cancelation even if the impairment loss has not been recognized.

C- Segment Reporting:

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

D- Translation of Foreign Currencies:

D/1 Functional and Presentation Currency

The financial statements of the Bank are represented in the Egyptian pound which is the functional and presentation currency of the Bank.

D/2 Transactions and Balances in Foreign Currencies

The Bank keeps its accounts in the Egyptian pound. The transactions in other currencies are recorded during the financial year on the basis of the prevailing exchange rates on the date of transaction. The balances of monetary assets and liabilities in other currencies are reevaluated at the end of the financial year on the basis of prevailing exchange rates on such date. Profits and losses resulting from adjustment of such transactions and the differences resulting from evaluation are recognized in the "Income Statement" among the following items:

-Net trading income or net income from financial instruments initially classified at fair value through profit or loss of assets/ liabilities held for trading or which are initially classified at fair value through profit or loss according to the type.

-Other operation revenues (expenses) regarding other items

-Changes in fair value of the financial instruments of monetary nature in foreign
currencies classified as available-for-sale investments (debt instruments) are analyzed as evaluation differences resulting from changes in the amortized cost of the instrument, differences resulting from change in prevailing exchange rates and differences resulting from change in the fair value of the instrument. Differences from valuation relating to changes in the amortized cost are recognized among "Interest from loans and similar income" in Income Statement. Differences relating to change in exchange rates are recognized among "Other operation revenues (expenses)" item. Differences from change in the fair value (fair value reserve/ available-for-sale financial investments) are recognized among "Shareholders' Equity ".

-Differences resulting from non-monetary items include profits and losses resulting from the change in fair value such as equity instruments held at fair value through profit or loss. Valuation differences resulting from equity instruments classified as available-for-sale financial investments are recognized among the "fair value reserve" in " Shareholders' equity".

E- Financial Assets:

E/1 Initial Measurement and Recognition:

The Bank initially recognizes the financial assets and liabilities in the date in which the bank became a party in the contractual terms of the financial instruments. The financial asset or liability is initially measured at the fair value. For financial asset or liability that is not subsequently measured at fair value through profit or loss, it will be measured at fair value in addition to the cost of transaction that directly attributable to the operation of acquisition or issuance.

E/2 Classification

Financial Assets- Policy Applied as from January 1, 2018

- At initial recognition, the Bank classifies the financial assets to financial assets at amortization value and financial assets at fair value through the other comprehensive income statement or at fair value through profit or losses.
- Financial assets is measured at amortized cost if the following two terms are fulfilled and that it has not been allocated by the Bank Management upon the initial recognition at the fair value through profit or loss:
  - The financial asset is kept among business model which only aims to keep the financial asset for collecting the contractual cash flows.
  - Contractual terms of the financial asset on specific dates result in cash flows which are only payments on the original amount and interest.
- Debt instrument is measured at fair value through other comprehensive income if it has not been allocated upon the initial recognition at the fair value through profit or loss and if the following two terms are fulfilled:
  - The financial asset is kept among business model which aims to collect contractual cash flows and sale of financial asset.
  - Contractual terms of the financial asset on specific dates result in cash flows which are not only payments on the original amount and interest.
- Upon initial recognition of equity instrument not held for trading, the Bank may finally select to present the subsequent changes in fair value through other comprehensive income statement, separately for each investment.
- The remaining financial assets are classified as financial investments at fair value through profit or loss.

In addition to the foregoing, at the initial recognition, the Bank may finally allocate a financial asset to be measured at fair value through profit or loss although it fulfills the terms of classification as a financial asset at amortized cost or at fair value through "Other comprehensive income" Statement in case the foregoing prevents or reduces materially the conflict that may arise in the accounting measurement.

Valuation of Business Model

Each of debt instruments and equity instruments are classified and measured as follows:

Financial Instrument	Measurement method according to the business model		
	Amortized Cost	Fair Value	
		Through other comprehensive income	Through Profit or Loss
Equity Instruments		Option for once at initial recognition, irrevocable	Ordinary transaction of equity instruments
Debt Instruments	Business model of assets held to collect contractual cash flows	Business model of assets held to collect contractuaal cash flows and sell	Business model of assets held for trading

The Banks prepares, authenticates and ratifies Business Model(s) in conformity with the requirements of IFRS (9) which reflects the Banks strategy for managing the financial assets and its cash flows according to the following:

Financial asset	Business model	Main features
Financial assets at amortized cost.	Business model of financial assets held to collect contractual cash flows.	•Purpose of business model is to hold financial assets to collect contractual cash flows representing in the original amount of investment and interests. •Sale is incidental to the purpose of this business model and under the terms of the criterion of deterioration in the credit worthiness of the issuer of the financial instrument. •Lowest sales in terns of turn over and value. •The Bank shall carry out clear and ratified authentication operation of the reasons of each sale operation and the extent of its conformability to the requirements of the criterion.
Financial assets at fair value through comprehensive income.	Business model of financial assets held to collect contractual cash flows and sell.	•Each of collecting contractual cash flows and sale complement to achieve the purpose of the model. •High sales (as from turn over and value) in comparison with the business model held to collect contractual cash flows.
Financial assets at fair value through profit or loss.	Other business models include (trading- management of financial assets on the basis of fair value- cash flow maximization through sale).	•Purpose of business model is not holding the financial asset to collect contractual cash flows or held to collect contractual cash flows and sale. •Collecting contractual cash flows is incidental to the purpose of this model. •Management of financial assets on the basis of fair value through profit or loss to avoid conflict in accounting measurement

The Bank assesses the objective of the business model in which the asset is maintained on the businesses portfolio level, it reflects the method of management and method of presenting the Management with information. Information that is taken into account when evaluating the objective of business model should include the following:

- Ratified documented policies, objectives of the portfolio and the implementation of such policies in the practice, in particular if the management strategy focuses only on the collection of the contractual cash flows of the asset and keeping a specific rate of return for facing the maturity dates of the financial assets with the maturity dates of the liabilities which finance such assets or generate cash flows through the sale of such assets.
- How to assess the portfolio performance and submitting a report to the key management personnel.
- Risks that may affect the performance of business model including the nature of financial assets kept among the said model and the manner in which such risks are managed.
- How to assess the performance of business managers (fair value, portfolio income or both of them).
- Turn over, value and timing of transactions of sales in prior periods, the reasons of such transactions, expectations regarding future selling activities; however, information on sale activities should not be taken into consideration separately but as a part of a comprehsmnvie assessment of how the objective of the Bank to manage the financial assets and how to generate cash flows is achieved.
- Financial assets held for trading or managed and their performance is assessed on the basis of fair value will be measured at fair value through profit or loss as they are not held to collect contractual cash flows or held to collect contractual cash flows and selling the financial assets.

Assessing whether the contractual cash flows of the asset which are only payments on the original amount of the instrument and interest or not

For the purpose of assessment, the Bank defines the original amount of the financial instrument as the fair value of the financial asset at initial recognition. The "Interest" is the time value of money, credit risks associated with the original amount outstanding during a particular period of time, other basic lending risks and costs (such as liquidity risk and administrative costs) in addition to the profit margin.

For assessing whether the contractual cash flows of the asset which are payments that are limited only to the original amount and interest; the Bank takes the contractual terms of the instrument into consideration. Such assessment includes whether the financial asset includes contractual terms that may change the timing or amount of contractual cash flows which make them not meeting that requirement.

The Bank shall take the following into account upon assessment:

- Probable events that may change amount and timing of cash flows.
- Leverage characteristics (rate of return, maturity, currency type, …)
- Terms of accelerated payment and term of extension
- Terms that may limit the bank's ability to claim cash flows from certain assets.

Characteristics that may amend the time value of money (resetting the interest rate periodically)

Financial Liabilities- Policy Applied as from January 1, 2018

- At initial recognition, the Bank classifies the financial liabilities to financial liabilities at amortized value and financial liabilities at fair value through profit or loss according to the purpose of the Bank's business model.
- All financial liabilities are initially recognized at fair value on the date in which the bank became a party in the contractual terms of the financial instrument.
- Classified financial liabilities are subsequently measured at amortized cost and by using the actual yield method.
- Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Change in fair value attributable to change in the credit rating of the Bank in the "other comprehensive income" statement, while the remaining amount of change in fair value will be recorded in the "profit and loss" Statement.

Reclassification

- Financial assets are not reclassified after initial recognition except only if the Bank changes the business model concerning the management of such assets.
- In all cases, there is no reclassification between the items of financial liabilities at fair value through profit or loss and the financial liabilities at amortized cost.

E/3- Disposal

1- Financial Assets

- Financial asset is disposed when the contractual right to receive cash flows had expired or when the Bank had transferred the right to receiving contractual cash flows in a transaction by virtue of which the risks and benefits relating the ownership to another party.
- When a financial asset is disposed, the difference between the book value of the asset (or book value allocated for the excluded part of the asset) and the total of each of received counter value (including any acquired new asset minus any new incurred liability) are recognized in the "Profit and Loss Statement"; any cumulative profits or losses previously recognized among the fair value reserve of financial investments at fair value through "Other comprehensive income" Statement.
- As from January 1, 2018, any cumulative profits or losses recognized in "Other comprehensive income statement" attributable to investment in equity instruments allocated as investments at fair value through "other comprehensive income" statement shall not be recognized in the profits and loss upon excluding such asset as the differences concerning it will be directly transferred to the "Retained Earnings" Item. Any share originated or kept of the qualifying asset for disposal (fulfilling the terms of disposal) will be recognized as a separate asset or liability.
- When the bank enters into transactions by virtue of which it transfers assets previously recognized in the financial position statement but it keeps substantially all or most of risks and benefits attributable to the transferred asset or part of it; in such cases the transferred asset shall not be disposed.
- For the transactions in which the bank does not keep or transfer substantially all risks and benefits attributable to the ownership of the asset and keeps the control on the asset, the bank will recognize the asset within the limit of its ongoing commitment to the financial asset which is determined by the extent of exposure of the Bank to changes in the value of transferred asset.
- In some transactions the Bank keeps the servicing liability of the transferred asset against a commission; then the transferred asset will be disposed in case it fulfills the terms of disposal. Service contract asset or liability is recognized in case the commission is higher than the appropriate amount (asset) or less than the appropriate amount (liability) for providing the service.

2- Financial Liabilities:

The Bank disposes the financial liabilities when no longer is used or cancellation or expiration of its contractual term.

E/4- Modifications to the Financial Assets and Liabilities

1- Fixed Assets

- In case of modifying the terms of a financial asset, the Bank assesses whether the cash flows of the amended assets is substantially different or not. In case the cash flows is substantially different, the contractual rights of the cash flows of the original financial assets will be terminated and accordingly the original financial asset will be disposed; the new financial asset will be recognized at the fair value; and the value resulting from amending the total book value will be recognized as profits and losses among the "Profit and Loss Statement". In case such modification occurred due to borrower's financial difficulties; the profits will be deferred and will be presented together with the accumulated impairment loss; however the losses will be recognized in "Profit and Loss Statement".
- If the cash flows of the amended asset are recognized at amortized cost are not substantially different, the modification shall not lead to the disposal of the financial asset.

Policy applied before January 1, 2018

In case of modifying the terms of a financial asset due to borrower's financial difficulties and the asset is not disposed; hence the impairment of the asset will be measured by using the interest rate before modification.

2- Financial Liabilities

The Bank amends the financial liability when its terms are amended and the cash flows of the amended liability are substantially different; in such case a new financial liability is recognized according to the amended terms at fair value. Difference between the book value of the old financial liability and the new financial liability under the amended terms is recognized among "Profit and Loss Statement".

Offsetting between financial Assets and Liabilities:

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

Revenues and expenses are only offset if it is permitted by the amended Egyptian accounting criteria or the result of profits or losses for similar groups as a result of trading activity or result of differences from translation of balancers of monetary assets and liabilities in foreign currency or results of profits (losses) from transaction in foreign currency.

F- Measurement of Fair Value

Policy Applied as from January 1, 2018

- The Bank defines the fair value on the basis that it is the price that will be obtained for the sale of asset or that will be settled to transfer the liability in a transaction organized between the market participants on the date of measurement; taking into account the characteristics of the asset of liability upon measuring the fair value in case the market participants would take into account such characteristics when pricing the asset and/or liability on the date of measurement as such characteristics include the condition and location of the asset and the restrictions on the sale or use of the asset and the viewpoint of the market participants.
- The Bank uses the market approach to determine the fair value of the financial assets and liabilities as the said approach uses the related prices and other information resulting from transactions at the market includes assets or liabilities or set of comparable assets and liabilities. Accordingly the Bank uses assessment methods in conformity with the market approach such as derive market multiples from comparable sets; which requires selecting the suitable multiple within the frame and using the personal judgment, taking into account the qualitative and quantitative factors of measurement.
- When the market input is unreliable to determine the fair value of a financial asset or liability, the Bank uses the income approach to determine the fair value as by virtue of which future amounts such as cash flows or income or expenses are converted to a current amount (discounted) in order that the measurement of fair value reflects the present market expectations of future amounts.
- When the market input or income approach are unreliable to determine the fair value of a financial asset or liability, the Bank uses the cost approach to determine the fair value as it reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost), so that the fair value reflects the cost incurred by the market participant buyer to acquire a substitute asset of comparable utility; that is because a market participant buyer would not pay more for an asset than the amount for which it could replace the service capacity of that asset.

Valuation techniques used to determine the fair value of financial instrument includes:

- Quoted prices in active markets for similar assets or liabilities.
- Interest rate swap contracts by calculating the current value of expected future cash flows according to the observable yield curves.
- Fair value of currency futures contracts by using the present value of expected cash flow by using the future exchange rate of the currency subject-matter of contract.
- Discounted cash flow analysis to determine the fair value of other financial instruments.

Policy Applied before January 1, 2018

The fair value of quoted investments in active markets is based on current bid prices. If there is no active market for a financial asset or if the current bid prices are not available, the Bank determines the fair value by using one of the valuation techniques. These techniques include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, if the Bank could not assess the fair value of the equity instruments classified as available for sale, these instruments should be valued at cost after deducting any impairment losses.

G-Financial Derivatives Instruments and Hedge Accounting

Derivatives are initially recognized at fair value on the date of concluding a derivative contract and are subsequently re-measured at their fair value. Fair value is obtained from quoted market prices in active markets, or recent market transactions, or valuation techniques such as discounted cash flow models and options pricing models, as the case may be.

All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Embedded derivative contracts are not separated if the derivative is related to a financial asset; accordingly the embedded derivative contract entirely will be classified with the related financial asset.

Recognition method of profits and losses resulting from change in the fair value depends on if the derivative is designated as being hedging instrument and the nature of the hedged item. The Bank designated some derivatives as follows:

- Hedges of fair value risks for recognized assets and liabilities or confirmed commitments (fair value hedging).
- Hedges of highly expected future cash flow risks attributable to a recognized asset or liability or attributable to an expected transaction (cash flow hedging).
- Hedges of net investment in foreign transactions (net investment hedging).

Hedge accounting is used for derivatives designated for this purpose if the required conditions are fulfilled.

At inception of the transaction, the Bank documents the relationship between the hedged items and the hedging instruments, the risk management objectives and the strategy in undertaking different hedge transactions. At inception of the hedge, the Bank continually documents an estimate if the derivatives used in hedging transactions are effective against changes in the fair value or the cash flows of the hedged item.

G/1 - Fair Value Hedging

Changes in fair value of qualified designated derivatives for fair value hedges are recognized in the "Profit & Loss Statement" with any changes in fair value attributable to the hedged asset or liability risk.

Impact of effective changes in the fair value of the interest rate swap contracts and the hedged items relating thereto is recognized in "Net interest income" Item. Impact of effective changes in the fair value of the currency future contracts is charged to "Net gain from financial instruments at fair value through profit or loss" Item.

Effect of ineffectiveness in all contracts and hedged items relating thereto as mentioned in the preceding paragraph are recognized in "Net gain from financial investments at fair value through profit or loss" Item.

If hedge is no longer fulfills the conditions of the hedge accounting, modification introduced to the book value of the hedged item subject to accounting by the amortized cost method will be amortized by charging it to the profits and losses throughout the period to maturity. Modifications introduced to the book value of the hedged equity instrument will remain recognized among "Hedged shareholders' equity" till exclusion.

