



**Financial Statements and Auditor`s Report
For the Year ended 31 December 2018**



**Allied for Accounting & Auditing
Public Accountants & Consultants**



**BDO Khaled & Co
Public Accountants & Advisers**

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**Allied for Accounting & Auditing
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Public Accountants & Advisers**

*Translation of financial statements
originally issued in Arabic*

Auditors' Report

**To the Shareholders of
Suez Canal Bank (S.A.E)**

Report on the financial statements

We have audited the accompanying financial statements of Suez Canal Bank (S.A.E) which comprise the statement of financial position as of 31 December 2018 and the related statements of income, cash flows, and change in equity for the 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 the financial statements in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and in light of the prevailing Egyptian laws and regulations, the management's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we 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 assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Ashraf Ismail



Opinion

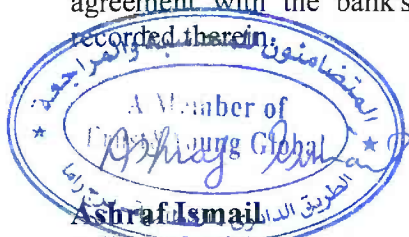
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Suez Canal Bank (S.A.E) as of 31 December 2018, and of its financial performance and its cash flows for the year then ended, in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and in light of the prevailing Egyptian laws and regulations.

Report on Legal and Other Regulatory Requirements

No contravention of the Central Bank of Egypt, Banking and Monetary Institutions Law No. 88 of 2003 were noted during the financial year ended 31 December 2018.

The bank keeps proper records, which include all that is required by law and the statutes of the bank, and the accompanying financial statements are in agreement therewith.

The financial information contained in the Board of Directors' report prepared in conformity with Law No. 159 of 1981 and its Executive Regulations and their amendments, is in agreement with the bank's accounting records within the limits that such information is recorded therein.



Ashraf Ismail
Fellow of ESAA
Fellow of ETS
R.A.A. 9380
FRA No. 102

Allied for Accounting & Auditing

Auditors


Mohanad T. Khaled
Fellow of ACCA
Fellow of ESAA
Fellow of ETS
R.A.A. 22444
FRA No. 375
BDO Khaled & Co.



Cairo, 3 March 2019

		31 December 2018	31 December 2017
		LE.000	LE.000
Assets	Note		
Cash and balances with Central Bank of Egypt	(15)	3 225 798	3 681 513
Due from banks	(16)	20 648 048	10 385 396
Treasury bills and other governmental notes	(17)	3 841 570	8 697 294
Financial Investment - held for trading	(18)	151 494	148 803
Loans and facilities to customers	(19)	13 497 557	10 234 487
Financial investments			
Available for sale	(20)	1 289 296	2 616 222
Held to maturity	(20)	2 885 452	2 837 414
Investments in associates	(21)	28 454	24 789
Intangible assets	(22)	16 294	15 872
Other assets	(23)	1 226 508	803 658
Fixed assets	(24)	599 863	510 903
Total assets		47 410 334	39 956 351
Liabilities and Equity			
Liabilities			
Due to banks	(25)	5 067 071	5 449 179
Customer's deposits	(26)	38 635 988	31 328 322
Other loans	(27)	61 500	40 000
Other liabilities	(28)	639 733	588 416
Other provisions	(29)	106 373	109 428
Deferred tax liabilities	(30)	15 537	14 674
Total liabilities		44 526 202	37 530 019
Equity			
Paid-up capital	(31)	2 000 000	2 000 000
Reserves	(31-c)	319 330	221 272
Net profit for the year and retained earnings	(31-d)	564 802	205 060
Total equity		2 884 132	2 426 332
Total liabilities and equity		47 410 334	39 956 351

The attached notes from page (8) to page (45) are an integral part of these financial statements and to be read therewith.
Auditors' report "attached"


Omar Mohamed ELSeghayer
Deputy Chairman &
Managing Director


Hussein Ahmed Refaie
Chairman &
Managing Director

Suez Canal Bank (Egyptian Joint Stock Company)
Statement of income
For the year ended 31 December 2018

Translation of financial statements
Originally issued in Arabic

	Note	31/12/2018 LE 000	31/12/2017 LE 000
Interest income from loans and similar income	(6)	4 358 317	3 375 770
Interest expenses on deposits and similar charges	(6)	(3 395 218)	(2 363 938)
Net interest income		963 099	1 011 832
Fees and commissions income	(7)	202 550	150 059
Fees and commissions expense	(7)	-	(1 405)
Net fees and commissions income		202 550	148 654
Dividends income	(8)	44 038	16 151
Net trading income	(9)	54 706	94 051
(Losses) profits on financial investments	(20)	(9 527)	22 902
Undistributed profits from Investments in associates	(21)	4 242	6 934
Impairment credit loss provision	(13)	(26 500)	(107 615)
Administrative expenses	(10)	(735 418)	(588 706)
Other operating income	(11)	195 474	2 487
Profit before income tax		692 664	606 690
Income tax expenses	(12)	(272 474)	(250 913)
Net profit for the year		420 190	355 777
Earnings per share (LE/share)- Basic	(14)	2.10	1.78

The attached notes from page (8) to page (45) are on integral part of these financial statements and to be read therewith.

Note.	Capital LE.000	Legal Reserve LE.000	General Reserve LE.000	special Reserve LE.000	Capital Reserve LE.000	Fair value reserve available for sale investments LE.000	General banking reserve LE.000	Other Reserves LE.000	IFRS 9 reserve LE.000	Retained earnings LE.000	Total LE.000
31 December 2017											
Balance at the beginning of the year	2 000 000	-	24 117	45 158	-	(59 827)	854	(133)	-	1 311	2 011 480
Net change in fair value of the financial instruments available -for- sale	-	-	-	-	-	59 051	-	-	-	-	59 051
Transfer to other reserve	-	-	-	-	-	-	-	24	-	-	24
Profit for the year	-	-	-	-	-	-	-	-	-	355 777	355 777
Reserve IFRS 9 for Risk	-	-	-	-	-	-	-	-	152 028	(152 028)	-
Balance at 31 December 2017	2 000 000	-	24 117	45 158	-	(776)	854	(109)	152 028	205 060	2 426 332
31 December 2018											
Balance at the beginning of the year	2 000 000	-	24 117	45 158	-	(776)	854	(109)	152 028	205 060	2 426 332
Net change in fair value of the financial instruments available -for- sale (31-c-3)	-	-	-	-	-	37 501	-	-	-	-	37 501
Transfer to reserves -according to general assembly approval in 4 April 2018	-	16 337	-	-	29 034	-	16 077	-	-	(61 448)	-
Transfer from banking reserve to retained earnings	-	-	-	-	-	-	(1 000)	-	-	1 000	-
Net change in other reserves	-	-	-	-	-	-	-	109	-	-	109
Profit for the year	-	-	-	-	-	-	-	-	-	420 190	420 190
Balance at 31 December 2018	2 000 000	16 337	24 117	45 158	29 034	36 725	15 931	-	152 028	564 802	2 884 132

The attached notes from page (8) to page (45) are on integral part of these financial statements and to be read therewith.

Note	For the Year ended 31/12/2018 L.E.000	For the Year ended 31/12/2017 L.E.000
Cash flows from operating activities		
Profit before income tax	692 664	606 689
Adjustments to reconcile profit to cash flow from operating activities		
Depreciation and amortization	(22,24) 42 290	30 606
Impairment of credit losses	(19) 26 500	107 615
Revaluation differences of financial assets held for trading	(9) (2 381)	(2 948)
Profit from financial assets held for trading was written off	(19) -	(7 709)
Provisions used (other than loan provisions)	(29) -	(12 469)
Undistributed profit from investments in associates	(21) (4 242)	(6 934)
Other provisions	(29) 2 035	43 712
Profit from sale of fixed assets	(10 089)	(29 034)
Interest income from non performing loans	(17 832)	-
Profit from sale of assets reverted to bank	(101 159)	-
profits from sale of financial investments (other than financial assets held for trading)	(20) -	(22 102)
Foreign currencies revaluation differences of other provision	(29) 202	(586)
Revaluation differences of assets reverted to the bank	(19) -	-
Revaluation differences of financial investments (other than financial assets held for trading)	(20) (2 058)	4 277
Dividends income	(8) (44 038)	(16 151)
Amortization of premium&discount of financial investments(other than financial assets held for trading)	(20) 1 668	2 355
losses of financial investments(other than financial assets held for trading)	(20) 12 383	(801)
Operating profit before changes in assets & liabilities provided from operating activities	595 943	696 520
Net change in assets and liabilities from operating		
Due from Central Bank of Egypt	(15) 374 373	(1 939 679)
Due from banks	(16) (192 051)	(1 543 860)
Treasury bills and other governmental notes	(17) 4 769 272	245 904
Financial assets held -for- trading	(18) (310)	629
Loans and facilities to customers	(19) (3 289 890)	(1 724 440)
Other assets	(23) (271 446)	(182 455)
Due to banks	(25) (382 108)	742 403
Due to Customers'	(26) 7 307 666	7 207 547
Other liabilities	(28) 50 427	120 546
Income Taxes paid	(12) (271 611)	(248 383)
Provision used (other than loans provision)	(29) (74 095)	-
Net cash flow provided by operating activities	8 616 170	3 374 732
Cash flows from investing activities		
Payments to purchase fixed assets & improvements branches	(24) (96 027)	(81 510)
Proceeds from sale of fixed assets	(24) 10 089	40 040
Proceeds from sale of Financial investments other than financial assets held-for-trading	(9) 230	22 101
Proceeds from financial investments other than financial assets held -for- trading	(20) 3 137 299	1 273 890
Payment to purchase financial investments other than financial assets held -for- trading	(20) (1 832 902)	(1 883 659)
Dividends proceeds	(8) 44 038	16 151
Profit from Financial assets held-for-trading was written-off	(20) -	7 709
Payment to purchase Investments in associates	(21) (2 999)	736
Proceeds from Investments in associates	(21) 5 407	-
Net cash flow provided by (used in) investing activities	1 265 136	(604 542)
Cash flows from financing activities		
Proceeds other loans	(27) 21 500	6 000
cash flow provided by financing activities	21 500	6 000
Net changes in cash and cash equivalent during the year	9 902 806	2 776 190
Cash and cash equivalent at the beginning of the year	6 582 325	3 806 135
Cash and cash equivalent at the end of the year	16 485 131	6 582 325
Cash and cash equivalent are represented in(Note no.32):		
Cash and due from Central Bank of Egypt	3 225 797	3 681 513
Due from banks	20 648 049	10 385 396
Treasury bills and other governmental notes	3 841 570	8 697 293
Due from Central Bank within reserve percentage	(2 944 714)	(3 319 087)
Deposits with banks with maturity more than three months	(4 650 001)	(4 457 950)
Treasury bills and other governmental notes (with maturity more than three months)	(3 635 570)	(8 404 840)
Cash and cash equivalents	16 485 131	6 582 325

Non- cash transactions are represented in:

- An amount of LE 38 275 Thousands represents additions of fixed assets have been transferred from debit balances to fixed assets during the Year, this amount was excluded from both debit balances and fixed assets.

