



Financial Statements

**For The period Ended
31 December 2019**

Crédit Agricole Egypt



CRÉDIT AGRICOLE
A whole bank just for you

CREDIT AGRICOLE - EGYPT
Egyptian Joint Stock Company
Separate Financial Statements
And Auditors' Report
For The Year Ended 31 December 2019

Allied for Accounting & Auditing
EY

KPMG Hazem Hassan
Public Accountants & Consultants

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Independent Auditors' Report

To : Credit Agricole Egypt (SAE) Shareholders

Report on the separate financial statements

We have audited the accompanying separate financial statements of Credit Agricole Egypt (SAE) which comprise the balance sheet as of 31 December 2019 and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the separate financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the rules of preparation and presentation of Banks' financial statements issued by the Central Bank of Egypt on 16 December 2008 as amended by the regulation issued on February 26, 2019 and in light of the prevailing Egyptian laws. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; 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 separate financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in light of the prevailing Egyptian laws. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the separate 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 separate 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 separate financial statements referred to above present fairly, in all material respects, the separate financial position of Credit Agricole Egypt (SAE) as of 31 December 2019, and of its separate financial performance and its separate cash flows for the year then ended in accordance with the rules of preparation and presentation of banks' financial statements issued by the Central Bank of Egypt on 16 December 2008 as amended by the regulation issued on February 26, 2019 and the Egyptian laws and regulations relating to the preparation of this separate financial statements.

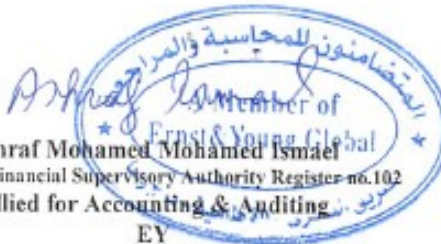
Report on Other Legal and Regulatory Requirements

According to the information and explanations given to us during the financial year ended December 31, 2019 no material contravention of the central bank, banking and monetary institution law No.88 of 2003,

The Bank keeps proper financial records, which include all that is required by law and the Banks' statute, and the accompanying separate financial statements are in agreement therewith.

The financial information included in the Board of Directors' report, prepared according to Law No. 159 of 1981 and its executive regulations are in agreement with the Bank's accounting records.

Auditors


Ashraf Mohamed Mohamed Ismael
Member of
Ernst & Young Global
Egyptian Financial Supervisory Authority Register no.102
Allied for Accounting & Auditing
EY


Salah Eldin Mosaad Elmissary
Egyptian Financial Supervisory Authority Register no.364
KPMG Hazem Hassan
Public Accountants & Consultants

KPMG Hazem Hassan
Public Accountants and Consultants
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Cairo 16 February 2020

Separate Balance Sheet – As of 31 December 2019

(All amounts are in thousand Egyptian pounds)

	Notes	31 December 2019	31 December 2018
Assets			
Cash and balances with Central Bank of Egypt	16	4,227,754	6,346,290
Due from banks	17	6,871,426	11,077,716
Treasury bills	18	7,189,475	7,658,598
Loans to banks	19	4,019	61,755
Loans and advances to customers	20	23,347,745	20,290,990
Derivative financial instruments	21	49,121	3,185
Financial Investments			
Fair value through other comprehensive income	22	6,776,038	6,305,790
Fair value through profit or loss	22	165,003	144,987
Investments in Subsidiaries	23	143,822	143,822
Intangible assets	24	125,502	94,717
Other assets	25	897,867	819,521
Fixed assets	26	629,652	567,443
Total assets		50,427,424	53,514,814
Liabilities and Owners' Equity			
Liabilities			
Due to banks	27	667,335	407,588
Treasury bills Sold with repurchase agreements	28	9,724	3,695
Customers' deposits	29	39,636,742	43,934,920
Derivative financial instruments	21	63,271	5,251
Other Loans	30	481,245	537,408
Other liabilities	31	1,670,309	1,712,983
Current income tax liability		233,557	308,095
Other provisions	32	288,069	262,424
Retirement benefit obligations	33	167,424	144,293
Total liabilities		43,217,676	47,316,657
Owners' Equity			
Paid-in Capital	34	1,243,668	1,243,668
Reserves	35	958,868	668,472
Retained earnings	35	5,007,212	4,286,017
Total owners' equity		7,209,748	6,198,157
Total liabilities and owners' equity		50,427,424	53,514,814

Pierre Finas
Managing Director



•The accompanying notes from note 1 to 43 are an integral part of these financial statements.

•Auditors' report attached



Separate Income Statement for The Year Ended 31 December 2019

(All amounts are in thousand Egyptian pounds)

(All amounts are in thousand Egyptian pounds)

	Notes	From 1/1/2019 To 31/12/2019	From 1/1/2018 To 31/12/2018
Interest on loans and similar income	6	5,932,266	5,637,924
Interest expenses and similar charges	6	(2,821,453)	(2,667,078)
Net interest income		3,110,813	2,970,846
Fees and commission income	7	842,688	887,385
Fees and commission expense	7	(256,160)	(229,887)
Net fee and commission income		586,528	657,498
Dividend income	8	15,535	18,829
Net trading income	9	317,007	206,201
Gains from financial investments	10	24,529	11,052
Impairment income for credit losses	11	223,698	27,852
Administrative expenses	12	(1,180,636)	(1,080,733)
Other operating expenses	13	(61,549)	(21,649)
Profit before income tax		3,035,925	2,789,896
Income tax expense	14	(675,065)	(590,026)
Profit for the Year		2,360,860	2,199,870
Earnings per share	15	6.87	6.40

- The accompanying notes from note 1 to 43 are an integral part of these financial statements.

Separate Statement of Other Comprehensive Income for The Year Ended 31 December 2019

	From 1/1/2019 To 31/12/2019	From 1/1/2018 To 31/12/2018
Net profit for the year	<u>2,360,860</u>	<u>2,199,870</u>
<u>Items that is or may be reclassified to the profit or loss:</u>		
Net change in fair value of debt instruments measured at fair value through other comprehensive income	166,658	(34,522)
Expected credit loss for fair value of debt instruments measured at fair value through other comprehensive income	(31,879)	-
Exchange differences of debt instruments measured at fair value through other comprehensive income	(6,015)	-
	<u>128,764</u>	<u>(34,522)</u>
Total other comprehensive income items for the year	<u>2,489,624</u>	<u>2,165,348</u>

• The accompanying notes from note 1 to 43 are an integral part of these financial statements.

Separate Statement of Changes in Owners' Equity for The Year Ended 31 December 2019

(All amounts are in thousand Egyptian pounds)

31 December 2018

	Paid in capital	Reserves	Retained earnings	Total
Balance as at 1 January 2018	1,243,668	386,693	3,759,921	5,390,282
Dividends relating to 2017	-	-	(1,357,753)	(1,357,753)
Transfer to Capital reserve	-	4,240	(4,240)	-
Transfer to IFRS 9 Risk reserve	-	214,098	(214,098)	-
Transfer to Legal reserve	-	97,683	(97,683)	-
Balances after profit distribution	1,243,668	702,714	2,086,147	4,032,529
Net change in other comprehensive income	-	(34,522)	-	(34,522)
Banking general risks reserve	-	280	-	280
Net profit for the year	-	-	2,199,870	2,199,870
Balance as at 31 December 2018	1,243,668	668,472	4,286,017	6,198,157

31 December 2019

	Paid in capital	Reserves	Retained earnings	Total
Balance as at 1 January 2019	1,243,668	668,472	4,286,017	6,198,157
Impact of adopting IFRS 9	-	48,976	-	48,976
Restated balance at 1 January 2019	1,243,668	717,448	4,286,017	6,247,133
Dividends relating to 2018	-	-	(1,527,009)	(1,527,009)
Transfer to Capital reserve	-	2,803	(2,803)	-
Transfer to Legal reserve	-	109,853	(109,853)	-
Balances after profit distribution	1,243,668	830,104	2,646,352	4,720,124
Net change in other comprehensive income	-	128,764	-	128,764
Net profit for the year	-	-	2,360,860	2,360,860
Balance as at 31 December 2019	1,243,668	958,868	5,007,212	7,209,748

•The accompanying notes from note 1 to 43 are an integral part of these financial statements.

Separate Statement of Cash Flows for The year ended 31 December 2019

(All amounts are in thousand Egyptian pounds)

	Notes	For the year ended	
		31 December 2019	31 December 2018
Cash flows from operating activities			
Net profit before income tax		3,035,925	2,789,896
Adjustments to reconcile net profit to cash flow from operating activities:			
Depreciation and amortization		107,810	84,906
Impairment release / (charge) for credit losses	11	(223,698)	(27,852)
Other provision charges	32	67,648	29,047
Used provision - other than loans provision	32	(1,562)	(6,482)
Amortization of discount/premium on investments through OCI	22	(100,612)	(14,658)
Foreign currencies revaluation of provisions rather than LLP		(16,657)	1,483
Foreign currencies revaluation of investments rather than through P&L	22	252,776	222
Gains from financial investments		(13,067)	-
Foreign currencies revaluation of investments at fair value through profit / Loss	22	2,758	-
Foreign currencies revaluation of other loans		(56,163)	5,577
Impairment charge for Investments		-	3,063
Losses (Profit) on sale of fixed assets		(227)	(2,803)
Losses on acquired assets		-	280
Operating profit before changes in operating assets & liabilities		3,054,931	2,862,679
Net decrease (increase) in assets and liabilities			
Due from Central Bank of Egypt		1,909,426	(1,284,713)
Due from banks		299,123	2,105,546
Treasury bills		944,585	(2,128,201)
Held for trading investments		-	(4,002)
Loans and advances		(2,900,582)	(3,562,652)
Derivative financial instruments (net)		10,594	(11,436)
Other assets		(79,312)	(334,124)
Due to banks		259,747	316,394
Customers' deposits		(4,298,178)	6,851,963
Other liabilities		(36,645)	(6,063)
Pension fund liabilities		23,131	33,954
Income taxes paid		(749,603)	(594,260)
Net cash (used in) generated from operating activities		(1,562,783)	4,245,085
Cash flows from investing activities			
Purchase of assets & branches leasehold improvements		(200,860)	(128,911)
Proceeds from sale of fixed assets & Intangible assets		283	3,116
Proceeds from sale and redemption of financial investments		8,423,359	1,077,691
Purchases of securities other than trading other investments		(8,769,690)	(1,915,211)
Net cash (used in) investing activities		(546,908)	(963,315)

