Embracing the Future

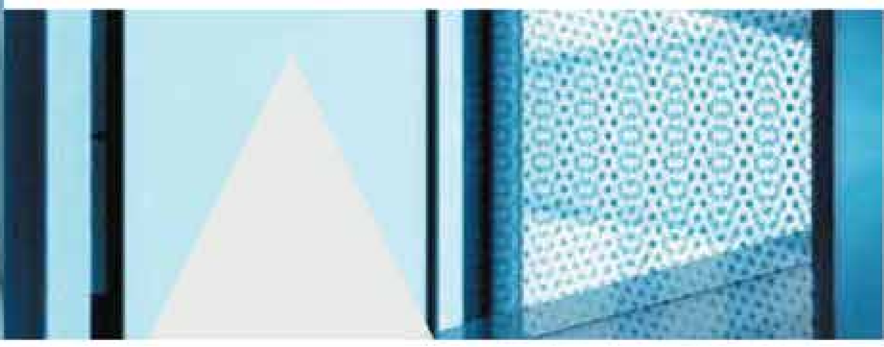
Bank ABC

Bank ABC - Egypt
Annual Report 2019

Contents

Our Promise

"A team committed to your success."



Strategic Intent

To be MENA's leading international bank.

Our Objectives

To create a high-performing client-centric bank.

To continue to grow primary banking franchises in MENA and Brazil.

To seek inorganic opportunities that will complement our primary markets, international network and capabilities.

To enhance the Group's operating model whilst preserving our organisational health.

Core Values

Client Centric

We are committed to knowing our customers and developing long-term relationships.

Collaborative

We work together as one team across our international network, providing a superior client experience.

Consistent

We are trusted to deliver every time in the right way, demonstrating integrity to all our stakeholders.

Directors' Report

Perhaps one of the most prominent results of success of the economic reform program is the increase in foreign reserves of the Central Bank of Egypt to their highest levels ever to reach 45.4 billion dollars by the end of December 2019 and the increase in the growth rate to reach 5.6% during 2018/2019 driven by increased exports and investment, as they witnessed more facilitation through more flexible monetary policy. Fitch Ratings also has affirmed the Egyptian economy a credit rating at (B+) with a positive outlook.

Dr. Yousef Al Awadi
Chairman

On behalf of the Board of Directors,
I would like to extend my gratitude and appreciation to you all for accepting our invitation to attend the 37th Ordinary General Assembly Meeting of
Arab Banking Corporation in Egypt.
I am pleased to review the annual report of the results of the Bank's work during 2019, starting this report with an overview of local and global economic conditions.

Local and Global Economic Conditions

The Local Level

Testimonies from international financial and evaluation institutions follow the success of the Egyptian economic reform program which was implemented over three years, which was represented in taking bold decisions taken by the Egyptian government and the Central Bank of Egypt to liberalise the Egyptian pound exchange rate in November 2016. And what followed of great reform measures and reducing energy subsidies that enabled the economy to pass through the crisis and overcome the risk phase and achieve its main goal of macroeconomic stability, which is one of the requirements for attracting investments, increasing growth and creating job opportunities. World Bank expected Egypt to maintain its rates of macroeconomic growth and the economic growth rate is expected to reach 6% in 2020/2021 as a result of the continuous economic reforms and the improvement of the investment environment

Perhaps one of the most prominent results of success of the economic reform program is the increase in foreign reserves of the Central Bank of Egypt to their highest levels ever to reach 45.4 billion dollars by the end of December 2019 and the increase in the growth rate to reach 5.6% during 2018/2019 driven by increased exports and investment. As they witnessed more facilitation through more flexible monetary policy. Fitch Ratings also has affirmed the Egyptian economy a credit rating at (B+) with a positive outlook..

2019 also witnessed the opening of a number of development projects in various governorates, which highly contributed to reducing the unemployment rate and pushing the development process further. The positive results of these reforms are the continuous decline in annual inflation rates to reach about 7.1%, and the annual rate of core inflation has recorded 2.4% by the end of December 2019.

The improvement in the current account also continued in the balance of payments and deficits in the government budget, which includes a decrease in the interest rate, which is 12.25% in deposits, and 13.25% in lending by the end of 2019, compared to 16.75% in deposits, and 17.75% in lending by the end of 2018, 18.75% in deposits, 19.75% in lending by the end of 2017. Along with increased tourism revenues, the Suez Canal, tax revenue, natural gas, remittances from Egyptians working abroad, and an increase in the value of the Egyptian pound versus the dollar by 11% till the end of 2019.

All these positive developments will have a positive impact on the investment climate and the business environment in Egypt, and it is worth noting that these reforms have strengthened, in particular, the confidence of the Arab Banking Corporation, the parent bank, with the great potential of the Egyptian economy and its great and continuous support for the institution's bank in Egypt. And we are determined to be an active partner which uses all the capabilities to serve the Egyptian economy.

Directors' Report (continued)

And that the strongest evidence of our belief in Egypt's economic future is investing in the new administrative headquarters in New Cairo region, having the aim of providing the appropriate environment for workers in a manner that facilitates the performance of their work as well as the Bank's customers. In addition, the Bank provided many banking products that aim to stimulate small and medium loan operations. The Bank was also interested in modernising the technology environment allowing it to provide digital banking services to customers within the next period.

The Global Level

2019 witnessed many global economic conflicts, the most prominent of which were the trade barriers that the United States led towards a group of countries, especially China, and this led to a decline in the rate of growth in the global economy to about 3% in 2019, down from 3.7% in 2018 and 3.8% in 2017.

The decline in the growth rate of the global economy and the increase in the severity of trade barriers had the greatest impact on the decline in the growth rate of international trade to 1% during the first half of 2019, which is the slowest rate witnessed in international trade since 2012, according to the estimates of the International Monetary Fund in its report on global economic prospects by the end of 2019.

It was natural for the weak economic growth rate to cast a shadow on the monetary policy makers, as the majority of the countries of the world headed by America, China, and Europe tended to reduce the interest rate in banks in order to revive domestic demand in order to stop the negative effects of the decline in the growth rate. But the last weeks of 2019 witnessed two important events: the announcement that the United States and China will reach a partial agreement to end the commercial fee crisis between them, which led to the improvement of some economic indicators in the global stock exchanges and the global oil market, and the second, Britain resolved to leave the European Union.

The Results of the Bank's Activities

During 2019, by the Bank's team, the Bank was able to accomplish a new challenge to demonstrate the capabilities of the Bank supported by the efforts, cooperation and experience of the Arab Banking Corporation Group - Bahrain (the parent bank) and all units of the Group, which is to meet the challenges of the new accounting standards IFRS 9 (Financial Instruments) Which will have a significant role in increasing the allocations, as well as the capital adequacy, as well as amending some provisions of the executive regulations of Law No. 91 of 2005 regarding yields of bonds and treasury bills mentioned in Article No. 58 of the Income Tax Law. Also, interest rates recorded decreases during the year 2019, which reached 4.5%, which negatively affected the profitability of the Bank.

On one hand, work was done during 2019 to maximize the return of the Bank's investments in the Egyptian market, where the necessary plans were supported to continue the Bank's business growth and identify safer financing opportunities to support the Bank's financing base by launching many new competitive banking products to attract a larger segment of customers of the bank. On the other hand, the prices of banking services applied in the Bank were re-examined, as well as the re-pricing of financing for some sectors and clients according to the credit risk of each of them. The Bank also paid special attention to settling many bad loans in companies' and individuals' fields leading to the improvement of the quality of the Bank's credit portfolios.

The Results of the Bank's Activities during the Year

The total financial position of the Bank amounted to 13315.3 million Egyptian pounds in 31/12/2019, and the Bank's activity for the fiscal year 2019 resulted in a net profit of 172.9 million Egyptian pounds.

The net user of loans and advances granted to customers in 31/12/2019 is 4275.4 million Egyptian pounds, compared to 4393.4 million Egyptian pounds in 31/12/2018, with a decrease of 118.0 million Egyptian pounds, at a rate of 2.7%, due to the decrease in the net balance of corporate loans by about 354.4 million Egyptian pounds, and an increase in the net loan balances of individuals, by about 236.4 million Egyptian pounds.

Total customers deposits balances of various types is 10603.6 million Egyptian pounds in 31/12/ 2019.

Total property rights balances in 31/12/2019 is 1882.1 million Egyptian pounds compared to 1842.0 million Egyptian pounds in 31/12/2018, with an increase of 40.1 million Egyptian pounds.

Governance

Bank ABC considers good governance a key factor in maintaining the institution's reputation locally and internationally.
The Bank's governance rules include a set of links between the institution's management, its Board of Directors, shareholders and stakeholders.

ABCE applies the standards of good governance in accordance with the applicable local laws and regulations as well as the instructions of the parent bank in Bahrain.

As ABCE follows the best international practices adopted by Basel Committee on Banking Supervision.

ABCE also applies a comprehensive set of governance policies and procedures to ensure the observance of legal and regulatory requirements which reflects the actual orientation of adherence to international standards.

And the roles and responsibilities of the board of directors are separated from the tasks of Executive Management, where the board of directors undertakes general supervision of the Bank and provides strategic orientation by agreeing to policies and strategic objectives. Since the daily affairs of the Bank are carried out by the CEO of the institution and the assisting team of the executive management.

Governance practices also show the structure in which the goals of the Bank are set; the means of achieving those goals and performance monitoring are defined.
According to the governance's applications and the requirements of the Central Bank, the Board of Directors of ABCE formed several committees consisting of members of the board; to assist it in implementing its supervisory responsibilities.
Where the committees report directly to the board of directors, each committee of the council is assigned tasks specified by the board of directors, and these committees' responsibility is documented in writing and approved by the governance committee and the council.
The final responsibility is shouldered by the Board of Directors. The Board has formed committees emanating from it, such as the Audit Committee, the Risk Committee, the Governance and Nominating Committee, and the Remuneration Committee, which are a communication tool between the Board and the Bank in order to assist the Council in carrying out the supervision function on all the Bank's activities.

On the other hand, the Bank's executive management assists the Board and its committees in obtaining all the necessary information that enables them to perform their duties effectively as well, by forming a group of internal committees to conduct the Bank's business and the effective supervision of the work performance.

As for the performance evaluation, the Board of Directors has an effective mechanism to evaluate its performance on a continuous basis. A meaningful evaluation of the council requires an evaluation of the full effectiveness of the council and the work of the committees emanating from it, as well as the contributions of each member of the Board of Directors, on an annual basis.

The Future Vision of the Bank's Activities

The Bank adopts an optimistic outlook for 2020 in light of the banking reforms and initiatives followed by the Central Bank of Egypt and the Egyptian government.

The Bank aims to expand in the field of loans and credit facilities for Small and Medium Enterprises (SMEs) to comply with the initiatives of the Central Bank of Egypt.

Checking continuously the soundness of the Bank's financial position focusing on reviewing the interest rates applied to all of the Bank's capital savings whenever it is needed; through a continuous monitoring of the market.

Supporting and stimulating the orientations of the Central Bank of Egypt regarding financial inclusion through digital transformation, financial technology and technical development for all sectors of the Bank. during the coming period, the Bank will also focus on introducing new banking products with the revitalisation of existing products and on creating a new unit within the retail banking sector to provide services to Affluent customers "Affluent banking"

Providing the latest electronic banking services by providing ABC Digital banking internet service to meet the customers revolving needs.

Expanding the activities of Cash Management for the corporate clients of the Bank which will have an impact in maximising the revenues of the corporate and individual marketing sector in order to meet the customers' needs.

Exerting more effort continuously in the field of collection and retirement of bad debts at the corporate / individual level during 2020.

Supporting and stimulating the Bank's foreign exchange resources.

The Bank's Participation in Community Development Projects in light of the Initiative of the Central Bank of Egypt

As the bank’s administration believes that economic development will only be achieved through community development, the bank’s administration had an effective role in articipating in the National Campaign initiative to Eliminate Hepatitis C and the Women's Health Initiative by holding an educational seminar with “Baheya Foundation” for early detection and Breast cancer treatment.

The bank also provided many training opportunities for university students to acquaint them with the banking services provided by the bank through its branches in all governorates in order to educate them and develop their awareness of banking operations.

In conclusion, I am sure that the bank’s successes are only the beginning of a promising stage for our bank's journey. On my behalf and on behalf of the members of the Board of Directors, I would like to extend my sincere appreciation to the shareholders of the bank, its customers, and its correspondents for their continuous support to the bank. I cannot also fail to extend my sincere gratitude and appreciation to the executive management.

And to all the employees of the bank for their loyalty and dedication to work, which contributed to achieving these achievements in light of the current economic conditions.

Dr. Yousef Al Awadi
Chairman

Board of Directors

Dr. Yousef Al-Awadi
Chairman

Mr. Sael Al Waary
Deputy Chairman

Mr. Akram Youssef Tinawi
MD & CEO

Khaled Abdel Aziz AlHassoun
Board Member

Mr. Patrick Abi Habib
Board Member

Dr. Fawzy Abu Khozam
Board Member

Mr. Mohamed Taha
Board Member

Amr Mohamed El Nokaly
Board Member

Mr. Walid Abdel Monem
Secretary of the Board

Top Management

Mr. Akram Tinawi
Chief Executive Officer & Managing Director

Mr. Mohamed Taha
Deputy Managing Director

Mr. Ashraf Kamal
Financial Control Head

Mr. Ayman Tawfik
Head of Compliance and MLRO (Egypt)

Mr. Hisham ElShenoufy
Wholesale Banking Head

Mr. Hisham Ghoneim
Acting Treasury Head

Mr. Khaled Barakat
Retail & Digital Banking Head

Ms. Mariam Farid
Human Resources Head

Ms. Rania Abdel Hakim
Chief Risk Officer – Egypt & North Africa

Mr. Waleed Abdel Moneim
Legal Head & Board Secretary

Mr. Yasser Fathy
Internal Audit Head

Business Review

CREDIT AND RISK

The Credit & Risk department is a second line of defense function responsible for the origination of credit policy and procedure, credit analysis, review and approval, exposure reporting, remedial loans management as well as the identification, monitoring and control of market and operational risks arising from the Bank's activities.

• The Bank's credit exposures are managed in accordance with credit policy (mandating guidelines for credit underwriting and credit exposure monitoring) and against risk appetite parameters including but not limited to, single obligor and industry concentrations.

• Retail lending is offered under product programs governed by specific retail lending policies and aligned with industry best practices.

• Credit portfolios are reviewed to ensure a balance between risk and reward, whilst enabling business growth.

• Liquidity risk is proactively monitored and reported to senior management whilst liquidity stress tests are conducted regularly to evaluate the impact of liquidity / funding risks and effectiveness of internal Contingency Funding Plans.

• The Bank manages operational risk to reduce and mitigate unexpected losses deploying a series of policies and monitoring tools including a Loss Incident Database, Risk & Control Self-Assessment (RCSA) and Key Risk Indicators in addition to the organisation of periodic ops risk awareness and training sessions to enhance employee risk culture.

• Interest rate risk exposure in the banking book is managed within internally defined risk appetite thresholds for Earnings at Risk (EaR) and changes in economic value of equity (EVE) taking into account a range of adverse movements in market interest rates.

• Market risk in the trading book is monitored through prudent value at risk (VAR) and stop-loss limits.

• As of January 1, 2019, the Bank has adopted IFRS 9 whereby provisioning for expected losses is based on the probability of default in the next 12 months, unless there has been a significant increase in credit risk since origination, in which case, the impairment amount is based on the probability of default over the life of the asset.

WHOLESALE BANKING

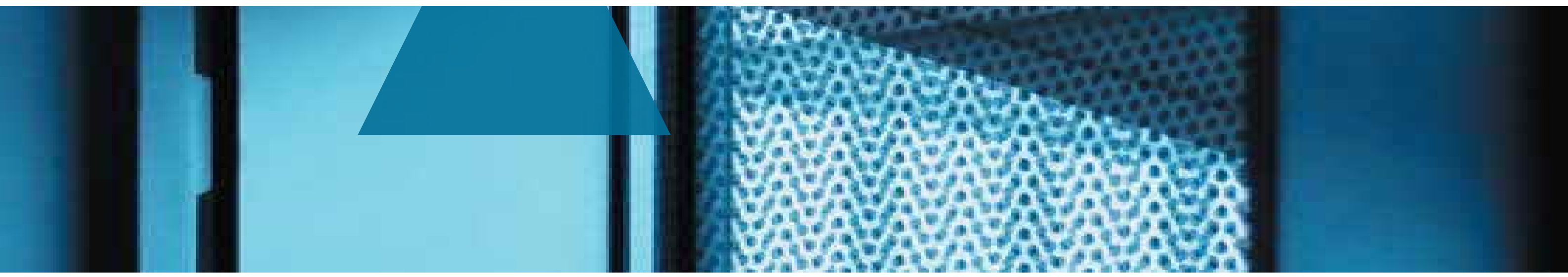
2019 was a challenging year for ABCE's Wholesale Banking Department, with the main goal being portfolio management and health, a great deal of focus as accorded to ensuring that concentrations are reduced and capital adequacy is augmented. As a result of this, the majority of the year was dedicated towards ensuring a viable strategy that encompasses growth targets in line with improving portfolio resilience and supporting the ongoing growth in Egypt's economy.

Conversely, while Corporate Banking was less focused on income generation during 2019 locally, on a group-level ABCE was active in the sourcing, booking and execution of a significant number of cross-border transactions, leveraging on Bahrain's balance sheet and the product expertise at the Head Office to extend material facilities to Egyptian blue-chips and thereby increasing our relevance to our customers. During 2019 ABCE successfully sourced to excess of EGP 1 Billion in various transactions covering a myriad of sectors, structures and tenors; this generated in excess of US$ 25 Million to the Group over the course of the past two years.

Financial Institutions & Non-Bank Financial Institutions continued with past years' growth locally, in addition to successfully executing their first NBFI cross-border transaction and attracting significant liabilities to the Group.

Global Transaction Banking continued to expand on the digitisation of the Bank's customer base, with the Cash Management Department migrating a significant number of corporate clients to ABC's Digital Banking Platform.

Small & Medium Enterprises made significant strides in growing their loan book, particularly towards the end of 2019 and are well on their way to meeting the Central Bank of Egypt's mandated 20% target.



Business Review (continued)

TREASURY

ABCE Treasury has always been a keystone in achieving the Bank's profitability. Our dedicated team overachieved the budgeted figures for the year 2019, through investing in high-yielding financial instruments. ABCE Treasury will continue to facilitate providing all foreign currencies needed for Trade Business and working together with the other lines of business to achieve the Bank's overall strategy.

INTERNAL AUDIT

Purpose

The primary role of Internal Audit is to help the Board and Executive Management to protect the assets, reputation and sustainability of ABCE.
Internal Audit provides independent and objective assurance as to whether the design and operational effectiveness of the Bank's framework of risk management, control and governance processes, as represented by management, is adequate.
The Internal Audit with the assist of the Group has adopted a risk management and internal control structure, referred to as the "Three Lines of Defence", to ensure it achieves its commercial aims, while meeting regulatory and legal requirements, and its responsibilities to shareholders, customers and staff. Internal Audit's role as the third line of defence is independent of the first and second lines of defence. In cases where Internal Audit performs similar testing or monitoring activities to those undertaken by the first or second lines of defence, these are undertaken as part of Internal Audit's independent assurance role and are not to be relied upon by management as a substitute for, or supplement to, first or second line of defence activities.

Mission

Internal Audit's mission is to help the Bank in achieving its goals and objectives defined by the Group Board. Internal Audit conducts regular and independent assessments of the internal control framework for all Units on behalf of the Audit Committee. Its scope goes beyond the traditional function of reviewing the adherence with internal guidelines and regulators and is primarily risk based.
A risk-based approach is utilised by Internal Audit in order to dynamically, efficiently cover the control environment of businesses, and support functions group wide. As such, Internal Audit has unrestricted access to information with the assistance of the management to provide Internal Audit with timely and relevant information regarding their business areas and/or major control issues.

Reporting Lines / Independence

Independence is essential for effective operations of Internal Audit. It is the policy of ABC that all audit activities shall remain free of influence by any organisational elements. As such, Internal Audit reports directly to the Group Audit Head in Bahrain, Audit Committee with a dotted reporting line to the MD&CEO. Internal Audit will not involve itself in any tasks that could result in a conflict of interest or compromise its independence. However, it may act in a consultative capacity for Management or any other organisational unit of the Bank within the scope of its duties.

Tasks and Responsibilities

Internal Audit's primary task is to assess and report to the Audit Committee and Senior Managements as to whether the internal control framework provides reasonable assurance, as to safeguarding of assets, adequacy and effectiveness of operations, reliability of financial reporting, adherence to policies, procedures and guidelines, compliance with laws and regulations, evaluation of inherent and residual risks (business-/ settlement risks, etc.).
As part of its duties, Internal Audit operates a Tracking System (GRC Tool) for audit issues and actions and will escalate overdue items. It also provides for a central repository and tracking system for regulatory breaches, operational incidents and all types of issues and actions.

Internal Audit Team's most significant achievements in 2019 included the following

The Internal Audit at ABCE was subject to an External Quality Assurance review mandated by the CBE, in which the result came out as fully complied with IIA standards (92.2%).
This review was conducted by the office of (Crowe- Dr. A. M. Hegazy & Co.).

Business Review (continued)

RETAIL BANKING

• On the income level, Retail Banking achieved profitable growth in 2019 with net profit of EGP 47M neutralising IFRS 9 impact and EGP 31.5M after IFRS 9 impact.

• On the Balance Sheet level, Retail Assets portfolio grew by 15% Vs 2018 to reach EGP 1.86 Billion, Retail Local currency deposits portfolio reached EGP 8.05 Billion in line with full year budget.

Liabilities

• Shield Saving Account: increased LCY saving accounts portfolio by 12% in 2019.

• New Tiered Current Account: represented a new mechanism for special rate granting methodology which led to the increase of LCY current account portfolio by 41% and attracting more than EGP 300M.