G/2 Cash Flows Hedging:

- The effective part of changes in fair value of qualified designated derivatives for cash flow hedges are recognized in the "Other comprehensive income" Statement. Gains and losses relating to the ineffective part are immediately recognized in the "Profit and Loss Statement" among the item of "Net gain from financial instruments at fair value through profit or loss".
- Accumulated amounts in "Other comprehensive income" statement are carried forward to "Profit & Loss Statement" at the same periods in which the hedged item has an impact on the gains and losses. Gains and losses relating to the effective part such as currency exchanges and options are charged to "Net gain from financial instruments at fair value through profit or loss". If the hedging instrument is due or sold or if hedging is no longer fulfills the conditions of hedge accounting; the gains and losses accumulated in "Other comprehensive income" Statement at that time will remain among items of "Other comprehensive income"; they will be recognized in "Profit & Loss Statement" when the expected transaction is finally recognized. If the predicted transaction is no longer expected to occur, then the gains and losses accumulated in "Other comprehensive income" will be carried forward immediately to the "Profit & Loss Statement".

G/3- Net Investment Hedge

The gains or losses ensuing of the hedge instrument pertaining to the effective part thereof is recognized among "Other comprehensive income" Statement, while those pertaining to the ineffective part are immediately recognized in the "Profit & Loss Statement". The gains or losses accumulated under "Other comprehensive income" Statement are later carried forward to the "Profit & Loss Statement" upon writing off foreign transactions.

G/4 Derivatives Not Qualifying for Hedge Accounting

Changes in the fair value of the derivatives not qualifying for hedge accounting are recognized in the "Profits and Loss Statement" among "Net Gain from Financial Instruments at Fair Value through Profit or Loss". The gains and losses resulting from the changes in the fair value of the derivatives managed in relation to the financial assets and liabilities at fair value through profit or loss are recognized in the "Profit and Loss Statement" among "Net Gain from Financial Instruments at Fair Value through Profit or Loss".

C- Embedded Derivatives

Policy Applied as from January 1, 2018

Embedded derivatives are defined when derivatives are included in other contractual arrangement (original contract); the Bank considers embedded derivative as a stand- alone derivative in the following cases:

- The original contract does not represent an asset within the frame of IFRS (9)- Financial Instruments.
- When measuring the same original contract by another technique other than the fair value through profit or loss.
- When the embedded derivative fulfills the conditions of “Derivatives” if it is estimated as stand-alone instrument.
- Different economic characteristics and risks of the embedded derivatives than the characteristics and risks relating to the original contract.

Separated embedded derivatives are measured at fair value. Changes in the fair value are recognized among “Profits & Losses” unless there is a part of a qualifying arrangement for accounting as a cash flow hedge or net investment hedge. Separated embedded derivatives are recorded among the Statement of Financial Position together with the original contract.

Policy Applied before January 1, 2018

Embedded derivatives are defined when derivatives are included in other contractual arrangement (original contract); the Bank considers embedded derivative as a stand- alone derivative in the following cases:

- When measuring the same original contract by another technique other than the fair value through profit or loss.
- When the conditions of embedded derivative fulfills the conditions of “Derivatives” if it is estimated as stand-alone instrument
- Different economic characteristics and risks of the embedded derivatives than the characteristics and risks relating to the original contract.

Separated embedded derivatives are measured at fair value. Changes in the fair value are recognized among “Profits & Losses” unless there is a part of a qualifying arrangement for accounting as a cash flow hedge or net investment hedge. Separated embedded derivatives are recorded among the Statement of Financial Position together with the original contract.

The “Effective Interest Method” is a method for calculating the amortized cost of a financial asset or liability and the distribution of the interest income or expense over the related instrument lifetime. The effective interest rate is the one used to discount the future cash flows expected to be settled or collected during the expected lifetime of the financial instrument or a shorter time limit if appropriate, in order to reach accurately the book value of the financial asset or liability. Upon calculating the effective interest rate, the Bank assesses the cash flows, taking into consideration all terms of the financial instrument contract (such as the early payment options), without taking into consideration the future credit losses. The method of calculation comprises all paid up or received amounts between the contracting parties, which are considered a part of the effective interest rate, as well as the transaction cost, including any premiums or discounts.

Upon classifying the loans and debts as impaired (third phase), the interest income will not be recognized and will be recorded off balance sheet and recognized as revenues based on cash basis according to the following:

- When collected and after recovery of all arrears for consumer loans, mortgage loans for personal housing and small loans for economic activities.

As for the rescheduled loans granted to corporate, the cash basis shall also be adopted, as the interest income that is subsequently calculated according to the terms of scheduling contract, they are recognized when 25% of the loan installments are paid with a regular performing period; then the calculated interest income of the outstanding loan balance shall be recorded in revenues (interest income from regular scheduling balance) without the interest in suspense before scheduling that is not recorded in revenues unless the entire loan balance is paid in full in the statement of financial position prior to scheduling (interest in suspense before scheduling).

H- Interest Income & Expense

Interest income and expense is recognized in “Profit & Loss Statement” among “Interest from loans and similar income” or “Interest on deposits and similar expenses” using the effective interest method for all interest-bearing financial instruments with the exception of those classified “For Trading” or initially classified at fair value through profit or loss.

The “Effective Interest Method” is a method for calculating the amortized cost of a financial asset or liability and of distributing of the interest income or interest expense over the expected lifetime of the related instrument. The effective interest rate is the one used to discount the future cash flows expected to be settled or collected during the expected lifetime of the financial instrument or a shorter time limit if appropriate, in order to reach accurately the book value of the financial asset or liability. Upon calculating the effective interest rate, the Bank assesses the cash flows, taking into consideration all terms of the financial instrument contract (such as the early payment options), without taking into consideration the future credit losses. The method of calculation comprises all paid up or received amounts between the contracting parties, which are considered a part of the effective interest rate, as well as the transaction cost, including any premiums or discounts.

When classifying the loans or debts as nonperforming or impaired, as the case may be, their interest income will not be recognized and will be recorded in marginal registers off balance sheet and recognized as revenues based on cash basis according to the following:

- When collected and after recovery of all arrears for consumer loans,mortgage loans for personal housing and small loans for economic activities.
- As for the loans granted to corporate, the cash basis of accounting is to be applied also where the interest income that is subsequently calculated according to the terms of the loan scheduling contract, they are recognized when 25% of the loan installments are paid with a regular performing period of at least one year. In case the customer keeps paying the installments on regular performing basis, the calculated interest income of the outstanding loans balance shall be recorded in revenues (interest income from regular scheduling balance) without the interest in suspense before scheduling that is not recorded in revenues unless the entire loan balance is paid in full in the Statement of Financial Position before scheduling.

I- Fees & Commissions Income

Fees related to loan or advance are recognized among Revenues when the service is rendered. Fees and commission income related to nonperforming or impaired loans or debts is suspended, and are reported in marginal registers off balance sheet and are recognized under Revenues according to the cash basis when interest income is recognized. As for fees which represent a complementary part of the financial asset effective rate they are recognized as adjustment to the effective interest rate.

Commitment fees of loans are deferred when there is probability that these loans will be used by the customer, as commitment fees represent compensation for the continuing interference to acquire the financial instrument. Subsequently, they are recognized as adjustments to the effective interest rate of the loan. If the commitment period passes without issuing the loan by the Bank, commitment fees are recognized as Revenues at the end of the commitment period.

Fees related to debt instruments measured at fair value are recognized as Revenues at initial recognition. Fees related to marketing of syndicated loan are recognized as Revenues when the marketing is completed, and the Bank did not keep any share of the syndicated loan, or kept a share of effective interest rate that is available for the other participants.

Fees and commissions arising from negotiation or participating in a negotiation in favor of a third party as in share acquisition arrangements, purchase of other financial instruments or purchase or sale of entities are recognized in the profit and loss statement when the defined transaction is completed. Fees related to administrative consultations and other services are recognized usually on a time-appropriation basis over the period of rendering the service. The fees of financial planning and custody services provided over long periods of time are recognized over the period in which the service is provided.

J- Dividend Income:

Dividends are recognized in “Profit and Loss Statement” when the right to receive them is established.

K- “Purchase & Resale”/ “Sale & Repurchase” Agreements

The financial instruments sold by virtue of repurchase agreements are reported in the statement of financial position among assets, credited to the balances of (treasury bills and other government notes). The liability (purchase and resale agreements) is reported as debited from the balances of treasury bills and other government notes in the statement of financial position. The difference between the sale and repurchase prices is recognized as income throughout the period of agreements by using the effective interest rate method.

L- Impairment of Financial Assets:

Policy Applied as from January 1, 2018

Recognizing the impairment losses for expected credit losses of the following financial instruments that have not been measured at fair value through profit or loss as follows:

1- Financial assets representing debt instruments

2- Due debts

3- Financial collateral contracts

4- Commitment of loans and similar debt instruments commitments

- No impairment losses of investments in equity instruments are recorded.

Debt instruments relating to retail banking products and Micro and Small Enterprises

- The bank collects debt instruments relating to retail banking products and micro and small enterprises on the basis of groups with similar credit risks based on the type of banking product.
- The Bank classifies debt instruments inside retail banking product or micro and small enterprises group to three stages according to the following quantitative and qualitative criteria:

Classification of financial instruments	Stage 1		Stage 2		Stage 3	
	Main determinant (quantitative criteria)	Additional determinant (qualitative criteria)	Main determinant (quantitative criteria)	Additional determinant (qualitative criteria)	Main determinant (quantitative criteria)	Additional determinant (qualitative criteria)
Low credit risk financial instruments	No arrears	Within the frame of acceptable risks				
Financial instruments with a significant increase in credit risks			Delay within 30 days as from the maturity date of contractual installments	In case the borrower encounters one or more of the following events: - The borrower requests to change short-term payment to long -term payment as a result of negative effects related to the cash flows of the borrower - The Bank cancels one of the direct advances due to increasing the credit risks of the borrower - Extending the grace period of payment upon a request provided by the borrower. - Previous reiterated arrears within the last [12] month - Adverse future economic changes which affects the borrower's future cash flows.		
Impaired Financial Instruments					When the borrower fails to settle his contractual installments for more than 90 days	None

Debt Instruments relating to the Medium-Sized Enterprises and Corporate

- The bank collects debt instruments relating to medium-sized corporate and enterprises on the basis of groups with similar credit risks on the basis of (ORR).
- The bank classifies the customers inside each group into three stages according to the following quantitative and qualitative criteria:

Classification of financial instruments	Stage 1		Stage 2		Stage 3	
	Main determinant (quantitative criteria)	Additional determinant (qualitative criteria)	Main determinant (quantitative criteria)	Additional determinant (qualitative criteria)	Main determinant (quantitative criteria)	Additional determinant (qualitative criteria)
Low credit risk financial instruments	No arrears	Within the frame of acceptable risks				
Financial impressments with a significant increase in credit risks			Delay within 60 days as from the maturity date of contractual installments	If the borrower is on the watch list and/or the instrument meets one or more of the following events: - Significant increase of interest of the financial asset as a result of increase in credit risk. - Significant adverse changes in business activity, financial and/or economic conditions in which the borrower operates. -Request of rescheduling. - Significant adverse change in actual or expected operating results or cash flows of the borrower. -Adverse future economic changes which affects the borrower's future cash flows. - Early signs of cash flow/ liquidity problems such as delay in servicing of creditors/ trade loan. - Cancellation of one of the direct facilities on the part of the Bank due to an increase in credit risk of the borrower.		
Impaired Financial Instruments					When the borrower fails to settle his contractual installments for more than 90 days	In case the borrower fails to fulfill one or more of the following criteria which indicates that the Borrower faces significant financial difficulty: -Death or disability of the borrower -Financial insolvency encountered by the Borrower -Initiate scheduling as a result of the borrower's deterioration in the credit worthiness -Violation of the financial undertakings -Disappearance of the active market for the financial asset or one of the financial instruments of the borrower due to financial difficulties -Granting privileges to the lenders due to financial insolvency encountered by the borrower which may not be given normal circumstances -In case the borrower may enter the stage of bankruptcy or re-structuring due to financial difficulties -In case of purchasing the borrower's financial assets with a big discount which reflects the incurred credit losses.

The financial assets established or acquired by the Bank and include a higher rate of credit risk than the rates of the Bank for low risk financial assets at initial recognition, shall be directly classified in the second stage.

Measurement of Expected Credit Losses:

- The Bank assesses the debt instrument portfolios on quarterly bases at the level of the portfolio for all financial assets of individuals, corporate and small, medium and micro enterprises and periodically for the financial assets of the corporate classified among the watch list for monitoring the credit risk relating, thereto. Such assessment shall carry also at the level of the counterparty periodically. Criteria used to determine the significant increase in the credit risk are periodically reviewed and controlled by the Credit Risk Department.
- On the date of financial statements, the Bank assesses the impairment loss provision of the financial instrument in a value equal to the expected credit losses throughout the lifetime of the financial instruments excepting for the following cases as their impairment loss provision is estimated in a value equal to 12-month expected credit losses:

1. Debt instrument that has low credit risks at the date of financial statements (debt instruments of Stage 1).
2. Other financial instruments that have not had a significant increase- on the date of reporting- in credit risks since initial recognition (debt instruments of Stage 1).

- The Bank considers the expected credit losses are a probability-weighted estimate of expected credit losses, measured as follows:
- Expected credit losses of financial assets of Stage 1 are measured on the basis of the present value of total cash deficit calculated on the basis of historical probability of default rates adjusted by the expectations of the average of macroeconomic indicators scenarios for the following 12 months multiplied by default value; taking into account weighting of expected redemption rates upon calculating the loss rate for every group of debt instruments with similar credit risks. As expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due. 12-month expected credit loss is considered a part of the expected credit losses throughout the lifetime of the asset that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
- Expected credit loss of the financial assets of Stage 2 are measured on the basis of the present value of total cash deficit calculated on the basis of historical probability of default rates adjusted by the expectations of the average of macroeconomic indicators scenarios throughout the lifetime of the financial assets multiplied by default value; taking into account weighting of expected redemption rates upon calculating the loss rate for every group of debt instruments with similar credit risks.
- Credit-impaired financial assets at the reporting date are measured by the difference between total book value of the asset and the current value of expected future cash flows.

- When calculating the loss rates, the Bank considers the expected redemption rates from the current value of expected cash flows whether from cash and in-kind collaterals or historical or expected future payment rates, as follows:

- For debt instruments classified in Stage 1, only cash collaterals and the like represented in cash and other financial instruments that can be easily converted into cash within a short time (3 months or less) and without any change (loss) in their value as a result of credit risks after deducting 10% for unexpected circumstances, will be taken into consideration.

- For debt instruments classified in each of Stage 2 and Stage 3, only the collaterals subject to the rules issued by the Central Bank of Egypt on May 24, 2005 on the determination of the customers' creditworthiness and formation of provisions will be considered. The value of such collaterals is calculated according to the rules of preparation and presentation of the financial statements of the banks and the principles of recognition and measurement issued by the Central Bank of Egypt on December 16, 2008 after deducting 10% and 20% for the cash collaterals and the current value of future cash flows of in-kind collaterals, respectively.

- For debt instruments kept with banks working outside Egypt, probability of default rates are determined on the basis of creditworthiness of the headquarters of the Bank working outside Egypt provided that it shall not exceed the credit rating of the Country of the headquarters subject to the instructions of the Central Bank of Egypt on the Country Risk; the loss rate is calculated at 45%.

- For debt instruments kept with banks working in Egypt, probability of default rates are determined on the basis of classification of the bank by the foreign international classification agencies. The branches of the Egyptian banks abroad are dealt as the headquarters. Branches of the foreign banks working in Egypt are dealt as their headquarters. The loss rate is calculated at 45%.

- For debt instruments issued by authorities other than the banks, probability of default rates are calculated on the basis of the classification of the authority issuing the financial instrument by the foreign international classification agencies provided that it shall not exceed the creditworthiness classification of the country of the issuing authority in case of foreign authorities; the loss rate is calculated at 45%.

- Impairment provision of financial assets recognized in the statement of financial position is deducting from the value of same financial assets when presenting the statement of financial position. Impairment provision relating to loan commitments, financial collateral contracts and contingent liabilities is recognized in the "Other provisions" item in the liabilities of the financial position.

- For financial collateral contracts, the Bank assessed the expected credit loss on the basis of the difference between the payments expected to be paid to the holder of collateral minus any other amounts that the banks expects to be recovered.

Upgrading from the Second Stage to the First Stage:

The Bank does not upgrade the financial asset from the Second Stage to the First Stage unless all quantitative and qualitative elements of the First Stage have been fulfilled and that the entire proceeds from the financial asset are equal or exceed the entire value of installments due for the financial asset- if any- and the accrued returns and the lapse of three consecutive months of fulfilling the conditions.

