Translation of financial statements
Originally issued in Arabic

UNION NATIONAL BANK – EGYPT (S.A.E)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2018
TOGETHER WITH AUDITORS' REPORT

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AUDITORS' REPORT

To the Shareholders of Union National Bank – Egypt

Report on the financial statements

We have audited the accompanying financial statements of Union National Bank – Egypt (S.A.E), which comprise the statement of financial position as at 31 December 2018, and the statements of income, cash flows and changes in equity for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on December 16, 2008 and in light of the prevailing Egyptian laws , management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

KPMG Hazem Hassan
Public Accountants & Consultants

MOORE STEPHENS
EGYPT PUBLIC ACCOUNTANTS & CONSULTANTS

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the bank as of December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on December 16, 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

According to the information and explanations given to us – during the financial year ended December 31, 2018 no contravention of the Law of the Central Bank, Banking Sector and money No. 88 of 2003.

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

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations is in agreement with the Bank's books of

Auditors

Sherin Mourad Noureldin
Egyptian Financial Authority
Register Number "88"
Moore Stephens Egypt
Public Accountants & Consultants

KPMG Hazem Hassan
Public Accountants and Consultants

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, February 4, 2019

Union National Bank - Egypt (S.A.E)

Translation of financial statements originally issued in Arabic

Financial Position As OF 31 December 2018

In Egyptian Pound	Note	31 December 2018	31 December 2017
Assets			
Cash and due from Central Bank of Egypt	(6)	581 849 334	717 066 750
Due from banks	(7)	4 564 838 497	3 526 965 125
Treasury bills and other governmental notes	(8)	9 875 500 035	9 923 022 992
Financial assets held for trading	(9)	1 424 279	7 117 710
Loans and advances to customers	(11)	12 728 793 510	9 444 743 699
Investments:			
- Available for sale investments	(10)	443 312 882	200 630 782
- Held to maturity investments	(10)	3 133 099 786	3 972 166 106
- Investments in associates	(10)	72 476 090	53 431 841
Intangible assets	(12)	22 961 488	34 843 396
Other assets	(13)	479 823 610	405 316 994
Fixed assets (net of depreciation)	(15)	474 481 659	403 084 613
Total assets		**32 378 561 170**	**28 688 390 008**
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(16)	936 422 587	519 414 099
Customers' deposits	(17)	27 484 825 701	24 540 110 313
Long term loans	(18)	900 507 911	893 656 534
Other liabilities	(19)	525 560 767	410 693 172
Other provisions	(20)	109 600 321	108 317 958
Deferred tax liabilities	(14)	7 351 666	253 666
Total liabilities		**29 964 268 953**	**26 472 445 742**
Shareholders' equity			
Paid-in capital	(21)	1 404 585 000	1 404 585 000
Amounts paid under capital increase		70 229 253	-
Reserves	(21)	382 698 552	327 809 439
Retained earnings	(21)	556 779 412	483 549 827
Total shareholders' equity		**2 414 292 217**	**2 215 944 266**
Total liabilities and shareholders' equity		**32 378 561 170**	**28 688 390 008**

- The accompanying notes from (1) to (36) are an integral part of these financial statements.
- Auditors' report attached.

Managing Director	Vice Chairman	Chairman
Ihab Elsewerky	Mohamed Nasr Abdeen	Nahayan Mabarak Al Nahayan

INCOME STATEMENT For The Year Ended 31 December 2018

In Egyptian Pound	Note	31 December 2018	31 December 2017
Interest income on loans and similar revenues	(24)	3 696 609 758	2 743 388 668
Interest expense and similar charges	(24)	(2 734 658 593)	(1 872 613 545)
Net interest income		961 951 165	870 775 123
Commissions and fees income		204 171 757	194 880 589
Commissions and fees expenses		(21 763 914)	(24 292 585)
Net commissions and fees income		182 407 843	170 588 004
Dividends income	(25)	1 766 862	1 486 047
Net trading income	(26)	1 801 027	745 860
Gains from financial investments	(27)	40 640 373	39 411 082
Provisions(charged)	(11)	(216 356 399)	(119 756 594)
Administrative & Staff expenses	(28)	(406 434 095)	(360 372 309)
Other operating expenses	(29)	(8 904 831)	(6 305 383)
Profit for the year before income tax		556 871 945	596 571 830
Income tax expenses	(14)	(286 761 993)	(216 561 239)
Net profit for the year		270 109 952	380 010 591
Earnings per share (EGP)	(30)	0.93	1.38

- The accompanying notes from (1) to (36) are an integral part of these financial statements.

Union National Bank - Egypt (S.A.E)

STATEMENT OF CASH FLOWS For The Year Ended 31 December 2018

In Egyptian Pound	**Note**	**31 December 2018**	**31 December 2017**
Cash flow from operating activities			
Net profit for the year before tax		556 871 945	596 571 830
Adjustments to reconcile net profit to cash flow from operating activities			
Depreciation and amortization	(12 ,15)	70 370 471	46 913 332
Other provisions reversed	(20)	4 548 602	14 592 620
Foreign revaluation differences for other provisions	(20)	(88 630)	237 396
Gain on sale of fixed assets	(29)	(2 353 841)	(596 490)
Undistributed profit of associates	(27)	(19 044 249)	(8 391 428)
Dividends payable	(25)	(1 766 862)	(1 486 047)
Operating profit before changes in assets and liabilities from operating activities		**608 537 436**	**647 841 213**
Cash flow from operating activities			
Change in due from banks	(7)	40 911 269	301 968 345
Change in due from Central Bank of Egypt within reserve percentage	(6)	112 599 086	248 689 268
Change in treasury bills and other governmental notes	(8)	(1 038 850 971)	(4 998 543 460)
Change in financial assets held for trading	(9)	5 693 431	10 334 586
Change in loans and advances to banks	(11)	(3 286 125 780)	(1 482 510 983)
Change in other assets	(13)	(11 110 130)	(24 337 810)
Change in due to bank	(16)	417 008 488	(962 562 593)
Change in customers' deposits	(17)	2 944 715 388	3 887 754 444
Change in used from other provisions	(20)	(3 177 609)	(10 257 102)
Change in other liabilities	(19)	52 593 143	348 600 050
Change in income tax paid		(238 592 490)	(194 360 373)
Net cash flow used in operating activities		**(395 798 739)**	**(2 227 384 415)**

STATEMENT OF CASH FLOWS For The Year Ended 31 December 2018 (Continued)

In Egyptian Pound	Note	31 December 2018	31 December 2017
Cash flow from investing activities			
Payments to purchase fixed assets and establishments of branches		(195 648 720)	(131 955 503)
Proceeds from sale of fixed assets		4 720 470	596 490
Retrieval of financial investments - held to maturity	(10)	847 266 100	561 275 364
Purchase of financial investment - held to maturity, net investment available for sale and in associates	(10)	(275 566 853)	(176 117 084)
Dividends received	(25)	1 766 862	1 486 047
Net cash flow provided from (used in) investing activities		**382 537 859**	**255 285 314**
Cash flow from financing activities			
Proceeds from other loans	(19)	6 851 377	884 634 716
Dividends paid		(46 468 737)	(24 841 953)
Net cash flow provided from (used in) financing activities		**(39 617 360)**	**859 792 763**
Net (decrease) increase in cash and cash equivalents during the year	**(22)**	**(52 878 240)**	**(1 112 306 338)**
Cash and cash equivalents at the beginning of the year	(22)	3 724 971 150	4 837 277 488
Cash and cash equivalents at the end of the year		**3 672 092 910**	**3 724 971 150**

<u>For the purpose of preparing the statement of cash flow, the cash and cash equivalent comprise of the following</u>

Cash and due from Central Bank of Egypt	(6)	581 849 334	717 066 750
Due from banks	(7)	4 564 838 497	3 526 965 125
Treasury bills and other governmental notes	(8)	10 239 470 017	10 309 663 597
Due from Central Bank within reserve percentage		(195 189 758)	(307 788 844)
Due from banks (over 3 months maturity)		(1 279 430 163)	(1 320 341 432)
Treasury bills and other governmental notes (over 3 months maturity)		(10 239 445 017)	(9 200 594 046)
Cash and cash equivalents at the end of the year		**3 672 092 910**	**3 724 971 150**

- The accompanying notes from (1) to (36) are an integral part of these financial statements and to be read there with.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For The Year Ended 31 December 2018

In Egyptian Pound	Paid-up capital	Paid under capital increase	Reserves	Retained earnings	Total
Year Ended 31 December 2017					
Balance as at January 1, 2017 before distribution	1 274 000 000	63 700 000	167 462 508	330 746 491	1 835 908 999
Capital Inrease	63 700 000	(63 700 000)	-	-	-
Revaluation differences of available for sale investments	-	-	19 483 774	-	19 483 774
The Bank's share in the extraordinary revenues reserve of Orient Takaful Insurance Company	-	-	5 382 855	-	5 382 855
2016 profit distribution (Staff & BOD members)	-	-	-	(24 841 953)	(24 841 953)
Transfer to legal reserve	-	-	17 516 918	(17 516 918)	-
Transfer to capital reserve	-	-	5 331 180	(5 331 180)	-
Transfer to risk reserve IFRS 9	-	-	94 513 720	(94 513 720)	-
Paid under capital increase	66 885 000	-	-	(66 885 000)	-
Total	1 404 585 000	-	309 690 955	121 657 720	1 835 933 675
Net profit for the Year ended December 31, 2017	-	-	-	380 010 591	380 010 591
Transfer to operational risk reserve	-	-	18 118 484	(18 118 484)	-
Balance as at December 31, 2017	**1 404 585 000**	**-**	**327 809 439**	**483 549 827**	**2 215 944 266**
Year Ended 31 December 2018					
Balance as at January 1, 2018 before distribution	1 404 585 000	-	327 809 439	483 549 827	**2 215 944 266**
Revaluation differences of available for sale investments	-	-	(25 293 264)	-	(25 293 264)
2017 profit distribution (Staff & BOD members)	-	-	-	(46 468 737)	(46 468 737)
Transfer to legal reserve	-	-	37 941 410	(37 941 410)	-
Transfer to capital reserve	-	-	596 490	(596 490)	-
Paid under capital increase		70 229 253	-	(70 229 253)	-
Total	1 404 585 000	70 229 253	341 054 075	328 313 937	2 144 182 265
Net profit for the Year ended December 31, 2018	-	-	-	270 109 952	270 109 952
Transfer to operational risk reserve	-	-	41 644 477	(41 644 477)	-
Balance as at December 31, 2018	**1 404 585 000**	**70 229 253**	**382 698 552**	**556 779 412**	**2 414 292 217**

- The accompanying notes from (1) to (36) are an integral part of these financial statements.

Union National Bank - Egypt (S.A.E)

Proposed Profits Distribution Statement

For The Year Ended 31 December 2018

In Egyptian Pound	31 December 2018	31 December 2017
Net profit for the year based on the income statement	**270 109 952**	**380 010 591**
Deduct:		
Gain on sale of fixed assets transferred to capitalized reserve according to the statue of law	(2 353 841)	(596 490)
General Banking Reserve	(41 644 477)	(18 118 484)
IFRS9 risk reserve	-	(94 513 720)
Distributable net profit	**226 111 634**	**266 781 897**
Add:		
Retained earnings as at beginning of the year	328 313 937	216 171 440
Total	**554 425 571**	**482 953 337**
Distributed as follows:		
Legal reserves	26 775 611	37 941 410
Shareholders 1st Dividend **	73 740 713	70 229 253
Employees share	27 010 995	38 001 059
B.O.D. remuneration	9 476 895	8 467 678
Retained earnings as at end of the year	417 421 357	328 313 937
Total	**554 425 571**	**482 953 337**

**Cash dividend 28 piasters per share, as 5% of the paid up capital

1- Background

Union National Bank - Egypt provides retail, corporate and investment banking services in Arab Republic of Egypt and abroad through 48 branches and employs 1163 employees as at 31 December 2018.

Union National Bank – Egypt (previously known as Alexandria Commercial and Maritime Bank) is an Egyptian Joint Stock Company as a commercial Bank established in pursuance of Ministerial Decree no, 262 of 1981, published in the Official Gazette in September 12,1981 and in accordance with the provisions of Investment Law No, 43 for the year 1974 and its amendments, which was superseded by Law No, 230 for the Year 1989, cancelled by the Law No, 8 for the year 1997 concerning Investment Guarantees and Incentives. The Bank provides all banking services related to its activity and operates through its Giza - Head office and 48 branches, the bank is listed on Egyptian stock exchange.

- The extra ordinary general assembly dated January 13, 2007 decided to change the bank's name to Union National Bank – Egypt from Alexandria Commercial and Maritime Bank and it was annotated in the Bank's Commercial Register.
- The extra ordinary general assembly dated August 24, 2007 decided to change the bank's Head Office to be located in Giza governorate.
- The extra ordinary general assembly dated March 13, 2010 decided to change the bank's Head Office to be located in Cairo governorate.
- The extra ordinary general assembly dated March 26, 2016 decided to change the bank's Head Office to be located in Giza governorate.
- Board of Directors dated January 10,2019 approved the adoption of the Financial Statements for Year Ended December 31,2018.

2- Summary of significant accounting policies

The management has amended certain accounting policies and measurements basis to be consistent with the new accounting standards. Financial statements preparation and presentation requirements and recognition and measurements issued by Central Bank of Egypt's (CBE) board of directors dated December 16, 2008

A- Basis of preparation

The financial statements are prepared in accordance with Egyptian Accounting Standards issued during 2006 and its amendments and in accordance with Central Bank of Egypt instructions approved by its Board of Directors as at December 16, 2008 that are compliant with the standards referred to, and on the basis of historical cost modified by revaluation of the financial assets and liabilities, held for trading, financial assets and liabilities classified when incurred by fair value through profit and loss, financial investments available for sale, and all derivative contracts. These financial statements were prepared according to the related local laws.