<u>Cash flows from financing activities</u>		
Dividends paid		(1,527,009) (1,357,753)
Net cash (used in) financing activities		<u>(1,527,009)</u> <u>(1,357,753)</u>
Net change in cash and cash equivalents during the year		(3,636,700) 1,924,017
Cash and cash equivalents at beginning of the year		11,051,968 9,127,951
Cash and cash equivalents at the end of the year		<u>7,415,268</u> <u>11,051,968</u>
<u>Cash and cash equivalents are represented in :</u>		
Cash and due from Central Bank of Egypt	16	4,227,754 6,346,290
Due from banks	17	6,875,541 11,077,716
Treasury bills	18	7,189,475 10,056,360
Balances with Central Bank of Egypt (Reserve ratio)		(2,984,648) (4,894,074)
Deposits with banks (Maturity more than three months)		(1,279,101) (1,578,224)
Treasury bills (Maturity more than three months)		(6,613,753) (9,956,100)
Cash and cash equivalents at the end of the year	37	<u>7,415,268</u> <u>11,051,968</u>

•The accompanying notes from note 1 to 43 are an integral part of these financial statements.

Statement of Proposed Appropriation for the year ended 31 December 2019

	31 December 2019	31 December 2018
Net profit for the year	2,360,860	2,199,870
Deduct: Banking general risks reserve	(535)	-
Deduct: Profit on sale fixed assets	(227)	(2,803)
Distributable Income	2,360,098	2,197,067
Retained earnings at beginning of the year	2,646,352	2,086,146
Total	5,006,450	4,283,213
<u>Appropriated as follows:</u>		
Legal reserve	118,005	109,853
Shareholders' profit distribution	1,414,672	1,318,288
Employees' profit share	224,209	208,721
Retained earnings at end of the year	3,249,564	2,646,351
Total	5,006,450	4,283,213

•The accompanying notes from note 1 to 43 are an integral part of these financial statements.

1. General Information

Credit Agricole - Egypt Bank (S.A.E.) provides corporate banking, retail, and investment banking services in the Arab Republic of Egypt and foreign countries through its head office at 5th Settlement and 79 branches, that employs over 2496 people at the balance sheet date.

The bank is an Egyptian Joint Stock Company incorporated in accordance with law 159 of 1981 in the Arab Republic of Egypt. The head office of the bank is at the Touristic Area, land piece (9/10/11/12/13), 5th Settlement, Cairo Governance, Egypt. The bank is listed in Cairo Stock Exchanges.

This financial statements approved for issuance by the board of directors on February 11, 2020.

2. Summary of significant accounting policies

Significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

• Basis of preparation

These separate financial statements have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on December 16, 2008; to under IFRS 9 "Financial Instruments" in accordance with the instructions of the Central Bank of Egypt (CBE) dated February 26, 2019.

The separate and consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules, the affiliated companies are entirely included in the consolidated financial statements and these companies are the companies that the Bank - directly or indirectly has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of activity, the Bank's consolidated financial statements can be obtained from the Bank's management. The Bank accounts for investments in subsidiaries and associate companies in the separate financial statements at cost minus impairment loss.

The separate financial statements of the Bank should be read with its consolidated financial statements, for the year ended on December 31, 2019 to get complete information on the Bank's financial position, income statements, cash flows and change in shareholders equity.

The financial statements at December 31, 2018 have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on December 16, 2008 and starting from January 01, 2019, the financial statements have been prepared according to Central Bank of Egypt (CBE) instructions dated February 26, 2019 to prepare financial statements according to IFRS 9 "Financial Instruments".

The accounting policies set out below have been changed by the management to comply with the adoption of mentioned instructions that described the changes in accounting policies in the following disclosers.

- **Changes in accounting policies:**

The Bank applied the instructions of the Central Bank of Egypt (CBE) rules IFRS 9 "Financial Instruments" dated February 26, 2019 starting from January 01, 2019, the following summarize the main accounting policies changes resulted from applying the required instructions.

Classification of financial assets and financial liabilities

At initial recognition, Financial assets have been classified and measured according to amortized cost, fair value through other comprehensive income (FVTOCI) 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 measured at amortized cost if it is not measured at fair value through profit or loss and the following two conditions met:

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

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

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

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

All other financial assets will be classified as fair value through profit or loss.

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

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice, specially to know whether these management policies concentrate to gain the contractual interest or reconcile financial assets period with financial liabilities period which finance these assets or target cash flow from selling the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value 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.

Impairment of financial assets

According to Central Bank of Egypt (CBE) instructions dated February 26, 2019 to implement IFRS 9 to replace impairment loss model recognized according to previous instructions dated December 16, 2008 with excepted credit loss (ECL).

Excepted credit loss is applied on all financial assets in addition to some financial guarantees and loan commitments.

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

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

Stage 1: 12 months Expected Credit Loss:

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

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

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

Stage 3: Lifetime Expected Credit Loss - credit impaired

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

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

	General Risk Reserve	Fair value reserve
Opening balance as of January 01, 2019	252,616	(55,934)
Total reclassification and re-measurement impact:		
ECL impact	61,252	56,387
	(145,065)	76,402
Total	(83,813)	132,789
Adjusted opening balance	168,803	76,855

- **Subsidiaries and associates**

- **Subsidiaries**

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

- **Associates**

Associates are all entities over which the bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Purchase method of accounting has been applied to all the acquisition operations. The cost of acquisition is measured by fair value or the assets offered/ issued equity securities / liabilities incurred/ liabilities accepted in behalf of the acquired company, at the date of the exchange, plus costs directly attributed to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the bank's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the entity acquired, the difference is recognized directly in the income statement into other operating income (expenses).

Investments in subsidiaries and associates are accounted for using the cost method. According to this method, investments are recognized by the acquisition cost including goodwill and deducting any impairment losses. Dividends are recognized in the income statement when they are declared and the bank's right to receive payment is established.

- **Segment reporting**

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

- **Foreign currency translation**

- **Functional and presentation currency**

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

- **Transactions and balances**

The Bank maintains its accounts in Egyptian Pound. Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities balances in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the following items: -

- Net trading income or net income from financial instruments designated at fair value through profit or loss for trading assets.
- Owners equity for financial derivatives designated as a hedging instruments qualified for cash flow hedge or net investments hedge.
- Other operating income (expenses) for other items.

Changes in the fair value of monetary financial instruments in foreign currency classified as available for sale debt instruments are analyzed whether revaluation differences from changes in amortized costs of the instrument, differences from changes in the prevailing exchange rates, or differences from changes in the fair value of the instrument. Revaluation differences related to changes in the amortized cost are recognized into interest income from loans and similar revenues, and those related to the changes in the exchange rates in other operating income, in the income statement. Differences from changes in the fair value are recognized among owners' equity (Fair value reserve/ Available for sale financial investments).

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

- **Financial assets**

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

- **Financial assets at fair value through profit or loss**

This category includes: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

○ **Loans and receivables**

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

- Those that the bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the bank upon initial recognition designates as at fair value through profit or loss;
- Those that the bank upon initial recognition designates as available for sale; or
- Those for which the bank may not recover substantially all of its initial investment, other than because of credit deterioration.

○ **Held-to-maturity financial assets**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the bank were to sell other than an insignificant amount except for specific situations, the entire category would be reclassified as available for sale.

○ **Available-for-sale financial assets**

Available-for-sale investments are non-derivative financial assets intended to be held for an indefinite year of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The following is followed for financial assets:

- Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date, the date on which the Bank commits to purchase or sell the asset.
- Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement in net trading income.
- Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.
- Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost.
- Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the year in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in income statement.
- Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available for sale equity instruments are recognized in the income statement when the entity's right to receive payment is established.
- The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, and if the Bank could not assess the fair value of the equity instruments classified as available for sale, these instruments measured at cost less impairment.

■ **Financial Policies applied starting from January 01, 2019:**

Financial assets classified as amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification depends on the business model of the financial assets that are managed with its contractual cash flow and is determined by management at the time of initial recognition.

- **Financial assets classified as amortized cost**

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

The objective from this business model is to collect contractual cash flow which represented in principle and interest.

An exceptional event happened lead to sell according to this business model with conditions set out in 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.

- **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.

- **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.

• **Offsetting financial instruments**

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

Treasury bills sold subject to repurchase agreements ('repos') presented in the balance sheet and purchased under agreements to resell ('reverse repos') among the balance sheet items.

- **Financial derivatives and hedge accounting**

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets (or including recent market transactions, and valuation techniques for example including discounted cash flow models and options pricing models, as appropriate). All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a purchased convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognized in the income statement into net trading income unless the bank chooses to designate the hybrid contracts at fair value through profit or loss.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Fair values are determined based on quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are recognized as assets when their fair value is positive and as liabilities when their fair value is negative.

Embedded derivatives, such as the conversion option in a convertible bond, are treated as separate derivatives if they meet the definition of a financial instruments, and when their economic characteristics and risks are not closely related to those of the host contract, provided that the host contract is not classified as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement "Net trading income"; unless the bank chooses to designate the hybrid contract as a whole as at fair value through profit or loss.

