Translation of financial statements
Originally issued in Arabic

UNION NATIONAL BANK – EGYPT (S.A.E)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019
TOGETHER WITH AUDITORS' REPORT

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FINANCIAL STATEMENTS
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KPMG Hazem Hassan
Public Accountants & Consultants

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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 2019, and the statements of income, other comprehensive 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 amended by the regulations issued on February 26, 2019 and in the 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 bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG Hazem Hassan
Public Accountants & Consultants

MOORE Egypt

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, 2019 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 as amended by the regulations issued on February 26, 2019 and in light of the prevailing 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, 2019 no contravention of the Central Bank, Banking Sector and money Law 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 account.

Auditors

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

KPMG Hazem Hassan
Public Accountants and Consultants
(23) KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, February 5, 2020

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

Translation of financial statements

Financial Position As OF December 31, 2019

Originally issued in Arabic

In Egyptian Pound	Note	31 December 2019	31 December 2018
Assets			
Cash and due from Central Bank of Egypt	(6)	365 086 117	581 849 334
Due from banks	(7)	3 827 947 563	4 564 838 497
Treasury bills at fair value through other comprehensive income	(8)	8 717 251 718	9 875 500 035
Loans and advances to customers	(9)	12 552 277 436	12 728 793 510
Investments :			
- At Amortized Cost	(11)	2 641 413 695	3 133 099 786
- At fair value through other comprehensive income	(12)	636 075 327	443 312 882
- At fair value through profit and loss	(13)	1 516 329	1 424 279
Investments in associates	(14)	88 011 218	72 476 090
Intangible assets	(15)	26 536 942	22 961 488
Other assets	(16)	312 683 832	479 823 610
Fixed assets (net of depreciation)	(18)	412 209 898	474 481 659
Total assets		**29 581 010 075**	**32 378 561 170**
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(19)	146 011 658	936 422 587
Customers' deposits	(20)	25 576 836 189	27 484 825 701
Long term loans	(21)	805 877 342	900 507 911
Other liabilities	(22)	345 640 218	525 560 767
Other provisions	(23)	71 838 146	109 600 321
Deferred tax liabilities	(17)	20 499 223	7 351 666
Total liabilities		**26 966 702 776**	**29 964 268 953**
Shareholders' equity			
Paid-in capital	(24)	1 474 814 253	1 404 585 000
Amounts paid under capital increase		-	70 229 253
Reserves	(24)	530 058 684	382 698 552
Retained earnings	(24)	609 434 362	556 779 412
Total shareholders' equity		**2 614 307 299**	**2 414 292 217**
Total liabilities and shareholders' equity		**29 581 010 075**	**32 378 561 170**

- The accompanying notes from (1) to (40) are an integral part of these financial statements.
- Auditors' report attached.

Managing Director & CEO

Ihab Elsewerky

Chairman

Mohamed Dhaen Al Hamli

INCOME STATEMENT For The year Ended December 31, 2019

In Egyptian Pound	Note	31 December 2019	31 December 2018
Interest income on loans and similar revenues	(27)	3 883 564 627	3 696 609 758
Interest expense and similar	(27)	(2 832 180 733)	(2 734 658 593)
Net interest income		**1 051 383 894**	**961 951 165**
Commissions and fees income		195 147 780	204 171 757
Commissions and fees expenses		(19 753 395)	(21 763 914)
Net commissions and fees income		**175 394 385**	**182 407 843**
Dividends income	(28)	2 217 497	1 766 862
Net trading income	(29)	448 866	1 801 027
Gains from financial investments	(30)	17 946 176	40 640 373
Expected credit losses impairment	(31)	(130 909 480)	(216 356 399)
Administrative & Staff expenses	(32)	(542 443 592)	(406 434 095)
Other operating revenue (expenses)	(33)	51 655 644	(8 904 831)
Net profit before income tax		**625 693 390**	**556 871 945**
Income tax expenses	(17)	(196 410 242)	(286 761 993)
Net profit for the year		**429 283 148**	**270 109 952**
Earnings per share (EGP)	(34)	**1.47**	**0.89**

- The accompanying notes from (1) to (40) are an integral part of these financial statements.

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

Comprehensive Income statement For The year Ended December 31, 2019

In Egyptian Pound

	31 December 2019	31 December 2018
Net profit for the year	**429 283 148**	**270 109 952**
Other comperhensive income that will not be reclassified to the inocme statement		
Net change in the fair value of investments in equity instruments at fair value through other comprehensive income	58 735 415	(12 945 670)
Income tax related to items that are not reclassified to profit or loss	(13 215 468)	2 912 776
Other comperhensive income that may be reclassified to the inocme statement		
Net change in the fair value of investments at fair value through other comprehensive income	30 753 769	(6 893 273)
Income tax related to items that may be reclassified to profit or loss	(6 919 598)	1 550 986
Expected credit losses on debt instruments at fair value through other comprehensive income	(34 038 452)	-
Comprehensive income for the year, net after tax	**35 315 666**	**(15 375 181)**
Total comprehensive income attributable to share holders for the year, net after tax	**464 598 814**	**254 734 771**

- The accompanying notes from (1) to (40) are an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS For The year Ended December 31, 2019

In Egyptian Pound	Note	31 December 2019	31 December 2018
Cash flow from operating activities			
Net profit for the year before tax		625 693 390	556 871 945
Adjustments to reconcile net profit to cash flow from operating activities			
Depreciation and amortization	(18,15)	82 604 756	70 370 471
Reversed charged during the year-other provisions	(23)	5 049 107	4 548 602
Reversed charged during the year-due from banks	(7)	(892 003)	-
Foreign revaluation differences for other provisions	(23)	(808 951)	(88 630)
Gain from sale of fixed assets	(33)	(58 751 508)	(2 353 841)
Undistributed profit of associates	(30)	(15 535 128)	(19 044 249)
Dividends payable	(28)	(2 217 497)	(1 766 862)
Operating profit before changes in assets and liabilities from operating activities		**635 142 166**	**608 537 436**
Net decreased / (Increase) in assets and (decrease) / increase in Liabilities			
Due from banks	(7)	163 372 397	40 911 269
Due from Central Bank , within the mandatory reserve percentage	(6)	57 106 926	112 599 086
Treasury bills and other governmental notes	(8)	2 037 930 579	(1038 850 971)
Financial Investments through P&L	(13)	(92 050)	5 693 431
Loans and advances to customers	(9)	17 877 184	(3286 125 780)
Other assets	(16)	61 319 231	(11 110 130)
Due to bank	(19)	(790 410 929)	417 008 488
Customers' deposits	(20)	(1907 989 512)	2 944 715 388
Used from other provisions	(23)	(30 731 129)	(3 177 609)
Other liabilities	(22)	(134 009 775)	52 593 143
Income tax paid		(234 207 190)	(238 592 490)
Net flow provided from operating activities		**(124 692 102)**	**(395 798 739)**

In Egyptian Pound	Note	31 December 2019	31 December 2018
Cash flow from investing activities			
Payments to purchase fixed assets and branches preparation		49 500 412	(195 648 720)
Proceeds from sale of fixed assets		91 163 190	4 720 470
Retrieval of financial investments - Amortized cost	(11)	496 347 097	847 266 100
Purchase of financial investment - Amortized cost, net investment Fair Value through OCI and in associates	(13 12)	(114 092 125)	(275 566 853)
Reversed charged during the year-provision at fair value through OCI		(34 038 452)	-
Dividends received	(28)	2 217 497	1 766 862
Net cash flow (Used in) investing activities		**491 097 619**	**382 537 859**
Cash flow from financing activities			
Proceeds from other loans	(21)	(94 630 569)	6 851 377
Dividends paid		(110 228 603)	(46 468 737)
Net cash flow (used in) financing activities		**(204 859 172)**	**(39 617 360)**
Net Change in cash and cash equivalents during the year		**161 546 345**	**(52 878 240)**
Cash and cash equivalents at the beginning of the year		3 672 092 910	3 724 971 150
Cash and cash equivalents at the end of the year		**3 833 639 255**	**3 672 092 910**
For the purpose of preparing the statement of cash flow, the cash and cash equivalent comprise of the following			
Cash and balances wth Central Bank of Egypt	(6)	365 086 117	581 849 334
Due from banks	(7)	3 828 728 736	4 564 838 497
Treasury bills and other governmental notes	(8)	9 095 479 438	10 239 470 017
Balances with Central Bank within mandatory reserve percentage		(138 082 832)	(195 189 758)
Due from banks (over 3 months maturity)		(1 116 057 766)	(1 279 430 163)
Treasury bills and other governmental notes (over 3 months maturity)		(8 201 514 438)	(10 239 445 017)
Cash and cash equivalents at the end of the year		**3 833 639 255**	**3 672 092 910**

- The accompanying notes from (1) to (40) are an integral part of these financial statements and to be read there with.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For The Year Ended 31 December 2019

In Egyptian Pound

	Paid-up capital	Paid under capital increase	Reserves	Retained earnings	Total
Period 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
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	366 347 339	328 313 937	2 169 475 529
Net of change in fair value of financial investments through OCI	-	-	(25 293 264)	-	(25 293 264)
Transfer to General Risk Reserve	-	-	41 644 477	(41 644 477)	-
Net profit for the year ended December 31, 2018	-	-	-	270 109 952	270 109 952
Balance as at December 31, 2018	1 404 585 000	70 229 253	382 698 552	556 779 412	2 414 292 217
Period Ended 31 December 2019					
Balance as at January 1, 2019 before distribution	1 404 585 000	70 229 253	382 698 552	556 779 412	2 414 292 217
Profit distribution (Staff & BOD members) - 2018	-	-		(36 487 890)	(36 487 890)
Transfer to legal reserve	-	-	26 775 611	(26 775 611)	-
Transfer to capital reserve	-	-	2 353 841	(2 353 841)	-
Profit distribution (shareholders) - 2018	-	-	-	(73 740 713)	(73 740 713)
Paid under capital increase	70 229 253	(70 229 253)	-	-	-
Total	1 474 814 253	-	411 828 004	417 421 357	2 304 063 614
Net of change in fair value of financial investments through OCI	-	-	109 153 335	-	109 153 335
Transffered from Retained earnings to ECL at the begaining of Year 2019	-	-	-	(28 351 151)	(28 351 151)
Transffered from general risk reserve to ECL at the begaining of Year 2019	-	-	(199 841 647)	-	(199 841 647)
Transfer to General banking risk reserve	-	-	208 918 992	(208 918 992)	-
Net profit for the Year ended December 31, 2019	-	-	-	429 283 148	429 283 148
Balance as at December 31 2019	1 474 814 253	-	530 058 684	609 434 362	2 614 307 299

- The accompanying notes from (1) to (40) are an integral part of these financial statements.