B- Investments in subsidiaries and associates

- **B-1 Investments in subsidiaries**

Investments in subsidiaries are investments in entities with specific purposes (Special Purpose Entities / SPE's) which the bank has control. Control is presumed to exist when the parent owns, directly or indirectly the ability to influence its financial and operating policies. Usually the bank owns in subsidiaries more than half of the voting power of the investee, taking into consideration future potential voting rights that can be exercised or converted now when evaluating if the bank has the ability to control the company.

- **B-2 Investments in associates**

  - Entities over which Bank exercises significant influence directly or indirectly without exercising control or joint control over that entity. Usually significant influence exists where the bank holds 20% to 50% of voting power in the investee. Purchase method is applied to account for acquisitions of investees by the bank. Acquisition cost is measured at fair value or equivalent assets to buy or issued equity instruments and/or liabilities charged to the bank and/or obligations the bank accepts on behalf of the acquired company, at the date of exchange.

    In addition to any costs directly supports the acquisition transaction, while net assets including contingent liabilities that can be determined at its fair value in at the acquisition date, regardless of any minority rights. The increase of acquisition cost above the fair value to the bank's share represents the goodwill, but if the acquisition cost declines below the fair value for the net assets concerned, therefore the difference of recorded directly in the income statement in other revenues (expenses) caption.

  - Investments in associates measured at owners' equities method in the financial statements of the bank. Dividends proved debited from fair value after credence.

C- Segment reporting

A business segment is a group of assets and operations related to providing products or services subject to risks and returns that differ from those that are related to other business segments and geographical segment which provide products or services within the same economic environment subject to specific risks and benefits that differ from those geographical segments which operate in different economic environments.

D- Foreign currency translation

D-1 Functional Currency

The bank's financial statements are published in Egyptian pound which is the currency used in the bank's transactions and publishing.

D-2 Transactions and balances in foreign currencies

The bank maintains its accounting records in Egyptian pound. Transactions in foreign currencies are translated into Egyptian pound during the accounting period using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of each period at the exchange rates then prevailing. Foreign exchange gains and losses resulting from settlement of such transactions and valuation differences are recognized in the income statement under the following items:

- Net trading income of the assets / liabilities held for trading or net income of financial instruments classified at inception by fair value through profit and loss to assets / liabilities for trading.
- Other operating revenues (expenses) for the remaining assets and liabilities.

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

Changes in fair value are recognized under "fair value reserve – available for sale investments" in the equity section.

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

E- Treasury bills

Treasury bills are recognized at the purchase price at nominal value and the discount for the issue that represents the unearned interest on these balances is shown on credit balances and other liabilities. Treasury bills are shown in the balance sheet excluding the outstanding balance of proceeds measured at amortized cost using the effective yield rate .

F- Financial assets

The bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets, Management determines the classification of its investments at initial recognition.

F-1 Financial assets at fair value through profit or loss

This category consists of financial assets held for trading,

Financial assets are classified as held for trading if they are acquired or incurred principally for the purpose of selling in the short term or if it is part of financial instruments portfolio that are managed together and there is evidence resulted from recent actual transaction that profit can be recognized in the short term.

Derivatives are classified as held for trading unless it's classified as hedging instruments.

Financial assets are classified up on recognition at fair value through profit or loss in the following circumstances:

- This decreases the discrepancy arising if the derivative in concern is recognized as held for trading while its underlying financial instrument is measured at amortized cost for loans and advances, due from banks and issued debt instruments.
- When managing some investments, like investments in equity instruments and measured at fair value according to the investment policy or risk management and conducting reports to the top management on that basis. These investments are then recognized at fair value through profit or loss.
- Financial instruments like debt instruments, including one or more embedded derivatives which materially affects the cash flow, these instruments are recognized at fair value through profit or loss.
- Profit and loss from change in fair value in financial derivatives managed in conjunction with assets/liabilities initially recognized at "fair value through profit and loss" booked in income statement under "net income from financial assets classified upon recognition at fair value through profit of loss".
- Any financial derivative from the financial instruments measured at fair value through profit or loss is not reclassified during holding it or till validity, as well as any financial instrument are not reclassified transferred from the fair value through profit or loss portfolio if this instrument is designated upon recognition as a fair value instrument through profit or loss.

F-2 Loans and receivables

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

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

- Those that the bank upon initial recognition designates as available for sale.
- Those for which the holder may not recover substantially all of its initial investment, for any reason other than credit deterioration.

F-3 Financial investments held to maturity

Held to maturity financial investments are non-derivative financial assets which carry fixed or determinable payments, fixed maturity date and where the bank has the intention and the ability to hold to maturity. Any sale of a significant amount, not close to the date of its maturity, would result in the reclassification of all held to maturity investments as available for sale except in the emergency cases.

F-4 Financial investments available for sale

Available for sale financial investments are non-derivatives financial assets that are intended to be held for unspecified period of time and may be sold to provide liquidity or due to changes in shares prices, foreign exchange currencies, or interest rate.

The following applies to financial assets:

- Purchases or sales of financial assets at fair value through profit and loss, held to maturity financial investments, and available for sale financial investments are recognized at the trade date which is the date the bank is committed to purchase or sell the financial asset,
- Financial assets that are not classified at fair value through profit and loss at initial recognition are recognized at fair value plus transaction cost, while the financial assets classified as at fair value through profit and loss are initially recognized at fair value only and the transaction cost is recognized in the income statement under "net trading income",
- Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when the bank transfer all asset risks and rewards to another party, while a financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired,
- Available for sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair value, While loans and receivables and held to maturity investments are measured subsequently at amortized cost,

- **E-4 Financial investments available for sale (continue)**

  - Gains and losses arising from changes in fair value of financial assets designated at fair value through profit and loss are recorded in income statement during the period it occurred, while gains and losses arising from changes in fair value of available for sale financial investments are recognized in equity until the financial asset is derecognized, or impaired at this time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss,
  - Interest income related to monetary assets classified as available for sale is recognized based on the amortized cost method in the income statement, Dividends related to available for sale equity instruments are recognized in the income statement when they are declared,
  - The fair values of quoted investments in active markets are based on current bid prices, If there is no active market for a financial asset, the bank establishes fair value using valuation techniques, These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, if the bank could not assess the value of the equity classified as available for sale, these instruments should be valued at cost after deduct any impairment expense,
  - The bank's financial assets can be reclassified from the available for sale investments to "loans and receivables" or" financial assets held to maturity" using fair value when the bank has the intention and ability to hold the instrument in the future or till maturity, Any related profits or losses that have been previously recognized in equity are treated as follows:-
    1. Financial assets with fixed or determinable payments and fixed maturity valued at amortized cost, using the effective interest method, The difference between the amortized cost using the effective interest method and the repayment value is amortized using the effective interest rate method,

       In case of financial asset's impairment any profits or losses previously recognized in equity is recognized in income statement,
    2. Profits and losses related to the financial assets without fixed or determinable maturity are recorded in equity till selling or disposing it,

       In case of impairment, profit and losses that have been previously recognized directly in equity are recognized in the income statement,

- If the bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument, this adjustment is recognized as either income or expense in the income statement,

E-4 Financial investments available for sale (continue)

- In all cases, if the bank re-classified financial asset in accordance with what is referred to above and the bank subsequently increase its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate not as an adjustment in the book value of the asset at the date of change in estimate.

G- Offsetting of financial instruments

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously,
Treasury bills, Repos and reverse Repos agreements are netted on the balance sheet and disclosed under treasury bills and other governmental securities.

H- Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value, Fair values are obtained from quoted market prices in active markets, or according to the recent market deals, or the revaluation techniques including discounted cash flow models and options pricing models, as appropriate, Derivatives are recognized as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

I- The recognition of the first day deferred profit and loss

For the instruments measured at fair value, the best indicator on the fair value of the instruments at the date of transaction is transaction price (fair value of the return delivered or received) unless the fair value for the instrument at the same date can be known referring to the transaction prices in the published markets or using the valuation models, When the bank enters transactions that some of them are due after long period of time, their fair values are assessed using valuation models their inputs may not always be published market prices or rates, the initial recognition of this financial instrument is made using the transaction price which represent the best indicator of the fair value despite that the value from the valuation model may be different, the different between the transaction price and the value resulted from the model known as " first day profit and loss" is not recognized immediately in the profits and losses and classified as other assets in case of loss or other liabilities incase of profit ,

The timing of recognition of deferred profit and loss is determined separately for every case, and that's by amortizing it over the transaction period or until the fair value of the instrument can be determined using published market inputs, or at the transaction reconciliation and the instrument is valuated later by fair value, The future changes in fair value are recognized immediately in the income statement.

J- Interest income and expense

Interest income and expense of all interest – bearing financial instruments, except these classified at inception at fair value through profit and loss shall be recognized in the income statement under "interest income on loans and similar income" item or "interest expenses on deposits and similar charges" by using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period, The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, a shorter period when appropriate to reach the net carrying amount of the financial asset or liability, When calculating the effective interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument (for example, accelerate - prepayment options) not to consider the future credit losses,
The method of calculation includes all fees paid or received by and between parties of the contract that are an integral part of the effective interest rate, transaction costs include all other premiums or discounts,
When loans or debts are classified as non-performing or impaired, related interest income are not recognized but rather, are carried off balance sheet in statistical records and are recognized under revenues according to cash basis as per the following:

- When collected and after recovery of all past dues for retail loans, personal loans, small and medium business loans, mortgage loans for personal housing and small loans for businesses,
- For loans granted to corporate, interest income is recognized on cash basis after the bank collects 25 % of the scheduling installments and after the installments continued to be regular for at least one year, If the client continued to be regular the return on the loan balance is classified as revenues (return on regular scheduling instrument balance) before margin return before scheduling that are not classified as revenues unless full payment of the loan balance in the financial position before scheduling,
-

K- Fees and commission income

Fees and commissions related to loan and advances are recognized as income when the service is rendered, Fees and commission income related to non-performing or impaired loans or debts are suspended and are carried off balance sheet and are recognized under income according to the cash basis when interest income is recognized in accordance with note (2 –H) above, Fees which represent part of the financial asset's effective rate are recognized as an adjustment to the effective interest rate,
Recognition of revenue related to commitment fees is postponed due to a probability that this loan will be withdrawn, as commitment fees represent compensation for the continuing interferes to own the financial asset, Subsequently it's recognized as adjustments to the effective interest rate of the loan, If the commitment period passed without issuing the loan, commitment fees is recognized as income at the end of the commitment period,

K- Fees and commission income (continue)

Fees and commission related to instruments debts measured by fair value is recognized as income at initial recognition, Fees on the promotion of the syndicated loans shall be recognized within revenue when promotion process is completed and the bank does not retain an portion of the loan or if the bank retains a portion for itself earning the actual rate return which is available to other participants as well.

Fees and commissions arising from negotiation, or participating in negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized as income when the transaction is completed,

The administrative consultations fees and other services are normally recognized based on the distribution overtime relative to the service performance period. However, the financial planning management fees and conservation services fees, which are provided for long periods of time, are recognized over the period during which the service is performed.

L- Dividend income

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

M- Purchase and resale agreements and sale and repurchase agreements

The financial instruments sold under repurchase agreements within the assets of the balances of treasury bills and other governmental notes in the balance sheet. Whereas, the liability (purchase and resale agreements) is deducted from the treasury bills and other governmental notes in the balance sheet. The difference between the sell price and repurchase price is recognized as a return over the period of the agreement by applying the effective interest rate method.

N- Impairment of financial assets

N-1 Financial assets at amortized cost

At reporting dates, the bank assesses whether there is objective evidence on the impairment of a financial asset or a group of financial assets. The financial asset or the group of assets shall be considered impaired and impairment losses shall be recognized when there is objective evidence on the impairment as a consequence of an event or more events that occurred after the initial recognition of the asset and such (Loss Event) affects the reliability of the estimated future cash flow of the financial asset or the group of financial assets.

The bank considers the following indicators to determine the existence of substantive evidence for impairment losses:-

- Significant financial difficulty that face the borrower or debtor.
- Breach of the terms of the loan facility such as the stopping of repayment.

N-1 Financial assets at amortized cost (continue)

- Expectation of the declaration of the borrower's bankruptcy, the entering into of the liquidation lawsuit or the restructuring of the granted finance;
- Deterioration of the competitive position of the borrower;
- Granting privileges or concessions by the bank to the borrower for legal or economic reasons related to the latter's financial difficulties, which the bank may not accept granting the same in ordinary circumstances;
- The impairment of the collateral's value;
- The deterioration of the credit situation and positions.

Objective evidence of the impairment losses of a group of financial assets includes the existence of observable data indicating a decrease in the measurement in the future cash flows of the group since the initial recognition though it is not possible to determine the decline of each individual asset, such as the increase of default cases in regards with a bank product. .
The bank estimates the period between the loss event and its identification for each specific portfolio. This period normally ranges between three and twelve months.

Further, the bank first assesses whether there is objective evidence of impairment exists for each individual financial asset if it represents significance. , The assessment is made individually or collectively for the financial assets that are not significant on an individual basis. In this regard, the following shall be taken into account:

- If the bank identifies there is no objective evidence on the impairment of a financial asset assessed separately whether it has a significance of its own or not, then this asset shall be added to the group of financial assets with similar credit risk features for assessment together to estimate impairment pursuant to historic default ratios.

- If the bank identifies the existence of objective evidence of impairment of a financial asset assessed separately, then this asset shall not be included in the group of assets for which impairment losses are assessed on a collective basis.

- If the aforementioned assessment resulted in the non-existence of impairment losses, then the asset is included in the group.

Impairment loss is calculated by the difference between the carrying amount and the present value of estimated future recoverable cash flows, excluding future expected credit losses not charged yet, discounted at the financial assets' original effective interest rate, This impairment is booked in the income statement as "impairment loss" and the book value of the financial asset is reduced by the impairment amount using "impairment loss provision".

