Suez Canal Bank S.A.E
Financial Statements For The Year Ended
31 December 2019
Auditors' report

Allied for Accounting & Auditing
Public Accountants & Consultants

BDO Khaled & Co
Public Accountants & Advisers

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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 2019 and the related statements of income, comprehensive income, cash flows, and changes 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 as amended by the regulations issued on 26 February 2019 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.

Ashraf Ismail

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Suez Canal Bank (S.A.E) as of 31 December 2019, and of its financial performance and its cash flows for the year then ended, in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 as amended by the regulations issued on 26 February 2019 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 2019.

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

The financial information contained in the Board of Directors' report prepared in confirmity 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.

Allied for Accounting & Auditing
A Member of
Ernst & Young Global

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BDO Khaled & Co.

Cairo, 23 February 2020

	Note	31 December 2019 EGP. 000	31 December 2018 EGP. 000
Assets			
Cash and balances with Central Bank of Egypt	(15)	**2 065 958**	3 225 798
Due from banks	(16)	**13 061 212**	20 648 048
Treasury bills and other governmental notes	(17)	**8 535 351**	3 841 570
Loans and facilities to customers	(18)	**15 372 609**	13 497 557
Financial investment			
Fair value through other comprehensive income	(19)	**5 048 727**	1 289 296
Amortized cost	(19)	**4 980 742**	2 885 452
Fair value through profit or loss	(19)	**312 535**	151 494
Investments in associates	(20)	**116 582**	28 454
Intangible assets	(21)	**31 134**	16 294
Other assets	(22)	**1 784 177**	1 226 508
Property and equipment	(23)	**707 329**	599 863
Total assets		**52 016 356**	47 410 334
Liabilities and Equity			
Liabilities			
Due to banks	(24)	**3 131 029**	5 067 071
Customer`s deposits	(25)	**44 181 845**	38 635 988
Other loans	(26)	**487 553**	61 500
Other liabilities	(27)	**835 194**	639 733
Other provisions	(28)	**62 488**	106 373
Deferred tax liabilities	(29)	**10 064**	15 537
Total liabilities		**48 708 173**	44 526 202
Equity			
Paid-up capital	(30)	**2 000 000**	2 000 000
Reserves	(31)	**171 021**	319 330
Difference between the present value and face value for supportive deposit	(32)	**29 883**	-
Net profit for the year and retained earnings	(33)	**1 107 279**	564 802
Total equity		**3 308 183**	2 884 132
Total liabilities and equity		**52 016 356**	47 410 334

The attached notes from page (7) to page (39) are an integral part of these financial statements and to be read therewith
Auditors' report attached

Tamer Abdelwahed
Chief Financial Officer

Hussein Ahmed Refaie
Chairman and Managing Director

	Note	31 December 2019	31 December 2018
		EGP. 000	EGP. 000
Interest and similar income	(6)	4 959 336	4 358 317
Interest expenses and similar charges	(6)	(3 713 649)	(3 395 218)
Net interest income		**1 245 687**	**963 099**
Fee and commission income	(7)	267 835	202 550
Net interest, fees and commission income		**1 513 522**	**1 165 649**
Dividends income	(8)	19 991	44 038
Net trading income	(9)	177 915	54 706
Gain from financial investments	(19)	23 415	(9 527)
Share of profit of associates	(20)	84 761	4 242
Charge of impairment credit loss	(13)	(133 004)	(26 500)
Administrative expenses	(10)	(894 101)	(735 418)
Other operating income	(11)	165 935	195 474
Profit before income tax		**958 434**	**692 664**
Income tax expense	(12)	(416 228)	(272 474)
Net profit		**542 206**	**420 190**
Earnings per share (EGP/share)	(14)	2.47	2.10

The attached notes from page (7) to page (39) are an integral part of these financial statements and to be read therewith

	Note	31 December 2019 EGP. 000	31 December 2018 EGP. 000
Net profit		**542 206**	**420 190**
Items that will not be reclassified to income statement			
Change in fair value of investments classified at fair value through other comprehensive income	(19)	(154 543)	-
Deferred income tax associated with the above items	(29)	37 700	-
		(116 843)	**-**
Items that may be reclassified to income statement			
Change in fair value of investments classified at fair value through other comprehensive income			
- Net change in fair value	(19)	107 320	-
- Net reclassified to income statement		(3 757)	-
Change in fair value of investments classified as available for sale (EAS 26)			
- Net change in fair value		-	37 501
Deferred income tax associated with the above items	(29)	(24 725)	-
ECL on debt instruments measured at fair value through other comprehensive income	(13)	(679)	-
		78 159	**37 501**
Total items that will not be reclassified to income statement		(116 843)	-
Total items that may be reclassified to the income statement		78 159	37 501
Net other comprehensive income		**(38 684)**	**37 501**
Total comprehensive income		**503 522**	**457 691**

The attached notes from page (7) to page (39) are an integral part of these financial statements and to be read therewith

EGP. 000

31 December 2018	Paid-up capital	Reserves: Legal Reserve	General Reserve	Special Reserve	Capital Reserve	Fair value reserve	General risk reserve	General banking risk reserve	Other Reserves	IFRS 9 reserve	Difference between the present value and face value for supportive deposit	Net profit and Retained earnings	Total
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	-	-	-	-	-	37 501	-	-	-	-	-	-	37 501
Transfer to reserves according to AGM	-	16 337	-	-	29 034	-	-	16 077	-	-	-	(61 448)	-
Transfer from general banking risk reserve to retained earnings	-	-	-	-	-	-	-	(1 000)	-	-	-	1 000	-
Net change in other reserves	-	-	-	-	-	-	-	-	109	-	-	-	109
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	420 190	420 190
Ending balance	**2 000 000**	**16 337**	**24 117**	**45 158**	**29 034**	**36 725**	**-**	**15 931**	**-**	**152 028**	**-**	**564 802**	**2 884 132**

EGP. 000

31 December 2019	Paid-up capital	Reserves: Legal Reserve	General Reserve	Special Reserve	Capital Reserve	Fair value reserve	General risk reserve	General banking risk reserve	Other Reserves	IFRS 9 reserve	Difference between the present value and face value for supportive deposit	Net profit and Retained earnings	Total
Balance at the beginning of the year	2 000 000	16 337	24 117	45 158	29 034	36 725	-	15 931	-	152 028	-	564 802	2 884 132
Transferred to general risk reserve	-	-	-	-	-	-	152 028	-	-	(152 028)	-	-	-
Net change in accounting policies	-	-	-	-	-	(45 008)	(113 177)	-	-	-	-	45 687	(112 498)
Restated beginning balance	**2 000 000**	**16 337**	**24 117**	**45 158**	**29 034**	**(8 283)**	**38 851**	**15 931**	**-**	**-**	**-**	**610 489**	**2 771 634**
Net change in OCI items	-	-	-	-	-	(38 684)	-	-	-	-	-	-	(38 684)
Transfer to reserves according to AGM	-	20 505	-	-	10 090	-	-	18 215	-	-	-	(48 810)	-
Transfer from general banking risk reserve to retained earnings	-	-	-	-	-	-	-	(250)	-	-	-	250	-
Difference between present value and face value of supportive deposit	-	-	-	-	-	-	-	-	-	-	33 027	-	33 027
Amortization of supportive deposit difference	-	-	-	-	-	-	-	-	-	-	(3 144)	3 144	-
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	542 206	542 206
Ending balance	**2 000 000**	**36 842**	**24 117**	**45 158**	**39 124**	**(46 967)**	**38 851**	**33 896**	**-**	**-**	**29 883**	**1 107 279**	**3 308 183**

The attached notes from page (7) to page (39) are an integral part of these financial statements and to be read therewith

	Note	31 December 2019	31 December 2018
Cash Flows from operating activities		**EGP.000**	EGP.000
Net profit before tax		958 434	692 664
Adjustments to reconcile net profit to cash flow from operating activities			
Depreciation of property and equipment	(23)	43 595	35 910
Amortization of intangible assets	(21)	6 255	6 380
Charge of impairment credit loss	(13)	133 004	26 500
Differences revaluation debt securities at FVTPL	(9)	(8 778)	(2 381)
Share of profit of associates	(20)	(84 761)	(4 242)
Provision of impairment for financial investment	(20)	23 907	12 383
Charged of other provision	(28)	14 091	2 035
Gain on sale of property and equipment	(11)	(22 366)	(10 089)
Gain of financial securities other than FVTPL	(19)	(27 075)	(100 842)
Differences revaluation translation of impairment losses in foreign currencies		(203 658)	(17 832)
Differences revaluation translation other than financial securities at FVTPL	(19)	21 856	(2 058)
Differences revaluation translation of other provisions in foreign currencies	(28)	(2 012)	202
Translation differences debt securities at FVTPL	(9)	3 912	(317)
Gain on sale of investments in associate	(19)	(20 247)	-
Dividend income from financial investment securities	(8)	(19 991)	(44 038)
Amortization of financial investment premium/discount other than FVTPL	(19)	12 228	1 668
Provision no longer required	(28)	(6 810)	-
Amortization of the difference between the PV and face value of subordinated deposit	(32)	3 144	-
Operating profits before changes in assets and liabilities resulting from operating activities		**824 727**	**595 943**
Net (increase) decrease in assets and increase (decrease) in liabilities			
Due from Central Bank of Egypt within mandatory reserve percentage	(15)	1 056 307	374 373
Due from banks	(16)	2 600 000	(192 051)
Treasury bills and other governmental	(17)	(4 004 590)	4 769 272
Loans and facilities to customers	(18)	(1 961 259)	(3 289 890)
Financial investments fair value through profit or loss	(19)	-	(310)
Other assets	(22)	(633 435)	(271 446)
Due to banks	(24)	(1 936 042)	(382 108)
Customer`s deposits	(25)	5 545 857	7 307 666
Other liabilities	(27)	82 770	50 427
Income taxes paid		(296 034)	(271 611)
Used from other provisions	(28)	(15 675)	(74 095)
Net cash flows from operating activities		**1 262 626**	**8 616 170**
Payments to purchase property and equipment and branches preparations	(23)	(80 330)	(89 223)
Payments to purchase intangible assets	(11)	(6 991)	(6 804)
Proceeds from sale of fixed assets	(23)	32 053	10 089
Proceeds from sale of financial investments other than financial investments at FVTPL	(19)	803 458	3 137 529
Payments to purchase financial investments other than financial investments at FVTPL	(19)	(6 891 745)	(1 832 902)
Dividends received from investment of associate	(20)	276	-
payments to investment of associate	(20)	(14 295)	(2 999)
Proceeds from sale of investments in associates	(20)	23 997	5 407
Dividends income of financial investment	(8)	19 991	44 038
Net cash flows (used in) provided by investing activities		**(6 113 587)**	**1 265 135**
Cash flows from financing activities			
Payment to other loans	(26)	(24 000)	(16 000)
Proceeds from other loans	(26)	479 936	37 500
Net cash flows provided by financing activities		**455 936**	**21 500**
Net changes in cash and cash equivalent		(4 395 024)	9 902 805
Cash and cash equivalent at the beginning of the year		16 485 131	6 582 326
Cash and cash equivalent	(31)	**12 090 107**	**16 485 131**
Cash and cash equivalent are represented in (Note no 34):			
Cash and due from Central Bank of Egypt	(15)	2 067 764	3 225 797
Due from banks	(16)	13 061 865	20 648 049
Treasury bills and other governmental notes	(17)	8 539 045	3 841 570
Due from Central Bank within mandatory reserve	(15)	(1 888 407)	(2 944 714)
Deposits with banks with maturity more than three months		(2 050 000)	(4 650 001)
Treasury bills and other governmental notes with maturity more than three months	(17)	(7 640 160)	(3 635 570)
Cash and cash equivalents		**12 090 107**	**16 485 131**