• Up-Front TD bundled with Roadside assistance service: Upfront Time deposits balance reached EGP 122M.

• Enhanced LCY CASA product mix to total deposits by 7.2% to reach 37.1% in Dec-19 Vs 29.9% in Dec-18.

• Built a healthy portfolio by acquiring YTD net sales from non-Army accounts exceeding EGP 900M where EGP 550M are from household segment and the rest from Retail enterprises.

• Acquired 9,100 Retail new to bank customers in 2019.

Loans

Launched new Personal loans programs:.

• Car Owners.

• Compound Owners.

• Medical Professionals.

• Personal loans ENR reached at EGP 1.04 Billion in Dec-19 with 9% increase Vs 2018, and at 2% above full year budget of EGP 1.03 Billion.

• Auto loans ENR reached EGP 615.8M in Dec-19 with 37% increase over 2018 ENR and at 1% above full year budget of EGP 595.6M.

• Loans acquisitions increased by 16% in 2019 to reach EGP 1 Billion Vs EGP 906M in 2018.

Cards

• Platinum Debit/Credit cards.

Portfolio

• Credit Cards portfolio size grew by 25% to reach 17.8K Vs 14.2K in 2018.

• Uplifted customer engagement and loyalty through promotional activities.

• Increased spend levels by 18% compared to 2018.

• Acquisition: Credit cards acquisitions increased by 63% in comparison to 2018 levels.

• Projects: ABCE has succeeded with the help of AFS and Group IT to finalise Meeza scheme mandate, VBV, Instant issuance and 0% interest installment program and ready to kick them off in 2020.

RETAIL BANKING

ABC Digital progress

• Enrolled 43% from NTB accounts to ABC Digital.

• Enrolled 20% from bank eligible customers to ABC Digital with 40% activation rate.

• Migrated over 25% from external transfers to ABC Digital.

• Customer satisfaction level reached 4.3 out of 5.

ABC Digital developments in 2019

• In line with Bank strategy to expand liabilities, ABC digital added the feature to request TDs from ABC Digital.

• Launched cards and accounts statements download feature to overcome the non-existence of E-statements service.

Business Review (continued)

LEGAL

ABCE legal team has been always carrying a significant role in supporting ABC local & International units. The mission of the Legal is to provide full legal services with the best quality and timing to the Bank's departments, groups, units, and subsidiaries while effectively protecting the best interest of the Bank.
Whilst maintaining a strong relationship among the organisation, the Legal department succeeded in ensuring the appropriate management and mitigation of its legal risks. A proactive and efficient legal department is one that has taken control of the drivers of performance and optimized them in a way that ensures smooth departmental operations and high levels of service delivery and client satisfaction.

Workload managed and anticipated, rather than received and reacted to it. Tasks assigned based on defined roles and responsibilities and with an eye toward future needs. Year 2019 was a very successful year for the legal team, the legal team has offered facility contracts worth EGP 4MM, ABCE legal team has also played a remarkable role in cooperating with all the international units of the Bank (ABC Bahrain - ABCIB - ABC Paris). Moreover, the legal team has presented a significant contribution in all cross border transactions been made during 2019.

ADMINISTRATION

The year 2019 was truly challenging year as the Bank has moved to the new Head Quarter building in the area of the Fifth settlement. This has imposed a lot of new arrangements and new strategy of business continuity for the administration division in terms of suppliers, recalculating the Banks needs from many prospective and also the fleet control and transportation.

The administration has succeeded by all means in procuring all the Bank's needs and supplied it to all units, divisions and groups without any disruption whatsoever. Insurance, in light of a new Head Quarter building worth a dramatic figure above the old Head Quarter's worth, was performed in a totally new structure to meet the new situation and cover all the necessary assets in the most efficient yet reasonably priced way.

Outsource providers were evaluated in more frequent intervals than stated in the work policy and procedures which led to close monitoring and improvement of the service quality provided to the Bank.

Business Review (continued)

CENTRAL OPERATIONS

Changes in the work place are an inevitable part of maintaining a competitive edge over competition, adapting to new technology, and adjusting to an ever-changing workforce.
Nowadays, the business environment become very challenging with high levels of uncertainties.

A key to success is to allow systematic adaptation to industry changes with the aim of improving performance, efficiency and the overall morale of the business environment.
Egypt Central operations in 2020 mainly targeting the following aspects:-

Contribute to the Improvement of the Group's Operational Capability

• Improve the efficiency and performance of the Bank's Operations through the identification and completion of initiatives and projects during 2020 by Implement Lean Six Sigma Projects to make the Bank faster, cost saving and efficient.

• Contribute to Group Strategic Projects by Deploy Lean Six Sigma Methodology in Egypt to improve the performance of the Bank.

• Undertake training, development and coaching activities to ensure teams within Egypt Operations to reach targeted maturity levels on the Lean Six Sigma journey by the end of 2020.

Office Organisation

• To embed a Lean Six Sigma 5S culture within Group Operations sites to ensure that the office remains clean and tidy and is an environment in which staff are proud to work.

Quality of Process

• To ensure that our operational processes are efficient and executed correctly.

• Elimination of wasteful activities or processes within the Bank that enables of processing an increased volume of work with existing resources or redeployment of resources.

• The Bank reduces the number of errors.

People Capability

• We ensure to develop our people in the context of building a continuous improvement culture.

• Deliver Lean Six Sigma training programs to train staff members on the methodology and coach them to improve processes continuously.

• Active encouragement of staff to identify opportunities for improvement within our activities.

• Encouraging staff to get involved in improving work processes by providing them with the necessary support.

• Consequently, the number of Certified Documentary Credit Specialist (CDCS) staff in trade finance has doubled which indicates that they possess high qualification in technical knowledge. This in return, will certainly positively reflect on the quality of service offered to ABC clients.

• A major focus was towards developing positive relationships among colleagues within central operations as well as cross-departmental and across the various sectors of the business which led to:-

• Effective Internal communication.

• Positive Team Work Spirit.

• Positive engagement and smooth delivery of services.

Systems enhancement

• Implementing Phase One of the new services provided through the Automatic Clearing House (ACH) mechanism to comply with CBE directives.

• While planning to expand the scope of implementation through the next phase in 2021. Full implementation will develop a solid customer base for both corporate and retail clients thus maximising business volumes.

Newly Establish Departments

• By end of November 2019, Business Process Management department was announced; we believe that it will be a great step forward to improve the efficiency and performance of the Bank's Operations through the identification and completion of initiatives and projects during 2020 and Train people how to think differently.

Restructure in Organisation Chart

• Finally yet importantly, by the end of 2019, a Restructure decision regarding establish a Payment Department under Central Operations in order to consolidate all related units in one big department to streamline day-to day processes.

Business Review (continued)

CORPORATE GOVERNANCE

ABCE considers Corporate Governance as a key factor to maintain its strong reputation, both locally and internationally Corporate Governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders.

Corporate Governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

Effective Corporate Governance is not an end in itself, it is a mean to the proper functioning of a financial institution and the banking sector overall.

The integrity of banking operations is the key to financial stability of the Bank; therefore, how to conduct business is essential to create market confidence and business integrity.

Bank ABC Egypt Corporate Governance Framework

Bank ABC Egypt applies Corporate Governance standards in accordance with local policies and regulations, as well as the directives of the parent company in Bahrain. Moreover, ABC Egypt follows the international best practices of the Basel Committee on Banking Supervision.

ABC Egypt also applies a comprehensive set of corporate governance procedures to ensure compliance with legal and regulatory requirements, reflecting the actual direction of compliance with international standards.

The roles and responsibilities of the Board of Directors are separated from the Executive Management roles.

The Board of Directors oversees the Bank and provides strategic guidance by approving strategic policies and objectives, while the day-to-day matters are carried out by the Chief Executive Officer and the Executive Management team.

Key Parties in the Corporate Governance Framework

Effective corporate governance requires a clear understanding of the roles of the Board of Directors, Executive Management, Shareholders, their relationships with each other, and their relationships with stakeholders. Before discussing the basic guidelines for corporate gove

Business Review (continued)

CORPORATE COMMUNICATIONS

Corporate Communications plays a very important role in Bank ABC as it guarantees a successful relationship between the Bank and its employee as well as its customers and the whole community.

A strong relationship with the media that helped Bank ABC to produce more press releases and publish more than 60 ads in well-known newspaper and magazines. This number of circulation enabled Bank ABC to gain substantial visibility as well as credibility in the Market while enhancing brand awareness among our targeted segment.

Corporate Communications also develops best internal Public Relations and Communication practice guide, targeting various industries to create deals that will be offered to the Bank employees which encourage them to be loyal and stick to ABCE as it offers many facilities that everyone is looking for. A further role carried out by Corporate Communications is to enhance a two-way communication channel with staff members, thus improving internal communications. In this context, ABCE's Corporate Communications has organised several major staff events since 2012.

Such events focused on facilitating communicating the Bank's vision, mission & strategy to the staff as well as obtaining their feedback on how to best improve customer experience, work conditions & the Bank's overall performance.

Moreover, Corporate Communications is responsible in creating CSR projects (Corporate Social Responsibilities) and Sponsorships in many different fields such as Health and Educations and encourage the Bank's employees to participate in these projects and to be a part in this responsibility towards the community.

HUMAN RESOURCES

Recruitment

• Total of 115 New Hires in different Units/ Branches.

• Total of 92 New Hires as Outsourced employees.

• Total of 6 Internal Job Posting.

• Total of 108 Internal Transfers to fill vacancy and relocating staff .

• The Total Attrition Percentage was 19.31, while Total Turn-Over Percentage was 25.32%.

Compensation & Benefits

• Applied 2019 annual Increase and salary adjustment for eligible staff .

• Added the variable allowance to employees' salaries.

• Promoted 94 employees including 4 VPs.

• Amended ABCE Salary Scale in 2019.

• Completed re-job evaluation for 50 position.

• Participated with HAY Group/Korn Ferry Annual Salary & Benefits Survey 2019.

Training & Development

• Total of 22 in-house courses covered 360 employees.

• Total of 70 Local External Courses covered (259) employees.

• Total of 109 undergraduates received their internship program during July and August.

Business Review (continued)

INFORMATION TECHNOLOGY

Information Technology continues its efforts to provide perfect service by introducing up to date technology, they strives to provide the clients with the most advanced digital service experience as well as providing a secure environment to protect personal and financial information.

Achievements

• Introduce Asset tracking system.

• Securing ATMs and its transaction by applying recent technology in this regard.

• Enhancing infrastructure systems and manage to apply recent security updates.

• Enhancing disaster Recovery infrastructure and services.

• Upgrading mailing system to the latest version.

SECURITY

Security team aligned with relevant stake holders to finalise the consultancy report regarding security systems mandatory update. Moreover, the team was able through strong connections with CBE security department to obtain the blessing to extend timelines due to the current situation across the nation.

ENGINEERING

The engineering department at ABCE has played very important role in renovation and re-structure different branches in 2019 such as Kattameya branch, Business continuity center Merghany and Zamalek branch.
Also it reconstructed a premium lounge for Mohandseen and Sheraton branches, and upgraded the Data Center in the H.Q.
All of these reconstructions and renovations as well as re-structures guarantee a maximum comfort for the clients and customers, and the Bank's employees.

Board Committees

Audit Committee's Report

The committee is responsible to the Board for ensuring the integrity and effectiveness of the bank's system of financial, accounting and risk management controls and practices and for monitoring compliance with the requirements of the regulatory authorities in the country.

It is also required to consider the major findings of internal investigations and management's response thereto and to ensure that ABCE meets its obligations under CBE regulatory guidelines.
The Committee is also responsible for recommending the appointment, compensation and oversight of the external auditors and the appointment of the internal auditor.

Board Risk Committee (BRC)

Among the Board level committees, the BRC is tasked with oversight on issues related to risk management. The Committee is responsible for reviewing and recommending to the Board for their approval, the Annual Risk Strategy/Appetite, within which management is required to develop
business strategy/plans, objectives and targets for achievement.. To continuously review and stay abreast of ABCE's overall risk profile covering:

a) Country Risk.

b) Corporate & Retail Credit Risk inclusive of portfolio concentrations, watch-listed accounts management, stress testing results, portfolio asset quality migrations and remedial portfolio updates.

c) Capital Adequacy & Balance Sheet Funding profile.

d) Liquidity Management inclusive of Liquidity Stress Testing Scenarios and Contingency Funding arrangements.

e) Market Risk inclusive of interest rate gap risk assessments and fixed income investment portfolio reviews.

f) Operational Risk including updates on key operational risk events.

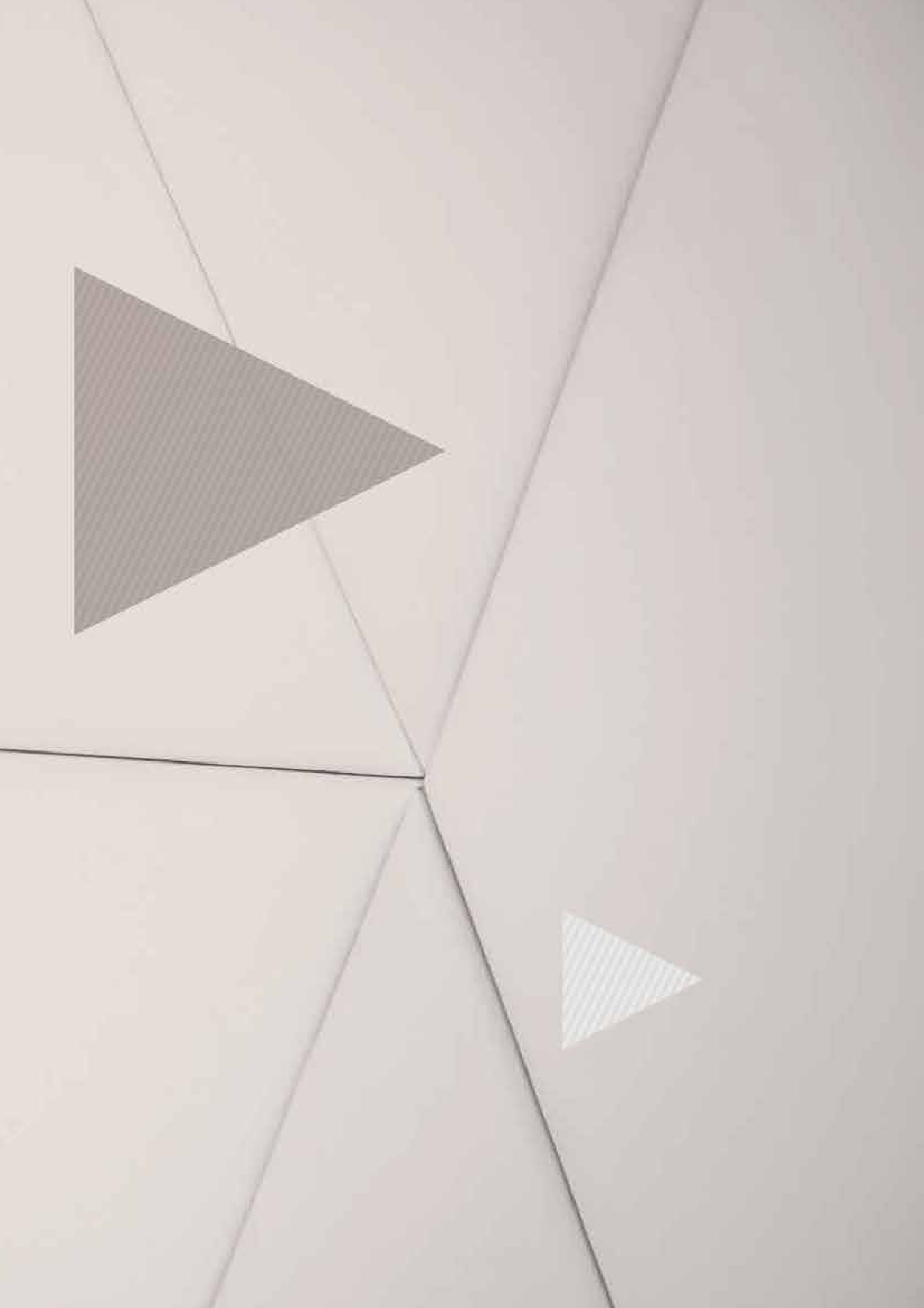
Corporate Governance & Nomination Committee

The Corporate Governance Committee, assists the Board in shaping and monitoring the corporate governance policies and practices of the Bank and evaluating compliance with policies and procedures.

Remuneration Committee

The Nominations and Compensation Committee is responsible for the formulation of the Bank's executive and staff remuneration policy as well as senior management appointments.

Financial Statements



KPMG Hazam Hassan
Public Accountants & Consultants

BT Wahid Abdel Ghaffar & co
Public Accountants & Consultants

Auditors' Report

To the Shareholders of Arab banking Corporation – Egypt (S.A.E)

Report on the financial statements

We have audited the accompanying financial statements of Arab Banking Corporation – Egypt (S.A.E), which comprise the financial position statement as at 31st December 2019, and the related statements of income, comprehensive income, cash flows and changes in owners' equity for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

These financial statements are the responsibility of the bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the rules of preparation of the banks' financial statements , basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008 as amended by the regulations issued on February 26, 2019 and in light of prevailing Egyptian laws and regulations, This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 Egyptian standards on auditing and in light of prevailing Egyptian laws. Those standards require that we comply with ethical requirements, planning and performing 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 auditors' judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Arab Banking Corporation – Egypt "S.A.E" as of 31st December 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with the rules of preparation of the banks' financial statements , basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008 as amended by the regulations issued on February 26, 2019, and in light of the prevailing Egyptian laws and regulations related to the preparation of these financial statements.

Report on other legal and regulatory requirements

During the financial year ended December 31, 2019 no contravention of the central bank, Banking and monetary institution law No. 88 of 2003 noted.

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

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

Cairo: 22nd of March 2020

Auditors

Fares Amer Emam
KPMG Hazam Hassan
Public Accountants & Consultants
Reg. No. (230)

Hassan Basyoni Elbesha
Baker Tilly Wahid Abdelghaffar & co.
Public Accountants & Consultants
Reg. No. (98)

STATEMENT OF FINANCIAL POSITION

Assets	Notes	31 December 2019 EGP Thousands	31 December 2018 EGP Thousands
Cash and due from Central Bank	(15)	1 369 371	1 265 914
Due from banks	(16)	4 643 145	5 105 469
Loans and advances to customers	(17)	4 275 381	4 393 393
Financial investments :			
-Fair Value through OCI	(18)	1 680 937	2 052 943
-Amortized Cost	(18)	586 436	774 327
Intangible assets	(19)	24 645	9 088
Other assets	(20)	183 815	251 431
Fixed assets	(21)	551 563	562 448
Total assets		**13 315 293**	**14 415 013**
Liabilities & Owners' equity			
Liabilities			
Due to banks	(22)	575 051	473 582
Customers' deposits	(23)	10 603 623	11 763 634
Other liabilities	(24)	176 778	240 637
Current Income Tax liability		11 607	19 272
Other provisions	(25)	36 283	52 642
Deferred tax liabilities	(26)	29 886	23 217
Total Liabilities		**11 433 228**	**12 572 984**
Owners' equity			
Issued & Paid-in capital	(27)	700 000	700 000
Reserves	(28)	984 442	877 622
Retained earnings (include year's net profit)	(29)	197 623	264 407
Total Owners' equity		**1 882 065**	**1 842 029**
Total liabilities & Owners' equity		**13 315 293**	**14 415 013**

CFO	Managing Director & CEO	Chairman
Ashraf Youssef Kamal	Akram Youssef Tinawi	Dr Yousef Abdulla AlAwadi

* The accompanying notes from (1) to (37) are an integral part of these financial statements .

* Audit Report "attached"

INCOME STATEMENT

	Notes	31 December 2019 EGP Thousands	31 December 2018 EGP Thousands
Interest income from loans and similar revenue		1 493 922	1 521 214
Interest expenses of deposits and similar costs		(935 273)	(977 577)
Net interest income	(6)	**558 649**	**543 637**
Fees and commissions revenues		141 948	148 170
Fees and commissions expenses		(64 010)	(51 246)
Net fees and commissions income	(7)	**77 938**	**96 924**
Dividends income	(8)	10 335	1 161
Profits from financial investments	(18)	6 621	21 402
Net trading income	(9)	7 295	8 737
Other operating (expenses) income	(11)	26 139	10 139
Expected Credit Loss 'charge'	(12)	(17 924)	(9 461)
Administrative expenses	(10)	(430 055)	(358 536)
Net profits before income tax		**238 998**	**314 003**
Income tax expenses	(13)	(66 120)	(95 730)
Net profits for the year		**172 878**	**218 273**
Earnings per share	(14)	1.836	2.278

CFO	Managing Director & CEO	Chairman
Ashraf Youssef Kamal	Akram Youssef Tinawi	Dr: Yousef Abdulla AlAwadi

* The accompanying notes from (1) to (37) are an integral part of these financial statements .

STATEMENT OF COMPREHENSIVE INCOME

	31 December 2019 EGP Thousands	31 December 2018 EGP Thousands
Net Profit Of the Year	**172 878**	**218 273**
Other comprehensive income items that is or may be reclassified to the profit or loss		
Net change in fair value of debt instruments measured at fair value through other comprehensive income	3 543	- 750
Other comprehensive income items that will not be reclassified to the profit or loss		
Net change in fair value of Equity instruments measured at fair value through other comprehensive income	14 438	-
Transferred To Retained Earnings	- 14 438	-
Total comprehensive income items for the year	3 543	- 750
Total comprehensive income for the year	**176 421**	**217 523**

CFO	Managing Director & CEO	Chairman
Ashraf Youssef Kamal	Akram Youssef Tinawi	Dr. Yousef Abdulla AlAwadi

* The accompanying notes from (1) to (37) are an integral part of these financial statements .