- An amount of LE 33 395 Thousands represents the valuation differences of available for sale investments, this amount was excluded from both fair value reserve and available for sale investments, investments held to maturity .

- An amount of L.E 132 016 Thousands represents Assets reverted to the Bank debtors , this amount was excluded from both Loans and facilities to customers and other assets and Settlement interest

- An amount of L.E 201 138 Thousands represents Assets reverted to the Bank , this amount was excluded from both Loans and facilities to customers and other assets.

The attached notes from page (8) to page (45) are on integral part of these financial statements and to be read therewith.

Suez Canal Bank (Egyptian Joint Stock Company)
Proposed appropriation account
For the year ended 31 December 2018

	31/12/2018	31/12/2017
	LE 000	LE 000
Profit for the year	420 190	355 777
Profits on sale of fixed assets (transferred to capital reserve according to law)	(10 090)	(29 034)
General banking risk reserve	(18 215)	(16 077)
Net profit available for distribution	391 885	310 666
IFRS 9 risk reserve	--	(152 028)
Retained earning	144 612	1 311
Total	536 497	159 949
To be distributed as follow:		
Legal reserve	20 505	16 337
Retained earnings	515 992	143 612
Total	536 497	159 949

1- Background

Suez Canal Bank (S.A.E) provides retail, corporate and investment banking services in Arab Republic of Egypt through 41 branches and employees 1 241 staff member at financial statements.

Suez Canal Bank (an Egyptian Joint stock company) established as a Commercial Bank in pursuance of the Ministerial Decree no. 55 of 1978, issued in the official Gazette on 4 March 1978 and in accordance with provisions of investment law no. 43 of 1974 and its amendments, which was superseded by law No. (8) Of investment guarantees and incentives.

The head office is on 7 & 9 Abd El Kader Hamza St., Garden city, Cairo and the bank is listed in the Egyptian stock exchanges.

2- Summary of accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied for all presented year unless otherwise will be stated

A- Basis of preparation of financial statements

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 on 16 December 2008 in addition to the historical cost convention basis, modified by the revaluation of the trading financial assets and liabilities, the financial assets and liabilities at fair value through profit or loss and the available for sale financial investments and all financial derivatives contracts.

These financial statements have been prepared according to the Egyptian laws and regulations.

B- Subsidiaries and Associates

B-1 Subsidiary firms

Subsidiaries are all companies (including special purpose entities) over which the bank has owned directly or indirectly the power to govern the financial and operating policies, generally the bank owns more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the bank has the ability to control the entity.

B-2 Associate firms

Associates are all companies over which the bank has owned directly or indirectly a major influence, but it doesn't control them, generally the bank owns between 20% and 50% of the potential voting rights.

The purchase method is used to account for the acquisition of subsidiaries by the bank. The cost of an acquisition is measured as the fair value of the assets, or/and asset given or/and equity instruments issued and loans assumed at the date of exchange, plus costs directly attributable to the acquisition. Net assets including contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the minority interest. The excess of acquisition cost over the bank's share fair value in the net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets, the difference is recognized directly in the income statement under the item "Other operating income/ (expenses)".

Accounting for subsidiaries and subsidiaries in the financial statements is recorded by using cost method. According to this method, investments recorded at cost of acquisition including goodwill if any and deducting impairment losses. Dividends are recorded in the income statement when adoption of the distribution has been occurred and affirming the bank's right in collecting them has been recognized.

C -Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a segment by which, provide products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

D - Foreign currency translation

D-1 Functional and presentation currency

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

D-2 Foreign currencies transactions and balances in

The bank maintains its accounting records in Egyptian pound. Foreign currency transactions are translated into Egyptian pound using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are retranslated at the end of each year 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 or net income, if resulting from financial instruments designated as at fair value through profit or loss at initial recognition, for financial assets/liabilities held for trading or designated as at fair value through profit or loss at initial recognition.
- Other operating income (expenses) for the other items.

Changes in the fair value of monetary financial instruments in foreign currencies classified as investments available for sale (debt instruments) are classified as valuation differences resulting from changes in amortized cost of the instrument and differences resulted from changes in applicable exchange rates and differences resulted from changes in the instrument fair value. Valuation differences relating to changes in amortized cost are recognized in income statement under "Interest and similar income" while differences relating to changes in exchange rates are recognized under item "other operating income (expenses)". Differences resulting from changes in fair value are recognized under "fair value reserve – available for sale investments" in the equity caption.

Valuation differences resulting from non-monetary items include profits and losses resulting from changes in fair value such as equity instruments held at fair value through profits and losses, while valuation differences resulting from equity instruments classified as financial investments available for sale are recognized as "fair value reserve- available for sale investments" under the equity caption.

E - Financial assets

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

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

This category consists of financial assets held for trading and financial assets designated at fair value through profit or loss at inception.

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

E-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 are classified as held for trading, or those that the bank upon initial recognition recorded 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, other than because of credit deterioration.

E-3 Financial investments held to maturity

Held to maturity financial investments are non-derivative assets which carry fixed or determinable payments 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.

E-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 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 profit and loss under "net trading income"

-Financial assets are derecognized when the rights to receive cash flows have expired or when the bank transfer all asset risks and rewards to another party, while a financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

-Available for sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair value. While loans and facilities and held to maturity investments are measured subsequently at amortized cost.

-Gains and losses arising from changes in fair value of financial assets designated at fair value through profit and loss are recorded in income statement during the period it occurred. Gains and losses arising from changes in fair value of available for sale financial investments are recognized in "fair value reserve for available for sale investments" in equity until the financial asset is sold, or impaired at which time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.

-Interest income related to monetary assets classified as available for sale is recognized based on the amortized cost method in profit and loss. The foreign currency revaluation differences related to available for sale investments are recognized in the profit and loss. Dividends related to available for sale equity instruments are recognized in the profit and loss 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 and will be subject to impairment test.

-Debt instruments can be reclassified from the available for sale investments to "loans and receivables" or "financial assets held to maturity" using fair value – in certain circumstances - when the bank has the intention and ability to hold the instrument on the future or till maturity. Reclassifications are recorded at fair value at the date of reclassification. 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 profit and loss.

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 is recognized in the profit and loss.

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 profit and loss.

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.

F – 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 notes.

G - Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognized within 'interest income' and 'interest expense' in the income statement using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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 arrears for retail loans, personal loans, small and medium business loans., real estate 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. In case the client is continuing in performing the payment, the calculated interest is added to the loan's balance without the marginal interest not included in the income until after paying the loan's balance in the balance sheet before the reschedule.

H - Fees and commission income

Fees and commissions related to loan and facilities 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 –I) above. Fees and commissions which represent part of the financial asset effective rate is recognized as adjustment to the effective interest rate.

Commitment fees are recognized as revenue when there is probability that this loan will be used by the customer, as commitment fees represent compensation for the continuing interference 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 equity debts measured by fair value is recognized as income at initial recognition. Fees and commission related to marketing of syndicated loans is recognized as income when the marketing is completed and the loan is fully used or the bank kept its share of the loan using the effective interest rate as used by the other participants.

Fees and commission arising from negotiation, or participating in a 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. Commission and fees related to management advisory and other services are recognized as income based on the contract terms, usually on a time-appropriation basis. Asset management fees are recognized over the year in which the service is provided.

I - Dividends income

Dividends are recognized in the profit and loss when the bank's right to receive those dividends is established.

J- Impairment of financial assets

J-1 Financial assets at amortized cost

At each financial statements date, the bank assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognized (a "loss event") and whether that loss event has impacted the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

- Great financial troubles facing the borrower or debtor.
- Breach of the loan agreement, e.g. default.
- Expected bankruptcy of borrower or subject to liquidation lawsuit or re-structuring the finance granted to it.
- Deterioration of competitive position of borrower.
- Granting privileges or assignments by the bank to the borrower, due to economic or legal reasons, which are not granted by the bank in the normal course of business.
- Impairment of guarantee.
- Deterioration of creditworthiness.

A substantive proof for impairment loss of the financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition though such decline is not identifiable for each individual asset, for example, the increase in failure payment cases for one of the bank products.

The bank estimates the period between identifying the loss event and its occurrence ranges from three to twelve months.

The bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant taking into consideration the following:

- In case there is no objective evidence that an impairment loss has been incurred on a financial instrument considered individually, be it significant or not, the bank includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment.
- A separate impairment test is made for a financial asset if there is objective evidence that this asset is impaired. If the impairment occurred then this asset will be separated from group of financial assets that are collectively evaluated for impairment.
- If the result of the previously test did not recognized impairment loss, then this asset will be added to 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 loss 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 there is evidence that loan or investment held to maturity carry variable 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 flow 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.

J-2 Available for sale financial investments

At each financial statements date, the bank estimates if there is objective evidence that impairment loss for an asset or a group of assets classified as available-for-sale or held to maturity is occurred. For listed equity instruments classified as available for sale investments, impairment is recognized if it's significant and a prolonged decline its price below its acquisition cost is observed.