Upgrading from the Third Stage to the Second Stage:

The Bank does not transfer the financial asset from the Third Stage to the Second Stage- including scheduling operations- except after fulfilling all the following conditions:

1. Fulfilling all quantitative and qualitative elements of the Second Stage
2. Payment of 25% of the due balances of financial asset including the interests in suspense, as the case may be.
3. Regular payment of the original amount and its due balances for a period of 12 consecutive months at least.

Period of recognition of the financial asset among the last category of the Second Stage:

The period of recognition (classification) of the financial asset in the last category of the Second Stage shall not exceed the period of nine months as from its transfer to such stage.

Restructured Financial Assets:

In case of renegotiation of terms of a financial assets or their modifications or replacing a new financial assets instead of a current financial asset due to the borrower's insolvency, an assessment shall be performed to decide if it is necessary to exclude the financial asset from the books or not; the expected credit losses are measured as follows:

- If the re-structure does not lead to excluding the current asset, the expected cash flows resulting from the amended financial asset will be used when calculating the cash deficit in the current asset. Expected credit losses will be calculated on the basis of the lifetime of the instrument.
- If the re-structure leads to excluding the current asset; the expected fair value of the new asset will be treated as final cash flows from the current financial asset upon disposal. The said value will be used for calculating the cash deficit from the current financial asset deducted from the expected date for excluding the asset till the reporting date by using the original effective interest rate of the current financial assets.

Presentation of the expected credit loss provisions in the statement of financial position:

Expected credit loss provision is represented in the statement of financial position as follows:

- Financial assets measured at amortized cost as a deduction from total book value of assets.
- Loan commitments and financial collateral contracts in general as a provision.
- When the financial instrument includes each of used and unused allowed limit of such instrument and in case the Bank is not able to determine the expected credit losses of the unused part separately, hence the Bank represents the loss provision of both used and unused parts and the said amount will be presented as debited from the total book value of the used part; any increase in the loss provision is added to the total amount used as provision of the unused part.
- For debt instruments at fair value through other comprehensive income, no impairment provision is recoded in the statement of financial position as the book value of such assets is their fair value; impairment provision is disclosed and recognized in the fair value reserve.

Writing Off Debts

Debts are written off (partially or totally) when there is no realistic probability to recover such debts. In general, The Bank decides if the borrower owns assets or resources or income resources that may generate cash flows sufficient to settle the debts that will be written off or not, however the written off financial assets may be subject to watching in the light of the procedures taken by the Bank to recover the due amounts. Debts previously written off are deducting from impairment provision account whether a provision has been formed for them or not. Any proceeds from loans previously written off shall be credited to the impairment provision.

Accounting effects resulting from applying IFRS (9) "Financial Instruments" in the light of the instructions issued by the Central Bank of Egypt on January 28, 2020.

At the beginning of the period of trial application (1/1/2008); in case the impairment provisions calculated in accordance with the requirements of IFRS (9) increases than the provisions calculated in accordance with the present instructions in force, the debt differences is recorded in an independent item "Differences from applying IFRS (9)- Financial Instruments" in the Shareholders' Equity at the beginning of period of implementation. In case the impairment provisions calculated in accordance with the requirements of IFRS (9) "Financial Instruments" are less than the provisions calculated in accordance with the said instructions; differences will be recognized in "Special Reserve- Credit" Item in Equity Statement.

M- Investment Property

Investment property is represented in lands and buildings owned by the Bank for obtaining rental income or capital increase and subsequently it does not include the real estate assets in which the Bank practices its business activity or the assets ownership reverted to the Bank in settlement of debts. The accounting of the investment property is implemented in the same manner applied to the accounting of the fixed assets.

N- Intangible Assets

N/A Computer Software

The expenses related to the development or maintenance of computer software are recognized as an expense charged to profit and loss statement when incurred and it is recognized as an intangible asset with respect to the expenses directly related to specific software under the control of the Bank when it is expected to generate economic benefits thereof that exceeds its cost for more than one year.

The direct expenses include the cost of employees working in the software development team in addition to a reasonable share of the general expenses relevant thereto.

The expenses that lead to the increase or expansion or the performance of the computer software when compared with the original specifications thereof is recognized as development cost and it is added to the original software cost.

The computer software cost recognized as an asset is amortized over the period expected to benefit from them provided that they shall not exceed three years.

N/B Other Intangible Assets:

Represented in the intangible assets other than goodwill and computer software (as an example and not by way of limitation: trademarks, licenses and rental contract benefits).

Other intangible assets are recorded at the acquisition cost and are amortized by straight line method or on the basis of the economic benefits expected from them throughout their estimated useful life. Assets with no specific useful life shall not be amortized; provided that the impairment in their value is reviewed annually. The value of impairment (if any) is charged to the Profit and Loss Statement.

O- Fixed Assets:

They represent land and buildings related to head office, branches and offices. All fixed assets are reported at historical cost less depreciation and impairment losses. The historical cost includes all costs directly related to the acquisition of fixed assets items.

Subsequent costs are recognized among the book value of the existing asset or as a separate asset- as may be deemed appropriate- only when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be reliably measured. Maintenance and repair expenses are charged to "other operating expenses" during the period in which they are incurred.

Lands are not depreciated. Depreciation of fixed asset is calculated by using the straight-line method to allocate their cost until it reaches the residual value over their estimated useful lives, as follows:

• Buildings and constructions	20 years
• Office furniture and safes	10 years
• Tools and equipment	8 years
• Means of transportation	5 years
• Computer hardware/ integrated automated systems	5 years
• Fixtures and fittings	3 years

The residual values and useful lives of the fixed assets are reviewed at the date of each financial position, and adjusted if appropriate.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the book value may not be recoverable. The book value of the asset is reduced immediately to its redemption value if the book value is greater than its redemption value.

The redemption value is represented in the net selling value of the asset or the use value of the asset whichever is higher. Gains or losses on disposals are determined by comparing the net proceeds to the book value. These gains (losses) are included in "Other operating income (expenses)" Item in the Profit and Loss Statement.

P- Impairment of Nonfinancial Assets

The assets that have no specific useful life are not depreciated and their impairment is examined on annual basis. The impairment of assets that had been depreciated are to be considered whenever there are events or changes in the circumstances indicate that the book value may not be redeemable. The impairment loss is to be recognized and the asset value shall be reduced with the amount by which the book value of the asset has been increased above the redeemable value. The redeemable value is represented in the net selling value of the asset or the use value of the asset, whichever is higher. For assessing the impairment, the asset is to be attached to the smallest possible cash generating unit. The nonfinancial assets that have impairment are to be reviewed to examine whether there is reverse of impairment to the Profit and Loss Statement or not on the date of preparing every financial statement.

Q- Lease

The payments settled on the account of operating lease less any discounts obtained from the lessor under the item of expenses are recognized in the Profit and Loss Statement based on the straight line method throughout the contractual duration.

R- Cash & Cash Equivalents

For the purposes of preparing the cash flow statement, cash and cash equivalents include balances due within three months from date of acquisition. Cash and cash equivalents include balances due from the Central Bank of Egypt other than the mandatory reserve, balances due from banks, treasury bills and other government notes.

S- Other Provisions

Provisions for restructuring costs and legal claims are recognized when there is a present legal or constructive obligation as a result of past events and it is probable that using the Bank resources will be required to settle these obligations and that the amount of the said liability can be reliably estimated. In case of similar obligations, the outflow that can be used for settlement shall be determined, taking into consideration this group of liabilities. A provision is recognized even if the likelihood of an outflow with respect to any obligation in this group is minimal. A provision is recognized even if there is a slight probability that an outflow with respect to any obligation in this group is minimal.

Provisions no longer required totally or partially are reversed in “other operating income (expense)” Item.

T- Financial Guarantee Contracts

Financial guarantee contracts are the contracts issued by the Bank as a guarantee for loans or overdrafts granted to its customers by other corporate. Such contracts require the Bank to make certain payments to compensate the beneficiary for a loss which may be incurred as a result of unsettlement of a debt upon its maturity, according to the debt instrument conditions. These financial guarantees are submitted to banks, financial institutions and other quarters on behalf of the Bank's customers.

These contracts are initially recognized in the financial statements at the fair value on the date of granting the guarantee which may reflects its fees. Later on, the bank's liability is measured on basis of the amount of initial measurement less the calculated amortization for recognizing the guarantee fees in the Income Statement by using the straight line method over the duration of guarantee or the best estimate for the payments required for the settlement of any financial liability resulting from the financial guarantee on the date of the financial position, whichever is higher. These estimates are determined according to the experience gained from similar transactions and the historical losses, supported by the Management judgment.

Any increase in the liabilities resulting from the financial guarantee is recognized under the item of "Other Operating Revenues (Expenses)".

U- Employees' Benefits

U/A- Pension Liabilities

The bank is committed to pay the contributions to the Social Insurance General Organization with no other liabilities after paying these contributions. Those contributions are recorded periodically in the Profit and Loss Statement in its maturity year and are listed as Employees' benefits.

The bank has insurance fund for the employees of the bank, which was founded on January 26, 1979 subject to the provisions of Law no. 54/1975 and its Executive Regulations in the purpose of granting compensation and insurance benefits for the members, this pension fund and its amendments prevail on all of the employees of the bank's head office and its branches.

The bank is committed to pay the annual and monthly subscripations to the fund according to the fund's regulations and its amendments. No other liabilities on the bank after the payment of the subscriptions. 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.

V- Income Taxes

Income tax on the gain or loss for the period includes each of the current and deferred taxes and is recognized in the "Income Statement" except for the income tax related to the shareholders' equity items which is directly recognized among "Shareholders' Equity".

The income tax is recognized on the basis of net taxable profit by using the tax rates prevailing on the date of preparing the statement of financial position in addition to tax adjustments for previous years.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the accounting principles and their value is recognized in accordance with the tax bases. Value of deferred tax is determined on the basis of expected method for realizing or adjusting the value of assets and liabilities by using the tax rates prevailing on the date of preparing the financial position.

Deferred tax assets of the Bank are recognized when there is a probability that adequate tax profits shall be achieved in future, allowing the use of such asset. Value of deferred tax assets is reduced with the value of the part that will not achieve the expected tax benefit during the following years. However, in case the expected tax benefit increases, the deferred tax assets will be increased to the extent of previous reduction.

W- Borrowing

Loans obtained by the bank are initially recognized at fair value minus the borrowing cost. Loan is subsequently measured at amortized cost. The difference between net proceeds and the value to be paid over the borrowing period is charged to the "Profit & Loss Statement" using the effective interest rate method.

X- Capital

X/1 Cost of Capital

Issue cost that are directly related to issuing new shares or shares of acquiring entity or options, are presented as a deduction from shareholders' equity and the net proceeds after taxes.

X/2 Dividends

Dividends are recognized and deducted from equity in the period when approval thereof is declared by the Shareholders' General Assembly. Those dividends include employees' share in the profits and the Board of Directors' remuneration as prescribed by the articles of association.

Y- Comparison Figures

The comparison figures are reclassified whenever necessary so as to conform to any changes in the presentation of the current year.

1- Management of Financial Risks

The Bank is exposed to various financial risks as a result of the activities which it practices; acceptance of risks is a basis in the financial activities. Some risks or group of risks are analyzed, evaluated and managed together. The Bank aims at achieving an appropriate balance between the risk and return and to reduce the possible negative 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 exchange rates, interest rate risk and other pricing risks. The risk management policies have been set to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated information systems. The Bank regularly reviews the risk management policies and systems and amends them to reflect the changes in markets, products and services and the best updated applications. Risks are managed by the Risk Management Department in the light of the policies approved by the Board of Directors. Risk Management Department identifies, assesses, and hedges financial risks in close cooperation with other operating units in the Bank.

The Board of Directors provides written rules to manage risk as whole in addition to written policies cover certain risks 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 periodical review of risk management and the control environment independently.

(A) Credit Risk

The Bank is exposed to credit risk, which is the risk resulting from failure of one party to fulfill his obligations. Credit risk is considered the most significant risk for the Bank; therefore, the management is carefully managing the exposure to this risk. Credit risks results mainly from lending activities that result in loans and advances and from investment activities which consequently results in including such debt instruments in the Bank's assets.

Credit risk is also included in off balance sheet financial instruments, such as loan commitments. Managing and monitoring process of credit risk is represented in Credit Risk Department reports presented to the Board of Directors, Top Management and Heads of Business Units on regular basis.

A/1 Measurement of the Risk of Credit

Loans & Advances to Banks and Customers (including financial guarantee contacts and commitments)

Assessment of exposure to credit risks for the purposes of management of credit risks is considered a complicated matter requires using statistical and electronic models as the level of exposure to credit risks changes with the changes of circumstances of the market and the other economic aspects speedily and complicatedly. Exposure to credit risks changes with the change in the level, value and timing of expected cash flows and by the lapse of time. Accordingly, assessment of credit risks of asset portfolio requires more estimates about probabilities of default and loss rates relating thereto. The Bank measures the losses from credit risks by using probability of default (not fulfilling the contractual obligations) based on the book balance of the financial instrument at exposure at default and loss given default.

Classification of Credit Risks

The Bank evaluates the probability of default at the level of every customer/ related group/ credit product by using methods for classifying the customers of different categories, taking into account the minimum limit of classification in accordance with the instructions of the Central Bank of Egypt concerning the determination of the creditworthiness of customers and formation of provisions issued in 2005. Accordingly, the Bank uses group of assessment models and methods internally designed for the categories of counterparties, customers and nature of different loans in the light of the available information obtained on the date of applying the used model (such as income level, level of amortized income and collaterals to individuals customers, revenues and type of industry and the other financial and nonfinancial indictors of the corporate). The Bank completes such indicators with a group of external data such as inquiry reports from the Central Bank of Egypt, companies of credit information about the borrowers and reports of other Egyptian and foreign credit rating agencies. In addition to the foregoing, the model used by the Bank permits practicing the methodological estimate of the experts from among the officials-in-charge of credit risks in final internal credit rating. Accordingly, other indicators and matters that have not been considered as a part of the other data inputs in the valuation models and methods internally designed or through external resources, will be taken into consideration.

The credit classifications are adjusted as the default risks increase gradually with each higher grade of risks which means that the difference in probability of default between A and A- is less than the difference in probability of default between B and B-; hereunder are additional considerations for each type of credit portfolios kept with the Bank:

Retail Loan and Products of Retail Banking and Small and Micro Enterprises:

After initial recognition, borrower's settlement behavior is periodically watched for calculating the measurement of payment pattern. Any other known data about the borrower as determined by the Bank may affect the creditworthiness such as rates of unemployment and previous arrears will be recorded to measure the payment pattern; then accordingly the probability of default will be determined for every measurement of payment pattern.

Large and Medium-Sized Companies and Corporate

Classification is determined at the level of the borrower/ groups with similar credit risks; any updated or new estimates or information of credit are recorded in the credit system continuously and periodically. In addition to the foregoing, information about borrower's creditworthiness/ groups with similar credit risks are updated periodically from other resources such as financial statements, and other published financial and nonfinancial data; to assign the internal credit rating and default rates.

Debt Instruments, Treasury Bills & Government Notes

The Bank uses external rating from the corporate mentioned in the instructions of the Central Bank of Egypt for managing the credit risk of debt instruments in investment portfolio; such classifications are recorded and updated periodically. Default rates relating to every classification are determined on the basis of the achieved rates within the last twelve months as published by the above-mentioned rating agencies.

Future Information Used in Expected Loss Model:

Future data is used to determine if there is a significant increase in the credit risks of financial instruments and to estimate the expected credit losses "ECL". The Bank Management determines the main economic changes that affect the credit risks and the expected credit losses for every credit portfolio through analyzing the historical data. Economic variables and the effect relating hereto are change according to the Probability of Default "PD", amounts exposed to risk (Exposure at Default "EAD") and Loss Given Default "LGD" by the difference of the financial asset. The Bank asks for the help of experts to give opinion on such assumptions and estimates, if necessary.

For determining the effect of such economic variables on each of Probability of Default "PD", Exposure at Default "EAD" and Loss Given Default "LGD"; the Bank Management performs Regression Analysis to understand the historical effects resulting from such variables on the default rates and inputs used in calculating each of EAD and LGD.

In addition to the main economic concepts, the Bank Managements makes other probable scenarios in addition to the concepts relating to each scenario, separately. Lifetime PD relating to the main concept and other concepts is used to find the product of multiplying each concept by the probabilities allocated for each of them in addition to supportive and specific indicators. Subject to the result of the said study, it is determined if the financial asset is in the first or second or third level to determine if the expected credit losses (ECL) will be calculated on the basis of "12-month ECL" or "Lifetime ECL".