STATEMENT OF CASH FLOW

	31 December 2019 EGP Thousands	31 December 2018 EGP Thousands
Cash flows from operating activities		
Net profit before income taxes	238 998	314 003
Adjustments to reconcile net profit with cash flows provided from operating activities		
Amortization for bonds' discounts & premiums	(3 829)	1 230
Depreciation & Amortization	55 904	23 854
Expected Credit Loss (Charge) / Release	17 924	9 461
Amounts recovered from previously written off debts	1 617	1 325
Used from Expected Credit Loss	(3 331)	(3 370)
Other Provision (Charge) / Release	(627)	3 387
Used from other provisions (Other than loans)	(17 141)	(13 642)
Selling Gain of AFS investments	-	(15 942)
Revaluation differences of foreign currencies provision balances (other than loans provision)	(744)	(54)
Operating profits before changes in assets and liabilities used in operating activities	**288 771**	**320 252**
Net decrease (increase) in assets		
Due from banks	2 404 409	(2 235 833)
Loans and advances to customers	56 213	(616 455)
Other assets	21 967	(55 288)
Net increase (decrease) in liabilities		
Due to banks	101 469	138 832
Customers' deposits	(1 160 011)	605 467
Other liabilities	(63 859)	(62 424)
Paid income taxes	(67 116)	(114 415)
Net cash flows (used in) provided from operating activities	**1 581 843**	**(2 019 864)**
Cash flows from investing activities		
Payments to purchase fixed assets & preparation of branches	(15 718)	(62 647)
purchases of financial investments (FVTOCI)	(2 183 439)	(350 000)
Proceeds from sale of financial investment (FVTOCI)	2 592 391	2 039 642
Payments to purchase financial investment (AC)	(59 731)	-
Proceeds from selling financial investments(AC)	259 358	81 512
Net cash flows (used in) provided from investing activities	**592 861**	**1 708 507**
Cash flows from financing activities		
Dividends paid	(128 821)	(58 151)
Net cash flows used in financing activities	**(128 821)**	**(58 151)**
Net increase (decrease) in cash and cash equivalents during the year	**2 045 883**	**(369 508)**
Beginning balance of cash & cash equivalents	**2 934 276**	**3 303 784**
Cash & cash equivalents balance at the end of the year	**4 980 159**	**2 934 276**

Notes of the financial statements for the financial year ended 31 December 2019
Amounts are in EGP thousand

STATEMENT OF CASH FLOW

	Notes	31 December 2019 EGP Thousands	31 December 2018 EGP Thousands
Cash and cash equivalents are represented in the following:			
Cash and due from Central Bank		1 369 371	1 265 914
Due from banks		4 643 609	5 105 469
Treasury bills		1 392 976	1 596 711
Balances at central bank within the mandatory reserve ratio		(1 032 821)	(870 933)
Deposits due from banks more than three months		-	(2 566 297)
Treasury bills more than three months		(1 392 976)	(1 596 588)
Cash & cash equivalents	**31**	**4 980 159**	**2 934 276**

CFO	Managing Director & CEO	Chairman
Ashraf Youssef Kamal	Akram Youssef Tinawi	Dr. Yousef Abdulla AlAwadi

* The accompanying notes from (1) to (37) are an integral part of these financial statements.

STATEMENT OF CHANGES IN OWNERS' EQUITY

EGP Thousands

	Paid - in capital	Legal Reserves	Gerneral Reserve	Fair Value Reserve- OCI Investments	Fair Value Reserve- AC Investments	General Banking Risk Reserve	Capital Reserve	IFRS 9 Reserve	General Risk Reserve	Retained Earnings	Total
Balance as of 1 January 2018	700 000	91 920	595 322	207	(20 237)	1 863	2 059	52 524	-	249 328	1 672 986
Transferred From retained earnings to reserves	-	25 815	114 185				70			(140 070)	-
Transferred From reserves to retained earnings						(1 263)				1 263	-
Dividends paid	-	-	-							(58 151)	(58 151)
Net change in fair value	-	-	-	(750)	9 671						8 921
Transferred to general banking risks reserve - Assets reverted to bank	-	-	-			6 236				(6 236)	-
Net profit for the year	-	-	-	-	-	-	-	-	-	218 273	218 273
Balance as of 31 December 2018	**700 000**	**117 735**	**709 507**	**(543)**	**(10 566)**	**6 836**	**2 129**	**52 524**	**-**	**264 407**	**1 842 029**
Balance As of 1/1/2019	**700 000**	**117 735**	**709 507**	**(543)**	**(10 566)**	**6 836**	**2 129**	**52 524**	**-**	**264 407**	**1 842 029**
Impact of adopting IFRS 9	-	-	-	**16 572**	**10 566**	-	-	-	-	-	**27 138**
Impact of adopting IFRS 9 -ECL	-	-	-	-	-	**(6 236)**	-	**(52 524)**	**9 620**	-	**(49 140)**
Restated balance at 1 January 2019	**700 000**	**117 735**	**709 507**	**16 029**	**-**	**600**	**2 129**	**-**	**9 620**	**264 407**	**1 820 027**
Transferred From retained earnings to reserves	-	21 827	60 173	-	-	-	-	-	-	(82 000)	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(70 000)	(70 000)
Dividends paid to Staff & BOD	-	-	-	-	-	-	-	-	-	(58 821)	(58 821)
Net change in other comprehensive income	-	-	-	17 981	-	-	-	-	-	-	17 981
Transfer To Retained Earning-Securities selling gain	-	-	-	(14 438)	-	-	-	-	-	14 438	-
Transferred to general banking risks reserve	-	-	-	-		43 279				(43 279)	-
Net profit for the year	-	-	-	-	-	-	-	-	-	172 878	172 878
Balance as of 31 December 2019	**700 000**	**139 562**	**769 680**	**19 572**	**-**	**43 879**	**2 129**	**-**	**9 620**	**197 623**	**1 882 065**

CFO
Ashraf Youssef Kamal

Managing Director & CEO
Akram Youssef Tinawi

Chairman
Dr. Yousef Abdulla AlAwadi

* The accompanying notes from (1) to (37) are an integral part of these financial statements .

STATEMENT OF PROPOSED PROFIT APPROPRIATION ACCOUNT

	31/12/2019 EGP Thousands	31/12/2018 EGP Thousands
Net profit for the year	172 878	218 273
Net profit for the year - available for appropriation	172 878	218 273
Add / Less		
Retained earnings at the beginning of the year	53 586	51 107
Transferred from General Banking Risk Reserve	-	1 263
Transferred to Retained Earning Securities selling gain	14 438	-
Transferred to general banking risks reserve	(43 279)	(6 236)
Retained Earning balance	24 745	46 134
Total	197 623	264 407
Appropriated as follows:		
Legal reserve	17 288	21 827
General reserve	42 712	60 173
Owners shares dividends	35 000	70 000
Staff profit share	41 130	58 821
BOD remuneration	3 199	
Retained earnings at the end of the year	58 294	53 586
Total	197 623	264 407

* The statement of proposed profit appropriation for the financial year ended 31 December 2019 was prepared subject to the approval of the Bank's General Assembly

1- General Information

The bank has been established on 21 August 1982 according to provisions of investment law and its amendments as an investment and business bank under the name of Egypt Arab African Bank (S.A.E) the name of the bank has been amended to become Arab Banking Corporation – Egypt (S.A.E) in the course of the amendments introduced to the articles of association of the bank promulgated by the ministerial decree No. 788 for year 2000 and published in the investment gazette, edition No. 3261 issued on 18 April 2000 in Egypt and the bank head office in Cairo. Arab Banking Corporation – Egypt (S.A.E) provide retail, corporate banking and investment banking services in various parts of Egypt through 27 branches, and employs over 546 employees in the balance sheet date.

These financial statements have been authenticated from board of directors at 19 March 2020.

2- Summary of accounting policies

The following are the significant accounting policies applied in the preparation of these financial statements, these policies have been consistently applied to all the presented years, unless otherwise is disclosed.

A- Basis of financial statements preparation

These financial statements have been prepared in accordance with the Central Bank of Egypt's rules pertaining to the preparation and the presentation of the financial statements issued on 16 December 2008 and revised in accordance with the instructions of the Central Bank of Egypt (CBE) dated February 26, 2019.
The management has modified some accounting policies to comply with these instructions, and the following explanation details the changes in accounting policies.

B- Changes in accounting policies

The Bank applied the instructions of the Central Bank of Egypt (CBE) rules dated February 26, 2019 starting from January 01, 2019. the following summarize the main accounting policies changes resulted from applying the required instructions.

i. 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) and 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 are measured at amortized cost if it is not measured at fair value through the profit or loss and if the following two conditions met:

- The management's intention is to maintain the asset in the business model to collect contractual cash flows and;
- The contractual conditions of the financial assets will build cash flows in certain dates which are limited only on payment of principal and interest.

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

- The management's intention is to maintain the asset in the business model to collect contractual cash flows and sell;
- This contractual conditions of financial assets will build cash flows in certain dates which are limited only on payment of principal and interest (SPPI).

The Bank may choose without recourse to measure equity investments which are not classified as a trading investment at fair value through other comprehensive income at initial recognition. 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 recourse a financial asset to be measured at amortized cost or fair value through other comprehensive income to be measured at fair value through the profit or loss in the initial recognition, and in such a case that this reclassification will lead to prevent or reduce to a significant degree an accounting mismatch.

ii. 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 obtain 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 did not rely only on information related to sales activity separately, but taking that into consideration in an overall assessment on how to achieve 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.

1) Debt instruments and equity instruments are classified and measured as follows:

Financial instrument	Methods of measurement according to business model		
		Fair value	
	Amortized cost	Through other comprehensive income	Through profit and loss
Equity instruments	N/A	One-time option upon first recognition it is irrevocable	Regular treatment of equity instruments
Debt instruments	Business model Assets held for collection Contractual cash flows	Business model for Assets held for collection Contractual cash flows and sale	Business model for Assets held for trading

2) The Bank prepares, documents and approves a business model in accordance with the requirements of IFRS 9 and reflects the Bank's strategy for managing financial assets and its cash flows as follows:

Financial assets	Business model	Basic characteristics
Financial assets at amortized cost	**Business model financial assets held for collection contractual cash flows**	• The objective of the business model is to retain financial assets to collect the contractual cash flows of the principal amount of the investment and the proceeds • A sale is an exceptional event for the purpose of this model and under the terms of the criterion of a deterioration in the creditworthiness of the issuer of the financial instrument • Less sales in terms of rotating and value. • The Bank performs clear and reliable documentation of the rationale for each sale and its compliance with the requirements of the Standard.
Financial assets at fair value through other comprehensive income	Business model of financial assets held for the collection of contractual cash flows and sales	• Both the collection of contractual cash flows and sales are complementary to the objective of the model. • Sales are relatively high (in terms of turnover and value) compared to the business model held for the collection of contractual cash flows
Financial assets at fair value through profit and loss	Other business models include (trading - management of financial assets at fair value - maximizing cash flows by selling)	• 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 • Management of financial assets at fair value through profit or loss to avoid inconsistencies in accounting measurement. • Classification of financial assets at fair value through profit or loss. The following conditions are met in the financial assets that the Bank classifies at acquisition at fair value through profit or loss: -To be registered on a local and foreign stock exchange. - to have an active transaction during the three months preceding the date of acquisition

- The Bank assesses the objective of the business model at the portfolio level where the financial asset is retained as reflecting the way the business is managed and the manner in which the management is provided. The information to be taken into account when evaluating the objective of the business model is as follows:

- The documented policies and objectives of the portfolio and the implementation of these policies in practice. In particular, whether the management strategy focuses only on the collection of the contractual cash flows of the asset and maintaining a specific rate of return
- to meet the maturities of the financial assets with the maturity dates of the liabilities that finance these assets or generate cash flows through the sale of these assets.
- How to evaluate and report on portfolio performance to senior management.
- Risks affecting the performance of the business model, including the nature of the financial assets held within that model and the manner in which these risks are managed.
- How to determine the performance assessment of business managers (fair value, return on portfolio, or both).
- The periodically, value and timing of sales in prior years, the reasons for such transactions, and expectations regarding future selling activities. However, information on sales activities is not taken into account separately, but as part of a comprehensive assessment of how the Bank's objective of managing financial assets and how to generate cash flows is achieved.

iii. 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 at initial recognition. 'Interest' is defined as consideration for the time value of money 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.

iv. 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 expected credit loss (ECL).

Expected credit loss is applied on all financial assets in addition to some financial guarantees and loan commitments. According to IFRS 9, an impairment loss will be recognized More early than 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.

v. 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 relatively low credit risk. For these assets, an expected credit loss is recognized over a 12-month period and interest is calculated on the gross carrying amount of the asset (Without deducting credit impairment). the expected credit losses that results from default events that are possible within 12 months after the reporting date.

Amounts are in EGP thousand

VI. 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 is recognized, but interest is still calculated on the gross carrying amount of the asset.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

VII. 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, the lifetime expected credit loss are recognized.

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

Item	Classification as per Current CBE regulations	New Classification as per IFRS 9	Book value as per Current CBE regulations	Reclassification	Re-measurement	Book Value as of 1,JAN,2019 as per IFRS 9
Due From Banks	Amortized Cost	Amortized Cost	5 105 469	-	(603)	5 106 072
Treasury Bills	Amortized Cost	Fair value through OCI / Amortized Cost	1 596 711	(1 596 711)	-	-
Investments Securities AFS	Fair Value	Fair value through OCI	443 783	(443 783)	-	-
Investments Securities Fair Value through OCI	Amortized Cost	Fair value through OCI	-	2 052 942	16 572	2 069 514
Investments Securities HTM	Amortized Cost	Amortized Cost	786 776	(786 776)	-	-
Investments Securities Amortized Cost	Amortized Cost	Amortized Cost	-	774 328	10 538	784 866
Loans & Advances	Amortized Cost	Amortized Cost	4 393 393	-	(45 285)	4 348 108
Due to Banks	Amortized Cost	Amortized Cost	473 582	-	-	473 582
Other Assets			251 431	-	(1 196)	250 235
Other Provisions	Cost	Amortized Cost	52 642	-	2 027	54 669
Retained Earnings			264 407	-	-	264 407
Reserves			877 622	(49 140)	27 138	855 620

Book value adjustment financial assets and financial liabilities at the date of initial application of the Central Bank of Egypt's provisions regarding IFRS 9.

The table below shows the reconciliation of the carrying amounts in accordance with the rules of accounting and preparation of the financial statements issued by the Central Bank of Egypt to the carrying amount in accordance with the Central Bank of Egypt's instructions regarding IFRS 9 on the transition to IFRS 9 on 1 January 2019:

Amounts are in EGP thousand

Effects of IFRS 9 implementation:

Effect of recognition of Expected credit Loss

Provisions as per CBE regulation issued on 16 DEC 2008	
Impairment Provisions for Loans & advances	206 387
Impairment Provisions Contingent Liabilities	9 588
Total	**215 975**
Expected Credit Loss as per IFRS 9	
ECL for loans and advances	251 672
ECL for Contingent liabilities	11 615
ECL for Investments Amortized cost	29
ECL for Due from banks	603
ECL for Other Assets	1 196
Total	**265 115**
Differences in IFRS 9 application	**49 140**

	General Risk Reserve	Retained Earnings	Fair Value Reserve- HTM Investments	Fair Value Reserve- AFS Investments
Opening Balance as of 1/1/2019	58 760	264 407	(10 566)	(543)
Reclassification & Re-measurement effect	-	-	10 566	16 572
Expected Credit Loss Effect	(49 140)			
Total	(49 140)	-	10 566	16 572
Restated balance at 1 January 2019	**9 620**	**264 407**	**-**	**16 029**

C- Segment reporting

A Business segment is a group of assets and operations engaged in providing products or services characterized by the existence of risks and benefits different from those engaged in other business segments. The geographical segment is engaged in providing of products or services within a particular economic environment that are characterized by risks and benefits different from those related to geographical segments operating in a different economic environment.

D- Foreign currencies translation

D-1 Functional and presentation currency:

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

D-2 Foreign currencies transactions and balances

The Bank maintains its accounting records in Egyptian pounds. Transactions in foreign currencies during the period are translated into the Egyptian pounds using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at end of reporting period at the exchange rates then prevailing. Foreign exchange gains and losses resulting from

settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items:
- Net trading income or net income from financial instruments classified as FVTPL for assets / liabilities for trading or FVTPL according to type.
- Other operating revenues (expenses) for the remaining assets and liabilities;
- Investments in equity instrument recognized at fair value through other comprehensive income in equity.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as FVTOCI assets are analyzed into differences resulting from changes in the amortized cost of the
instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument. Differences resulting from changes in the amortized cost are recognized and reported in the income statement in "Interest on loans and similar income" whereas differences resulting from changes in foreign exchange rates are recognized and reported in "Other operating revenues (expenses)". The remaining differences resulting from changes in fair value are recognized in equity and accumulated in the "Fair value reserve" in Other Comprehensive Income.
Valuation differences arising on the measurement of non-monetary items at fair value include gains or losses resulting from changes in foreign currency exchange rates used to translate those items. Total fair value changes arising on the measurement of equity instruments classified as at fair value through the profit or loss are recognized in the income statement, whereas total fair value changes arising on the measurement of equity instruments classified as FVTOCI are recognized directly in equity in the "Fair value revaluation reserve" in Other comprehensive income.

D-3 Treasury Bills

Treasury bills are recorded on acquisition date with face value and the issuance discount representing the unearned interest is recorded in other credit balances and the treasury bills are presented in the balance sheet net of unearned interest which is measured with amortized cost using the effective interest rate.

E- Financial assets

Financial Assets and liabilities - Recognition and initial measurement
The Bank recognizes financial assets and liabilities on the date that the Bank becomes a party to the contractual terms of the financial instrument.
The financial asset or liability is initially measured at fair value. Those that are not subsequently measured at fair value through profit or loss are measured at fair value plus transaction cost that is directly attributable to the acquisition or issue.

Financial Policies applied until December 31, 2018:

The bank classifies its financial assets in the following categories: financial assets classified for trading, loans and receivables, financial investments held to maturity and financial investments available for sale. The management determines the classification of its investments based on their nature and objective.

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

This category includes financial assets held -for- trading and assets classified at fair value through profit or loss at initial recognition.

- The financial instrument is classified as held for trading if it is acquired and paid for its value primarily for the purpose of selling it in the short term or if it represents a part of a

portfolio for specific financial instruments that are managed together and there is an evidence of processing recent actual transactions which resulted in obtaining short-term profits also derivatives are classified as held for trading unless it was classified as hedging instrument.

- Financial assets are classified at inception at fair value through profit or loss in the following cases:

• When it reduces the measurement inconsistency that could arise from treating the related derivative as held for trading at the time of evaluating the financial instrument in the place of the derivative at amortized cost for loans and advances to banks and customers and issued debt instruments.

• When managing some investments such as investments in equity instruments and evaluating them at fair value according to the investment strategy or risks management and preparing reports on them for senior management on this basis then they are classified as being in fair value through profit or loss.

• The financial instruments such as debt instruments held and which contain one or more of the embedded derivatives that strongly affect the cash flow are classified at fair value through profit and loss.

- Gains and losses resulted from changes in the fair value of the financial derivatives which are managed in conjunction with the assets or liabilities classified at inception at fair value through profit or loss are recorded in the income statement within "Net income from financial instruments classified at inception at fair value through profit or loss" item.

- Any derivative from the financial instruments group evaluated at fair value through profit or loss is not to be reclassified during of its holding period or during its validity period. Also any instrument from the financial instruments group evaluated at fair value through a profit or loss is not to be reclassified if that instrument has been allocated by the bank at initial recognition as an instrument to be evaluated at fair value through profit or loss.

E-2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable amount and they are not quoted in an active market with the exception of:

- Assets which the bank intends to sell immediately or in the short term are classified as assets held for trading or these assets which were classified at inception at fair value through profit or loss.
- Assets the bank classifies it as available for sale at initial recognition.
- Assets which the bank will not be able to substantially recover the value of its original investment in them for other reasons than credit deterioration.

E-3 Held to maturity investments

Held to maturity investments are non- derivative financial assets with fixed or determinable amount of payment and also do have a fixed maturity date while the bank management has the intention and the ability to hold and maintain them till date of maturity. The whole group is to be reclassified as available for sale in case of the bank sells a significant amount of assets held to maturity except in cases of necessity.

E-4 Available for sale investments

Available for sale investments are non derivative financial assets the bank has intention to hold and maintain for indefinite period. They can be sold in response to the need for liquidity or due to changes in interest rates, exchanges rates or shares prices.

The following is to be adopted with regard to financial assets:

- The purchase and sell of financial assets are recognized in the usual way on the trade date on which the bank is committed to buy or sell the asset. The same for assets classified at fair value through profit or loss, financial investments held to maturity and available for sale investments.

- The recognition of financial assets at inception, which have not been classified at inception at fair value through profit or loss at fair value plus transaction costs whereas financial assets classified at inception at fair value through profit or loss are to be recognized only at fair value while charging the transaction costs to the income statement.

- Financial assets are excluded when the term of validity of contractual right to receive cash flow from the asset expires or when the bank transfers most of the risks and benefits associated with ownership to another party. Meanwhile liabilities are excluded as they are completed either by disposing of them, canceling them or when the contractual period expires.

- Measurements are subsequently carried at fair value for each of the available for sale investments and financial assets classified at fair value through profit or loss and at amortized cost for loans and receivables and financial investments held to maturity.

- Gains and losses resulting from changes in the fair value of assets classified at fair value through profit or loss are to be recognized in the income statement in the period in which they occur. But the profits and losses resulting from changes in the fair value of available for sale investments are directly recognized in equity, till the asset is excluded or its value impaired then the accumulated profits and losses previously recognized within equity are to be recognized in the income statement.

- The interest income calculated at the amortized cost method and gains and losses of foreign currencies associated with assets which have monetary nature and classified as an available for sale are to be recognized in the income statement. Also dividends resulting

from equity instruments classified as available for sale are to be recognized in the income statement when the bank has the right to collect them.