N-1 Financial assets at amortized cost (continue)

If loans or the financial assets classified as held to maturity are carry variable interest rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred, For practical purposes, the bank may measure the impairment loss using the fair value of the instrument through its market rate,
For guaranteed financial assets present value for expected futures cash flows has to be considered in addition to the proceeds from sale of guarantee after deducting selling cost.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics according to the bank classification taking into consideration type of asset, industry, geographical location, collateral, past-dues and other relevant factors, Those characteristics are relevant to the estimation of future cash flows for those groups of assets as they are indicators of the debtors' ability to pay all amounts due according to its contract terms for assets under study.
If historical impairment losses rates method is used for a group of financial assets that are collectively evaluated for impairment, future contractual cash flow will be used by the bank in
future and the historical loss for a group of assets with similar credit risk characteristics are considered.
Historical impairment loss rates are adjusted to reflect the effects of current circumstances that did not affect the period on which the historical impairment loss rates is based and to remove the effects of circumstances in the historical period that are not currently exist.
The bank has to ensure that the estimates of changes in future cash flows for groups of assets are in consistence with changes in relative data from period to period, such as , changes in unemployment rates, real estate prices, settlement status, or other factors that may affect the probability and magnitude of losses, The bank reviews the basis and methods of estimation regularly.

N-2 Available for sale investments

At each balance sheet date, the bank assesses if there is objective evidence that impairment loss for an asset or a group of assets classified within financial investments available-for-sale or financial investment held to maturity, For listed equity instruments classified as available for sale investments, impairment is recognized if a significant and a prolonged decline in the fair value of the instrument below its book value shall be taken into account upon the estimation of whether there is impairment in the asset.

N-2 Available for sale investments (continue)

During the period starting from January, 2009, the decline in value is considered significant for the equity instruments if it reaches 10% of the financial instrument's cost, The decline shall be considered as a significant one, when it reaches 10% of the book value cost and the decline shall be considered as a prolonged one if it continues for more than 9 months. If the mentioned evidence is available, then the accumulated loss shall be carried over from shareholders' equity to the income statement. The impairment in value recognized in the income statement concerning
equity's instruments shall not be reversed, if a later increase in the fair value occurs. Meanwhile, in case the fair value of debt instruments classified available-for-sale instruments has increased, and has been found possible to objectively link the mentioned increase to an event that took place after the recognition of impairment in the income statement, then the impairment shall be reversed through the income statement.

O- Investment property

Investment property represents land and buildings owned by the bank and used to earn rental income or increase capital, Investment property doesn't include properties used by the bank during its normal course of operation or assets reverted to the bank in settlement of debts, The accounting policy for investment property is the same as for fixed assets.

P- Intangible assets

a. Computer Software

The expenses, related to development or maintenance of computer software, shall be recognized as expense in income statement, when incurred, The expenses connected directly with specific software and which are subject to the bank's control and expected to generate economic benefits exceeding their cost for a period more than one year, shall be recognized as an intangible asset, The direct expenses include staff cost of software development, in addition to an adequate share of related expenses,
The expenses which lead to increase or expansion of computer software beyond their original specifications are recognized as an development cost and shall be added to the original software cost,
The computer software cost recognized as an asset shall be amortized over the expected useful life which is not more than three years.

Q-Fixed assets

The land and buildings are mainly represented in all head office, branches and offices. fixed assets shall be disclosed at historical cost net of accumulated depreciation and impairment losses, The historical cost includes the expenses directly attributable to acquisition of fixed asset items,
Subsequent expenditures shall be recognized within the book value of the outstanding asset or as an independent asset, as appropriate, when the generation of future economic benefits to the bank from the concerned asset and the reliable determination of its cost become possible. Any maintenance and fixing expenses, during the period in which they are incurred, shall be carried to other operating expenses.

Q- Fixed assets (continue)

Land shall not be subject to depreciation, while depreciation of other fixed assets shall be calculated using the straight-line method to spread the cost in a way that makes residual value be distributed over the useful life of the asset as follows:

	Depreciation rate
Buildings and Constructions	2%
Integrated Automated Systems	20%
Vehicles	20%
Tools and Equipments	20%
Furniture	10%
Data Center	33,33%

The branches preparation expenses are depreciated over 5 years or the rent period whichever is lower.

The residual value and useful life of the fixed assets shall be reviewed on each reporting date and shall be adjusted whenever required. Depreciated assets shall be reviewed for purposes of determining the extent of impairment when an event or a change in conditions suggesting that the book value may not be redeemable occurs. Consequently, the book value of the asset shall be reduced immediately to the asset's net realizable value in case of the increase of the book value over the net realizable value.

The recoverable amount is the higher of the asset's fair value less costs to sell or value in use,
Gains and losses on disposals are determined by comparing proceeds with asset carrying amount, these gain and losses are included in other operating income (expenses) in the income statement.

R- Impairment of non-financial assets

Assets having no fixed useful life except for goodwill shall not be amortized, and their impairment shall be tested at least annually, The impairment of amortized assets is studied to determine if there are events or changes in the circumstances indicating that the book value may not be recoverable,

The impairment loss is recognized by the excess amount of book value over the realizable value, The recoverable value represents net realizable value of the asset or the usage amount whichever is higher, For the purpose of estimating the impairment, the asset is grouped with the smallest cash generating unit, At each balance sheet date, non-financial assets with impairment has to be reviewed to determine if there is impairment reversal made to the income statement.

S- Finance Leases

The accounting treatment for the finance lease is in accordance with law 95 of year 1995 regarding finance leases, if the contract entitles the lessee to purchase the asset at a specified date and amount, and the contract term is more than 75% of the asset's expected useful life, then this lease is considered finance lease, Other than that the lease has to be considered operating lease.

S-1 Leasing

Finance lease contracts recognize rent as expense in the period it occurred , including maintenance cost related to the leased assets, if the bank decides to exercise the rights to purchase the leased assets, the related costs of this right will be capitalized over the fixed asset and depreciated over the assets' remaining expected useful life in accordance with similar assets,

Operating lease payments to the lesser less any discounts granted to lessee are recognized as expenses in the income statement using the straight line method over the contract term,

S-2 Leasing out

Lease assets are accounted for in the fixed assets caption in the balance sheet and are depreciated over the assets expected useful life using the same method applicable to similar assets,
Rent revenues are recognized based on the rate of return of the lease contract in addition to an amount similar to the depreciation cost for the period, the difference between the rent revenue recognized in the income statement and total trade receivables (lease) until the end of the lease contract which is used to perform clearance with the net book value for the leased assets, maintenance and insurance expenses are charged to the income statement when incurred to the extent not endured by the lessee,

When objective evidence is obtained that the bank will not be able to collect all capital leases due balances then these balances will be reduced to the estimated recoverable values,

Operating lease asset are accounted for in the fixed assets caption in the balance sheet and is depreciated over the asset's expected useful life using the same method applicable to similar assets, the lease rent income less any discount granted to the lessee will be recognized to the income statement using the straight line method over the contract term,

T- Cash and cash equivalents

For the purposes of the cash flow statement presentation, cash and cash equivalents include balances due within three months from date of acquisition, cash and balances due from the Central Bank of Egypt other than the mandatory reserve, and current accounts with banks and treasury bills and other governmental securities,
The bank uses the indirect method in preparing the cash flows statement,

U- Other provisions

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

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determined, taking into consideration the group of obligations as a whole, A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal,

V- Employees' benefits

V-1 Pension benefits obligations

The bank manages a retirement benefit plan based on a defined contribution plan, Represents commitments on the bank defined contribution plan, retirement regulations where the bank pays fixed contribution amount to a separate entity and there is no legal or imperative to pay further contribution, if the entity has not established sufficient assets to pay all the employees benefits related to their service whether in current or previous periods.

Regarding the defined contribution plans, the bank pays contributions according to the retirements insurance regulations in the public and private sectors on a contractual basis either mandatory or voluntary and the bank has no further obligations following the payment of contributions, These shall be contributions recognized within the employees' benefits expenses when maturing.

V-2 End of service benefits obligation

The bank provides health care benefits to retirees after the end of service term, usually such benefits are given conditional on the employee remains in the service until retirement age, and completes a minimum period of service.

W- Income tax

The income tax on the year's profit or loss includes both the current and deferred taxes, Income tax is recognized in the income statement except for income taxes related to shareholders' equity items that are recognized directly in the shareholders equity in the balance sheet,

The income tax shall be recognized on the net taxable income, using the effective tax rate at the balance sheet date, in addition to prior year's tax adjustments,

Deferred tax arising from temporary differences resulting from between book value of assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period which the liability is settled or asset is realized based on tax rates enacted or substantively enacted by the end of the reporting year. Calculated according to the accounting principles and its value according to tax principles.

Deferred tax assets are recognized whenever there is probability to make taxable income at the future can be offset by the deferred tax.
Deferred tax assets to be reduced by the portion which can't be utilized at upcoming years; and in case of increase the expected future benefits deferred tax assets should be increase again within the limit of reduced amount.

X- Borrowings

Borrowings are initially recognized at the fair value, less cost of acquiring the loan.
After initial recognition, loans and borrowings are subsequently measured at amortized cost. The difference between proceeds and the amount to be paid over the borrowing period using effective interest rate shall be recognized in income statement.

Y- Capital

Y-1 Capital cost

Issuance cost that directly related to the issuance of new shares or the issuance of shares related to acquisition or share options is deducted from shareholders' equity net of tax proceeds.

Y-2 Dividends

Dividends are recognized as a deduction of shareholders' equity when declared by the General Assembly of shareholders, Those dividends include employees' share in the profits and the Board of Directors' remuneration as prescribed by the articles of association and law,

Z- Fiduciary activities

The bank practice custody activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans and other institutions. These assets and profits arising thereon are excluded from the bank's financial statements, as they are not assets or profits of the bank.

AA-Comparative figures

The comparative figures shall be reclassified, when necessary, to be in conformity with the changes to presentation used in the current period.

AB - Subsequent Events to the date of the financial statements

The subsequent events to the date of the financial statements are those that occur between the date of the financial statements and the date of approving the issue of the financial statements, whether those events are in the interest of the entity or not. Two types of events may be identified:

- Events provide additional evidence of cases that existed on the date of the financial statements and require an adjustment to those lists.
- Events that refer to cases that arose after the date of the financial statements and do not require an amendment to those lists and may require disclosure.

3- Financial risk management

The bank is exposed to various financial risks, Since the basis of financial activity is to accept risks; some risks or group of risks are analyzed, evaluated and managed all together, Therefore the bank aims to achieve an appropriate balance between the risk and return and to reduce the probable adverse effects on the bank's financial performance,

The most important types of risks are credit risk, market risk, liquidity risk and other operating risks, The market risk comprises foreign currency exchange rates, interest rate risk and other price risks,

The risk management policies have been placed to determine and analyze the risks and to set limits to the risk and monitor them through reliable methods and updated systems,

The bank regularly reviews the risk management policies and systems and amends them in order to reflect the changes in market, products and services and the best updated applications,

Those risks are managed by risk department in the light of policies approved by Board of Directors,

The risk department determines, evaluates and covers the financial risks, in coordination with the bank's various operating units, and the Board of Directors provides written policies for management of risks as a whole, in addition to written policies covering specific risk areas, like credit risk, foreign exchange rate risk, interest rate risk, and using the financial derivative and non–derivative instruments, Moreover, the credit risk department is responsible for periodical independent review of risk management and control environment,

A- Credit risk

The bank is exposed to the credit risk which is the risk resulting from failure of a counterparty to meet its contractual obligations towards the bank, credit risk is considered to be the most significant risks for the bank's operations, the bank's management carefully manages its exposure to credit risk, Credit risks is represented in the lending and investments activities that results in loans and advances granted, and possessing debt instruments among the bank's assets, The credit risk is also found in off balance sheet financial instruments, like loan commitment, The managing and monitoring process on credit risk is centralized at credit risk team management at credit risk department that prepare reports to Board of Directors and Head units on regular basis.

A-1 Credit risk measurement

- **Loans and advances to banks and customers**

  To measure the credit risk related to loans and facilities for banks and customers, the bank considers the following:-
  - Probability of default for customers or others for settling their contractual obligations is based on the historical default rate for each homogeneous group which has similar credit characteristics (related to corporate on industrial basis and related to consumable loans on the product basis), This rate on corporate loans with credit rating is applicable from 1-7 and all consumable loans, Loans related to corporate loans with credit rating from 8-10, the present value for cash flows which are expected to be acquired from these loans is applied.
  - The current position and probable future development are used to predict the exposure at default balance as the bank assumed that the total balance is exposed to default.
  - Loss given default
    Loss given default or severe loss represents the bank's expectations of the extent of the loss at reclaiming the debt, as the bank expects that the loss will be about 100% of the balance.
  - The bank evaluates the probability of delay on customer level using internal policies to classify the credit rating for the different customers' categories, These policies are updated internally taking into consideration financial analysis and statistical analysis for each customer category in addition to the personal judgment of the credit officer to reach the appropriate credit rating, The customers of the bank were divided into four rating grades.
  - The following table shows the rating classification which reflects the range of expected defaults or payment delays, by which the credit centers may transfer from one rating to another depending on the change in the expected degree of default, The customer's rating and the rating process are reviewed when necessary, The bank evaluates the rating process and their expectations regarding the customers' defaults.

Bank's internal rating grades

Rating description	**Rating**
Performing loans	1
Regular watching	2
Watch list	3
Non-performing loans	4

- **Debt instruments, treasury bills and other bills**

  The same methods used for credit customers are used for debt instruments and treasury bills,
  The bank uses external ratings such as Standard and Poor rating, or its equivalent for managing the credit risk and if these measurements weren't available, other methods like those applied on credit customers are used, Investments in securities and bills are considered a way of having better credit quality and an available source to face future finance requirements.

A-2 Limiting and preventing risks policies

The bank manages and controls credit concentrations at the borrowers' level, groups of borrowers' level, industries level and countries level,
The bank manages the credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or a group of borrowers, and to the geographical and industry segments, Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary, The credit limit is approved at loan grade / caption level by the board of directors when it exceeds a certain limit.

Credit limit is classified for every borrower including banks by subsidiary limits including values on and off the financial position and the daily risk limit of trading items as forward foreign exchange contracts, actual values are compared to daily limits, managing the risk of exposure to credit risk is made using the periodical analysis of the existing or potential borrowers ability to face their liabilities and amending the borrowing limit when considered necessary.