The decline in value is considered significant for the equity instruments if it reaches 10% of the financial instrument's cost, and it is considered prolonged if it extends for a period of more than 9 months. When a decline in the fair value of an available for sale financial asset has been recognized directly in equity under fair value reserve and subsequent objective evidence of impairment emerges, the bank recognizes the total accumulated loss previously recognized equity will be recognized in profit and loss. Impairment losses recognized on equity instruments on income statement are not subsequently reversed. Impairment losses recognized through income statement on debt instruments classified as available for sale are reversed through income statement if the price subsequently increased and this increase can be objectively related to an event occurring after the recognition of impairment loss in income statement.

K- Computer software

Expenses related to development or maintenance of computer software are recognized as expenses on Income Statement at the time of incurring them. They are recognized as intangible assets in the expenses correlated directly to specific software that are under the control of the Bank from which the generation of economic benefits is expected whose cost exceeds more than one year. Direct expenses include the cost of employees on the software team in addition to appropriate share in related general expenses.

It is recognized as development cost in expenses if it leads to increasing or expanding the performance of the computer software above its original specifications, and is added to cost of the original software.

The cost of computer software recognized as assets is depreciated along the year from which it is expected to make use of in the manner not exceeding five years.

L- Fixed assets

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

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. Maintenance and repair expenses are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated, depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and constructions	50	years
Computers	5	years
Vehicles	5	years
Machines and equipment	8	years
Fixtures and fittings	5	years
Office furniture	10	years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs to sell or value in use.

Gains and losses on disposals are determined by comparing proceeds with asset carrying amount. These gains and (losses) are included in other operating income (expenses) in the income statement.

M- 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.

N -Leases

The accounting treatment for the finance lease is in accordance with law 95 of year 1995, 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 expected useful life, or the current value of the total lease payments represents at least 90% of the value of the asset then this lease is considered finance lease. Other than that the lease has to be considered operating lease.

N-1 Leasing

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

O -Cash and cash equivalents

For the purposes of the cash flows statement, 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 at banks, treasury bills, and other governmental notes.

P- 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 determine 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.

The provision no longer required is recorded with other operating revenues (expenses)

Q - Income tax

The income taxes on the year's profits or losses include the tax of the current year and the deferred tax and they are recognized in the income statement with the exception of the income tax on the items of shareholder's equity which is directly recognized within equity.

The income tax is recognized on the basis of the net profit subject to tax through the application of enacted tax rates at the date of preparing the balance sheet in addition to the tax adjustments related to previous years.

Deferred taxes are recognized from temporary timing differences between the book value of assets and liabilities according to accounting bases and their values according to tax bases. Deferred tax assets and liabilities are measured at the tax rates that expected to apply in the period in which the ability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The deferred tax assets are recognized when there is likelihood to achieve taxable profits in the future through which this asset can be utilized. The value of deferred tax assets is reduced by the portion which will not realize the expected taxable benefit in the coming years, in case of the increase in expected taxable benefits the deferred tax assets should be increased within the limit of previous reduction.

R- Borrowing

Loans obtained by the bank are recognized at inception at fair value less the cost of obtaining the loan. Subsequently the loans are measured by amortized cost. The difference between net proceeds and the amount to be paid over the borrowing period using the effective interest rate is to be recognized to the income statement.

The fair value of the portion which represents a liability regarding, bonds convertible into shares is to be defined by applying the market equivalent rate of return of non-convertible bonds. This liability is recognized by the amortized cost method until conversion or maturity of bonds. The remaining proceeds are to be charged to the conversion option included within shareholders' equity in net value after deduction of the income tax effect.

The preferred shares which either carry mandatory coupons, redeemed at a defined date or according to the shareholders' option are to be included within the financial liabilities and to be presented within the item of "Other loans". The dividends of these preferred shares are recognized in the income statement under "Interest expense on deposits and similar charges" item, using the amortized cost method and by using the effective rate of return.

S- Capital

S-1 Cost of capital

Issuance cost directly related to issuing new shares or issuing shares related to acquisition or share options is charged to shareholders' equity of total proceeds net of tax.

S-2 Dividends

Dividends are charged 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.

T - Comparative figures

The comparative figures shall be re-classified, when necessary, to be in conformity with the changes to presentation used in the current year.

3- Financial Risk Management:

The bank, as a result of the activities it exercises, is exposed to various financial risks. Since the basis of financial activity is to accept risks; some risks or group of risks are analyzed, evaluated and managed together. The bank intends to strike a 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 pricing risks.

The risk management policies have been laid down to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated systems. The bank regularly reviews the risk management policies and systems and amend them to they reflect the changes in market, products and services and the best updated applications.

Those risks are managed by risk department in the light of policies approved by Board of Directors. The risk department determines, evaluates and covers the financial risks, in collaboration 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 risk department is independently responsible for periodical 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 one party to meet its contractual obligations towards the bank. The credit risk is considered to be the most significant risks for the bank. The bank set specific procedures to manage that risk. The credit risk is in the lending and investments activities which are represented bank's assets contain debt instruments. 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.

Credit risk measurement

Loans and facilities to banks and customers

In measuring credit risk of loans and facilities to customers and to banks at a counterparty level, the bank reflects three components:

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

These credit risk measurements, which reflect expected loss (the 'expected loss model') and are required by the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee), are embedded in the bank's daily operational management.

The operational measurements can be contrasted with impairment allowances required under IAS 26, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses (note 3/A) .

The bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the bank are segmented into four rating classes. The bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The bank regularly validates the performance of the rating and their predictive power with regard to default events.

Bank's internal ratings scale

Bank's rating	Description of the grade
1	Performing loans
2	Regular watching
3	Watch list
4	Non-performing loans

The amount of default represent the outstanding balances at the time when a late settlement occurred for example the loans expected amount of default represent its book value. For commitments, the default amount represents all actual withdrawals in addition to any withdrawals occurred till the date of the late payment if any.

Loss given default or loss severity represents the bank expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

Debt instruments, treasury bills and other bills

For debt securities and other bills, external rating such as standard and poor's rating or their equivalents are used by bank treasury for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

A-1 Limiting and preventing risks policies

The bank manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and banks, and to industries and countries.

The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by borrower /group, product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

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

Collaterals

The bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and facilities are:

- Mortgages over residential properties.
- Mortgage business assets as machines and goods.
- Mortgage financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimize the credit loss the bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and facilities is determined by the nature of the instrument. Debt securities, treasury and other governmental notes are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

A-2 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, the amounts of incurred credit losses charged to the financial statements are usually lower than the expected amount determined by the expected loss models used at 31 December 2018 for Central Bank of Egypt's regulations (note A-4).

The impairment 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 facilities and the related impairment provision for each rating:

A-3 Bank's Assessment

	Loans & facilities	Impairment loss Provisions
	%	%
31 December 2018		
1-Performing loans	69.59	3.73
2-Regular watching	2.20	0.31
3-Watch List	5.64	1.02
4-Non performing loans	22.57	94.94
	100	100

	Loans & facilities	Impairment loss Provisions
	%	%
31 December 2017		
1-Performing loans	54.16	1.86
2-Regular watching	2.29	0.13
3-Watch List	5.45	0.46
4-Non performing loans	38.10	97.55
	100	100

The bank's internal rating assists management to determine whether objective evidence of impairment exists under Egyptian Accounting Standard no. 26, based on the following criteria set out by the bank:

- Great financial troubles facing the borrower or debtor.
- Breach of the loan agreement, e.g. default.
- Expected bankruptcy of borrower or upon being subject to liquidation lawsuit or to re-structuring the finance granted to it.
- Deterioration of competitive position of borrower.
- Granting privileges or assignments by the bank to the borrower, due to economic or legal reasons related to the financial troubles, which are not granted by the bank in the normal course of business.
- Impairment of guarantee.
- Deterioration of creditworthiness

The bank policies require review of all financial assets (that exceed specific materiality) at least once a year or more when required, the impairment loss is determined on individual basis by determining case by case actual losses. These policies applied on all accounts have specific materiality on individual basis. Valuation usually includes the existing 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 model 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 requirements.

Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on information related to the customer, its activity, financial position and payment schedules.

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 Central Bank of Egypt. In case, the provision required for impairment losses as per Central Bank of Egypt 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 in the two provisions. This reserve is not distributable. Note (31-c) shows the "general banking risk reserve" movement during the financial year.

Below is a statement of credit rating for firms as per internal valuation basis compared to Central Bank of Egypt valuation basis and the percentages of provisions required for impairment of assets exposed to credit risk.

CBE rating	Description	Required Provision %	Internal Rating	Internal Description
1	Low risk	0	1	Good debts
2	Moderate risks	1	1	Good debts
3	Satisfactory risks	1	1	Good debts
4	Appropriate risks	2	1	Good debts
5	Acceptable risks	2	1	Good debts
6	Marginally acceptable risks	3	2	Regular Follow-up
7	Risk needs special care	5	3	Special Follow-up
8	Substandard	20	4	Non-performing loans
9	Doubtful debts	50	4	Non-performing loans
10	Bad debts	100	4	Non-performing loans

A/5 Maximum limits for credit risk before collaterals

	31/12/2018 LE. 000	31/12/2017 LE. 000
In balance sheet items exposed to credit risk:		
Treasury bills and other governmental notes	4 091 108	9 183 958
Financial assets held -for- trading :		
Debt instruments	5 594	5 594
Loans and facilities to customers		
Individuals loans:		
Current debit accounts	501 618	336 950
Credit cards	17 661	15 327
Corporate loans :		
Current debit accounts	4 223 222	3 504 610
Direct loans	2 488 821	1 720 673
Syndicated loans	4 972 046	3 130 437
Other loans	4 618 940	6 657 441
Financial investments:		
Debt instruments	2 951 835	4 243 937
Total	23 870 845	28 798 927
	31/12/2018 LE. 000	31/12/2017 LE. 000
Off balance sheet items exposed to credit risk:		
Letter of credit	3 241 140	2 016 131
Letter of guarantee	4 091 618	2 841 150
Total	7 332 758	4 857 281

- The previous table represents the maximum limit of exposure as of 31 December 2018 and as of 31 December 2017 without taking into consideration any financial guarantees. As for the balance sheet items, the listed amounts depend on the net book value presented in the balance sheet.