- Fair value of the investments quoted in active markets is determined pursuant to the current Bid Price. But, in case there is no active market for the assets or the current Bid prices are unavailable then the bank determines the fair value by using one of the evaluation methods. This includes either using modern neutral transactions, discounted cash flow analysis, options pricing models or other evaluation methods commonly used by market dealers. If the bank is unable to estimate the fair value of equity instruments classified available for sale, then their value is measured by cost after deducting any impairment in value.

- The bank reclassifies the financial asset previously classified within the group of financial instruments available for sale and on which the definition of loans and receivables (bonds or loans) can be applied by transferring it from the group of available for sale instruments to the group of loans and receivables or to financial assets held to maturity all as the case. And this when the bank has the intention and ability to hold and maintain theses assets through the foreseeable future or until maturity date.
The reclassification takes place at fair value on that date. Any profits or losses related to these assets which were previously recognized within equity are treated as follows:

1- In case of reclassified financial assets with fixed maturity date, the profits or losses are amortized over the remaining lifetime of the investment held to maturity by using the effective interest rate. Any difference in the value based on the amortized cost and the value based on maturity date is to be amortized over the remaining lifetime of the asset by using the effective interest rate. In case of later impairment in the assets value any profits and losses previously recognized as directly among shareholder's equity will be recognized in the profits and losses.

2- In case of financial asset which has unfixed maturity date the profits or losses remain within shareholders' equity till the asset is sold or disposed of, then they are recognized within profits and losses. In case of later impairment in the asset's value any profits or losses previously recognized as directly in equity will be recognized in the profits and losses as well.

- If the bank adjusts its estimates of payments and receipts, then the book value of the financial asset (or group of financial assets) is settled in such a way to reflect the actual cash flow and adjusted estimates provided that the book value is recalculated by calculating the present value of future cash flow estimated by the actual rate of the financial instrument. The resulting settlement is recognized as revenue or expenses in the profit and loss.

- In all cases, if the bank reclassifies a financial asset to what was referred to and the bank on a subsequent date raises its estimates of future cash receipts due to increase of what will be recovered from these cash receipts then the impact of this increase will be recognized as an adjustment of the actual return rate from the date of the estimates' change and not as a settlement of the asset's book balance on the date of estimates change.

settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items:
- Net trading income or net income from financial instruments classified as FVTPL for assets / liabilities for trading or FVTPL according to type.
- Other operating revenues (expenses) for the remaining assets and liabilities;
- Investments in equity instrument recognized at fair value through other comprehensive income in equity.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as FVTOCI assets are analyzed into differences resulting from changes in the amortized cost of the
instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument. Differences resulting from changes in the amortized cost are recognized and reported in the income statement in "Interest on loans and similar income" whereas differences resulting from changes in foreign exchange rates are recognized and reported in "Other operating revenues (expenses)". The remaining differences resulting from changes in fair value are recognized in equity and accumulated in the "Fair value reserve" in Other Comprehensive Income.
Valuation differences arising on the measurement of non-monetary items at fair value include gains or losses resulting from changes in foreign currency exchange rates used to translate those items. Total fair value changes arising on the measurement of equity instruments classified as at fair value through the profit or loss are recognized in the income statement, whereas total fair value changes arising on the measurement of equity instruments classified as FVTOCI are recognized directly in equity in the "Fair value revaluation reserve" in Other comprehensive income.

D-3 Treasury Bills

Treasury bills are recorded on acquisition date with face value and the issuance discount representing the unearned interest is recorded in other credit balances and the treasury bills are presented in the balance sheet net of unearned interest which is measured with amortized cost using the effective interest rate.

E- Financial assets

Financial Assets and liabilities - Recognition and initial measurement
The Bank recognizes financial assets and liabilities on the date that the Bank becomes a party to the contractual terms of the financial instrument.
The financial asset or liability is initially measured at fair value. Those that are not subsequently measured at fair value through profit or loss are measured at fair value plus transaction cost that is directly attributable to the acquisition or issue.

Financial Policies applied until December 31, 2018:

The bank classifies its financial assets in the following categories: financial assets classified for trading, loans and receivables, financial investments held to maturity and financial investments available for sale. The management determines the classification of its investments based on their nature and objective.

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

This category includes financial assets held -for- trading and assets classified at fair value through profit or loss at initial recognition.
- The financial instrument is classified as held for trading if it is acquired and paid for its value primarily for the purpose of selling it in the short term or if it represents a part of a

portfolio for specific financial instruments that are managed together and there is an evidence of processing recent actual transactions which resulted in obtaining short-term profits also derivatives are classified as held for trading unless it was classified as hedging instrument.

- Financial assets are classified at inception at fair value through profit or loss in the following cases:
- When it reduces the measurement inconsistency that could arise from treating the related derivative as held for trading at the time of evaluating the financial instrument in the place of the derivative at amortized cost for loans and advances to banks and customers and issued debt instruments.

- When managing some investments such as investments in equity instruments and evaluating them at fair value according to the investment strategy or risks management and preparing reports on them for senior management on this basis then they are classified as being in fair value through profit or loss.

- The financial instruments such as debt instruments held and which contain one or more of the embedded derivatives that strongly affect the cash flow are classified at fair value through profit and loss.

- Gains and losses resulted from changes in the fair value of the financial derivatives which are managed in conjunction with the assets or liabilities classified at inception at fair value through profit or loss are recorded in the income statement within “Net income from financial instruments classified at inception at fair value through profit or loss” item.

- Any derivative from the financial instruments group evaluated at fair value through profit or loss is not to be reclassified during of its holding period or during its validity period. Also any instrument from the financial instruments group evaluated at fair value through a profit or loss is not to be reclassified if that instrument has been allocated by the bank at initial recognition as an instrument to be evaluated at fair value through profit or loss.

E-2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable amount and they are not quoted in an active market with the exception of:
- Assets which the bank intends to sell immediately or in the short term are classified as assets held for trading or these assets which were classified at inception at fair value through profit or loss.
- Assets the bank classifies it as available for sale at initial recognition.
- Assets which the bank will not be able to substantially recover the value of its original investment in them for other reasons than credit deterioration.

Financial Policies applied starting from January 01, 2019:
The Bank classifies its financial assets in the following categories:
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 business model of the financial assets that are managed and its contractual cash flow.

E-5 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 principal and interest. The sale is an exceptional event for the purpose of this model and under the terms of the standard represented in following:
- Significant deterioration for the issuer of financial instrument;
- Lowest sales in terms of rotation and value;
- A clear and reliable documentation process for the justification of each sale and its conformity with the requirements of the standard.

E-6 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 contractual cash
flows and sales are integrated to achieve the objective of the model. Sales are high in terms of turnover and value as compared to the business model retained for the collection of contractual cash flows.

E-7 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.

The characteristics of the business model are as follows:
- Structuring a set of activities designed to extract specific outputs;
- Represents a complete framework for a specific activity (inputs - activities - outputs);
- One business model can include sub-business models.

F- Offsetting financial instruments
The offsetting financial assets and liabilities can be offset when, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to conduct a settlement based on the net amounts or to receive the asset and settle the liability simultaneously.
Treasury bills, repos and reserves repos agreements are netted and presented on the balance sheet in treasury bills and other governmental securities.

G- Interest income and expenses

Interest income and expenses are recognized in the income statement under "Interest income on loans and similar income" item or "Interest expenses on deposits and similar charges" by using the effective interest rate of financial instruments available for sale and treasury bills bearing interest other than those the other interest bearing or at cost financial instruments there is no significant difference between the nominal rate of return and effective rate of return of the financial instrument.

The method of calculation includes all fees paid or received between contract's parties which are considered part of the effective interest rate, The cost of dealing also includes any premiums or discounts.
When classifying loans or debts as non performing or being impaired according to the case, then the interest income related to them is not recognized and is recorded in marginal records outside the financial statements. It is recognized in the income pursuant to the cash basis, according to the following:

- When it is collected after full redemption of delays as for the consumer loans, Mortgage loans of personal housing and small loans for economic activities.

- As for corporate loans the cash basis is also applied, as the return will be raised according to loans' rescheduling contract terms till payment of 25% of the rescheduling installments and at a minimum of 1 year of regularly payment. In case of the continuation of the customer to repay regularly then the calculated interest will be included in the balance of the loan included in the income (return on the balance of regular rescheduling) without the marginal interest before the rescheduling which is not to be included in the income except after the full repayment of the loan's balance in the balance sheet before rescheduling.

H- Fees and commission income

Fees due for servicing the loan or facility are recognized within the income when performing the service while the fees and commissions related to non-performing or impaired loans are not recognized, instead, they are to be recorded in marginal records not included in the financial statements. Then they are recognized within the income pursuant to the cash basis when the interest income is recognized according to item (G), as for fees which represent an integral part of the actual return of the financial assets in general, they are treated as an amendment to the rate of actual return.
Engagement fees on loans are to be postponed if there is a probability that these loans will be withdrawn on the ground that these fees which the bank receives is a compensation for the constant intervention to acquire the financial instrument. Then they are recognized by amending the rate of actual return on the loan, when the period of engagement comes to end without the bank's issuance of the loan then these fees are recognized within income at the expiry of the engagement's validity.
Fees on debt instruments measured at fair value are recognized within income at the initial recognition. Fees on promoting syndicated loans are recognized within income when the

promotion process is completed and the bank doesn't retain any portion of the loan or if the bank retains a portion for itself earning the rate of actual return that is made available to other participants as well.
Fees and commission resulting from negotiations or participating in negotiation on a transaction in favor of other party are recognized within the income statement- such as arranging the acquisition of shares or other financial instruments and acquiring or selling premises- at the completion of the transaction in question. The administrative consultations' fees and other services are normally recognized on the basis of distribution over time relative to period in which the service is performed whereas the financial planning management fees and conservation services fees which are provided for long periods of time are recognized over the period during which the service is performed.

I- Dividends income

Dividends are recognized in the income statement when the bank's right to collect those dividends is declared by the relevant authority.

J- Buy - resell agreements and sell – rebuy agreements

The sold financial assets under sell – rebuy agreements presented at balance sheet as an addition to treasury bills and other governmental notes on assets section on balance sheet. On the other hand, the liability (buy - resell agreements) presented as a deduction from treasury bills and other governmental notes at balance sheet. Meanwhile the difference from selling price and repurchase price is recognized as interest income during the agreement lifetime using effective interest rate method.

K- Impairment of financial assets

Financial Policies applied until December 31, 2018:
The bank reviews all its financial assets, except those classified as at fair value through profit or loss, to assess whether an indication exists that these assets have suffered an impairment loss as described below:

K-1 Financial assets recorded at amortized costs

At each balance sheet date, the bank assesses whether there is objective evidence on the impairment of a financial asset or a group of financial assets. The financial asset or the group of assets are considered impaired and impairment losses are carried when there is an objective evidence on the impairment as a consequence of an event or more taking place after the initial recognition of the asset. This (Loss Event) affects the future cash flow of the financial asset or the group of financial assets which can be estimated to a reliable degree.

The indicators the bank uses in determining the existences of objective evidence on impairment losses include the following:

- Significant financial difficulties facing the borrower / debtor.
- Violation of the conditions of loan agreement such as default.
- Expecting the borrower's bankruptcy or subject to liquidation lawsuit or restructuring

the fund granted to him.

- Deterioration of the competitive position of the borrower.
- Granting privileges or facilities by the bank to the borrower, due to economic or legal reasons which are not granted by the bank in normal circumstances.
- The impairment of the collateral's value.
- The deterioration of the credit worthiness.

Among the objective evidences on the impairment losses of a group of financial assets is the presence of clear data indicating a decline that can be measured in the expected future cash flows of the group since the initial recognition though it isn't possible to determine the decline of each individual asset separately, for example, the increase in cases of default payment for one or more of the banking products.
The bank estimates the period between the losses occurring and its identification for each specific portfolio and this period normally ranges between three to twelve months.
At first, the bank assesses whether there is objective evidence on the impairment of each individual asset that has significance of its own whereas assets which don't possess individual significance they are assessed at either aggregate or individual level. In this regard the following is to be taken into consideration:

- If the bank identified the non presence of an objective evidence on the impairment of a financial asset studied separately whether it has a significance of its own or not, then this asset will be added to the group of financial assets with similar credit risk features to be assessed together to estimate impairment pursuant to historic default ratios.
- If the bank identified the presence of objective evidence on the impairment of a financial asset studied separately then this asset is not included in the group of assets which impairment losses are assessed on a consolidated basis.
- If the aforementioned study resulted in the non-presence of impairment losses, then the asset is included in the group.

The amount of impairment losses provision is measured by the difference between the asset's book value and the present value of expected future cash flows discounted by applying the original effective interest rate of the asset; future credit losses not incurred yet should not be included in the above. The book value of the asset is reduced by using the impairment losses provision's account and the impairment charged on credit losses is recognized in the income statement as "impairment loss".

If the loan or investment held to maturity bears a variable rate of interest, then discount rate applied to measure any impairment losses is considered the effective interest rate pursuant to the contract on determining the existence of objective evidence on the impairment of the asset. For practical purposes the bank may measure the value of impairment losses on the basis of the instrument's fair value by applying the quoted market rates, for guaranteed financial assets, the present value of the future cash flows expected from the financial asset is to be credited besides these flows which result from the appropriation and selling the collateral after deducting the expenses related thereto.

For the purposes of estimating impairment at an aggregate level, financial assets are pooled in groups of similar characteristics in terms of credit risk i.e. on the basis of classification process conducted by the bank taking into account the type of asset, industry, geographical location, type of collateral, position of delays and other related factors. These characteristics are related to the assessment of future cash flows from these groups of these assets being an indicator of the debtors' ability to repay the amounts due pursuant to the contractual conditions of the assets under consideration.

In estimating the impairment of a group of financial assets on the basis of historical default ratios, future cash flows of the group are estimated on the basis of the contractual cash flows of the banks' assets and the amount of historical losses of these assets with credit risk characteristics similar of these assets held by the bank. The amount of historical losses is adjusted on the basis of current disclosed data in a way to reflect the impact of the current conditions which were not available in the period over which the amount of historical losses has been identified besides canceling the effects of the conditions that existed in the historical periods but no longer exists.
The bank seeks that the forecasts of changes in cash flows of a group of assets are reflected in line with these changes in relevant reliable data which occur from time to time, for example, changes in unemployment rates, real estate prices, repayment's position and any other factors indicating the changes in the likelihood of loss in the group and its amount. The bank is conducting a periodic review of the method and assumptions used to estimate future cash flows.

K-2 Financial investments available for sale and held to maturity
At each balance sheet date, the bank estimates the presence of objective evidence on the impairment of an asset or a group of assets classified within financial investments available for sale or financial investment held to maturity. In the case of investments in equity instruments classified available for sale it is to be taken into consideration the significant or prolonged decline in the fair value of the instrument below its book value when estimate whether there is impairment in the asset or not.
The decline in value is considered significant when it reaches 10% of the cost of book value. And the decline shall be considered prolonged if it continues for more than 9 months. If evidences are available, then the accumulated loss should be carried over from shareholders' equity to be recognized in the income statement. The impairment in value is recognized in the income statement concerning equity's instruments will not be reversed if a later rise in the fair value occurs. Meanwhile in case the fair value of debt instruments classified available for sale rose, and it is found possible to objectively link that rise to an event taking place after recognition of impairment in the income statement then the impairment will be reversed through the income statement.

L- Financial Policies applied starting from January 01,2019

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.

L-1 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.

L-2 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.

L-3 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.

Non-payments

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.

Measurement of expected credit losses

The Bank evaluates debt portfolio portfolios on a quarterly basis at the portfolio level for all financial assets of individuals, SMEs, and SMEs on annual basis with respect to the financial assets of institutions classified as a follow-up to control their credit risk. On a annual basis, the criteria used to determine the significant increase in credit risk are reviewed and monitored annually by the credit risk management.

The Bank assesses at each reporting date the impairment loss for financial instruments at an amount equal to the expected credit losses over the life of the financial instrument except for the following cases where the provision for impairment losses is estimated at an amount equal to the expected credit losses over the twelve months:

1) A debt instrument that has been identified as having a low credit risk at the date of the financial statements (debt instruments in the stage1).

The Bank considers the expected credit losses to be a probable probability estimate of the expected credit losses, which are measured as follows:
The expected credit losses on financial assets are measured at the initial stage based on the present value of the gross deficit calculated based on the historical probability of default scenarios adjusted by the average forecast of macroeconomic indicators for the future twelve months multiplied by the value at default, taking into account the expected recovery rates when calculating the average Loss for each group of debt instruments with similar credit risk. Given the expected credit losses taking into account the amount and timing of payments, the credit losses arise even if the enterprise expects to pay in full but later after debt becomes payable under contractual terms. The expected credit losses over the twelve months are considered to be part of the expected credit losses over a lifetime arising from the defaulting events of a financial instrument and the potential within twelve months after the date of the financial statements.

• The expected credit loss of financial assets in the second stage is measured based on the present value of the total deficit calculated based on the historical probability of default scenarios adjusted by the average forecasts of the macroeconomic indicators for the life of the financial asset multiplied by the value at default, For each group of debt instruments with similar credit risk.
• Impaired financial assets at the balance sheet date are measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows.
• In calculating the specific loss rates, the Bank calculates the expected recovery rates from the present value of expected cash flows either from cash and in kind guarantees or historical or anticipated future repayment rates as follows:
- For debt instruments classified as part of the stage1, the value of cash and cash equivalents, cash and other financial instruments that can be easily converted into cash in a short year of time (3 months or less) and without any change (loss) in value due to credit risk, after deduction of 10% against unforeseen circumstances.
- For the debt instruments classified in the stage 2,3, only the types of guarantees shall be considered in accordance with the rules issued by the Central Bank of Egypt on 24/5/2005 regarding the determination of the creditworthiness of the customers and the formation of the provisions, while the value of such guarantees shall be calculated according to the rules of preparing and photographing The financial statements of the banks and the recognition and measurement bases issued by the Central Bank of Egypt on December 16, 2008, after deducting 10% and 20% of the cash collateral and the present value of the future cash flows of the in-kind collateral, respectively.
- For debt instruments held by banks operating outside Egypt, the probability of failure is determined on the basis of the credit rating of the head office of the bank operating outside Egypt and no more than the credit rating of the head office country, the loss rate is 45%.
- For the instruments held by the banks operating in Egypt, the probability of failure is calculated on the basis of the classification of the bank by the external international rating institutions. The branches of the Egyptian banks abroad are treated as the main center. The branches of the foreign banks operating in Egypt, the loss rate is calculated at 45%.
- For debt instruments issued by non-banks, the probability of failure is calculated on the basis of the rating of the issuer of the financial instrument by the external international rating institutions and no more than the credit rating of the issuing country in the case of external entities, the loss rate is calculated at 45%.
- Impairment provision on financial assets recognized in the financial position is deducted from the value of the financial asset at the time the statement of financial position is drawn up, while the provision for impairment relating to loan commitments, financial guarantee contracts and contingent liabilities is recognized under other provisions of the financial position obligations.
- For financial guarantee contracts, the Bank estimates the expected credit loss on the basis of the difference between the expected payments to the guarantee holder less any other amounts that the Bank expects to recover.

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 Suspended / Marginal interest.
- Regularity of payment for at least 12 months.

The year of recognition of the financial Asset within the latter category of the stage2

The year of recognition (classification) of the financial asset within the last category of the stage2 shall not exceed nine months from the date of its conversion to that stage.

Restructured financial assets:

If the terms of a financial asset are renegotiated or modified or a new financial asset replaced by a current financial asset due to the financial difficulties of the borrower, an assessment is made as to whether the financial asset should be derecognized and the expected credit losses are measured as follows:

• If the restructuring will not lead to the disposal of the current asset, the expected cash flows from the adjusted financial asset are used when calculating the cash deficit in the current asset. The expected credit losses are calculated on the life of the instrument.
• If the restructuring will result in the disposal of the present asset, the expected fair value of the new asset is treated as final cash flows from the current financial asset when derecognized. This value is used to calculate the cash deficit from the current financial asset, which is deducted from the expected date of derecognition of the asset at the reporting date using the original effective interest rate of the current financial asset.

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

The provision for credit losses is presented in the statement of financial position as follows:

• Financial assets measured at amortized cost as a deduction from the total book value of the assets.
• Commitments for loans and financial guarantee contracts: Generally, as a provision.
• When the financial instrument includes both the user and non-user of the permitted amount of the instrument, and the Bank cannot determine the expected credit losses of the unused portion separately, the Bank presents a provision for collective loss to the user and non-user.
The aggregate amount is presented as a deduction from the total book value of the user and any increase in the loss provision is shown on the total amount of the user as a provision for the unused portion.
• Debt instruments at fair value through other comprehensive income A provision for impairment is not recognized in the statement of financial position because the book value of such assets is their fair value. However, the provision for impairment is disclosed and recognized in the fair value reserve.

M- Intangible assets
M-1 Computer software programs

Expenses associated with the development or maintenance of the computer software programs are recognized when incurred in the income statement. The expenses associated directly with specific programs under the bank's control and expected to generate economic benefits exceeding their cost for more than a year are recognized as intangible asset. The direct expenses include the cost of the staff working in the software development team in addition to fair share of related general expenses.

The cost of computer software the programs is amortized over their expected useful life with a maximum of five years.

N- Fixed assets

Lands and buildings are mainly represented in head office premises, branches and offices. All fixed assets are disclosed at historical cost less depreciation and impairment losses. The historical cost includes expenses directly related to the acquisitions of the fixed assets' items.

Subsequent expenses are recognized within the book value of the existing asset or as an independent asset, if appropriate, this is the case when it is possible to generate future economic benefits to the bank from the concerned asset and it is also possible to reliably determine its cost. Any maintenance and fixing expenses during the period in which they are incurred are carried over to other operating expenses.