Expectations and portability of occurrence are subject to a high grade of uncertainty as known for any of the economic expectations; hence the actual results may differ significantly than the expected results. The Bank concludes the best assessment of such probable expectations and an analytical study of the unrelated and non-identical factors for different credit portfolios for reaching reasonable concepts for all probable concepts.

Variable Economic Assumptions:

Most important assumptions that affect the expected credit loss "ECL" provision are represented in the following:

A) Consumer Price Index (CPI)

B) Unemployment rate

C) Gross domestic Product (GDP)

Classification of instruments related to losses measured on the basis of similar groups

For provisions of excepted credit losses (ECL), groups are classified on the basis of credit risks having similar characteristics; so that exposure to risk inside the Bank will be identical. When carrying the said classification, sufficient information should be taken into consideration which enable the Bank to classify the bank by statistical credibility. When sufficient information is not available, the Bank shall take the complementary internal/ external reference data into consideration.

A/2 Limiting and avoiding risks policies

The Bank manages, limits and controls credit risk concentrations on the levels of borrowers, groups, industries and countries. The Bank manages the credit risk it undertakes by placing limits on the amount of risk accepted in relation to every single borrower, or groups of borrowers, and on the levels of economic activities and geographic segments. Such risks are monitored on regular basis and subjected to annual or more frequent reviews, whenever necessary. The Board of Directors reviews on quarterly basis the lines of credit risk on the levels of the borrower, group of borrowers, product, segment and country.

The lines of credit are divided for any borrower including banks, into sub limits based on amounts in and off-balance sheet, the daily risk limit on trading items such as forward foreign exchange contracts where the actual amounts are compared with the limit every day.

Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to meet their obligations and through changing the lending limits whenever appropriate.

Hereunder are some methods to mitigate this risk:

Collaterals

The Bank lays down several policies and controls to mitigate the credit risk. One of these methods is accepting collaterals against loans granted by the Bank. Bank implements guidelines for certain categories of accepted collaterals. The major types of collateral against loans and advances are:

- Real estate mortgage.
- Business assets mortgage such as machines and goods.
- Financial instruments mortgage such as debt and shareholders' equity instruments.

In most cases, the long-term finance and loans to corporate are secured while individual credit facilities are unsecured. In order to minimize the credit loss to the least, the Bank will seek additional collaterals from all the parties concerned as soon as impairment indicators are noticed for a loan or advance.

The collaterals held as a security for financial assets other than loans and advances are determined according to the nature of the instrument. In general, the debt instruments and treasury bills are unsecured, except for asset-backed securities and similar instruments secured by a financial instrument portfolio.

Derivatives:

The bank maintains several prudent control procedures on net open derivative positions which is the difference between purchase and sale contracts), by both amount and term. At any time, the amount exposed to credit risk is limited to the fair value of instrument that are achieves benefit in favour of the bank (asset where its fair value is positive), which represents a small part of the contractual/ assumed value used to express the volume of outstanding instruments.

This credit risk is managed as a part of the overall lending limits granted to the customer, 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. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the Bank transactions on any single day.

Credit-Related Commitments:

The main purpose of the credit-related commitments is to ensure that funds are available to customer when required. Financial guarantees contracts are of the same credit risks as loans.

Documentary and commercial letters of credit which are issued by the Bank on behalf of the customer by which authorizing a third party to withdraw amounts within a certain limits from the Bank according to specific provisions and terms and guaranteed by the goods under shipment are of lower risk than the direct loan.

Credit related commitments represent the unused portion of credit limit of loans, guarantees or letters of credit. The Bank is exposed to probable loss of amount equal to the total unused commitments t with respect to credit risk resulting from commitments related to granting the credit. However, the probable amount of loss is less than the unused commitments, as most credit-related commitments represent probable commitments to customers maintaining certain credit standards. The Bank monitors the maturity term of the credit commitments as long-term commitments are usually of high credit risk than short-term commitments.

A/3 Impairment & Provisions Policies

The above-mentioned internal rating systems focus on the planning of credit-quality to a large extent at the inception of recognizing the lending and investment activities. Otherwise, only impairment losses incurred are only recognized on the balance sheet date for financial reporting purposes when losses are based on objective evidences of impairment.

The internal assessment instruments help the Management to find out whether there are objective evidences attesting the existence of impairment according to the rules of preparation and presentation of financial statements of the banks and the principles of recognition and measurement ratified by the Board of Directors of the Central Bank of Egypt on December 16, 2008, based on the following indicators as specified by the Bank:

- Severe financial insolvency encountered by the borrower or the debtor.
- Violation of loan agreement such as default of payment.
- Expecting the bankruptcy of the borrower, entering into liquidation case or restructuring the finance granted to him.
- Deterioration in the competitive status of the borrower.
- Granting concessions or privileges by the Bank to the borrower due to economic or legal reasons relating to financial insolvency encountered by the borrower which may not be given by the Bank in normal circumstances.
- Impairment of guarantee value.
- Deterioration of the creditworthiness.

The policies adopted by the Bank require reviewing all financial assets exceeding specific relative significance at least once a year or more when the circumstances when necessary.

The impairment charge shall be determined on the accounts that are evaluated on case by case basis through the evaluation of the loss realized on the date of the financial position from each case separately. The evaluation usually includes the outstanding guarantee and the reassurance of the implementation on the guarantee and expected collections from the said accounts. The impairment losses provision is formed based on a group of assets of similar kind by using the available historical experience, professional judgment and statistical methods.

A/4 General Banking Risk Measurement Model

In addition to the four categories of creditworthiness rating, the management makes classifications based on more detailed subgroups in accordance with the requirements of the Central Bank of Egypt. Assets exposed to credit risk in these groups are classified according to detailed rules and terms depending heavily on information related to the customer, his activity and financial position and his punctuality of payment.

The Bank calculates required provisions for impairment of assets exposed to credit risk, including credited-related commitments based on the rates determined by the Central Bank of Egypt; in case the required provision of impairment losses provision according to the principles of evaluation of credit worthiness exceeds the amount required for the purposes of preparing the financial statements in accordance with the rules of preparation and presentation of financial statements of the banks and the principles of recognition and measurements ratified by the Board of Directors of the Central Bank of Egypt on December 16, 2008, the general banking risk reserve shall be set aside in the shareholders' equity and deducted from the retained earnings with an amount equivalent to such increase. The said reserve shall be adjusted on regular basis as an increase or decrease in a manner that is always equivalent to the amount of increase between the two provisions. The said reserve shall not be distributable.

Hereunder is a statement of the creditworthiness categories of corporate in accordance with the internal rating bases compared to the bases of the Central Bank of Egypt's assessment and provision percentages required for the impairment of assets exposed to credit risk:

Classification of the Central Bank of Egypt	Classification Indication	Percentage of required provision	Internal Classification	Indication of Internal Classification
1	Low risks	Zero	1	Performing loans
2	Average risks	1%	1	Performing loans
3	Satisfactory risks	1%	1	Performing loans
4	Reasonable risks	2%	1	Performing loans
5	Acceptable risks	2%	1	Performing loans
6	Marginally acceptable risks	3%	2	Regular watch
7	Watch List	5%	3	Special watch
8	Substandard	20%	4	Nonperforming loans
9	Doubtful debts	50%	4	Nonperforming loans
10	Bad debts	100%	4	Nonperforming loans

U- Employees' Benefits

U/A- Pension Liabilities

The bank is committed to pay the contributions to the Social Insurance General Organization with no other liabilities after paying these contributions. Those contributions are recorded periodically in the Profit and Loss Statement in its maturity year and are listed as Employees' benefits.

The bank has insurance fund for the employees of the bank, which was founded on January 26, 1979 subject to the provisions of Law no. 54/1975 and its Executive Regulations in the purpose of granting compensation and insurance benefits for the members, this pension fund and its amendments prevail on all of the employees of the bank's head office and its branches.

The bank is committed to pay the annual and monthly subscriptions to the fund according to the fund's regulations and its amendments. No other liabilities on the bank after the payment of the subscriptions. 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.

V- Income Taxes

Income tax on the gain or loss for the period includes each of the current and deferred taxes and is recognized in the "Income Statement" except for the income tax related to the shareholders' equity items which is directly recognized among "Shareholders' Equity".

The income tax is recognized on the basis of net taxable profit by using the tax rates prevailing on the reporting date in addition to tax adjustments for previous years. Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the accounting principles and their value is recognized in accordance with the tax bases. Value of deferred tax is determined on the basis of expected method for realizing or adjusting the value of assets and liabilities by using the tax rates prevailing on the date of preparing the balance-sheet.

Deferred tax assets of the Bank are recognized when there is a probability that adequate tax profits shall be achieved in future, allowing the use of such asset. Value of deferred tax assets is reduced with the value of the part that will not achieve the expected tax benefit during the following years. However, in case the expected tax benefit increases, the deferred tax assets will be increased to the extent of previous reduction.

W- Borrowing

Loans obtained by the bank are initially recognized at fair value minus the borrowing cost. Loan is subsequently measured at amortized cost. The difference between net proceeds and the value to be paid over the borrowing period is charged to the "Profit & Loss Statement" using the effective interest rate method.

X- Capital

X/1 Cost of Capital

Issue cost that are directly related to issuing new shares or shares of acquiring entity or options, are presented as a deduction from shareholders' equity and the net proceeds after taxes.

X/2 Dividends

Dividends are recognized and deducted from equity in the period when approval thereof is declared by the Shareholders' General Assembly. Those dividends include employees' share in the profits and the Board of Directors' remuneration as prescribed by the articles of association.

Y- Comparison Figures

The comparison figures are reclassified whenever necessary so as to conform to any changes in the presentation of the current year.

A- Management of Financial Risks

The Bank is exposed to various financial risks as a result of the activities which it practices; acceptance of risks is a basis in the financial activities. Some risks or group of risks are analyzed, evaluated and managed together. The Bank aims at achieving an appropriate balance between the risk and return and to reduce the possible negative 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 exchange rates, interest rate risk and other pricing risks. The risk management policies have been set to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated information systems. The Bank regularly reviews the risk management policies and systems and amends them to reflect the changes in markets, products and services and the best updated applications.

Risks are managed by the Risk Management Department in the light of the policies approved by the Board of Directors. Risk Management Department identifies, assesses, and hedges financial risks in close cooperation with other operating units in the Bank.

The Board of Directors provides written rules to manage risk as whole in addition to written policies cover certain risks 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 periodical review of risk management and the control environment independently.

(B) The Bank is exposed to credit risk, which is the risk resulting from failure of one party to fulfill his obligations. Credit risk is considered the most significant risk for the Bank; therefore, the management is carefully managing the exposure to this risk. Credit risks results mainly from lending activities that result in loans and advances and from investment activities which consequently results in including such debt instruments in the Bank's assets. Credit risk is also included in off balance sheet financial instruments, such as loan commitments. Managing and monitoring process of credit risk is represented in Credit Risk Department reports presented to the Board of Directors, Top Management and Heads of Business Units on regular basis.

A/1 Measurement of the Risk of Credit

Loans & Advances to Customers

For the measurement of the credit risk pertaining to loans and advances to customers, the Bank considers the following three components:
- Probability of default by the customer or third party to fulfill his contractual liabilities
- Current position and it probably future development from which the bank deduces the exposure at default.
- Loss given default

The said measurements of the credit risk are embedded in the Bank's daily management which reflects the expected loss. The operating measurements may conflict with the impairment in accordance with the rules of preparation and presentation of the financial statements of the Banks and the principles of recognition and measurement ratified by the Board of Directors of the Central Bank of Egypt on December 16, 2008 based on the losses incurred at the date of balance sheet and not the expected losses.

The Bank evaluates the probability of default for each customer by using internal assessment of credit classification for the various categories. These methods of internal assessment and statistical analysis, together with the personal judgment of the official in charge with credit, are developed to realize the appropriate creditworthiness. Customers of the Bank are divided to four classification categories. The creditworthiness structure used by the Bank as indicated in the following table reflects the probability of default of each category, meaning that the credit situations change from each credit category to the other as per the change in the assessment of the probability of default. Methods are reviewed and developed when necessary. The Bank periodically evaluates the performance of the credit classification methods and their ability to predict the default cases.

Categories of the Bank's internal classifications

Classification	Classification Indication
1	Performing loans
2	Regular watch
3	Special watch
4	Nonperforming loans

- The position exposed to default on the amounts expected by the bank to be outstanding upon default, as an example, the loan; the said position will be the nominal value; while for commitments, the bank will record all actual withdrawn amounts in addition to the other amounts expected to be withdrawn on the date of default, if any.
- Presumptive loss or severe loss represents the Bank's expectations of the extent of loss when claiming the debt in case of default, it defines "Loss Given Default" which certainly differs according to the type of debtor, priority of claiming, availability of collaterals or other credit hedging methods.

Debt Instruments, Treasury Bills & Other Bills

For debt instruments and bills, the Bank uses external classifications such as "Standard & Poor's" or any equivalent classification for managing the credit risk; in case such ratings are not available, methods similar to those applied to the credit customers are used. Investments in securities and bills are regarded as a way for obtaining better credit quality and at the same time provides a source available for meeting the finance requirements.

A/2 Risk Limit Control and Mitigation Policies

The Bank manages, limits and controls credit risk concentrations on the levels of borrowers, groups, industries and countries. The Bank manages the credit risk it undertakes by placing limits on the amount of risk accepted in relation to every single borrower, or groups of borrowers, and on the levels of economic activities and geographic segments. Such risks are monitored on regular basis and subjected to annual or more frequent reviews, whenever necessary. The Board of Directors reviews on quarterly basis the lines of credit risk on the levels of the borrower, group of borrowers, product, segment and country.

The lines of credit are divided for any borrower including banks, into sub limits based on amounts in and off-balance sheet, the daily risk limit on trading items such as forward foreign exchange contracts where the actual amounts are compared with the limit every day.

Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to meet their obligations and through changing the lending limits whenever appropriate.

Hereunder are some methods to mitigate this risk:

Collaterals

The Bank lays down several policies and controls to mitigate the credit risk. One of these methods is accepting collaterals against loans granted by the Bank. Bank implements guidelines for certain categories of accepted collaterals. The major types of collateral against loans and advances are:

- Real estate mortgage.
- Business assets mortgage such as machines and goods.
- Financial instruments mortgage such as debt and shareholders' equity instruments.

In most cases, the long-term finance and loans to corporate are secured while individual credit facilities are unsecured. In order to minimize the credit loss to the least, the Bank will seek additional collaterals from all the parties concerned as soon as impairment indicators are noticed for a loan or advance.

The collaterals held as a security for financial assets other than loans and advances are determined according to the nature of the instrument. In general, the debt instruments and treasury bills are unsecured, except for asset-backed securities and similar instruments secured by a financial instrument portfolio.

Derivatives

The bank maintains several prudent control procedures on net open derivative positions which is the difference between purchase and sale contracts), by both amount and term. At any time, the amount exposed to credit risk is limited to the fair value of instrument that are achieves benefit in favour of the bank (asset where its fair value is positive), which represents a small part of the contractual/ assumed value used to express the volume of outstanding instruments

This credit risk is managed as a part of the overall lending limits granted to the customer, 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. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the Bank transactions on any single day.

Credit-Related Commitments

The main purpose of the credit-related commitments is to ensure that funds are available to customer when required. Financial guarantees contracts are of the same credit risks as loans.

Documentary and commercial letters of credit which are issued by the Bank on behalf of the customer by which authorizing a third party to withdraw amounts within a certain limits from the Bank according to specific provisions and terms and guaranteed by the goods under shipment are of lower risk than the direct loan.

Credit related commitments represent the unused portion of credit limit of loans, guarantees or letters of credit. The Bank is exposed to probable loss of amount equal to the total unused commitments t with respect to credit risk resulting from commitments related to granting the credit. However, the probable amount of loss is less than the unused commitments, as most credit-related commitments represent probable commitments to customers maintaining certain credit standards. The Bank monitors the maturity term of the credit commitments as long-term commitments are usually of high credit risk than short-term commitments.parties.

Settlement risk arises in situations in which the payment is in cash or equity instruments or other securities or for expecting obtaining cash or equity instruments or other securities; daily settlement limits are established for each of other parties to cover the aggregated settlement risks resulting from the bank transactions at any day.

A/3 General Bank Risk Measurement Model

In addition to the four categories of creditworthiness rating, the management makes classifications based on more detailed subgroups in accordance with the requirements of the Central Bank of Egypt. Assets exposed to credit risk in these groups are classified according to detailed rules and terms depending heavily on information related to the customer, his activity and financial position and his punctuality of payment.