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

Profit appropriation statement (Proposed)

For The Year Ended 31 December 2019

In Egyptian Pound	31 December 2019	31 December 2018
Net profit for the year (from income statement)	429 283 148	270 109 952
Deduct:		
Gain from sale of fixed assets transferred to capitalized reserve according to the statue of law	(58 751 508)	(2 353 841)
General Banking Reserve (Change in Loans and Advances Reserve)	(213 611 929)	(41 644 477)
Added:		
Transferred to Retained earnings (Change in Assets Revert to the bank Reserve)	4 692 937	-
Distributable net profit	**161 612 648**	226 111 634
Add:		
Retained earnings as at beginning of the year	389 070 206	328 313 937
Total	**550 682 854**	**554 425 571**
Appropriation :		
Legal reserves	37 053 164	26 775 611
Shareholders 1st Dividend	-	73 740 713
Employees share	42 928 314	27 010 995
B.O.D. remuneration	-	9 476 895
Retained earnings as at end of the year	470 701 376	417 421 357
Total	**550 682 854**	**554 425 571**

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 1089 employees as at 31 December 2019.

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 30,2020 approved the adoption of the Financial Statements for Year Ended December 31, 2019.

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 As well as in accordance with the instructions of the preparation of the financial statements of the banks in accordance with the requirements of the International Standard for Financial Reporting (9) "Financial Instruments "issued by the Central Bank of Egypt on 26 February 2019.

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 As well as the accompanying explanatory instructions issued in April 2009 and in conformity with the mentioned standards, and after releasing the instructions of the Central Bank of Egypt to prepare the financial statements of banks in accordance with the requirements of IFRS 9 "Financial Instruments" issued by the Central Bank of Egypt on 26 February 2019 to be effective from January ,1 2019 , Management has adjusted certain policies to comply with these instructions the following notes details the changes in accounting policies.

These financial statements were prepared according to the related local laws.

B- Changes in accounting policies :

As of 1st January 2019 , the Bank applying the instructions for the Central Bank of Egypt issued on 26 February 2019 for the preparation of the financial statements of the banks in accordance with the requirements of the International Standard for Financial Reporting 9 " (Financial Instruments): The following is a summary of key changes in the Bank 's accounting policies resulting from the implementation Those instructions .

Classification of financial assets and the financial liabilities:

Upon initial recognition , financial assets are classified as: at amortized cost , fair value through other comprehensive income or fair value through profit and loss.

The financial assets are classified in accordance with the business model which is managed these financial assets and its contractual cash flows

A financial asset is measured at amortized cost if it meets the following conditions and is not measured at fair value through profit or loss.

- The asset is retained within a business model that aims to retain assets for contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows on specific dates that are only principal and interest payments on the principal amount payable.

Debt instruments are measured at fair value through other comprehensive income only if they meet the following conditions and are not measured at fair value through profit or loss:

- The asset is held within a business model that has been achieved through the collection of contractual cash flows and the sale of financial assets
- The contractual terms of the financial assets give rise to cash flows on specific dates that are only principal and interest payments on the principal amount payable.

When the first recognition of the investment in equity is held by the trading , the Bank may choose irrevocably measure changes in subsequent fair value in other comprehensive income items are made this choice on the basis of each investment separately.

All other financial assets are classified as at fair value through profit and loss.

In addition , upon initial recognition , the Bank may irrevocably identify a financial asset that meets the requirements to be measured at amortized cost or at fair value through other comprehensive income , at fair value through profit or loss , if doing so would be canceled or reduced in an appropriate manner. Significant accounting mismatches that may otherwise arise.

Business model evaluation:

The Bank conducted assessment of the objective of the business model which the asset is held at the portfolio level because this reflects the best way of business administration and to provide information to management . Information considered includes:

- The stated policies and objectives of the portfolio and the mechanism of operation of these policies in practice , especially to determine whether the management strategy focuses on earning contractual interest income or matching the duration of financial assets with the duration of financial obligations that finance those assets or achieving cash flows through the sale of assets:
- How to evaluate the performance of the portfolio and report to the management of the bank
- Risks affecting the performance of the business model and financial assets held by the business model of this and how to manage these risks
- The number of deals, volume and timing of sales in previous periods ,the reasons for these sales and their expectations regarding future sales activity .However , does not consider the information relating to sales activity separately but considered as a part of evaluation for how to achieve the stated goal of the Bank for the management of financial assets and how to achieve cash flows.

Financial assets held for trading or whose performance are valued at fair value are measured at fair value through profit or loss as they are not held to collect only contractual cash flows and are not held to collect contractual cash flows with the sale of financial assets.

Evaluate whether contractual cash flows are payments of principal and interest :

For the purpose of this valuation , the principal amount is defined as the fair value of the financial asset at initial recognition , interest is defined as the material consideration for the time value of money and credit risk associated with the principal amount repayable over a period of time and for other underlying lending risks and costs) such as liquidity risk and administrative costs As well as profit margin

In assessing whether contractual cash flows are payments of principal and interest , the Bank takes into account the contractual terms of the instrument .This includes an assessment of whether the financial asset contains contractual terms that may change the time and amount of contractual cash flows, as this condition will not be met.

Impairment of financial assets

It replaces the International Standard for Financial Reporting No " ٩ .in accordance with the instructions of the Central Bank issued on February 26, 2019 " model loss achieved given instructions Bank Central issued December 16, 2008 on the model credit loss expected as a form of decay applies in the new value of all financial assets , as well as some links Loan pledges and financial guarantee contracts.

Under IFRS 9, credit losses are recognized more early than in accordance with the Central Bank directives of December 16, 2008.

The Bank has a three - stages approach to measure the expected credit losses from financial assets installed at amortized cost and debt instruments at fair value through other comprehensive income are moving assets between the following three phases based on the change in credit quality since the first recognition.

Stage 1 : Expected credit loss over 12 months
The first stage includes financial assets at initial recognition that do not involve a significant increase in credit risk since the first recognition or involve relatively low credit risk.
For these assets , expected credit losses over 12 months are recognized and interest is calculated on the total carrying amount of the assets) excluding provision for credit-١٢ . (month expected credit losses are the expected credit losses that may result from potential failures within 12 months after the reporting date.
Stage 2 : Lifetime credit loss - no credit impairment
The second phase includes financial assets with a significant increase in credit risk since the initial recognition, but no objective evidence of impairment .Lifetime expected credit losses are recognized for these assets but interest is still charged to the total carrying amount of the asset .Lifetime credit loss is the expected credit loss resulting from all possible failures over the life of the financial instrument
Stage 3 : Lifetime expected credit loss - impairment of credit
The third phase includes financial assets with objective evidence of impairment at the date of the financial statements: For these assets, expected lifetime credit losses are recognized.

According to the instructions of the Central Bank of Egypt on February 26, 2019 , the IFRS 9 As of 01 January 2019, the Bank has measured the effect of applying the standard as follows in accordance with the above instructions:

Egyptian Pound

Description	***General risk reserve**	**Retained earnings**	**Fair value reserve**	**Provision for loans and facilities**	**Provision for contingent liabilities**	****Custom rest b We would like assets and liabilities other**
Opening balance January 1, 2019	**199,841,647**	**417,421,357**	**(23,554,413)**	**788,155,080**	**24,785,653**	**-**
Total impact on expected credit losses	(199,841,647)	(28,351,151)	53,702,603	184,057,445	(12,959,688)	**3,392,438**
Adjusted opening balance	**-**	**389,070,206**	**30,148,190**	**972,212,525**	**11,825,965**	**3,392,438**

*General Risk Reserves: After consolidating the general bank risk reserve, private reserve and reserve IFRS9.
**Provision for bank balances , financial investments, loan commitments and credit facilities.

C- Investments in subsidiaries and associates

- **C-1 Investments in subsidiaries**

Investments in subsidiaries are entities with specific purposes (Special Purpose Entities / SPE's) which the bank has direct or indirect 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.

- **C-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.

D- 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.

E- Foreign currency translation

E-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.

E-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.
- The other comprehensive income property rights for investments in equity instruments by fair value through comprehensive income
- 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.

Valuation differences relating to changes in the amortized cost are recognized in the income statement in the return on loans and similar income and differences in exchange rates are changed in other operating income (expenses),Other comprehensive income is recognized in equity as the remaining changes in fair value in the fair value reserve for investments. At fair value through other comprehensive income .

Valuation differences arising on the measurement of non-monetary items at fair value include gains and losses arising from changes in exchange rates used to translate those items and then recognition of the statement of income with total valuation differences arising from the measurement of equity instruments classified at fair value through profit or loss. while the recognition of the total resulting from the valuation differences measured at fair value of equity instruments through other comprehensive income in other comprehensive income items of property rights Ben d reserve the fair value of financial investments at fair value through other comprehensive income .

Fiscal policy effective till 31 December 2018

F- 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 .

G- 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.

G-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.

G-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.

G-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.

G-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,

G-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,

G-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.

Effective fiscal policy effective 1 January 2019

The Bank classify the financial assets between the following groups: financial assets are measured at amortized cost , financial assets at fair value through other comprehensive income , financial assets at fair value through profit and loss .The classification is based generally to the business model , which is managed by financial assets and cash flows and contractual .

H.2.1Financial assets at amortized cost :

The financial asset is held within the business model of financial assets held to collect contractual cash flows.