The following are other controls used by the bank to limit the credit risk:-

Collaterals

The bank uses different methods to limit its credit risk, One of these methods is accepting collaterals against loans and advances granted by the bank, The bank formulated specific rules and guidelines for the types of collaterals that can be accepted, The major types of collateral against loans and advances are:-

- Real estate.
- Business assets, such as machines and goods.
- Financial instruments, such as debt and equity instruments.

The bank is keen to obtain the appropriate guarantees against corporate entities of long term finance and corporate loans, while individual credit facilities are generally unsecured,

In addition, in order to minimize the credit loss that the bank may incur to minimum, the bank seeks additional collaterals from all counterparties when impairment indicators are noticed for loans or advances.

The bank determines the type of collaterals held as securities for financial assets with an exception to loans and advances classified according to the nature of the instrument, generally, debt securities and treasury bills are unsecured, except for asset-backed securities and similar instruments are secured by a financial instrument portfolio.

A-3 Impairment and provisioning policies

The internal rating systems described in note (A/1) focus more on credit-quality at the inception of lending and investment activities, Otherwise, impairment provisions recognized at the balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment as will be mentioned below, Due to the different methodologies applied, despite different methods are applied there was no material impact for potential credit loss in the financial statement by the amount of loss estimated using expected loss model used as at 31 December 2018 for the purpose of compliance to the rules of the CBE in note (A/4).

The impairment loss provision appeared in the balance sheet at the end of the period is derived from the four internal rating grades, However, the majority of the impairment provision comes from the last two ratings, The table below shows the percentage of in-balance sheet items relating to loans and advances and the related impairment loss provision for each rating:-

Bank's rating	**31/12/2018**		**31/12/2017**	
	Loans advances %	**Impairment loss provision %**	**Loans advances %**	**Impairment loss provision %**
Performing loans	**87**	**11**	**85.3**	**10.5**
Regular watching	**4.3**	**6.5**	**5.2**	**0.6**
Watch list	**0.3**	**1.1**	**2.1**	**3.2**
Non-performing loans	**8.4**	**81.4**	**7.4**	**85.7**
	100	**100**	**100**	**100**

The bank's internal rating helps management to determine whether objective evidence of impairment exists under EAS 26, based on the following criteria set out by the bank:

- Payment delinquency of debtor or loan beneficiary,
- Breach of loan agreement such as a default in payment,
- Possibility of bankruptcy or entering liquidation procedures or financial restructures of granted credit,
- Deterioration of the borrower's competitive position,
- Due to economical or legal reasons, the bank agrees to grant the borrower additional benefits that would not normally be granted in normal circumstances,
- The impairment of the value of collateral,
- Deterioration of customer credit status.

A-3 Impairment and provisioning policies (continue)

The bank policies require the review of all financial assets that exceed defined relative importance at least annually or more when necessary, the impairment loss is determined on individual basis by assessing the realized loss at the reporting date on each individual case & to be applied individually to all account that have relative importance, Valuation usually includes the outstanding collateral, the related enforcements on these collaterals and the expected collections from those accounts,

Impairment loss provision is formed based on group of similar assets using the historical experience available, personal judgment and statistical methods,

A-4 General module to measure banking general risk

In addition to the four categories of credit rating indicated in note (A/1) the management makes more detailed groups in accordance with the Central Bank of Egypt (CBE) requirements,

Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on information related to the customer, it's activities, financial position and payment performance,

The bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE, In the case, the provision required for impairment losses as per CBE regulations exceeds the provision required for financial statements preparation purposes according to the Egyptian Accounting Standards, this increase shall be debited from the retained earnings to and credited to the "general banking risk reserve" under the equity caption, This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase and decrease in the two provisions, This reserve is not distributable,

The rating categories based on internal evaluation techniques and their comparative figures used by the Central Bank of Egypt and the required provisions percentage for impairment of the assets exposed to credit risk are as follows:-

CBE classification	Description	Required provision percentage	Internal classification	Description
1	Low risk	Zero	1	Performing debts
2	Average risk	1	1	Performing debts
3	Satisfactory risk	1	1	Performing debts
4	Reasonable risk	2	1	Performing debts
5	Acceptable risk	2	1	Performing debts
6	Marginal acceptable risk	3	2	Regular follow up
7	Watch list	5	3	Special follow up
8	Sub standard	20	4	Non performing debts
9	Doubtful	50	4	Non performing debts
10	Bad debt	100	4	Non performing debts

A-5 Maximum limits for credit risk before collaterals

Balance sheet items exposed to credit risks

In Egyptian pound	31 December 2018	31 December 2017
Treasury bills and other governmental securities	10 239 470 017	10 309 663 597
Financial Assets held for trading		
- Debt instruments	1 424 279	5 706 165
Customers loans and advances		
Retail loans:		
Overdraft Accounts	97 933 360	221 470 375
Personal loans	4 335 474 779	3 696 737 290
Real Estate Finance loans	217 241 120	91 255 825
Credit cards	27 719 782	20 651 219
Corporate loans:		
Overdraft Accounts	2 128 728 152	2 494 548 964
Syndicated loans	2 438 175 715	2 047 908 546
Direct loans	4 385 026 487	1 597 843 063
Financial investments:		
Debt instruments	3 553 193 713	4 130 711 987
Total	**27 424 387 404**	**24 616 497 031**

Credit risk exposures of off balance sheet items		
Credit commitments	2 347 697 000	1 161 590 000
Letters of guarantees	1 375 196 424	860 794 859
Letters of guarantees based on other banks requests	2 883 602 124	3 301 946 000
Letters of credit	2 522 571 872	3 412 527 603
Other financial liabilities	89 788 285	26 499 067
Total	**9 218 855 705**	**8 763 357 529**

The above table represents the maximum limit for credit risk as of 31 December 2018, without taking into considerations any collateral for balance-sheet items.

As shown in the preceding table, 49.7 % of the total maximum limit exposed to credit risk resulted from loans and advances to customers and banks, while 50.3 % represents investments in debt instruments.

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from the portfolio of loans and advances, and debt instruments as follows:

- 38.8% of the loans and advances portfolio is classified at the highest two ratings in the internal rating.
- 83% of the loans and advances portfolio having no past due or impairment indicators.
- Mortgage loans, which represent a significant part of the portfolio, are covered by guarantees.
- Loans and advances that have been evaluated on an individual basis of total amount LE 1333 M which represent 9.8% and the provision formed and interest in suspense amount LE 726 M represent 54.5% of it.
- The bank applies a more conservative way in granting loans and advances to customers during the period.

A-6 Loans and advances

Loans and advances are summarized according to their credit rating as follows: -

Loans and advances to customers

In Egyptian Pound	**31/12/2018**	**31/12/2017**
Neither past dues nor impaired	**11,319,859,232**	**8,995,215,818**
Past dues but not impaired	**1,172,420,074**	**417,507,325**
Past dues are subjected to impairment	**1,138,020,089**	**757,692,139**
Total	**13,630,299,395**	**10,170,415,282**
(Less):		
Unearned revenue and discount	**(7,987,962)**	**(8,851,662)**
Impairment loss provision	**(788,155,080)**	**(614,396,747)**
Interest in suspense	**(105,362,843)**	**(102,423,174)**
Net	**12,728,793,510**	**9,444,743,699**

Note (11) include additional information regarding impairment loss provision on loans and advances to customers and banks.

The credit quality of the loans and advances portfolio that are neither having past due nor subject to impairment are evaluated by the internal rating of the bank.

A-6 Loans and advances neither having past due nor subject to impairment

31 December 2018

Valuation	Retail					Corporate				
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Total Corporate	Total
1-Performing loans	97 933 360	27 043 097	3 995 413 589	186 892 269	4 307 282 315	1 352 763 788	1 778 578 913	3 249 158 516	6 380 501 217	10 687 783 532
2-Regular follow up	-	-	-	-	-	-	415 043 627	169 381 413	584 425 040	584 425 040
3-Watch list	-	-	-	-	-	-	-	47 650 660	47 650 660	47 650 660
Total	97 933 360	27 043 097	3 995 413 589	186 892 269	4 307 282 315	1 352 763 788	2 193 622 540	3 466 190 589	7 012 576 917	11 319 859 232

31 December 2017

Valuation	Retail					Corporate				
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Total Corporate	Total
1-Performing loans	221 470 375	19 508 641	3 346 466 307	91 255 825	3 678 701 148	2 069 736 372	1 361 856 819	1 148 043 858	4 579 637 049	8 258 338 197
2-Regular follow up	-	-	-	-	-	-	452 117 779	71 711 839	523 829 618	523 829 618
3-Watch list	-	-	-	-	-	-	-	213 048 003	213 048 003	213 048 003
Total	221 470 375	19 508 641	3 346 466 307	91 255 825	3 678 701 148	2 069 736 372	1 813 974 598	1 432 803 700	5 316 514 670	8 995 215 818

The non performing segments of secured loans are not subject to impairment after considering the collectability of the guarantees.

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Loans and advances having past due and not subject to impairment

Loans and advances having past due up till 30 days and are not subject to impairment, unless there is information to the contrary. Loans and advances having past due and not subject to impairment are as follows:

31 December 2018

Valuation	Retail					Corporate				
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Total Corporate	Total
Past due less than 30 days	-	-	223 235 325	30 348 851	253 584 176	-	-	918 835 898	918 835 898	1 172 420 074
Total	-	-	223 235 325	30 348 851	253 584 176	-	-	918 835 898	918 835 898	1 172 420 074

31 December 2017

Valuation	Retail					Corporate				
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Total Corporate	Total
Past due less than 30 days	-	-	252 467 962	-	252 467 962	-	-	165 039 363	165 039 363	417 507 325
Total	-	-	252 467 962	-	252 467 962	-	-	165 039 363	165 039 363	417 507 325

Loans and advances subject to individual impairment

Loans and advances subject to individual impairment regardless any cash flows from collaterals amounted to LE 1,138,020,089

The breakdown of the total loans and advances subject to individual impairment including fair value of collaterals obtained by the bank in respect of loans granted are as follows:

31 December 2018

Valuation	Retail					Corporate					
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Net loans and advances	Total Corporate	Total
Balance	-	676 685	116 825 865	-	117 502 550	775 964 364	244 553 175	-	-	1 020 517 539	**1 138 020 089**
Fair value of collaterals	-	-	-	-	-	**108 290 245**	-	-	**1 029 729 844**	-	-

31 December 2017

Valuation	Retail					Corporate					
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Net loans and advances	Total Corporate	Total
Balance	-	1 142 578	97 803 021	-	98 945 599	424 812 592	233 933 948	-	-	658 746 540	**757 692 139**
Fair value of collaterals	-	-	-	-	-	**74 740 283**	-	-	**682 951 856**	-	-

A -7 Debt instruments, treasury bills and other governmental notes

In Egyptian Pound	Treasury bills and other governmental notes	Financial assets held for trading	Other Financial Investments	Total
Less than A- governmental bonds, treasury bills	10 239 470 017	1 424 279	3 553 193 713	13 794 088 009
Total	**10 239 470 017**	**1 424 279**	**3 553 193 713**	**13 794 088 009**

A-8 Concentration of risks of financial assets exposed to credit risk

The following table provides a breakdown of the bank's significant credit risk concentration at their carrying amounts, distributed by geographical sector as at the end of the year:

In Egyptian Pound	Cairo	Alexandria, Delta and Canal	Upper Egypt & Red Sea	Total
Treasury bills and other governmental notes	10 239 470 017	-	-	10 239 470 017
Financial assets held for trading				
Debt instruments	1 424 279	-	-	1 424 279
Loans and advances to customers:				
Retail:				
Overdraft Accounts	37 082 302	58 721 960	2 129 098	97 933 360
Personal loans	1 788 748 983	2 130 966 387	415 759 409	4 335 474 779
Real Estate Finance loans	139 606 996	74 040 678	3 593 446	217 241 120
Credit cards	12 446 291	13 624 247	1 649 244	27 719 782
Corporate:				
Overdraft Accounts	1 551 671 502	568 591 698	8 464 952	2 128 728 152
Syndicated loans	1 922 860 188	515 315 527	-	2 438 175 715
Direct loans	2 881 446 895	1 417 879 325	85 700 267	4 385 026 487
Other Financial investments				
Debt instruments	3 553 193 713	-	-	3 553 193 713
Total as at 31 December 2018	**22 127 951 166**	**4 779 139 822**	**517 296 416**	**27 424 387 404**

A-9 Concentration of risks of financial assets exposed to credit risk

The following table provides a breakdown of the most significant credit risk limits at their carrying amounts categorized according to the customer's line of business:

In thousand Egyptian pound	Financial institutions	Manufacturing institutions	Trading activity	Governmental sector/General	Others	Retail	Total
Treasury bills and other governmental notes	-	-	-	10 239 470	-	-	10 239 470
Financial assets held for trading							
Debt instruments	-	-	-	1 424	-	-	1 424
Loans and advances to customers	505 424	2 912 835	2 297 773	2 016 384	1 219 514	4 678 369	13 630 299
Financial investments							
Debt instruments	-	-	-	3 553 194	-	-	3 553 194
Total as at 31 December 2018	**505 424**	**2 912 835**	**2 297 773**	**15 810 472**	**1 219 514**	**4 678 369**	**27 424 387**

B- Market risk

The bank is exposed to market risks that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market prices, Market risks emerges from open markets unsealed to interest rate, currency, and equity instruments; each 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 classifies its exposure to market risk into trading and non-trading portfolios.

The bank market risk department is responsible for managing the market risks arising from trading and non-trading activities.

Trading portfolios include transactions where the bank directly deals with clients or with the market; while non-trading portfolios primarily arise from managing assets and liabilities interest rate related to retail transactions. Non-trading portfolios also includes foreign currency exchange risk and equity instruments risks arising from the available-for-sale investments.

B-1 Market risk measurement techniques

As part of market risk management, the bank undertakes various hedging strategies as well as entering into fixed interest rate swap agreements. The significant measurement techniques used to control market risk are outlined below.

- **Value at Risk**

The bank applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk of outstanding positions and the maximum expected losses based on a number of scenarios for various changes in market conditions. The board of director sets limits for the value at risk that may be classified separately by the bank as for trading and non-trading portfolios and the process is daily monitored by the risk management department.