The Bank calculates required provisions for impairment of assets exposed to credit risk, including credited-related commitments based on the rates determined by the Central Bank of Egypt; in case the required provision of impairment losses provision according to the principles of evaluation of credit worthiness exceeds the amount required for the purposes of preparing the financial statements in accordance with the rules of preparation and presentation of financial statements of the banks and the principles of recognition and measurements ratified by the Board of Directors of the Central Bank of Egypt on December 16, 2008, the general banking risk reserve shall be set aside in the shareholders' equity and deducted from the retained earnings with an amount equivalent to such increase. The said reserve shall be adjusted on regular basis as an increase or decrease in a manner that is always equivalent to the amount of increase between the two provisions. The said reserve shall not be distributable.

Hereunder is a statement of the creditworthiness categories of corporate in accordance with the internal rating bases compared to the bases of the Central Bank of Egypt's assessment and provision percentages required for the impairment of assets exposed to credit risk:

Classification of the Central Bank of Egypt	Classification Indication	Percentage of required provision	Internal Classification	Indication of Internal Classification
11	Low risks	Zero	1	Performing loans
12	Average risks	1%	1	Performing loans
13	Satisfactory risks	1%	1	Performing loans
14	Reasonable risks	2%	1	Performing loans
15	Acceptable risks	2%	1	Performing loans
16	Marginally acceptable risks	3%	2	Regular watch
17	Watch List	5%	3	Special watch
18	Substandard	20%	4	Nonperforming loans
19	Doubtful debts	50%	4	Nonperforming loans
20	Bad debts	100%	4	Nonperforming loans

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Balance-sheet items exposed to credit risk		
Treasury bills	1 975 835	2 464 353
Loans and advances to customers		
Retail Loans:		
Overdrafts	459 019	605 658
Personal loans	921 845	557 866
Corporate Loans:		
Overdrafts	1 295 669	5 636 960
Direct loans	4 575 031	791 445
Syndicated loans	1 386 182	1 362 659
Financial investments:		
Investments in associates	250 896	239 778
Debt instruments	7 448 766	8 035 752
Other assets- accrued revenues	487 122	437 439
Total	**18 800 365**	**20 131 910**
Off-balance sheet items exposed to credit risk items		
Acceptable bills for suppliers' facilities	223 128	97 761
Letters of credit	94 144	276 412
Letters of guarantee	1 975 941	1 653 312
Total	**2 293 213**	**2 027 485**

A/4 Maximum Limits for Credit Risk before Collaterals

The preceding table represents maximum limit of exposure as at December 31, 2019 and December 31, 2018 without taking any collaterals into consideration. For items of the balance- sheet, the recorded amounts depend on the net book value presented in the balance-sheet. As indicated in the preceding table, 45.95% of maximum exposure to credit risk is resulting from loans and advances to customers compared to 44.48% as at December 31, 2018; while investments in debt instruments represent 39.62%
compared to 39.92% as at December 31, 2018.
The management trusts in its ability to continue to control and sustain minimal exposure of credit risk resulting from each of loans and advances portfolio and debt instruments as follows:
72.23% of loan and advance portfolio classified in the top two grades of the internal rating compared to 83.73% as at December 31, 2018.
81.73% of loans and advances portfolio are neither past due nor impaired compared to 87.72% as at December 31, 2018.
96.90% of investments in debt instruments and treasury bills represent debt instruments on the Egyptian Government compared to 97.1% as at December 31, 2018.

A/5 Loans and Advances

Hereunder is the position of balances of loans and advances in terms of the creditworthiness:

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Neither past due nor impaired	6 238 708	7 497 789
Past due but not impaired	1 020 766	357 454
Subject to impairment	1 378 272	1 099 345
Total	**8 637 746**	**8 954 588**
Less:		
Impairment loss provision	(875 269)	(771 210)
Interests in suspense	(134 155)	(141 517)
Deferred gains from Islamic transactions	(31 617)	(26 948)
Net	**7 596 705**	**8 014 913**

Total impairment loss provision of loans and advances amounted to 875 269 thousand Egyptian pounds as at December 31, 2019 compared to 771 210 thousand Egyptian pounds as at December 31, 2018, of which the amount of 8 422 thousand Egyptian pounds as at December 31, 2019 compared to 1164652 thousand Egyptian pounds as at December 31, 2018 represents impairment of single loans; while the remaining amount of 866 847 thousand Egyptian pounds represents the impairment losses based on group of credit portfolio. Clarification (17) includes additional information about the impairment loss provision for loans and advances.

Loans and advances neither past due nor impaired

Credit quality of the loans and advances portfolio neither past due nor impaired is estimated by referring to the internal rating used by the bank.

Loans and Advances to Banks and Customers December 31, 2019

(In thousand Egyptian pounds)

Retail		Corporate			Total loans and advances to customers
Overdrafts	Personal loans	Overdrafts	Direct loans	Syndicated loans	
458 343	865 452	1 149 687	2 461 816	1 296 321	**6 231 619**
458 343	865 452	1 149 687	2 461 816	1 304 474	**6 231 619**

Loans and Advances to Banks and Customers December 31, 2018

(In thousand Egyptian pounds)

Retail		Corporate			Total loans and advances to customers
Overdrafts	Personal loans	Overdrafts	Direct loans	Syndicated loans	
604 257	550 745	4 478 390	517 009	1 347 388	**7 497 789**
604 257	550 745	4 478 390	517 009	1 347 388	**7 497 789**

Loans and advances past due but not subject to impairment:

These are the loans and advances past due but not subject to impairment, unless there is information to the contrary. The loans and advances past due but not subject to impairment and the fair value of the collaterals relating thereto are as follows:

December 31, 2019 (In thousand Egyptian pounds)

	Retail			
	Overdrafts	Personal loans		Total
Past due up to 30 days	474	49 049		**49 523**
	Corporate			
	Overdrafts	Direct loans	Syndicated loans	Total
Past due more than 90 to 120 days	143 883	737 499	89 861	**971 243**

Upon the initial record of loans and advances, the fair value of collaterals is calculated according to the valuation techniques usually used with similar assets. In subsequent periods, the fair value is updated at the market prices or the prices of similar assets.

December 31, 2018 **(In thousand Egyptian pounds)**

	Retail		
	Overdrafts	Personal loans	Total
Past due up to 30 days	1 023	364	**1 387**

	Corporate			
	Overdrafts	Direct loans	Syndicated loans	Total
Past due more than 90 to 120 days	351 846	4 221	-	**356 067**

Loans and advances subject to impairment individually

The balance of loans and advances individually subject to impairment before taking into consideration cash flows from collaterals amounted to 1 378 272 thousand Egyptian pounds as at December 31, 2019 compared to 1 099 344 thousand Egyptian pounds as at December 31, 2018.

Hereunder is an analysis of the total value of loans and advances individually subject to impairment including the fair value of collaterals obtained by the Bank in return for such loans:

December 31, 2019 **(In thousand Egyptian pounds)**

	Retail		Corporate			
	Current accounts	Personal loans	Overdrafts	Direct loans	Syndicated loans	Total
Loans and advances individually subject to impairment	202	7 344	2 099	1 375 716	-	**1 385 361**
Fair value of collaterals	-	-	-	188 492	-	**188 492**

December 31, 2018 **(In thousand Egyptian pounds)**

	Retail		Corporate			
	Current accounts	Personal loans	Overdrafts	Direct loans	Syndicated loans	Total
Loans and advances individually subject to impairment	378	6 757	806 724	270 215	15 271	**1 099 345**
Fair value of collaterals	-	-	-	189 957	-	**189 957**

Restructured loans and advances

Restructuring activities include extended payment arrangements; implementing mandatory management programs and payment modification and delaying. Restructuring policies are based on indicators or criteria which indicate the existence of high probabilities of the continuation of payment based on the personal judgment of the management. These policies are subject to continuous review. Restructuring is most commonly applied to long term loans; in particular loans to customers. The renegotiated loans amounted to 194514 thousand Egyptian pounds compared to 139292 thousand Egyptian Pound as at December 31, 2018.

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Loans and advances to customers		
Corporate:		
Overdrafts	27 388	38 847
Direct loans	166 426	99 900
Retail		
Overdrafts	700	188
Personal loans		357
Total	**194 514**	**139 292**

A/6 Debt Instruments and Treasury Bills

The following table represents the analysis of debt instruments and other treasury bills according to the credit rating agencies as at December 31, 2019 based on Standard & Poor's evaluation and its equivalents:

In thousand Egyptian pounds

	Treasury bills	Financial investments in securities	Total
-BB to +BB	-	346	346
-B to +B	-	-	-
Less than –B	2 020 721	7 448 420	9 469 141
Total	**2 020 721**	**7 448 766**	**9 469 487**

A/7 Acquisition of Collaterals

The Bank has not acquired any collateral during the current year.

A/8- Concentration of Financial Assets Risks Exposed to Credit Risk
Geographical Segments

The following table represents the analysis of the most significant credit risk limits of the Bank at book value, distributed according to the geographical segments as at December 31, 2019. Upon preparing this table, risks are distributed over the geographical segments based on the areas relating to the customers of the Bank.

	Arab Republic of Egypt		(In thousand Egyptian pounds)
31-December-2019	**Greater Cairo**	**Alexandria, Delta & Sinai**	**Total**
Treasury bills	1 975 835	-	**1 975 835**
Loans and advances to customers			
Retail Loans			
Overdrafts	397 945	61 074	**459 019**
Personal retail	721 002	200 843	**921 845**
Corporate Loans			
Overdrafts	1 220 391	75 278	**1 295 669**
Direct loans	3 590 958	984 073	**4 575 031**
Syndicated loans	1 386 182	-	**1 386 182**
(Interests in suspense)	(134 155)	-	**(134 155)**
(Deferred profits from Islamic transactions)	(31 617)	-	**(31 617)**
(Loans and advances impairment loss provision)	(875 269)	-	**(875 269)**
Financial investments:			
Investments in associates	250 896	-	**250 896**
Debt instruments	7 448 766	-	**7 448 766**
Other assets	1 330 928	-	**1 330 928**
Total as at December 31, 2019	**17 281 862**	**1 321 268**	**18 603 130**
Total as at December 31, 2018	**18 278 531**	**1 197 021**	**19 475 552**

Concentration of Risks of Financial Assets Exposed to Credit Risk
Business Segments

The following table represents the analysis of the most significant credit risk limits of the Bank at book value, distributed according to the business activity practiced by the customers of the Bank:

	Arab Republic of Egypt							(in thousand Egyptian pounds)
31-December-2019	**Financial institutions**	**Industrial institutions**	**Real-estate activity**	**Wholesale and retail trading**	**Governmental sector**	**Other activities**	**Individuals**	**Total**
Treasury bills	-	-	-	-	2 020 721	-	-	**2 020 721**
Loans and advances to customers								
Retail Loans								
Overdrafts	-	-	-	-	-	-	459 019	**459 019**
Personal loans	-	-	-	-	-	-	921 845	**921 845**
Corporate Loans								
Overdrafts	-	219 748	-	-	779 119	296 802	-	**1 295 669**
Direct loans	167 930	2208 600	69 849	1 471 211	84 713	572 728	-	**4 575 031**
Syndicated loans	159 767	282 556	358 986	276 277	261	81 782	226 553	**1 386 182**
Financial investments:								
Associates	67 224	-	183 672	-	-	-	-	**250 896**
Debt instruments	-	-	-	-	7 448 420	346	-	**7 448 766**
Other assets	-	-	-	-		1 330 928	-	**1 330 928**
Total as at December 31, 2019	**394 921**	**2710904**	**612 507**	**1 747 488**	**10 333 234**	**2 282 586**	**1 607 417**	**19 689 057**
Total as at December 31, 2018	**445**	**2159281**	**633 780**	**2 165 959**	**10 535 722**	**3 756 516**	**1 163 524**	**20 415 227**

(B) Market Risk

The Bank is exposed to the market risk representing in the fair value or future cash flow fluctuation resulted from the change in market prices. Market risk arises from open positions of interest rate, currency and equity products as each of them is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices such as interest rates, foreign exchange rates and equity instrument prices. The Bank divides its exposure to market risk into trading or non- trading portfolios.

The market risk management resulting from trading and non-trading activities concentrates in Assets and Liabilities Committee. Periodical reports on market risks are submitted to the Board of Directors and Heads of business activity units on regular basis.

Trading portfolios include transactions where the Bank deals directly with the customers or the market. Non-trading portfolios basically arise from managing assets and liabilities interest rate relating to retail transactions. Such portfolios include foreign exchange risk and equity instrument risks arising from held-to-maturity investments and available-for-sale investments.

The Bank uses the method of linking debit interest rates with credit interest rates to avoid the risk of fluctuations in interest rates. It also depends on fluctuated interest rates which does not exceed 3 months except in certain cases, the interest rates are determined for a longer period with linking the resources portfolio with uses portfolio for achieving a return covers the costs.

The Bank should not exceed the following:

- The value of surplus of any foreign currency position shall not exceed 1% of the capital base.
- The value of total surplus of foreign currency positions shall not exceed 2% of the capital base.
- Value of total deficit in the position of any currency shall not exceed 10% of the capital base.
- Value of total deficit in (foreign or local) currency positions shall not exceed 20% of the capital base.

B/1 Value at Risk for Non-Trading Portfolio according to the type of the risk:

	Financial year ended onDecember 31, 2019			Financial year ended onDecember 31, 2018		
	Average	Higher	Lower	Average	Higher	Lower
Interest Rate Risk	6 272	16 736	346	31 947	34 658	29 686
Total Value at Risk	6 272	16 736	346	31 947	34 658	29 686

- The increase of value at risk (VaR) in particular the interest rate risk is related to the increase in sensitivity of the interest rate in the international financial markets.
- The previous three values at risk are calculated independently from centers concerned and the historical movements of markets. Total value at risk for trading and non-trading portfolios does not express value at risk of the Bank due to the relation between types of risks, types of portfolios and the subsequent different impact.

B/2 Foreign Currencies Rate Fluctuation Risk

The Bank is exposed to foreign exchange rate fluctuation risk in terns of the balance- sheet and cash flows. The Board of Directors set aggregate limits for foreign currencies for each position at the end of the day and during the day which is controlled on timely basis. The following table summarizes the extent of bank exposure to foreign exchange rate fluctuation risk at the end of the financial year. The following table includes the book value of financial instruments distributed in their currencies:

Concentration of Foreign Currencies Rate Fluctuation Risk on the Financial Instruments

(In thousand Egyptian pounds)

December 31, 2019	Egyptian Pound	US Dollar	Euro	Japanese Yen	Pound Sterling	Total
Financial Assets						
Cash & balances due from the Central Bank of Egypt	10,193,859	34,376	505	-	11	21
Due from banks	823	6,153	7,309	-	591	-
Treasury bills	804,775	75,800	-	-	-	-
Loans and advances to customers	6,995,183	93,829	6,748	6	841	-
Financial investments						
Financial investments through comprehensive income	401,564	27,525	2,002	-	-	-
Financial investments at amortized cost	4,833,177	113,653	-	-	-	-
Financial investments in associates and subsidiaries	250,936	-	-	-	-	-
Other financial assets	1,873,913	3,407	828	34	31	-
Total financial assets as at December 31, 2019	**25,354,230**	**354,743**	**17,392**	**40**	**1,474**	**21**
Financial Liabilities						
Due for banks	-	25,706	-	-	-	-
Customers' deposits	21,934,062	300,509	8,333	1,314	7,574	2
Other loans	59,052	-	-	-	-	-
Other provisions	722,997	14,972	3,273	-	3	-
Other financial liabilities	712,678	25,200	685	34	15	-
Total financial liabilities as at December 31, 2019	**23,428,789**	**366,387**	**12,291**	**1,348**	**7,592**	**2**
Net balance sheet as at December 31, 2019	**1,925,441**	**(11644)**	**5,101**	**(1308)**	**(6118)**	**19**
Total financial assets as at December 31, 2018	**24,799,880**	**437,982**	**11,647**	**2,472**	**7,888**	**1,395**
Total financial liabilities as at December 31, 2018	**23,237,848**	**422,939**	**11,883**	**1,322**	**7,883**	**312**
Net balance-sheet as at December 31, 2018	**1,562,032**	**15,043**	**(236)**	**1,150**	**5**	**1,083**

B/3 Interest Rate Risk

The Bank is exposed to the effects of fluctuations in the prevailing market interest rates which is the cash flow interest rate risk representing in the fluctuation of the cash flows of a financial instrument due to the changes in its market interest rate. Fair value interest rate risk is the value of the financial instrument due to changes in the market interest rates. Interest margin may increase as a result of such changes but the profits may decrease if unexpected movements arise. The Board of Directors of the Bank set limits on the level of difference of interest rate re-pricing that may be undertaken by the bank; which is monitored daily by "Funds Management Department" of the Bank.