For the purpose of statement of cash flow preparation the following non cash changes were eliminated:

* Amout of EGP 80 417 thousands represents transfers from other assets from assets under construction to fixed assets
* Amout of EGP 14 104 thousands represents transfers from other assets to intangible assets
* Amout of EGP 29 882 thousands represents net change in difference between the present value and face value of supportive deposit
* Amout of EGP 18 755 thousands represents assets that have been transferred to other assetsrevental to the bank from facilities to customers

The attached notes from page (7) to page (39) are an integral part of these financial statements and to be read therewith

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Net profit for the year (according to statement of income)	542 206	420 190
Gain on sale of property and equipment to be transferred to capital reserve (according to law)	(22 366)	(10 090)
General banking risk reserve	(21 322)	(18 215)
Distributable net profits for the year	**498 518**	**391 885**
Beginning balance of retained earnings*	565 073	144 612
Total	**1 063 591**	**536 497**
To be distributed as follows:		
Legal reserve	25 992	20 505
Tier one for Shareholders' dividends 5% of paid-up capital**	100 000	-
Staff profit share	37 253	-
Remuneration for board of directors	11 000	-
Retained earnings carried forward	889 346	515 992
Total	**1 063 591**	**536 497**

* Including net change of accounting polices and transferred to retained earning according to CBE instruction
** The proposed distribution is one share per 20 shares.

The attached notes from page (7) to page (39) are an integral part of these financial statements and to be read therewith

1- Activity

Suez Canal Bank (SAE) 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.

Suez Canal Bank (S.A.E) provides retail, corporate and investment banking services in Arab Republic of Egypt through 47 branches and served by 1 343 staff member at the date of the financial statements.

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 years unless otherwise stated

A- Basis of preparation of financial statements

The financial statements are prepared in accordance with Central Bank of Egypt instructions approved by its Board of Directors on 16 December 2008. and according to IFRS 9 "Financial Instruments" in accordance with the instructions of the Central Bank of Egypt (CBE) dated 26 February 2019.

The financial statements of the bank were prepared until 31 December 2018 using the rules for preparing and photographing the financial statements of banks and the basis for recognition and measurement issued by the Central Bank of Egypt on 16 December 2008 and as of 1 January 2019 and based on the instructions issued by the Central Bank of Egypt to prepare financial statements for banks in accordance with the requirements of the International Financial Reporting Standard (9) (Financial instruments) on 26 February 2019, the management has modified some accounting policies to comply with these instructions and the following explanation shows the details of changes in accounting policies.

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

B-Changes in accounting policy

Starting from 1 January 2019, the Bank applied the instructions of the Central Bank of Egypt (CBE) rules IFRS 9 "Financial Instruments" dated 26 February 2019 the following summarize the main accounting policies changes resulted from applying the required instructions.

Classification of financial assets and financial liabilities

At initial recognition, Financial assets have been classified and measured according to amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).

The financial assets have been classified according to how they are managed (the entity's business model) and their contractual cash flow characteristics

The financial assets measured at amortized cost if it is not measured at fair value through profit or loss and the following two conditions met:

- The management intension maintaining the asset in business model to collect contractual cash flow and
- This contractual conditions of financial assets will build cash flow in certain dates which limited only on payment of principle and interest (SPPI).

Debt instruments have been measured at fair value through other comprehensive income "FVTOCI" if it is not measured at fair value through profit or loss and the following two conditions met:

- The management intension maintaining the asset in business model to collect contractual cash flow and sell
- This contractual conditions of financial assets will build cash flow in certain dates which limited only on payment of principle and interest (SPPI).

The Bank may choose without return to measure equity investment which not classified trading investments to be as a fair value through other comprehensive income at initial recognition. And this choice will be made per each investment.

All other financial assets will be classified as fair value through profit or loss In addition to that, the bank may choose without return financial asset that will be measured at amortized cost or fair value through other comprehensive income to measured at fair value through profit or loss in the initial recognition, and in such a case that this reclassification will lead to prevent accounting mismatch

Business model assessment

The Bank makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes

The stated policies and objectives for the portfolio and the operation of those policies in practice, specially to know whether these management policies concentrate to gain the contractual interest or reconcile financial assets period with financial liabilities period which finance these assets or target cash flow from selling the assets

How the performance of the portfolio is evaluated and reported to the Bank’s management;

The risks that affect The performance of The business model and The financial assets held within that business model and how those risks are managed

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. Meanwhile the bank didn't scoped only on information related to sales activity separately, but taking into consideration overall assessment on how achieving the goal that was announced by the bank to manage financial assets and how to achieve cash flow.

- Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets

Assessment of whether contractual cash flows are solely payments of principal and interest

- For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value ofmoney and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

- In assessing whether the contractual cash flows are solely payments of principal and interest, the bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Impairment of financial assets

- According to Central Bank of Egypt (CBE) instructions dated February 26, 2019 to implement IFRS 9 to replace impairment loss model recognized according to previous instructions dated December 16, 2008 with excepted credit loss (ECL). Excepted credit loss is applied on all financial assets in addition to some financial guarantees and loan commitments.

- According to IFRS 9 ; impairment loss will be recognized in a wide range from applying impairment loss according to Central Bank of Egypt (CBE) instructions dated December 16, 2008.

- The Bank apply three stages to measure expected credit loss on financial assets that are recognized at amortized cost and debt instruments that are recognized at fair value through other comprehensive income. The financial assets can transfer between three stages according to changes in credit quality since initial recognition.

- **Stage 1: 12 months Expected Credit Loss**

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets, expected credit loss are recognised on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date.

- **Stage 2: Lifetime Expected Credit Loss - not credit impaired:**

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime expected credit loss are recognised, but interest is still calculated on the gross carrying amount of the asset.Lifetime expected credit loss are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

- **Stage 3: Lifetime Expected Credit Loss - credit impaired**

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss are recognised.

According to CBE regulation on February 26, 2019, The Bank implement IFRS 9's requirements starting from January 01, 2019 results adjustments as follow:

	Fair value Reserve EGP 000	General Risk Reserve EGP 000	IFRS9 reserve EGP 000	Retained Earnings EGP 000
Opening balance	**36 725**	**-**	**152 028**	**564 802**
Transferred to general risk reserve	-	152 028	(152 028)	-
Reclassification impact	(45 687)	-	-	45 687
ECL impact	679	(113 177)	-	-
Restated beginning balance	**(8 283)**	**38 851**	**-**	**610 489**

C- Subsidiaries and Associates

C-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.

C-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 liabilities on the bank or liabilities for acquisition company 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 in the financial statements is recorded by using equity method .Dividends are recorded when declared us from the investment balance.

D -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.

E - Foreign currency translation

E-1 Functional and presentation currency

The financial statements are presented by Thousand Egyptian Pound, which is the bank's functional and presentation currency.

E-2 Foreign currencies transactions and balances

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 assets /liabilities for trading or net income.
Other operating income (expenses) for the other items.
Investments in equity instrument recognized at fair value through other comprehensive income.

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.

F-Financial assets

The applied financial policy until 31 December 2018

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.

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.

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 bank may not recover substantially all of its initial investment, other than because of credit deterioration.

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.

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.

Financial Policies applied starting from 1 January 2019:

Financial assets classified as amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

The classification depends on the buisness model of the financial assets that are managed with its contractual cash flow and is determined by management at the time of initial recognition.

Financial assets classified as amortized cost

The financial asset is retained in the business model of financial assets held to collect contractual cash flow.the objective from this business model is to collect contractual cash flow which represented in principle and interest.the sale is an exceptional event for the purpose of this model and under the terms of the standard represented in following:

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

Financial assets classified as fair value through other comprehensive income

The financial asset is retained in the business model of financial assets held to collect contractual cash flows and sales.held to collect

Sales are high in terms of turnover and value as compared to the business model retained for the collection of contractual cash flows.

Financial assets classified as fair value through profit or loss

The financial asset is held in other business models including trading, management of financial assets at fair value, maximization of cash flows through sale.

The objective of the business model is not to retain the financial asset for the collection of contractual or retained cash flows for the collection of contractual cash flows and sales. Collecting contractual cash flows is an incidental event for the objective of the model.

G – Offsetting of financial instruments

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

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

H - Interest income and interest 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.

I - 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.

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

K- Impairment of financial assets

Financial policies applied on 31 December 2018
K-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.

K-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.

From January 2009 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.

Financial Policies applied starting from 1 January 2019:

The Bank reviews all its financial assets except for financial assets that are measured at fair value through profit or loss to assess the extent of impairment as described below.