Value at risk is a statistical expectation of the expected losses on the current portfolio resulting from adverse market movements. It represents the 'maximum' loss the bank is expected to incur. When using a specified confidence level, there is statistical probability that the actual losses exceed the estimated VAR. The VAR module assumes that there is a specified holding period (1 day) before closing the opened position. It also assumes that market movements during the holding period will be consistent with the previous day pattern The bank assesses the past movement based on data from previous periods, and applies these historical changes in rates, prices and indicators directly to its current positions this approach is known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

The quality of the value at risk model is continuously monitored through assurance tests to the VAR results for trading portfolio and results are reported to the top management and board of directors,

- **Stress Testing**

Stress testing provides an indication of the expected losses that may arise from sharp adverse circumstances. Stress testing is designed to match business using standard analysis for specific scenarios. The stress testing carried out by the bank market risk department includes: risk factor stress testing where sharp movements are applied to each risk category, emerging market stress test where emerging market are subject to sharp movements, and special stress test including possible material stress events affecting specific locations or regions, for example the stress outcome to a region applying a free currency rate.

The results of the stress testing are reviewed by top management and board of directors.

B-2 VAR summary

The total value at risk for trading in addition to the active and listed shares for non-trading according to the type of risk as at :

In Egyptian Pounds

31 December 2018

	Average	Maximum	Minimum
Foreign exchange risk	6,109,739	7,106,161	5,113,317
Interest rate risk	40,783,222	45,455,735	36,785,475
Equity instruments risk	133,006	143,027	122,985

31 December 2017

	Average	Maximum	Minimum
Foreign exchange risk	6,845,747	7,008,448	6,728,957
Interest rate risk	24,964,514	27,713,519	20,583,105
Equity instruments risk	579,244	581,128	575,565

The increase in VAR especially the interest rate risk is directly proportional to the increase in market interest rates volatility in the global financial markets.

The above three VAR results are calculated independently from the underlying positions and historical market movements with a simple way without using complex quantitative techniques. The aggregate of the trading and non-trading VAR results does not represent the bank's value at risk due to correlations between risk types and portfolio types and their various resulted effects.

B-3 **The risk of fluctuation in foreign exchange rates**

The bank is exposed to the risk of fluctuation in foreign exchange rates in its financial position and cash flows. The board of directors sets aggregate limits for foreign currencies for each position at the end of the day and intraday which is monitored on timely basis.
The following table summarizes the bank' exposure to the risk of fluctuation in foreign exchange rates at the end of the year The following table includes the carrying amounts of the financial instruments in their currencies:

In thousand Egyptian pound	EGP	USD	Euro	GBP	Other currencies	Total
Financial assets						
Cash and due from central banks	448 378	96 194	27 813	2 588	6 876	581 849
Due from banks	2 475 422	2 042 482	21 558	18 754	6 622	4 564 838
Treasury bills and other governmental notes	5 007 326	4 502 721	365 453	-	-	9 875 500
Financial assets held for trading	1 424	-	-	-	-	1 424
Loans and advances to customers	10 493 170	2 175 780	43 405	82	16 357	12 728 794
Financial investments						
Available for sale	355 362	87 951	-	-	-	443 313
Held to maturity	3 115 282	17 818	-	-	-	3 133 100
Investments in subsidiaries and associates	72 476	-	-	-	-	72 476
Fixed and intangible assets	497 443	-	-	-	-	497 443
Other financial assets	465 888	13 772	164	-	-	479 824
Total financial assets	**22 932 171**	**8 936 718**	**458 393**	**21 424**	**29 855**	**32 378 561**
Financial liabilities						
Due to banks	122 555	587 996	209 213	195	16 464	936 423
Customer's deposits	19 760 399	7 441 561	244 371	21 331	17 164	27 484 826
Long term loans	4 828	895 680	-	-	-	900 508
Other financial liabilities	498 560	33 195	829	-	328	532 912
Other provisions	102 391	7 209	-	-	-	109 600
Total share holder's equity	2 414 292	-	-	-	-	2 414 292
Total financial liabilities	**22 903 025**	**8 965 641**	**454 413**	**21 526**	**33 956**	**32 378 561**
Net financial position	**29 146**	**(28 923)**	**3 980**	**(102)**	**(4 101)**	-
Purchasing	-	-	-	-	-	-
Selling	-	-	-	-	-	-
Net financial position	**29 146**	**(28 923)**	**3 980**	**(102)**	**(4 101)**	-
Credit commitments	2 291 239	56 458	-	-	-	2 347 697
Letters of credit	-	30 058	11 542	-	-	41 600
Letters of guarantees	944 952	28 712	21 268	-	-	994 932
Other financial liabilities	89 788	-	-	-	-	89 788
Total	**3 325 979**	**115 228**	**32 810**	**-**	**-**	**3 474 017**

B-4 Interest rate risk

The bank is exposed to the impact of the fluctuation in interest rate prevailing in the market; this risk is defined as "cash flows interest rate risk" which is the risk of fluctuation in the future cash flows of a financial instrument due to changes in interest rates of the instrument. Fair value interest rate risk is the risk of fluctuation in the fair market value of a financial instrument due to changes in market interest rates. Yield margins may increase as a result of such changes but it may cause profits to decrease when unexpected movements occur.

The table below summarizes the bank's exposure to interest rate risks including the financial instruments at carrying amounts classified according to its maturities

In thousand Egyptian pound	Up to one month	1-3 months	3-12 months	1-5 years	Financial Non-interest bearing	Total
Financial assets						
Cash and due from central banks	-	-	-	-	581 849	581 849
Due from banks	3 171 477	1 234 646		-	158 715	4 564 838
Treasury bills and other governmental notes	1 125 773	1 979 719	6 770 008	-	-	9 875 500
Financial assets held for trading	-	1 424	-	-	-	1 424
Loans and advances to customers	395 377	1 678 677	2 196 994	8 222 448	235 298	12 728 794
Financial investments						
Other financial investments	-	116 249	377 943	3 154 697	-	3 648 889
Other financial assets	-	-	-	-	977 267	977 267
Total financial assets	**4 692 627**	**5 010 715**	**9 344 945**	**11 377 145**	**1 953 129**	**32 378 561**
Financial liabilities						
Due to banks	619 507	263 577	-	-	53 338	936 422
Customer's deposits	3 807 513	8 159 246	8 396 418	6 127 315	994 334	27 484 826
Long term loans	-	-	-	900 508	-	900 508
Share holder's equity	-	-	-	-	2 414 292	2 414 292
Other financial liabilities	-	-	-	-	642 513	642 513
Total financial liabilities	**4 427 020**	**8 422 823**	**8 396 418**	**7 027 823**	**4 104 477**	**32 378 561**
Interest re-pricing gap	**265 607**	**(3 412 108)**	**948 527**	**4 349 322**	**(2 151 348)**	-

C- Liquidity risk

Liquidity risk represents difficulty the bank faces in meeting its financial obligations when they fall due and replace funds when they are withdrawn. This may result in failure in fulfilling the bank's obligation to repay to the depositors and fulfilling lending commitments.

- **Liquidity risk management process**

  The bank`s liquidity risk monitoring process carried out by the bank's assets and liabilities management includes:

  - Daily funding are managed by monitoring future cash expenditure to ensure that all requirements can be met when due. This includes availability of liquidity as they become due or to be lent to customers. The bank maintains an active presence in global money markets to ensure achievement of such objective.

  - The bank maintains a portfolio of highly marketable securities that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flows.

  - Monitoring liquidity ratios in relation with internal requirements and Central Bank of Egypt requirements.

  - Managing loans concentration and maturities.

    For monitoring and reporting purposes, the bank calculates the expected cash flows for the next day, week and month which are the primary periods for liquidity management, the starting point to calculate these projections is analyzing the financial liabilities maturities and expected financial assets collections.

    Assets and liabilities management monitors the mismatch between medium term assets, the value and nature of the unutilized portion of loans commitments, overdraft utilizations, and the impact of contingent liabilities such as letters of guarantees and letters of credit.

- **Funding approach**

  Liquidity Sources are regularly reviewed by independent team in the bank Assets and liabilities management for the purpose of maintaining a wide diversification by currency geography source of products and maturities.

E- Fair value of financial assets and liabilities

E-1 Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values for those financial assets and liabilities not presented in the bank's balance sheet at their fair value:

	31/12/2018		31/12/2017	
In thousand Egyptian pound	Book value	Book value	Book value	Fair value
Financial assets				
Loans and advances to customers				
-Retail	4,678,369	4,678,369	4,030,115	4,030,115
-Corporate	8,951,930	8,951,930	6,140,301	6,140,301
-Held to maturity investment	3,133,100	2,974,514	3,972,871	3,970,073
Financial liabilities				
Due to banks	936,423	936,423	519,414	519,414
Customer's deposits				
-Retail	6,603,288	6,603,288	5,219,074	5,219,074
-Corporate	20,881,538	20,881,538	19,326,805	19,326,805

F- Capital management

The bank's objectives behind capital management, which include items in addition to equity section reported in the balance sheet, are represented in the following:

- Compliance with capital legal requirements in Egypt.
- Protecting the bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance business growth.

Capital adequacy and uses are reviewed daily in accordance with the regulatory authority's requirements (Central Bank of Egypt) by the bank's management through models based on Basel Committee on Banking Supervision; these data are submitted to the Central Bank of Egypt on quarterly basis.

CBE requires the following from the bank:

- Maintaining LE 500 million as a minimum requirement for the issued and paid up capital.
- Maintaining a percentage of 11.875 % or more between capital elements and risk-weighted asset and contingent liability elements.

The Bank is recognized as a single group that includes the Bank in all its branches at home and abroad and all other financial companies in which owned its or related parties hold more than 50% of the shareholders' equity or any percentage that enables it to control.

F- Capital management (continue)

The numerator of the capital adequacy comprises the following 2 tiers:

Tier 1:

Core capital: it is the basic capital which comprises paid up capital (after deducting the carrying amount of the treasury stocks) and retained earnings and reserves resulting from dividends except the general banking risks reserve, any previously recognized goodwill and any accumulated deficit are to be deducted.

Additional capital: it is carried forward profit & loss and minority rights and difference between nominal value and fair value for subordinated loan.

Tier 2:

It is the subordinated capital which comprises the equivalent of the general risks provision in accordance with the CBE credit rating bases issued by CBE provided that not exceeding 1.25% of the total risk-weighted average of assets and contingent liabilities, subordinated loans/deposits with more than 5 years maturity (20% amortization of its value each year of the last five years of their maturity) and 45 % of the excess in the fair value above carrying amount of the available for sale investments, held to maturity investments and investments in subsidiaries and associates.

When calculating the total numerator of capital adequacy, continued capital after deductions should not be less than 4.5 % from total credit risk, operating risk and market risk. And tier I capital should not be less than 7.875 % from total credit risk, operating risk and market risk; to be increased gradually to 8.5% at the beginning of 2019; and subordinated loan should not exceed 50% of tier 1.

The bank has complied with all local capital requirements during the last two years. The following schedule summarizes the components of Tier I capital, Tier II capital and capital adequacy ratio as of 31 December 2018.

F- Capital management (continue)

Capital adequacy ratio as per Basel II requirements

In thousand Egyptian pound	31 December 2018	31 December 2017
Capital		
Tier I Capital		
Core capital after deductions		
Share capital (net of treasury stocks)	1 474 814	1 404 585
Reserves	206 105	176 974
IFRS9 risk reserve	94 514	94 514
Retained earnings	333 146	399 532
Deduct from Common Equity		
(-) Deduct 100% from 10% excess standalone investment in case of the investment is 10% or more from the investee capital	(36 238)	(26 716)
(-) Deduct 100% from net of Intangible assets(Other than goodwill)	(22 961)	(27 874)
(-) Deduct total the fair value for investment avilable for sale Which have been reclassified to held to maturity investments	(18 172)	(16 219)
Total core capital after deductions	**2 031 208**	**2 004 796**
Total Tier I	**2 031 208**	**2 004 796**
Tier 2 Capital (subordinated capital)		
45% from special reserve	14 659	14 659
45% from reserve for AFS evaluation	-	8 080
45% from reserve for Subsidiaries and associates evaluation	-	15 044
Provision for performing loans, facilities & Off BS within 1.25% of total credit risk for assets and weighted average potential liabilities when applying standardize approach amount for financial investments (available for sale, held to maturity and in subsidiaries and associates)	174 732	108 864
Subordinated loans	895 680	886 385
Total Tier 2 capital	**1 085 071**	**1 033 032**
Total capital based after deductions	**3 116 279**	**3 037 828**
Total Assets and potential liabilities weighted by credit risk	13 978 580	9 451 370
Capital requirements for market risk	5 352 000	6 296 020
Capital requirements for operating risk	748 960	598 370
Total Assets and potential liabilities weighted by credit, market and operating risk	**20 079 540**	**16 345 760**
Capital adequacy ratio (%)	**15.52%**	**18.58%**

F- Capital management (continue)

Leverage Ratio

In Thousand Egyptian Pounds

			31 December 2018	31 December 2017
First		**Tier 1 capital after Exclusions**	**2 031 208**	**2 004 796**
Second		**On-Off balance sheet exposures items**		
	1	**Exposures on-balance sheet and financial derivatives and securities finance**		
		Cash and due from Central Bank of Egypt (CBE)	3 680 279	3 321 408
		Due from Banks	1 466 408	922 624
		Treasury bills and other Government securities	9 927 533	9 948 055
		REPO	(52 033)	(25 033)
		Financial assets held for trading	1 424	7 118
		Financial investments available-for-sale	443 313	200 631
		Financial investments held to maturity	3 133 196	3 972 871
		Investments in subsidiaries and associates	72 476	53 432
		Loans and credit facilities to customers	12 893 715	9 453 595
		Fixed Assets (after deducting depreciation and impairment losses)	474 482	403 085
		Other assets	507 355	463 306
		Deducted amounts from exposures (after deducting Tier I Exclusions for capital base)	(77 371)	(54 590)
		Total on-balance sheet exposures items after deducting after Tier I Exclusions for capital base.	**32 470 777**	**28 666 502**
	2	**Exposures off-balance sheet**		
		Contingent liabilities (1)		
		Import L/Cs	4 717	20 947
		L/Gs	497 466	327 370
		L/Gs according to foreign banks	1 459 270	1 656 973
		Accepted papers	18 016	29 185
		Commitments (2)		
		Capital commitments	79 559	19 308
		Operating lease commitments	10 229	7 191
		Loan commitments to clients/banks (unutilized part) within original maturity	306 557	501 708
		Total Exposures off-balance sheet	**2 375 814**	**2 562 682**
		Total On-Off balance sheet exposures items (1) + (2)	**34 846 591**	**31 229 184**
		Leverage financial ratio	**5.83%**	**6.42%**

4- Significant accounting estimates and assumptions

The bank applies estimates and assumptions that affect the amounts of assets and liabilities disclosed in the next financial period. Estimates and assumptions are continuously assessed based on past experience and other factors including the expectations of future events that are believed to be reasonable in light of the available circumstances and information.