The timing of recognition in profit or loss, of any gains or losses arising from changes in the fair value of derivatives, depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The parent bank designates certain derivatives as:

- Hedging instruments of the risks associated with fair value changes of recognized assets or liabilities or firm commitments (fair value hedge);
- Hedging of risks relating to future cash flows attributable to a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is used for derivatives designated in a hedging relationship when the following criteria are met. At the inception of the hedging relationship, the bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the bank documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk

- **Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized immediately in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of the interest rate swaps and the changes in the fair value of the hedged item attributable to the hedged risk are recognized in profit or loss.

Additionally, interest differential on interest rate swaps is recognized in profit or loss as part of "Net interest income" line item in the income statement. Any ineffectiveness is recognized in profit or loss in "Net trading income".

When the hedging instrument no longer qualifies for hedge accounting, the adjustment to the carrying amount of a hedged item, measured at amortized cost, arising from the hedged risk is amortized to profit or loss from that date to maturity of the asset using the effective interest method. Adjustment to the carrying amount of a hedged equity instrument that has been deferred in equity remains in equity until the asset is derecognized.

- **Cash flow hedge**

The effective portion of changes in the fair value of derivatives designated and effective for cash flow hedge is recognized in equity while changes in fair value relating to the ineffective portion is recognized immediately in the income statement in "Net trading income".

Amounts accumulated in equity are transferred to income statement in the relevant periods when the hedged item affects the income statement. The effective portion of changes in fair value of interest rate swaps and options are reported in "Net trading income".

When a hedging item expires, or is sold or if hedging instrument, no longer qualifies for hedge accounting requirements, gains or losses that have been previously accumulated in equity remain in equity and are only recognized in profit or loss when the forecast transaction ultimately occurs. If the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognized in equity shall be reclassified immediately to profit or loss.

- **Derivatives that do not qualify for hedge accounting**

Where a derivative instrument does not qualify for hedge accounting, changes in fair value of that derivative and related interest are recognized immediately in the income statement in "Net trading income" line item. However, gains or losses arising from changes in fair value of derivatives that are managed in conjunction with financial assets or financial liabilities, designated upon initial recognition at fair value through profit or loss, are included in "Net income from financial instruments designated upon initial recognition as at fair value through profit or loss".

- **Recognition of deferred day one profit and loss**

The best evidence of fair value at initial recognition is the transaction price (the fair value of the consideration given or received), unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instruments or based on valuation technique. When the bank has entered into transactions that come due after the lapse of a long period of time, fair value is determined using valuation models whose inputs do not necessarily come from quoted prices or market rates. These financial instruments are initially recognized at the transaction price, which represents the best index to fair value, despite the value obtained from a valuation model may be different. The difference between the transaction price and the model value is not immediately recognized, commonly referred to as "day one gains or losses". It is included in other assets in case of loss, and other liabilities in case of gain.

- **Interest income and expense**

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

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

Once a financial asset or a group of similar financial assets has been classified as nonperforming or impaired, related interest income is not recognized and is recorded in marginal records apart from the financial statements, and is recognized as revenues according to cash basis as follows:

- When they are collected, after receiving all past due installments for consumption loans, mortgage loans, and small business loans.
- For corporate loans, cash basis is also applied, where the return subsequently calculated is raised in accordance with the loan rescheduling contract, until 25% of the rescheduling installments are repaid, with a minimum of one year of regular repayment scheme. In case the counterparty persists to regularly pay, the return calculated on the loan outstanding is recognized in interest income. (interest on rescheduling without deficits) without interests aside before rescheduling which is avoiding revenues except after paying all the loan balance in the balance sheet before rescheduling.

- **Fee and commission income**

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized as revenue when the syndication has been completed and the bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognized rateably over the year in which the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

- **Dividend income**

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

- **Purchase and sale agreements and sale and repurchase agreements**

Securities sold subject to repurchase agreements are presented in Due to Banks the balance sheet. Securities purchased under agreements to resell are presented added to Due from Banks in the balance sheet, and presented on net basis, the difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

■ **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 describe below:

• **Impairment of financial assets**

○ **Financial assets carried at amortized cost**

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulties of the issuer or obligor;
- Breach of contract such as default in interest or principal payment;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- Deterioration of the borrower's competitive position;
- The bank, for economic or legal reasons relating to the borrower's financial difficulties, granting to the borrower a concession that the bank would not otherwise consider;
- Deterioration in the value of collateral; and
- Downgrading the credit status.

The existence of clear data that indicates measurable decrease in estimated future cash flows from a group of financial assets are considered as objective evidence of impairment for that group. Irrespective of the ability of identifying that reduction for each individual asset.e.g, the increase in number of repayment defaults for a particular banking product.

The estimated period between a losses occurring and its identification is determined for each identified portfolio. In general, the periods used vary between three months and twelve months.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant and the following is considered:

- If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment using historical probabilities of default.
- Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment,
- Otherwise it will added to the group of the financial assets.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the bank may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flow that may result from foreseeable less costs for obtaining and selling the collateral.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the bank to reduce any differences between loss estimates and actual loss experience.

The bank assesses the collective impairment for group of financial assets with similar credit risk characteristics and collectively assesses them for impairment using historical probabilities of default, and individually for the impaired loans using discounted cash flows, and compared to the obligor risk rating. Differences between the two methods are transferred from retained earnings to general banking reserve, if the obligor risk rating requires more impairment.

○ **Available for sale financial assets**

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as available for sale or held to maturity is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

The decrease is considered significant when it reaches 10% of the book value, and considered prolonged if it continued for period more than nine months, in case of existence of clear data the accumulated losses to be recycled from owners' equity to be recognized in the income statement, the impairment losses realized in the income statement concerning the equity financial instruments not to be reversed even if subsequent increase in market value. In cease of increase in fair value of debt instruments classified under the available for sale portfolio and this increase can clearly link with events subsequent to realising the impairment in the income statement, impairment to be released in the income statement.

■ **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.

Significant increase in credit risk

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

Quantitative factors

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

Qualitative factors

Retail loans, micro and small businesses

If the borrower encounters one or more of the following events:

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

Corporate loans and medium businesses

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

- A significant increase in the rate of return on the financial asset as a result of increased credit risk.
- Significant negative changes in the activity and physical or economic conditions in which the borrower operates.
- Scheduling request as a result of difficulties facing the borrower.
- Significant negative changes in actual or expected operating results or cash flows.
- Future economic changes affecting the borrower's future cash flows.
- Early indicators of cash flow / liquidity problems such as delays in servicing creditors / business loans.
- Cancellation of a direct facility by the bank due to the high credit risk of the borrower.

Unpayments

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

Transfer between three stages:

Transfer from second stage to first stage:

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

Transfer from third stage to second stage:

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

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

• **Intangible Assets**

○ **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the bank's share of the net identifiable assets of acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment where goodwill is amortized by a 20% or with the impairment recognized whichever is greater. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

○ **Computer programs:**

Computers' software related development and maintenance expenses are recognized in the income statement when incurred Intangible asset is recognized for specific direct costs of computer programs under the bank's control and where a probable economic benefit is expected to be generated for more than one year. Direct costs include program development staff costs, and appropriate allocation of the overhead costs.

Development costs are recognized as computer program in which lead to an increase or expansion in the performance of computer programs.

These costs are amortized on the basis of the expected useful lives, and not more than five years.

• **Property, plant and equipment**

Land and building comprise mainly head office, branches and offices. All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed asset items.

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

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

○ Buildings	20:30 years
○ Fixtures	5 years
○ Furniture	10 years
○ Machinery and equipment	8 years
○ Vehicles	5 years
○ Computers	5 years
○ Others	10 years

- **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortization-except goodwill- and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

- **Lease**

Finance lease are accounted for according to Law No. 95 of 1995 if the contract gives the right to the lessee to purchase the assets on a specified date and with specified amount where the contract's period represents at least 75% of the expected useful life of the asset or the present value of total lease payments represents at least 90% of the asset's value. Other lease contracts are considered operating leases.

- **The Bank as a lessee**

For finance lease contracts, lease expenses including leased asset maintenance when incurred. If the Bank decides to use the purchase option, cost of the option is capitalized and depreciated over the remaining useful life of the asset using methods applied for similar assets.

Lease payments less any discounts under operating lease are charged as an expense in the income statement on a straight-line basis over the year of the lease.

- **The Bank as a Lease lord**

Rent for leased assets operating rent appear under fixed assets in the budget and destroy over the useful life of the asset's expected by the same method applied to similar assets, and rental income minus any discounts granted to the lessee by the straight-line method over the year of the contract.

- **Cash and cash equivalents**

For the purpose of the cash flows statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances due from Central Banks other than for mandatory reserve, current accounts with banks, and treasury bills and other governmental securities.

- **Other provisions**

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Reversals of provisions no longer required are presented in other operating income and (expense).

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. If the settlement is within one year or less, provisions will be measured by the contractual value if there is no material variance otherwise, it will be measured at present value.

- **Financial guarantees**

A financial guarantee contract is a contract issued by the bank as security for loans or overdrafts due from its clients to other entities that requires the bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are generally issued by the bank to beneficiary banks, corporations and other entities on behalf of the bank's clients.

When a financial guarantee is recognized initially, it is measured at its fair value plus, transaction costs that is directly attributable to the issue of such financial guarantee.

After initial recognition, a financial guarantee contract issued by the bank is measured at the higher of:

- The amount initially recognized less, when appropriate, cumulative amortization of security fees recognized as income in profit or loss using the straight-line method over the term of the guarantee; and
- The best estimate for the payments required to settle any financial obligation resulting from the financial guarantee at the reporting date.

Such estimates are made based on experience in similar transactions and historical losses as supported by management judgment.

Any increase in the obligations resulting from the financial guarantee, shall be recognized within other operating income (expenses) in the income statement.

- **Employee benefits**

- **Pension Liability**

The bank applies various retirement benefit plans which are financed through contributions defined on periodical actuarial calculations and paid to Social Insurance Authority or a private insurance fund. The Bank has Defined-Benefit Plans and Defined-Contribution Plans.