- As illustrated in the previous table 70.47 % as of 31 December 2018 of the maximum Limit exposed to credit risk arises from loans and facilities to banks and customers against 53.35 % at the end of 31 December 2017 whereas investments in the debt instruments represent 12.39 % as of 31 December 2018 against 14.76 % as of 31 December 2017.

- The management has confidence in its abilities to continue of controlling and maintaining the minimum limit of credit risk resulted from loans, facilities and debt instruments portfolios on the basis of the following:
- 71.79% as of 31 December 2018 of the loans and facilities portfolio is classified in the two higher categories of the internal assessment against 56.45 % at the end of the 31 December 2017.
- 77.43% as of 31 December 2018 of the loans and facilities portfolio is free from any delays or impairment indicators against 61.90 % as at 31 December 2017.
- The loans and facilities that have been assessed on an individual basis reach L.E 683 million at 31 December 2018 against L.E. 854 million as at 31 December 2017.
- More than 39.62 % as 31 December 2018 against 30.41 % at as 31 December 2017, of the investments in debt instruments and treasury bills represents debt instruments on the Egyptian Government

A/6 Loans and facilities

Loans and facilities are summarized according to the credit worthiness as follows:

	30/9/2018	31/12/2017
	LE. 000	LE. 000
Loans and facilities to customers		
Neither past due nor impairment	12 961 931	9 493 523
Individually impairment	3 450 675	5 354 960
Total	16 412 606	14 848 483
Less:		
Impairment losses provision	(2 915 049)	(4 613 996)
Net	13 497 557	10 234 487

- The total of loans and facilities impairment charge reached thousand L.E 2 915 049 at 31 December 2018 against thousand L.E 4 613 996 as at 31 December 2017 including thousand L.E 2 767 449 as at 31 December 2018 against thousand L.E 4 501 411 at 31 December 2017 which represents the impairment of individual loans and the rest amounting to thousand L.E 147 600 represent the impairment charge on a group basis of the credit portfolio. Disclosure no. (19) Includes further information on the impairment losses provision of loans and facilities to customers.

Loans and facilities to customers (Net):

- **Loans and facilities neither having past due nor subject to impairment**

The credit quality of the loans and facilities portfolio that are neither having past dues nor subject to impairment are determined by the internal rating of the bank.

31/12/2018 LE 000

Assessment	Retail		Corporate				Total
	Current debit accounts	Credit Cards	Current debit accounts	Direct Loans	Syndicated Loans	Other loans	
1- Performing	369 143	17 107	3 874 613	2 435 145	4 881 815	--	11 577 823
2-Regular Watching	--	258	271 954	16 023	62 694	--	350 929
3-Watch List	46 747	8	--	--	--	838 812	885 567
Total	415 890	17 373	4 146 567	2 451 168	4 944 509	838 812	12 814 319

Guaranteed loans are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees.

31/12/2017 LE 000

Assessment	Retail		Corporate				Total
	Current debit account	Credit Cards	Current debit account	Direct Loans	Syndicated Loans	Other loans	
1- Performing	299 986	14 862	3 121 499	1 701 476	3 096 642	--	8 234 465
2-Regular Watching	--	300	340 335	621	--	--	341 256
3-Watch List	--	--	--	--	--	805 217	805 217
Total	299 986	15 162	3 461 834	1 702 097	3 096 642	805 217	9 380 938

- Loans and facilities individually impaired

*** Loans and facilities to customers**

The balance of loans & advances which are subject to impairment on an individual basis, before taking into account the cash flow from collaterals, amounted to L.E 683 238 thousand as at 31 December 2018 against L.E. 853 549 thousand as at 31 December, 2017.

Below is the analysis of the total value of loans and advances subject to impairment on individual basis including fair value of collaterals obtained against these loans:

31/12/2018	In LE 000		
	<u>Retail</u> Debit current account	<u>Corporate</u> Other Loans	Total
Impairment provision (an individual basis)	13 227	670 011	683 238
The fair value of collaterals	--	512 337	512 337

31/12/2017	In LE 000		
	<u>Retail</u> Debit current account	<u>Corporate</u> Other Loans	Total
Impairment provision (an individual basis)	4 912	848 637	853 549
The fair value of collaterals	--	646 684	646 684

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

The following table represents an analysis of debt instruments, treasury bills and other governmental notes according to evaluation agencies at the end of the financial period.

	LE. 000			
	Treasury bills and other governmental notes	Trading securities	Investments in securities	Total
Less than -B Treasury bills and bonds	3 841 570	5 594	2 950 841	6 798 005
Total	3 841 570	5 594	2 950 841	6 798 005

A/8 Acquisition of collaterals

The bank - during the present period -acquired legal title of assets by obtaining some collaterals as follow.

	In LE 000
Nature of the assets	Book value
land	19 000
Buildings	182 138

The obtained assets are classified within other assets item in the balance sheet. These assets shall be sold when it is practical.

A/9 The concentration of financial assets' risks exposed to credit risk

Geographical segments

The following table represents an analysis of the bank's most important boundaries of credit risk at book value,

Risks distributed on geographical segments in accordance with areas related to the bank customers.

	In LE 000			
	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Treasury bills and other governmental notes	4 091 108	--	--	4 091 108
Financial assets held for trading				
Debt instruments	5 594	--	--	5 594
Loans and facilities to customers				
Individuals Loans				
Debit current accounts	419 629	73 522	8 467	501 618
Credit cards	14 908	2 614	139	17 661
Corporate Loans				
Debit current accounts	2 714 535	1 507 174	1 513	4 223 222
Direct loans	2 436 027	51 731	1 063	2 488 821
Syndicated loans	4 637 099	334 947	--	4 972 046
Other loans	4 331 127	287 813	--	4 618 940
Financial investments :				
Debt instruments	2 951 835	--	--	2 951 835
Total at 31/12/2018	21 601 862	2 257 801	11 182	23 870 845
Total at 31/12/2017	26 708 539	2 083 525	6 863	28 798 927

Business Segment

The following represents an analysis of the most important boundaries of credit risk at book value, distributed according to the customers' business and activities.

In LE 000

	Financial Institutions	Industrial Institutions	Real estate	Governmental sector	Other	Total
Treasury bills and other governmental notes	--	--	--	4 091 108	--	4 091 108
Financial assets held -for- trading						
Debt instruments	--	--	--	5 594	--	5 594
Loans and facilities to customers						
Loans to individuals						
Current debit accounts	--	--	--	--	501 618	501 618
Credit cards	--	--	--	--	17 661	17 661
Loans to corporate						
Current debit accounts	--	1 919 693	11 678	48 749	2 243 102	4 223 222
Direct loans	901 662	--	757 879	--	829 280	2 488 821
Syndicated loans	--	305 413	489 021	3 571 606	606 006	4 972 046
Other loans	--	962 807	157 967	--	3 498 166	4 618 940
Financial investments						
Debt instruments	165 000	--	--	2 786 835	--	2 951 835
Total as at 31/12/2018	1 066 662	3 187 913	1 416 545	10 503 892	7 695 833	23 870 845
Total as at 31/12/2017	555 373	4 077 805	780 708	13 354 492	10 030 549	28 798 927

B- Market risk

The bank exposed to market risks which is the risk that the fair value or future cash flow fluctuation resulted from changes in market prices. Market risks arise from open market related to interest rate, currency, and equity products of which 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 divides its exposure to market risk into trading and non-trading portfolios.

Bank risk division is responsible for managing the market risks arising from trading and non-trading activities of which monitored by two separate teams. Regular reports are submitted to the Board of Directors and each business unit head.

Trading portfolios include transactions where the bank deals direct with clients or with the market; non-trading portfolios primarily arise from managing assets and liabilities interest rate relating to retail transactions. These non-trading portfolios includes foreign exchange risk and equity instruments risks arising from the bank's held-to-maturity and available-for-sale investments portfolios.

B-1 Market risk measurement techniques

As part of market risk management, the bank undertakes various hedging strategies (note G/2) and enters into swaps to match the interest rate risk associated with the fixed-rate long-term loans if the fair value option been applied. The major measurement techniques used to measure and 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 positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board of Directors sets limits for the value of risk that may be accepted by the bank for trading and non-trading portfolios separately and monitored on daily basis by the bank's management.

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the bank expect to lose using confidence level (98%). Therefore there is statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR module assumes that the holding period is ten days before closing the opening position. It also assumes that market movements during the holding period will be the same as ten days before. The bank's assessment of past movements is based on data for the past five years. The bank applies these historical changes in rates prices indicators directly to its current positions - this approach called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

The use of this approach does not prevent losses from exceeding these limits if there are significant market movements.

As VAR considered a primary part of the bank's market risk control technique, VAR limits are established by the Board of Directors annually for all trading and non-trading transactions and allocated to business units. Actual values exposed to market risk are compared to the limits established by the bank and reviewed by the bank risk division on daily basis. The quality of the VAR model is continuously monitored through examining the VAR results for trading portfolio and results are reported to the top management and Board of Directors.

Stress testing

Stress tests provide an indication of the potential size of losses that could arise under extreme market conditions. Therefore, the bank computes on daily basis trading stress VAR, combined with trading normal VAR, to capture the abnormal movements in the financial markets and to give more comprehensive picture of risk .the results of the stress tests are reviewed by executive management and Board of Directors.