A - Impairment losses for loans and advances

The Bank reviews its loan portfolios to assess impairment on quarterly basis at least, In determining whether impairment loss should be recorded in the income statement, The bank has to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis, This evidence include data indicating negative changes in a borrower's portfolio ability to repay to the bank or local or economic circumstances related to default of bank assets, Upon scheduling future cash flows the management use estimates based on prior loss experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any differences between the estimated loss and actual loss based on experience,

B - Impairment of investments in equity instruments available for sale

The bank determine the impairment loss relating to available for sale equity investments when there is a significant or prolonged decline in the fair value below its cost, A judgment is required to determine that the decline is significant or prolonged, In making this judgment the bank evaluates among other factors the usual volatility of the share price, In addition impairment loss may be recognized when there is evidence of deterioration in the investee financial condition or operating /finance cash flow industry or sector performance, or in changes in technology.

C - Impairment of Financial investment held to maturity

The non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held to maturity, This classification requires high degree of judgment; in return the bank assesses the intention and ability to hold such investments to maturity, If the bank fails to hold such investments till maturity except for certain circumstances (selling an insignificant amount of held-to-maturity investments near to maturity date) then all held to maturity investment portfolio should be reclassified as available for sale which will be measured at fair value instead of amortized cost, In addition the bank should cease classifying investments as held to maturity caption.

5- A-Segment analysis

Revenues and expenses according to business segment	Corporate	Retail	Treasury	Others	Total
Segment revenues	2 690 923	1 596 951	2 731 458	301 348	7 320 680
Segment expenses	(2 494 587)	(1 333 021)	(2 611 166)	(325 034)	(6 763 808)
Profit for the year before taxes	196 336	263 930	120 292	(23 686)	556 872
Taxes	(18 382)	(29 053)	(21 288)	(218 039)	(286 762)
Profit (Loss) for the year	177 954	234 877	99 004	(241 725)	270 110
Assets and Liabilities according to business segment					
Segment assets	8 109 132	4 619 662	18 672 501	977 267	32 378 562
Total assets	8 109 132	4 619 662	18 672 501	977 267	32 378 562
Segment liabilities	20 886 367	6 607 860	891 443	3 992 892	32 378 562
Total liabilities	20 886 367	6 607 860	891 443	3 992 892	32 378 562
Other business segment items					
Depreciations	-	16 863	-	53 508	70 371
Impairment	185 631	30 725	-	-	216 356

B-Geographic analysis

Geographical analysis of revenues and expenses	Greater Cairo	Alex and Delta and Canal	Upper Egypt & Red Sea	Total
Geographical sector revenues	6 480 222	776 493	63 964	7 320 679
Geographical sector expenses	(6 104 496)	(606 036)	(53 277)	(6 763 809)
Profit for the year before taxes	375 726	170 457	10 687	556 870
Taxes	(246 004)	(38 353)	(2 405)	(286 762)
Profit for the year	129 722	132 104	8 282	270 108
Assets and Liabilities				
Geographical sector assets	27 376 073	4 496 672	505 815	32 378 560
Total assets	27 376 073	4 496 672	505 815	32 378 560
Geographical sector liabilities	26 845 472	5 146 469	386 619	32 378 560
Total liabilities	26 845 472	5 146 469	386 619	32 378 560
Other Geographical sector items				
Depreciations	61 242	5 007	4 121	70 370
Impairment	132 285	78 213	5 858	216 356

6- Cash and due from Central Bank of Egypt

In Egyptian Pound	31 December 2018	31 December 2017
Cash on hand	386 659 576	409 277 906
Due from Central Bank of Egypt within reserve ratio	195 189 758	307 788 844
	581 849 334	**717 066 750**

7- Due from banks

In Egyptian Pound	31 December 2018	31 December 2017
The Central Bank of Egypt		
Time Deposits	3 098 430 163	2 604 341 432
	3 098 430 163	**2 604 341 432**
Local Banks		
Current accounts	29 172 274	19 889 342
Time Deposits	1 307 692 800	710 000 000
	1 336 865 074	**729 889 342**
Foreign Banks		
Current accounts	129 543 260	104 095 851
Time Deposits	-	88 638 500
	129 543 260	**192 734 351**
	4 564 838 497	**3 526 965 125**
Non-interest bearing balances	158 715 534	123 985 193
Interest bearing balances	4 406 122 963	3 402 979 932
	4 564 838 497	**3 526 965 125**

8- Treasury bills and other governmental notes which are deductible by the Central Bank

In Egyptian Pound	31 December 2018	31 December 2017
Treasury bills		
Treasury bills maturing to 91 days	25 000	1 134 102 260
Treasury bills maturing from 92 to 182 days	413 125 000	1 580 187 100
Treasury bills maturing grater than 182 to 364 days	9 878 353 136	7 620 406 946
	10 291 503 136	**10 334 696 306**
(Less):		
Unearned interest	(363 969 982)	(386 640 605)
REPO *	(52 033 119)	(25 032 709)
Net	**9 875 500 035**	**9 923 022 992**

	31 December 2018	31 December 2017
* Against the the amount granted by the Central Bank of Egypt within the mortgage finance initiative for low-income people	48 068 453	20 153 119
Against the the amount granted by the Central Bank of Egypt within SMEs initiative	3 964 666	4 879 590
	52 033 119	25 032 709

9- Financial assets held for trading

In Egyptian Pound	31 December 2018	31 December 2017
Debt instrument held for trading		
Governmental bonds	1 424 279	5 706 165
Total Debt instrument	**1 424 279**	**5 706 165**
Quoted equity instruments		
Shares	-	1 411 545
Total equity instruments	-	**1 411 545**
Total Financial assets held for trading	**1 424 279**	**7 117 710**

10- Financial investments

In Egyptian Pound	31 December 2018	31 December 2017
Available for Sale Investments		
Quoted governmental debt instruments at fair value	419 997 495	157 841 158
Quoted equity instruments	19 059 154	38 533 391
Unquoted equity instruments	4 256 233	4 256 233
Total available for sale investments	**443 312 882**	**200 630 782**
Held to maturity Investments		
Quoted governmental debt instruments at amortized cost	3 133 196 218	3 972 870 829
Total held to maturity investments	**3 133 196 218**	**3 972 870 829**
Deduct		
Unearned Income	(96 432)	(704 723)
Net held to maturity investments	**3 133 099 786**	**3 972 166 106**
Investments in associates **		
Unquoted equity instrument	72 476 090	53 431 841
Total investment in associates	**72 476 090**	**53 431 841**
Total financial investments	**3 648 888 758**	**4 226 228 729**
Current balances	3 553 097 282	4 149 481 504
Non-current balances	95 791 476	76 747 225
	3 648 888 758	**4 226 228 729**

** **Associates**

	Amount	Share %
Orient Takaful Insurance	72 475 990	20
EL Fouadeya Development Company	100	25
	72 476 090	

**

Company Name	Assets	Liabilities	Paid in Capital	Income	Net profit /(loss)	Last financial statement date	Headquarter country
Orient Takaful Insurance	1 218 745 269	856 365 320	150 000 000	40 650 808	11 911 327	30 September 2018	Egypt
EL Fouadeya Development Company	13 966 636	17 369 826	3 668 000	3 126 845	1 626 715	31 December 2017	Egypt

Available for sale & Held to Maturity investments movements

31 December 2018

In Egyptian Pound	Available for sale investments	Held to maturity investments	Total
Balance at the beginning of the year	**200 630 782**	**3 972 870 829**	**4 173 501 611**
Net amortization(issuing discount & issuing premium)	348 413	1 752 822	2 101 235
Buy – Treasury Bonds & Financial Investments	508 788 082	-	508 788 082
Retrieval – Treasury Bonds & Financial Investments	(235 322 464)	(847 266 100)	(1 082 588 564)
Net change in fair value	(31 131 931)	5 838 667	(25 293 264)
Balance	443 312 882	3 133 196 218	3 576 509 100
Unearned Income	-	(96 432)	(96 432)
Balance at the end of the year	443 312 882	3 133 099 786	3 576 412 668

31 December 2017

In Egyptian Pound	Available for sale Investments	Held to maturity investments	Total
Balance at the beginning of the year	**32 666 026**	**4 506 510 090**	**4 539 176 116**
Net amortization(issuing discount & issuing premium)	**441 231**	**1 296 227**	1 737 458
Buy – Treasury Bonds & Financial Investments	**234 487 727**	**18 170 200**	252 657 927
Retrieval – Treasury Bonds & Financial Investments	**(78 278 300)**	**(561 275 364)**	(639 553 664)
Net change in fair value	**11 314 098**	**8 169 676**	19 483 774
Balance	**200 630 782**	**3 972 870 829**	**4 173 501 611**
Unearned Income	-	(704 723)	(704 723)
Balance at the end of the year	**200 630 782**	**3 972 166 106**	**4 172 796 888**

Pursuant to Central Bank of Egypt regulations, the available for sale investments were recognized at fair value according to the rules of banking financial statements preparation and presentation, and the recognition and measurement basis issued by the Central Bank of Egypt's board of director on December 16, 2008 taking into consideration the difference in the exchange rate per each investment, the revaluation differences arising from changes in the fair value are recognized in equity under available for sale investments revaluation reserve in the other reserves

11- Loans to customers and banks

In Egyptian Pound	31 December 2018	31 December 2017
Customers loans	13 630 299 395	10 170 415 282
	13 630 299 395	10 170 415 282
(Less):		
Unearned discount on discounted commercial bills	(7 987 962)	(8 851 662)
Loans provision	(788 155 080)	(614 396 747)
Interest in suspense	(105 362 843)	(102 423 174)
	12 728 793 510	**9 444 743 699**

11-1 Loans and facilities to customers

In Egyptian Pound	31 December 2018	31 December 2017
Retail		
Overdraft Accounts	97 933 360	221 470 375
Personal loans	4 335 474 779	3 696 737 290
Credit cards	27 719 782	20 651 219
Real Estate Finance loans	217 241 120	91 255 825
Total (1)	**4 678 369 041**	**4 030 114 709**
Corporate		
Overdraft Accounts	2 128 728 152	2 494 548 964
Syndicated loans	2 438 175 715	2 047 908 546
Direct loans	4 385 026 487	1 597 843 063
Total (2)	**8 951 930 354**	**6 140 300 573**
Total loans and facilities to customers (1+2)	**13 630 299 395**	**10 170 415 282**
(Deduct):		
Unearned discount on discounted commercial bills	(7 987 962)	(8 851 662)
Impairment losses provision	(788 155 080)	(614 396 747)
Interest in suspense	(105 362 843)	(102 423 174)
Net	**12 728 793 510**	**9 444 743 699**

11-2 Loan provision (performing /non-performing)

In Egyptian Pound	31 December 2018	31 December 2017
Provision balance at the beginning of the year	**614 396 747**	**539 164 909**
Impairment losses for the year	216 356 399	119 756 594
Proceeds from loans previously written off	437 286	1 599 552
Foreign currencies revaluation differences	2 967 192	(3 569 465)
	834 157 624	**656 951 590**
Amounts written off during the year	(46 002 544)	(42 554 843)
Provision balance at the end of the year	**788 155 080**	**614 396 747**

Classification of impairment loss provision of loans and facilities to customers

31 December 2018

Retail

	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance loans	Total
Balance at the beginning of the year	-	**1 501 036**	**91 059 732**	**977 676**	**93 538 444**
Impairment	-	253 956	31 172 696	(701 249)	30 725 403
Proceeds from loans previously written off	-	33 483	403 803	-	437 286
Provisions used	-	(1 163 811)	(31 735 491)	-	(32 899 302)
Balance at the end of the year	-	**624 664**	**90 900 740**	**276 427**	**91 801 831**

Corporate

	Overdraft Accounts	Direct loans	Syndicated loans	Other loans	Total
Balance at the beginning of the year	**284 389 676**	**39 946 076**	**196 522 551**	-	**520 858 303**
Impairment	122 485 894	26 380 338	36 764 764	-	185 630 996
Foreign currencies revaluation differences	409 089	-	2 558 103	-	2 967 192
Provisions used	(13 103 242)	-	-	-	(13 103 242)
Balance at the end of the year	**394 181 417**	**66 326 414**	**235 845 418**	-	**696 353 249**

31 December 2017

Retail

	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance loans	Total
Balance at the beginning of the year	-	**1 209 020**	**80 131 416**	**106 569**	**81 447 005**
Impairment	-	370 223	14 456 289	871 107	15 697 619
Proceeds from loans previously written off	-	26 098	635 956	-	662 054
Provisions used	-	(104 305)	(4 163 929)	-	(4 268 234)
Balance at the end of the year	-	**1 501 036**	**91 059 732**	**977 676**	**93 538 444**

Corporate

	Overdraft Accounts	Direct loans	Syndicated loans	Other loans	Total
Balance at the beginning of the year	**294 781 754**	**5 519 766**	**157 416 384**	-	**457 717 904**
Impairment (reversal of impairment)	27 529 131	34 426 310	42 103 534	-	104 058 975
Proceeds from loans previously written off	937 498	-	-	-	937 498
Foreign currencies revaluation differences	(572 098)	-	(2 997 367)	-	(3 569 465)
Provisions used	(38 286 609)	-	-	-	(38 286 609)
Balance at the end of the year	**284 389 676**	**39 946 076**	**196 522 551**	-	**520 858 303**