The objective of the business model is to retain financial assets to collect contractual cash flows represented by the principal of the investment amount and returns.

The sale is an exceptional incidental event in relation to the objective of this model and under the conditions of the Standard:

- A deterioration in the credit capacity of the issuer of the financial instrument.
- Less sales in terms of periodicity and value.
- Clear and certified documentation of the justification for each sale and its compliance with the requirements of the standard.

H.2.2 Financial assets at fair value through other comprehensive income:

The financial asset is held within the business model of financial assets held for collection of contractual cash flows and sales.

Both cash and contract collection and sale complement each other to achieve the objective of the model.

Sales are high in terms of cyclicality and value compared to the business model held to collect contractual cash flows

H.2.3 Financial assets at fair value through profit and loss:

Retains the financial asset , among other business models include trading, management of financial assets on the basis of fair value , maximizing cash flows through the sale.

The objective of the business model is not to retain the financial asset to collect the contractual cash flows or retained by the collection of contractual cash flows and sale collection of contractual cash flows occurred sideways for the goal of the model.

The characteristics of the business model are as follows:

- Structuring a set of activities designed to extract specific outputs.
- It represents a complete framework for a specific activity (inputs - activities – output) .
- A single business model can include sub-business models.

I- 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.

J- 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.

K- 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.

L- 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,
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M-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,
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.

M- Dividend income

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

N- 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.

O- Impairment of financial assets

O-1 Fiscal policy effective till 31 December 2018

O-1-1 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.
- 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".

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.

O-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.

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-1-2 Financial Policy Effective 1 January 2019

The Bank reviews for all financial assets with the exception of financial assets that are measured at fair value through profit or loss To estimate the extent of the impairment value as described below.

Financial assets at the date of the financial statements are classified into three stages:

- -**Phase I :** financial assets that did not witnessed a substantial increase in credit risk since the date of initial recognition , and credit loss is expected to have a 12 - month account.
- -**Phase II :** Financial assets that have experienced a significant increase in credit risk since the initial recognition or date of recognition, and the expected credit loss is calculated over the life of the asset.
- -**Stage 3 :** Financial assets that have suffered impairment and require the expected credit loss over the life of the asset based on the difference between the carrying amount of the instrument and the present value of expected future cash flows .

The measurement of credit losses and impairment losses in value relating to Ba tools financial as follows:

- A low-risk financial instrument is classified at initial recognition in the first stage and credit risk is monitored on an ongoing basis by the Bank's credit risk department .
- If it is determined that there has been a significant increase in credit risk since the initial recognition , the financial instrument is transferred to the second stage where it is not yet considered impaired at this stage.
- If there is any indication that the value of a financial instrument will be impaired, it will be transferred to the third stage.
- Financial assets created or acquired by the Bank are classified as having a higher credit risk rate than the Bank's low risk financial assets at the time of initial recognition of the second phase , and therefore the expected credit losses are measured based on the expected credit losses over the life of the asset.

O (١/٢ / a substantial increase in the credit risk) :

The Bank considers that the financial instrument has seen a significant increase in credit risk when one or more of the following quantitative and qualitative criteria ,as well as factors relating to default are met.

O (٢/٢ / Quantitative standards) :

When the probability of failure during the remaining life of the instrument increases from the date of the financial position compared to the probability of failure during the remaining life expectancy at initial recognition in accordance with the risk structure acceptable to the Bank.

O (٣/٢ / Specific standards):

Bank retail loans and small and micro businesses

If the Borrower encounters one or more of the following:

-The Borrower has applied to convert the short-term to long-term repayments due to the negative effects of the borrower's cash flows .

-Recurring previous arrears during the previous ١٢ months .

-Negative future economic changes that affect the borrower's future cash flows .

Institutional and Medium Enterprise Loans:

If the borrower is on the checklist and / or financial instrument and has experienced one or more of the following events:

-Significant increase in the rate of return on the financial asset as a result of increased credit risk .

-Significant negative changes in the activity and material or economic conditions in which the borrower operates .

-Request for scheduling due to difficulties the borrower faces .

-Significant negative changes in actual or expected operating results or cash flows .

-Future economic changes affecting the borrower's future cash flows

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-Early signs of cash flow / liquidity problems such as delays in service of creditors / commercial loans .

-The cancellation of a direct facility by the Bank due to the high credit risk of the borrower .

Stop payment :

Facilities include loans and institutions , and projects Almto middle , small and micro ,and retail banking in the second phase if the period of non - payment of more than (٣٠) days at the most and less than (90) days.

Progression between stages (1,2,3) :

Progress between the second stage to the first stage:
The financial asset is not transferred from the second stage to the first stage until all the quantitative and qualitative elements of the first stage have been met and the arrears of the financial asset and the returns have been paid.

Progress from Phase III to Phase II:
The financial asset is not transferred from the third stage to the second stage until all the following conditions are met:

- Completing all quantitative and qualitative elements of the second phase .
- Repayment of 25 % of the due balance of financial assets, including set aside / marginal returns .
- Regular repayment for at least 12 months.

P- 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.

Q- 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.

R- 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.

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.

S- 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.

T- 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.

T-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,

T-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,

U- 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,

V- 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,

W-Employees' benefits

W-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.

W-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.

X- 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.

Y- 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.

Z- Capital

Z-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.

Z-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,

AA- 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- <u>Financial risk management</u>

The bank is exposed to various financial risks, as its main achieving in the financial and the acceptance of the risk is considered the basis if the financial business ; 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 bank has developed risk management policies to define analyze and control risk and comply with its limits through a variety of reliable methods and up to date information systems , the bank conducts regular reviews and amendments of the risk management policies in order to reflect changes in the market , products , services are within the best up to date applications,

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, by coordinating 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 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 2019 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	**31/12/2019**		**31/12/2018**	
	Loans advances %	**Impairment loss provision %**	**Loans advances %**	**Impairment loss provision %**
Performing loans	**86.4**	**9.7**	**87**	**11**
Regular watching	**4.1**	**3.3**	**4.3**	**6.5**
Watch list	**1.2**	**1.2**	**0.3**	**1.1**
Non-performing loans	**8.3**	**85.8**	**8.4**	**81.4**
	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 2019	31 December 2018
Treasury bills and other governmental securities	9 095 479 438	10 239 470 017
Financial Assets held for trading		
- Debt instruments	1 516 329	1 424 279
Customers loans and advances		
Retail loans:		
Overdraft Accounts	93 119 669	97 933 360
Personal loans	4 711 423 507	4 335 474 779
Real Estate Finance loans	218 089 688	217 241 120
Credit cards	31 573 806	27 719 782
Corporate loans:		
Overdraft Accounts	2 225 625 044	2 128 728 152
Syndicated loans	1 947 269 795	2 438 175 715
Direct loans	4 114 448 978	4 385 026 487
Financial investments:		
Debt instruments at amortized cost	2 642 325 988	3 133 196 218
Debt instruments at fair value through other comprehensive income	554 024 525	419 997 495
Total	**25 634 896 767**	**27 424 387 404**
Credit risk exposures of off balance sheet items		
Credit commitments	433 099 000	2 347 697 000
Letters of guarantees	1 571 456 342	1 375 196 424
Letters of guarantees based on other banks requests	2 539 600 176	2 883 602 124
Letters of credit	1 661 093 004	2 522 571 872
Other financial liabilities	13 108 920	89 788 285
Total	**6 218 357 442**	**9 218 855 705**

The above table represents the maximum limit for credit risk as of 31 December 2019, 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.

A-5-1 Expected credit losses in accordance with the requirements of IFRS9 - IFRS 9

وAccording to the instructions of the Central Bank of Egypt to prepare financial statements for banks in accordance with the requirements of the International Standard for Financial Reports (9) "Financial Instruments" issued by the Central Bank of Egypt on February 26, 2019.

In Egyptian pound	31 December 2018 The first stage	The second stage	The third stage	Total
Due from banks	-	1 673 176	-	1 673 176
Financial investments	53 733 379	-	-	53 733 379
Loans and facilities - corporate	11 104 518	79 885 477	739 424 370	830 414 365
Loans and facilities - retail	59 900 470	2 675 588	79 222 102	141 798 160
Contingent liabilities	2 888 673	192 304	8 744 988	11 825 965
Loan commitments and facilities - corporate clients	657 834	95 483	935 169	1 688 486
Total	**128 284 874**	**84 522 028**	**828 326 629**	**1 041 133 531**

General risk reserve - loan provision - provision for contingent liabilities	**31 December 2018**
General risk reserve	199 841 647
Loan provision (regular / irregular)	788 155 080
Provision Contingent liabilities	24 785 653
Balance at the end of the year	**1 012 782 380**
Expected Credit Loss Deficit on December 31, 2018 - Transfer from retained earnings to general risk reserve	**(28 351 151)**

In Egyptian pound	31 December 2019 The first stage	The second stage	The third stage	Total
Due from banks	-	781 173	-	781 173
Financial investments	-	19 885 466	-	19 885 466
Loans and facilities - corporate	12 716 441	31 291 943	553 516 052	597 524 436
Loans and facilities - retail	43 940 697	3 261 178	56 614 492	103 816 367
Contingent liabilities	4 825 683	1 097 699	5 279 043	11 202 425
Loan commitments and facilities - corporate clients	499 582	593 251	-	1 092 833
Total	**61 982 403**	**56 910 710**	**615 409 587**	**734 302 700**

Impairment provision of loans and contingent liabilities *In Egyptian pound*	The provision for impairment is in accordance with the requirements of IFRS9	Provision for impairment in accordance with the basis of creditworthiness	The difference between risk rating and IFRS 9
Loan provision (regular / irregular)	701 340 801	893 689 542	192 348 741
Provision Contingent liabilities	11 202 425	32 465 613	21 263 188
	712 543 226	926 155 155	213 611 929

A-5-2 Movement of expected credit losses in accordance with the requirements of IFRS9 - IFRS 9

According to the instructions of the Central Bank of Egypt to prepare financial statements for banks in accordance with the requirements of the International Standard for Financial Reports (9) "Financial Instruments" issued by the Central Bank of Egypt on February 26, 2019.