The following table summarizes the extent of exposure of the bank to the interest rate fluctuations risk including the book value of financial instruments distributed on the basis of dates of re-pricing or maturity dates, whichever is earlier.

(In thousand Egyptian pounds)

December 31, 2019	Up to one month	More than one month to three months	More than three months to one year	More than one year to five years	More than five years	Non-interest bearing	Total
Financial Assets							
Cash & balances due from the Central Bank of Egypt	-	-	-	-	1,534,764	198 403	1 733 167
Due from banks	345,471	6 864 315	1 721 167	-	-	93,198	9 024 151
Treasury bills	-	1 334 290	686 431	-	-	-	2 020 721
Loans and advances to customers	560 488	632 899	1 998 771	1 832 476	3 613 112	-	8 637 746
Financial investments							
Investments through comprehensive income	-	4,951,0	-	751 065	123 259	-	879 275
Financial investments at amortized cost	-	-	1 308 521	3 524 656	1 823 161	-	6 656 338
Associates	-	-	-	-	250 896	-	250 896
Other financial assets	-	-	-	-	-	1 330 928	1 330 928
Deferred tax assets	-	-	-	-	-	14 121	14 121
Total financial assets	**905 959**	**8 836 455**	**5 714 890**	**6 108 197**	**7 345 192**	**1 636 650**	**30 547 343**
Financial Liabilities							
Balances due for banks	431 003	-	-	-	-	-	431 003
Customers' deposits	2 607 882	2 343 573	3 557 889	6 001 765	10 698 507	1 863 393	27 073 009
Other loans	-	-	-	-	206 046	-	206 046
Other financial liabilities	-	-	-	-	-	386 826	386 826
Other provisions	-	-	-	-	-	231 311	231 311
Total liabilities	**3 038 885**	**2 343 573**	**3 557 889**	**6 001 765**	**10 904 553**	**2 481 530**	**28 328 195**
Interest re-pricing gap	**(2 132 926)**	**6 492 882**	**2 157 001**	**106 432**	**(3 559 361)**	**(844 880)**	**2 219 148**
December 31, 2018							
Total financial assets	**2 342 077**	**10 562 344**	**2 544 680**	**10 068 771**	**1 401 459**	**6 343 621**	**33 262 952**
Total financial liabilities	**6 678 383**	**3 434 280**	**5 016 984**	**7 003 228**	**867 158**	**8 243 975**	**31 244 008**
Interest re-pricing gap	**(4 336 306)**	**7 128 064**	**(2 472 304)**	**3 065 543**	**534 301**	**(1 900 354)**	**2 018 944**

(C) Liquidity Risk

Liquidity risk is the risk of bank exposure to difficulties to fulfill its commitments in terms of financial liabilities when they fall due and replace funds when they are withdrawn; which may result in failure in fulfilling the obligations to repay the depositors and fulfilling lending commitments.

Liquidity Risk Management

Liquidity risk control process applied by the Assets and Liabilities Department of the Bank includes the following:
- Daily funding managed by monitoring future cash flows to ascertain that all requirements can be fulfilled; which includes availability of liquidity as then fall due or when lent to customers. The bank maintains presence in the international money markets to ascertain the achievement of the said purpose.
- Maintaining a portfolio of highly marketing assets to be easily liquidated for facing any unexpected interruption of cash flows.
- Monitoring liquidity ratios in relation with the internal requirements of the bank and requirements of the Central Bank of Egypt.
- Managing loans concentration and dues

For monitoring and reporting purposes, the cash flows are measured and expected for the next day, week and month, which are the main period of liquidity management. The starting point of such expectations is analyzing the contractual maturities of the financial liabilities and the expected dates of the financial assets proceeds.
- Assets Department also monitors the mismatch between medium term assets and the level and nature of the unused loan commitments, extent of overdrafts utilization and the effect of contingent liabilities such as letters of guarantee and letters of credit.

Liquidity hedge ratio is represented in the following table

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Total value of high-quality liquid assets (1)	9 741 381	9 823 711
Total cash outflows	6 094 100	4 587 939
"Total cash inflows within the set limit (lower value of: total cash inflows or 75% of total cash outflows)"	4 570 575	3 440 954
Net cash outflows (2)	1 523 525	1 146 985
Liquidity hedge ratio (1/2)	**639.4**	**856.48**

Funding Approach

Sources of liquidity are reviewed by a separate team of the "Assets and Liabilities Department" of the Bank in order to provide wide diversification of currencies, geographical areas, resources, products and terms.

The assets available for meeting all obligations and covering the commitments relating to loans include cash and balances due from the Central Bank of Egypt, due from banks, treasury bills and other government notes, and loans and advances to banks and customers. Term of loans to customers that fall due within one year is extended partially through the ordinary activity of the bank. Some debt instruments, treasury bills and other government notes are mortgaged to guarantee the liabilities. The Bank has the ability to cover the net unexpected cash flows through sale of securities and finding other financing resources.

Stable funding ratio is represented in the following table

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Liabilities and equity of weighting coefficient 100%	7 701 567	12 516 474
Deposits to individuals and small and micro enterprises (that has no maturity date and deposits of maturity period less than one year (1)	4 928 665	9 815 748
Liabilities of weighting coefficient 50%	5 108 562	1 044 367
Total available stable funding (A)	**17 738 794**	**23 376 589**
Assets of weighting coefficient 5%	464 997	519 565
Assets of weighting coefficient 10%	192 833	347 379
Assets of weighting coefficient 50%	391	402 966
Assets of weighting coefficient 65%	58 811	296 737
Assets of weighting coefficient 100%	3 148 465	1 730 075
Contingent liabilities and commitments	412 552	487 103
Total required stable financing (B)	**4 278 049**	**3 783 825**
Net stable financing ratio (A/B)	**414.65%**	**617.80%**

D- Fair Value of Financial Assets and Liabilities

Subject to the principles of valuation applied for evaluating the assets and liabilities of the Bank as mentioned in the clarifications complementary to the financial assets, the fair value of financial assets and liabilities are not significantly differ from its book value on the date of balance sheet.

E- Capital Management

The objectives of the Bank when managing the capital include elements other than shareholders' equity shown in the balance sheet and they are represented in the following:

- Compliance with the legal requirements of capital in the Arab Republic of Egypt.
- Protecting the Bank's ability of continuation and enabling it to generate yield for the shareholders and other parties dealing with the bank.
- Maintaining a strong capital base supporting the growth of activity.

Capital adequacy and its uses are reviewed daily according to the requirements of the Central Bank of Egypt by the Bank Management through models based on the instructions of Basel Committee for Banking Control. Required data are submitted and filed with the Central Bank of Egypt on a quarterly basis.

The Central Bank of Egypt requires the following from the Bank:

- Maintaining the amount of one billion Egyptian pounds as a minimum requirement for issued and paid- up capital.
- Maintaining a ratio between risk-weighted elements of capital and elements of assets and contingent liabilities equivalent to or more than 10%.

According to the requirements of the Central Bank of Egypt to update the position of the Banking Sector regarding the capital adequacy criteria in accordance with the requirements of Basel II;

The Numerator in capital adequacy comprises of the following two tiers

First Tier: is the core capital comprising of paid-up capital (after deducting the book value of the treasury stocks), retained earnings and reserves resulting from profit appropriations with the exception of the reserve of general banking risks less the second tier.

Second Tier: is the supplementary capital; it comprised of the equivalent of general risk provision which is formed based on the risk rating issued by the Central Bank of Egypt in a manner that does not exceed 1.25% of the total risk-weighted assets and contingent liabilities; subordinated loans/ deposits of more than five-year-maturity period (while amortizing 20% of their value in each year of the last five years of their maturity period) in addition to 45% of the increase resulting from the difference between the fair value and the book value of both available-for-sale and held-to-maturity financial investments and investments in associates.

When calculating the total numerator of capital adequacy ratio; it should be observed that the supplementary capital should not exceed the core capital and that the subordinated loans (deposits) should not exceed one-half of the core capital.

Assets are risk-weighted ranging from zero to 100% classified according to the nature of each asset of the debtor to reflect the credit risks relating thereto, provided that cash collaterals should be taken into consideration. The same treatment is used for off- balance amounts after adjustments to reflect the contingent nature and the potential loss of such amounts. The Bank is in compliance with the local capital requirements during the last two years.

The following table summarizes the components of the core and supplementary capital and the capital adequacy ratios at the end of the financial year and the preceding year.

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Capital		
Tier 1 (Core Capital)		
Issued and paid-up capital	1 540 000	1 040 000
Reserves	183 049	289 970
Retained earnings (losses)	(286 649)	1 279
Total balance of items of accumulated other comprehensive income on balance sheet	73 917	
Total deductions from the continued core capital	(75 290)	(72 926)
Tier 1 after deductions	**1 435 027**	**1 258 323**
Tier 2 (Supplementary Capital)		
45% of increase in the fair value than the book value of financial investments in subsidiaries and associates		
Impairment loss provision of loans, advances, debt instruments and regular contingent liabilities	141 695	149 072
45% of reserve of foreign currency translation differences	113	113
45% of increase in the fair value than the book value of financial investments in subsidiaries and associates	3 328	
45% of increase in fair value than the book value of financial investments if it is positive		11 316
Tier 2 after deductions	**145 136**	**160 501**
Total capital base after deductions	**1 580 163**	**1 418 824**
Total risk-weighted assets and contingent liabilities (credit risk/ market risk and operation risk)	**12 617 424**	**14 487 697**
Capital base/ total risk-weighted assets and contingent liabilities (credit risk/ market risk and operation risk) (%)	**12.52%**	**9.79%**

Financial Leverage Ratio

At its session held on 7th July, the Board of Directors of the Central Bank of Egypt approved the regulatory instructions of the financial leverage; provided that the banks shall keep the stipulated minimum limit of (3%) on a quarterly basis as follows:

- Guidance ratio as from the end of September 2015 to 2017.
- Obligatory regulatory ratio as from 2018

In order to be considered among the first set of the Basel (minimum limit of Capital Adequacy Ratio) to maintain the power and safety of the banking sector and to keep up with the best international regulatory treatments in this regard.

The financial leverage reflects the relation between Tier 1 of the capital used in capital adequacy ratio (after deduction of disposals) and Bank's non-risk-weighted assets (on and off-balance sheet).

Ratio components:

A- Numerator Components:

The numerator consists of Tier 1 of the capital (after deductions) used in numerator of capital adequacy ratio applied at present in accordance with the instructions of the Central Bank of Egypt.

B- Denominator Components:

Denominator consists of all banks' assets on and off-balance sheet according to the financial statements known as "Bank Exposures" including the total of the following:

1- On-balance sheet exposure items after deducting some disposals of Tier 1 of capital base.

2- Exposures resulting from derivatives contract

3- Exposures resulting from securities financing operations

4- Off-balance sheet exposures (weighted by conversion coefficients)

The following table summarizes the financial leverage ratio as at December 31, 2018:

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
First tier of the capital after deductions	1 435 027	1 258 324
Cash and due from the Central Bank of Egypt	1 733 167	2 919 444
Due from banks	9 023 826	9 844 889
Financial investments through comprehensive income	1 934 667	3 562 803
Financial investments at amortized cost	7 540 649	7 009 135
Financial investments in associates and subsidiaries	250 896	239 778
Loans and advances to customers	8 637 746	8 954 589
Provision of irregular impairment losses	(875 269)	(585 876)
Interest in suspend	(134 155)	(141 517)
Profits from Islamic transactions	(31 617)	(26 948)
Fixed assets	414 341	311 308
Other assets	1 345 051	696 586
Amounts deducted from exposures	(74 356)	(72 892)
Total on-balance sheet exposures	**29 764 946**	**32 711 299**
Export credits	1 219	21 938
Import credits		33 344
Letters of guarantee	800 736	819 335
Letters of guarantee at the request of external banks	5 451	7 321
Certified bills	222 808	97 761
Capital commitments	407 322	697 979
Commitments for loans and advances to banks/ customers (unused part) with original maturity period		
Cancelable without terms at any time by the bank without a prior notification or including texts of self-cancellation due to the deterioration in credit worthiness of the borrower	268 069	18 600
Total off-balance sheet exposures	**1 705 603**	**1 696 278**
Total on and off-balance sheet exposures	**31 470 549**	**34 407 577**
Financial leverage ratio	**4.56%**	**3.66%**

4- Significant Accounting Assumptions and Estimates

The Bank makes estimates and assumptions that affect the amounts of assets and liabilities which are disclosed during the next financial year. Estimates and assumptions are continually evaluated based on historical experience and other factors; including the expectations of future events that are thought to be reasonable in the light of available information and circumstances.

A- Impairment Losses for Loans and Advances

The Bank reviews portfolio of loans and advances for estimating the impairment on quarterly basis at least. The Bank uses the personal judgment in determining whether it is necessary to recognize the impairment charge in the Income Statement; to identify if there are any reliable data indicating a decline that can be measured in the expected future cash flows loan portfolio before identifying any decline on the level of each separate loan in such portfolio; such evidences may include data indicating negative changes in borrowers' portfolio ability to repay the bank or local or economic circumstances related to default in the assets of the bank. Upon scheduling future cash flows, the Management uses the previous experience with respect to assets loss of similar credit risk to determine the credit impairment loss for assets when there are objective evidences of impairment similar to that of the portfolio. Technique and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and the actual loss based on experience.

B- Impairment of Investments in Available-for-Sale Equity Instruments

The bank determines impairment of investments in available-for-sale equity instruments when there is a significant or extended decrease in their fair value than the cost. Personal judgment is needed to determine whether the decrease is significant or extended. To take such judgment, the Bank estimates- among other factors- the normal volatility of the share price; in addition to the foregoing, there may be an impairment where there is an evidence of a deterioration in the financial status of the company in which the bank invests or in its operating or financing cash flows or industry performance of the sector or changes in technology.

C- Derivatives Fair Value

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. When such techniques are used to determine the fair value, they shall be examines and periodically reviewed.

D- Held-to-Maturity Financial Investments

Non-derivative financial assets which carry fixed or determinable payments and maturity dates are classified as held-to-maturity investments. Such classification requires using the personal judgment. To make such decision, the bank estimates the intention and the ability to hold such investments to maturity. If the bank fails to hold such investments till maturity except for some special circumstances such as sale of unimportant quantity slightly ahead of the maturity date; then all held-to-maturity investments will be reclassified to available-for-sale investments. Accordingly, such investments will be measured at fair value and not at the amortized cost in addition to suspending the classification of any investments in the said item.

E- Income Tax

The Bank establishes the liabilities for results expected from the tax examination according to the estimates of the probability of arising of additional taxes. When there is a difference between the final result of taxes and the amounts previously recorded; such differences will affect the income tax and the deferred tax provision at the period in which the difference is determined.