Defined-Benefit Plans: They are retirement plans where employee benefits are sorted out based on a formula using factors such as age, duration of employment and salary history.

The liability recognized in the balance sheet, with regard to the defined-benefit plans, is the present value of the defined-benefit obligation at the date of the balance sheet less the fair value of the plan assets, together with the adjustments for unrecognized actuarial gains (losses) and past service costs.

The defined-benefit obligation is calculated annually (estimated future cash outflows) by an independent actuary using the Projected Unit Credit Method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of treasury bonds that have terms to maturity approximating the terms of the related retirement benefit liability.

The gains (losses) arising from adjustments and changes in actuarial assumptions are charged (or credited) to income if they are within 10% of the plan assets or 10% of the defined-benefit obligation, whichever is higher. In case the gains (losses) are higher than this percentage, the increase shall be charged (credited) to the income over the employees' average remaining working periods.

The past service costs are directly recognized in the income statement under administrative expenses, unless the changes made to the pension regulations are subject to the employees staying in service for a defined period of time (Vesting Period). In this case, the past service period shall be depreciated using the straight-line method over the vesting period.

Defined Contribution Plans: They are retirement plans in which the Bank pays certain contributions to Social Insurance Authority, and the Bank shall not be subject to any legal or constructive obligation to contribute further amounts.

The contributions are recognized as employee-benefit expenses when they are due. The prepaid contributions are recognized as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

○ **Other Post-Employment Benefit Obligations**

The Bank provides health-care benefits for retired employees (Ex EAB Staff). To be eligible for such benefits, the employee shall have to remain employed until the retirement age and fulfill a minimum limit of an employment period. The estimated costs of such benefits are depreciated over the employment period using an accounting method similar to that used in the defined-benefit plans.

○ **Social Insurance**

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

○ **Employee profit share**

The Bank pays a percentage of the 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 bank's general assembly, no obligation is recognized for the employees share in unappropriated profits.

● **Income tax**

The income tax on the Bank's profits or losses includes both current tax, and deferred tax. Income tax is recognized in the income statement, except when it relates to items directly recognized into equity, in which case the tax is also recognized directly in equity. Income tax is calculated on the taxable profits using the prevailing tax rates as of balance sheet date in addition to tax adjustments for previous years.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined based on the method used to realize or settle the current values of these assets and liabilities, using the tax rates prevailing as of the balance sheet date.

Deferred tax assets are recognized when it is probable that the future taxable profit will be available against which the temporary difference can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Reversal is subsequently permitted when there is a probable from its economic benefit limited to the extent reduced.

● **Borrowings**

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

Preferred shares that carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholders are classified as liability and are presented in Other loans.

The dividends on these preference shares are recognized in the income statement as interest expenses in an amortized cost basis using the effective interest method.

- **Share capital**

- **Share issuance costs**

- Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

- **Dividends**

- Dividends are recognized in equity in the year in which they are approved by the Bank's general assembly. These dividends include the employee share and board of director's bonus as stipulated by the article of incorporation and law.

- **Treasury stocks**

- In case the Bank buy capital stock, the purchase amount is deducted from the total cost of ownership rights as represented by Treasury shares to be cancelled, and in case of sale of those shares or reissued later in all collections are added to property rights.

- **Custody activities**

The Bank acts as custodian and in capacities this results in holding or managing of assets on behalf of individuals, trusts, and retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

- **Comparative figures**

Comparative figures for financial assets and liabilities are reclassified but not re-measured to comply with the current period's financial statements. Presentation according to CBE instructions for IFRS9 implementation starting January 1, 2019

3. Financial Risk management

The bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the bank's financial performance.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes foreign currency risk, interest rate and other price risk.

The bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up to date information system. The bank regularly reviews its risk management policies and systems to reflect changes in markets, products, and emerging best practice.

Risk management is carried out by a risk department under policies approved by the Board of Directors. Financial risks in close co-operation with the Group are operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

Risk management governance and risk principles

Bank's risk management governance is based on:

- Strong managerial involvement, throughout the entire organization, starting from the Board of Directors down to operational field management teams.
- A tight framework of internal procedures and guidelines.
- Continuous supervision by business lines and support functions as well as by an independent body to monitor risks and to enforce rules and procedures.
- Within the board, the Risk and Audit Committees are more specifically responsible for examining the consistency of the internal framework for monitoring risks and compliance.

A. Credit risk

The bank is exposed to credit risk, which is the risk of suffering financial loss, should any of the bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the bank. Credit risk is the most important risk for the bank's business. Management therefore carefully manages its exposure to credit risk. Credit risk arises mainly from lending activities which resulted in loans, facilities and investment activities which result in including the financial assets in bank's assets. Credit risk is available in the off-balance sheet financial assets such lending commitment. The credit risk management and control are centralized in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

A.1 Credit risk measurement

- Loans and advances to banks and customers

In measuring credit risk of loans and advances to banks and customers, the bank reflects three components:

- ✓ Probability of default - by the client or counterparty on its contractual obligations.
- ✓ (Current exposures to the counterparty and its likely future developments, from which the bank derive the exposure at default.
- ✓ Loss given default

Daily management bank activities involve these measurements of credit risk which reflect the expected loss (The expected loss model) and are required by the Basel committee on banking supervision. The Operational measurements can be contrasted with impairment allowances required under Egyptian Accounting Standard 26 which are based on losses that have been incurred at of the balance sheet date (the incurred loss model) rather than expected losses (Note 3/A).

The bank assesses the probability of default of individual customers using internal rating tools tailored to the various categories of the counterparty. They have been developed internally and combine statistical analysis with credit officer judgment. Clients of the bank are segmented into four rating classes. The rating scale which is as shown below reflects the range of default probabilities- defined for each rating class. This means that in principal, exposures might migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The bank regularly validate the performance of the rating and their predictive power with regard to default cases.

CBE Description	CBE Rating	Internal Rating	Provision Percentage
Good loans	1	A+	0%
Good loans	2	A	1%
Good loans	2	B+	1%
Good loans	2	B	1%
Good loans	2	B-	1%
Good loans	3	C+	1%
Good loans	3	C	1%
Good loans	3	C-	1%
Good loans	4	D+	2%
Good loans	5	D	2%
Good loans	5	D-	2%
Standard monitoring	6	E+	3%
Standard monitoring	6	E	5%
Special monitoring	7	PE-	20%
non-performing	8	NPE-	DCF
non-performing	9	F	DCF
non-performing	10	Z	DCF

The above ratings are reviewed and approved by the Central Bank of Egypt. Impairment for non-performing loans determined using the discount expected cash flow from each client.

Exposure at default is based on the amounts the bank expects to be outstanding at the time of default. For example, for a loan this is the face value. For a commitment, the bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

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

- Debt securities and other bills

For debt securities, and other bills external rating such as (Standard & Poor's) rating or their equivalents are used by the bank for managing of the credit risk exposures. In case such ratings are unavailable, internal rating methods are used that are similar to those used for credit customers. The investment in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

A.2 Risk limit control and mitigation policies

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

The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent

review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved periodically by the Board of Directors.

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

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

Some other specific control and mitigation measures are outlined below:

❖ **Collateral**

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

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory.
- Charges over financial instruments such as debt securities and equities.

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

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-Backed Securities and similar instruments, which are secured by portfolios of financial instruments.

❖ **Derivatives**

The bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counterparties

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the bank market's transactions on any single day.

❖ **Master netting arrangements**

The bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities shown in the balance sheet, as transactions are either usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The banks overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

❖ Credit related Commitments

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

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

A.3 Impairment and provisioning policies (Measurement of expected credit losses)

The Bank's policies require the identification of three stages of classifying financial assets measured at amortized cost, loan commitments and financial guarantees as well as debt instruments at fair value through other comprehensive income in accordance with changes in credit quality since initial recognition and thereafter measuring the impairment losses (expected credit losses) Tools as follows:

The un-impaired financial asset is classified at initial recognition in the first stage and credit risk is monitored continuously by the Bank's credit risk management.

In the case of a significant increase in credit risk since the initial recognition, the financial asset is transferred to the second stage and the financial asset is not considered at this stage (the expected credit loss over the life of the asset without impairment).

In case of indications of impairment of the financial asset, it is transferred to the third stage. The Bank is based on the following indicators to determine whether there is objective evidence of impairment:

- 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 financial 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.

The following table illustrates the proportional distribution of loans and credit facilities reported in the financial position for each of the four internal ratings of the Bank and their relevant impairment losses:

Bank's Rating	31 December 2019		31 December 2018	
	Loans and facilities %	Loan loss provision %	Loans and facilities %	Loan loss provision %
1- Good loans	57.0%	28.0%	44.9%	15.5%
2- Standard monitoring	38.7%	14.4%	46.4%	19.3%
3- Special monitoring	1.4%	2.8%	5.4%	16.2%
4- Nonperforming loans	2.9%	54.8%	3.3%	49.0%
	100.0%	100.0%	100.0%	100.0%

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

- Significant financial difficulties facing the counterparty;
- Breach of loan covenants as in case of default;
- Expecting the bankruptcy of the counterparty, liquidation, lawsuit, or finance rescheduling;
- Deterioration of the borrower's competitive position;
- Offering exceptions or surrenders due to economic and legal reasons related to financial difficulties encountered by the counterparty not provided by the bank in ordinary conditions;
- Deterioration in the value of collateral; and
- Downgrading below good loans grade.

The bank policies require the review of individual financial assets that are above materiality threshold at least annually, or more regularly when individual circumstances require. Impairment allowance on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on case-by –case basis. And are applied to all individually significant accounts. The assessment normally encompasses collateral hold including re- confirmation of its enforceability and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for portfolios of homogenous assets using the available historical experience, experience judgment and statistical techniques

A.4 General Bank Risk Measurement Model

In addition to the four credit rating levels, management classifies categories that are more detailed so as to agree with the requirements of the Central Bank of Egypt (CBE). Assets subject to credit risk are classified in these categories in accordance with regulations and detailed conditions that largely depend on information related to the client, his/her activity, financial position, and regularity of repayment.