B-2 Foreign exchange rates fluctuations risk

The bank is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows. The board of directors has set limits of foreign currencies in total value for each position at the end of the day and also intraday which are controlled on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in exchange rates risk at the end of the fiscal period. The said table includes the book value of financial instruments broken down into its component currencies:

The concentration of currency risk of financial instruments

	In LE 000					
	L.E	USD	Euro	GBP	Other Currencies	Total
31/12/2018						
Financial assets						
Cash and due from Central Bank of Egypt	2 098 053	1 107 934	12 473	2 235	5 103	3 225 798
Due from banks	12 023 470	6 794 698	1 716 787	85 411	27 682	20 648 048
Treasury bills and governmental notes	3 334 463	--	507 107	--	--	3 841 570
Financial assets held -for- trading	119 076	32 418	--	--	--	151 494
Loans and facilities to customers	9 001 283	4 456 894	39 354	25	1	13 497 557
Financial Investments						
Available for sale	212 187	1 077 108	--	--	1	1 289 296
Held to maturity	2 698 355	187 097	--	--	--	2 885 452
Other financial assets	557 715	21 729	2 823	16	--	582 283
Total financial assets	30 044 602	13 677 878	2 278 544	87 687	32 787	46 121 498
Financial liabilities						
Due to banks	935	3 361 379	1 694 067	10 670	20	5 067 071
Customers' deposits	27 751 275	10 197 327	580 710	77 784	28 892	38 635 988
Other loans	61 500	--	--	--	--	61 500
Other financial liabilities	1 078 117	96 399	6 096	26	1 189	1 181 827
Total financial liabilities	28 891 827	13 655 105	2 280 873	88 480	30 101	44 946 386
Currency concentration risk on financial instruments	1 152 775	22 773	(2 329)	(793)	2 686	1 175 112
Non-financial assets	1 288 836	--	--	--	--	1 288 836
Non-financial liabilities and equity	2 459 915	4 033	--	--	--	2 463 948
Net on balance sheet currency risk	(18 304)	18 740	(2 329)	(793)	2 686	--
31/12/2017						
Total financial assets	25 966 629	15 041 790	2 956 431	115 991	19 222	44 100 063
Total financial liabilities	24 903 458	15 001 782	2 959 782	116 763	34 963	43 016 748
Other non-financial assets	987 240	--	--	--	--	987 240
Other non-financial liabilities and equity	2 068 721	1 834	--	--	--	2 070 556
Net financial position	(18 310)	38 174	(3 351)	(772)	(15 741)	--

B-3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may profit decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken which is monitored daily by bank risk division.

The table below summarizes the bank's exposure to interest rate risks. It includes the bank's financial instruments at carrying amounts categorized by the earlier of re-pricing or maturity dates:

		L E 000					
31/12/2018	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years	No Interest	Total
Financial assets							
Cash and balances at Central Bank of Egypt	--	1 032 809	--	--	--	2 199 707	3 232 516
Due from banks	13 338 590	7 646 841	--	--	--	--	20 985 431
Treasury bills and other							
Governmental notes	800 950	503 200	2 786 958	--	--	--	4 091 108
Financial assets held -for- trading	391	--	391	3 132	8 042	145 900	157 856
Loans and facilities to customers	6 881 372	4 157 006	1 889 658	232 780	847 980	--	14 008 796
Financial Investments							
- Available for sale	2 743	--	2 743	103 283	--	1 201 658	1 310 427
- Held to maturity	10 815	289 637	861 271	2 327 778	462 663	22 500	3 974 664
Other financial assets	--	--	--	--	--	28 453	28 453
Total financial assets	21 034 861	13 629 493	5 541 021	2 666 973	1 318 685	3 598 218	47 789 251
Financial liabilities							
Due to banks	2 695 933	721 506	1 671 258	--	--	--	5 088 697
Customers' deposits	15 479 715	11 788 437	8 387 107	4 178 398	--	--	39 833 657
Other loans	24 023	742	1 508	36 773	7 688	--	70 734
Other financial liabilities	--	15 771	--	--	--	--	15 771
Total financial liabilities	18 199 671	12 526 456	10 059 873	4 215 171	7 688	--	45 008 859
The interest re-pricing gap	2 835 190	1 103 037	(4 518 852)	(1 548 198)	1 310 997	3 598 218	2 780 392
31/12/2017							
Total financial assets	16 452 918	6 042 227	10 333 916	2 295 750	1 363 460	2 250 233	38 738 504
Total financial liabilities	13 314 079	10 595 478	8 002 678	1 674 797	--	3 230 469	36 817 501
The interest gap re-pricing	3 138 839	(4 553 251)	2 331 238	620 953	1 363 460	(980 236)	1 921 003

C- Liquidity risk

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

Liquidity risk management process

The bank's liquidity management process carried out by the bank risk division includes:

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes availability of liquidity as they due or to be borrowed to customers. To ensure that the bank reaches its objective, the bank maintains an active presence in global money markets.
- The bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow.
- Monitoring liquidity ratios compared to the internal requirements and Central Bank of Egypt requirements.
- Managing loans concentration and dues.

The main period for liquidity management is the next day, week and month. The bank calculates the expected cash flow for those periods for monitoring and reporting purposes. The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.

Credit risk department monitors the mismatch between medium term assets, the level and nature of unused loans limits, overdraft utilizations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

Funding approach

Sources of liquidity are regularly reviewed by bank risk division to maintain a wide diversification by currency, geography, source, products, and terms.

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 on the bank's balance sheet at their fair value:

31/12/2018	In LE 000	
	Book value	Fair value
Financial Assets		
Financial investments		
Equity instruments available for sale (unlisted)	1 025 784	1 025 784
Other assets	1 226 508	1 226 508
Financial liabilities		
Customers' deposits		
Retail	7 579 349	7 579 349
Corporations	31 056 639	31 056 639
Other loans	61 500	61 500

E -Capital management

The bank's objectives behind managing capital include elements other than equity shown in the balance sheet are represented in the following:

- Compliance with capital legal requirements in Arab Republic of Egypt and the other countries the bank is operating in.
- 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 growth.

Capital adequacy and uses are reviewed on a daily basis according to the regulatory authority's requirements (Central Bank in Arab Republic of Egypt) by the bank's management through models based Basel committee for banking control instructions, these data are submitted to Central Bank of Egypt on quarterly basis.

Central Bank of Egypt requires the following from the bank:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid up capital.
- Maintaining a ratio between capital elements and asset and contingent liability elements weighted by risk weights at 10 % or more.

The numerator in capital adequacy comprises the following 2 tiers:

- **Tier 1:** It is the basic capital comprising of paid up capital (after deducting the carrying amount of the treasury stocks), retained earnings and reserves resulting from profit appropriations except the general reserve for banking risks less any goodwill previously recognized and any carried forward losses.
- **Tier 2:** It is the subordinate capital comprising of the equivalent of the general reserve according to Central Bank of Egypt credit rating bases issued by Central Bank of Egypt not exceeding 1.25% of total assets and contingent liabilities applying the risk weights subordinate loans/deposits of maturing over more than 5 years (20% amortization of its value each year of the last five years of their maturity term) and 45 % of the increase between the fair value and carrying amount for the available for sale investments, held to maturity investments, and investments in associates and subsidiaries.

On calculating the total numerator of capital adequacy it is to be considered that subordinate capital should not be greater than basic capital and the subordinate loans (deposits) should not be greater than half of basic capital.

Assets are weighted by risk in a range from zero to 100 %. Classification is made according to the debit party for each asset to reflect the related credit risk taking into consideration cash guarantees. Same treatment is used for the off-balance sheet amounts after making relevant adjustments to reflect the contingent nature and the potential loss for these amounts. The bank complied with all internal requirements during the last 2 years. The following schedule shows the calculation of capital adequacy ratio at the end of 31 December 2018:

CAPITAL ADEQUACY RATIO

	31/12/2018 L.E 000	31/12/2017 L.E 000
Capital		
Tier one (Basic capital)		
Share Capital (in net after excluding treasury shares)	2 000 000	2 000 000
Reserves	221 516	221 516
Retained Earnings	144 613	1 311
Total basic capital	2 366 129	2 222 827
Additional basic capital		
Profit for the year	420 190	142 302
Total Additional basic capital	420 190	142 302
Deductions from Tier one		
Value greater than 10% of issued capital for the bank's investments in companies, mutual fund and intangible assets	(32 065)	(87 468)
Balance of available for sale reserve for investments reclassified to held to maturity	(5 237)	(11 562)
50% of value greater than 15% of basic capital for bank's investments in non-financial companies	(105 693)	(104 484)
Total tier one	2 643 324	2 161 615
Tier two (Supplementary capital)		
45% Balance of available for sale investments reserve(when the balance is credit)	14 087	4 804
45% of value greater than booking value of investments held to maturity	6 258	--
45% of private reserve	20 321	20 321
The total value of loans and facilities impairment charge	197 819	145 305
45% of fair value excess over booking value of investments -associates	--	2 740
Total tier two before deductions	238 485	173 170
Deductions from tier two		
Value of excess over 15% of basic capital for bank's investments in non-financial companies	(105 693)	(104 484)
Total supplementary capital	132 792	68 686
Total capital	2 776 116	2 230 302
Surplus/(Deficit) in basic capital after deductions for 4.5 %	1 294 230	1 463 016
Conservation buffer from surplus in basic capital after deductions	431 082	223 443
Risk weighted assets and contingent liabilities		
Credit risk	17 992 159	15 202 753
Market risk	204 933	413 759
Operational risk	1 790 309	1 540 411
Total risk weighted assets and contingent liabilities	19 987 402	17 156 923
Total capital base including conservation buffer and excluding the effect of top 50 clients %	13.89%	13.00 %
Amount of excess over determined weighted concentration risk limits of top 50 clients	3 003 658	718 524
Total capital base including conservation buffer and the effect of top 50 clients %	12.07%	12.48%
Leverage ratio		
Total basic capital	2 643 324	2 161 615
Total balance sheet exposures	47 440 502	39 870 615
Total off- balance sheet exposures	3 569 898	2 015 595
Total balance sheet exposures and off- balance sheet exposures	51 010 400	41 886 210
Ratio	5.18%	5.16%

4- Significant accounting estimates and assumptions

The bank makes subjective estimates and judgments that affect the reported amounts of assets and liabilities with the next financial year consistently. Estimations and judgments are continually evaluated and based on historical experience and other factors including the expectations of future events that are believed to be reasonable.

A) Impairment losses for loans and facilities

The bank reviews the portfolio of loans and facilities for impairment at least quarterly. The bank uses discretionary judgment on determining whether it is necessary to record impairment loss 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. On scheduling future cash flows, the management uses the past experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to reduce any discrepancy between the estimated loss and actual loss based on experience.

B) Impairment of available for sale equity investments

The bank recognizes 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 volatility in share price. In addition, impairment loss recognized when there is evidence of deterioration in the investee financial position or operating and finance cash flow or industry and sector performance or technology changes.

C) Held-to-maturity investments

Non-derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity. This classification requires high degree of judgment; in return the bank tests the intent and ability to hold such investments to maturity. If the bank fails to hold such investments till maturity except for certain circumstances like 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 suspend classifying investments as held to maturity caption.