Financial assets are classified at three stages at each reporting date:

- Stage 1 : Financial assets that have not experienced a significant increase in credit risk since the date of initial recognition, and the expected credit loss is calculated for 12 months.
- Stage 2 : Financial assets that have experienced a significant increase in credit risk since the initial recognition or the date on which the investments are made, and the expected credit loss is calculated over the life of the asset.
- Stage 3 :Impairment of financial assets whose expected credit loss is to be recognized over the life of the asset on the basis of the difference between the carrying amount of the instrument and the present value of expected future cash flows.

Credit losses and impairment losses on the value of financial instruments are measured as follows:

- The low risk financial instrument is classified at initial recognition in the first stage and credit risk is monitored continuously by the Bank's credit risk management.
- If it is determined that there has been a significant increase in credit risk since the initial recognition, the financial instrument is transferred to the second stage where it is not yet considered impaired at this stage.

If there are indicators of impairment of the financial instrument, it is transferred to the third stage.

The financial assets created or acquired by the Bank and include a high credit risk ratio for the Bank's low risk financial assets are recognized on the initial recognition of the second stage directly and therefore the expected credit losses are measured on the basis of expected credit losses over the life of the asset.

Significant increase in credit risk

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

Quantitative factors

When the probability of default over the remaining life of the instrument is increased from the date of the financial position compared to the probability of default over the remaining life expected at initial recognition in accordance with the Bank's acceptable risk structure.

Qualitative factors

Retail loans,micro and small businesses

- If the borrower encounters one or more of the following events:
- The borrower submits a request to convert short-term to long-term payments due to negative effects on the borrower's cash flows.
- Extension of the deadline for repayment at the borrower's request
- Frequent Past dues over the previous 12 months.
- Future adverse economic changes affecting the borrower's future cash flows.

Corporate loans and medium businesses

If the borrower has a follow-up list and / or financial instrument faced one or more of the following events:

- A significant increase in the rate of return on the financial asset as a result of increased credit risk.
- Significant negative changes in the activity and physical or economic conditions in which the borrower operates.
- Scheduling request as a result of difficulties facing the borrower.

Significant negative changes in actual or expected operating results or cash flows.
Future economic changes affecting the borrower's future cash flows.
Early indicators of cash flow / liquidity problems such as delays in servicing creditors / business loans.
Cancellation of a direct facility by the bank due to the high credit risk of the borrower.

Nonpayments

The loans and facilities of institutions, medium, small, micro and retail banking are included in stage two if the period of non-payment is more than 60 days and less than 90 days. Note that this period (60 days) will be reduced by (10) days per year to become (30) days during (3) years from the date of application.

Transfer between the three stages:

Transfer from second stage to first stage:

The financial asset shall not be transferred from the second stage to the first stage unless all the quantitative and qualitative elements of the first stage are met and the full arrears of the financial asset and the proceeds are paid.

Transfer from third stage to second stage:

The financial asset shall not be transferred from the third stage to the second stage until all the following conditions have been met:

- Completion of all quantitative and qualitative elements of the second stage.
- Repayment of 25% of the balance of the outstanding financial assets, including accrued segregated / statistical interest.
- Regularity of payment for at least 12 months

L- 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 amortization cost of computer software recognized as assets is for along the year from which it is expected to make use of in the manner not exceeding five years core system for the bank .

M- Property and equipment

They represent land and buildings related to head office, branches and offices, and all Property and equipment are reported at historical cost minus depreciation and impairment losses. The historical cost includes the charges directly related to acquisition of Property and equipment 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	30-50 years
Integrated automated systems	5 years
Vehicles	5 years
Machinery and equipment	3-10 years
Fixtures and fittings	8-20 years
Furniture	5-20 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.

N- 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.

O -1 As a lessee

Lease payments made under operating leases, net of any discounts received from the lessor, are recognized as an expense in the profit or loss on astraight-line basis over the lease term.

O -2 As a lessor

Assets leased out under operating lease contracts are reported as part of the property and equipment in the statement of financial position and are depreciated over the expected useful lives of the assets, on the same basis as other property assets. Lease rental income is recognized in profit or loss, net of any discounts granted to the lessee, using the straight line method over the contract term

P-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.

Q- 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)

R- 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.

S- 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.

T- Capital

T-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.

T-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.

U- 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.International financial reporting standard 9 is being applied for the first time in accordance with Central Bank of Egypt instructions issued on February 26, 2019

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 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 governmental

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-5). 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	**31 December 2019**		**31 December 2018**	
	Loans & facilities	**Impairment loss provision**	**Loans & facilities**	**Impairment loss provision**
1-Performing loans	73.16%	1.56%	69.59%	3.73%
2-Regular watching	4.78%	0.77%	2.20%	0.31%
3-Watch List	4.36%	4.33%	5.64%	1.02%
4-Non performing loans	17.70%	93.34%	22.57%	94.94%
	100%	**100%**	**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:

- Significant financial difficulties facing the borrower debtor
- Violation of the terms of the loan agreement such as non -payment
- Expect the borrows bankruptcy or enter into a liquidation or restructuring lawsuit
- The borrower's competitive position has deteriorated.
- For economic or legal reasons relating to the borrower's financial difficulties, the bank granted concessions or concessions that the bank may not agree to grant under normal circumstances.
- The value of the guarantee is diminished.
- The deterioration of the credit situation.

The Bank's policies require the review of all financial assets that exceed specific relative importance at least annually or more when circumstances require it, and the burden of impairment on accounts assessed on an individual basis is determined by assessing the loss achieved in the history of financial statements on a case-by-case basis. Apply them to all accounts of relative importance individually, and the evaluation usually includes the existing guarantee, including a reaffirmation of the possibility of execution on the guarantee and the expected collections from those accounts.

The impairment loss allowance is configured on the basis of a homogeneous set of assets using available historical experience, personal judgment and statistical methods.

A-4 Quality of financial assets	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	Total EGP . 000
Cash and due from Central Bank of Egypt	2 067 764	-	-	2 067 764
Expected credit loss provision	(1 806)	-	-	(1 806)
	2 065 958	-	-	**2 065 958**
Treasury bills and other government notes	8 539 045	-	-	8 539 045
Expected credit loss provision	(3 694)	-	-	(3 694)
	8 535 351	-	-	**8 535 351**
Debt instruments at amortized cost	4 983 138	-	-	4 983 138
Expected credit loss provision	(2 396)	-	-	(2 396)
	4 980 742	-	-	**4 980 742**
Investment at fair value through comprehensive income	5 048 727	-	-	5 048 727
Expected credit loss provision	-	-	-	-
	5 048 727	-	-	**5 048 727**
Due from banks	13 061 865	-	-	13 061 865
Expected credit loss provision	(653)	-	-	(653)
	13 061 212	-	-	**13 061 212**
Loans and credit facilities				
Financial institutions	11 990 242	1 735 467	3 182 037	16 907 746
Medium entities	504 379	7 467	50 738	562 584
Small and micro sized-entities SMEs	166 537	819	6 046	173 402
Retails	686 937	64 722	20 516	772 175
Total Loans and credit facilities	**13 348 095**	**1 808 475**	**3 259 337**	**18 415 907**
Expect credit loss provision	(57 811)	(120 753)	(2 500 310)	(2 678 874)
Interest in suspense	-	(21,780)	(335,346)	(357,126)
Interest under settlement	(7 298)			(7 298)
	13 282 986	**1 665 942**	**423 681**	**15 372 609**

A-5 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, it's 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/6 Maximum limits for credit risk before collaterals

Items exposed to credit risk	**31 December 2019 EGP.000**	**31 December 2018 EGP.000**
Balance with Central Bank of Egypt (Net)	1 886 601	2 944 715
Due from banks (Net)	13 061 212	20 648 048
Treasury bills and other governmental notes (Net)	8 535 351	4 091 108
Loans and facilities to customers		
Individuals loans:		
Current debit accounts	254 019	323 411
Credit cards	24 339	17 661
Personal loans	493 817	178 207
Corporate loans including SMEs		
Current debit accounts	5 314 759	4 223 222
Direct loans	2 627 607	2 488 821
Syndicated loans	5 723 092	4 972 046
Other loans	3 978 274	4 618 940
Credit loss provision	(2 678 874)	(2 915 049)
Interest in suspense	(357 126)	(389 377)
Interest under settlement	(7 298)	(20 325)
Debt instruments (Net)		
At fair value through comprehensive income (FVTOCI)	4 153 284	87 889
At fair value through profit or loss (FVTPL)	-	5 594
At amortized cost	4 980 742	2 862 952
Other financial assets	432 169	366 766
	48 421 968	**44 504 629**

Off balance sheet items exposed to credit risk:	**31 December 2019 EGP.000**	**31 December 2018 EGP.000**
Letters of guarantee and financial guarantees	4 102 795	4 091 618
Letter of credits, import and export and facilities of suppliers	2 392 447	3 241 140
Total	**6 495 242**	**7 332 758**

The previous table represents the maximum limit of exposure as of 31 December 2019 and as of 31 December 2018 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 17.63 % of the maximum Limit exposed to credit risk arises from treasury bills 9.19 % from prior year.and 26.97 % due from banks against 46.4 % from prior year. and 31.75 % from loans and facility to customers against 30.33 % from prior year . and the investment of debt instruments 18.86 % against 6.65 % from prior year .

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:

77.64% of the loans and facilities portfolio is classified in the two higher categories of the internal assessment against 71.79 % from prior year.

82.01% of the loans and facilities portfolio is free from any delays or impairment indicators against 77.43 % from prior year.

The loans and facilities that have been assessed on an individual basis reach EGP. 3 259 million against EGP. 3 797 million from prior year.

More than 98.79 % as at 31 December 2019 against 97.66 % from prior year, of the investments in debt instruments and treasury bills represents debt instruments on the Egyptian Government .