The bank calculates the required provisions for the impairment of the assets subject to credit risk, including commitments related to credit, on the basis of ratios specified by the Central Bank of Egypt. In case the impairment loss provision required by the Central Bank of Egypt exceeds that required for the purpose of financial statement preparation in accordance with the Egyptian accounting standards, retained earnings is decreased to support the General Bank risk reserve with

The amount of the increase. This reserve is periodically revised by increase and decrease to reflect the amount of increase between the two provisions. This reserve is not subject to distribution. Note number (34/A) shows the movement in the Bank Risk Reserve during the financial year.

Following is a table of the worthiness levels for institutions in accordance with the internal assessment bases compared to the Central Bank of Egypt assessment bases and the provision ratios required for the impairment of the assets exposed to credit risk.

CBE Rating Categorization	Rating Description	Provision %	CAE rating	CAE Description
1	Low Risk	0%	1	Good
2	Average Risk	1%	1	Good
3	Satisfactory Risk	1%	1	Good
4	Reasonable Risk	2%	1	Good
5	Acceptable Risk	2%	1	Good
6	Marginally Acceptable Risk	5:3%	2	Standard monitoring
7	Watch List	20%	3	Special monitoring
8	Substandard	20%	4	non-performing
9	Doubtful	50%	4	non-performing
10	Bad Debt	100%	4	non-performing

A.5 Credit risk exposure before guarantees

(All amounts are in thousand Egyptian pounds)

	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
Credit risk exposures relating to on-balance sheet items :		
Cash and balances with central bank	2,984,648	4,894,074
Due from Banks	6,875,541	11,077,716
Treasury Bills	7,189,475	7,658,598
Loans to banks	4,019	61,755
<u>Loans to customers</u>		
Loans to Individuals:		
- Overdrafts	68,007	77,115
- Credit cards	980,925	917,013
- Personal Loans	6,455,785	5,829,058
- Real Estate Loans	14,023	10,639
<u>Loans To corporate entities:</u>		
- Overdrafts	12,356,405	10,351,746
- Direct Loans	1,139,876	813,471
- Syndicated loans	3,120,008	3,192,149
- Other Loans	285,086	336,540
Derivative financial instruments	49,121	3,185
<u>Investment securities</u>		
- Fair value through other comprehensive income	6,776,038	6,305,790
Other Assets	332,387	357,189
Total	<u>48,631,344</u>	<u>51,886,038</u>
	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
Credit risk exposures relating to off-balance sheet items:		
Customer Liabilities Under Acceptance	959,339	642,972
Commitments (Loans and liabilities – irrevocable)	2,171,640	2,297,699
Letter of credit	1,107,724	506,640
Letters of guarantee	8,320,446	7,713,334
Total	<u>12,559,149</u>	<u>11,160,645</u>

The above table represents a worse-case scenario of credit risk exposure to the bank at 31 December 2019 and 31 December 2018, without taking into account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts presented on the Balance Sheet.

As shown above, 50% of the total maximum exposure is derived from loans and facilities to customers versus 41% in the end of comparative year, where investments in debt securities represent 29% versus 27% in the end of comparative year.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loan and advances portfolio and debt securities based on the following:

- 96 % of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2018: 92%);
- 93 % of the loans and advances portfolio are considered to be neither past due nor impaired (2018: 92%);
- Loans and advances individually assessed amount 718,625 thousands Egyptian pounds. (2018: 703,661 thousands Egyptian pounds).

The following table provides information on the quality of financial assets during the year:

Due from banks

rating Credit	Stage 1 Months-12	Stage 2 Life time	Stage 3 Life time	Total
Good debts	4,236,261	1,950,382	-	6,186,643
Normal watch-list	418,655	-	-	418,655
Special watch-list	270,243	-	-	270,243
Non-performing loan	-	-	-	-
Allowance for impairment losses	(21)	(4,094)	-	(4,115)
Net	4,925,138	1,946,288	-	6,871,426

Retail loans

rating Credit	Stage 1 Months-12	Stage 2 Life time	Stage 3 Life time	Total
Good debts	67,023	-	-	67,023
Normal watch-list	7,096,759	19,861	-	7,116,620
Special watch-list	-	254,366	-	254,366
Non-performing loan	-	-	80,731	80,731
Allowance for impairment losses	(53,227)	(33,740)	(48,280)	(135,247)
Net	7,110,555	240,487	32,451	7,383,493

Corporate loans

rating Credit	Stage 1 Months-12	Stage 2 Life time	Stage 3 Life time	Total
Good debts	13,804,652	35,123	-	13,839,775
Normal watch-list	1,801,408	537,348	-	2,338,756
Special watch-list	-	84,950	-	84,950
Non-performing loan	-	-	637,894	637,894
Allowance for impairment losses	(274,712)	(94,670)	(504,501)	(873,883)
Net	15,331,348	562,751	133,393	16,027,492

Debt instruments at fair value through other comprehensive income

rating Credit	Stage 1 Months-12	Stage 2 Life time	Stage 3 Life time	Total
Good debts	4,539,011	2,230,388	-	6,769,399
Normal watch-list	-	-	-	-
Special watch-list	-	-	-	-
Non-performing loan	-	-	-	-
Allowance for impairment losses	-	(38,508)	-	(38,508)
Total - fair value	4,539,011	2,191,880	-	6,730,891

The following table shows changes in impairment credit losses between the beginning and ending of the year as a result of these factors:

Due from banks

	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the beginning of the year	65	12,378	-	12,443
New financial assets purchased or issued	29	5,058	-	5,087
Financial assets have been matured or derecognised	(65)	(12,378)	-	(12,443)
Foreign exchange translation differences	(8)	(964)	-	(972)
Balance at the year end	21	4,094	-	4,115

Retail loans

	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the beginning of the year	51,737	34,445	41,294	127,476
Transfer to Stage 1 From Stage 2	190,610	(163,593)	(27,017)	-
Transfer to Stage 2 From Stage 1	(44,709)	106,812	(62,103)	-
Transfer to Stage 2 From Stage 3	(2,006)	(44,925)	46,931	-
Changes in PDs/LGDs/EADs	(152,292)	104,367	91,365	43,440
New financial assets purchased or issued	18,070	95	-	18,165
Financial assets have been matured or derecognised	(8,183)	(3,461)	(11,554)	(23,198)
Collections of loans previously written-off	-	-	37,296	37,296
Loans written-off during the year	-	-	(67,932)	(67,932)
Foreign exchange translation differences	-	-	-	-
Balance at the year end	53,227	33,740	48,280	135,247

Corporate loans

	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the beginning of the year	392,792	219,986	530,947	1,143,725
Transfer to Stage 1 From Stage 2	51,861	(51,861)	-	-
Transfer to Stage 2 From Stage 1	(40,878)	63,666	(22,788)	-
Transfer to Stage 2 From Stage 3	(39)	(32,512)	32,551	-
Transfers	-	-	764	764
Changes in PDs/LGDs/EADs	(364,660)	(103,754)	(8,475)	(476,889)
New financial assets purchased or issued	365,560	122,438	-	487,998
Financial assets have been matured or derecognized	(116,637)	(117,342)	-	(233,979)
Collections of loans previously written-off	-	-	1,530	1,530
Loans written-off during the year	-	-	(42)	(42)
Foreign exchange translation differences	(13,287)	(5,951)	(29,986)	(49,224)
Balance at the year end	274,712	94,670	504,501	873,119

A.6 Loans and Advances
Loans and advances balances in terms of the credit worthiness:

(All amounts are in thousand Egyptian pounds)

	31 December 2019	31 December 2018
Loans & Advances to customers		
Neither past due nor impaired	22,630,553	19,708,481
Past due but not impaired	1,070,937	1,115,589
Subject to impairment	718,625	703,661
Total	24,420,115	21,527,731
Less: Unearned Income	(1,890)	-
Less: Interest in suspense	(61,350)	(51,768)
Less: allowance for Impairment	(1,009,130)	(1,184,973)
Total	23,347,745	20,290,990

Total impairment release for loans and advances has amounted to 184,463 thousand of which (37,254) thousand represents impairment on to non-performing loans, and the remaining 221,717 thousand represents impairment based on group basis of the credit portfolio. Note 20 provides additional information on the provision of impairment loss on loans and advances to banks and customers.

The bank portfolio of loans and advances increased by 13% within the financial year. The bank concentrates on dealing with large institutions, banks, and individuals with strong financial credit solvency.

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the bank.

Loans that are backed by collateral are not considered impaired for the nonperforming category, taking into consideration the collectability of the collateral.

Loans and advances neither past due nor impaired

(All amounts are in thousand Egyptian pounds)

31 December 2019		<u>Retail</u>			<u>Corporate entities</u>				Total
Grades	Overdrafts	Credit cards	Real Estate loans	Personal loans	Overdrafts	Syndicated loans	Direct loans	other loans	
1.Good	67,023	-	-	-	9,849,574	2,849,749	809,723	280,698	13,856,767
2.Standard monitoring	-	716,776	13,736	5,696,462	1,980,588	254,670	41,139	4,388	8,707,759
3.Special monitoring	-	-	-	-	66,027	-	-	-	66,027
Total	67,023	716,776	13,736	5,696,462	11,896,189	3,104,419	850,862	285,086	22,630,553

31 December 2018		<u>Retail</u>			<u>Corporate entities</u>				Total
Grades	Overdrafts	Credit cards	Real Estate loans	Personal loans	Overdrafts	Syndicated loans	Direct loans	other loans	
1.Good	76,713	-	-	-	8,062,402	897,824	388,199	201,064	9,626,202
2.Standard monitoring	-	663,981	10,639	5,160,476	1,219,012	2,055,102	122,219	116	9,231,545
3.Special monitoring	-	-	-	-	554,191	222,670	71,101	2,772	850,734
Total	76,713	663,981	10,639	5,160,476	9,835,605	3,175,596	581,519	203,952	19,708,481

Loans and advances past due but not impaired

These are loans and advance that are past due for less than 90 days, but not impaired unless the bank is otherwise informed. Loans and advance past due but not impaired are as follows:

At initial recognition of the loans and advances, fair value of collaterals is valued based on the same valuation methods used for similar assets. In subsequent periods, fair value is updated to reflect the market prices or the prices of similar assets.