D) Income tax

The bank is subject to income tax which requires the use of important estimates to calculate the income tax provision.

There are a number of complicated processes and calculations to determine the final income tax, the bank records a liability related to the tax inspection estimated results, according to estimates of probabilities of extra taxes, when there is a difference between the final result of the actual tax inspection and amounts previously recorded by the bank such difference affect the income and deferred tax provision at the year where the differences were noted

5 - Segment analysis

a- Geographical segment analysis

	In LE 000			
	Great Cairo	Alex. ,Delta and Sinai	Upper Egypt	Total
31/12/2018				
Income and expenses according to geographical segment				
Geographical segment income	4 066 781	754 835	44 449	4 866 065
Geographical segment expense	(3 622 692)	(512 459)	(38 250)	(4 173 401)
Results of segment work	444 089	242 376	6 199	692 664
Tax	(216 542)	(54 535)	(1 397)	(272 474)
Profit for the year	227 547	187 841	4 802	420 190

Assets and liabilities according to geographical segment				
Geographical segment assets	45 020 610	2 371 941	17 783	47 410 334
Total of assets	45 020 610	2 371 941	17 783	47 410 334
Geographical segment liabilities	40 119 384	6 942 725	348 225	47 410 334
Total of liabilities	40 119 384	6 942 725	348 225	47 410 334

	In LE 000			
	Great Cairo	Alex. ,Delta and Sinai	Upper Egypt	Total
31/12/2017				
Income and expenses according to geographical segment				
Geographical segment income	3 022 735	619 603	26 016	3 668 354
Geographical segment expense	(2 633 192)	(406 463)	(22 009)	(3 061 664)
Results of segment work	389 543	213 140	4 007	606 690
Tax	(202 056)	(47 955)	(902)	(250 913)
Profit for the year	187 487	165 185	3 105	355 777

	In LE 000			
31/12/2017				
Assets and liabilities according to geographical segment				
Geographical segment assets	37 655 472	2 284 321	16 558	39 956 351
Total of assets	37 655 472	2 284 321	16 558	39 956 351
Geographical segment liabilities	33 239 191	6 508 638	208 522	39 956 351
Total of liabilities	33 239 191	6 508 638	208 522	39 956 351

6 - Net Interest Income

	31/12/2018 LE 000	31/12/2017 LE 000
Interest income from loans and similar income		
Loans and advances to Customers	1 618 401	963 082
Treasury bills	934 919	828 232
Bonds:		
Treasury bonds	481 529	406 441
Other bonds	29 444	--
Deposits and current accounts with Banks	1 294 024	1 178 015
Total	4 358 317	3 375 770
Interest expenses on deposits and similar charges		
Current accounts and deposits :		
Banks	(108 980)	(91 817)
Customers	(3 282 953)	(2 271 537)
Other loans	(3 285)	(584)
Total	(3 395 218)	(2 363 938)
Net	963 099	1 011 832

7 - Net Fees and Commissions Income

	31/12/2018 LE 000	31/12/2017 LE 000
Fees and commissions income:		
Fees and commissions related to credit	11 429	5 495
Fees on the financing services (corporate)	163 498	132 631
Custody fees	2 074	1 631
Other fees	25 549	10 302
Total	202 550	150 059
Fees and commissions expense :		
Paid fees and commissions	--	(1 405)
Total	--	(1 405)
Net	202 550	148 654

8 - Dividends income

	31/12/2018 LE 000	12/12/2017 LE 000
Held for trading securities	3 593	1 214
Available for sale securities	40 445	14 937
Total	44 038	16 151

9 - Net Trading Income

	31/12/2018	31/12/2017
	LE 000	LE 000
Gain from foreign currencies transactions	52 095	83 382
Trading debt instruments	230	(1 119)
Trading equity instruments	2 381	11 788
Total	54 706	94 051

10 - Administrative expenses

	31/12/2018	31/12/2017
	LE 000	LE 000
Wages and salaries	361 593	311 236
Social Insurance	95 241	79 358
	456 834	390 594
Other administrative expenses	278 584	198 112
Total	735 418	588 706

During 2018 the monthly average of highest 20 employees' salaries and bonus after deduction of taxes and social insurance is amounted to LE 2 823 609.

11- Other operating income

	31/12/2018	31/12/2017
	LE 000	LE 000
Other income	202 212	47 578
Other provision	(2 035)	(43 712)
Other expense	(4 703)	(1 379)
Total	195 474	2 487

12 - Income tax expenses

	31/12/2018	31/12/2017
	LE 000	LE 000
Current taxes	(271 611)	(248 383)
Deferred taxes (note 30)	(863)	(2 530)
Total	(272 474)	(250 913)

Adjustments to calculate the effective tax rate

	31/ 12/2018	31/12/2017
	LE 000	LE 000
Profit before income tax	692 663	606 690
Tax rate	22 .50%	22.50%
Income tax based on accounting profit	155 849	136 505
Non-deductible expenses	17 783	20 922
Tax exemptions	(59 537)	(18 109)
Provisions impact	18 358	14 846
Depreciation impact	(7 223)	(3 161)
Income tax	125 230	151 004
Tax rate	18 .08%	24 .89%
Treasury bills and bonds taxes	272 474	250 913
Effective tax rate (include treasury bills and bonds taxes)	39 .34%	41.36%

13 - Impairment losses

	31/12/2018	31/12/2017
	LE 000	LE 000
Loans and advances to customers (note 19)	(26 500)	(107 615)
Total	(26 500)	(107 615)

14 - Earnings per share (LE/share) - Basic

	31/12/2018	31/12/2017
	LE 000	LE 000
Net profit for the year	420 190	355 777
The weighted average of the ordinary shares issued	200 000	200 000
Earnings per share	2.10	1.78

15- Cash and balances due from Central Bank of Egypt

	31/12/2018	31/ 12/2017
	LE 000	LE 000
Cash	281 083	362 425
Deposits with Central Bank of Egypt (within the mandatory statutory reserve)	2 944 715	3 319 088
Balance	3 225 798	3 681 513
Balances without interest	2 199 707	2 881 958
Balances with variable interest	1 026 091	799 555
Balance	3 225 798	3 681 513

16 - Due from banks

	31/12/2018 LE 000	31/ 12/2017 LE 000
Current accounts	109 838	502 445
Deposits	20 538 210	9 882 951
Balance	20 648 048	10 385 396
Central bank other than the required reserve ratio	10 273 000	5 425 000
Local banks	7 968 645	2 612 802
Foreign banks	2 406 403	2 347 594
Balance	20 648 048	10 385 396
Balances without interest	109 838	502 445
Balances with variable interest	20 538 210	9 882 951
Balance	20 648 048	10 385 396
Current balances	20 648 048	10 385 396

17 - Treasury bills and other governmental notes

	31/12/2018 LE 000	31/ 12/2017 LE 000
Treasury bills		
Maturity 91 days	206 000	300 375
Maturity 182 days	159 000	1 097 000
Maturity 273 days	1 337 450	2 161 225
Maturity 364 days	2 388 658	5 625 358
Total	4 091 108	9 183 958
less: unearned interest	(234 038)	(486 664)
Sold treasury bills with commitment to repurchase	(15 500)	--
Net	3 841 570	8 697 294

18 - Financial assets held for trading

	31/12/2018 LE 000	31/ 12/2017 LE 000
Debt instruments		
Government bonds	5 594	5 594
Total Debt instruments	5 594	5 594
Equity instruments		
Foreign companies	32 418	27 724
Mutual funds	113 482	115 485
Total Equity instruments	145 900	143 209
Total Financial assets held for trading	151 494	148 803

19 - Loans and facilities to customers

	31/12/2018 LE 000	31/ 12/2017 LE 000
Retail		
Debit current accounts	501 618	336 950
Credit cards	17 661	15 327
Total (1)	519 279	352 277
Corporate including loans for small economic activities		
Debit current accounts	4 223 222	3 504 611
Direct loans	2 488 821	1 720 673
Syndicated loans	4 972 046	3 130 437
Other loans	4 618 940	6 657 441
Total (2)	16 303 029	15 013 162
Total loans and facilities to customers (1+2)	16 822 308	15 365 439
Less:		
Provisions for impairment losses	(2 915 049)	(4 613 996)
Suspended interests	(389 377)	(514 869)
Unearned interest	(20 325)	(2 087)
	13 497 557	10 234 487
Distributed to:		
Current balances	4 954 004	5 262 403
Non-current balances	8 543 553	4 972 084
	13 497 557	10 234 487

Impairment loss provision

An analysis of the movement of the impairment loss provision for loans and facilities to customers according to types:

	Retail			
31/12/2018	Debit current accounts LE 000	Credit Cards LE 000	Personal Loans LE 000	Mortgage LE 000
Balance at the beginning of the Year	32 167	--	--	--
Balance at the end of the year	32 167	--	--	--

	Corporate			
31/12/2018	Debit current accounts LE 000	Direct Loans LE 000	Syndicated Loans LE 000	Other Loans LE 000
Balance at the beginning of the financial year	390 006	3 315	9 407	4 179 101
Impairment losses	--	--	--	26 500
Amounts written-off during the year	--	--	--	(1 682 898)
Transfer to other provisions	--	--	--	(68 803)
Foreign currencies valuation differences (+/-)	--	--	--	26 254
Balance at the end of the financial year	390 006	3 315	9 407	2 480 154
Total				2 915 049

31/12/2017	Retail				
	Debit current accounts LE 000	Credit Cards LE 000	Personal Loans LE 000	Mortgage LE 000	Total LE 000
Balance at the beginning of the financial year	32 167	--	--	--	32 167
Balance at the end of the financial year	32 167	--	--	--	32 167

31/12/2017	Corporate				Total LE 000
	Debit current accounts LE 000	Direct Loans LE 000	Syndicated Loans LE 000	Other Loans LE 000	
Balance at the beginning of the financial year	390 006	3 315	9 407	6 421 002	6 823 730
Impairment losses	--	--	--	107 615	107 615
Amounts written-off during the year	--	--	--	(2 214 565)	(2 214 565)
Transferred from other provisions	--	--	--	(749)	(749)
Foreign currencies valuation differences (+/-)	--	--	--	(134 202)	(134 202)
Balance at the end of the financial year	390 006	3 315	9 407	4 179 101	4 581 829
Total					4 613 996