A/7 Loans and facilities

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

Loans and facilities	**31 December 2019 EGP.000**	**31 December 2018 EGP.000**
Neither past due nor impaired	15 102 580	13 025 251
Past due not subject to impaiment	53 990	-
Individually impaired	3 259 337	3 797 057
Total	**18 415 907**	**16 822 308**
Impairment losses provision	(2 678 874)	(2 915 049)
Interest in suspense	(357 126)	(389 377)
Interest under settlement	(7 298)	(20 325)
	15 372 609	**13 497 557**

The total provision for impairment losses for loans and facilities at the end of the current fiscal year amounted to 2 678 874 thousand Egyptian pounds, compared to 2 915 049 thousand Egyptian pounds at the end of the comparison year. Of these, 2 500 310 thousand Egyptian pounds represents the provision for impairment losses for individual loans (stage 3) compared to 2 767 449 thousand Egyptian pounds at the end of the comparison year, and the rest represents the provision for impairment losses component (stage 1 and 2) in the credit portfolio of 178 564 thousand Egyptian pounds.

Disclosure no.(18) Includes further information on the impairment losses provision of loans and facilities to customers.

Loans and facilities to customers :

Loans and facilities neither past due nor impaired

The creditworthiness of the loans and advances portfolio with no past dues nor impairment is assessed with reference to the internal assessment adopted by the bank

31 December 2019	**Retail**			**Corporate**				**Total**
Assessment	**Debit accounts**	**Credit Cards**	**Personal loans**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Other loans**	**EGP.000**
1- Performing	168 781	24 162	493 817	5 022 197	2 627 607	5 087 948	-	13 424 512
2-Regular Watching	-	-	-	238 749	-	635 144	-	873 893
3-Watch List	64 722	-	-	-	-	-	739 453	804 175
	233 503	**24 162**	**493 817**	**5 260 946**	**2 627 607**	**5 723 092**	**739 453**	**15 102 580**

Non-performing loans secuared against collerterols in the form of cash and cash equivalent are not considered subject to impairment taking into consideration the portability of cash flows

31 December 2018	**Retail**			**Corporate**				**Total**
Assessment	**Debit accounts**	**Credit Cards**	**Personal loans**	**Overdraft**	**Direct Loans**	**Syndicated Loans**	**Other loans**	**EGP.000**
1- Performing	196 644	17 372	178 207	3 934 526	2 472 798	4 907 413	-	11 706 960
2-Regular Watching	-	272	-	288 696	16 023	64 633	-	369 624
3-Watch List	53 269	8	-	-	-	-	895 390	948 667
	249 913	**17 652**	**178 207**	**4 223 222**	**2 488 821**	**4 972 046**	**895 390**	**13 025 251**

Past due not subject to impairment

31 December 2019	**Retail**			**Corporate**				**Total**
Assessment	**Debit accounts**	**Credit Cards**	**Personal loans**	**Overdraft**	**Direct loans**	**Syndicated loans**	**Other loans**	**EGP.000**
Up to 30 days	-	-	-	47 661	-	-	-	47 661
More than 30 to 60 days	-	177	-	6 152	-	-	-	6 329
More than 60 to 90 days	-	-	-	-	-	-	-	-
	-	**177**	**-**	**53 813**	**-**	**-**	**-**	**53 990**

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 EGP.3 259 337 thousand as at 31 December, 2019 against EGP.3 797 058 thousand as at 31 December, 2018.

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 December 2019	**Retail**	**Corporate**	**Total**
	Debit accounts	**Other Loans**	**EGP.000**
Individually impaired loans	20 516	3 238 821	3 259 337
The fair value of collaterals	**-**	**476 059**	**476 059**

	Retail	**Corporate**	**Total**
31 December 2018	**current account**	**Other Loans**	**EGP.000**
Individually impaired loans	73 507	3 723 550	3 797 057
The fair value of collaterals	**-**	**512 337**	**512 337**

A-8 Debt instruments, treasury bills and other governmental

The following table represents an analysis of debt instruments, treasury bills and other governmental notes (before deduction of any loss impairment) according to evaluation agencies at the end of the financial period.

	Evaluation	31 December 2019 EGP 000
Treasury Bills	B	8 535 351
Bond at FVTOCI	B	3 939 671
Bond at amortized cost	B	4 980 742
Total		**17 455 764**

A-9 Acquisition of collateral

During the current fiscal year , the bank has acquired certain guarantees as follows :

Nature of asset	Book value EGP.000
Lands	21 545

Assets acquired are classified under other assets in the balance sheet and are sold whenever practicable

A/10 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.

	Great Cairo	Alex., Delta and Sinai	Upper Egypt	Other countries	EGP 000 Total
Balances with the Central Bank of Egypt	1 888 407	-	-	-	**1 888 407**
Treasury bills and other governmental notes	8 535 351	-	-	-	**8 535 351**
Due from banks	11 008 060	-	-	2 053 805	**13 061 865**
Loans and facilities to customers					
Individuals Loans					
Debit current accounts	188 951	49 424	15 644	-	**254 019**
Credit cards	20 334	3 343	662	-	**24 339**
Personal loans	289 591	184 143	20 083	-	**493 817**
Corporate Loans					
Over draft	3 447 884	1 861 688	5 187	-	**5 314 759**
Direct loans	2 498 116	129 491	-	-	**2 627 607**
Syndicated loans	5 659 261	63 831	-	-	**5 723 092**
Other loans	3 777 051	201 223	-	-	**3 978 274**
Financial investments					
Debt instruments	9 136 422	-	-	-	**9 136 422**
Other assets	429 253	2 721	195	-	**432 169**
Total at 31 December 2019	**46 878 681**	**2 495 864**	**41 771**	**2 053 805**	**51 470 121**
Total at 31 December 2018	**19 195 459**	**2 257 801**	**11 182**	**2 406 403**	**23 870 845**

Business Segment

The following represents an analysis of the bank's main credit exposure at book value, distributed according to the customers' business and

	individuals	Financial Institutions	Industrial Institutions	Real estate	Governmental sector	Other activates	EGP 000 Total
Balances with the Central Bank of Egypt	-	-	-	-	1 888 407	-	1 888 407
Treasury bills and other governmental notes	-	-	-	-	8 535 351	-	8 535 351
Due from banks	-	8 379 865	-	-	4 682 000	-	13 061 865
Loans and facilities to customers							-
Individuals Loans							-
Debit current accounts	254 019	-	-	-	-	-	254 019
Credit cards	24 339	-	-	-	-	-	24 339
Personal loans	493 817	-	-	-	-	-	493 817
Corporate Loans							-
Over draft	-	-	2 308 626	13 423	3 345	2 989 365	5 314 759
Direct loans	-	681 600	253 978		-	1 692 029	2 627 607
Syndicated loans	-	-	460 888	453 051	2 525 766	2 283 387	5 723 092
Other loans	-	-	835 505	847 552	-	2 295 217	3 978 274
Financial investments :							-
Debt instruments	-	213 612	-	-	8 922 810	-	9 136 422
Other assets	-	-	-	-	-	432 169	432 169
Total at 31 December 2019	**772 175**	**9 275 077**	**3 858 997**	**1 314 026**	**26 557 679**	**9 692 167**	**51 470 121**
Total at 31 December 2018	**519 279**	**1 066 662**	**3 187 913**	**1 416 545**	**10 503 892**	**7 176 554**	**23 870 845**

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

31 December 2019	EGP	USD	Euro	GBP	Other Currencies	EGP.000 Total
Financial assets						
Cash and balance with Central Bank of Egypt	780 933	1 271 332	5 808	1 097	6 788	2 065 958
Due from banks	8 283 021	4 563 663	136 911	64 301	13 316	13 061 212
Treasury bills and governmental notes	8 143 997	-	391 354	-	-	8 535 351
Loans and facilities to customers	9 636 307	5 675 665	60 637	-	-	15 372 609
Financial Investments						
At fair value through comprehensive income (FVTOCI)	4 025 778	927 659	95 290	-	-	5 048 727
At amortized cost	4 820 879	159 863	-	-	-	4 980 742
At fair value through profit or loss (FVTPL)	271 192	41 343	-	-	-	312 535
Other financial assets	747 547	11 261	3 135	8	3	761 954
Total financial assets	**36 709 654**	**12 650 786**	**693 135**	**65 406**	**20 107**	**50 139 088**
Financial liabilities						
Due to banks	2 240 852	779 183	99 979	11 010	5	3 131 029
Customers' deposits	31 783 259	11 699 026	634 583	53 592	11 385	44 181 845
Other loans	479 812	7 741	-	-	-	487 553
Other financial liabilities	1 348 020	99 289	2 604	17	22	1 449 952
Total financial liabilities	**35 851 943**	**12 585 239**	**737 166**	**64 619**	**11 412**	**49 250 379**
Currency concentration risk on financial instruments	**857 711**	**65 547**	**(44 031)**	**787**	**8 695**	**888 709**
Non- financial assets	1 877 268	-	-	-	-	1 877 268
Non- financial liabilities and equity	2 765 977	-	-	-	-	2 765 977
Net financial position	**(30 998)**	**65 547**	**(44 031)**	**787**	**8 695**	**-**

31 December 2018	EGP	USD	Euro	GBP	Other Currencies	Total
Total financial assets	30 044 602	13 677 878	2 278 544	87 687	32 787	46 121 498
Total financial liabilities	28 891 827	13 655 105	2 280 873	88 480	30 101	44 946 386
Other-financial assets	1 288 836	-	-	-	-	1 288 836
Other-financial liabilities and equity	2 459 915	4 033	-	-	-	2 463 948
Net financial position	**(18 304)**	**18 740**	**(2 329)**	**(793)**	**2 686**	**-**

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:

31 December 2019	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 month up to 5 year	More than 5 years	Free Interest	EGP.000 Total
Financial assets							
Cash and balances with Central Bank of Egypt	-	1 246 224	-	-	-	827 403	2 073 627
Due from banks	12 829 916	241 769	-	-	-	50 000	13 121 685
Treasury bills and other Governmental notes	441 575	2 245 250	6 405 381	-	-	-	9 092 206
Loans and facilities to customers	11 759 442	2 475 115	778 979	411 815	397 535	-	15 822 886
Financial Investments							
At fair value through comprehensive income	1 735	177 693	550 258	4 628 421	1 166 329	895 684	7 420 120
At amortized cost	86 594	67 510	1 658 247	5 221 462	424 409	-	7 458 222
At fair value through profit or loss	-	-	-	-	-	312 535	312 535
Other financial assets	-	-	-	-	-	116 582	116 582
Total financial assets	**25 119 262**	**6 453 561**	**9 392 865**	**10 261 698**	**1 988 273**	**2 202 204**	**55 417 863**
Financial liabilities							
Due to banks	2 973 859	161 296	-	-	-	-	3 135 155
Customers' deposits	26 691 651	7 021 911	6 708 276	4 693 638	-	-	45 115 476
Other loans	21 760	16 611	65 056	716 509	-	-	819 936
Other financial liabilities	-	2 520	18 303	61 868	-	-	82 691
Total financial liabilities	**29 687 270**	**7 202 338**	**6 791 635**	**5 472 015**	**-**	**-**	**49 153 258**
The interest re-pricing gap	**(4 568 008)**	**(748 777)**	**2 601 230**	**4 789 683**	**1 988 273**	**2 202 204**	**6 264 604**
31 December 2018							
Total financial assets	21 034 861	13 629 493	5 541 021	2 666 973	1 318 685	3 598 218	47 789 251
Total financial liabilities	18 199 671	12 526 456	10 059 873	4 215 171	7 688	-	45 008 859
Re-pricing gab	**2 835 190**	**1 103 037**	**(4 518 852)**	**(1 548 198)**	**1 310 997**	**3 598 218**	**2 780 392**

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

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 measured at fair value

Due from banks

The carrying amount of variable interest rate of placements and deposits for one day represents reasonable estimate for its fair value. Fair value expected for due to banks with free interest rate is the current value. Fair value expected for deposits bearing fixed interest rate is the current value for those deposits as it is maturity is less than one year.

Loans and credit facilities to customers

Loans and advances are stated net of provision for impairment losses. And the expected fair value for loans and credit facilities is the present value of the expected discounted cash flow that will be collected . The discounting rate will be the discounting rate used to determine the fair value.

D-2 financial instruments not measured at fair value

The Financial investments at amortized cost debt instruments measured at amortized cost for investment certificates for the year end .

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 a minimum amount of 500 million pounds for the issued and paid up capital. The paid-up capital to the bank at the end of the current fiscal year amounted to 2 billion Egyptian pounds
- Maintaining a minimum capital adequacy ratio of 10%, calculated on the basis of the ratio between the sum of the capital elements and the sum of the elements of the assets and contingent liabilities weighted by the risk weights - the prudential pillar, and the minimum capital adequacy criterion is 12.5% during the year 2019.

The numerator in capital adequacy comprises the following 2 tiers:

- **Tier 1**: basic capital which comprises paid-up capital (net of treasury stock), plus: retained earnings and reserves resulting from profit appropriations (other than general reserve for banking risks & special reserve), less: any goodwill previously recognized and any carried forward losses, plus: the carrying amount of other comprehensve income.
- **Tier 2**: subordinated capital which comprises with equivalent amount of the loans provision for debt instrument / Loans and credit facilities at stage 1 which does not exceed 1.25% from the total risk-weighted average of assets and contingent liabilities, plus: the carrying amount of subordinated loans/deposits maturing over more than 5 years (provided that such carrying amount shall be reduced by 20 % of its value in each of the last five years of their maturity),

Assets are risk weighted at a range of 0 to 200%. Risk classification of these assets is based on the type of the debtor as to reflect the associated credit risk and after consideration of cash collaterals. The same treatment is applied for the off-balance sheet items which shall be adjusted to reflect the contingent nature of and potential loss on these amounts.

Capital adequacy Standard had been prepared based on Basel II requirements, and Central Bank of Egypt Board of Directors had approved in its meeting held on December 18, 2012, which had been issued on December 24, 2012 and in accordance with the instructions of the Central Bank of Egypt for the capital adequacy ratio (Basel II)

The tables below summarizes the compositions of Tier 1, Tier 2 and the capital adequacy ratio based on Basel II:

Capital Adequacy Ratio	31 December 2019 EGP.000	31 December 2018 EGP.000 *
Tier one (basic and additional capital)		
Share Capital earnings	2 000 000	2 000 000
Reserves	100 083	100 083
General risk reserve	38 851	152 028
Retained earnings	565 073	516 208
Net profit from period	542 206	-
Supportive deposit difference	1 671	-
Total exclusions from basic and supplementary capital	(103 251)	(82 667)
Total Tier one after exclusions	**3 144 633**	**2 685 652**
Tier two (Supplementary capital)		
45% Balance of special reserve	20 321	20 321
45% of fair value reserve cost for investments by amortized cost	-	14 087
45% of increase in fair value over acquisition cost for investment by amortized cost	-	6 258
supportive deposits	423 329	-
Total provision for impairment losses on contingent liabilities	114 860	197 819
Total tier two before deductions	(13 881)	(45 365)
Deductions from tier two	**544 629**	**193 120**
Total capital	**3 689 262**	**2 878 772**
Conservation buffer from surplus in basic capital after deductions		
Credit risk	21 946 157	18 094 601
Risk of top 50 clients exposures with	3 665 012	3 003 658
Market risk authorized limits	432 375	204 933
Operational risk authorized limits	2 183 303	1 790 309
Total risk weighted assets and contingent liabilities	**28 226 848**	**23 093 501**
Capital adequacy ratio	**13.07%**	**12.47%**

* After GAM approval.

Leverage financial ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on 7 July 2015 on special supervisory instructions related to leverage ratio whichmaintaining aminimum level of leverage ratio of 3% to be reported in quarterly basis to be obligatory ratio started from year 2018.

This ratio will be included in Basel requirement Tier1 in order to maintain Egyptian Banking system strong and safe, as long to keep up with best international regulatory treatments.

Leverage financial ratio reflect relationship between Tier 1 for capital that is used in capital adequacy ratio (after exclusions) and other assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

Ratio Elements
I- The numerator elements
The numerator consists of Tier 1 for capital that is used in capital adequacy ratio (after exclusions) in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE).

II- The denominator elements
The denominator consists of all bank assets (on balance sheet and off-balance sheet) according to financial statements called "Bank exposures" which include total the following:

On balance sheet exposure items after deducting some of Tier I Exclusions for capital base.
Derivatives contracts exposures.
Financing Financial papers operations exposures.
Off-balance sheet items (weighted by credit conversion factor).

Leverage ratio	31 December 2019 EGP.000	31 December 2018 EGP.000
Total tier one after exclusions	**3 144 633**	**2 685 652**
Total balance sheet exposures	52 026 989	47 440 502
Total off- balance sheet exposures	4 114 323	3 569 898
Total on balance sheet exposures and off- balance sheet exposures	**56 141 312**	**51 010 400**
Leverage ratio	**5.60%**	**5.26%**

4-Significant accounting estimates and assumptions
In the application of the bank's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.the estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

A) Impairment of Loans and credit facilities (Expected Credit Loss)
The Bank reviews its Loans and credit facilities portfolio, at least, on a quarterly basis. Management uses its discretionary judgment in determining whether it is necessary to recognize impairment loss in the income statement. This requires it to identify any reliable evidence indicating measurable decline in the expected future cash flows from loan portfolio before identifying any decline for each individual loan.this evidence includes data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default. On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having similar credit risks. Such experience refers to 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 minimize any discrepancy between the estimated loss and actual loss based on management given experience.

B) Debit instruments with amoritized cost
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.

C) Income Tax

The Bank is subject to income taxes in several tax districts regarding overseas branches that require using a significant estimate to determine the total provision of the income taxes. There are some accounts and operations that are hard to comprehensively determine the final tax on them. the Bank records obligations derived from the expected results of tax inspection based on estimates of the emergence probability of additional taxes. When there is a variance between the final taxes' result and the amounts previously recorded, these variances will affect the income tax and the deferred tax provision for the year in which the variance is identified

5 - Geographical segment analysis

Income and expenses to geographical segment For the year ended 31 December 2019	Great Cairo	Alex. ,Delta & Sinai	Upper Egypt	EGP.000 Total
Geographical segment income	1 614 610	349 825	21 104	1 985 539
Geographical segment expense	(924 653)	(89 761)	(12 691)	(1 027 105)
Results of segment work	**689 957**	**260 064**	**8 413**	**958 434**
Income tax	(355 821)	(58 514)	(1 893)	(416 228)
Net profit	**334 136**	**201 550**	**6 520**	**542 206**

Assets and liabilities to geographical segment 31 December 2019				
Geographical segment assets	49 226 448	2 692 186	97 722	52 016 356
Total of assets	**49 226 448**	**2 692 186**	**97 722**	**52 016 356**
Geographical segment liabilities	43 571 489	7 959 646	485 221	52 016 356
Total of liabilities	**43 571 489**	**7 959 646**	**485 221**	**52 016 356**

Income and expenses to geographical segment For the year ended 31 December 2018	Great Cairo	Alex. ,Delta & Sinai	Upper Egypt	EGP.000 Total
Geographical segment income	1 138 971	303 000	12 611	1 454 582
Geographical segment expense	(694 882)	(60 624)	(6 412)	(761 918)
Results of segment work	**444 089**	**242 376**	**6 199**	**692 664**
Income tax	(216 542)	(54 535)	(1 397)	(272 474)
Net profit	**227 547**	**187 841**	**4 802**	**420 190**

Assets and liabilities to geographical segment 31 December 2018				
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**

6 - Net Interest Income

	31 December 2019	31 December 2018
Interest and similar income	**EGP.000**	**EGP.000**
Loans and facilities to Customers	1 892 669	1 618 401
Treasury bills	1 106 201	934 919
Bonds		
Treasury bonds	761 636	481 529
Other bonds	34 184	29 444
Deposits and current accounts with Banks	1 164 646	1 294 024
	4 959 336	**4 358 317**
Interest expenses and similar charges		
Current accounts and deposits :		
- Banks	(69 107)	(108 980)
- Customers	(3 588 401)	(3 282 953)
Other loans	(56 141)	(3 285)
	(3 713 649)	**(3 395 218)**
Net Interest Income	**1 245 687**	**963 099**