31 December 2019

<u>Retail</u>	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal Loans</u>	<u>Real estate loans</u>	<u>Total</u>
Past due up to 30 days	-	196,627	492,732	287	689,646
Past due 30-60 days	-	41,523	160,098	-	201,621
Past due 60-90 days	-	13,975	38,770	-	52,745
Total	-	252,125	691,600	287	944,012

<u>Corporate entities</u>	<u>Overdrafts</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	<u>Total</u>
Past due up to 30 days	59,355	4,902	-	-	64,257
Past due 30-60 days	59,848	-	-	-	59,848
Past due over 60 days	2,820	-	-	-	2,820
Total	122,023	4,902	-	-	126,925

31 December 2018

<u>Retail</u>	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal Loans</u>	<u>Real estate loans</u>	<u>Total</u>
Past due up to 30 days	-	193,119	469,410	-	662,529
Past due 30-60 days	-	39,458	132,057	-	171,515
Past due 60-90 days	-	11,354	39,783	-	51,137
Total	-	243,931	641,250	-	885,181

<u>Corporate entities</u>	<u>Overdrafts</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	<u>Total</u>
Past due up to 30 days	123,338	-	-	3,610	126,948
Past due 30-60 days	4,289	-	-	1,809	6,098
Past due over 60 days	1,339	-	-	96,023	97,362
Total	128,966	-	-	101,442	230,408

Loans and advances individually impaired

-Loans and advances to customers

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is 718,625 thousand 703,661 thousand for 2018.

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

(All amounts are in thousand Egyptian pounds)

31 December 2019	Overdraft	<u>Retail</u>		Overdrafts	<u>Corporate</u>			<u>Total</u>
		Credit cards	Personal Loans		Direct loans	Syndicated loans	Other loans	
Individually impaired loans	984	12,024	67,723	338,193	284,112	15,589	-	718,625
Fair value of collateral	-	651	11,253	63,454	-	-	-	75,358

31 December 2018	Overdraft	<u>Retail</u>		Overdrafts	<u>Corporate</u>			<u>Total</u>
		Credit cards	Personal Loans		Direct loans	Syndicated loans	Other loans	
Individually impaired loans	402	9,101	27,332	387,175	231,952	16,553	31,146	703,661
Fair value of collateral	-	436	2,841	70,710	-	-	-	73,987

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans – in particular, customer finance loan

(All amounts are in thousand Egyptian pounds)

	31 December 2019	31 December 2018
Corporate entities		
Overdrafts	286,725	190,949
Direct Loans	-	-
	<u>286,725</u>	<u>190,949</u>
Individuals		
Personal Loans	-	66,219
	-	<u>66,219</u>
Total	<u>286,725</u>	<u>257,168</u>

A.7 Debt securities and treasury bills

The table below presents an analysis of debt securities according to the rating agencies at year end based on Moody's assessment of the countries issuing the investments:

(All amounts are in thousand Egyptian pounds)

31 December 2019	Treasury Bills	Investment at Fair value through other comprehensive income	Total
B2	7,189,475	6,769,399	13,958,874
Total	7,189,475	6,769,399	13,958,874

A.8 Acquired collaterals

During the year, the bank obtained assets by taking possession of collateral held as security as follows:

31 December 2019	(All amounts are in thousand Egyptian pounds) Book Value
Assets Nature	
<u>Apartments</u>	-
Total	-

A.9 Concentration of risks of financial assets with credit risk exposure
❖ Geographical sectors

The following table breaks down the bank's credit exposure at their carrying amounts as categorised by geographical region. For this table, the bank has allocated exposures to regions based on the country of domicile of its clients.

(All amounts are in thousand Egyptian pounds)

31 December 2019	Cairo	Alex., Delta & Sinai	Upper Egypt	Arab Republic of Egypt	Other countries	Total
Balances with CBE	2,984,648	-	-	2,984,648	-	2,984,648
Due from banks	3,472,328	-	-	3,472,328	3,403,213	6,875,541
Treasury bills	7,189,475	-	-	7,189,475	-	7,189,475
Loans to banks	-	-	-	-	4,019	4,019
Loans to customers :						
- Overdrafts	11,827,540	506,096	90,776	12,424,412	-	12,424,412
- Credit cards	980,925	-	-	980,925	-	980,925
- Personal Loans	3,971,216	1,839,763	644,806	6,455,785	-	6,455,785
- Real Estate Loans	8,291	-	5,732	14,023	-	14,023
- Term Loans	4,198,267	61,617	-	4,259,884	-	4,259,884
- Other Loans	213,185	71,858	43	285,086	-	285,086
Derivatives	49,121	-	-	49,121	-	49,121
Fair value through other comprehensive income - Debt instruments	6,776,038	-	-	6,776,038	-	6,776,038
Other financial assets	286,370	34,577	11,440	332,387	-	332,387
As at 31 December 2019	41,957,404	2,513,911	752,797	45,224,112	3,407,232	48,631,344
As at 31 December 2018	43,404,893	2,645,033	677,884	46,727,810	5,158,228	51,886,038

Industry sectors

The following table breaks down the bank's credit exposure at carrying categorized by the industry sectors of the Bank's clients.

(All amounts are in thousand Egyptian pounds)

31 December 2019	Financial institutions	Manufacturing	Commercial	Governmental	Other industries	Individuals	Total
Balances with CBE	-	-	-	2,984,648	-	-	2,984,648
Due from banks	3,596,679	-	-	3,278,862	-	-	6,875,541
Treasury bills	-	-	-	7,189,475	-	-	7,189,475
Loans to banks	4,019	-	-	-	-	-	4,019
Loans to customers:							
Individuals:							
- Overdrafts	-	-	-	-	-	68,007	68,007
- Credit cards	-	-	-	-	-	980,925	980,925
- Personal Loans	-	-	-	-	-	6,455,785	6,455,785
- Real Estate Loans	-	-	-	-	-	14,023	14,023
Corporate entities:							
- Overdrafts	6,752	6,523,766	4,218,084	714,204	893,599	-	12,356,405
- Direct Loans	307,264	212,919	280,458	-	339,235	-	1,139,876
- Syndicated Loans	15,589	445,145	-	2,310,805	348,469	-	3,120,008
- Other loans	-	264,988	567	-	19,531	-	285,086
Financial derivatives	-	1,680	47,441	-	-	-	49,121
Fair value through other comprehensive income	2,223,143	-	-	4,552,895	-	-	6,776,038
Other financial assets	15,542	41,018	12,186	156,828	6,647	100,166	332,387
31 December 2019	6,168,988	7,489,516	4,558,736	21,187,717	1,607,481	7,618,906	48,631,344
31 December 2018	6,593,240	6,921,257	2,738,734	26,586,437	2,183,035	6,924,578	51,947,281

B. Market risk

The bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products all of which to expect are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads foreign exchange rates and equity prices The bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in bank treasury and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit regularly.

Trading portfolios include those positions arising from market-making transactions where the bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the bank's held-to-maturity and available-for-sale investments.

B.1 Market risk measurement techniques

As part of the management of market risk, the bank enters into interest rate swaps to match the interest rate risk associated with the fixed-rate long-term debt securities and loans to which the fair value option has been applied. The major measurement techniques used to measure and control market risk are outlined below.

Value at risk

The bank applies a 'value at risk' (VAR) methodology to its trading and non-trading portfolios and at a bank level to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions. For various changes in market conditions The Board sets limits on the value of risk that may be accepted for the bank, for trading and non-trading purposes separately and they are monitored in daily basis with the bank risk management department.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the bank might lose, but only to a certain level of confidence (99%). There is therefore a specified statistical probability (1%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (10 days). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 10-day periods in the past. The bank's assessment of past movements is based on data for last year. The bank applies these historical changes in rates, prices, indices, etc. directly to its current positions – a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements

As VAR constitutes an integral part of the Bank's market risk control regime, VAR limits are established by the Board annually for all trading portfolio operations and allocated to business units. Actual exposure against limits, together with a consolidated group-wide VAR, is reviewed daily by bank risk management department.

The quality of the VAR model is continuously monitored by back-testing the VAR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated, and all back-testing results are reported to the Board of Directors.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by bank treasury include: risk factor stress testing, where stress movements are applied to each risk category; emerging market stress testing, where emerging market portfolios are subject to stress movements; and adhoc stress testing, which includes applying possible stress events to specific positions or regions – for example, the stress outcome to a region following a currency peg break.

The results of the stress tests are reviewed by senior management in each business unit and by the Board of Directors. The stress testing is tailored to the business and typically uses scenario analysis.

B.2 Summary of value at risk

VAR for trading portfolio as per the risk type

(All amounts are in thousand Egyptian pounds)

	12-month till 31 December 2019			12-month till 31 December 2018		
	Average	High	Low	Average	High	Low
Foreign exchange risk	(1,729)	(1,927)	(1,532)	(1,549)	(1,786)	(1,179)
Interest rate risk	(2,344)	(3,742)	(1,583)	(2,281)	(3,445)	(1,735)
VAR	(2,772)	(4,228)	(2,156)	(2,526)	(4,086)	(1,910)

The increase in the VAR especially in interest rate risk is correlated with the sensitivity in international financial market interest rate.

The three above results are calculated independently of the intended positions and the historical market movements. The gross VAR of the trading and the non-trading does not represent the exposed value of the bank risk due to the correlation between the risk types, portfolio types and whatever the effect following it.