20 –Financial investments

	31/12/2018 LE 000	31/12/2017 LE 000
Financial investments Available for sale		
Debt instruments at fair value	87 889	1 421 623
Equity instruments at fair value		
Listed in the market	175 623	172 254
Unlisted in the market	1 025 784	1 022 345
Total available for sale financial investments (1)	1 289 296	2 616 222
Financial investments held to maturity		
Debt instruments		
Listed in the market	2 862 952	2 814 914
Unlisted in the market	25 000	25 000
Less: Impairment loss provision	(2 500)	(2 500)
Total Financial investments held to maturity (2)	2 885 452	2 837 414
Total of Financial investments (1+2)	4 174 748	5 453 636
Current balances	3 126 464	4 408 791
Non-current balances	1 048 284	1 044 845
	4 174 748	5 453 636
Debt instrument with fixed interest	2 785 841	4 071 537
Debt instrument with variable interest	165 000	165 000
	2 950 841	4 236 537

Balance as at 1/1/2018	
Additions	
Disposals (reclassification/redeemed)	
Valuation difference of monetary foreign currencies dominated assets	
Changes in fair value(Note 31)	
Amortization of premium and discount	
Reverse :Less Impairment losses provision	
Balance as at 31/12/2018	

Available-for-sale investments	Held-to-maturity investments	Total
LE 000	LE 000	LE 000
2 616 222	2 837 414	5 453 636
239 881	1 593 020	1 832 901
(1 586 616)	(1 550 683)	(3 137 299)
106	1 954	2 060
33 395	4 106	37 501
(1 309)	(359)	(1 668)
(12 383)	--	(12 383)
1 289 296	2 885 452	4 174 748

Balance as at 1/1/2017	
Additions	
Disposals (sale/redeemed)	
Valuation difference of monetary foreign currencies dominated assets	
Changes in fair value(Note 31)	
Amortization of premium & discount	
Reverse: Impairment losses provision	
Balance as at 31/12/2017	

Available-for-sale investments	Held-to-maturity investments	Total
LE 000	LE 000	LE 000
1 677 575	3 113 074	4 790 649
1 429 287	454 371	1 883 658
(531 034)	(742 856)	(1 273 890)
49	(4 326)	(4 277)
40 584	18 467	59 051
(239)	(2 117)	(2 356)
--	801	801
2 616 222	2 837 414	5 453 636

(Losses) profits of financial investments

Profits on sale of investments in associates	
Profits on sale of investments available for sale	
Impairment financial assets for sale	
Ending balance	
Beginning balance	
Impairment losses for investments held to maturity	
Ending balance	

31/12/2018	31/12/2017
LE 000	LE 000
2 857	--
--	22 101
(12 384)	--
(9 527)	22 101
(2 500)	(3 301)
--	801
(2 500)	(2 500)
(9 527)	(22 902)

21- Investments in associates

The percentage of the bank share in the associates companies as follows:

		31/12/2017	Profits	Dividends	Additions	Sale	31/12/2018
	%	LE.000	LE.000	LE.000	LE.000	LE.000	LE.000
Suez Canal for development and trade	20	4 161	3 418	(720)	2 999	--	9 858
Suez Canal for development and real-estate	20	2 453	(12)	--	--	(2 441)	--
Alexandria for financial investments	20	8 389	248	--	--	--	8 637
Al Maadi for touristic investments and entertainment	29.7	9 786	588	(416)	--	--	9 958
Total		24 789	4 242	(1 136)	2 999	(2 441)	28 453

All of the investments in associates are in unlisted companies.

22 – Intangible assets

	31/12/2018 IT programs LE 000	31/12/2017 IT programs LE 000
Cost at the beginning of the year	50 757	46 247
Additions	6 804	4 510
Disposals	(21 260)	--
Total cost	36 301	50 757
Accumulated amortization at the beginning of the year	(34 885)	(28 889)
Amortization for the year	(6 382)	(5 996)
Disposals accumulated amortization	21 260	--
Accumulated amortization	(20 007)	(34 885)
Net book value at the end of the year	16 294	15 872

23 – Other assets

	31/12/2018 LE 000	31/12/2017 LE 000
Accrued revenues	366 766	242 417
Prepaid interest	38	94
Prepaid expenses	31 778	43 253
Advanced Payments to acquire of fixed assets	173 479	77 489
Assets reverted to the bank in settlement of debts	499 194	382 975
Insurance and custodies	17 389	11 947
Others	137 864	45 483
Total	1 226 508	803 658

24 – Fixed Assets

	Machinery and							
	Land	Buildings	computers	Vehicles	Equipment	Fixtures	Furniture	Total
1/1/2017	LE 000	LE 000	LE 000	LE 000	LE 000	LE 000	LE 000	LE 000
Cost	99 940	374 298	51 982	14 474	25 516	68 022	15 367	649 599
Accumulated depreciation	--	(53 028)	(40 287)	(12 866)	(13 927)	(51 264)	(9 519)	(180 891)
Net book value as at 1/1/2017	99 940	321 270	11 695	1 608	11 589	16 758	5 848	468 708
Additions	--	28 174	12 626	8 472	23 271	2 353	2 916	77 812
Disposals	(11 006)	--	--	(93)	(2 208)	--	--	(13 307)
Depreciation for the year	--	(9 947)	(3 467)	(907)	(3 701)	(5 542)	(1 047)	(24 611)
Disposals accumulated depreciation	--	--	--	93	2 208	--	--	2 301
Net book value as at 31/12/2017	88 934	339 497	20 854	9 173	31 159	13 569	7 717	510 903
1/1/2018								
Costs	88 934	402 472	64 608	22 853	46 579	70 375	18 283	714 104
Accumulated depreciation	--	(62 975)	(43 754)	(13 680)	(15 420)	(56 806)	(10 566)	(203 201)
Net book value as at 1/1/2018	88 934	339 497	20 854	9 173	31 159	13 569	7 717	510 903
Additions	--	16 006	14 021	--	34 946	46 487	16 037	127 497
Disposals	--	(2 685)	--	(4 114)	--	--	--	(6 799)
Depreciation for the year	--	(10 903)	(6 151)	(2 050)	(5 925)	(9 254)	(1 629)	(35 912)
Disposals accumulated depreciation	--	60	--	4 114	--	--	--	4 174
Net book value as at 31/12/2018	88 934	341 975	28 724	7 123	60 180	50 802	22 125	599 863
Cost	88 934	415 793	78 629	18 739	81 525	116 862	34 320	834 802
Accumulated depreciation	--	(73 818)	(49 905)	(11 616)	(21 345)	(66 060)	(12 195)	(234 939)
Net book value as at 31/12/2018	88 934	341 975	28 724	7 123	60 180	50 802	22 125	599 863

*Fixed assets at the balance sheet date include an amount of LE. 95.4 million represent assets not registered in bank name and legal procedures to register these assets are under progress.

25 –Due to banks

	30/12/2018	31/12/2017
	LE 000	LE 000
Current accounts	160 861	89 787
Deposits	4 906 210	5 359 392
Balance	5 067 071	5 449 179
Central banks	76 156	83 465
Local banks	23 278	93 945
Foreign banks	4 967 637	5 271 769
Balance	5 067 071	5 449 179
Balances without interest	122 386	89 787
Balances with fixed interest	4 944 685	5 359 392
Balance	5 067 071	5 449 179
Current balances	5 067 071	5 449 179

26- Due to Customers

	31/12/2018	31/12/2017
	LE 000	LE 000
Demand deposits	10 270 937	6 022 669
Term deposits	21 031 395	19 069 560
Certificates of deposits	4 012 356	3 026 473
Savings deposits	2 002 279	1 934 523
Other deposits	1 319 021	1 275 097
Balance	38 635 988	31 328 322
Corporate deposits	31 056 639	25 643 844
Retail deposits	7 579 349	5 684 478
Balance	38 635 988	31 328 322
Balances without interest	3 630 739	3 141 374
Balances with fixed interest	1 193 551	1 755 729
Balances with variable interest	33 811 698	26 431 219
Balance	38 635 988	31 328 322
Current balances	12 273 216	7 957 192
Non-current balances	26 362 772	23 371 130
Balance	38 635 988	31 328 322

27 - Other Loans

Description	Interest Rate	Maturity date	31/12/2018	31/12/2017
	%		LE 000	LE 000
Commercial International Bank Loan *	8	July 2018	--	8 000
Commercial International Bank Loan	8	July 2018	--	8 000
Commercial International Bank Loan	8	January 2019	8 000	8 000
Commercial International Bank Loan	8	January 2019	8 000	8 000
Commercial International Bank Loan	8	January 2019	8 000	8 000
Projects development Authority**	Variable yield		37 500	--
Total of long term loans			61 500	40 000

*A loan contract had been signed with the Commercial International Bank (CIB) to obtain a stack in loans that have been executed in cooperation with the Agriculture & Land Reform Ministry and the European Committee to develop the private sector and small, medium and long term agriculture projects. The loan bears interest paid to CIB with a repayment period ranging from 3-5 years & a grace period from 1 to 2 years in order to provide low cost finance for the bank's client according to agreed upon contract.

**A loan contract had been signed with the Projects development Authority to obtain a stake in loans to develop small projects. The loan bears interest paid to Projects development Authority in order to provide low cost finance for the bank's client according to agreed upon contract.