7 - Net Fees and Commissions Income

	31 December 2019	31 December 2018
	EGP.000	**EGP.000**
Credit fees and commissions	20 566	11 429
Fees of financing services for corporate	197 382	163 498
Custody fees	2 481	2 074
Other fees	47 406	25 549
	267 835	**202 550**

8 – Dividends Income

	31 December 2019	31 December 2018
	EGP.000	**EGP.000**
Securities at FVTPL	6 223	3 593
Securities at FVTOCI	13 768	40 445
	19 991	**44 038**

9 - Net Trading Income

	31 December 2019	31 December 2018
	EGP.000	**EGP.000**
Gain of trading foreign currencies exchange	173 049	51 778
Translation differences of equity instruments at FVTPL	(3 912)	317
Gain of sale of debt instruments through profit or loss	-	230
Differences from revaluation of equity instruments at FVTPL	8 778	2 381
	177 915	**54 706**

10 - Administrative Expenses

	31 December 2019	31 December 2018
	EGP.000	**EGP.000**
Wages and salaries	397 146	361 593
Social Insurance	102 766	95 241
Other administrative expenses	394 189	278 584
	894 101	**735 418**

11- Other operating income

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Gain on sale of property and equipment	22 366	10 089
Other income	153 765	192 123
Net (charged) no longer required of other provisions	(7 281)	(2 035)
Other expenses	(2 915)	(4 703)
	165 935	**195 474**

12 - Income tax expense

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Current taxes	(408 005)	(271 611)
Deferred taxes (note 29)	(8 223)	(863)
	(416 228)	**(272 474)**

Note (29) included addational information for deffered income tax

Adjustments to calculate the effective tax rate	31 December 2018	31 December 2018
	EGP.000	EGP.000
Profit before tax	**958 434**	**692 664**
Tax rate	22.5%	22.5%
Income tax of accounting profit	**215 648**	**155 849**
Add /(less)		
Non-deductible expenses for tax purposes	140 435	17 783
Non taxable income	(219 921)	(59 537)
Provisions impact	(15 302)	18 358
Depreciation impact	(9 818)	(7 223)
Separate pool tax	165 855	-
Treasury bills and bonds taxes	131 108	146 381
Expenses income tax	**408 005**	**271 611**
Effective tax rate	**42.57%**	**39.21%**

13 - Charge of impairment credit losses

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Loans and facilities to customers	(135 238)	(26 500)
Due from Central Bank of Egypt	31	-
Due from banks	(317)	-
Treasury bills	1 202	-
Debt instruments at amortized cost	639	-
Debt instruments at FVTOCI	679	-
	(133 004)	**(26 500)**

14 - Earnings per share

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Net profit for the year	542 206	420 190
Staff profit share	(37 253)	-
Remuneration for board members*	(11 000)	-
Profit available to shareholders	493 953	420 190
The weighted average number of the shares outstanding (share thousand)	200 000	200 000
Earnings per share (EGP/share)	**2.47**	**2.10**

Estimate amount based on bank approved budget. The actual amount will be subject to the ordinary AGM approval at the end year.

15- Cash and Due from Central Bank of Egypt

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Cash	179 357	281 083
Deposits with CBE mandatory reserve	1 888 407	2 944 715
Less: Allowance for impairment losses	(1 806)	-
	2 065 958	**3 225 798**
Interest free balances	827 403	2 199 707
Balances at floating interest rates	1 240 361	1 026 091
Less: Allowance for impairment losses	(1 806)	-
	2 065 958	**3 225 798**

16 - Due from banks	31 December 2019	31 December 2018
	EGP.000	EGP.000
Current accounts	328 905	109 838
Deposits	12 732 960	20 538 210
Less: Allowance for impairment losses	(653)	-
	13 061 212	**20 648 048**
Balances at CBE other than those under the mandatory reserve	4 682 000	10 273 000
Local banks	6 326 060	7 968 645
Foreign banks	2 053 805	2 406 403
Less: Allowance for impairment losses	(653)	-
	13 061 212	**20 648 048**
Interest free balance	328 905	109 838
Balances at floating interest rate	12 732 960	20 538 210
Less: Allowance for impairment losses	(653)	-
	13 061 212	**20 648 048**
Current balances	**13 061 212**	**20 648 048**

17 - Treasury bills and other governmental notes	31 December 2019	31 December 2018
	EGP.000	EGP.000
Treasury bills		
Maturity 91 days	928 875	206 000
Maturity 182 days	5 064 500	159 000
Maturity 273 days	1 140 350	1 337 450
More the 364 day matuitry	1 958 481	2 388 658
	9 092 206	**4 091 108**
Less :		
Unearned interest less than 91 days	(29 990)	(109)
Unearned interest more than 91 days	(447 504)	(233 929)
Sold treasury bills with re-purchasing	(75 667)	(15 500)
Allowance for impairment losses	(3 694)	-
Net	**8 535 351**	**3 841 570**

18 - Loans and facilities to customers	31 December 2019	31 December 2018
	EGP.000	EGP.000
Retail		
Debit current accounts	254 019	323 411
Credit cards	24 339	17 661
Personal loans	493 817	178 207
Total (1)	**772 175**	**519 279**
Corporate including SMEs		
Overdraft	5 314 759	4 223 222
Direct loans	2 627 607	2 488 821
Syndicated loans	5 723 092	4 972 046
Other loans	3 978 274	4 618 940
Total (2)	**17 643 732**	**16 303 029**
Total loans and facilities to customers (1+2)	**18 415 907**	**16 822 308**
Less:		
Impairment losses provision	(2 678 874)	(2 915 049)
Interest in suspense	(357 126)	(389 377)
Interest under settlement	(7 298)	(20 325)
	15 372 609	**13 497 557**
Net loans and facilities to customers distributed to:		
Current balances	5 269 232	4 954 004
Non-current balances	10 103 377	8 543 553
	15 372 609	**13 497 557**

Allowance of impairment losses

Analysis of the movement of the impairment loss provision for loans and facilities to customers :

31 December 2019	Retail			Total
	Current accounts	Credit Cards	Personal Loans	
	EGP.000	EGP.000	EGP.000	EGP.000
Balance at beginning of the Year	32 167	-	-	32 167
Transferred	6 007	4 407	8 670	19 084
	38 174	**4 407**	**8 670**	**51 251**

	Corporate				Total
	Overdraft	Direct Loans	Syndicated Loans	Other Loans	
	EGP.000	EGP.000	EGP.000	EGP.000	EGP.000
Balance at beginning of the Year	390 006	3 315	9 407	2 480 154	**2 882 882**
Impact of adopting IFRS 9	-	-	-	97 691	**97 691**
Restated openning balance	**390 006**	**3 315**	**9 407**	**2 577 845**	**2 980 573**
Charged of impairment	-	-	-	135 238	**135 238**
Used	-	-	-	(303 629)	**(303 629)**
Transferred	(364 740)	102 650	5 970	274 762	**18 642**
Foreign exchange translation differences	-	-	-	(203 201)	**(203 201)**
	25 266	**105 965**	**15 377**	**2 481 015**	**2 627 623**
					2 678 874

31 December 2018	Retail			Total
	Current accounts	Credit Cards	Personal Loans	
	EGP.000	EGP.000	EGP.000	EGP.000
Balance at beginning of the Year	32 167	-	-	32 167
	32 167	**-**	**-**	**32 167**

	Corporate				Total
	Overdraft	Direct Loans	Syndicated Loans	Other Loans	
	EGP.000	EGP.000	EGP.000	EGP.000	EGP.000
Balance at beginning of the Year	390 006	3 315	9 407	4 179 101	**4 581 829**
Charged of impairment	-	-	-	26 500	**26 500**
Used	-	-	-	(1 682 898)	**(1 682 898)**
Transferred	-	-	-	(68 803)	**(68 803)**
Foreign exchange translation differences	-	-	-	26 254	**26 254**
	390 006	**3 315**	**9 407**	**2 480 154**	**2 882 882**
					2 915 049

19 –Financial investments

	31 December 2019 EGP.000	31 December 2018 EGP.000
At FVTOCI		
a)Debt instruments at FVTOCI		
Listed in stock exchange market	4 153 284	87 889
	4 153 284	**87 889**
b) Equity instruments at FVTOCI		
Listed in stock exchange market	3 123	175 623
Unlisted in stock exchange market	877 841	1 025 784
	880 964	**1 201 407**
c) Mutual funds		
Unlisted in stock exchange market	14 479	-
	14 479	**-**
Total financial investments at FVTOCI (1)	**5 048 727**	**1 289 296**
At Amortized Cost		
Debt instruments		
Listed in stock exchange market	4 983 138	2 862 952
Unlisted in stock exchange market	-	25 000
Less: Allowance for impairment losses	(2 396)	(2 500)
Total financial investments at Amortized Cost (2)	**4 980 742**	**2 885 452**
At FVTPL		
a)debt instruments at FVTPL		
Listed in stock exchange market	-	5 594
	-	**5 594**
b) Equity instruments at PVTPL		
Listed in stock exchange market	201 022	32 418
	201 022	**32 418**
c)Mutual funds		
Unlisted in stock exchange market	111 513	113 482
	111 513	**113 482**
Total financial investments at FVTPL (3)	**312 535**	**151 494**
Total Financial investments (1+2+3)	**10 342 004**	**4 326 242**
Current assets	9 338 171	3 164 476
Not current assets	1 003 833	1 161 766
Total Financial investments	**10 342 004**	**4 326 242**
Fixed interest debt instruments	8 922 810	2 785 841
Floating interest debt instruments	213 612	165 000

*Includes seed capital in mutual funds established by the bank (note37)