5- Segment Analysis

Analysis of Geographical Segments

(Amount in thousand Egyptian pounds)

Financial Year ended on December 31, 2019	Greater Cairo	Alexandria & Delta	Total
Revenues and expenses according to the geographical segments			
Geographical segments revenues	3 636 323	96 815	3 733 138
Geographical segments expenses	(3 652 996)	(84 298)	(3 737 294)
Segment operating income	**(16 673)**	**12 517**	**(4 156)**
Tax			**(172 163)**
Net losses for the year			**(176 319)**
31-December-2019			
Assets and liabilities according to the geographical segments			
Assets of geographical segments	26 068 855	3 341 983	29 410 838
Unclassified assets	428 462	-	428 462
Total assets	**26 497 317**	**3 341 983**	**29 839 300**
Liabilities of geographical segments	28 034 045	62 839	28 096 884
Unclassified liabilities	231 311		231 311
Total liabilities	**28 265 356**	**62 839**	**28 328 195**

(Amount in thousand Egyptian pounds)

Financial Year ended on December 31, 2018	Greater Cairo	Alexandria & Delta	Total
Revenues and expenses according to the geographical segments			
Geographical segments revenues	4 356 755	321 139	4 677 894
Geographical segments expenses	(4 242 880)	(301 443)	(4 544 323)
Segment operating income	**113 875**	**19 696**	**133 571**
Tax			**(185 942)**
Net losses for the year			**(52 371)**
31-December-2018			
Assets and liabilities according to the geographical segments			
Assets of geographical segments	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 geographical segments	29 522 065	1 667 877	31 189 942
Unclassified liabilities	54 066	-	54 066
Total liabilities	**29 576 131**	**1667 877**	**31 244 008**

6- Net Interest Income

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Interest from loans and similar income:	973 686	1 262 246
Loans and advances	153 300	171 975
Treasury bills	1 409 827	1 881 515
Deposits and current accounts	921 389	949 492
Investments in debt instruments at amortized cost and through comprehensive income	**3 458 202**	**4 265 228**
Interest on deposits and similar expenses from:		
Deposits and current accounts		
Banks	(130 987)	(223 791)
Customers	(2 701 690)	(3 445 197)
	(2 832 677)	(3 668 988)
Net	**625 525**	**596 240**

7- Net Income from Fees and Commissions

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Credit-related commissions and fees	139 147	213 531
Other fees	67 712	50 115
Total	**206 859**	**263 646**

Fees and Commission Expenses

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Bookkeeping and brokerage fees	(30)	(98)
Other fees	(8 046)	(11 589)
	(8 076)	(11 687)
Net	**198 783**	**251 959**

8- Dividends

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Securities at fair value through other comprehensive income	1 162	2 208
	1 162	**2 208**

9- Net Income from Financial Instruments at Fair Value through Profit or Loss

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
(Losses) Profits from dealing in foreign currencies	30 186	35 434
Shareholders' equity instruments through income statement	-	80
	30 186	**35 514**

10- Administrative Expenses

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Employees' Cost		
Wages & salaries	(435 680)	(467 564)
Social insurances	(14 599)	(12 143)
Specific subscription systems	(25 876)	(26 847)
	(476 155)	(506 554)
Other administrative expenses	(241 911)	(255 990)
	(718 066)	**(762 544)**

11- Other Operating Income (Expenses)

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Profits (loses) from evaluation of balances of monetary assets and liabilities other than that at fair value through profit or loss	(4 113)	(1 291)
Other expenses	(85)	(427)
Other income	247	3 681
Impairment of fixed assets	174	
Other provisions reverse (charges)	(73 432)	(25 043)
	(77 209)	**(23 080)**

12- Credit Losses Impairment Charge

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Loans and advances to customers	(79 448)	(78 648)
Due from banks	290	-
Financial investments at amortized cost	(22 109)	-
	(101 267)	**(78 648)**

13- Income Tax Expenses

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Deferred taxes	2 561	4 919
Current income taxes	(174 723)	(190 861)
	(172 162)	**(185 942)**

14- Basic Earnings per Share

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Losses for the year	(176 319)	(52 371)
Weighted average of share	1 540 000	104 000
Basic earnings per share	**(0.11)**	**(0.5)**

15- Cash and Due from the Central Bank of Egypt

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Cash	198 403	244 838
Due from the Central Bank of Egypt within the mandatory reserve percentage	1 534 764	2 674 606
Total	**1 733 167**	**2 919 444**
Interest-bearing balances	1 534 764	2 674 606
Non-interest-bearing balances	198 403	244 838
	1 733 167	**2 919 444**

16- Due from Banks

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Current accounts	93 198	97 548
Deposits	8 930 953	9 747 341
Differences from applying International Standard IFRS9	(684)	-
Balance after adjustment	9 023 467	9 844 889
Impairment charge	359	-
	9 023 826	**9 844 889**
Central Bank of Egypt	8 761 066	8 957 388
Local banks	34 005	249 527
Foreign banks	229 080	637 974
Differences from applying International Standard IFRS9	(684)	-
Balance after adjustment	9 023 467	9 844 889
Impairment charge	359	-
	9 023 826	**9 844 889**
Non-interest bearing balances	93 198	97 548
Fixed interest balances	8 930 953	9 747 341
Differences from applying International Standard IFRS9	(684)	-
Balance after adjustment	9 023 467	9 844 889
impairment charge	359	-
	9 023 826	**9 844 889**
Current balances	93 198	97 548
Non-current balances	8 930 953	9 747 341
Differences from applying International Standard IFRS9	(684)	-
Balance after adjustment	9 023 467	9 844 889
Impairment charge	359	-
	9 023 826	**9 844 889**

17- Loans and Advances to Customers

	Financial year ended on December 31, 2019 In thousand Egyptian pounds	Financial year ended on December 31, 2018 In thousand Egyptian pounds
Retail		
Overdrafts	459 019	605 658
Personal loans	921 845	557 866
Total	**1 380 864**	**1 163 524**
Corporate including small loans for economic activities		
Overdrafts	1 295 669	5 636 960
Direct loans	4 575 031	791 445
Syndicated loans	1 386 182	1 362 659
Total	**7 256 882**	**7 791 064**
Total loans and advances to customer	8 637 746	8 954 588
Less: Impairment loss provision	(875 269)	(771 210)
Interest in suspense	(134 155)	(141 517)
Deferred profits from Islamic transactions	(31 617)	(26 948)
Total	**7 596 705**	**8 014 913**
Total divided into:		
Current balances	2 676 533	6 800 484
Non-current balances	5 961 213	2 154 104
	8 637 746	**8 954 588**

Impairment Loss Provision

	Financial year ended on December 31, 2019 In thousand Egyptian pounds	Financial year ended on December 31, 2018 In thousand Egyptian pounds
Balance at start as previously issued	771 210	1 164 652
Effect of applying IFRS (9)	98 651	-
Balance at start after adjustment	869 861	-
Impairment charge over the year	79 449	78 648
Amounts written off during the years	(52 404)	(477 425)
Foreign currency valuation differences	(23 825)	3 712
Proceeds from debts previously written off	2 188	1 623
Balance at end of the period/ year	**875 269**	**771 210**

18- Financial Investments

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Financial investments at fair value through comprehensive income		
Debt instruments at fair value		
Quoted in the market	792 082	993 037
Unquoted in the market	346	24 321
** Net treasury bills	1 055 392	2 464 353
Equity instruments at fair value		
Quoted in the market	658	848
Unquoted in the market	58 527	48 245
Investment funds certificates	27 662	22 740
Total financial investments at fair value through comprehensive income	**1 934 667**	**3 553 544**
Financial investments at amortized cost		
Debt instruments at amortized cost		
Quoted in the market	6 656 338	7 018 394
** Net treasury bills	920 443	-
Effect of applying IFRS 9	(14 618)	-
Balance after adjustment	7 562 163	7 018 394
Impairment charge over the period	(21 514)	-
Total financial investments at amortized cost	**7 540 649**	**7 018 394**
Total financial investments	**9 475 316**	**10 571 938**
Current balances	-	174 815
Non-current balances	9 475 316	10 397 123
	9 475 316	**10 571 938**
Fixed interest debt instruments	7 448 420	7 206 915
Variable interest debt instruments	346	41 284
	7 448 766	**7 248 199**

(Amount in thousand Egyptian pounds)

	Financial investments through comprehensive income	Financial investments held at amortized cost	Total
Balance as at January 1, 2019	3 553 544	7 018 394	10 571 938
Additions	-	1 759 223	1 759 223
Disposals	(1 629 960)	(1 010 345)	(2 640 305)
Differences from valuation of monetary assets in foreign currency	(43 269)	(225 600)	(268 869)
Gains from change in fair value	54 893	-	54 893
Amortization of issue discount (premium)	(541)	35 109	34 568
Effect of applying IFRS (9)	-	(14 618)	(14 618)
Balance after adjustment	1 934 667	7 562 163	9 496 830
Impairment charge	-	(21 514)	(21 514)
Balance as at December 31, 2019	**1 934 667**	**7 540 649**	**9 475 316**
Balance as at January 1, 2018	996 040	6 342 097	7 338 137
Additions	2 470 520	795 784	3 266 304
Disposals	(2 406 899)	(141 913)	(2 548 812)
Differences from applying IFRS (9)	2 455 094	9 259	2 464 353
Differences from valuation of monetary assets in foreign currency	4 470	10 420	14 890
Gains from change in fair value	5 172	-	5 172
Amortization of issue discount (premium)	31 289	2 747	34 036
Impairment of equity instruments	(2 142)	-	(2 142)
Balance as at December 31, 2018	**3 553 544**	**7 018 394**	**10 571 938**

** Net Treasury Bills

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Treasury bills, 91 days maturity	1 334 290	1 579 933
Treasury bills, 182 days maturity	461 850	309 975
Treasury bills, 364 days maturity	224 581	610 062
	2 020 721	2 499 970
Unearned interest	(44 886)	(35 617)
Total	**1 975 835**	**2 464 353**

* On December 31, 2019, the nominal value of treasury bills mortgaged as mortgage on real estate with the Central Bank of Egypt amounted to 163 025 thousand Egyptian pounds.

** Gains from Financial Investments

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Gains from sale of financial investments	6 825	83 716
Retained earnings from investments in associates	29 904	30 348
Impairment losses	-	(2 142)
	36 729	**111 922**

19- Investments in Associates

The Banks' contribution percentage in associates are as follows:

December 31, 2019	Company's headquarters	Company's assets	Company's liabilities (less Shareholders' equity)	Net gains (losses) of the company	Gross profits/ (losses) of the company	Percentage of contribution	Value of contribution
Zahraa El Maadi Co. *	Cairo	1 550 271	364 494	103 520	139 625	20.30%	181 832
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	Alexandria	47 702	26 750	222	20	20.00%	-
Prime Services Managements	Cairo	2 283	39	124	(95)	20.00%	443
Enmaa Company for Leasing	Cairo	456 839	272 445	10 706	17 121	31.43%	68 621
							250 896

The market value of financial investments in associates registered in Stock Exchange Market amounted to 189228 thousand Egyptian pounds as at December 31, 2019 compared to 175 338 thousand Egyptian pounds as at December 31, 2018.

December 31, 2018	Company's headquarters	Company's assets	Company's liabilities (less Shareholders' equity)	Net gains (losses) of the company	Gross profits/ (losses) of the company	Percentage of contribution	Value of contribution
Zahraa El Maadi Co. *	Cairo	2 571 697	557 478	177 081	245 074	20.30%	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	Alexandria	47 702	26 750	222	20	20.00&	-
Prime Services Managements	Cairo	2 341	126	156	(107)	20.00%	445
Enmaa Company for Leasing	Cairo	1 085 652	867 309	16 389	51 708	31.43%	64 398
							239 778

20- Intangible Assets

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Cost as at January 1, 2019	37 645	40 522
Additions	4 631	425
Deductions	(1 223)	(3 302)
Total cost as at December 31, 2019	**41 053**	**37 645**
Accumulated depreciation as at January 1, 2019	(23 213)	(13 146)
Deduction from accumulated depreciation	747	870
Cost of depreciation	(11 638)	(10 937)
Accumulated depreciation as at December 31, 2019	(34 104)	(23 213)
Net book value as at December 21, 2019	**6 949**	**14 432**

21- Other Assets

	Financial year ended on December 31, 2019	Financial year ended on December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Accrued revenues	494 145	437 439
Prepaid expenses	11 510	8 297
Assets acquired by the Bank as settlements of debts (after deducting impairment)	296 434	-
Insurances and trusts	4 292	3 517
Advance payments on the account of purchasing fixed assets	464 823	229 493
Others	59 724	6 393
	1 330 928	**685 139**

22- Fixed Assets

	Lands & Buildings	Leasehold improvements	Machines & equipment	Others	Total
	(In thousand Egyptian Pounds)	(In thousand Egyptian Pounds)	(In thousand Egyptian Pounds)	(In thousand Egyptian Pounds)	(In thousand Egyptian Pounds)
Balance as at January 1, 2018					
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 at January 1, 2018	147 534	47 283	8 180	21 497	224 494
Additions	54 944	38 785	6 108	20 065	119 902
Deductions	-	(343)	-	(794)	(1 137)
Deduction from accumulated depreciation	-	133	-	292	425
Cost of depreciation	(9 531)	(28 617)	(1 844)	(6 816)	(46 808)
Net book value as at December 31, 2018	**192 947**	**57 241**	**12 444**	**34 244**	**296 876**
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 at January 1, 2019	192 947	57 241	12 444	34 244	296 876
Additions	84 736	23 341	6 302	63 960	178 339
Deductions	(280)	(2 228)	(20)	(1 373)	(3 911)
Deduction from accumulated depreciation	31	2 226	4	545	2 806
Cost of depreciation	(12 670)	(36 846)	(2 642)	(14 560)	(66 718)
Net book value as at December 31, 2019	**264 764**	**43 724**	**16 088**	**82 816**	**407 392**
Cost	318 604	147 795	28 870	138 883	634 152
Accumulated depreciation	(53 840)	(104 071)	(12 782)	(56 067)	(226 760)
Net book value as at December 31, 2019	**264 764**	**43 724**	**16 088**	**82 816**	**407 392**

The fixed assets include the amount of 88 126 thousand Egyptian pounds representing assets that have not been registered yet in the name of the Bank. At present, the legal procedures necessary are currently being taken for recording such real-estates in the name of the Bank.

23- Deferred Tax Assets

Deferred Income Taxes

Deferred taxes during the year whether assets or liabilities are represented in the following:

	Deferred Tax Assets	
	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Balance at start	11 559	6 641
Additions	2 562	4 918
Balance at end	**14 121**	**11 559**

Deferred tax assets have not been recognized in terms of the following items:

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Provision of loan impairment losses other than 80% from charged during the period/ year	24 503	24 186
	24 503	**24 186**

24- Balances due for Banks

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Current accounts	18 736	61 502
Deposits	412 267	3 420 785
	431 003	**3 482 287**
Local banks	412 267	3 420 786
Foreign banks	18 736	61 501
	431 003	**3 482 287**
Non-interest bearing balances	18 736	61 502
Fixed interest bearing balances	412 267	3 420 785
	431 003	**3 482 287**
Current balances	431 003	3 482 287
	431 003	**3 482 287**

25- Customers' Deposits

	December 31, 2019 In thousand Egyptian pounds	December 31, 2018 In thousand Egyptian pounds
Demand deposits	10 600 786	6 162 624
Time and call deposits	6 802 666	10 446 310
Saving and deposit certificates	7 240 586	7 789 111
Saving deposits	938 480	775 661
Other deposits	1 490 491	1 927 029
	27 073 009	**27 100 735**
Corporate' deposits	16 568 937	17 191 033
Individuals' deposits	10 504 072	9 909 702
	27 073 009	**27 100 735**
Non-interest bearing balances	11 235 704	7 121 096
Variable interest bearing balances	8 607 561	12 212 259
Fixed interest bearing balances	7 229 744	7 767 380
	27 073 009	**27 100 735**
Current balances	19 837 825	19 311 624
Non-current balances	7 235 184	7 789 111
	27 073 009	**27 100 735**

26- Other Loans

	Interest rate (%)	December 31, 2019 In thousand Egyptian pounds	December 31, 2018 In thousand Egyptian pounds
Social Fund for Development	7	59 052	88 705
Low/ middle/ upper middle income housing loan	2.5- 4.5-7-0.5	146 994	143 362
		206 046	**232 067**

27- Other Liabilities

	December 31, 2019 In thousand Egyptian pounds	December 31, 2018 In thousand Egyptian pounds
Accrued interests	218 301	237 000
Unearned revenues	5 934	12 005
Accrued expenses	108 901	84 007
Creditors	21 627	35 681
Sundry credit balances	32 063	6 161
	386 826	**374 854**

28- Other Provisions

December 31, 2019	Balance at start	Formed during the year	Effect of applying IFRS (9)	Foreign exchange evaluation differences	(Reversal) during the year	Used during the year	Balance at end
Claims	11 757	153,839	-	(160)	-	(11 558)	153 878
Contingent liabilities	42 308	-	117 506	(1 362)	(81 019)	-	77 433
	54 065	**153 839**	**117 506**	**(1 522)**	**(81 019)**	**(11 558)**	**231 311**

December 31, 2018	Balance at start	Formed during the year	Effect of applying IFRS (9)	Foreign exchange evaluation differences	(Reversal) during the year	Used during the year	Balance at end
Claims	7 993	13 437	-	-	-	(9 673)	11 757
Contingent liabilities	30 647	11 606	-	55	-	-	42 308
	38 640	**25 043**	**-**	**55**	**-**	**(9 673)**	**54 065**

29- Paid-up capital

	No. of shares	Ordinary shares	Total
	(in million)	(in thousand Egyptian pounds)	(in thousand Egyptian pounds)
	1 540	1 540 000	1 540 000
Balance as at December 31, 2019	**1 540**	**1 540 000**	**1 540 000**

- Pursuant to the resolution of the Extraordinary General Meeting of the Bank held on July 7, 2014, the issued capital of the bank was increased from 500 million Egyptian pounds divided into 50 million shares, the nominal value per share is 10 Egyptian pounds to be one billion Egyptian pounds divided into one hundred million shares; the nominal value per share is ten Egyptian pounds; the amount of 100 million Egyptian pounds has been settled in 2014 from the bank reserves in the form of bonus shares, the value per share is L.E. 10 to be distributed to the shareholders pro rata the participation percent of each of them.