Land is not subject to depreciation while depreciation of other fixed assets is calculated by adopting the straight-line method starting from acquisition month to spread the cost in such a way to reach residual value over the useful life of the asset as follows:

Premises & Buildings	50 years
Furniture & Safes	10 years
Machinery & Equipment	8 years
Vehicles	5 years
Computers and core systems	5 years
Large Fixtures and fittings	5 - 20 Years

ABCE board has reconsidered the fixed assets management & accounting depreciation estimations, in 18/12/2018 the board has approved to change of depreciation policy (depreciation pattern of assets economic benefits "change in estimate") from annual basis to monthly basis for the new head office
building in New Cairo, and apply this change from the month at which the assets is used and applied on all its related assets starting from 2018 which was estimated by 3 months and starting from 2019 for all new acquired assets.
The residual value and useful lives of the fixed assets are reviewed periodically on each balance

sheet date and they are adjusted whenever it is necessary. Assets to be depreciated are reviewed for purposes of determining extent of impairment when an event or change in conditions occurs suggesting that the book value may not be recoverable. Consequently, the book value of the asset is reduced immediately to the asset's recoverable value in case increasing the book value over the recoverable value.

The recoverable value represents the net selling value of the asset or its in-use value whichever is greater. Gains and losses from the disposal of fixed assets are defined by comparing the net receipts at book value. Gains (losses) are included within other operating income (expenses) in the income statement.

Impairment of non-Financial Assets

- 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. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.
- An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, the net realizable value represents the net selling value of the asset or its utilization value which is greater. For the purposes of estimation impairment, assets shall be linked to at the smallest available cash unit. Non-financial assets that have been impaired shall be reviewed to assess a reversal of the impairment to the income statement at each reporting date.

O- Rentals

With regard to capital leasing contracts, the lease cost including the rental costs and maintenance cost of leased assets are recognized within the expenses in the income statement for the period in which it was incurred. If the bank decides to exercise the right of purchasing leased assets, then the cost of purchasing right is being capitalized considering it a fixed assets and amortized over the expected remaining useful life of the asset in the same way applied on similar assets.

Payments under the operational leasing account less any discounts granted by the lesser are recognized within expenses in the income statements by applying the straight line method over the period of contract.

P- Cash and cash equivalent

For the cash flow statement purposes, cash and cash equivalent Including balances due within three months from the date of acquisition. The above include cash, balances at Central Bank of Egypt outside the context of required reserve ratio, due from banks and finally treasury bills and other governmental securities.

Q- Financial guarantees contracts

Financial guarantees contracts are those contracts that bank issues for its clients as a collateral for loans or overdrafts for withdrawn from other parties. Those kinds of collateral require bank to settle certain amounts to beneficiary to compensate him from the losses burden from debtor default at settlement date according to terms and condition of financial instrument.

Those kinds of collateral provided to banks, financial institutions and other parties instead of its clients.
At initial recognition, the fair value of collateral recognized at grant date at financial statements to reflect fees. Later on, bank liability assessed depending on the initial value deducting the recognized amortization of that fees on income statement using the effective interest rate method over the guarantee lifetime, or the best estimate for the projected cash out flow to settle any liability that will be raise from such financial guarantee at balance sheet date whatever higher. Those projected cash out flows determined based on the experience in similar transactions and historical losses supported by management judgement.
Any increase in liabilities recognized at other operating gains (losses) at in income statement.

R- Provisions

Provisions recognized when there is a legal obligation or a present constructive due to previous events while it is also more likely that the situation shall require the utilization of the bank's resources to settle said liabilities with the availability for the amount to be reliably estimated.
When there are similar liabilities the cash outflow that can be used in settlement is determined taking into consideration this set of liabilities. The provision should be recognized even if there is a small possibility in the presence of cash outflow regarding an item from within this set.
When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income (expense) item.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation which become due after one year from the financial statement date using appropriate rate for the due date (without being affected by effective tax rate) which reflect time value of money, and if the due date is less than one year we calculate the estimated value of obligation but if it have significant impact then it calculated using the present value.

S- Employee's Benefits

Social insurance

The Bank pays contributions to Social Insurance Authority and the Bank has no further payment obligations once the contributions have been paid. These regular contributions are recognized as employee benefit through the income statement when they are due.

Employees profit share

The Bank pays a percentage of the expected profit in cash dividends as employee profit share; the employee profit share is recognized as part of dividends in the equity and as a liability when it is approved by the general assembly of the Bank, and no obligation is recognized for the employees share in the undistributed profits retained earnings.

Staff Pension Funds

The bank and employees contributes to a special saving fund to cover pension and end-of service bonus for permanent bank's employees by a given percentage of the employees' salaries. The monthly contributions are deducted while the bank has no further payment obligations once the contributions have been paid, thus recognized within the Employee benefits expenses when accrued and the fund covers the banks' permanent employees.

T- Income Taxes

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 immediately recognized within equity.

The income tax is recognized on the basis of the net profit subject to tax through the application tax rates prevailing at the date of preparing the financial statements in addition to the tax adjustments related to previous years.
Deferred taxes arising from temporary timing differences between the book value of assets and liabilities according to accounting bases and their values according to tax rules are to be recognized. So the value of the deferred tax is defined according to the method expected to realize or adjusted the value of assets and liabilities by applying the tax rates in force at the date of preparing the balance sheet.

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

U- Borrowing

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

V- Capital

V-1 Dividends

Dividends are charged to shareholders' equity in the period the shareholders general assembly approves these dividends and they include the employees' share in profits and the remuneration of the board of directors established by the statue of association of the bank and the law.

W- Trustee activities (custody)

The bank practices trustee services (custody) which leads to owning or managing private assets of individuals, trust funds or post service benefits funds. These assets and the resulting profits are to be excluded from the financial statements as they are not considered among the bank's assets.

X- Comparative figures

Comparative figures for financial assets and liabilities are reclassified but not re-measured to comply with the current year financial statements presentation according to CBE instruction for IFRS 9 first implementation dated February 26, 2019.

3- Financial risk management

The bank is exposed to a variety of financial risks while it practices its business and activities; Acceptance of risks is considered the basis of financial business. Some of the risks or a set of risks combined together are to be analyzed evaluated and managed. The bank targets at achieving the adequate balance between the risk and return as well as minimizing possible negative impacts on its financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks, Market risk includes the risks of foreign exchange rates, interest rate risk and the other rate risks.

The bank has established risk management policies to define, analyze, set the limits of and control risk. Controlling risks and complying with limits are done through a variety of reliable techniques and updated information systems plans. The bank conducts periodical reviews and amendments of the risk management policies and plans so as to reflect changes in the markets, products and services besides the best modern applications as well.

Risk management is conducted through risk department in the light of policies approved by the board of directors; Risk department defines, assesses and covers against the financial risks in close cooperation with the different operating units of the bank. The board of directors provides written principles for risk management as a whole in addition to written policies which cover defined risk areas such as credit risk, foreign exchange risk, interest- rate risks and the use of derivatives and non-derivatives financial instruments, Also, risk department is responsible for the periodic review of risk management and control environment in an independent way.

A. Credit risk

The bank is exposed to credit risk which is the risk of failure of one party to fulfill its obligations. Credit risk is considered the most important among the bank's risks thus the management carefully manages the exposure to this risk. Credit risk is mainly represented in lending business and activities which result in extending loans, facilities and investment activities and thus leading to the inclusion of debt instruments in the bank's assets. Credit risk also exists in off- balance sheet financial instruments such as loans commitments. The credit risk management team in the department conducts all operation related to management and controls of the credit risk meanwhile the team of management periodically reports to the board of directors, senior management as well as heads of business units.

A-1 Measuring credit risk

- Loans and advances to banks and customers

To measure credit risk related to loans and advances extended to banks and customers the bank examines the following three components:

- Probability of default of the customer or the other in fulfilling his contractual obligations.

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

As concerning debt instruments and bills the bank adopts the external foreign classifications such as that of Standard and Poor's or similar agencies or to manage credit risk. If such assessments are not available, then the bank applies methods similar to those applied on credit customers. Investment in securities, financial papers and bills are considered a way to obtain a better credit quality and at the same time to provide an available source to meet funding requirements.

A-2 Risk limit control and Mitigation Policies

The bank manages, mitigates and controls credit risk concentration at the level of debtor, groups, industries and countries.

The bank organizes levels of acceptable credit risk by setting the limits for the risk amount and extent to be accepted at the level of each borrower or a class of borrowers, or at the level of economic activities and geographical sectors. These risks are constantly monitored and controlled while they are also subject to annual reviews or more frequently if necessary. Limits of credit risks are quarterly approved by the board of directors at the level of borrower/ group / producer, the sector and the country.

Limits of credit for any borrower including banks are divided into sublimit which include amounts in and off the balance sheet and daily risk limit related to trading items such as forward foreign exchange contracts and actual amounts are compared daily with determined limits.

Also credit risk exposure is managed by the periodical analysis of the present as well as the possible borrower's ability on fulfilling their obligations and also by amendment of the lending limits if appropriate.

The following are some means of mitigating risk:

- **Collaterals**

The bank employs a range of policies and controls to mitigate credit risk. Among the methods implemented is to obtain collateral against the extended funds.
The bank has set guiding rules for defined types of acceptable collaterals.
Among the main types of collaterals to loans and advances are the following:

* Mortgage
* Mortgage of business assets such as equipment and goods.
* Mortgage of financial instruments such as debt instruments and equity.

Usually corporate lending is for a longer term and secured whereas credit facilities extended to individuals are unsecured. To reduce credit loss to its minimum, the bank seeks to get additional collaterals from the concerned parties as soon as indicators of a loan or facility impairment appear.

Collaterals held as a security for assets other than loans and advances are determined by the nature of the instrument and normally debt instruments and treasury bills are unsecured with the exception of asset-backed securities and the similar backed instruments by the securities portfolio.

Credit related commitments

The main reason for credit related commitments is to ensure availability of funds upon client's request. Also the financial guarantees contract bears the same loans credit risk. Letters of credit that bank issued instead of its clients to grant a third party the right to withdraw a certain value according to terms and conditions usually guaranteed with goods traded so it bear a less risk degree than direct loan.
Credit related commitments represent the unused portion from approved limit to provide loan, financial guarantees contracts or letters of credit. The bank bear expected losses with amount of total unused commitments and that is because most credit risk resulted from grant credit. Although the more viable loss actually is less than unused commitments and that is for credit related commitments are potential liabilities for clients with specific credit nature. Bank is observing the commitments until maturity and that is for the long-term commitments have more credit risk degrees than short-term commitments.

A-3 Impairment policies and provisions

The Bank internal policies require three stages to categorize financial assets that was measured at amortized cost and loans commitment and financial guarantees and also debt instruments at fair value through other comprehensive income according to the changes in credit quality since initial recognition and then measurement of impairment loss (Expected credit loss) in the value related to each instrument according to the following:
The unimpaired financial asset at initial recognition is categorized at stage 1 and credit risk is continuously monitored by the banks' credit risk department.
In case of a significant increase in credit risk since initial recognition; the financial asset is then transferred to stage 2 and is not considered impaired at this stage (Expected credit loss over the lifetime given an unimpaired credit value).
In case there are indicators of impairment in the financial assets value it will be moved to stage 3. And the bank relies on the following indicators to decide whether there is objective evidence pointing at:

- Significant increase in the financial assets interest rate as a result of increase in its credit risk.
- Significant adverse changes in the operation and financial or economic situation that the borrower operates in.
- Requesting rescheduling as a result of difficulties facing the borrower.
- Significant adverse changes in the cash flows or expected or actual operation results.
- Future adverse economic changes that affect the borrowers' future cash flows.
- Early signs of cash flow troubles / liquidity as late payment to lenders / commercial loans.
- Canceling a direct facility by the bank as a result of increase in the borrowers' credit risk.

Amounts are in EGP thousand

The impairment losses provision included in the balance sheet at the end of the fiscal year is derived from the four internal assessment categories however, The majority of the provision result from the last two categories of the assessment. The following table shows the percentage to items within the balance sheet relates to loans and advances for each of the bank's internal assessment categories:

Bank's Assessment	31-12-2019 Loans & advances %	31-12-2018 Loans & advances %
1-Performing loans	77.83	74.73
2-Regular watching	12	16.56
3-Watch List	2.96	0.88
4-Non performing loans	7.21	7.83
	100%	100%

The tools of internal assessments help management to define whether there are objective evidences on the presence of impairment pursuant to the Egyptian Accounting Standard and depending on the following indicators, the Central bank of Egypt has defined:

- Great financial difficulties facing the borrower or debtor.
- Breach of the loan agreements' terms such as non-payment.
- Expectation of the borrower's bankruptcy, entrance into liquidity claim or restructuring the finance extended to him
- Deterioration of the competitive position for the borrower.
- For economic or legal reasons related to the borrower's financial difficulties the bank is obliged to grant him privileges and concessions which the bank may not approve of granting in normal circumstances.
- The impairment of the collateral's value.
- Deterioration of the credit situation.

The bank's policies require review of all financial assets which exceed a defined relative importance at least annually or more if necessary. The impairment charge to accounts that have been assessed on an individual basis is to be defined by evaluating the loss realized at the balance sheet's date on each individual case separately and is to be applied individually on all accounts that have relative importance, the evaluation usually includes the outstanding collateral, security with a reconfirmation of the possibility to appropriate the collateral as well as the expected collections from these said accounts. The impairment loss provision is formed on basis of a group of homogeneous assets by using the available historical expertise, personal discretion and statistical methods.

Impairment loss provision recognition and measurement for performing and non-performing loans portfolios: -

Impairment is measured as following: -

A) Historical loss ratios: - This method is implemented on performing corporate clients based on type of industry for each client beside retail client (performing and non-performing) and this method is based on calculating historical loss ratio for each product separately with adjusting the mentioned ratio according to the relevant economic circumstances based on credit analysis to conclude the provision needed for each group has the similar credit characteristics.

B) Discounted cash flows: - This method is implemented on non-performing corporate clients and this method is based on calculating expected cash flow that will be collected from the client and calculating its present value according to original effective interest rate implemented on the original loan before the client being a non-performing by recognizing the impairment as the difference between the loan's book value and the present value of expected cash flows.

- On the other hand the excess of the provisions calculated based on risk rating over the provisions impairment kept according to central bank of Egypt instructions issued for provisions formation at 2005 and central bank of Egypt instructions issued for financial statements preparation and presentation at 2008 not allocate that excess through transferring that amount to general banking risk reserve account that would be added back to retained earnings when it is finish up its purpose.

A-4 The General Model for Measuring Banking Risks

In addition to the four creditworthiness classification categories shown in (note no. a-1), the management also prepares classification in the form of more detailed subgroups which cope with the requirements of the Central Bank of Egypt. Assets exposed to credit risk are classified in these subgroups pursuant to detailed rules and terms, which depend largely on customer related information, his business and activities, financial position and the extent of his regularity in payment.

The bank calculates the provisions required for the impairment of these assets exposed to credit risk including credit related commitments on the basis of defined ratios set by the Central Bank of Egypt. In case of the increase in the impairment loss provision, required according to the Central Bank of Egypt's rules, over that required for purposes of preparing the financial statements according to Egyptian accounting standards, the general banking risks reserve is to be set aside within the shareholders' equity debited to retained earnings within this increase. This reserve is periodically adjusted by increase or decrease as to be equaled to the amount of increase between the two provisions. And this reserve is un-distributable and shows the movement of General Banking risks reserve during the year.
The following is an indication of corporate creditworthiness categories according to internal assessment bases compared to the assessment bases of The Central Bank of Egypt and the required provision rations for the impairment of assets exposed to credit risk:

Notes of the financial statements for the financial year ended 31 December 2019
Amounts are in EGP thousand

Central Bank Of Egypt Classification	The Classification's Meaning	Provision's Ratio Required	Internal Classification	Meaning of Internal Classification
1	Low risks	Zero	1	Performing loans
2	Average risks	1%	1	Performing loans
3	Satisfactory risks	1%	1	Performing loans
4	Reasonable risks	2%	1	Performing loans
5	Acceptable risks	2%	1	Performing loans
6	Marginally acceptable risks	3%	2	Regular follow up
7	Watch List	5%	3	Special follow up
8	Sub Standard	20%	4	Non performing loans
9	Doubtful	50%	4	Non performing loans
10	Bad debt	100%	4	Non performing loans

A/5 The Maximum Limit for Credit Risk before Collaterals

Credit Risk exposures in the Balance Sheet items:

	31/12/2019	31/12/2018
Due from banks	4 643 609	5 105 469
Loans and advances to customers		
Loans to individuals:		
- Overdrafts	90 105	96 522
- Credit cards	79 414	80 197
- Personal loans	1 115 446	1 017 662
- Auto loans	641 770	467 423
Corporate loans :		
- Overdrafts and direct loans	1 964 209	1 883 547
- Syndicated loans	647 463	1 026 374
- Discounted bills	1 313	28 735
Financial investments :		
- Debt instruments	2 243 834	2 813 340
- Other Assets	119 110	149 950
Total	**11 546 273**	**12 669 219**

Credit risk exposures of off-balance sheet items:

Loans Commitment Non-cancelable Credit related commitments for other liabilities	14 814	24 487
Letter of guarantee	475 672	607 330
Letter of credit – Import	235 922	549 149
Letter of credit – Export	96 387	285 327
Contingent liabilities bills of exchange	57 747	76 449
Total	**880 542**	**1 542 742**

- The previous table represents the maximum limit of exposure as at 31 December 2019 without taking into consideration any financial guarantees. As for the balance sheet items, the enlisted amounts depend on the net book value presented in the balance sheet. As illustrated in the previous table 36.53% of the maximum Limit exposed to credit risk arises from loans and advances to customers whereas investments in the debt instruments represent 18.06%. The management has confidence in its abilities to continue controlling and maintaining the minimum limit of credit risk resulted from loans, facilities and debt instruments portfolios depending on the following:

Amounts are in EGP thousand

- The bank has applied more conservative selection processes when extending loans and advances during the year ended 31 December 2019.
- More than 95.10%, of the investments in debt instruments and treasury bills represents debt instruments from the Egyptian Government.

A/6 Loans and advances

The following is the position of loans and advances' balances as regarding creditworthiness:

- Notes no. (17) Includes further information on the impairment losses provision of loans and facilities to banks and customers.

	31/12/2019 Loans and advances to customers	31/12/2019 Loans and advances to customers
With no delays or impairment	4 149 352	4 205 524
With delays but not subject to impairment	63 062	34 544
Subject to impairment	327 306	360 392
Total	4 539 720	4 600 460
Less: Unearned discount for discounted commercial bills & other loans	(10)	(547)
Less: Expected Credit Losses provision	(264 196)	(206 387)
Less: Suspended interest	(133)	(133)
Net	4 275 381	4 393 393

Amounts are in EGP thousand

Loans and advances with no delays or impairment:
The credit worthiness of the loans and advances portfolio with no delays or impairment is evaluated with reference to the internal evaluation used by the bank.

Loans and advances to banks and customers

Assessment	Retail			Corporate				Total loans and advances to customers
	Overdrafts	Credit Cards	Personal loans	Overdrafts	Direct Loans	Syndicated Loans	Discounted Bills	
Performing	90 098	71 096	1 697 312	543 679	755 848	349 295	1 312	3 508 640
Regular Watching	-	-	-	89 996	151 551	296 512	-	538 059
Watch List	-	-	-	-	102 653	-	-	102 653
Total	90 098	71 096	1 697 312	633 675	1 010 052	645 807	1 312	4 149 352

31/12/2018

Assessment	Retail			Corporate				Total loans and advances to customers
	Overdrafts	Credit Cards	Personal loans	Overdrafts	Direct Loans	Syndicated Loans	Discounted Bills	
Performing	96 522	77 111	1 442 171	530 024	582 913	682 557	-	3 411 298
Regular Watching	-	-	-	93 155	288 293	343 451	28 735	753 634
Watch List	-	-	-	-	40 592	-	-	40 592
Total	96 522	77 111	1 442 171	623 179	911 798	1 026 008	28 735	4 205 524

Loans and advances with delays but are not subject to impairment
Loans and advances to customers
These are loans and advances with delays up to 90 days but are not subject to impairment unless there is other information to the contrary a loan and advances to customers with delays but not subject to impairment and the fair value of their collaterals are represented in the following:

Amounts are in EGP thousand

Loans and advances to banks and customers.

31\12\2019	Retail		
	Credit Cards	Personal Loans	Total
Past due up to 30 days	3 812	2 602	6 414
Past due more than 30 days to 60 days	2 132	3 426	5 558
Past due more than 60 days to 90 days	794	20	814
Total	6 738	6 048	12 786

	Corporate			
	Overdrafts	Direct Loans	Syndicated Loans	Total
Past due up to 30 days	5 647	41 957	1 656	49 260
Past due more than 30 days to 60 days	-	875	-	875
Past due more than 60 days to 90 days	-	141	-	141
Total	5 647	42 973	1 656	50 276

31/12/2018	Retail		
	Credit Cards	Personal Loans	Total
Past due up to 30 days	455	8 346	8 801
Total	455	8 346	8 801

31/12/2018	Corporate			
	Overdrafts	Direct Loans	Syndicated Loans	Total
Past due up to 30 days	7 594	13 493	366	21 453
Past due more than 30 days to 60 days	-	725	-	725
Past due more than 60 days to 90 days	1 632	1 933	-	3 565
Total	9 226	16 151	366	25 743

At initial recognition of loans and advances, the fair value of collaterals is evaluated on the basis of the same assets evaluation methods used for similar assets, and in subsequent periods, the fair value will be updated by the market prices or the similar assets' prices.

Loans and advances subject to impairment on an individual basis

The balance of loans & advances which are subject to impairment on an individual basis, before taking into consideration the cash flow from collaterals, amounted to EGP 327 306 thousand in DEC-19 compared by EGP 360 392 thousand in DEC-18.