	Note	Balance at the beginning of the year	Impact of changes arising from the initial implementation of IFRS 9	Balance at the beginning of the yearBalance at the beginning of the year - amended	Provision for impairment losses	refund of loans previously written off	Amounts written off during the year	Foreign currencies revaluation differences	Balance at the end of the year
Due from banks	(7)	-	1 673 176	1 673 176	(892 003)	-	-	-	781 173
Financial investments at amortized cost	(10)	-	30 776	30 776	190 539	-	-	-	221 315
Loans and facilities - corporate clients	(9)	696 353 249	134 061 116	830 414 365	97 095 394	51 397	(298 134 984)	(31 901 738)	597 524 434
Loans and facilities - retail clients	(9)	91 801 831	49 996 329	141 798 160	68 554 002	22 106 461	(128 642 256)	-	103 816 367
Total provision for expected credit losses (1)		**788 155 080**	**185 761 397**	**973 916 477**	**164 947 932**	**22 157 858**	**(426 777 240)**	**(31 901 738)**	**702 343 289**

	Note	Balance at the beginning of the year	Impact of changes arising from the initial implementation of IFRS 9	Balance at the beginning of the yearBalance at the beginning of the year - amended	Provision for impairment losses	Balance at the end of the year
Financial investments at fair value through other comprehensive income statement	(23)	-	53 702 603	53 702 603	(34 038 452)	19 664 151
Total provision for expected credit losses (2)		**-**	**53 702 603**	**53 702 603**	**(34 038 452)**	**19 664 151**

	Note	Balance at the beginning of the year	Impact of changes arising from the initial implementation of IFRS 9	Balance at the beginning of the yearBalance at the beginning of the year - amended	Provision for impairment losses	refund of loans previously written off	Amounts written off during the year	Foreign currencies revaluation differences	Balance at the end of the year
Contingent liabilities	(22)	24 785 653	(12 959 688)	11 825 965	5 294 760	-	(5 109 349)	(808 951)	11 202 425
Loan commitments and facilities - corporate clients	(22)	-	1 688 486	1 688 486	(595 653)	-		-	1 092 833
Total provision for expected credit losses (3)		**24 785 653**	**(11 271 202)**	**13 514 451**	**4 699 107**	**-**	**(5 109 349)**	**(808 951)**	**12 295 258**
Total expected credit losses (1 + 2 + 3)		**812 940 733**	**228 192 798**	**1 041 133 531**	**135 608 587**	**22 157 858**	**(431 886 589)**	**(32 710 689)**	**734 302 698**

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:

- 41.2% of the loans and advances portfolio is classified at the highest two ratings in the internal rating.
- 82.5% 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 890 M which represent 6.7% and the provision formed and interest in suspense amount LE 626 M represent 70.3% 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	**31/12/2019**	**31/12/2018**
Neither past dues nor impaired	**11,002,518,187**	**11,319,859,232**
Past dues but not impaired	**1,237,287,635**	**1,172,420,074**
Past dues are subjected to impairment	**1,104,744,665**	**1,138,020,089**
Total	**13,341,550,487**	**13,630,299,395**
(Less):		
Unearned revenue and discount	**(7,153,326)**	**(7,987,962)**
Impairment loss provision	**(701,340,801)**	**(788,155,080)**
Interest in suspense	**(80,778,924)**	**(105,362,843)**
Net	**12,552,277,436**	**12,728,793,510**

Note (9) 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 with no past due or impairment

31 December 2019

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	93 119 669	27 951 816	4 287 891 237	195 827 802	**4 604 790 524**	2 225 625 044	1 468 527 071	2 001 513 279	**5 695 665 394**	**10 300 455 918**
2-Regular follow up	-	-	-	-	-	-	260 983 972	283 652 581	**544 636 553**	**544 636 553**
3-Watch list	-	-	-	-	-	-	-	157 425 716	**157 425 716**	**157 425 716**
Total	**93 119 669**	**27 951 816**	**4 287 891 237**	**195 827 802**	**4 604 790 524**	**2 225 625 044**	**1 729 511 043**	**2 442 591 576**	**6 397 727 663**	**11 002 518 187**

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**

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

Loans and advances with past due but 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 2019

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	-	-	224 021 030	10 741 644	234 762 674	-	-	999 524 961	999 524 961	1 234 287 635
Total	-	-	**224 021 030**	**10 741 644**	**234 762 674**	-	-	**999 524 961**	**999 524 961**	**1 234 287 635**

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

Loans and advances subject to individual impairment

Loans and advances subject to individual impairment regardless any cash flows from collaterals amounted to LE 1,104,744,665

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 2019

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	-	3 621 990	199 511 240	11 520 242	**214 653 472**	-	217 758 752	672 332 441	-	**890 091 193**	**1 104 744 665**
Fair value of collaterals	-	-	-	-	-	**108 974 735**	-	-	**995 769 930**	-	

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**	-	

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	9 095 479 438	1 516 329	3 196 350 513	**12 293 346 280**
Total	**9 095 479 438**	**1 516 329**	**3 196 350 513**	12 293 346 280

A-8 Concentration of financial assets risk's exposed to credit risk

The following table represents an analysis of the bank's most important boundaries of credit risk at book value distributed in accordance with geographical segment at 31 December 2019.

In Egyptian Pound	Cairo	Alexandria, Delta and Canal	Upper Egypt & Red Sea	Total
Treasury bills and other governmental notes	9 095 479 438	-	-	9 095 479 438
Financial assets held for trading				
Debt instruments	1 516 329	-	-	1 516 329
Loans and advances to customers:				
Retail:				
Overdraft Accounts	31 737 977	57 903 580	3 478 112	93 119 669
Personal loans	1 923 680 397	2 323 344 402	464 398 708	4 711 423 507
Real Estate Finance loans	182 724 815	32 714 753	2 650 120	218 089 688
Credit cards	14 248 747	14 793 181	2 531 878	31 573 806
Corporate:				
Overdraft Accounts	1 649 613 565	572 913 855	3 097 624	2 225 625 044
Syndicated loans	1 521 146 397	426 123 398	-	1 947 269 795
Direct loans	2 815 843 028	1 234 432 509	64 173 441	4 114 448 978
Other Financial investments				
Debt instruments at amortized cost	2 642 325 988	-	-	2 642 325 988
Debt instruments at fair value through other comprehensive income	554 024 525	-	-	554 024 525
Total as at 31 December 2019	**20 432 341 206**	**4 662 225 678**	**540 329 883**	**25 634 896 767**

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	-	-	-	9 095 479	-	-	9 095 479
Financial assets held for trading							
Debt instruments	-	-	-	1 516	-	-	1 516
Loans and advances to customers	560 006	1 860 308	1 995 618	1 880 378	1 991 034	5 054 207	13 341 551
Financial investments							
Debt instruments at amortized cost	-	-	-	2 642 326	-	-	2 642 326
Debt instruments at fair value through other comprehensive income	-	-	-	554 025	-	-	554 025
Total as at 31 December 2019	**560 006**	**1 860 308**	**1 995 618**	**14 173 724**	**1 991 034**	**5 054 207**	**25 634 897**

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 2019

	Average	Maximum	Minimum
Foreign exchange risk	58,189	87,196	32,953
Interest rate risk	18,043,535	19,166,087	16,503,805
Equity instruments risk	-	-	-

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

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 fluctuations in foreign exchange rates on the financial position and cash flows, and the Board of Directors has set limits for foreign currencies by the total value of each of the centers at the end of the day as well as during the day that is monitored at the moment. The following table summarizes the extent of the bank's exposure to the risk of fluctuations in the foreign exchange rate At the end of the financial position, the following table includes the book value of the financial instruments distributed in the currencies that make up them:

In thousand Egyptian pound	EGP	USD	Euro	GBP	Other currencies	Total
Financial assets						
Cash and due from central banks	297 068	53 389	12 302	701	1 626	365 086
Due from banks	2 557 300	1 152 655	100 317	10 892	6 783	3 827 947
Treasury bills and other governmental notes	5 467 837	3 142 311	107 104	-	-	8 717 252
Loans and advances to customers	10 534 867	1 996 159	6 345	58	14 849	12 552 278
Financial investments						
- amortized cost	2 626 284	15 130	-	-	-	2 641 414
-At fair value through other comprehensive income	446 866	189 209	-	-	-	636 075
-At fair value through profit and loss	1 516	-	-	-	-	1 516
Investments in subsidiaries and associates	88 011	-	-	-	-	88 011
Fixed and intangible assets	26 537	-	-	-	-	26 537
Other financial assets	711 672	12 577	645	-	-	724 894
Total financial assets	**22 757 958**	**6 561 430**	**226 713**	**11 651**	**23 258**	**29 581 010**
Financial liabilities						
Due to banks	1 637	62 524	75 200	-	6 651	146 012
Customer's deposits	19 719 631	5 675 666	162 694	11 683	7 162	25 576 836
Long term loans	3 802	802 075	-	-		805 877
Other financial liabilities	345 932	19 661	-	-	547	366 140
Other provisions	65 438	3 526	2 874	-	-	71 838
Total share holder's equity	2 614 307	-	-	-	-	2 614 307
Total financial liabilities	**22 750 747**	**6 563 452**	**240 768**	**11 683**	**14 360**	**29 581 010**
Net financial position	**7 211**	**(2 022)**	**(14 055)**	**(32)**	**8 898**	-
Purchasing						
Selling	-	-	-	-	-	-
Net financial position	**7 211**	**(2 022)**	**(14 055)**	**(32)**	**8 898**	-
Credit commitments	433 099	-	-	-	-	433 099
Letters of credit	-	78 859	157	-	20 756	99 772
Letters of guarantees	1 321 903	186 725	12 420	-	-	1 521 048
Other financial liabilities	13 109	-	-	-	-	13 109
Total	**1 768 111**	**265 584**	**12 577**	-	**20 756**	**2 067 028**