- Pursuant to the resolution of the Extraordinary General Meeting of the Bank held on July 7, 2015, the amount of 200 million Egyptian pounds being the value of Tier 2 of the capital increase was required; while the remaining amount of the increase amounting to 200 million Egyptian pounds will be settled during 2016 pursuant to the resolution of the Extraordinary General Meeting referred to.

On November 30, 2016, the Shareholders settled the remaining amount of increase amounting to 200 million Egyptian pounds.

- Pursuant to the resolution of the Ordinary General Meeting held on July 25, 2018, the capital was increased with the amount of 40000 thousand Egyptian pounds from the profits distributed to the shareholders through bonus shares at the rate of 4 shares for every one hundred shares.

- Pursuant to the resolution of the Extraordinary General Meeting held on April 7, 2019, the paid-up capital of the bank was increased with the amount of 800 million Egyptian pounds; provided that the increase will be in two tiers as follows:

Tier 1 : The amount of 500 million Egyptian pounds, entirely settled.

Tier 2 : The amount of 300 million Egyptian pounds to be settled before March 31, 2020

30- Reserves

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Legal reserve	39 415	39 415
Fair value reserve- financial investments at fair value through other comprehensive income	74 454	13 201
Special reserve	251	251
Capital reserve	25 836	25 589
General reserve	117 798	117 798
Total reserves	**257 754**	**313 681**

Reserves movement is represented in the following:

A- General risk reserve

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Balance at start	117 427	119 597
Transferred (to) retained earnings	(117 427)	(2 170)
Transferred from retained earnings	-	-
Balance at end	**-**	**117 427**

B- Legal reserve

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Balance at start	39 415	31 710
Transferred from retained earnings	-	7 705
Balance at end	**39 415**	**39 415**

C- Fair value reserve- financial investments at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Balance at start	13 201	39 106
Net change in fair value	64 155	5 061
Reserve of financial investments transferred from available- for sale to held-to-maturity	(3 202)	2 486
Net profits transferred to profit and loss statement as a result of amortization	300	(33 452)
Balance at end	**74 454**	**13 201**

D- Special Reserve

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Balance at start	251	251
Balance at end	**251**	**251**

E- Capital Reserve

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Balance at start	25 589	25 588
Transferred from retained earnings	247	1
Balance at end of the period/ year	**25 836**	**25 589**

F- General Reserve

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Balance at start	117 798	112 798
Transferred from retained earnings	-	5 000
Balance at end	**117 798**	**117 798**

31- Retained Earnings

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Transferred to IFRS 9 reserve	-	-
Share of employees and Board Members in profits	-	(20 000)
Shareholders' share (bonus shares)	-	(40 000)
Transferred to capital reserve	(247)	(1)
Transferred from banking risks reserve	117 427	2 170
Profits from sale of equity instruments	2 670	-
Effect of applying IFRS 9	(231 459)	-
Net losses for the year	(176 319)	(52 371)
Balance at end	**(286 649)**	**1 279**

32- Differences from Applying IFRS (9)

	In thousand Egyptian pounds
Effect of recognition of expected credit losses	
Provisions formed in accordance with the instructions of the Central Bank of Egypt issued on December 16, 2008	
Provision of impairment loss of balances of loans and advances	771 210
Provision of contingent liabilities	42 308
Total	**813 518**
Provision of expected credit losses according to IFRS (9)	
Provision of credit losses of balances of loans and advances	869 861
Provision of expected credit losses of contingent liabilities	159 814
Provision of expected credit losses of due from banks	684
Provision of expected credit losses of financial investments at amortized cost	14 618
Total	1 044 977
Differences from applying IFRS (9)	**(231 459)**

The following table represents the conformability of book values in accordance with the instructions of the Central Bank of Egypt issued on December 16, 2008 with the book values in accordance with IFRS (9) of the Bank as at January 1, 2019:

	Book value in accordance with the current instructions of the Central Bank of Egypt	Reclassification	Effect of expected credit losses	Book value according to IFRS (9)
	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds
Assets				
Cash and balances due from the Central Bank of Egypt	2 919 444	-	-	2 919 444
Due from banks	9 844 889	-	(684)	9 844 205
Treasury bills	2 464 353	(2 464 353)	-	-
Loans and advances to customers	8 014 913		(98 651)	7 916 262
Financial Investments				
- At fair value through comprehensive income	1 098 450	2 455 094	-	3 553 544
- At amortized cost	7 009 135	9 259	(14 618)	7 003 776
Investments in associates	239 778	-	-	239 778
Intangible assets	14 432	-	-	14 432
Other assets	685 139	-	-	685 139
Fixed assets	296 876	-	-	296 876
Deferred tax assets	11 559	-	-	11 559
Total assets	**32 598 968**	**-**	**(113 953)**	**32 485 014**
Liabilities				
Balances due for banks	3 482 287	-	-	3 482 287
Customers' deposits	27 100 735	-	-	27 100 735
Other loans	232 067	-	-	232 067
Other liabilities	374 854	-	-	374 854
Other provisions	54 065	-	117 506	171 571
Total liabilities	**31 244 008**	**-**	**117 506**	**31 331 514**
Paid-up capital	1 040 000	-	-	-
Reserves	313 681	-	-	-
Retained earnings	1 279	-	(231 459)	(230 180)
	1 354 960	**-**	**(231 459)**	**1 123 501**

33- Cash and Cash Equivalents

For the purposes of preparing the cash flow statement, cash and cash equivalents includes the following balances within less than three months maturity from the date of acquisition:

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Cash and balances due from the Central Bank of Egypt	198 403	244 838
Due from banks	7 441 099	6 244 889
Treasury bills- 91 days maturity	1 334 290	1 579 933
	8 973 792	**8 069 660**

34- Contingent Liabilities and Commitments

A- Capital Commitments:

First: Financial Investments:
Value of commitments related to the financial investments that have not yet been due till the date of the financial position as at December 31, 2019, is as follows:

	Value of contribution	Settled amount	Remaining amount
	In thousand US dollars	In thousand US dollars	In thousand US dollars
African Export-Import Bank	1066	586	480

Second: Construction in Progress Asset

	Total value	Settled amount	Remaining amount
	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds
New Administrative Capital	787 130	342 779	444 351
Headquarters	110	55	55
New branches	47 226	38 249	8 977
Branches in development	33 440	26 785	6 655

B- Commitments for Loans, Collaterals and Facilities:

Commitments of the bank concerning the commitments for loans and advances are represented in the following:

	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds
Letters of guarantee	1 612 373	1 977 428
Letters of credit (import and export)	54 270	662 656
Accepted notes of suppliers' facilities	222 808	154 281
	1 889 451	**2 794 365**

35- Transactions with Related Parties

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

A- Loans and Advances to Related Parties:

	Associates		Interest Income	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds
Loans and Advances to Customers				
Loans at the end of the period/ year	-	8 165	-	722

B- Deposits, Current Accounts and Other Balances from Related Parties:

	Deposits		Interest on deposits	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds	In thousand Egyptian pounds
Amount due for shareholders (National Investment Bank and Federation of Republics)				
Deposits and current accounts at the end of the year	223 910	1 173 197	999	54 214
Amount due for customers				
Deposits, current accounts and others at the end of the period/ year	101 374	94 707	1 259	1 958
Total	**325 284**	**1 267 904**	**2 258**	**56 172**

C- The monthly average of total net annual income paid to the twenty highest paid- up salaries and remunerations at the Bank- jointly- during the financial year ended on December 31, 2019 is L.E. 1 820 199 compared to L.E. 1 833 939 for the financial year ended on December 31, 2018.

36- Investment Funds:

They are one of the authorized activities of the Bank by virtue of Capital Market Law no. 95/1992 and its Executive Regulations.

1- Monetary Fund of the Arab Investment Bank (with daily accumulated return in the Egyptian pounds)

The Fund is managed by EFG Hermes for Investment Funds Management. Number of investment certificates of the said fund is 11 959 161 certificates in the amount of L.E. 119 591 610, of which 500 thousand certificates (its nominal value is 5 million Egyptian pounds) were allocated to the bank for practicing the activity of the fund. The redemption value of the certificate as at December 31, 2019 amounted to 10.00 Egyptian pounds; while the number of certificates of the fund existing at the same date is 50 016 264 certificates.

Subject to the fund management contract and the prospectus, the Arab Investment Bank obtains fees and commissions for supervising the fund and the other administrative services provided to the fund. Total commissions amounted to 1864 thousand Egyptian pounds for the balance sheet as at December 31, 2019, recorded in "Fees and commissions revenues/ other fees" Items in Income Statement.

2- AIBK Third Investment Fund (Helal)

The Fund is managed by Cairo for Investment Funds Management. Number of investment certificates of the said fund is 26 954 certificates in the amount of L.E. 26 954 900, of which 50 thousand certificates (its nominal value is 5 million Egyptian pounds) were allocated to the bank for practicing the activity of the fund. The redemption value of the certificate as at December 31, 2019 amounted to 191.88 Egyptian pounds; while the number of certificates of the funds existing at the same date is 71 191 certificates.

Subject to the fund management contract and the prospectus, the Arab Investment Bank obtains fees and commissions for supervising the fund and the other administrative services provided to the fund. Total commissions amounted to 71 thousand Egyptian pounds for the balance sheet as at December 31, 2019, recorded in "Fees and commissions revenues/ other fees" Items in Income Statement.

3- AIBK Third Fund for Fixed Return Instruments (Sanadi)

The Fund is managed by HC Securities and Investment Company. Number of investment certificates of the said fund is 5 206 672 certificates in the amount of L.E. 52 066 720, of which 500 thousand certificates (its nominal value is 5 million Egyptian pounds) were allocated to the bank for practicing the activity of the fund. The redemption value of the certificate as at December 31, 2019 amounted to 13.35 Egyptian pounds; while the number of certificates of the funds existing at the same date is 560 990 certificates.
Subject to the fund management contract and the prospectus, the Arab Investment Bank obtains fees and commissions for supervising the fund and the other administrative services provided to the fund. Total commissions amounted to 33 thousand Egyptian pounds for the balance sheet ended on December 31, 2019, recorded in "Fees and commissions revenues/ other fees" Items in Income Statement.

37- Tax Position

Labour Gain tax

- Period from starting the activity 2000

Examination, internal committees, final assessment and settlement of entire due tax are completed.

- Period from 2001- 2014

The tax for such periods were examined and resulted in the tax differences and they have been entirely settled.

- Period from 2015- 2017

Tax for such period has not been examined, taking into account that the bank settles the monthly tax and submits the tax adjustments on the dates stipulated by Law no. 91/2005.

Fiscal Stamp Duty:

Final assessment of all Bank branches till the end of the validity of Law no. 111/1980 on the fiscal stamp duty has been made.
As from August 1, 2006, Law no. 143/2006 as amended by Law no. 115/2008 was applied; taking into account that the Bank settles the tax regularly on a quarterly basis. Form "19- Fiscal Stamp Duty" has been served for the period from August 1, 2006 to December 31, 2007 has been served for the period from August 1, 2006 to December 31, 2007 including presumptive claim of the tax in the amount of 100 million Egyptian pounds and it has been challenged and adjustment has been made.
Form "19- Fiscal Stamp Duty" has been served for the period from January 1, 2008 to December 31, 2008 in the amount of 11.2 million Egyptian pounds and it has been challenged and adjustment has been made.
Years from 2009 to 2018 were examined and the examination resulted in tax differences and it has been entirely settled.

Corporate Tax:

- Periods from 1980- 2004

Examination, accounting, final assessment and settlement for such years have been made.

- Years 2005/ 2006/2007

The Bank submitted its returns in the light of provisions of Law no. 91/2005. Examination for 2005, 2006 and 2007; Form 19 was served and it has been challenged; resulted in tax in the amount of 5113 thousand Egyptian pounds. The dispute was settled by the Internal Committee and the tax became 546 thousand Egyptian pounds; and it has been settled.

- Years 2008/ 2009/2010

The Bank submitted its returns and settled the tax for such years; challenge has been made and the dispute was settled by the Internal Committee; the tax is finally cancelled for years 2005 to 2010.

- Years from 2011 to 2014

The tax for such periods was examined; the examination resulted in tax differences and they have been entirely settled.

Period from 2015- 2017

The tax for such periods were examined; taking into account that the Bank submits the returns on the due dates; examination resulted in the tax for independent base and it has been challenged; while the settled amount is sufficient for such tax.

- Year 2018:

The return for the said year is submitted.

Real-Estate Tax:

By promulgation of Law no. 196/2008 and its amendments, the later of which is decision promulgated by Law no. 103/2012 imposing tax as from July 2013; the real estate tax on the branches of the bank is estimated in the amount of L.E. 652 187.

All such estimates have been challenged; the Bank settled all claims submitted by the Administration partially or totally till 2019. The claims that have not been settled till the present date are in the amount of L.E. 317055.

38- Explanatory Paragraph

Due to the circumstances that the most countries of the world were exposed to including the Arab Republic of Egypt as a result of Coronavirus outbreak which have a material impact on the economic sectors in general and that may lead to a significant decrease in the economic activities during the following periods; accordingly the said events may have a significant impact on the elements of the assets and liabilities of the banks, their redemption value and the results of business during the following periods.

Branches

Head Office
Cairo Sky Building - 8 Abdel Khalek Tharwat St.- Cairo.

Cairo Branch
Cairo Sky Building - 8 Abdel Khalek Tharwat St.- Cairo.

Mosadak Branch
59 Mosadak St. - Dokki.

Zamalek Club Branch
No.26 - 26 July St. - beside Zamalek Club Gate - El Mohandseen.

Lebanon square Branch
56 Lebanon St. - El Mohandseen

Zamalek Branch – ELMansour Mohamed.
29 El Mansour Mohamed St. - Zamalek - Cairo.

Giza Branch
Sky Center Building - 28 Mourad St. - Giza.

Faisal Branch
48 King Faisal St. - Giza.

Galleria Branch
Unit no. A53 - Galleria 40 Mall - ELSheikh Zayed.

Strip Mall Branch
Unit J3 - Strip Mall - ELSheikh Zayed.

Shobra Branch
AghaKhan Towers - Cornich ElNile - Shobra.

Maadi Branch - Degla
206 St., Salah Salem - Degla El Maadi - Cairo.

Maadi Branch - ElNasr
ElNasr Street - El Maadi - Cairo.

Nasr City Branch
Nasr Center Building - Abass El Akaad St.- Nasr City - Cairo.

City Stars Branch
Unit no. 110 - City Stars Mall - Nasr City.

Obour Building Branch
7 Obour Building – Salah Salem St.

Heliopolis Branch
29 Asmaa Fahmy St. - Heliopolis.

Nehru Branch
40 Nehru St. - Behind Merryland - Heliopolis.

El Khalefa El Mamoun Branch
27 El Khalefa El Mamoun St. – Heliopolis

Al Tagamoa Al Khamis Branch
Concord Mall - 90th St. - New Cairo.

Arena Mall
Arena Mall - Al Tagamoa Al Khamis

Tenth of Ramadan Branch
Plot No. 1/4/D the second phase - Tenth of Ramadan city.

Obour Branch
Unit No. 17/18 Commercial Mall – Golf City Mall.

Alexandria Branch
68 El Horeya Road - Alexandria.

Smouha Branch
107 Albert Al Awal St. - Ali Ibn Abi Taleb square
Smouha - Alexandria.

Port Said Branch
23rd of July & Qaitbay St., Joly Ville Building - Port Said.

Suez Branch
45/45A ELShohadaa St. - City Mall - Suez City.

Ismailia Branch
Green Plaza Mall - Ismailia Channel St. – Ismailia.

Damietta Branch
AlSayad Plaza , Cornish ElNile, Damietta.

Al Menia Branch
236 Cornish El Nile St.

Islamic Branches
Zamalek Islamic Branch
8 El Mansour Mohamed St. - Zamalek - Cairo.

Alexandria Sporting Islamic Branch
303 El Horeya Road Sporting- Alexandria.

Opening soon
ELMoqattam Branch.
ElHaram Branch.
Arkan Mall Branch.

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