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

Amounts are in EGP thousand

31/12/2019 Assessment	Retail		Corporate	
	Credit Cards	Personal Loans	Direct Loans & Overdrafts	Total
Loans and advances subject to impairment on an individual basis	1 581	53 863	271 862	327 306

31/12/2018 Assessment	Retail		Corporate	
	Credit Cards	Personal Loans	Direct Loans & Overdrafts	Total
Loans and advances subject to impairment on an individual basis	2 631	34 568	323 193	360 392

Acquisition of collaterals

- Acquired assets are classified under the "Other Assets" item in the financial position; the accounting policy disclosed in Note 2 is followed in the first recognition and subsequent measurement. These assets are sold or used for the purposes of the Bank whenever practicable and in accordance with the legal years set by the Central Bank of Egypt to dispose acquired assets.

A/7 Debt instruments, treasury bills and other governmental notes:

The following table represents an analysis of debt instruments, treasury bills and other governmental notes based on the assessment of Standard & Poor's rating or the equivalent:

31/12/2019	Treasury bills & other Governmental notes	Investments in Securities	Total
Less than - A	1 392 976	741 000	2 133 976
Unclassified	-	133 540	133 540
Total	1 392 976	874 540	2 267 516

31/12/2018	Treasury bills & other Governmental notes	Investments in Securities	Total
Less than - A	1 596 711	1 025 328	2 622 039
Unclassified	-	205 231	205 231
Total	1 596 711	1 230 559	2 827 270

Amounts are in EGP thousand

A/8 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, distributed in accordance with the geographical segment at 31 December 2019 when preparing this table; the risks are distributed into the geographical segments which related to the geographical locations of the bank customers'.

31/12/2019	Arab Republic of Egypt						
	Cairo	Alex., Delta and Sinai	Upper Egypt	Total	Gulf Countries	Other Countries	Total
Due from Banks	3 338 165	-	-	3 338 165	213 684	1 091 760	4 643 609
Loans & advances to customers							
Loans to individuals (Retail)							
- Overdrafts	82 154	7 268	683	90 105	-	-	90 105
- Credit cards	67 664	11 456	294	79 414	-	-	79 414
- Personal loans	764 458	255 217	95 771	1 115 446	-	-	1 115 446
- Car loans	609 312	27 894	4 564	641 770	-	-	641 770
Loans to corporate							
- Overdrafts	440 624	180 262	-	639 555	-	-	639 555
- Direct loans	1 161 709	162 945	-	1 324 654	-	-	1 324 654
- Syndicated loans	558 323	89 140	-	647 463	-	-	647 463
- Discounted bills	1 313	-	-	1 313	-	-	1 313
Financial Investments							
- Debt instruments	2 243 834	-	-	2 243 834	-	-	2 243 834
Total as of 31/12/2019	9 267 556	734 182	119 981	10 121 719	213 684	1 091 760	11 427 163

31/12/2018	Cairo	Alex., Delta and Sinai	Upper Egypt	Total	Gulf Countries	Other Countries	Total
Due from Banks	3 113 375	-	-	3 113 375	417 895	1 574 199	5 105 469
Loans & advances to customers							
Loans to individuals (Retail)							
- Overdrafts	91 863	3 095	1 564	96 522	-	-	96 522
- Credit cards	69 167	9 804	1 226	80 197	-	-	80 197
- Personal loans	671 308	231 323	115 031	1 017 662	-	-	1 017 662
- Car loans	439 144	25 108	3 171	467 423	-	-	467 423
Loans to corporate							
- Overdrafts	265 879	366 756	-	632 635	-	-	632 635
- Direct loans	1 063 988	186 924	-	1 250 912	-	-	1 250 912
- Syndicated loans	946 134	80 240	-	1 026 374	-	-	1 026 374
- Discounted bills	28 735	-	-	28 735	-	-	28 735
Financial Investments							
- Debt instruments	2 813 340	-	-	2 813 340	-	-	2 813 340
Total as of 31/12/2018	9 502 933	903 250	120 992	10 527 175	417 895	1 574 199	12 519 269

Amounts are in EGP thousand

Business Segment

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

31/12/2019	Financial Institutions	Industrial Institutions	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Due from banks	2 038 462	-	-	2 605 147	-	-	4 643 609
Loans & advances to customers							
Loans to individuals (Retail)							
- Overdrafts	-	-	-	-	-	90 105	90 105
- Credit cards	-	-	-	-	-	79 414	79 414
- Personal loans	-	-	-	-	-	1 115 446	1 115 446
- Car loans	-	-	-	-	-	641 770	641 770
Loans to Corporate							
- Overdrafts	-	94 320	155 583	72 645	317 007	-	639 555
- Direct loans	-	594 584	335 360	80	394 630	-	1 324 654
- Syndicated loans	-	-	-	209 847	437 616	-	647 463
- Discounted bills	1 313	-	-	-	-	-	1 313
Financial Investments							
- Debt instruments	109 857	-	-	2 133 977	-	-	2 243 834
Total as of 31/12/2019	2 149 632	688 904	490 943	5 021 696	1 149 253	1 926 735	11 427 163

31/12/2018	Financial Institutions	Industrial Institutions	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Due from banks	2 409 172	-	-	2 696 297	-	-	5 105 469
Loans & advances to customers							
Loans to individuals (Retail)							
- Overdrafts	-	-	-	-	-	96 522	96 522
- Credit cards	-	-	-	-	-	80 197	80 197
- Personal loans	-	-	-	-	-	1 017 662	1 017 662
- Car loans	-	-	-	-	-	467 423	467 423
Loans to Corporate							
- Overdrafts	-	245 528	290 733	82 593	13 781	-	632 635
- Direct loans	-	617 412	314 307	-	319 193	-	1 250 912
- Syndicated loans	-	-	-	545 144	481 230	-	1 026 374
- Discounted bills	28 735	-	-	-	-	-	28 735
Financial Investments							
- Debt instruments	191 301	-	-	2 622 039	-	-	2 813 340
Total as of 31/12/2018	2 629 208	862 940	605 040	5 946 073	814 204	1 661 804	12 519 269

B- Market Risk

The bank is exposed to market risk represented in volatility in fair value or in future cash flows resulted from changes in market prices. The market risk is due to the open positions of interest rates, currency rates and equity instruments as each of them is exposed to the market's public and private movements as well as to the changes in the sensitivity level of market prices or rates such as interest rates, foreign exchange rates and the prices of equity instruments. The bank separates the level of its exposure to market risk to portfolios either held for trading or portfolios held for a non-trading purpose.

The management of market risk resulted from trading and non-trading activities are centralized in the department of risk management in the bank and it is followed up by two separate teams. There is also periodic reporting on market risks to the board of directors and heads of business units.

The trading portfolios include these positions resulting from the bank's direct dealing with customers or with the market. Whereas, the portfolios held for a non-trading purpose, arise mainly from management of the rate of return of assets and liabilities related to retail transactions. These portfolios include the foreign exchange risks and equity instruments resulted from investments either amortized cost or TOCI.

B-1 Methods of Measuring Market Risk

As part of the market risk management the bank enters into many hedging strategies also interest rate swaps in order to balance the risk associated with the debt instruments and long term loans with fixed interest rate in case the fair value option is applied. The following are the most important measurement methods applied to control the market risk.

- **Value at Risk**

The bank adopts the method of "value at risk" for trading and non trading portfolios in order to estimate the market risk of outstanding positions and the maximum limit of expected loss based on a number of assumptions for the various changes of market conditions. The board of directors sets limits for "value at risk" which the bank can accept for trading or non-trading separately and they are monitored daily by Risk Management department in the bank.

Value at risk is a statistical expectation for the potential loss resulted from market's adverse moves on the current portfolio. It is an expression of the maximum value the bank can lose using a defined confidence factor (98%) consequently there is a statistical probability of (2%) that the actual loss may be greater than the expected value at risk. The value at risk model assumes a defined retention period (ten days) before closing of the open positions. It also assumes that the market movement during the retention period will follow the same pattern of movement that occurred during the previous ten days. The bank should assess the past movement based on the data of the previous five years and applies these historical changes in rates, prices and indicators directly on current positions, and this method known as historical simulation. Actual outputs are monitored on a regular basis to measure the soundness of assumptions and factors applied to calculate value at risk.

The use of this approach does not prevent losses outside these limits in case of there is more significant market movement.

As value at risk constitutes an integral part of bank's market risk control, the value at risk limits are established by the board annually for all trading and non-trading operations and allocate it to business units, the actual values at risk are compared with the established limits on daily basis by the risk management unit at the bank.

The daily average value at risk has reached during the present year EGP 2 082 thousand.

Amounts are in EGP thousand

The quality of value at risk model is monitored on a continuous basis through tests that reinforce the results of value at risk of the trading portfolio and the results of such tests are reported to senior management and board of directors.

- **Stress Testing**

Stress testing gives an indicator of the volume of expected loss which may arise from extremely adverse conditions. Stress testing is designed in a way that suites business and activity by applying typical analyses of defined scenarios. Stress testing which the risk department under-takes includes the stress testing of risk factors where a set of extreme movements is to be applied on each risk category. There is also stress testing applied on developing markets which are subject to extreme movements and special stress testing that includes significant potential events which may affect certain centers or regions such as what can happen in a region due to liberalization of restrictions on a currency. The senior management and board of directors always monitor and review the results of stress testing.

B/2 Summary of value at risk

Total value at risk according to the risk type

	31/12/2019			31/12/2018		
	Middle	Highest	Lowest	Middle	Highest	Lowest
Exchange rate risks	1 964	2 146	1 781	7 953	9 277	6 628
Interest rate risks	118	124	112	214	220	208
Total value at risks	**2 082**	**2 270**	**1 893**	**8 167**	**9 497**	**6 836**

Value at risk of the trading portfolio according to the risk type

	31/12/2019			31/12/2018		
	Middle	Highest	Lowest	Middle	Highest	Lowest
Exchange rate risks	1 964	2 146	1 781	7 953	9 277	6 628
Total value at risks	**1 964**	**2 146**	**1 781**	**7 953**	**9 277**	**6 628**

Value at risk of the non trading portfolio according to the risk type

	31/12/2019			31/12/2018		
	Middle	Highest	Lowest	Middle	Highest	Lowest
Interest rate risk	118	124	112	214	220	208
Total value at risks	**118**	**124**	**112**	**214**	**220**	**208**

The increase in the value at risk is related, especially interest rate risk, to the increase in the sensitivity of interest rates in international financial markets.

The three previous results of value at risk have been calculated independently from the concerned positions and historical movements of markets. Total values at risk for trading and non-trading don't form the bank's value at risk given the correlation between the types of risks and types of portfolios and the associated diverse impacts.

Amounts are in EGP thousand

B/3 The risk of fluctuations in foreign exchange rates

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 to foreign currencies in total value for each position at the end of the day and also intraday which are monitored 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 year. The said table includes the book value of financial instruments broken down into its component currencies:

The concentration of currency risk of financial instruments

31/12/2019	EGP	USD	Euro	GBP	Other Currencies	Total
Financial assets						
Cash and due from Central Bank of Egypt	3 504 516	349 804	97 296	8 286	14 616	3 974 518
Due from banks	802 898	1 008 610	218 578	7 979	397	2 038 462
Loans and advances to customers (Gross)	4 113 697	406 748	19 275	-	-	4 539 720
Financial Investments						
- Fair value through OCI	1 148 194	532 743	-	-	-	1 680 937
- Amortized Cost	577 375	9 204	-	-	-	586 579
Total financial assets	10 146 680	2 307 109	335 149	16 265	15 013	12 820 216
Financial liabilities						
Due to banks	7	427 440	147 601	-	3	575 051
Customers' deposits	8 595 481	1 794 403	188 148	15 862	9 729	10 603 623
Total financial liabilities	8 595 488	2 221 843	335 749	15 862	9 732	11 178 674
Net of financial position	1 551 192	85 266	(600)	403	5 281	1 641 542

31/12/2018	EGP	USD	Euro	GBP	Other Currencies	Total
Financial assets						
Cash and due from Central Bank of Egypt	3 322 213	542 255	69 377	12 278	16 088	3 962 211
Due from banks	352 534	1 704 892	309 784	29 554	12 408	2 409 172
Treasury bills (Net)	1 001 320	595 391	-	-	-	1 596 711
Loans and advances to customers (Gross)	3 663 990	936 320	150	-	-	4 600 460
Financial Investments						
- Available for sale	443 783	-	-	-	-	443 783
- Held to maturity	776 086	10 690	-	-	-	786 776
Total financial assets	9 559 926	3 789 548	379 311	41 832	28 496	13 799 113
Financial liabilities						
Due to banks	16	324 229	149 334	-	3	473 582
Customers' deposits	8 126 728	3 348 544	228 577	42 200	17 585	11 763 634
Total financial liabilities	8 126 744	3 672 773	377 911	42 200	17 588	12 237 216
Net of financial position	1 433 182	116 775	1 400	(368)	10 908	1 561 897

Amounts are in EGP thousand

B/4 Interest rate risk

The bank is exposed to the impact of fluctuations in the levels of interest rates prevailing in the market that is the cash flow risk of interest rate represented in the volatility of future cash flow of a financial instrument due to changes in the interest rate of said instrument. Whereas the interest rate's fair value risk is the risk of fluctuations in the value of the financial instrument due to changes in interest rates in the market. The interest margin may rise due to these changes but still the profits may decrease if unexpected movements occur. The board of directors sets limits for the level of difference in the re-pricing of interest rate which the bank can maintain and this is daily monitored by risk department in the bank.

The following table summarizes the extent of the bank's exposure to the risk of fluctuations in interest rates which includes the book value of financial instruments divided on the basis of the price of re-pricing dates or maturity dates whichever is sooner:

31-12-2019	Up to one month	One to three months	Three months to one year	One year to five years	Over five years	Non –Interest bearing	Total
Financial assets							
Cash and due from Central Bank of Egypt	2 372 000	233 146	-	-	-	1 369 372	3 974 518
Due from banks	1 698 324	-	-	-	-	340 138	2 038 462
Loans and advances to customers	2 831 100	40 180	328 679	878 574	133 879	327 308	4 539 720
Financial Investments:							
- Fair value through OCI	149 769	773 760	513 221	220 506	-	23 681	1 680 937
- Amortized Cost	30 000	65 007	189 490	302 082	-	-	586 579
Total financial assets	7 081 193	1 112 093	1 031 390	1 401 162	133 879	2 060 499	12 820 216
Financial liabilities							
Due to banks	338 152	-	88 357	-	-	148 542	575 051
Customers' deposits	7 826 457	1 150 745	355 891	423 541	-	846 989	10 603 623
Total financial liabilities	8 164 609	1 150 745	444 248	423 541	-	995 531	11 178 674
The interest re-pricing gap	(1 083 416)	(38 652)	587 142	977 621	133 879	1 064 968	1 641 542

31-12-2018	Up to one month	One to three months	Three months to one year	One year to five years	Over five years	Non –Interest bearing	Total
Financial assets							
Cash and due from Central Bank of Egypt	130 000	1 166 297	1 400 000	-	-	1 265 914	3 962 211
Due from banks	2 196 878	-	-	-	-	212 294	2 409 172
Treasury bills	25	598 414	1 105 925	-	-	-	1 704 364
Loans and advances to customers	999 141	188 410	996 771	1 972 966	160 494	282 678	4 600 460
Financial Investments:							
- Available for sale	-	-	210 792	231 510	-	1 481	443 783
- Held to maturity	-	80 373	176 547	517 407	-	12 449	786 776
Total financial assets	3 326 044	2 033 494	3 890 035	2 721 883	160 494	1 774 816	13 906 766
Financial liabilities							
Due to banks	366 711	-	100 619	-	-	6 252	473 582
Customers' deposits	3 171 382	3 993 174	2 106 240	1 444 818	-	1 048 020	11 763 634
Total financial liabilities	3 538 093	3 993 174	2 206 859	1 444 818	-	1 054 272	12 237 216
The interest re-pricing gap	(212 049)	(1 959 680)	1 683 176	1 277 065	160 494	720 544	1 669 550

C- Liquidity risk

The liquidity risk is the risk that the bank will be unable to meet its commitments associated with its financial obligations at maturity date and replacing the amounts that have been withdrawn; and that may result failure in meeting obligations related to repayment of the depositors' funds or meeting the lending commitments.

- Liquidity risk management

The processes of liquidity risk control applied by risk department in the bank include the following:

- The daily finance is managed by monitoring and controlling the future cash flows to ensure the ability to fulfill all obligations and requirements. This includes providing and replacing funds when due or when lending to customers. The bank is always present in active international money markets to ensure achievement of this target.
- Maintaining a portfolio of highly marketable assets which can easily be liquidated to meet any unexpected interruption in cash flows.
- Monitoring liquidity ratios compared to the internal requirements of the bank and the Central Bank of Egypt's requirements.
- Management of concentration and stating the loans maturities.

For control and reporting purposes the cash flows are measured and forecast for the day, the week as well as and the next month which are considered the main periods for liquidity management. The starting point for these expectations is represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets. The risk management department controls the mismatch between medium term assets, the level and type of the unutilized portion of loans' commitments, the extent of utilizing overdraft facilities and the impact of contingent liabilities such as letters of guarantees and letters of credit.

- Funding approach

The liquidity resources are reviewed by a separate team in the risk management department of the bank to provide a wide variety of currencies, geographical regions, resources, products and maturities.

- Non derivative cash flows

The following table represents the cash flows to be paid by the bank through method of non-derivative financial liabilities distributed on the basis of remaining period from the contractual maturities on the balance sheet's date. The amounts enlisted in the table represent the undiscounted contractual cash flows while the bank manages the liquidity risk on the basis of expected undiscounted cash flows and not the contractual ones.

Notes of the financial statements for the financial year ended 31 December 2019
Amounts are in EGP thousand

31/12/2019	Up to one month	One to three months	Three months to one year	One year to five years	Over five years	Total
Financial liabilities						
Due to banks	456 104	-	88 357	-	-	544 461
Customers' deposits	8 010 389	309 880	1 178 729	1 510 824	-	11 009 822
Total financial liabilities according to contractual maturity date	**8 466 493**	**309 880**	**1 267 086**	**1 510 824**	**-**	**11 554 283**
Total financial assets according to contractual maturity date	**6 052 026**	**1 235 277**	**1 792 472**	**3 321 003**	**476 871**	**12 877 649**

31/12/2018	Up to one month	One to three months	Three months to one year	One year to five years	Over five years	Total
Financial liabilities						
Due to banks	372 963	-	100 619	-	-	473 582
Customers' deposits	7 256 810	2 276 893	970 379	1 883 492	-	12 387 574
Total financial liabilities according to contractual maturity date	**7 629 773**	**2 276 893**	**1 070 998**	**1 883 492**	**-**	**12 861 156**
Total financial assets according to contractual maturity date	**3 992 638**	**1 329 982**	**5 788 204**	**2 635 448**	**160 494**	**13 906 766**

The assets available to meet all liabilities and to hedge commitments related to loans include cash, balances at CBE, due from banks, treasury bills and other governmental notes at gross and Loans and advances to banks and customers at gross. Within the bank's normal business, a percentage of loans provided to customers who are due within a year are prolonged. In addition to that there are pledging for some of debt instruments, treasury bills and other governmental notes to guarantee liabilities. The bank has the ability to meet unexpected net cash flows through selling financial securities as well as raising other funding resources.

Off-balance sheet items:
The following is according Note no. (32)

31/12/2019	Less than one year	One year to five years	Over five years	Total
Financial guarantees, accepted bills of exchange and other financial facilities	504 493	-	-	504 493
Capital commitments due to fixed assets' acquisition	366	-	-	366
Total	**504 859**	**-**	**-**	**504 859**

31/12/2018	Less than one year	One year to five years	Over five years	Total
Financial guarantees, accepted bills of exchange and other financial facilities	659 721	-	-	659 721
Capital commitments due to fixed assets' acquisition	12 605	-	-	12 605
Total	**672 326**	**-**	**-**	**672 326**

Amounts are in EGP thousand

D- The fair value of financial assets and liabilities

D-1 Financial instruments not measured at fair value

The following table summarizes the present value and the fair value of financial assets and liabilities which are not presented in the bank's balance sheet at fair value:
* It is not expected to have a major difference between Book and Fair Value.

	Book value		Fair value	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Financial Assets				
Due from banks	4 643 609	5 105 469	4 643 609	5 105 469
Loans & advances to customers				
-Retail	1 926 735	1 661 804	1 926 735	1 661 804
-Corporate	2 612 985	2 938 656	2 612 985	2 938 656
Financial investments				
-Amortized Cost (Treasury bonds)	586 579	774 327	588 368	756 064
Financial liabilities				
Due to banks	575 051	473 582	575 051	473 582
Customers' deposits				
-Retail	4 652 413	4 467 777	4 652 413	4 467 777
-Corporate	5 951 210	7 295 857	5 951 210	7 295 857

- **Due from banks**

The fair value of floating rate placements and overnight deposits is their present value. The estimated fair value of deposits bearing floating interest rate is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

- **Loans and advances to banks**

Loans and advances are representing loans other than deposits at banks. The expected fair value of loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted by applying the current market rate of return to determine the fair value.

- **Loans and advances to customers**

Loans and advances are recognized in their net value after deducting the impairment loss provision. The expected fair value of loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted by applying the current market rate of return to determine the fair value.

- **Investments in financial securities**

Investments in financial securities in the prior table include only the assets which bear interest and held to maturity date. Available for sale assets are assessed at fair value with the exception of equity instruments which the bank has been unable to evaluate their fair value with a reliable extent. The fair value of financial assets held to maturity is determined on the basis of market rates or prices obtained from brokers. If these data are unavailable then the fair value is assessed by applying the financial markets' rates for negotiable financial securities with similar credit features, maturity dates as well as similar rates.

- **Due to other banks and customers**

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, represents the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

- **Issued debt instruments**

The aggregate fair value is calculated in accordance with the prevailing financial markets rates. As for securities which do not have active markets, the model of discounted cash flows which is based on the present rate that suite the period remaining to maturity date is applied for the first time.