B.3 Foreign exchange risk

The bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by level of currency and in aggregate for both overnight and intra-day positions which are monitored daily. The table below summarises the bank's exposure to foreign currency exchange rate risk at.

Included in the table are the bank's financial instruments at carrying amounts, categorised by currency:

Foreign currency risk concentration on financial instruments

(All amounts are in thousand Egyptian pounds)

31 December 2019	EGP	USD	EUR	GBP	CHF	Other	Total in EGP
Assets							
Cash and balances with central banks	3,816,924	264,797	113,476	14,674	1,438	16,445	4,227,754
Due from banks	1,516,646	3,819,719	1,152,441	245,539	53,966	83,115	6,871,426
Treasury bills	7,189,475	-	-	-	-	-	7,189,475
Loans to banks	-	4,019	-	-	-	-	4,019
Loans to customers	18,695,395	4,486,413	163,884	1,311	713	29	23,347,745
Financial derivatives	47,270	1,851	-	-	-	-	49,121
Investments Fair value through other comprehensive income	4,545,650	2,230,388	-	-	-	-	6,776,038
Investments Fair value through profit or loss	165,003	-	-	-	-	-	165,003
Other financial assets	307,008	25,083	249	46	1	-	332,387
Total financial assets	36,283,371	10,832,270	1,430,050	261,570	56,118	99,589	48,962,968
Financial liabilities							
Due to banks	2,136	656,507	8,692	-	-	-	667,335
Treasury bills Sold with repurchase agreements	9,724	-	-	-	-	-	9,724
Customers' deposits	28,359,302	8,991,466	1,903,271	241,559	55,875	85,269	39,636,742
Derivative financial instruments	59,760	3,511	-	-	-	-	63,271
Other Loans	-	481,245	-	-	-	-	481,245
Other financial liabilities	202,423	19,221	530	108	-	-	222,282
Total financial liabilities	28,633,345	10,151,950	1,912,493	241,667	55,875	85,269	41,080,599
Net on balance sheet financial position	7,650,026	680,320	(482,443)	19,903	243	14,320	7,882,369
Credit commitments	1,703,651	3,427,462	6,752,573	12,926	2,379	660,158	12,559,149

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by the assets and liabilities management department with assistance of the bank treasury department.

The tables below summaries the bank's exposure to the interest rate fluctuations risk which include carrying value of the financial instruments categorized based on the repricing dates or the maturity date – whichever is earlier.

Organization of the management of Structural Interest Rate risks

Identification and measurement of the risk is carried out by the Assets & Liabilities Management Unit (ALMU) which comes under the authority of the bank finance department. Risk assessment, limits and corrective actions are decided by the Assets & Liabilities management Committee (ALCO) headed by the Chairman with the participation of the Managing Directors, the Chief Financial Officer and the Commercial Divisions Heads, the Branch Network Head, the General Secretary and the Head of the Dealing Room. Execution of the necessary actions decided by the ALCO for the rectification of the gaps is carried out by the dealing room through the financial market. Progress is reported and notified to the ALMU/ALCO.

EGP in thousands

<u>As at</u> <u>31 December 2019</u>	<u>Up to</u> <u>1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over</u> <u>5years</u>	<u>Non-interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	3,816,924	3,816,924
Due from banks	1,500,000	-	-	-	-	16,646	1,516,646
Treasury bills	1,999,858	1,263,386	3,926,231	-	-	-	7,189,475
Loans to customers	11,797,665	766,065	1,991,362	3,936,266	204,037	-	18,695,395
Derivative financial instruments	-	-	-	-	-	47,270	47,270
Investment Fair value through other comprehensive income	3,000	149,758	1,470,377	2,915,876	-	6,639	4,545,650
Investment Fair value through profit or loss	19,121	-	-	-	-	145,882	165,003
Other assets	-	-	-	-	-	307,008	307,008
Total assets	15,319,644	2,179,209	7,387,970	6,852,142	204,037	4,340,369	36,283,371
liabilities							
Due to banks	-	-	-	-	-	2,136	2,136
Treasury bills Sold with repurchase agreements	4,618	-	5,106	-	-	-	9,724
Customers deposits	7,892,598	1,514,839	3,383,006	6,091,058	1,858	9,475,943	28,359,302
Derivative financial instruments	-	-	-	-	-	59,760	59,760
Other Liabilities	-	-	-	-	-	202,423	202,423
Total liabilities	7,897,216	1,514,839	3,388,112	6,091,058	1,858	9,740,262	28,633,345
Interest gap	7,422,428	664,370	3,999,858	761,084	202,179	(5,399,893)	7,650,026

<u>As at</u> <u>31 December 2018</u>	<u>Up to</u> <u>1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over</u> <u>5years</u>	<u>Non-interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	5,866,827	5,866,827
Due from banks	2,682,000	-	-	-	-	78	2,682,078
Treasury bills	1,895,840	1,371,835	4,390,923	-	-	-	7,658,598
Loans to customers	9,318,966	748,373	1,741,233	3,475,735	153,386	-	15,437,693
Investment Fair value through other comprehensive income	-	-	2,636,343	894,515	327,699	6,639	3,865,196
Investment Fair value through profit or loss	67,020	-	-	-	-	77,967	144,987
Other assets	-	-	-	-	-	328,281	328,281
Total assets	13,963,826	2,120,208	8,768,499	4,370,250	481,085	6,279,792	35,983,660
liabilities							
Due to banks	-	-	-	-	-	226,013	226,013
Treasury bills Sold with repurchase agreements	3,695	-	-	-	-	-	3,695
Customers deposits	10,817,768	578,995	2,840,944	6,022,916	9,415	8,399,381	28,669,419
Other Liabilities	-	-	-	-	-	208,151	208,151
Total liabilities	10,821,463	578,995	2,840,944	6,022,916	9,415	8,833,545	29,107,278
Interest gap	3,142,363	1,541,213	5,927,555	(1,652,666)	471,670	(2,553,753)	6,876,382

USD in thousands

<u>As at</u> <u>31 December 2019</u>	<u>Up to</u> <u>1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over</u> <u>5years</u>	<u>Non-interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	16,507	16,507
Due from banks	108,517	129,598	-	-	-	-	238,115
Loans to banks	251	-	-	-	-	-	251
Loans to customers	215,235	41,435	23,005	-	-	-	279,675
Derivative financial instruments	115	-	-	-	-	-	115
Investment Fair value through other comprehensive income	-	138,174	-	865	-	-	139,039
Other assets	-	-	-	-	-	1,564	1,564
Total assets	324,118	309,207	23,005	865	-	18,071	675,266
Liabilities							
Due to banks	-	-	-	-	-	40,926	40,926
Customers deposits	297,413	86,541	16,994	555	-	159,010	560,513
Derivative financial instruments	-	-	-	-	-	219	219
Other Loans	10,000	20,000	-	-	-	-	30,000
Other Liabilities	-	-	-	-	-	1,198	1,198
Total liabilities	307,413	106,541	16,994	555	-	201,353	632,856
Interest gap	16,705	202,666	6,011	310	-	(183,282)	42,410

<u>As at</u> <u>31 December 2018</u>	<u>Up to</u> <u>1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over</u> <u>5years</u>	<u>Non-interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	18,452	18,452
Due from banks	120,058	208,102	-	-	-	-	328,160
Loans to banks	1,027	1,377	1,043	-	-	-	3,447
Loans to customers	160,991	31,731	59,159	-	-	-	251,881
Investment Fair value through other comprehensive income	-	134,744	-	-	-	-	134,744
Other assets	-	-	-	-	-	1,572	1,572
Total assets	282,076	375,954	60,202	-	-	20,024	738,256
Liabilities							
Due to banks	-	-	-	-	-	10,022	10,022
Customers deposits	407,471	99,691	24,098	9,210	-	153,373	693,843
Other Loans	10,000	20,000	-	-	-	-	30,000
Other Liabilities	-	-	-	-	-	2,130	2,130
Total liabilities	417,471	119,691	24,098	9,210	-	165,525	735,995
Interest gap	(135,395)	256,263	36,104	(9,210)	-	(145,501)	2,261

EUR in thousands

<u>As at</u> <u>31 December 2019</u>	<u>Up to</u> <u>1 month</u>	<u>1-3</u> <u>months</u>	<u>3-12</u> <u>months</u>	<u>1-5</u> <u>years</u>	<u>Over</u> <u>5years</u>	<u>Non-</u> <u>interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	6,299	6,299
Due from banks	39,998	14,999	-	-	-	8,970	63,967
Loans to customers	5,936	3,160	-	-	-	-	9,096
Other assets	-	-	-	-	-	14	14
Total assets	45,934	18,159	-	-	-	15,283	79,376
Liabilities							
Due to banks	-	-	-	-	-	482	482
Customers deposits	36,003	7,217	4,095	-	-	58,327	105,642
Other Liabilities	-	-	-	-	-	29	29
Total liabilities	36,003	7,217	4,095	-	-	58,838	106,153
Interest gap	9,931	10,942	(4,095)	-	-	(43,555)	(26,777)

<u>As at</u> <u>31 December 2018</u>	<u>Up to</u> <u>1 month</u>	<u>1-3</u> <u>months</u>	<u>3-12</u> <u>months</u>	<u>1-5</u> <u>years</u>	<u>Over</u> <u>5years</u>	<u>Non-</u> <u>interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	5,448	5,448
Due from banks	50,000	30,000	-	-	-	16,482	96,482
Loans to customers	9,810	5,985	358	-	-	-	16,153
Investment Fair value through other comprehensive income	-	-	1,308	-	-	-	1,308
Other assets	-	-	-	-	-	29	29
Total assets	59,810	35,985	1,666	-	-	21,959	119,420
Liabilities							
Due to banks	-	-	-	-	-	100	100
Customers deposits	39,806	10,495	6,427	-	-	55,255	111,983
Other Liabilities	-	-	-	-	-	22	22
Total liabilities	39,806	10,495	6,427	-	-	55,377	112,105
Interest gap	20,004	25,490	(4,761)	-	-	(33,418)	7,315

C. Liquidity risk

Liquidity risk is the risk that the bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments.