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	-	-	-	-	365 086	365 086
Due from banks	3 168 686	616 058		-	43 204	3 827 948
Treasury bills and other governmental notes	1 351 840	1 233 050	6 132 362	-	-	8 717 252
Loans and advances to customers	579 256	2 087 248	2 778 932	6 791 369	315 472	12 552 277
Financial investments						
- amortized cost	-	37 540	351 574	2 252 300	-	2 641 414
At fair value through other comprehensive income	-	-	265 123	288 901	82 051	636 075
At fair value through profit and loss	-	1 516	-	-	-	1 516
Investments in associates	-		-	-	88 011	88 011
Intangible assets	-	-	-	-	26 537	26 537
Other financial assets	-	-	-	-	312 684	312 684
Fixed assets	-	-	-	-	412 210	412 210
Total financial assets	**5 099 782**	**3 975 412**	**9 527 991**	**9 332 570**	**1 645 255**	**29 581 010**
Financial liabilities						
Due to banks	78 729	25 667	-	-	41 616	146 012
Customer's deposits	5 873 276	7 572 124	5 245 483	5 499 567	1 386 386	25 576 836
Long term loans	-	-	160 415	645 462	-	805 877
Share holder's equity	-	-	-	-	2 614 307	2 614 307
Other financial liabilities	-	-	-	-	437 978	437 978
Total financial liabilities	**5 952 005**	**7 597 791**	**5 405 898**	**6 145 029**	**4 480 287**	**29 581 010**
Interest re-pricing gap	**(852 223)**	**(3 622 379)**	**4 122 093**	**3 187 541**	**(2 835 032)**	**-**

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.

D- Fair value of financial assets and liabilities

D-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:

	31/12/2019		31/12/2018	
In thousand Egyptian pound	Book value	Book value	Book value	Fair value
Financial assets				
Loans and advances to customers				
-Retail	5,054,207	5,054,207	4,678,369	4,678,369
-Corporate	8,287,343	8,287,343	8,951,930	8,951,930
-Held to maturity investment	2,641,414	2,641,414	3,133,100	2,974,514
Financial liabilities				
Due to banks	146,012	146,012	936,423	936,423
Customer's deposits				
-Retail	7,319,054	7,319,054	6,603,288	6,603,288
-Corporate	18,257,782	18,257,782	20,881,538	20,881,538

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 12.75 % 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:

<u>Tier 1:</u>

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.

<u>Tier 2:</u>

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 8.75 % from total credit risk, operating risk and market risk; 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 2019.

Capital adequacy ratio as per Basel II requirements

In thousand Egyptian pound	31 December 2019	31 December 2018
Capital		
Tier I Capital		
Core capital after deductions		
Share capital (net of treasury stocks)	1 474 814	1 474 814
Reserves	301 909	206 105
IFRS9 risk reserve	-	94 514
Retained earnings	461 522	333 146
Total cumulative other comprehensive income after control adjustments	96 231	-
Deduct from Common Equity		
(-) Deduct 100% from 10% excess standalone investment in case of the investment is 10% or more from the investee capital	(44 006)	(36 238)
(-) Deduct 100% from net of Intangible assets(Other than goodwill)	(26 537)	(22 961)
80 % Deferred Tax Assets	(9 229)	-
(-) Deduct total the fair value for investment FVOCI Which have been reclassified to Amortized cost investments	(5 249)	(18 172)
Total core capital after deductions	2 249 455	2 031 208
Total Tier I	**2 249 455**	**2 031 208**
Tier 2 Capital (subordinated capital)		
45% from special reserve	-	14 659
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 (FVOCI, Amortized cost and in subsidiaries and associates)	61 982	174 732
Subordinated loans	802 075	895 680
Total Tier 2 capital	**864 057**	**1 085 071**
Total capital based after deductions	**3 113 512**	**3 116 279**
Total Assets and potential liabilities weighted by credit risk	14 938 439	13 978 580
Capital requirements for market risk	1 753	5 352 000
Capital requirements for operating risk	1 754 320	748 960
Total Assets and potential liabilities weighted by credit, market and operating risk	**16 694 512**	**20 079 540**
Capital adequacy ratio (%)	**18.6%**	**15.5%**

Leverage Ratio

In Thousand Egyptian Pounds

		31 December 2019	31 December 2018
First	**Tier 1 capital after Exclusions**	**2 249 455**	**2 031 208**
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)	2 481 144	3 680 279
	Due from Banks	1 712 670	1 466 408
	Treasury bills and other Government securities	8 789 618	9 927 533
	REPO	(72 366)	(52 033)
	Financial assets Fair Value through Profit and loss	1 516	1 424
	Financial investments Fair Value through OCI	636 075	443 313
	Financial investments Amortized Cost	2 642 326	3 133 196
	Investments in associates	88 011	72 476
	Loans and credit facilities to customers	13 341 550	12 893 715
	Fixed Assets (after deducting depreciation and impairment losses)	412 210	474 482
	Other assets	348 962	507 355
	Deducted amounts from exposures (after deducting Tier I Exclusions for capital base)	(750 290)	(77 371)
	Total on-balance sheet exposures items after deducting after Tier I Exclusions for capital base.	**29 631 426**	**32 470 777**
2	**Exposures off-balance sheet**		
	Contingent liabilities (1)		
	Import L/Cs	4 962	4 717
	L/Gs	760 524	497 466
	L/Gs according to foreign banks	1 263 656	1 459 270
	Accepted papers	74 960	18 016
	Commitments (2)		
	Capital commitments		79 559
	Operating lease commitments	13 109	10 229
	Loan commitments to clients/banks (unutilized part) within original maturity	870 098	306 557
	Total Exposures off-balance sheet	**2 987 309**	**2 375 814**
	Total On-Off balance sheet exposures items (1) + (2)	**32 618 735**	**34 846 591**
	Leverage financial ratio	**6.90%**	**5.83%**

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 (expected credit losses)

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 at fair value through other comprehensive income

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 at amortized cost

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

	Corporate	Retail	Treasury & Financial Institutions	Total
Revenues and expenses according to business segment				
Segment revenues	2 712 782	2 455 911	3 450 203	8 618 896
Segment expenses	(2 603 638)	(2 389 462)	(3 000 103)	(7 993 203)
Profit for the year before taxes	109 144	66 449	450 100	625 693
Taxes	(34 265)	(20 858)	(141 286)	(196 410)
Profit (Loss) for the year	74 879	45 591	308 814	429 283
Assets and Liabilities according to business segment				
Segment assets	8 245 166	5 167 453	16 168 391	29 581 010
Total assets	8 245 166	5 167 453	16 168 391	29 581 010
Segment liabilities	15 157 802	10 365 161	4 058 047	29 581 010
Total liabilities	15 157 802	10 365 161	4 058 047	29 581 010
Other business segment items				
Depreciations	(20 655)	(55 105)	(6 845)	(82 605)
Impairment	(97 095)	(68 554)	34 740	(130 909)

B-Geographic analysis

	Greater Cairo	Alex and Delta and Canal	Upper Egypt & Red Sea	Total
Geographical analysis of revenues and expenses				
Geographical sector revenues	3 764 050	1 215 099	116 028	5 095 177
Geographical sector expenses	(3 279 055)	(1 076 718)	(113 711)	(4 469 484)
Profit for the year before taxes	484 995	138 381	2 317	625 693
Taxes	(152 245)	(43 438)	(727)	(196 410)
Profit for the year	332 750	94 943	1 590	429 283
Assets and Liabilities				
Geographical sector assets	23 593 232	5 442 259	545 519	29 581 010
Total assets	23 593 232	5 442 259	545 519	29 581 010
Geographical sector liabilities	23 551 420	5 627 159	402 431	29 581 010
Total liabilities	23 551 420	5 627 159	402 431	29 581 010
Other Geographical sector items				
Depreciations	(13 976)	(58 029)	(10 600)	(82 605)
Impairment	11 229	(126 929)	(15 209)	(130 909)

6- Cash and due from Central Bank of Egypt

In Egyptian Pound	31 December 2019	31 December 2018
Cash on hand	227 003 285	386 659 576
Due from Central Bank of Egypt within reserve ratio	138 082 832	195 189 758
	365 086 117	**581 849 334**

7- Due from banks

In Egyptian Pound	31 December 2019	31 December 2018
The Central Bank of Egypt		
Time Deposits	2 116 057 766	3 098 430 163
	2 116 057 766	**3 098 430 163**
Local Banks		
Current accounts	17 415 741	29 172 274
Time Deposits	1 428 844 085	1 307 692 800
	1 446 259 826	**1 336 865 074**
Foreign Banks		
Current accounts	25 788 644	129 543 260
Time Deposits	240 622 500	-
	266 411 144	**129 543 260**
Total due from banks	**3 828 728 736**	**4 564 838 497**
Impact of changes arising from the initial implementation of IFRS 9	**(1 673 176)**	-
Total due from banks - amended	**3 827 055 560**	**4 564 838 497**
Expect crdit loss provision	892 003	-
Net due from banks	**3 827 947 563**	**4 564 838 497**
Non-interest bearing balances	43 204 385	158 715 534
Interest bearing balances	3 785 524 351	4 406 122 963
Expect credit loss provision	(781 173)	-
	3 827 947 563	**4 564 838 497**

8- Treasury bills at fair value through other comprehensive income

In Egyptian Pound	31 December 2019	31 December 2018
Treasury bills		
Treasury bills maturing to 91 days	893 965 000	25 000
Treasury bills maturing from 92 to 182 days	1 282 925 000	413 125 000
Treasury bills maturing grater than 182 to 364 days	6 990 955 852	9 878 353 136
	9 167 845 852	**10 291 503 136**
(Less):		
Unearned interest	(383 760 256)	(363 969 982)
REPO *	(72 366 414)	(52 033 119)
	8 711 719 182	**9 875 500 035**
Net change in fair value	**5 532 536**	**-**
Net of Treasury bills after change in fair value	**8 717 251 718**	**9 875 500 035**