E- Capital Management

The bank's objectives, when managing capital that includes other elements besides the shareholders' equity disclosed in the balance sheet, are represented in the following:

- Compliance with the capital's legal requirements in Egypt and in countries where the bank's branches operate.
- Protection of the bank's ability on continuity as ongoing concern and enabling it to continue in generating return to shareholders and other parties that deals with the bank.
- Maintenance of a sound strong capital base that supports the growth of business.

Capital adequacy and capital utilizations prepared according to the Basel requirements issued from Central Bank of Egypt through models which depend on the guidelines of Basel Committee for Banking Supervision. Required data are submitted to the Central Bank of Egypt on a quarterly basis.

Central bank of Egypt except for foreign banks branches requires maintaining an amount of EGP 500 million as a minimum limit of issued and paid in capital.

- Banks working in Egypt should maintain a minimum 12.75% between capital base elements (numerator) and between risk weighted assets (denominator). for facing the credit risk, market risk also operational risk.

The numerator of the capital adequacy ratio consists of the following two tiers:
Tier One:
consist of two parts which are
Basic continuing capital: Which is consists of paid in capital (after deducting any treasury stocks), Retained earnings & Reserves except for Banks general risk reserve.
Additional capital: Which consists of period profit and loss and minority rights and the difference between the nominal and current value of the supporting loan.

Tier Two:
is the supported paid in capital and consist of: -
1) 45% from positive foreign currencies translation reserve.
2) 45% from special reserve.
3) 45% from fair value increase over the book value for financial investments held for maturity.
4) 45% from fair value increase over the book value for financial investments in associates and affiliates.
5) Financial instruments with embedded derivative.
6) Loans (Supportive deposits with 20% amortization from its value each year from the last five years from its maturity).
7) Impairment loss provision for loans, advances and performing contingent liabilities with maximum 1.25% from total risk weighted assets and risk weighted contingent liabilities.
* Denominator of capital adequacy ratio consist of

1) Credit risk.
2) Market risk.
3) Operational risk.
4) Top 50 clients' concentration breach from the regulatory limits.

Assets weighted by risk associated weights from zero to 100% classified on the nature of debtor for each asset which reflect credit risk associated taking into consideration cash collaterals. For off balance amounts the same treatment performed after making adjustments to reflect contingent nature in addition to expected losses for those amounts also bank should comply with all local capital requirements.

Amounts are in EGP thousand

The following table summarizes calculations for capital adequacy ratio according to Basel II requirements at 31/12/2019: -

Capital		
Tier one (Base Capital)		
Capital shares	700 000	700 000
Legal reserve	139 563	117 735
Other reserves	781 429	764 160
Retained earnings	197 623	264 407
Intangible Assets	(24 645)	(9 088)
Fair Value reserve – Financial Investment through Other comprehensive income	19 572	-
50% from investment at non-financial entities (deducted items)	-	(741)
Fair value reserve for financial investments TOCI (negative)	-	(543)
Fair value reserve for financial investments transferred from Available for sale to held to maturity (negative)	-	(10 566)
Total Tier one after deductions	**1 813 542**	**1 825 364**
Tier Two (Supportive Capital)		
45% from fair value reserve balance for financial investment TOCI	-	-
45% from fair value increase over the book value for financial investments Amortized Cost	-	9 265
required provisions for debt instruments, loans, advances and performing contingent liabilities included in stage 1	21 186	72 174
50% from investment at non-financial entities (deducted items)	-	(741)
Total Supportive capital	**21 186**	**80 698**
Total Capital	**1 834 728**	**1 906 062**
Assets and contingent liabilities risk weighted :		
Assets in balance sheet	5 148 770	5 408 579
Contingent liabilities	-	365 273
Risk weighted assets for top 50 client's concentration breach from the regulatory limits.	1 094 222	1 333 069
Capital requirement for other parties risks	-	-
Total credit risk	6 242 992	7 106 921
Capital requirements for Market risk	-	-
Capital requirements for Operational risk	964 801	952 991
Total Assets and contingent liabilities risk weighted	**7 207 793**	**8 059 912**
Capital adequacy ratio (%)*(taking the effect of top 50 clients' concentration)	**25.45%**	**23.65%**
Capital adequacy ratio (%)*(excluding the effect of top 50 clients' concentration)	**30.01%**	**28.34%**

The following table summarizes capital financial leverage ratio at end of fiscal year: -

		31/12/2019	31/12/2018
Tier one (Capital after deductions)	(1)	1 813 542	1 825 365
On balance sheet, derivatives and financial instruments financing exposure		13 555 047	14 459 431
Off balance sheet exposure		730 350	752 239
Total exposure	(2)	14 285 397	15 211 670
Financial leverage ratio	(1)/(2)	12.70%	12.00%

The significant accounting estimates and assumptions applied until December 31, 2018:

The bank applies estimates and assumptions which affect the amounts of assets and liabilities to be disclosed during the following financial year. Estimates and assumptions are continuously assessed on the basis of historical expertise and other factors as well, including the expectations of future events which are considered to be logical or reasonable in the light of available information and surrounding circumstances.

a) Impairment Losses on loans and advances

The bank reviews the loans and advances portfolio at least on a quarterly basis to assess impairment. The bank applies personal judgment when determining the necessity of recording the impairment charges to the income statement so as to know if there is any reliable data which refer to the existence of a measurable decline in the expected future cash flows of the loans portfolio even before being acquainted with the decline at the level of each loan in the portfolio. These evidences may include observable data which refer to the occurrence of a negative change in the ability of a portfolio of borrowers to repay the bank or local or economic circumstances related to default in the bank's assets. When scheduling the future cash flows, the management applies estimates based on prior experience of losses of assets with credit risk characteristics in the presence of objective evidences that refer to impairment similar to those included in the portfolio.

The method and assumptions applied in estimating the amount and timing of future cash flows are reviewed on a regular basis to eliminate any differences between estimated and actual losses based on expertise.

Central bank standards are implemented regarding to required provisions methodology by using discounted cash flows (DCF) for corporate non-performing portfolio also probability of default (POD) methodology is used for retail loan portfolio and corporate performing loans portfolio.

b) Impairment in equity's instruments' investments available for sale:

The bank defines impairment in equity's instruments' investments available for sale when there is a significant or prolonged decline in their fair value below their cost. Determining whether the decrease is significant or prolonged depends on personal judgment. To reach this judgment the bank assess - among other factors- the usual volatility of the share price.

Additionally, there could be impairment if there is evidence on the existence of deterioration in the financial position of the company, the bank invested in, or in its operating and financing cash flows or if there is deterioration in the industry's or sector's performance or in case of changes in technology.

c) Financial investments held to maturity

The non-derivative financial assets with payments and maturity dates that are fixed or determinable are classified as financial investments held to maturity, and this classification requires to a great extent the application of personal judgment and to reach such decision the bank evaluates the intention and ability to hold these investments till maturity. If the bank fails to hold these investments till maturity date, with the exception of very special cases such as selling an insignificant amount near maturity, then these investments which were classified held to maturity should be reclassified available for sale investments. Consequently, these investments shall be measured by fair value and not by amortized cost in addition to suspension of classifying any investments under the said item.

If the usage of investments held to maturity's classification is suspended, then the book value will be adjusted be increased by EGP 1 789 thousand to reach the fair value by posting a corresponding entry in the fair value reserve within shareholder's equity section.

d) Income Taxes

Bank is subject to income tax in various tax authorities regarding external branches which require usage of important estimations for determining aggregate provision for income tax, there are a lot of calculations and operations which will be difficult to determine the tax accurately. The bank records the liabilities of the expected results of tax examination according to estimates of the probability of the emergence of additional taxes. When there is a variance between the final result of taxes and the amounts previously recorded then these variances will affect the income tax and deferred tax provision for the year in which the variance has been identified.

The significant accounting estimates and assumptions applied starting January 01, 2019:
In the application of the bank's accounting policies, which are described in note 3, 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 to assess impairment. Management uses its personal 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 might include 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 and the presence of objective evidence related to impairment of assets having similar credit risks 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- Debt instrument at amortized cost

Non-derivative financial assets with fixed or determinable payments and maturity dates are classified as debt instruments at amortized cost "within the business model of financial assets held to collect contractual cash flows".

5- Segmental analysis

A - Business segment analysis

Business segment includes operational processes, assets used in providing banking services and management of their surrounding risks and return related to this business that are different from those of other business segments. Also it includes related to segment analysis of these operations in accordance with type of banking business as mentioned in the following:

Large, medium and small Corporate

It includes the activities of current accounts, deposits, overdrafts, loans, credit facilities and financial derivatives.

Investment

It includes the activities of companies' merging, purchasing investments; financing companies restructuring and financial instruments.

Retail

It includes the activities of current accounts, savings, deposits, credit cards, personal loans, Mortgage and housing loans.

Other activities

They include other types of banking businesses such as treasury management. Dealings and transactions between the segmental activities are done in accordance with the bank's normal course of business both assets and liabilities include operational assets and liabilities as presented in the bank's balance sheet.

Notes of the financial statements for the financial year ended 31 December 2019
Amounts are in EGP thousand

31/12/2019	Corporate	SMEs	Investments	Retail	Other Activities	Total
Income & Expense according to segmental activity						
Net Interest Income	86 255	11 893	212 770	201 136	46 595	558 649
Net Income from Fees & Commission	70 069	4 454	(2 778)	6 193	-	77 938
Dividends Income	-	-	10 335	-	-	10 335
Gain on financial investments	-	-	6 621	-	-	6 621
Net trading income	-	-	7 295	-	-	7 295
Other operating revenues (expenses)	15 840	211	14 106	(1 561)	(2 457)	26 139
Impairment credit losses	12 171	(2 223)	(62)	(27 810)	-	(17 924)
Administrative expenses	(105 895)	(23 517)	(77 840)	(145 141)	(77 662)	(430 055)
Profit before income tax	78 440	(9 182)	170 447	32 817	(33 524)	238 055
Income tax expense	-	-	(9 029)	-	(57 091)	(66 120)
Net Profit as of 31/12/2019	**78 440**	**(9 182)**	**161 418**	**32 817**	**(90 615)**	**172 878**
Assets and liabilities according to segmental activity						
Assets according to business segment	2 111 350	364 504	8 170 032	1 909 383	-	12 555 269
Unallocated assets	-	-	-	-	760 024	760 024
Total Assets	**2 111 350**	**364 504**	**8 170 032**	**1 909 383**	**760 024**	**13 315 293**
Liabilities according to business segment	(716 346)	(76 373)	(575 056)	(9 810 899)	-	(11 178 674)
Unallocated Liabilities	-	-	-	-	(254 554)	(254 554)
Total Liabilities	**(716 346)**	**(76 373)**	**(575 056)**	**(9 810 899)**	**(254 554)**	**(11 433 228)**
Other items of business segment						
Capital expenditures	-	-	-	-	60 576	60 576
Depreciation	(4 572)	(805)	(4 195)	(8 210)	(38 122)	(55 904)
Impairment	12 172	(2 223)	(63)	(27 810)	-	(17 924)

31/12/2018	Corporate	SMEs	Investment	Retail	Other activities	Total
Income and expenses according to segmental activity						
segmental activity income	239 183	18 121	226 764	1 179 278	51 544	1 714 890
segmental activity expenses	(145 402)	(27 570)	(76 003)	(1 113 178)	(38 734)	(1 400 887)
Results of business activity	93 781	(9 449)	150 761	66 100	12 810	314 003
Income tax expenses	-	-	(6 587)	-	(89 143)	(95 730)
Net Profit for the year	93 781	(9 449)	144 174	66 100	(76 333)	218 273
Assets and liabilities according to segmental activity						
Assets according to business segment	2 724 445	189 181	9 005 871	1 672 550	-	13 592 047
Unallocated assets	-	-	-	-	822 966	822 966
Total Assets	2 724 445	189 181	9 005 871	1 672 550	822 966	14 415 013
liabilities according to business segment	(1 200 038)	(65 062)	(100 628)	(10 870 193)	-	(12 235 921)
Unallocated liabilities	-	-	-	-	(337 063)	(337 063)
Total liabilities	(1 200 038)	(65 062)	(100 628)	(10 870 193)	(337 063)	(12 572 984)
Other items of business segment						
Capital expenditures	-	-	-	-	497 786	497 786
Depreciation	(3 459)	(626)	(3 176)	(7 291)	(9 302)	(23 854)
Expected Credit Loss	2 292	(3 593)	-	(8 160)	-	(9 461)

Amounts are in EGP thousand

B- Geographical Segment Analysis

31/12/2019	Arab Republic of Egypt Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Income & Expense according to Geographical segmental				
Net Interest Income	485 497	65 225	7 927	558 649
Net Income from Fees & Commission	57 427	18 280	2 231	77 938
Dividends Income	10 335	-	-	10 335
Gain on financial investments	6 621	-	-	6 621
Net trading income	3 055	4 236	4	7 295
Other operating revenues (expenses)	26 139	-	-	26 139
ECL charge	(18 038)	114	-	(17 924)
Administrative expenses	(404 158)	(20 678)	(5 219)	(430 055)
Profit before income tax	166 878	67 177	4 943	238 998
Income tax expense	(66 120)	-	-	(66 120)
Net Profit as of 31/12/2019	**100 758**	67 177	4 943	172 878
Assets and liabilities according to Geographical segment				
Assets according to Geographical segment	11 633 066	785 692	136 511	12 555 269
Unallocated assets	760 024	-	-	760 024
Total Assets	12 393 090	785 692	136 511	13 315 293
Liabilities according to Geographical segment	(9 521 681)	(1 456 455)	(200 538)	(11 178 674)
Unallocated Liabilities	(254 554)	-	-	(254 554)
Total Liabilities	(9 776 235)	(1 456 455)	(200 538)	(11 433 228)

31/12/2018	Arab Republic of Egypt Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Income and expenses according to geographical segment				
Geographical segment income	1 488 204	203 646	23 040	1 714 890
Geographical segment expense	(1 213 913)	(128 800)	(19 440)	(1 362 153)
Results of business activity	274 291	74 846	3 600	352 737
Unallocated expenses	(38 734)	-	-	(38 734)
Profit before tax as of 31/12/2018	235 557	74 846	3 600	314 003
Tax	(95 730)	-	-	(95 730)
Net profit as of 31/12/2018	139 827	74 846	3 600	218 273
Assets and liabilities according to Geographical segment				
Assets according to Geographical segment	12 502 884	953 147	136 016	13 592 047
Unallocated assets	822 966	-	-	822 966
Total assets	13 325 850	953 147	136 016	14 415 013
Liabilities according to Geographical segment	(11 225 815)	(876 975)	(133 131)	(12 235 921)
Unallocated liabilities	(337 063)	-	-	(337 063)
Total liabilities	(11 562 878)	(876 975)	(133 131)	(12 572 984)

Notes of the financial statements for the financial year ended 31 December 2019
Amounts are in EGP thousand

6- Net Interest Income

	For the year ended 31/12/2019	31/12/2018
Interest income on loans and similar income		
Loans and advances to customers	737 053	628 530
Treasury bills and bonds	347 224	445 192
Income on current accounts and deposits (Banks)	409 645	447 492
	1 493 922	1 521 214
Interest expenses on deposits and similar charges		
Current accounts & deposits to:		
- Banks	(6 549)	(2 133)
- Customers	(928 724)	(975 444)
Total	(935 273)	(977 577)
Net	558 649	543 637

7- Net Fees & Commissions Income

	For the year ended 31/12/2019	31/12/2018
Fees & commissions income:		
Fees & commissions related to credit	42 286	34 677
Fees on trade finance	71 575	77 678
Other fees	28 087	35 815
Total	141 948	148 170
Fees & commissions expenses:		
Commission paid	(26 308)	(16 595)
Other paid fees	(37 702)	(34 651)
Total	(64 010)	(51 246)
Net	77 938	96 924

8- Dividends Income

	For the year ended 31/12/2019	31/12/2018
Financial investments in fair value through OCI	10 335	1 161

9- Net Trading Income

	For the year ended 31/12/2019	31/12/2018
Foreign currency operations:		
gains from dealing in foreign currencies	7 276	8 761
Losses from forward contracts valuation	19	(24)
	7 295	8 737

Amounts are in EGP thousand

10- General & administrative expenses

	For the year ended	
	31/12/2019	31/12/2018
Staff cost		
- Wages and salaries	(202 308)	(186 589)
- Social Insurance	(8 030)	(6 834)
	(210 338)	(193 423)
Other administrative expenses	(219 717)	(165 113)
	(430 055)	(358 536)

* The monthly average for top 20 annual income and bonuses is EGP 4 055 thousand for year ended 2019.

11- Other operating (Expenses) income

	For the year ended	
	31/12/2019	31/12/2018
(Charge) of other provisions (Note 26)	628	(3 387)
Gains from financial assets & liabilities revaluation	15 273	10 067
Other Income and (Expenses)	10 238	3 459
	26 139	10 139

12- ECL (charge) release

	For the year ended	
	31/12/2019	31/12/2018
Loans & advances to customers (Note no. 17)	(18 228)	(9 461)
Due from Banks (Note no. 16)	74	-
Debt Securities AC (note no. 18)	(137)	-
Other Assets (note no. 20)	367	-
	(17 924)	(9 461)

13- Income Tax Expenses

	For the year ended	
	31/12/2019	31/12/2018
Current Tax	(59 451)	(79 365)
Deferred Tax	(6 669)	(16 365)
	(66 120)	(95 730)

Adjustments to calculate income tax effective rate	31/12/2019	31/12/2018
Income before income tax	238 999	314 003
Tax rate	22.5%	22.5%
Income tax according to accounting income	(53 775)	(70 651)
Add/Less		
Non Taxable income effect	2 764	-
Non – deductible expenses effect	(1 067)	(3 765)
Taxable loss not accounted for	(7 373)	(4 949)
Charge / Release Temporary tax differences (depreciation)	(6 669)	(16 365)
Income Tax Expense	(66 120)	(95 730)
Effective tax rate	27.67%	30.49%

Amounts are in EGP thousand

14- Earnings per share

Earnings per share are calculated by dividing net profit attributable to shareholders by the weighted average of ordinary shares issued during the year.

	For the year ended	
	31/12/2019	31/12/2018
Net profit distributable to shareholders	172 878	218 273
Board of Directors remuneration (proposed)	(3 199)	(3 983)
Employees profit share (proposed)	(41 130)	(54 838)
Shareholders' share from the year net profit (1)	128 549	159 452
The weighted average of the ordinary shares issued (2)	70 000	70 000
Basic earnings per share (1:2)	1.836	2.278

15- Cash and Due from Central Bank

	31/12/2019	31/12/2018
Cash	336 550	394 981
Balances at central bank within the mandatory reserve ratio	1 032 821	870 933
Total	1 369 371	1 265 914
Non-interest bearing balances	1 369 371	1 265 914

16- Due from banks

	31/12/2019	31/12/2018
Current accounts	340 138	526 966
Deposits	4 303 471	4 578 503
Total	4 643 609	5 105 469
Less: ECL	(464)	-
Due from banks 'net'	4 643 145	5 105 469
Central banks other than the mandatory reserve ratio	2 605 147	2 696 297
local banks	1 004 686	417 078
Foreign banks	1 033 776	1 992 094
Total	4 643 609	5 105 469
Less: ECL	(464)	-
Due from banks 'net'	4 643 145	5 105 469
Non-interest bearing balances	191 191	212 294
Interest bearing balances (Fixed rate)	4 452 418	4 893 175
Total	4 643 609	5 105 469
Less: ECL	(464)	-
Due from banks 'net'	4 643 145	5 105 469
Current balances	4 643 609	5 105 469
Less: ECL	(464)	-
Due from banks 'net'	4 643 145	5 105 469

Analysis of the Expected Credit loss provision for due from banks:	31/12/2019	31/12/2018
Balance as of 1/1/2019	-	-
Effect of IFRS 9 implementation	603	-
Restated balance as of 1/1/2019	603	-
ECL charge during the year	(74)	-
Amounts written-off during the year	-	-
Amounts recovered during the year	-	-
Foreign currencies valuation differences	(65)	-
Balance at 31/12/2019	464	-

Notes of the financial statements for the financial year ended 31 December 2019
Amounts are in EGP thousand

17- Loans & advances to customers

	31/12/2019	31/12/2018
Individuals		
- Overdrafts	90 105	96 522
- Credit cards	79 414	80 197
- Personal loans	1 115 446	1 017 662
- Auto loans	641 770	467 423
Total (1)	1 926 735	1 661 804
Corporate including small loans for economic activities		
- Overdrafts	639 555	632 635
- Direct loans	1 324 654	1 250 912
- Syndicated loans	647 463	1 026 374
- Discounted bills	1 313	28 735
Total (2)	2 612 985	2 938 656
Total loans and advances to customers (1+2)	4 539 720	4 600 460
Distributed to:		
- Current Balances	2 224 366	1 990 318
- Non current balances	2 315 354	2 610 142
	4 539 720	4 600 460
Less:		
Unearned Revenue for Discounted Bills & other loans	(10)	(547)
ECL provision	(264 196)	(206 387)
Suspended Interest	(133)	(133)
Net loans & advances to customers	4 275 381	4 393 393

Analysis of the Expected Credit loss for customers' loans & advances:

	31/12/2019	31/12/2018
Balance at 1/1/2019	206 387	198 393
Effect of IFRS 9 implementation	45 285	-
Restated Balance as of 1/1/2019	251 672	198 393
ECL charge during the year	18 228	9 461
Amounts written-off during the year	(3 331)	(3 370)
Amounts recovered during the year	1 617	1 325
Foreign currencies valuation differences	(3 990)	578
Balance at 31/12/2019	264 196	206 387

Amounts are in EGP thousand

ECL loss provision

An analysis of the movement of the ECL provision for loans and advances to customers according to types:

31/12/2019	Retail				
	Credit cards	Personal loans	Auto loans	OVD	Total
Balance at 1/1/2019	1 856	18 062	4 627	-	24 545
Effect of IFRS 9 implementation	(207)	1 083	847	623	2 346
Restated Balance as of 1/1/2019	1 649	19 145	5 474	623	26 891
ECL charge during the year	3 003	16 241	8 762	(196)	27 810
Amounts written-off during the year	(2 787)	(485)	(59)	-	(3 331)
Amounts recovered during the year	639	144	834	-	1 617
Balance at 31/12/2019	2 504	35 045	15 011	427	52 987

31/12/2019	Corporate		
	Direct loans	Syndicated loans	Total
Balance at 1/1/2019	166 531	15 311	181 842
Effect of IFRS 9 implementation	50 893	(7 954)	42 939
Restated balance as of 1/1/2019	217 424	7 357	224 781
ECL release during the year	(8 409)	(1 173)	(9 582)
Amounts written-off during the year	-	-	-
Amounts recovered during the year	-	-	-
Foreign currencies valuation differences	(3 638)	(352)	(3 990)
Balance at 31/12/2019	205 377	5 832	211 209

31/12/2018	Retail			
	Credit cards	Personal loans	Auto loans	Total
Balance at 1/1/2018	2 102	13 120	3 257	18 479
Impairment charge	1 792	5 084	1 284	8 160
Amounts written-off during the year	(2 425)	(660)	(284)	(3 369)
Amounts recovered during the year	387	518	370	1 275
Balance at 31/12/2018	1 856	18 062	4 627	24 545

31/12/2018	Corporate		
	Direct loans	Syndicated loans	Total
Balance at 1/1/2018	159 304	20 610	179 914
Impairment charge	6 748	(5 447)	1 301
Amounts written-off during the year	(1)	-	(1)
Amounts recovered during the year	50	-	50
Foreign currencies valuation differences	430	148	578
Balance at 31/12/2018	166 531	15 311	181 842

Amounts are in EGP thousand

18- Financial investments

Financial Investments with fair value through OCI	31/12/2019	31/12/2018
Debt instruments Fair value		
* Treasury Bills 'unlisted Egyptian stock market '		
T.Bills 91 days	-	125
T.Bills 182 days	-	-
T-bills 273 days	447 275	540 000
T-bills 364 days	1 001 411	1 164 239
Total	1 448 686	1 704 364
Unearned Income	(56 837)	(107 653)
Revaluation of financial investments FVTOCI	1 127	-
Net	1 392 976	1 596 711
Bonds Instruments 'Listed Egyptian stock market '	264 279	442 302
Equity investments fair value unlisted	-	1 481
Mutual Funds unlisted	23 682	12 449
Total Investments with fair value through OCI	1 680 937	2 052 943
Financial Investments Amortized Cost		
Debt Instruments 'Listed Governmental bonds '	586 579	774 327
Less : ECL	(143)	-
Total Investments Amortized Cost	586 436	774 327
Total financial investments	2 267 373	2 827 270
Current Investments	1 730 449	2 064 423
Non-Current Investments	536 924	762 847
total	2 267 373	2 827 270
Fixed interest debt instruments	2 243 691	2 813 340

	Financial investments		
	Fair value through other comprehensive income	Amortized cost	Total
Balance at 1/1/2018	355 171	855 926	**1 211 097**
Additions	350 000	-	**350 000**
Disposals (sale/redemption)	(256 825)	(81 512)	**(338 337)**
Amortization of premium / discount	(3 813)	2 583	**(1 230)**
Foreign currency translation income	-	108	**108**
Amortization of net change in fair value	-	9 671	**9 671**
Treasury Bills balance	-	1 596 711	**1 596 711**
Net Change in fair value reserve	(750)	-	**(750)**
Balance at 31/12/2018	443 783	2 383 487	**2 827 270**
Financial investments Reclassification	1 609 159	(1 609 159)	**-**
Effect of IFRS 9 implementation	16 572	10 566	**27 138**
ECL provision	-	(28)	**(28)**
Restated balance at 1/1/2019	2 069 514	784 866	**2 854 380**
Additions	2 183 439	59 731	**2 243 170**
Disposals (sale/redemption)	(2 514 590)	(259 358)	**(2 773 948)**
Amortization of premium / discount	1 558	2 271	**3 829**
Foreign currency translation loss	(62 528)	(959)	**(63 487)**
Net Change in fair value reserve	3 544	-	**3 544**
ECL provision	-	(115)	**(115)**

Notes of the financial statements for the financial year ended 31 December 2019
Amounts are in EGP thousand

Analysis of the Expected Credit loss provision for financial Investment	31/12/2019	31/12/2018
Balance as of 1/1/2019	-	-
Effect of IFRS 9 implementation	29	-
Restated balance as of 1/1/2019	29	-
ECL charge during the year	137	-
Amounts written-off during the year	-	-
Amounts recovered	-	-
Foreign currencies valuation differences	(23)	-
Balance at 31/12/2019	143	-

18/2 Profits from financial investments

	31/12/2019	31/12/2018
Profits on sale of financial investments FVTOCI	6 621	21 402
	6 621	21 402

19- Intangible assets

	31/12/2019	31/12/2018
Software		
Net book value at the beginning of the year	9 088	5 832
Additions	23 056	6 318
Amortization	(7 499)	(3 062)
Net book value at the end of the year	24 645	9 088

20- Other assets

	31/12/2019	31/12/2018
Accrued revenues	85 795	124 534
Prepaid expenses	13 174	12 486
Payments under purchase of fixed assets	45 100	51 728
Paid under purchasing & preparing head office for the bank in Cairo.	-	15 186
Assets reverted to the Bank in settlement of debts (after deducting impairment)	7 222	22 081
Deposits with others and interests	1 003	988
Others	32 312	24 428
Total	184 606	251 431
Less: ECL reserve for Accrued revenues	(791)	
	183 815	251 431

Analysis of the Expected Credit loss provision for Other assets	31/12/2019	31/12/2018
Balance as of 1/1/2019	-	-
Effect of IFRS 9 implementation	1 196	-
Restated balance as of 1/1/2019	1 196	-
ECL charge during the year	(367)	-
Amounts written-off during the year	-	-
Amounts recovered	-	-
Foreign currencies valuation differences	(38)	-
Balance at 31/12/2019	791	-

Amounts are in EGP thousand

21- Fixed Assets

	Lands	Premises & Buildings	Automated systems	Vehicles	Fittings & Fixture	Machinery & Equipments	Furniture	Total
Cost at 1/1/2018	-	90 844	46 332	8 195	44 947	16 429	8 305	215 052
Additions during the year	94 500	93 654	27 377	-	227 511	2 651	45 775	491 468
Disposals during the year	-	-	(196)	-	-	(332)	(20)	(548)
Cost at 31/12/2018	94 500	184 498	73 513	8 195	272 458	18 748	54 060	705 972
Additions during the year	-	-	6 909	63	26 617	397	3 534	37 520
Disposals during the year	-	-	-	(7)	-	-	-	(7)
Cost at 31/12/2019	94 500	184 498	80 422	8 251	299 075	19 145	57 594	743 485
Accumulated depreciation at 1/1/2018	-	21 558	32 762	7 068	42 122	12 295	7 475	123 280
Depreciation for the year	-	2 272	6 396	528	9 006	1 203	1 387	20 792
Disposals accumulated depreciation	-	-	(196)	-	-	(332)	(20)	(548)
Accumulated depreciation at 31/12/2018	-	23 830	38 962	7 596	51 128	13 166	8 842	143 524
Depreciation for the year	-	3 677	9 640	421	28 672	1 122	4 873	48 405
Disposals accumulated depreciation	-	-	-	(7)	-	-	-	(7)
Accumulated depreciation at 31/12/2019	-	27 507	48 602	8 010	79 800	14 288	13 715	191 922
Net assets Value as of 31/12/2019	94 500	156 991	31 820	241	219 275	4 857	43 879	551 563
Net assets Value as of 31/12/2018	94 500	160 668	34 551	599	221 330	5 582	45 218	562 448

22- Due to Banks

	31/12/2019	31/12/2018
Current accounts	294 196	372 963
Deposits	280 855	100 619
Total	575 051	473 582
Foreign banks	382 553	473 582
Local banks	192 498	-
Total	575 051	473 582
Non-interest bearing balances	5 483	6 251
Interest bearing Balances (fixed rate)	569 568	467 331
Total	575 051	473 582
Current balances	575 051	473 582
Total	575 051	473 582

Notes of the financial statements for the financial year ended 31 December 2019
Amounts are in EGP thousand

23- Customers' Deposits

	31/12/2019	31/12/2018
Demand deposits	2 957 510	2 553 932
Term and notice deposits	4 121 728	5 734 791
Certificates of deposits	2 448 817	2 374 811
Savings deposits	927 182	862 759
Other deposits	148 386	237 341
	10 603 623	11 763 634
Corporate deposits	5 951 210	7 295 857
Individuals deposits	4 652 413	4 467 777
	10 603 623	11 763 634
Non-interest bearing balances	1 207 577	1 362 565
Interest bearing Balances (floating rate)	4 726 195	3 891 536
Interest bearing Balances (fixed rate)	4 669 851	6 509 533
	10 603 623	11 763 634
Current balances	7 912 608	9 965 592
Non current balances	2 691 015	1 798 042
	10 603 623	11 763 634

24- Other Liabilities

	31/12/2019	31/12/2018
Accrued interest	24 922	50 932
Deferred revenues	1 279	7 350
Accrued expenses	19 321	15 899
Creditors	35 389	25 840
Sundry credit balances	95 867	140 616
	176 778	240 637

25- Other Provisions

	31/12/2019	31/12/2018
Balance at 1/1/2019	52 642	62 843
Effect of IFRS 9 Implementation	2 027	-
Restated Balance as of 1/1/2019	54 669	62 843
Foreign currencies valuation differences	(618)	54
Impairment (Release) Charge to income statement	(627)	3 387
The utilization during the year	(17 141)	(13 642)
Balance at 31/12/2019	36 283	52 642
Contingent liabilities provisions	4 137	9 588
Other Provisions	32 146	43 054
Total	36 283	52 642

Amounts are in EGP thousand

26- Deferred Income Taxes

The deferred income taxes have been calculated in full on the deferred tax differences at the end of fiscal year.

Deferred tax assets and liabilities balances	Deferred Tax liabilities 31/12/2019	Deferred Tax liabilities 31/12/2018
Fixed assets	(29 886)	(23 217)
Total deferred tax asset / (liability)	(29 886)	(23 217)
Net deferred tax asset / (liability)	(29 886)	(23 217)

The movement of deferred tax liabilities:

	Deferred Tax liabilities 31/12/2019	Deferred Tax liabilities 31/12/2018
Balance at 1/1/2019	23 217	6 852
Additions	6 669	16 365
Balance at 31/12/2019	29 886	23 217

27- Capital

- The bank's authorized capital amounted to EGP 1 billion and the issued and paid up capital amounted to EGP 700 million and are represented in 70 million shares with a par value of EGP 10 each.

28- Reserves

	31/12/2019	31/12/2018
General Risks reserve	9 620	-
Banking risks general reserve	43 879	6 836
IFRS 9 risks reserve	-	52 524
Legal reserve	139 562	117 735
Capital reserve	2 129	2 129
Fair value reserve for financial investments TOCI	19 572	(543)
Fair value reserve for Financial investments at amortized cost	-	(10 566)
General reserve	769 680	709 507
Total reserves	984 442	877 622

The movement on reserves is as follows:

(28/A) General Risks reserve *

	31/12/2019	31/12/2018
Balance at beginning of the year	-	-
Transferred from IFRS 9 reserve	52 524	-
Transferred from Banking risks general reserve	6 236	-
IFRS 9 adopting effect	(49 140)	-
Balance at the end of the year	9 620	-

* according to the Central Bank's instructions issued in 26 Feb 2019 this reserve to remain untouched and only acted upon after returning to the Central Bank of Egypt

Amounts are in EGP thousand

(28/B) Banking risks general reserve

	31/12/2019	31/12/2018
Balance at beginning of the year	6 836	1 863
Transferred from Retained Earnings	43 279	6 236
Transferred to general risks reserve	(6 236)	(1 263)
Balance at end of the year	43 879	6 836

(29/C) IFRS 9 risks reserve

	31/12/2019	31/12/2018
Balance at beginning of the year	52 524	52 524
Transferred to General Risk Reserve	(52 524)	-
Balance at end of the year	-	52 524

(29/D) Legal reserve

	31/12/2019	31/12/2018
Balance at beginning of the year	117 735	91 920
Transferred from the net profit	21 827	25 815
Balance at end of the year	139 562	117 735

(29/E) Capital reserve

	31/12/2019	31/12/2018
Balance at beginning of the year	2 129	2 059
Transferred from the net profit	-	70
Balance at end of the year	2 129	2 129

(29/F) Fair value reserve for financial investments TOCI

	31/12/2019	31/12/2018
Balance at beginning of the year	(543)	207
IFRS 9 adopting effect	16 572	-
Restated balance as of 1/1/2019	16 029	207
Net change in fair value during the year	17 981	(750)
Transferred to Retained Earnings	(14 438)	-
Balance at end of the year	19 572	(543)

Amounts are in EGP thousand

(29/G) Fair value reserve for financial investments AC

	31/12/2019	31/12/2018
Balance at beginning of the year	(10 566)	(20 237)
Change in fair value	-	9 671
IFRS 9 adopting effect	10 566	
Balance at end of the year	-	(10 566)

(29/H) General reserve

	31/12/2019	31/12/2018
Balance at beginning of the year	709 507	595 322
transferred from net profits	60 173	114 185
Balance at end of the year	769 680	709 507

29- Retained earnings

retained earnings movement	31/12/2019	31/12/2018
Balance at the beginning of the year	264 407	249 328
net profit for the year	172 878	218 273
Transferred to reserves	(82 000)	(140 070)
Transferred from banking risks general reserve Assets reverted to the bank,	-	1 263
Transferred from banking risks reserve Loans and advances to customers	(43 279)	(6 236)
Paid dividends to employees	(58 821)	(58 151)
Paid dividends to shareholders	(70 000)	-
Selling gain of investments TOCI equity instrument	14 438	-
Balance at the end of the year	197 623	264 407

30- Employees saving fund

The bank share amount in the subscriptions of employees' pension fund recorded into the general and administrative expenses account in income statement.

31- Cash and cash equivalent

For purposes of cash flow statement presentation, cash and cash equivalent include the following balances which do not exceed the maturity dates of three months from the date of acquisition:

	31/12/2019	31/12/2018
Cash and balances at the central bank (included in Note 15)	336 550	394 981
Due from banks (included in Note 16)	4 643 609	2 539 172
Treasury bills (included in Note 17)	-	123
	4 980 159	2 934 276

32- Contingent Liabilities and Correlations:

A) Legal Claims

There are a number of existing cases filed against the bank on 31 December 2019 and no provision for these cases has been established as it is not expected that the bank shall suffer any losses from it.

Amounts are in EGP thousand

B) Capital Commitments

The value of the capital commitments amounted to EGP 366 thousand as of 31 December 2019 according to the purchases of fixed assets and tangible assets and the management has a sufficient trust that the bank would approach net profits to finance and cover these commitments.

C) Loans, guarantees and facilities commitments (net)

The bank's commitments related to loans, guarantees and facilities are represented in the following:

	31/12/2019	31/12/2018
Loans and un-cancelable loans commitment and other liabilities credit related	14 814	24 487
Letters of guarantees	324 097	457 614
Letter of credits "import"	96 387	35 476
Letter of credits "export"	12 103	77 723
Acceptance notes	57 092	64 421
Total	504 493	659 721

33- Transactions with related parties

- The bank follows the parent company Arab Banking Corporation – Bahrain (Head office, branches and affiliates) which owns 99.83% of ordinary shares where as the remaining percentage 0.17% is owned by other shareholders.

- The bank has entered into many transactions with the related parties within the context of its normal business, the transactions and its balances at the end of year are as follow:

Other transactions with related parties	31/12/2019	31/12/2018
Nature of transactions		
Due from banks	292 562	562 567
Due to banks	1 688	1 893
contingents liabilities	64 921	75 550

(33/A) Board of directors and senior management remunerations	31/12/2019	31/12/2018
Short term benefits (transportation expenses and board of directors committees allowances and other expenses)	6 882	4 383
	6 882	4 383

34- Mutual funds

The First Mutual Fund of Arab Banking Corporation (with capital growth in EGP)

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations. These funds are managed by AZIMUT Egypt investments fund management company, the certificates of the fund reached 211 507 certificate the bank has purchased a number of 50 000 certificates (their nominal value amounted to EGP 100) for continuing the fund activity.

The redeemable value of the certificate as at the balance sheet date amounted to EGP 104.35 and the banks share in the outstanding certificates at that date reached to 85 500 certificates.

The Second Mutual Fund of Arab Banking Corporation (with daily-accumulated return - Mazaya in LE) It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations. These funds are managed by Belton investments fund management company, the certificates of the fund reached 6 605 841 certificate the bank has purchased a number of 500 000 certificates (their nominal value amounted to EGP 10) for continuing the fund activity.

The redeemable value of the certificate as at the balance sheet date amounted to EGP 29.52114 and the banks share in the outstanding certificates at that date reached to 500 000 certificates.

35- Tax position

Corporate income tax

Inspection and tax determination is done until 2012 and inspection for the years from 2013 till 2015 is still in process. The Income tax declaration has been provided within the required dates for years 2016 till 2018 while the Income tax declaration for 2019 is currently under preparation.

Salaries and the like tax

Inspection, tax determination and final settlement is done and no differences exist until 2012 and inspection for the years from 2013 until 2015 is finished and all conflicts are being transferred to appeal courts. And the bank pays this tax every month to the Senior Financiers Authority and the bills of settlement have been provided within the required dates for years 2016 till 2018.

Stamp duty tax

Inspection is done and due tax settled until 2016 and all conflicts were transferred to appeal courts to judge for periods before the issuance of law no:143 for year 2006 and inspection for the years from 2017 until 2018 is currently in process. And the bank pays this tax every three months to the Senior Financiers Authority.

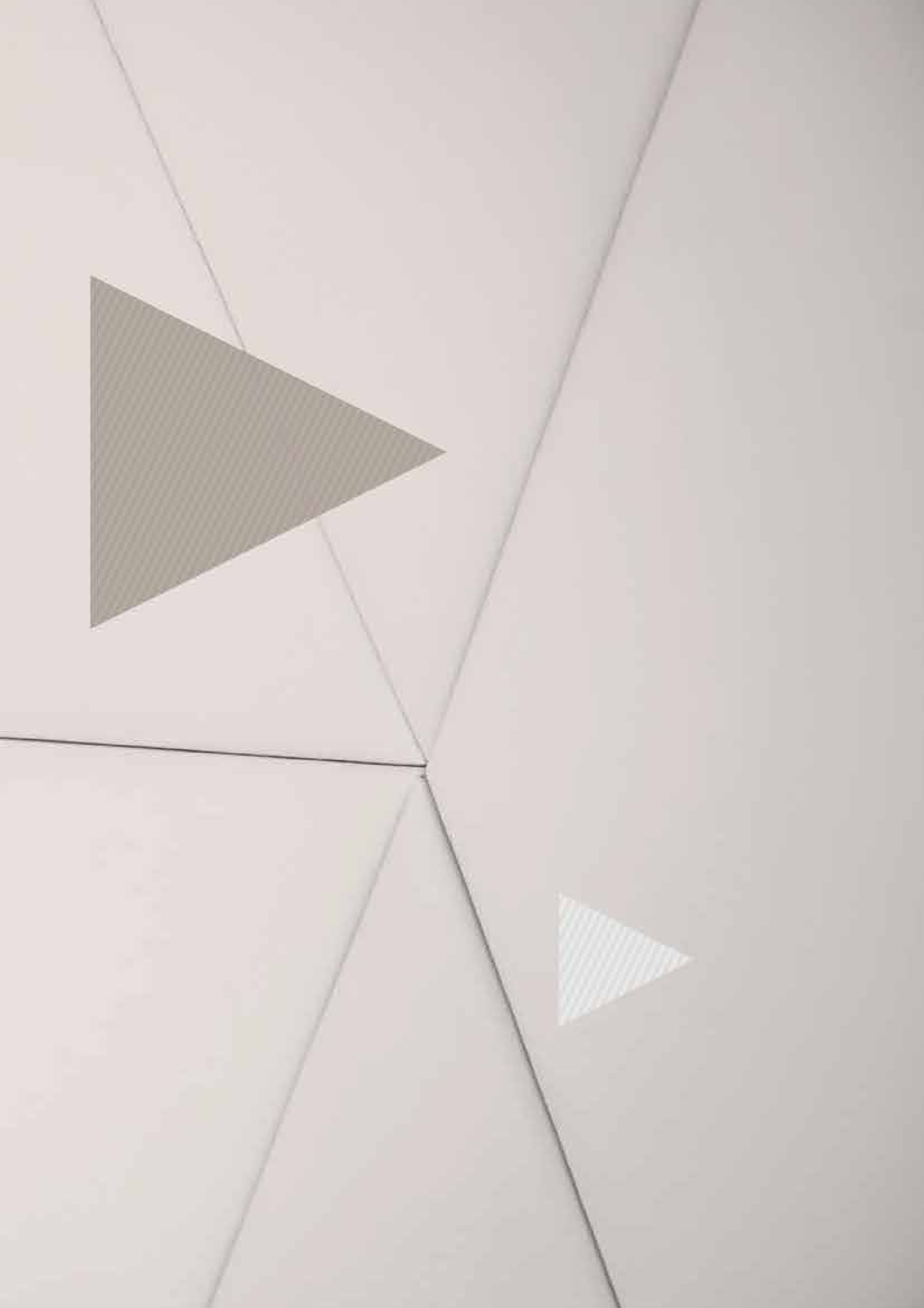
36- Comparative Figures

Some comparative figures have been reclassified as necessary

37- Translation

These financial statements are a translation into English from original Arabic statements. The original Arabic statements are the official financial statements.

Directory



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