12- Intangible assets

In Egyptian Pound

Computer program	31 December 2018	31 December 2017
Net balance at beginning of the year	34 843 396	534 749
Additions	2 726 345	40 735 692
Total	37 569 741	41 270 441
Accumulated amortization (amortized over three years)	(14 608 253)	(6 427 045)
Net	22 961 488	34 843 396

13- Other assets

In Egyptian Pound	31 December 2018	31 December 2017
Accrued revenues	274 460 564	274 605 878
Prepaid expenses	10 927 979	12 826 561
Down payments to purchase of fixed assets	108 323 141	44 926 659
Assets reverted to the bank in settlement of debts *	51 714 217	48 965 484
Deposits and imprest	1 481 223	981 154
Other debit balances **	32 916 486	23 011 258
	479 823 610	405 316 994

* The nature and analysis of the assets reverted to the bank is as follows:	31 December 2018	31 December 2017
In Egyptian Pound		
Buildings and flat units reverted to bank in settlement of debt of customers	51 714 217	48 965 484
	51 714 217	48 965 484

** The other debit balances include the following:	31 December 2018	31 December 2017
In Egyptian Pound		
ATM outstanding balances ***	32 888 789	22 988 873
Others	27 697	22 385
	32 916 486	23 011 258

14- A Deferred Tax Liabilities

In Egyptian Pound — 31 December 2018

	Assets	Liabilities	Total
Deferred Tax (Provision)	17 376 267	-	17 376 267
Deferred Tax (Fixed assets depreciation)	-	(24 727 933)	(24 727 933)
Total Deferred Tax Assets (Liabilities)	**17 376 267**	**(24 727 933)**	**(7 351 666)**

In Egyptian Pound — 31 December 2017

	Assets	Liabilities	Total
Deferred Tax (Provision)	17 376 267	-	17 376 267
Deferred Tax (Fixed assets depreciation)	-	(17 629 933)	(17 629 933)
Total Deferred Tax Assets (Liabilities)	**17 376 267**	**(17 629 933)**	**(253 666)**

14-B Income tax expenses

In Egyptian Pound	31 December 2018	31 December 2017
Treasury bills and bonds revenues taxes	279 490 034	207 308 964
Dividend tax	173 959	148 605
Deferred tax - Expenses	7 098 000	8 240 000
Deferred tax - Expenses\(Revenue)	-	863 670
	286 761 993	**216 561 239**

14-C Adjustments for calculating the effective price of income tax

In thousand Egyptian pound	31 December 2018	31 December 2017
Accounting Profit before Income tax	556 872	596 572
Tax rate	22.50%	22.50%
Income tax calculated on accounting profit	125 296	134 229
Add / (deduct)		
Income not included and taxable	661	2 964
Non-taxable income	(5 804)	(7 266)
Tax exemptions	(770)	(1 390)
Effect of Provisions	4 484	14 163
Effect of Depreciation	7 098	9 104
Peremptory tax 10%	174	149
Excess Paid up of taxes on Treasury bills and bonds income	155 623	64 608
Income tax	286 762	216 561
Actual tax rate	51.5%	36.3%

15- Fixed assets - Net

31 December 2018

In Egyptian Pound	Land	Buildings and constructions	Integrated automated systems	Vehicles	Tools And equipment	Leasehold fixtures	Furniture	Other fixtures	Total
Cost at the beginning of the year	**52 021 263**	**218 791 406**	**65 597 642**	**7 339 826**	**60 308 761**	**193 933 080**	**27 373 143**	**9 987 731**	**635 352 852**
Additions during the year	-	233 350	41 389 894	1 000 000	14 120 348	63 618 528	9 163 773	-	**129 525 893**
Disposals	-	-	-	(5 465 225)	-	-	-	-	**(5 465 225)**
Cost as at 31/12/2018	**52 021 263**	**219 024 756**	**106 987 536**	**2 874 601**	**74 429 109**	**257 551 608**	**36 536 916**	**9 987 731**	**759 413 520**
Accumulated depreciation at the beginning of the year	-	**23 050 734**	**37 513 851**	**3 321 829**	**33 549 865**	**110 184 935**	**14 725 105**	**9 921 920**	**232 268 239**
Depreciation for the year	-	4 039 281	10 392 001	967 406	9 914 579	27 523 172	2 896 151	29 628	**55 762 218**
Disposals accumulated depreciation	-	-	-	(3 098 596)	-	-	-	-	**(3 098 596)**
Accumulated depreciation as at 31/12/2018	-	**27 090 015**	**47 905 852**	**1 190 639**	**43 464 444**	**137 708 107**	**17 621 256**	**9 951 548**	**284 931 861**
Net book value as at 31/12/2018	**52 021 263**	**191 934 741**	**59 081 684**	**1 683 962**	**30 964 665**	**119 843 501**	**18 915 660**	**36 183**	**474 481 659**

15- **Fixed assets - Net**

31 December 2017

In Egyptian Pound	Land	Buildings and constructions	Integrated automated systems	Vehicles	Tools And equipment	Leasehold fixtures	Furniture	Other fixtures	Total
Cost at the beginning of the year	52 021 263	134 144 583	42 504 705	7 897 677	40 308 730	151 647 123	21 230 608	9 987 731	459 742 420
Additions during the year	-	84 646 823	23 092 937	222 000	20 000 031	42 285 957	6 142 535	-	176 390 283
Disposals	-	-	-	(779 851)	-	-	-	-	(779 851)
Cost as at 31/12/2017	52 021 263	218 791 406	65 597 642	7 339 826	60 308 761	193 933 080	27 373 143	9 987 731	635 352 852
Accumulated depreciation at the beginning of the year	-	19 054 340	32 969 722	3 115 919	26 500 920	88 189 138	12 809 844	9 921 920	192 561 803
Depreciation for the year	-	3 996 394	4 544 129	985 761	7 048 945	21 995 797	1 915 261		40 486 287
Disposals accumulated depreciation	-	-	-	(779 851)	-	-	-	-	(779 851)
Accumulated depreciation as at 31/12/2017	-	23 050 734	37 513 851	3 321 829	33 549 865	110 184 935	14 725 105	9 921 920	232 268 239
Net book value as at 31/12/2017	52 021 263	195 740 672	28 083 791	4 017 997	26 758 896	83 748 145	12 648 038	65 811	403 084 613

16- Due to banks

In Egyptian Pound	31 December 2018	31 December 2017
Local banks		
Current accounts	44 785 208	31 024 669
Time deposits	657 408 000	32 988 413
	702 193 208	**64 013 082**
Foreign banks		
Current accounts	8 552 031	38 466 554
Time deposits	225 677 348	416 934 463
	234 229 379	**455 401 017**
	936 422 587	**519 414 099**
Non-interest bearing balances	53 337 239	69 491 223
Interest bearing balances	883 085 348	449 922 876
	936 422 587	**519 414 099**

17- Customers' deposits

In Egyptian Pound	31 December 2018	31 December 2017
Demand deposits	3 434 651 423	2 245 845 420
Time and callable deposits	18 831 666 630	18 317 826 639
Saving and deposit certificates	3 799 176 638	3 066 872 994
Saving deposits	1 100 655 316	677 956 790
Other deposits	323 247 813	237 377 970
Total Customer' Deposits	**27 489 397 820**	**24 545 879 813**
Interest in Advance on USD deposits for retail customers	(4 572 119)	(5 769 500)
Net Customer' Deposits	**27 484 825 701**	**24 540 110 313**
Corporate & SMEs deposits	20 881 538 008	19 326 805 323
Retail deposits	6 603 287 693	5 213 304 990
	27 484 825 701	**24 540 110 313**
Non-interest bearing balances	994 333 633	1 010 425 498
Interest bearing balances	26 490 492 068	23 529 684 815
	27 484 825 701	**24 540 110 313**

18- Long term loans

	31 December 2018	31 December 2017
A loan contract was signed between the Social Fund for Development (SFD) and the bank amounting to LE 10 million to relend the loan amount to the small project included in the new small project development program with simple interest rate 7%.	4 827 911	7 271 534
Subordinated Loan with the Union National Bank of Abu Dhabi was signed in the amount of $ 50 million, which was disbursed on two tranches - A first tranche of 35 million US dollars was disbursed on 28 September 2017. - A second tranche of 15 million US dollars was disbursed on 3 December 2017. At the LIBOR rate of three months stated in each repayment period in accordance with the contract plus a 5% margin. This margin has been adjusted to 3% effective June 2018.	895 680 000	886 385 000
	900 507 911	**893 656 534**

19- Other liabilities

In Egyptian Pound	31 December 2018	31 December 2017
Accrued interest	252 615 451	190 583 408
Unearned revenue	1 215 988	1 750 555
Accrued expenses	15 303 585	39 043 723
Creditors	10 757 405	8 557 686
Other credit balances *	245 668 338	170 757 800
	525 560 767	**410 693 172**

* **The other credit balances includes the following:**

in thousand Egyptian pounds	31 December 2018	31 December 2017
Stamp duty	9 970	8 930
Treasury bills taxes	114 587	73 515
Taxes under settlement	625	390
Staff Taxes and Insurance	2 578	2 337
Amount of contractors Insurance being held until paid Social Insurance	3 335	2 728
Amounts discounted from retail customers until the paid to insurance companies	8 062	4 236
The residual of Alakkad Mall	2 895	2 894
Clearance cheques (Are to be settled in next day)	87 196	24 861
Letters of credit deductibles	1 515	40 186
ATM suspense amounts	2 251	1 583
Coupons of Certificates Deposits accrued did not paid to their owners	159	158
Amounts paid under debts settlements of some customers	830	6 158
Others	3 287	2 781
Payments under sold assets revert to the bank	8 378	-
	245 668	170 757

20- Other provisions

31 December 2018

In Egyptian Pound	Balance at the beginning of the year	Charged during the year	Foreign currencies revaluation differences	Utilized during the year	Refunds from utilized provisions previously	Balance at year end
Provision for potential claims **	81 109 550	145 697	-	(3 141 355)	-	78 113 892
Contingent liabilities provision	20 471 378	4 402 905	(88 630)	-	-	24 785 653
Other provisions *	6 737 030	-	-	(50 245)	13 991	6 700 776
	108 317 958	**4 548 602**	**(88 630)**	**(3 191 600)**	**13 991**	**109 600 321**

31 December 2017

In Egyptian Pound	Balance at the beginning of the year	Charged during the year	Foreign currencies revaluation differences	Utilized during the year	Refunds from utilized provisions previously	Balance at year end
Provision for potential claims	84 936 557	6 300 000	-	(10 127 007)	-	81 109 550
Contingent liabilities provision	11 941 362	8 292 620	237 396	-	-	20 471 378
Other provisions	6 867 125	-	-	(130 095)	-	6 737 030
	103 745 044	**14 592 620**	**237 396**	**(10 257 102)**	-	**108 317 958**

* The other provisions balance as at 31 December 2018 is as follows

Banking risk provision	1 394 000
Operational risk provision	1 437 026
Assets revert to the bank provision	3 869 750
	6 700 776

** The provision for potential claims balance as at 31 December 2018 is as follows:

Tax disputes provision	72 214 783
Legal claims provision	4 804 421
Provisions for leave balances	1 094 688
	78 113 892

21- Shareholders' equity

A- Authorized capital

The authorized capital amounted to LE 5 billion the extra ordinary general assembly dated January 13 2007 approved the increase in the authorized capital from LE 500 million to LE 5 billion and the acceptance from the head of the General Authority for Free Zones and Investment was dated June 3 2007 the annotation in the commercial register on June 4 2007 and published in the investment gazette in the issue number 5277 dated June 23 2007 the annotation in the banks register on June 27 2007.

B- Issued and paid-up capital

The issued and paid-up capital amounted to LE 1,404 Billion as at December 31 2018 distributed among 250,818,750 shares with par value of LE 5.60.
are listed under the Egyptian securities (shares)

The Ordinary General Assembly approved on 24 March 2018 the adoption of the distribution account for 2017 and decided to distribute a free share for every 20 shares and is taking the necessary action in this regard.

The Extraordinary General Assembly approved on 13 October 2018 to increase the capital from 1,404,585,000 LE to 1,474,814,252.80 and amend the Articles of the Basic Law and take the necessary measures in this regard.

31 December 2018

In Egyptian pound	Number of shares	Ordinary shares value	Total
Balance at the beginning of the year	250 818 750	1 404 585 000	1 404 585 000
Changes during the year	-	-	-
Balance at the end of the year	250 818 750	1 404 585 000	1 404 585 000

31 December 2017

In Egyptian pound	Number of shares	Ordinary shares value	Total
Balance at the beginning of the year	227 500 000	1 274 000 000	1 274 000 000
Changes during the year	23 318 750	130 585 000	130 585 000
Balance at the end of the year	250 818 750	1 404 585 000	1 404 585 000

C- Reserves

According to the bank's article of association 10% of the annual net profit is retained to form the legal reserve which ceases when the reserve balance reaches 50% of the issued capital.