	31 December 2019	31 December 2018
* Against the the amount granted by the Central Bank of Egypt within the mortgage finance initiative for low-income people	45 847 843	48 068 453
Against the the amount granted by the Central Bank of Egypt within SMEs initiative	26 518 571	3 964 666
	72 366 414	**52 033 119**

9- Loans and advances to customers and banks

In Egyptian Pound	31 December 2019	31 December 2018
Customers loans	13 341 550 487	13 630 299 395
	13 341 550 487	**13 630 299 395**
(Less):		
Unearned discount on discounted commercial bills	(7 153 326)	(7 987 962)
Expect credit loss provision	(701 340 801)	(788 155 080)
Interest in suspense	(80 778 924)	(105 362 843)
	(789 273 051)	**(901 505 885)**
	12 552 277 436	**12 728 793 510**

9-2 Loans and Advances to customers

In Egyptian Pound	31 December 2019	31 December 2018
Retail		
Overdraft Accounts	93 119 669	97 933 360
Personal loans	4 711 423 507	4 335 474 779
Credit cards	31 573 806	27 719 782
Real Estate Finance loans	218 089 688	217 241 120
Total (1)	**5 054 206 670**	**4 678 369 041**
Corporate		
Overdraft Accounts	2 225 625 044	2 128 728 152
Syndicated loans	1 947 269 795	2 438 175 715
Direct loans	4 114 448 978	4 385 026 487
Total (2)	**8 287 343 817**	**8 951 930 354**
Total loans and Advances to customers (1+2)	**13 341 550 487**	**13 630 299 395**
(Deduct):		
prepaid revenue	(7 153 326)	(7 987 962)
Expect credit loss provision	(701 340 801)	(788 155 080)
Interest in suspense	(80 778 924)	(105 362 843)
Net	**12 552 277 436**	**12 728 793 510**

9-2 Expect credit loss provision (performing /non-performing)

In Egyptian Pound	31 December 2019	31 December 2018
Provision balance at the beginning of the year	788 155 080	614 396 747
Transferred from general risk reserve after initial implementation of IFRS 9	184 057 445	-
Provision balance at the beginning of the year - amended	972 212 525	614 396 747
Expect credit loss Impairment Change	165 649 396	216 356 399
Proceeds from loans previously written off	22 157 858	437 286
Foreign currencies revaluation differences	(31 901 738)	2 967 192
	1 128 118 041	834 157 624
Amounts written off during the year	(426 777 240)	(46 002 544)
ECL provisions at the end of the year	701 340 801	788 155 080

Classification of impairment loss provision of loans and facilities to customers

31 December 2019

Retail

	Credit cards	Personal loans	Real Estate Finance loans	Total
Balance at the beginning of the year	624 664	90 900 740	276 427	91 801 831
Transferred from general risk reserve after initial implementation of IF	5 071 325	35 542 740	9 382 264	49 996 329
Provision balance at the beginning of the year - amended	5 695 989	126 443 480	9 658 691	141 798 160
Impairment	(1 734 605)	60 349 794	9 938 813	68 554 002
Proceeds from loans previously written off	193 322	21 913 139	-	22 106 461
Provisions used	(3 132 091)	(116 303 757)	(9 206 408)	(128 642 256)
Balance at the end of the year	1 022 615	92 402 656	10 391 096	103 816 367

Corporate

	Overdraft Accounts	Direct loans	Syndicated loans	Total
Balance at the beginning of the year	394 181 417	66 326 414	235 845 418	696 353 249
Transferred from general risk reserve after initial implementation of IF	146 745 715	(1 895 299)	(10 789 300)	134 061 116
Provision balance at the beginning of the year - amended	540 927 132	64 431 115	225 056 118	830 414 365
Impairment	211 583 755	(30 018 223)	(84 470 138)	97 095 394
Proceeds from loans previously written off	51 397	-	-	51 397
Foreign currencies revaluation differences	(17 768 390)	(72 328)	(14 061 020)	(31 901 738)
Provisions used	(298 134 984)	-	-	(298 134 984)
Balance at the end of the year	436 658 910	34 340 564	126 524 960	597 524 434

31 December 2018

Retail

	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	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

10- Financial derivatives and hedging:

31 December 2019

Derivatives by fair value through profit and loss	Contractual amount	Assets	Liabilities
Currencies derivatives			
Currencies swap contracts	8 335 567	8 282 537	8 277 192
Total		**8 282 537**	**8 277 192**
The difference between the above currency swap process is included under Other debit balances			**5 345**

31 December 2018

Derivatives by fair value through profit and loss	Contractual amount	Assets	Liabilities
Currencies derivatives			
Currencies swap contracts	-	-	-
Total		-	-

Financial investments

11- Financial assets classified at amortized cost

Governmental debt instruments

In Egyptian Pound	31 December 2019	31 December 2018
Quoted governmental debt instruments	2 642 325 988	3 133 196 218
Total governmental debt instruments	**2 642 325 988**	**3 133 196 218**
Impact of changes arising from the initial implementation of IFRS 9	(30 776)	-
Governmental debt instruments - amended	**2 642 295 212**	**3 133 196 218**
Expect credit loss provision	(190 539)	-
	2 642 104 673	3 133 196 218
Less		
Unearned Income	(690 978)	(96 432)
Net Governmental debt instruments	**2 641 413 695**	**3 133 099 786**

Movement of treasury bonds at amortized cost

In Egyptian Pound	31 December 2019	31 December 2018
Balance at the beginning of the year	3 133 099 786	3 972 870 829
Net amortization(issuing discount & issuing premium)	345 409	1 752 822
Retrieval – Treasury Bonds & Financial Investments	(494 475 000)	(847 266 100)
Net change in fair value	5 131 458	5 838 667
Expect credit loss provision	(221 315)	-
Foreign currencies revaluation differences	(1 872 097)	-
Balance	**2 642 008 241**	**3 133 196 218**
Unearned Income	(594 546)	(96 432)
Balance at the end of the year	**2 641 413 695**	**3 133 099 786**

12- Financial investments classified at fair value through other comprehensive income

In Egyptian Pound	31 December 2019	31 December 2018
Quoted governmental debt instruments at fair value	554 024 525	419 997 495
Quoted equity instruments	78 785 069	19 059 154
Unquoted equity instruments	3 265 733	4 256 233
	636 075 327	**443 312 882**
Current balances	554 024 525	419 997 495
Non-current balances	82 050 802	23 315 387
	636 075 327	**443 312 882**

Financial investments at fair value through other comprehensive income

In Egyptian Pound	31 December 2019	31 December 2018
Balance at the beginning of the year	**443 312 882**	**200 630 782**
Net amortization(issuing discount & issuing premium)	2 890 818	348 413
Buy – Treasury Bonds & Financial Investments	261 609 951	508 788 082
Retrieval – Treasury Bonds & Financial Investments	(135 277 910)	(235 322 464)
Net change in fair value	78 825 190	(31 131 931)
Foreign currencies revaluation differences	(15 285 604)	-
Balance at the end of the year	**636 075 327**	**443 312 882**

Financial assets classified at fair value through profit or loss

13- *In Egyptian Pound*

	31 December 2019	31 December 2018
Debt instrument		
Governmental bonds	1 516 329	1 424 279
Total Debt instrument	**1 516 329**	**1 424 279**
Total Financial assets at fair value through profit or loss	**1 516 329**	**1 424 279**

14- **Investments in associates ****

	31 December 2019	31 December 2018
Unquoted equity instrument	88 011 218	72 476 090
Total Investments in associates	**88 011 218**	**72 476 090**

Associates

	31 December 2019	31 December 2018
Orient Takaful Insurance	88 011 118	72 475 990
EL Fouadeya Development Company	100	100
	88 011 218	72 476 090

**

Company Name	Assets	Liabilities	Paid in Capital	Income	Net profit /(loss)	Last financial statement date	Headquarter country
Orient Takaful Insurance	1 568 694 481	1 128 638 888	150 000 000	212 954 716	100 108 897	30 June 2019	Egypt
EL Fouadeya Development Company	12 247 513	15 421 020	3 668 000	444 896	229 682	31 December 2018	Egypt

15- Intangible assets

In Egyptian Pound		
Computer program	**31 December 2019**	**31 December 2018**
Net balance at beginning of the year	22 961 488	34 843 396
Additions	21 726 371	2 726 345
Total	44 687 859	37 569 741
Amortization (during the year)	(18 150 917)	(14 608 253)
Net	26 536 942	22 961 488

16- Other assets

In Egyptian Pound	31 December 2019	31 December 2018
Accrued revenues	229 689 887	274 460 564
Prepaid expenses	14 304 720	10 927 979
Down payments to purchase of fixed assets	2 502 598	108 323 141
Assets reverted to the bank in settlement of debts *	40 457 188	51 714 217
Deposits and imprest	1 745 890	1 481 223
Other debit balances **	23 983 549	32 916 486
	312 683 832	**479 823 610**

* **The nature and analysis of the assets reverted to the bank is as follows:**

In Egyptian Pound	31 December 2019	31 December 2018
Buildings and flat units reverted to bank in settlement of debt of customers	40 457 188	51 714 217
	40 457 188	**51 714 217**

** **The other debit balances include the following:**

In Egyptian Pound	31 December 2019	31 December 2018
ATM outstanding balances	17 359 149	32 888 789
Others	6 624 400	27 697
	23 983 549	**32 916 486**

17- A Deferred Tax Liabilities

In Egyptian Pound	31 December 2019		
	Assets	Liabilities	Total
Deferred Tax (Provision)	9 228 710	-	9 228 710
Deferred Tax (Fixed assets depreciation)	-	(29 727 933)	(29 727 933)
Total Deferred Tax Assets (Liabilities)	**9 228 710**	**(29 727 933)**	**(20 499 223)**

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)**

17-B Income tax expenses

In Egyptian Pound	31 December 2019	31 December 2018
Treasury bills and bonds revenues taxes	183 040 935	279 490 034
Dividend tax	221 750	173 959
Deferred tax - Expenses	5 000 000	7 098 000
Deferred tax Asset - Expenses\(Revenue)	8 147 557	-
	196 410 242	**286 761 993**