Summary of the financial investment movement

	FTVOCI EGP.000	At amortized cost EGP.000	Total EGP.000
Balance at beginning for the year 2019	1 289 296	2 885 452	4 174 748
Impact of adopting IFRS 9	8 725	(183 969)	(175 244)
Restated opening balance	1 298 021	2 701 483	3 999 504
Addition	4 152 884	2 738 861	6 891 745
Disposal (redemption/maturity)	(351 631)	(428 509)	(780 140)
Foreign exchange of translations differences	(2 199)	(19 657)	(21 856)
Net change in fair value	(47 223)	-	(47 223)
Amortization of (discount/premium)	(1 125)	(11 103)	(12 228)
Less: Allowance for impairment losses	-	(333)	(333)
	5 048 727	4 980 742	10 029 469
Balance at beginning for the year 2018	2 616 222	2 837 414	5 453 636
Addition	239 881	1 593 020	1 832 901
Disposal (redemption/maturity)	(1 586 616)	(1 550 683)	(3 137 299)
Foreign exchange of translations differences	106	1 954	2 060
Net change in fair value	33 395	4 106	37 501
Amortization of (discount/premium)	(1 309)	(359)	(1 668)
Less: Allowance for impairment losses	(12 383)	-	(12 383)
	1 289 296	2 885 452	4 174 748

Gain on Financial Investments

	31 December 2019 EGP. 000	31 December 2018 EGP. 000
Gain on sale of associate	20 247	2 857
Gain on sale of debt instrument at FVOCI	27 075	-
Allowance for impairment losses of associate	(23 907)	-
Impairment of financial securities at FVTOCI	-	(12 384)
	23 415	(9 527)

20-Investments in associates	The bank's stake	31 December 2018	transfer from other portfolios	Share of profit of associates	Additions	Dividends	Disposal/ sale	31 December 2019
		EGP.000	EGP.000	EGP.000	EGP.000	EGP.000	EGP.000	EGP.000
Suez Canal for development and trade	20.00%	9 858	-	(168)	-	-	-	9 690
Alexandria for financial investments	20.00%	8 637	-	-	-	-	-	8 637
Al Maadi for touristic investments and entertainmei	29.70%	9 959	-	399	-	(276)	-	10 082
Credit guarantee company	9.10%	-	1 418	31 278	-	-	-	32 696
Orientals for industrial projects	10.00%	-	5 250	1 858	3 000	-	-	10 108
Egyptian group real estate	10.57%	-	6 587	8 899	-	-	-	15 486
Elshorouk for markets and shops	66.78%	-	-	42 495	11 295	-	-	53 790
Egyptian Arab insurance group	5.00%	-	3 750	-	-	-	(3 750)	-
		28 454	**17 005**	**84 761**	**14 295**	**(276)**	**(3 750)**	**140 489**
Allowance for impairment losses								**(23 907)**
								116 582

21 – Intangible assets	31 December 2019	31 December 2018
	EGP.000	EGP.000
Cost at beginning for the year	36 301	50 757
Additions	21 095	6 804
Disposals	-	(21 260)
Total cost	**57 396**	**36 301**
Accumulated amortization at beginning for the year	(20 007)	(34 885)
Amortization	(6 255)	(6 382)
Disposals	-	21 260
Accumulated amortization	**(26 262)**	**(20 007)**
NBV	**31 134**	**16 294**

22 – Other assets	31 December 2019	31 December 2018
	EGP.000	EGP.000
Accrued revenues	432 169	366 766
Prepaid interest	32	38
Prepaid expenses	20 261	31 778
Advanced payments for acquisition of property and equipment	620 856	173 479
Foreclosed asset reverted to the bank in settlement of debts	517 949	499 194
Deposits and custody	20 261	17 389
Others	172 649	137 864
	1 784 177	**1 226 508**

23 – Property and equipment

	Lands	Buildings and construction	Integrated automated systems	Vehicles	Machinery & Equipment	Fixtures & fitting	Furniture	Total
	EGP.000	**EGP.000**	**EGP.000**	**EGP.000**	**EGP.000**	**EGP.000**	**EGP.000**	**EGP.000**
Cost	88 934	402 475	64 607	22 853	46 579	70 375	18 283	714 106
Accumulated depreciation	-	(62 978)	(43 753)	(13 680)	(15 420)	(56 806)	(10 566)	(203 203)
NBV as at 1 January 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	-	(10 903)	(6 151)	(2 050)	(5 925)	(9 254)	(1 629)	(35 912)
Disposals from accumulated depreciation	-	60	-	4 114	-	-	-	4 174
NBV as at 31 December 2018	**88 934**	**341 975**	**28 724**	**7 123**	**60 180**	**50 802**	**22 125**	**599 863**
Cost	88 934	415 796	78 628	18 739	81 525	116 862	34 320	834 804
Accumulated depreciation	-	(73 821)	(49 904)	(11 616)	(21 345)	(66 060)	(12 195)	(234 941)
NBV as at 1 January 2019	**88 934**	**341 975**	**28 724**	**7 123**	**60 180**	**50 802**	**22 125**	**599 863**
Additions	-	64 054	29 393	2 835	19 072	32 298	13 096	160 748
Disposals	-	(11 948)	-	(1 809)	-	(21)	-	(13 778)
Depreciation	-	(11 956)	(11 113)	(2 528)	(9 840)	(4 960)	(3 198)	(43 595)
Disposals from accumulated depreciation	-	2 280	-	1 809	-	2	-	4 091
NBV as at 31 December 2019	**88 934**	**384 405**	**47 004**	**7 430**	**69 412**	**78 121**	**32 023**	**707 329**
Cost	88 934	467 902	108 021	19 765	100 597	149 139	47 415	981 773
Accumulated depreciation	-	(83 496)	(61 017)	(12 335)	(31 185)	(71 018)	(15 393)	(274 444)
NBV as at 31 December 2019	**88 934**	**384 406**	**47 004**	**7 430**	**69 412**	**78 121**	**32 021**	**707 329**

*Property and equipment at the balance sheet include an amount of EGP 88 million represent assets not registered and legal department in-process to register these assets are being undertaken

24 –Due to banks	31 December 2019	31 December 2018
	EGP.000	EGP.000
Current accounts	291 569	160 861
Deposits	2 839 460	4 906 210
	3 131 029	**5 067 071**
Central banks	82 804	76 156
Local banks	2 756 258	23 278
Foreign banks	291 967	4 967 637
	3 131 029	**5 067 071**
Free interest rate balance	291 569	122 386
Fixed interest rate balance	2 839 460	4 944 685
	3 131 029	**5 067 071**
Current balances	**3 131 029**	**5 067 071**

25- Customer's deposits	31 December 2019	31 December 2018
	EGP.000	EGP.000
Demand deposits	10 559 358	10 270 937
Time deposits and call accounts	24 639 165	21 031 395
Term saving certificates	5 386 831	4 012 356
Savings deposits	2 032 231	2 002 279
Other deposits	1 564 260	1 319 021
	44 181 845	**38 635 988**
Corporate deposits	32 599 925	31 056 639
Retail deposits	11 581 920	7 579 349
	44 181 845	**38 635 988**
Free interest rate balance	627 098	461 363
Fixed interest rate balance	38 127 137	34 956 375
Floating interest rate balance	5 427 610	3 218 250
	44 181 845	**38 635 988**
Current balances	39 171 099	34 711 478
Non-current balances	5 010 746	3 924 510
	44 181 845	**38 635 988**

26 - Other Loans Description	Interest Rate	Maturity date	31 December 2019 EGP.000	31 December 2018 EGP.000
CIB Loan	8%	Jan 2019	-	24 000
CIB Loan	8%	Nov 2020	13 000	-
Arab trade financing program	Variable	Mar 2021	7 741	-
project development authority loans	Variable	Feb 2024	71 695	37 500
Two subordinated deposits **	15%	May 2024	299 524	-
Two subordinated deposits ***	13.1%	Dec 2024	95 593	-
			487 553	**61 500**
Current balances			13 000	24 000
Non-current balances			474 553	37 500
			487 553	**61 500**

*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.

** In accordance with the bank`s general assembly meeting approval dated 31 January 2019, a subordinated deposit contract were signed on February 2019 with Arab Contractors Employees Insurance Fund amounted to EGP 325 Million to support tier two of the bank Capital Base in the calculation of Capital Adequacy Ratio in accordance with basel guidelines and to maintain CBE enacted ratio.

The duration of the subordinated deposit is 63 months starts from February 2019 and to be paid at the end of the period in full, An annual contractual interest of 15% is calculated on the deposit value and to be paid every three months. Present value is calculated using an interest rate of 17.59% in accordance to CBE instructions.

*** In accordance with the bank`s general assembly meeting approval dated 31 January 2019, a subordinated deposit contract were signed on September 2019 with Arab Contractors Employees Insurance Fund amounted to EGP 100 Million to support tier two of the bank capital base in the calculation of Capital Adequacy Ratio in accordance with basel guidelines and to maintain CBE enacted ratio.

The duration of the subordinated deposit is 63 months starts from September 2019 and to be paid at the end of the period in full, An annual contractual interest of 13.1% is calculated on the deposit value and to be paid every three months. Present value is calculated using an interest rate of 14.35% in accordance to CBE instructions.