Pursuant to the Central Bank of Egypt instructions the balance of the special reserve cannot be utilized without recourse to the Central Bank of Egypt

The reserves balance comprises of the following as at December 31 2018:

In Egyptian pound	31 December 2018	31 December 2017
Legal reserve formed in accordance with the bank's article of association	152 407 450	114 466 040
General reserve to be used whenever in favor of the bank and the shareholders in accordance with the General Assembly approval	11 504 993	11 504 993
Capital reserve	13 062 588	12 466 098
Special reserve	32 576 304	32 576 304
General banking risk reserve	55 160 578	55 160 578
Revaluation differences for available for sale investments	(23 554 413)	1 738 851
The Bank's share in the extraordinary revenues reserve of Orient Takaful Insurance Company	5 382 855	5 382 855
IFRS9 risk reserve transferred from retained earning	94 513 720	94 513 720
General bank risk reserve transferred from retained earnings	41 644 477	-
Total	**382 698 552**	**327 809 439**

The changes in the reserves are represented in the following:

A- General banking risk reserve

In Egyptian pound	31 December 2018	31 December 2017
Balance at the beginning of the year	55 160 578	37 042 094
Transferred from the profit of (2017 Dividends)	41 644 477	18 118 484
Balance at the end of the year	96 805 055	55 160 578

B- Legal reserve

In Egyptian pound	31 December 2018	31 December 2017
Balance at the beginning of the period/year	114 466 040	96 949 122
Transferred from the profit of the year	37 941 410	17 516 918
Balance at the end of the year	152 407 450	114 466 040

C- Fair value reserve – Available for sale investment

In Egyptian pound	31 December 2018	31 December 2017
Balance at the beginning of the year	1 738 851	(17 744 923)
Net change in the profit (loss) in the fair value	(25 293 264)	19 483 774
Balance at the end of the year	(23 554 413)	1 738 851

D- Extraordinary income reserve

In Egyptian pound	31 December 2018	31 December 2017
Balance at the beginning of the year	5 382 855	-
The Bank's share in the extraordinary revenues reserve of Orient Takaful Insurance Company	-	5 382 855
Balance at the end of the year	5 382 855	5 382 855

E- IFRS9 risk reserve

In accordance with the decision of the Board of Directors of the Central Bank of Egypt dated 17 January 2017, which includes the creation of reserves to strengthen the financial position to meet the expected increase in the volume of provisions due to the expected credit risk method and is calculated as 1% of the total risk weighted risk credit amounting to LE 9,451,372,000 as at 31 December 2017

In Egyptian pound	31 December 2018	31 December 2017
Balance at the beginning of the year	94 513 720	-
IFRS9 risk reserve	-	94 513 720
Balance at the end of the year	94 513 720	94 513 720

Pursuant to Central Bank of Egypt regulations the available for sale investments were valued by fair value according to the banking financial statements preparation and presentation rules – recognition and measurement basis issued by the Central Bank of Egypt's board of director dated December 16 2008 taking into consideration the difference in the exchange rate per each investment the revaluation differences arising from changes in the fair value are recognized in equity under reserve for revaluation of Available for Sale investments in the other reserves

F- Retained earnings

In Egyptian pound	31 December 2018	31 December 2017
Movement on retained earnings		
Balance at the beginning of the year	483 549 827	330 746 491
- Transferred to legal reserve	(37 941 410)	(17 516 918)
- Employees share in the profit	(38 001 059)	(17 516 918)
- Board of directors remuneration	(8 467 678)	(7 325 035)
- Transferred to Capital reserve	(596 490)	(5 331 180)
- Dividend shareholders - bonus shares	(70 229 253)	(66 885 000)
Retained earnings	328 313 937	216 171 440
- Net profit for the (year)	270 109 952	380 010 591
-Transferred to General Banking Risk reserve	(41 644 477)	(18 118 484)
- IFRS9 risk reserve	-	(94 513 720)
Balance at the end of the year /period	556 779 412	483 549 827

22- Cash and cash equivalents

For the purpose of presenting the cash flow statement cash and cash equivalents include the following balances maturing within less than 3 months from the date of acquisition.

In Egyptian Pound	31 December 2018	31 December 2017
Cash and due from Central Bank of Egypt (Note no 6)	386 659 576	409 277 906
Due from banks (Note no 7)	3 285 408 334	2 206 623 693
Treasury bills and the governmental notes (Note no 8)	25 000	1 109 069 551
	3 672 092 910	**3 724 971 150**

23- Contingent liabilities and commitments

In Egyptian Pound	31 December 2018	31 December 2017
Loans obligations	2 347 696 596	1 161 590 000
Letter of guarantee	994 931 813	654 740 138
Letter of credit (import and export)	41 600 225	133 918 479
Other contingent liabilities	89 788 285	26 499 067
	3 474 016 919	**1 976 747 684**

24- Net income from revenue

In Egyptian Pound	31 December 2018	31 December 2017
Loans interest and similar revenues		
Loans, facilities and deposits at banks:		
Deposits at banks	318 205 588	292 497 348
Loans and facilities to clients	1 813 967 531	1 281 909 634
Total loans & banks	**2 132 173 119**	**1 574 406 982**
Treasury bills	976 902 398	556 999 994
Investment in available for sale and held to maturity debt instruments	587 534 241	611 981 692
Total Debt instruments	**1 564 436 639**	**1 168 981 686**
Total	**3 696 609 758**	**2 743 388 668**
Interest expense and similar charges		
Deposits and current accounts:		
To banks	(57 793 261)	(73 190 999)
To clients	(2 620 225 607)	(1 786 719 181)
Other Loans & REPO	(56 639 725)	(12 703 365)
Total	**(2 734 658 593)**	**(1 872 613 545)**
Net	**961 951 165**	**870 775 123**

25- Dividends income

In Egyptian Pound	31 December 2018	31 December 2017
Financial securities held for trading	56 904	39 224
Financial securities available for sale	1 709 958	1 446 823
	1 766 862	**1 486 047**

26- Net trading income

In Egyptian Pound	31 December 2018	31 December 2017
Revaluation differences of Debt instruments & equity instruments	(174)	(434 922)
Dividends from debt instruments for trading	751 812	1 180 782
Gains /(Losses) from debt and equity instruments held for trading	1 049 389	-
	1 801 027	**745 860**

27- Gains from financial investments

In Egyptian Pound	31 December 2018	31 December 2017
Gains on sale of treasury bills and bonds	3 122 173	26 501 566
Undistributed profit of associates	19 044 249	8 391 428
gain on Sale of financial investments available for sale	18 473 951	4 518 088
	40 640 373	**39 411 082**

28- Administrative & Staff expenses

In Egyptian Pound	31 December 2018	31 December 2017
Labor cost		
Wages and salaries	193 866 547	158 810 011
Social insurance	14 268 423	11 073 796
Total Labor cost	**208 134 970**	**169 883 807**
Other administrative expenses*	198 299 125	190 488 502
	406 434 095	**360 372 309**

* Other administrative expenses

In Egyptian Pound	31 December 2018	31 December 2017
Depreciation and amortization	70 370 472	46 913 333
Subscriptions	20 148 035	18 468 332
Taxes and fees	34 167 489	31 779 395
Repair and maintenance	18 137 381	22 563 783
Insurance	3 975 628	3 213 368
Advertising	7 786 601	7 921 876
Security and cleaning	7 828 400	11 381 012
Electricity water mail swifts & Gas	15 746 219	14 719 371
Hospitality	2 010 694	2 837 889
Stationary & Prints	2 381 029	3 862 045
Others	15 747 177	26 828 098
	198 299 125	**190 488 502**

29- Other operating revenues (expenses)

In Egyptian Pound	31 December 2018	31 December 2017
Gains (losses) from revaluation of assets and liabilities in foreign currencies and foreign exchange earnings	24 324 614	32 291 228
Gains from sale of fixed assets	2 353 841	596 490
Other provision formed	(4 402 905)	(14 592 620)
Assets rent expense	(35 698 871)	(25 990 609)
Gains from assets reverted to the bank	4 518 490	1 390 128
	(8 904 831)	**(6 305 383)**

30- Earnings per share

Earnings per share were calculated by dividing the net income of the year over weighted average number of outstanding common shares after deducting the average shares re-purchased by the Bank and kept within the treasury stocks:

	In Egyptian Pound	31 December 2018	31 December 2017
	Net profit for the year	270 109 952	380 010 591
Deduct	Employees share in the profit according to Proposed Profits Distribution Statement	(27 010 995)	(38 001 059)
Deduct	Board of directors remuneration according to Proposed Profits Distribution Statement	(9 476 895)	(8 467 678)
	Net profit available for distribution on the bank's share holder	233 622 062	333 541 854
	Weighted average number of shares	250 818 750	240 865 625
	Earnings per share for the year	**0.93**	**1.38**

31- Capital commitments

The uncalled capital commitments related to the financial investments at the balance sheet date amounted to LE 89,788,285 as follows:

In Egyptian Pound	Commitments	Amount Paid	Unclaimed / unpaid amount
Administritive Capital Land	90 009 698	(16 711 898)	73 297 800
Head office - Mohandessen	158 948 377	(154 498 663)	4 449 714
New Branches fixtures	37 992 742	(36 180 891)	1 811 851
Obligations for leases	10 228 920	-	10 228 920
	297 179 737	**(207 391 452)**	**89 788 285**

32- Effective average interest rates during the year

The average interest rates on assets 12.9% and liabilities 9.52% during the year.

33- Transactions with related parties

The bank deals with its related parties on the same basis as with other parties In the balance sheet date the nature of these significant transactions and its balances represented in are as follows:-

In thousand Egyptian Pound	31 December 2018	31 December 2017
Nature of transactions		
Due from banks	17 643	64 114
Investments in associates	72 476	53 432
Customers' deposits	1 289	626
Due to banks	265 281	94 385
Subordinated loan from UNB-Abu Dhabi	895 680	886 385
Contingent liabilities and commitment	2 063 802	2 113 278

34- Tax status

First : Corporate income tax

Years from establishment till 2004

- The taxes due for this period were fully paid according to the petition committees assessments and Dispute settlement committees

Year 2005/2006

- The bank was notified of form 19 with a tax amounted 537 thousands EGP Petition was conducted and decision of internal committee has been finalized for the amount of 145 thousands EGP settlement in process.

Year 2007/2008

- The bank was notified of the form 19 with a tax amounted LE 107.50 million, which was challenged and referred to the petition committee which issued its decision to re investigate the opinion of the dispute regarding the loan allocation and notify the committee. The dispute was settled with the Center, resulting deported losses amounted 47 Million pounds after the transfer of losses for the years 2005/2006, the bank has the right to deport them for the following years, as well as on some independents taxable income amounted 142 thousand pounds paid by the bank.

Year 2009/2014

- The bank was notified of form 19 for years 2009\2014 a Petition was conducted and currently pending for the decision of internal committee it is expected for dispute to result in 11 millions EGP and 4 million EGP on some independents taxable income for the years 2009/2014 and provision fully covered As well as in 2014 at about 10,5 million EGP (extra tax)
- Note that the bank has paid the amount of ten million pounds under the tax account for the years 2009-2014.

Year 2015\2017

- The bank submitted the tax return as per law tax authority it is expected for tax investigate to result in 6 millions EGP and some independents taxable income to result in 2.5 millions EGP , provision fully covered.

- The tax rate for the year 2018 reached 51.5%

Second : Tax on movable capitals

Years from establishment till 2004

- The taxes due for this period were fully paid according to the petition committees assessments and Dispute settlement committees

Year 1/1/2005-30/6/2005

- The bank was notified of form 18 with a tax amounted LE 132 thousands. It was objected the internal committee finalize the tax to be LE 84 thousands and it is under settlement.

Delay penalties from 1994/2002

- The delay penalties regarding the year 1994/2002 amounted to LE 24.7 M the due amount was fully paid.

Third : Stamp duty tax

Years till 2006

The bank calculates and pays this stamp tax duty regularly in accordance with the law The tax authority inspected the branches' records and documents and an agreement was reached between the bank and the tax authority in the internal committee the bank paid according to the internal committee and transfer the disputes to petition committee.

The tax advisor expects that the tax dispute will result in tax differences due amounting to 16 million EGP; and fully provision provided.

From August 2006 till March 2013

All branches were inspected in accordance with the regulations of law 143 for year 2006, which is the amended provision of the law 111 for year 1980

The tax authority investigated It has resulted in tax differences due amounting to35.42 million EGP and the bank contestation.

Reconciliation was reached between the bank and the tax authority and the result of tax dispute due amounting to 4 million and the bank paid it.

From April 2013 to December 2015

All branches were inspected in light of the provisions of Law 143 for the year 2006 amended to the provisions of Law 111 for the year 1980 and the examination resulted in tax differences of 1579 thousand pounds, noting that the bank has paid the amount of 2 million pounds under the calculation of that tax.

From January 2016 / last December 2017

Under Investigation and provisions charged about 4 million EGP according to the opinion of the tax consultant.

Fourth : Salaries taxes

Years from 1981 till 1998

The taxes due for the period were fully paid according to the internal and petition committees' assessments.

Years from 1999 till 2005

The taxes assessed by the internal committee amounted to 4.6 million EGP the bank paid taxes for these years on 2nd quarter of year 2014 amounted to LE 2.3 million and finishing all disputes till 2005 except dispute of LE 205 thousands for the year of 2004 in appeal committee.

Years 2006 till 2012

The tax authority advised the bank with estimated tax differences of LE 23 million which have been objected and transferred to petition committee the committee decided to reinvestigate currently the documents are in submission and expected result tax due amounting to 9 million EGP; and fully provision provided.

Years 2013 till 2017

The tax authority did not investigate till now and expected result tax due amounting to 11 million EGP; and fully provision provided.

Tax penalties

The tax authority advised the bank about delay penalties for the years 1999-2005 amounting LE 2.5 million which has been objected and 10% of them were paid after payment of all the assets in front of the judiciary to take advantage of the incentive to waive the delay in accordance with Law 174 of 2018 ,The balance is under settlement by tax authority and notifying the bank.

35- Material Events

IFRS 9: Financial Instruments.

The IASB issued IFRS 9 'Financial Instruments' in its final form in July 2014 and Central Bank of Egypt ("CBE") issued a circular on 28 January 2018 instructing Banks to implement the standard with effect from 1 January 2019. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

a. Classification and measurement

The adoption of this standard will have an effect on the classification and measurement of Bank's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income or fair value through statement of income. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

b. Impairment of financial assets

The impairment requirements apply to financial assets measured at amortised cost, fair value through other comprehensive income, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'.

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by the bank.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile.

According to the Central Bank of Egypt instructions, the banks set up the IFRS 9 risk reserve at 1% from credit risk weighted assets deducted from net profit after tax for 2017 amounted to 94,513,720 EGP (through statement of change in equity) included in the capital (tear 1) in the capital adequacy and it is not used unless obtaining the approval of the Central Bank of Egypt .

The final instructions of the Central Bank regarding the application of IFRS 9 as of the date of approval of these financial statements have not been issued.

36- Comparative figures

Comparative figures that are presented in the notes have been reclassified.