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

In thousand Egyptian pound	31 December 2019	31 December 2018
Accounting Profit before income tax	625 693	556 872
Tax rate	22.5%	22.5%
Income tax calculated on accounting profit	**140 781**	**125 296**
Add / (deduct)		
Income not included and taxable	1 022	661
Non-taxable income	(12 811)	(5 804)
Tax exemptions	-	(770)
Effect of Provisions	27 087	4 484
Effect of Depreciation	5 000	7 098
Peremptory tax 10%	222	174
Excess Paid up of taxes on Treasury bills and bonds income	35 109	155 623
Income tax	**196 410**	**286 762**
Actual tax rate	**31.4%**	**51.5%**

18- Fixed assets - Net

31 December 2019

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	219 024 756	106 987 536	2 874 601	74 429 109	257 551 608	36 536 916	9 987 731	759 413 520
Additions during the year	-	425 220	18 228 997	1 323 000	2 447 840	11 830 742	337 961	-	34 593 760
Disposals	-	(33 302 415)	-	(2 677 600)	(154 905)	(15 581 209)	-	-	(51 716 129)
Cost as at 31/12/2019	52 021 263	186 147 561	125 216 533	1 520 001	76 722 044	253 801 141	36 874 877	9 987 731	742 291 151
Accumulated depreciation at the beginning of the year	-	27 090 015	47 905 852	1 190 639	43 464 444	137 708 107	17 621 256	9 951 548	284 931 861
Depreciation for the year	-	3 956 368	14 499 438	388 856	10 795 128	31 389 404	3 388 462	36 183	64 453 839
Disposals accumulated depreciation	-	(6 019 291)	-	(1 449 115)	(154 905)	(11 681 136)	-	-	(19 304 447)
Accumulated depreciation as at 31/12/2019	-	25 027 092	62 405 290	130 380	54 104 667	157 416 375	21 009 718	9 987 731	330 081 253
Net book value as at 31/12/2019	52 021 263	161 120 469	62 811 243	1 389 621	22 617 377	96 384 766	15 865 159	-	412 209 898

18- 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 31/12/2017	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 31/12/2017	-	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 31/12/2017	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

19- Due to banks

In Egyptian Pound	31 December 2019	31 December 2018
Local banks		
Current accounts	1 081	44 785 208
Time deposits	104 395 383	657 408 000
	104 396 464	**702 193 208**
Foreign banks		
Current accounts	41 615 194	8 552 031
Time deposits	-	225 677 348
	41 615 194	**234 229 379**
	146 011 658	**936 422 587**
Non-interest bearing balances	41 616 275	53 337 239
Interest bearing balances	104 395 383	883 085 348
	146 011 658	**936 422 587**

20- Customers' deposits

In Egyptian Pound	31 December 2019	31 December 2018
Demand deposits	5 448 906 027	3 434 651 423
Time and callable deposits	13 936 531 636	18 831 666 630
Saving and deposit certificates	4 552 142 407	3 799 176 638
Saving deposits	1 328 250 414	1 100 655 316
Other deposits	311 523 036	323 247 813
Total Customer' Deposits	**25 577 353 520**	**27 489 397 820**
Interest in Advance on USD deposits for retail	(517 331)	(4 572 119)
Net Customer' Deposits	**25 576 836 189**	**27 484 825 701**
Corporate & SMEs deposits	18 257 781 713	20 881 538 008
Retail deposits	7 319 054 476	6 603 287 693
	25 576 836 189	**27 484 825 701**
Non-interest bearing balances	1 074 863 081	994 333 633
Interest bearing balances	24 501 973 108	26 490 492 068
	25 576 836 189	**27 484 825 701**

21- Long term loans

In Egyptian Pound	31 December 2019	31 December 2018
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%.	3 802 342	4 827 911
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.	802 075 000	895 680 000
	805 877 342	**900 507 911**

22- Other liabilities

In Egyptian Pound	31 December 2019	31 December 2018
Accrued interest	111 765 941	252 615 451
Unearned revenue	27 958	1 215 988
Accrued expenses	31 887 215	15 303 585
Creditors	6 312 281	10 757 405
Other credit balances *	195 646 823	245 668 338
	345 640 218	**525 560 767**

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

in thousand Egyptian pounds	31 December 2019	31 December 2018
Stamp duty	14 040	9 970
Treasury bills taxes	63 642	114 587
Taxes under settlement	708	625
Staff Taxes and Insurance	5 795	2 578
Amount of contractors Insurance being held until paid Social Insurance	2 200	3 335
Amounts discounted from retail customers until the paid to insurance companies	382	8 062
The residual of Alakkad Mall	-	2 895
Clearance cheques (Are to be settled in next day)	97 602	87 196
Letters of credit deductibles	442	1 515
ATM suspense amounts	3 133	2 251
Coupons of Certificates Deposits accrued did not paid to their owners	159	159
Amounts paid under debts settlements of some customers	830	830
Others	4 538	8 378
Payments under sold assets revert to the bank	2 176	3 287
	195 647	**245 668**

23- Other provisions

31 December 2019

In Egyptian Pound	Balance at the beginning of the year	Impact of changes arising from the initial implementation of IFRS 9	Balance at the beginning of the year - Amended	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 **	**78 113 892**	-	**78 113 892**	200 000	-	(25 096 756)	-	**53 217 136**
Contingent liabilities provision	**24 785 653**	(12 959 688)	**11 825 965**	5 294 760	(808 951)	(5 109 349)	-	**11 202 425**
Other provisions *	**6 700 776**	-	**6 700 776**	150 000	-	(525 024)	-	**6 325 752**
Loans commitment provisions	-	1 688 486	**1 688 486**	(595 653)	-	-	-	**1 092 833**
	109 600 321	**(11 271 202)**	**98 329 119**	**5 049 107**	**(808 951)**	**(30 731 129)**	-	**71 838 146**

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**
Total Provisions	**108 317 958**	**4 548 602**	**(88 630)**	**(3 191 600)**	**13 991**	**109 600 321**

*The other provisions balance as at 31 December 2019 is as follows

Banking risk provision	1 394 000
Operational risk provision	1 062 001
Assets revert to the bank provision	3 869 751
	6 325 752

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

Tax disputes provision	47 808 048
Legal claims provision	4 979 224
Provisions for leave balances	429 864
	53 217 136

24- 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 1,474 Billion as at December 31, 2019 distributed among 263,359 shares with par value of LE 5.60.

are listed under the Egyptian securities (shares),The Extraordinary General Assembly held on November 6, 2019 decided to delisting the bank's shares from the trading tables on the Egyptian Stock Exchange , buying the shares of the shareholders at the fair value specified in the report of the independent financial advisor, which amounted to 9.92 EGP per share, and the necessary measures are being taken with the relevant authorities.

31 December 2019

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	12 540 938	70 229 253	70 229 253
Balance at the end of the year	263 359 688	1 474 814 253	1 474 814 253

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

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 , 2019:

In Egyptian pound	31 December 2019	31 December 2018
Legal reserve formed in accordance with the bank's article of association	179 183 061	152 407 450
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	15 416 429	13 062 588
Special reserve	-	32 576 304
General banking risk reserve	24 053 432	55 160 578
Revaluation differences for available for sale investments	85 598 922	(23 554 413)
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
General bank risk reserve transferred from retained earnings	208 918 992	41 644 477
	530 058 684	**382 698 552**

The changes in the reserves are represented in the following:

A- General Risk Reserve

Transfer the balances on December 31, 2018 from special reserve and general banking risk reserve (credit) and IFRS9 risk reserve to general banking risk reserve in accordance with the instructions for implementing the requirements of IFRS 9 issued by the Central Bank of Egypt on February 26, 2019

In Egyptian pound	31 December 2019	31 December 2018
Balance at the beginning of the year	**-**	**-**
Transferred from Special reserve	32 576 304	-
Transferred from General banking risk reserve	72 751 623	-
Transferred from IFRS9 risk reserve	94 513 720	-
trnsffered to ECL at the initial implementation of IFRS 9	(199 841 647)	-
Balance at the end of the period \ year	**-**	**-**

A- General banking risk reserve

In Egyptian pound	31 December 2019	31 December 2018
Balance at the beginning of the year	**96 805 055**	**55 160 578**
Transferred from general risk reserve	**(72 751 623)**	-
Balance at the beginning of the year - amended	**24 053 432**	**55 160 578**
Transferred from the profit of year	208 918 992	41 644 477
Balance at the end of the year	**232 972 424**	**96 805 055**

B- Legal reserve

In Egyptian pound	31 December 2019	31 December 2018
Balance at the beginning of the period/year	**152 407 450**	**114 466 040**
Transferred from the profit of the year	26 775 611	37 941 410
Balance at the end of the year	**179 183 061**	**152 407 450**

C- Fair value reserve – Available for sale investment

In Egyptian pound	31 December 2019	31 December 2018
Balance at the beginning of the year	**(23 554 413)**	**1 738 851**
Impact of changes arising from the initial implementation of IFRS 9	53 702 603	**-**
Balance at the beginning of the year - amended	**30 148 190**	**1 738 851**
Net change in the fair value	89 489 184	(25 293 264)
Expected Credit loss imapct	(34 038 452)	-
Balance at the end of the year	**85 598 922**	**(23 554 413)**

D- Extraordinary income reserve

In Egyptian pound	31 December 2019	31 December 2018
Balance at the beginning of the year	**5 382 855**	**5 382 855**
The Bank's share in the extraordinary revenues reserve of Orient Takaful Insurance Company	-	-
Balance at the end of the year	**5 382 855**	**5 382 855**