28 - Other liabilities

	31/12/2018	31/12/2017
	LE 000	LE 000
Accrued interest	397 548	401 786
Unearned revenues	17 049	15 027
Accrued expenses	56 291	52 121
Creditors	1 605	2 500
Other credit balances	167 240	116 982
Balance	639 733	588 416

29 - Other Provisions

	31/12/2018	31/12/2017
	LE 000	LE 000
Balance at the beginning of the year	109 428	78 022
Foreign currencies valuation differences	202	(586)
Charged to income statement	2 035	43 712
Transfer from loans provisions	68 803	749
Used during the year	(74 095)	(12 469)
Balance at the end of the Year	106 373	109 428

30 - Deferred tax liabilities

The balance of deferred tax assets & liabilities are as follows:

	31/12/2018		31/12/2017	
	Asset	Liability	Asset	Liability
	LE 000	LE 000	LE 000	LE 000
Fixed assets (Depreciation)	--	(24 370)	--	(17 311)
Other provisions (other than loan provision, contingent liabilities and taxes claims)	8 833	--	2 637	--
Total deferred tax asset (liability)	8 833	(24 370)	2 637	(17 311)
Net deferred tax (liability)	---	(15 537)	---	(14 674)

31- Equity

A. Authorized Capital

Authorized capital amounted to LE. 2 billion.

B. Issued and paid - up capital

Issued and paid – up capital amounted to LE 1 billion distributed on 100 million shares with nominal value of LE 10 each

- According to the bank Board of Director meeting NO. (6/2009) held on July 16/2009, the board agreed to recall the authorized capital unpaid portion with an amount of 1 billion Egyptian pound, as the issued and paid up capital will become the same as the authorized capital with an amount of 2 billion Egyptian pounds and the cash was paid and the commercial register reflected this increase of capital on 31 March 2010.the issued and paid-in capital LE.2 billion

C. Reserves

	31/12/2018	31/12/2017
	LE 000	LE 000
Legal reserve	16 337	--
Capital reserve	29 034	--
General bank risk reserve (note 1)	15 931	854
General reserve *	24 117	24 117
Special reverse(c-2)	45 158	45 158
Fair value reserve financial investments available -for- sale note no. (c-3)	36 725	(776)
Other reserves	--	(109)
IFRS9 risk reserve**	152 028	152 028
Total reserves at the end of the year	319 330	221 272

* The value of residual amount from issuing expenses of increasing capital from LE. 1 billion to LE. 2 billion.

** IFRS 9 reserve has been formed (1% of Capital requirements for total credit weighted by risk) deducted of 2017 Net profit after income tax and to be used after central bank of Egypt approval.

C/1- General banking risk Reserve

	31/12/2018	31/12/2017
	LE 000	LE 000
Balance at beginning of year	854	854
Transfer from retained earnings	16 077	-
Transfer to retained earnings	(1 000)	-
Balance at the end of the year	15 931	854

C/2- Special reverse (revaluations differences of financial investments available -for- sale)

	31/12/2018	31/12/2017
	LE 000	LE 000
Balance at beginning of year	45 158	45 158
Balance at the end of the year	45 158	45 158

C/3- Fair Value reserve –investments available for sale

	31/12/2018	31/12/2017
	LE 000	LE 000
Balance at beginning of year	(776)	(59 827)
Net (losses) / gains from change in fair value (note 20)	37 501	59 051
Balance at the end of the year	36 725	(776)

D. Retained earnings

	31/12/2018	31/12/2017
	LE 000	LE 000
Balance at the beginning of the year	205 060	1 311
Net profits of the current year	420 190	355 777
IFRS9 risk reserve	--	(152 028)
Transfer from general banking reserve	1 000	--
Transfer to Legal reserve	(16 337)	--
Transfer to Capital reserve	(29 034)	--
Transfer to General bank risk reserve	(16 077)	--
Balance at the end of the year	564 802	205 060

32- Cash and cash equivalents

For the purpose of preparing the statement of cash flow, the cash and cash equivalent includes the following balance of maturity dates within less than three months from the date of acquisition:

	31/12/2018	31/12/2017
	LE 000	LE 000
Cash and balances Due from Central Bank Of Egypt (included in note 15)	281 082	362 426
Due from banks (included in note 16)	15 998 049	5 927 446
Treasury bills and other Governmental notes (included in note 17)	206 000	292 453
16 485 131	6 582 325	

33 - Commitment and contingent liabilities

A- Legal claims

There are a number of existing cases filed against the bank on 31 December 2018 and the provision Formed for these cases amounted to LE 34 334 thousand.

B- Fixed assets and preparation of branches

This amount represents the value of the commitments related to fixed assets purchase contracts and branches preparations which have not been completed yet amounted to LE. 134 938 thousand.

C- Commitments for loans guarantees and facilities

Bank Commitments for loans guarantees and facilities are represented as follows

	31/12/2018 LE 000	31/12/2017 LE 000
Letters of guarantees	4 091 618	2 841 150
Documentary credits "import & export"	3 241 140	2 016 131
Total	7 332 758	4 857 281
Less: cash covers	(614 382)	(771 749)
Net	6 718 376	4 085 532

34- Related party transactions

The bank deals with its related party on the same basis as with others in compliance with accepted banking rules and regulations. The nature of these transactions and its balances are represented on the balance sheet date as follows:

A) Loans and facilities to related parties:

	31/12/2018 LE 000	31/12/2017 LE 000
Loans and facilities to customers		
Loans at the beginning of the year	17 223	--
Loans issued during the year	3 780	17 223
Loans collected during the year	(2 167)	--
Loans at the end of the year	18 836	17 223

B) Deposits from related parties:

	31/12/2018 LE 000	31/12/2017 LE 000
Due to customers		
Deposits at the beginning of the year	503 052	45 349
Deposits received during the year	200 279	482 017
Deposits redeemed during the year	(481 135)	(24 288)
Revaluation differences	9	(26)
Deposits at the end of the year	222 205	503 052

C) Other

	31/12/2018 LE 000	31/12/2017 LE 000
Due from banks	23 037	125 846
Investment in associates	28 453	24 789
Due to banks	4 916 098	5 268 681
Other credit balances	372	1 395

35- Mutual funds

A) The First Mutual Fund of the bank (with cumulative return and periodical dividends)

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations. These funds is managed by H C Fund Management Company, The certificates of the fund reached 190 thousand with an amount of LE 95 million ,10 thousand certificate of them allocated to the bank(with nominal value LE. 5 million) for fund active operation.

The Bank has purchased a number of 61 800 certificates, their redeemable value as at balance sheet date amounted to LE 30 925 thousand.

The redeemable value of the certificate as at balance sheet date amounted to LE 500.40 and the certificates outstanding at that date reached to 77 522 certificates

According to the fund's management contract and its prospectus, the Bank shall obtain fee and commission for supervision on the fund and other managerial services rendered by the Bank. Total commission for the period ended on 31 December 2018 amounted to LE 718 thousand presented under the item of "Banking fees and commissions revenue" caption in the profit and loss statement and the sharing of the bank achieve dividends 2018 amounted to LE 2 154 thousand presented under the item of "dividends income" caption in the profit and loss statement.

B) The Second Mutual Fund of the bank-Agial (with accumulative and periodic return)

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations. These funds is managed by Billiton Fund Management Company, The certificates of the fund reached 9 500 thousand with an amount of LE. 95 million 500 thousand certificate of them allocated to the bank (with nominal value LE. 5 million) for fund active operation.

The redeemable value of the certificate as at balance sheet date amounted to LE 14.59 and the certificates outstanding at that date reached to 923 828 certificates

The Bank has purchased a number of 209 671 certificates, their redeemable value as at balance sheet date amounted to LE 3 059 thousand.

According to the fund's management contract and its prospectus, the Bank shall obtain fee and commission for supervision on the fund and other managerial services rendered by the Bank. Total commission for the period ended on 31 December 2018 amounted to LE 291 thousand presented under the item of "Banking fees and commissions revenue" caption in the profit and loss statement and the sharing of the bank did not achieve any returns.

36 -Tax status

A. Income tax:

- As to years 1978/2004, they were inspected and the bank has paid the due tax.
- As to years 2005/2006, they were inspected resulting in tax losses.
- As to year 2007/2014 they were inspected, Bank paid all accrued taxes concerned the agreed items and banks obligations relating posting of accumulated tax losses are still inspecting by Authority committee but according to the agreement between tax authority and Egypt banking union to solve tax conflicts there is no accrued tax
- As to year 2015/2016 bank had presented its tax return, there is no accrued taxes and the inspection is being conducted by authority.
- As to year 2015 the bank had presented its tax return and there is no accrued taxes
- As to year 2016 the bank had presented its tax return and there is no accrued taxes
- As to year 2017 the bank had presented its tax return and there is no accrued taxes

B. Salaries tax:

- Inspection is done till the end of year 2016, no tax differences are due till the end of the year 2016.
- As to year 2017/2018 the salary tax is deducted & paid to the authority according to law

C. stamp tax:

- According to period of beginning of activity till 31 of July 2006 finished the inspection of all branches According to law no 111 of the year 1980 and the bank have been paid all the amounts due.
- As for period from 1 Aug 2006 till 31 December 2015, actual reinsertion has finished according to Law no 111 of the year 1980 agreement between Egypt banking union and tax Authority and the amounts due have been paid according to re-inspection there is no accrued tax on bank branches about relative and quality stamp tax .
- As for period from 1 Jan 2016 till 30 September, 2018, bank paid to the authority stamp tax on base of the Highest used debit balance for customer during each 3 month and this according to tax law no. 9 of 2013.

37- Important 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 in January 28, 2018 instructing Banks to implement the standard starting from January 1, 2019. Final instructions will be issued subsequently.

IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and impairment of financial assets. This Standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

A- Classification and measurement:

The adoption of this standard will have an effect on the classification and measurement of Bank's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The classification and measurement of financial assets will Depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortized cost, fair value through statement of income or fair value through other comprehensive income.

The standard eliminates the existing IAS 39 categories (Held to maturity, Loans and receivables and Available-for-sale).

B- Impairment of financial assets:

The impairment requirements apply to financial assets measured at amortized cost, fair value through other comprehensive income, 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 recognized 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'.

At each reporting period, the bank assess whether credit risk has increased significantly since initial recognition.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available Information, which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the

reporting date. In addition, the estimation of ECL should take into account the time value of money. As a Result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment Charge will tend to be more volatile.

According to the Central Bank of Egypt instructions dated January 28, 2018, the bank set up the IFRS 9 risk reserve at 1% from credit risk weighted assets deducted from net profit after tax for year ended December 31, 2017 amounted to EGP 152 028 (through statement of change in equity) included in the capital (Tier 1) in the capital adequacy and it is not used unless obtaining the approval of the Central Bank of Egypt.