27 - Other liabilities

	31 December 2019 EGP.000	31 December 2018 EGP.000
Accrued interest	374 761	397 548
Unearned revenues	15 783	17 049
Accrued expenses	168 326	56 291
Creditors	4 515	1 605
Other payables	271 809	167 240
	835 194	**639 733**

28 - Other Provisions

	31 December 2019 EGP.000	31 December 2018 EGP.000
Balance at the beginning of the year	106 373	109 428
Impact of adopting IFRS 9	6 708	-
Restated opening balance	**113 081**	**109 428**
Net foreign currencies translation differences	(2 012)	202
Charged Provision	14 091	2 035
Provision no longer required	(6 810)	-
Transferred	(40 187)	68 803
Used	(15 675)	(74 095)
	62 488	**106 373**

29 - Deferred tax assets and liabilities

Deferred tax has been calculated on all temporary tax differences using the balance sheet method and using the expected tax rate on a time that the Bank will recognize abenefit from assets / incurred liabilities

Balance of deferred tax assets and liabilities are as follows:	31 December 2019 EGP.000		31 December 2018 EGP.000	
	Asset	Liability	Asset	Liability
Depreciation of Property and equipment	-	(25 374)	-	(24 370)
Other provisions (other than loan provision, contingent liabilities and taxes claims)	1 614	-	8 833	-
Debt instruments at FVTOCI	-	(24 004)	-	-
Equity instruments at FVTOCI	37 700	-	-	-
Total deferred tax asset liability	**39 314**	**(49 378)**	**8 833**	**(24 370)**
Net tax deferred tax liability	**-**	**(10 064)**	**-**	**(15 537)**

Movement deferred tax assets and liabilities are as follows:	31 December 2019 EGP.000		31 December 2018 EGP.000	
	Asset	Liability	Asset	Liability
Balance at the beginning of the year	8 833	(24 370)	2 637	(17 311)
Depreciation of Property and equipment	-	(1 004)	-	(7 059)
Other provisions (other than loan provision, contingent liabilities and taxes claims)	(7 219)	-	6 196	-
Debt instruments at FVTOCI	-	(24 725)	-	-
Disposal	-	721	-	-
Equity instruments at FVTOCI	37 700	-	-	-
	39 314	**(49 378)**	**8 833**	**(24 370)**

30- Capital

(A) Authorized Capital

Authorized capital amounted to EGP. 5 billion as of December 31,2019 . on April 4, 2019, extra ordinary meeting approved an increase in licensed capital by EGP 3 billion to EGP 5 billion and record has been marked at commercial register

(B) Issued and paid - up capital

Issued and paid – up capital amounted to EGP. 2 billion distributed on 200 million shares with nominal value of EGP. 10 each

31. Reserves

	31 December 2019 EGP.000	31 December 2018 EGP.000
Legal reserve	36 842	16 337
General reserve *	24 117	24 117
Special reverse (c-1)	45 158	45 158
Capital reserve	39 124	29 034
Fair value reserve (c-2)	(46 967)	36 725
General risk reserves	38 851	-
General bank risk reserve **(c-3)	33 896	15 931
IFRS9 risk reserve***	-	152 028
	171 021	**319 330**

*The value of residual amount from issuing expenses of capital increase from EGP. 1 billion to EGP. 2 billion.

**In accordance with the instructions of the CBE, the general banking risk reserve is supported annually by 10%of the value of the assets owned by the Bank in return for debt if these assets are not disposed of within the period specified in the law.

***In accordance with the instructions of the CBE to apply IFRS 9 , as of 1 January 2019 the special reserve -credit, general bank risk reserve -credit and IFRS 9 risk is to be combined in one reserve under the name of general risk reserve. The difference between the provisions required under IFRS 9 and the provisions required in accordance with previous instructions will be deducted from general risk reserve

31/A- Special reverse

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Balance of opening for the year	45 158	45 158
	45 158	**45 158**

31/B- Fair Value reserve

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Balance of opening for the year	36 725	(776)
Impact of adopting IFRS 9	(45 008)	-
Net change in FVOCI	(38 684)	37 501
	(46 967)	**36 725**

31/C- General banking risk reserve

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Balance of opening for the year	15 931	854
Transferred from retained earnings	18 215	16 077
Transferred to retained earnings	(250)	(1 000)
	33 896	**15 931**

32. Subordinated deposits difference between NV and PV

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Balance of opening for the year	-	-
Present value difference about the nominal value of the subordinated deposit	33 027	-
Amortization of difference of supportive deposit	(3 144)	-
	29 883	**-**

33.Net profit for the year and retained earnings

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Balance of opening for the year	564 802	205 060
Impact adopting of IFRS 9	45 687	-
Transferred to legal reserve	(20 505)	(16 337)
Transferred to capital reserve	(10 090)	(29 034)
Transferred to general banking risk reserve	(18 215)	(16 077)
Transferred from general banking reserve	250	1 000
Amortization of difference of supportive deposit	3 144	-
Net profit for the year	542 206	420 190
	1 107 279	**564 802**

34-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 December 2019	31 December 2018
	EGP.000	EGP.000
Cash and cash due from CBE (note 15)	179 357	281 082
Due from banks (note 16)	11 011 865	15 998 049
Treasury bills and other governmental notes (note 17)	898 885	206 000
	12 090 107	**16 485 131**

35- Contingent and commitments liabilities

A-Legal claims :

There is a number of existing cases against the bank without provision as the bank doesn't expect to incur losses from it. A provision for legal cases that are expected to generate losses has been created amounted to EGP 2,254 thousand as current year (prior year: amounted to EGP 34 334 thousand)

B-Capital commitments:

B/1 - Fixed assets and branches of equipment

The Bank is a party to contracts for fixed assets purchase contracts and branches preparations commitments "building, furniture, amounting to EGP 783 895 as current year (EGP 134 938 thousand prior year). Management is sufficiently confident that net profit shall be realized and finance shall be made available to cover these commitments.

B/2 - Financial Investments

The capital commitments for the financial investments reached on the date of financial position as follows:

	Amount	Amount Paid	Amount Remaining
Financial investments in associate	**19 108**	**10 108**	**9 000**

C-Contingent liabilities:

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Letters and financial of guarantees	3 858 506	3 850 243
Letter of credits import, export and facilities of suppliers	2 150 374	2 868 133
	6 008 880	**6 718 376**

D- Credit facilities commitments

	31 December 2019	31 December 2018
	EGP.000	EGP.000
Credit facilities commitments	**1 937 240**	**1 126 056**

E- Commitments under operating lease contracts	31 December 2019 EGP.000	31 December 2018 EGP.000
Not more than one year	16 558 724	12 564 562
More than one year and less than 5 years	72 524 034	51 189 127
More than 5 years	5 964 908	6 026 378
	95 047 666	69 780 067

36- Related party transactions

The bank deals with its related parties 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 credit facilities to related parties: **Loans and facilities to customers**	**31 December 2019 EGP.000**	**31 December 2018 EGP.000**
Balance at beginning for the year	18 836	17 223
Issued loans	-	3 780
Collected loans	(6 443)	(2 167)
Net foreign exchange difference	(794)	-
	11 599	**18 836**

B) Deposits from related parties:	**31 December 2019 EGP.000**	**31 December 2018 EGP.000**
Balance at beginning for the year	222 205	503 052
Deposits received	25 345	200 279
Deposits redeemed	(165 913)	(481 135)
Net foreign exchange difference	(209)	9
	81 428	**222 205**

C) Other	**31 December 2019 EGP.000**	**31 December 2018 EGP.000**
Due from banks	820 934	23 037
Investment in associates	118 615	28 454
Due to banks *	160 604	4 916 098
Other loans	395 117	-
Other payables	372	372

* This balance has been reduced by judicial executive custody

In accordance with the instructions of the Central Bank of Egypt (CBE) rules in 23 August 2011. The monthly average of net salaries and benefits for top 20 employees with the largest salaries and benefits reached EGP 3 136 344 during the current year

37-Money Market and balanced Funds

A) Suez canal first fund with cumulative, periodical and distribution return

The bank has set-up an investment fund under the name of first suez canal with accumulated and distribution return as one of the banking activities licensed to the bank in accordance with the provisions of the Captial Market Law No. 95 of 1992 and its Executive Regulations No. 22 of 1996. HC is managing this fund. first suez canal fund initial offering was for 200 000 certificates at nominal value of EGP 100 000 000, of which 10 000 certificates worth of EGP 5 000 000 were subscribed by the bank at that time.

Total number of the bank outstanding certificates at 31 December 2019 reached 71 800 at total value of EGP 36 060 114, the bank has 10 000 certificates worth of EGP 5 022 300 classified as fair value through other comprehensive income, and 61 800 certificates of EGP 31 037 814 classified as fair value through profit or loss.

Total number of the fund outstanding certificates at 31 December 2019 reached 78 458 and closing price EGP 502.23 per certificate

According to the management agreement and the fund's prospectus, the Bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions as of 31 December 2019 amounting to EGP 383 393 have been reported in the "fees and commission income" line item in the income statement and till now no return for the bank.

B) suez canal Second Fund of the bank-Agial with accumulative and periodical return
The bank has set-up an investment fund under the name of second suez canal with accumluated return as one of the banking activities licensed to the bank in accordance with the provisions of the Captial Market Law No. 95 of 1992 and its Executive Regulations No. 22 of 1996. Bilton is managing this fund. second suez canal fund initial offering was for 10 000 000 certificates at nominal value of EGP 100 000 000, of which 500 000 certificates worth of EGP 5 000 000 were subscribed by the bank at that time.

Total number of the bank outstanding certificates at 31 December 2019 reached 709 671 at total value of EGP 10 687 645, the bank has 500 000 certificates worth of EGP 7 530 000 classified as fair value through other comperhensve income, and 209 670 certificates of EGP 3 157 645 classified as fair value through profit or loss.

Total number of the fund outstanding certificates at 31 December 2019 reached 1 090 400 and closing price EGP 15.06 per certificate

According to the management agreement and the fund's prospectus, the Bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions as of 31 December 2019 amounting to EGP 103 000 have been reported in the "fees and commission income" line item in the income statement and till now no return for the bank.

38 -Tax position

A. Corporate income tax:

For the years from 1978 till 2004, inspection completed and the bank has paid amounts due .

For the years from 2005 and 2006, inspection completed and resulted in tax losses.

For the year from 2007 to 2014 inspection completed and the banks appealed to an internal committee and paid all taxes due except for retained tax losses which will be settled as part of the agreement between tax authority and Egyptian Bank Fedration, thus no taxes due regarding this period.

For the year from 2015 to 2018 the bank had submitted the annual tax return in due date and there is no taxes due .

B . Salaries tax:

For the years from 1978 till 2017, actual inspection for the employees salary tax was completed and settlement for the period from the beginning of activity commencing and till 2017 has been paid, according this satiation no taxes on the bank for the year ended

For the year 2018 the salary tax is deducted and paid regularly to the tax authority in accordance to law

C . Stamp duty tax:

For the periods beginning from the activity commencing date and till 31 July 2006 , the inspection completed for all branches in accordance with law no. 111 of the year 1980 and the bank have paid all the amounts due .

For the period from 1 August 2006 to 31 December 2018, the bank has been completed re-inspection in accordance with Law No. 143 for the year 2006, and the bank has paid all the amounts due according to the results of the inspection, and there are no taxes due on the bank till the end of 2018.

For the years 2019, the bank paid stamp duty tax based on highest utilizationof debit balance for each quarter period in accordance to Law No.of the year 2013.