E- IFRS9 risk reserve

In Egyptian pound	31 December 2019	31 December 2018
Balance at the beginning of the year	**94 513 720**	**94 513 720**
Transfer to general risk reserve	**(94 513 720)**	**-**
Balance at the end of the year	**-**	**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 2019	31 December 2018
Movement on retained earnings		
Balance at the beginning of the year	**556 779 412**	**483 549 827**
- Transferred to legal reserve	(26 775 611)	(37 941 410)
- Employees share in the profit	(27 010 995)	(38 001 059)
- Board of directors remuneration	(9 476 895)	(8 467 678)
- Transferred to Capital reserve	(2 353 841)	(596 490)
- Dividend shareholders - bonus shares	(73 740 713)	(70 229 253)
Retained earnings	**417 421 357**	**328 313 937**
Transferred to ECL after implementation of IFRS 9	(28 351 151)	-
Balance at the beginning of the year - amended	**389 070 206**	**328 313 937**
Net profit for the year\period	429 283 148	270 109 952
-Transferred to General Banking Risk reserve	(213 611 929)	(41 644 477)
-Transferred From General Banking Risk reserve	4 692 937	-
Balance at the end of the year /period	**609 434 362**	**556 779 412**

25- 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 2019	31 December 2018
Cash and due from Central Bank of Egypt (Note no 6)	227 003 285	386 659 576
Due from banks (Note no 7)	2 712 670 970	3 285 408 334
Treasury bills and the governmental notes (Note no 11)	893 965 000	25 000
	3 833 639 255	**3 672 092 910**

26- Contingent liabilities and commitments

In Egyptian Pound	31 December 2019	31 December 2018
Loans obligations	433 099 000	2 347 696 596
Letter of guarantee	1 521 048 113	994 931 813
Letter of credit	99 771 835	41 600 225
Other contingent liabilities	13 108 920	89 788 285
	2 067 027 868	**3 474 016 919**

27- Net income from revenue

In Egyptian Pound	31 December 2019	31 December 2018
Loans interest and similar revenues		
Loans, facilities and deposits at banks		
Deposits at banks	691 092 078	318 205 588
Loans and facilities to clients	2 103 574 734	1 813 967 531
Total loans & banks	**2 794 666 812**	**2 132 173 119**
Treasury bills	620 229 203	976 902 398
Investment in available for sale and held to maturity debt instruments	468 668 612	587 534 241
Total Debt instruments	**1 088 897 815**	**1 564 436 639**
Total	**3 883 564 627**	**3 696 609 758**
Interest expense and similar charges		
Deposits and current accounts:		
To banks	(29 048 457)	(57 793 261)
To clients	(2 754 291 786)	(2 620 225 607)
Other Loans & REPO	(48 840 490)	(56 639 725)
Total	**(2 832 180 733)**	**(2 734 658 593)**
Net	**1 051 383 894**	**961 951 165**

28- Dividends income

In Egyptian Pound	31 December 2019	31 December 2018
Financial securities held for trading	-	56 904
Financial securities available for sale	2 217 497	1 709 958
	2 217 497	**1 766 862**

29- Net trading income

In Egyptian Pound	31 December 2019	31 December 2018
Revaluation differences of Debt instruments & equity instruments	92 050	(174)
Dividends from debt instruments for trading	351 471	751 812
Gains /(Losses) from debt and equity instruments held for trading	-	1 049 389
Revaluation of financial derivatives assets and liabilities in foreign currencies	5 345	-
	448 866	**1 801 027**

30- Gains from financial investments

In Egyptian Pound	31 December 2019	31 December 2018
Gains on sale of treasury bills and bonds	2 411 048	3 122 173
The profit of associate companies are not distributed	15 535 128	19 044 249
Gain on Sale of financial investments available for sale	-	18 473 951
	17 946 176	**40 640 373**

31- Charge of impairment for expected credit losses

In Egyptian Pound	31 December 2019	31 December 2018
Loans and advances - Impairment charge	165 649 396	216 356 399
Due from banks - Impairment charge (reverse)	(892 003)	-
Financial investments at amortized cost - Impairment charge	190 539	-
Financial investments at fair value through OCI - Impairment charge (reverse)	(34 038 452)	-
	130 909 480	**216 356 399**

32- Administrative & Staff expenses

In Egyptian Pound	31 December 2019	31 December 2018
Labor cost		
Wages and salaries	241 760 953	193 866 547
Social insurance	18 562 217	14 268 423
Total Labor cost	**260 323 170**	**208 134 970**
Other administrative expenses*	282 120 422	198 299 125
	542 443 592	**406 434 095**

* Other administrative expenses

In Egyptian Pound	31 December 2019	31 December 2018
Depreciation and amortization	82 604 755	70 370 472
Subscriptions	30 563 851	20 148 035
Taxes and fees	51 282 730	34 167 489
Repair and maintenance	32 976 091	18 137 381
Insurance	4 999 736	3 975 628
Advertising	3 653 565	7 786 601
Security and cleaning	15 606 200	7 828 400
Electricity water mail swifts & Gas	21 077 056	15 746 219
Hospitality	3 123 154	2 010 694
Stationary & Prints	2 817 936	2 381 029
Others	33 415 348	15 747 177
	282 120 422	**198 299 125**

33- Other operating revenues (expenses)

In Egyptian Pound	31 December 2019	31 December 2018
Gains from revaluation of assets and liabilities in foreign currencies and foreign exchange earnings	31 059 550	24 324 614
Gains from sale of fixed assets	58 751 508	2 353 841
Other provision formed	(5 049 107)	(4 402 905)
Assets rent expense	(41 916 491)	(35 698 871)
Gains from assets reverted to the bank	8 810 184	4 518 490
	51 655 644	**(8 904 831)**

34- **Profit per share**

The portion of the share in the profit is calculated by dividing the net profits of the shareholders of the bank by ordinary shares.

	In Egyptian Pound	31 December 2019	31 December 2018
	Net profit for the year	429 283 148	270 109 952
Deduct:	*Employees share*	(42 928 315)	(27 010 995)
Deduct:	*B.O.D. remuneration*	-	(9 476 895)
	distributed net profit	386 354 833	233 622 062
	Weighted average number of shares	263 359 688	263 359 688
	profit per share	**1.47**	**0.89**

35- **Capital commitments**

The uncalled capital commitments related to the financial investments at the balance sheet date amounted to EGP 13,108,920 as follows:

In Egyptian Pound	Commitments	Amount Paid	Unclaimed / unpaid amount
Obligations for leases	13 108 920	-	13 108 920
	13 108 920		**13 108 920**

36- Effective average interest rates during the year

The average interest rates on assets 13.04% and liabilities 9.43% during the year.

37- 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 Egyptian Pound	**31 December 2019**	**31 December 2018**
Nature of transactions		
Due from banks	6 454	17 643
Investments in associates	88 011	72 476
Customers' deposits	4 477	1 289
Due to banks	5 305	265 281
Subordinated loan from ADCB(UNB)-Abu Dhabi	802 075	895 680
Contingent liabilities and commitment	1 841 576	2 063 802

38- 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 EGP 537 thousands Petition was conducted and decision of internal committee has been finalized for the amount of EGP 145 thousands has been paid in full, in addition to 44 million resulting deported losses that will be utilized for the next five years.

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 , This amount was paid out of the EGP 10 Millions which was paid to finalize years 2007-2014.

Year 2009/2014

- The bank was notified with a form 19 with a tax amounted of EGP 189 million pounds, Petition was conducted and currently pending for the decision of internal committee, and It issued its decision to re-examine it to express its opinion on some points of disagreement in light of the documents submitted by the bank , A defense memorandum and a document portfolio were submitted, and the dispute was handled and concluded in conciliation with the tax center for major financiers, which resulted in a tax of EGP 8.7 million after effect the losses of the years 2007/2008.
- As well as is being calculated by the ETA in return for delay in accordance with Article 110 and penalties for delay in accordance with Article 87 bis of Law 91 of 2005 and its amendments, which the bank's tax advisor estimated at about EGP 30 million and it is expected that in the event of entering into a dispute regarding it About the amount of EGP 2 million.
- The bank paid EGP 20 million from the tax account for the 2009/2017 years, thus the total repayment for the 2007/2017 years is EGP 30 million, which results in an outstanding balance of EGP 9 million to be used in the disputes resulting from the examination of the years 2015/2018.

Year 2015\2018

- The bank submitted the tax return as per law tax authority it is expected for tax investigate to result in 10 millions EGP and some independents taxable income to result in 4 millions EGP , As previously mentioned, there is an outstanding balance about EGP 9 million that will be used to meet these estimates, and a component dedicated to meeting the remaining tax disputes that will result from those years.

- The tax rate for the year 2019 reached 31.4%

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

Under Investigation and provisions charged about 3 million EGP according to the opinion of the tax consultant.

Years 2017/ 2019

Not Investigated yet , and provisions charged about 8 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 2015

The bank has been notified tax with tax amounted EGP 83.35 Million; which have been objected and transferred to the internal committee which decided to reinvestigate and expected result tax due amounting to EGP 6 million; and fully provision provided.

Years 2016 till 2019

The bank submitted the tax return as per law tax authority , The tax authority did not investigate till now and expected result tax due amounting to 8 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.

39- 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. According to The IFRS9 "Financial Instruments" requirements which was issued on February 26,2019 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 replaced 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 amortized cost or fair value through statement of income or fair value through other comprehensive 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 applied to financial assets which is measured at amortized 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.

in Accordance of the final instructions of the Central Bank regarding the application of IFRS 9 issued on 26th February 2019 , the following entries has been posted in the beginning of IFRS9 implementation as illustrated below:

Debit	Credit	Description
32,576,304		Special reserve
72,751,623		General banking risk reserve
94,513,720		IFRS9 risk reserve
	199,841,647	Reserve General Risk
199,841,647		Reserve General Risk
	1,673,176	Expected Credit loss - Due from Banks
	30,776	Expected Credit loss - Amortized cost investments- Treasury Bills
	53,420,491	Expected Credit loss - FVOCI investments- Treasury Bills
	282,112	Expected Credit loss - FVOCI investments- Treasury Bonds
	134,061,116	Expected Credit loss - Loans and Advances - Corporate
	10,373,976	Expected Credit loss - Loans and Advances - Retail
12,959,688		liabilities provision Contingent
	12,959,688	Retained earnings
41,310,839		Retained earnings
	39,622,353	Expected Credit loss - Loans and Advances - Retail
	1,688,486	Loans commitment provisions

40- Comparative figures

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