Liquidity risk management process

The bank liquidity management process, as carried out within the bank and monitored by a separate team in Group Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or is borrowed by customers. The bank maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios against internal and regulatory requirements by the Central Bank of Egypt.
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

With the cooperation with bank's Treasury, Assets and Liability management also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Funding approach

Sources of liquidity are regularly reviewed by a separate team in bank's Treasury to maintain a wide diversification by currency, geography, provider, product and term.

Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the bank under non-derivative financial liabilities for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position.

The amounts disclosed in the table are the contractual undiscounted cash flow, whereas the bank manages the liquidity risk based on the undiscounted expected cash flows and not the contractual cash flows.

EGP in thousands

<u>As at 31 December 2019</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	2,136	-	-	-	-	2,136
Treasury bills Sold with repurchase agreements	5,106	4,618	-	-	-	9,724
Customers deposits	8,832,168	2,560,806	6,570,096	10,394,374	1,858	28,359,302
Total liabilities (contractual maturity dates)	8,839,410	2,565,424	6,570,096	10,394,374	1,858	28,371,162
Assets held for managing liquidity risk (contractual maturity dates)	8,919,936	4,787,463	10,955,907	11,070,163	242,894	35,976,363
As at 31 December 2018						
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	226,013	-	-	-	-	226,013
Treasury bills Sold with repurchase agreements	3,695	-	-	-	-	3,695
Customers deposits	11,857,356	1,505,237	5,546,530	9,750,881	9,415	28,669,419
Total liabilities (contractual maturity dates)	12,087,064	1,505,237	5,546,530	9,750,881	9,415	28,899,127
Assets held for managing liquidity risk (contractual maturity dates)	12,486,253	6,709,426	9,212,996	6,984,479	262,225	35,655,379

USD in thousands

<u>As at 31 December 2019</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	40,926	-	-	-	-	40,926
Customers deposits	262,924	66,409	95,109	122,820	13,251	560,513
Other loans	-	-	-	30,000	-	30,000
Total liabilities (contractual maturity dates)	303,850	66,409	95,109	152,820	13,251	631,439
Assets held for managing liquidity risk (contractual maturity dates)	164,941	327,572	75,963	101,320	1,505	671,301
As at 31 December 2018						
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	10,022	-	-	-	-	10,022
Customers deposits	373,540	83,105	78,772	126,472	31,954	693,843
Other loans	-	-	-	30,000	-	30,000
Total liabilities (contractual maturity dates)	383,562	83,105	78,772	156,472	31,954	733,865
Assets held for managing liquidity risk (contractual maturity dates)	183,365	249,867	68,192	232,602	2,658	736,684

EUR in thousands

As at 31 December 2019	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	482	-	-	-	-	482
Customers deposits	27,654	11,163	24,260	39,099	3,466	105,642
Total liabilities (contractual maturity dates)	28,136	11,163	24,260	39,099	3,466	106,124
Assets held for managing liquidity risk (contractual maturity dates)	56,562	18,897	2,400	1,399	104	79,362
As at 31 December 2018	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	-	-	-	-	100	100
Customers deposits	35,236	14,647	25,147	29,105	7,848	111,983
Total liabilities (contractual maturity dates)	35,236	14,647	25,147	29,105	7,948	112,083
Assets held for managing liquidity risk (contractual maturity dates)	77,448	36,698	3,908	1,102	235	119,391

The bank has divided the financial assets and liabilities as per the contractual maturity to the periods mentioned above through the main automated system of bank, expected returns on those financial assets and liabilities were calculated and divided on the same basis as the above mentioned basis. When calculating, the expected returns non-renewal of those assets and liabilities at maturity has been assumed.

Available assets used to meet all the liabilities and to cover all the commitments related to loans include cash, balances with central banks and sue from banks, treasury bills and other governmental securities, and loans and advances to banks and customers.

Proportion of loans to clients' maturity has been extended which are due within a year and during the normal activity of the bank. In addition, there are some pledged debt instruments, treasury bills and government securities to guarantee the liabilities. The Bank has the ability to meet the unexpected net cash flows through the sale of securities and to find other sources of funding.

Derivatives

a) Derivatives settled on a net basis

The Bank's derivatives that will be settled on a net basis include:

- Foreign exchange derivatives: over-the-counter (OTC) currency options, currency futures, exchange traded currency options; and
- Interest rate derivatives: interest rate swaps for which net cash flows are exchanged, forward rate agreements, OTC interest rate options, exchange traded interest rate futures, exchange traded interest rate options and other interest rate contracts.

The table below analyses the bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining year at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(All amounts are in thousand Egyptian pounds)

<u>31 December 2019</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	-	1,491	169	-	-	1,660
Total	-	1,491	169	-	-	1,660

<u>31 December 2018</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	-	1,783	-	-	-	1,783
Total	-	1,783	-	-	-	1,783

b) Derivatives settled on a gross basis

The bank's derivatives that will be settled on a gross basis include:

- Foreign exchange derivatives: currency forward, currency swaps; and
- Interest rate derivatives: interest rate swaps for which cash flows are exchanged on a gross basis, cross currency interest rate swaps

The table below analyses the bank's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining year at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2019	(All amounts are in thousand Egyptian pounds)					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow	1,432,138	48,039	77,834	161,872	-	1,719,883
– Inflow	1,432,767	40,274	66,789	162,361	-	1,702,191
Total outflow	1,432,138	48,039	77,834	161,872	-	1,719,883
Total inflow	1,432,767	40,274	66,789	162,361	-	1,702,191

31 December 2018	(All amounts are in thousand Egyptian pounds)					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow	441,445	40,306	45,680	-	-	527,431
– Inflow	439,979	37,620	378	-	-	477,977
Total outflow	441,445	40,306	45,680	-	-	527,431
Total inflow	439,979	37,620	378	-	-	477,977

Off-balance sheet items

31 December 2019	(All amounts are in thousand Egyptian pounds)			
	1 year	1-5 years	Over 5 years	Total
Loan commitments	2,171,640	-	-	2,171,640
Acceptances, LC's and LG's	8,611,160	1,756,339	20,010	10,387,509
Capital commitments	36,253	-	-	36,253
Total	10,819,053	1,756,339	20,010	12,595,402

D. Fair value of financial assets and liabilities

D.1 Financial instruments measured at fair value using valuation techniques

The change in the assessed fair value using the valuation techniques through the financial year is 176,967 thousand (2018: 50,942 thousand).

D.2 Financial instruments not measured at fair value

Due from Banks

The fair value of due from banks represents the book value, where all balances are current balances matured during the year.

Loans and advances to customers

Loans and advances are net of charges for impairment loan losses. Loans and advances to customers divided into current and noncurrent balances the book value of the current balances is considered the fair value, and the noncurrent balances cannot be determined their fair value.

Due to Banks

The fair value of due to banks represents the book value, where all balances are current balances matured during the year

Deposits due to customers:

The customer deposits are divided in to current and noncurrent balances. The book value of the current balances is considered the fair value, while the noncurrent balances cannot be determined as a fair value

E. Capital management

The bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by Arab Republic of Egypt.
- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital Adequacy Ratio:

Capital adequacy and the use of regulatory capital are monitored daily by the bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the Central Bank of Egypt (CBE) for supervisory purposes, the required information is filed with the Authority on a quarterly basis.

The CBE requires the bank to:

- 1) Retain the amount of 500 million EGP as minimum for the issued share capital and paid-up
- 2) The bank maintains a ratio of 10% or more of total regulatory capital to its risk-weighted assets and liabilities.

The capital adequacy ratio numerator comprises two tiers:

Tier 1 capital:

Consists of two parts, Going concern capital and additional going concern

Tier 2 capital:

Gone concern capital, qualifying subordinated loan capital, consists of:

- 45% of the value of the special reserve.
- 45% of the increase in the fair value of the book value of financial investments in subsidiaries and affiliates.
- Other financial convoluted instruments.
- Subordinated loans with amortization of 20% per year in the last 5 years of maturity.
- Loan loss provision "General" by not more than 1.25% of total assets and contingent liabilities weighted risk weights.

Type of Risk:

- Credit Risk.
- Market Risk.
- Operations Risk.

The risk weighted assets are between zero and 100% classified according to the nature of the debit party for each assets which reflect the assets related credit risk taking into consideration the cash guarantees. The same treatment is used for the off balance sheet amounts after performing the adjustments to reflect the contingent nature and the expected losses for these amounts.

The bank complied with local capital requirements and with the countries requirements where outside branches (based on Basel II) were operating in the last two years.

	<u>31 December 2019</u>	<u>31 December 2018</u>
	<u>LE,000</u>	<u>LE,000</u>
Going Concern Capital	5,727,238	5,269,451
Gone Concern Capital	856,639	885,704
Total Capital	6,583,877	6,155,155
Credit Risk	27,499,105	24,083,882
Market Risk	32,755	52,012
Operation Risk	5,841,102	5,211,057
Top 50 Effect	2,696,654	962,251
Total Risks	36,069,616	30,309,202
Capital Adequacy Ratio %	%18.25	%20.31

Leverage Ratio:

	<u>31 December 2019</u>	<u>31 December 2018</u>
	<u>LE,000</u>	<u>LE,000</u>
Going Concern Capital	5,727,238	5,269,451
On Balance Sheet Risk	49,307,662	53,381,511
Derivatives Risk	29,917	6,913
Off Balance Sheet Risk	6,910,486	6,040,114
Total Risks	56,248,065	59,428,538
Leverage Ratio %	%10.18	%8.87

4. Critical accounting estimates and judgments

The bank makes estimates and assumptions that affect the presented amounts of assets and liabilities within the next financial year. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events which believed to be reasonable during the current conditions and available information.

A. Impairment losses on loans and advances

The bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the bank makes judgments as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

B. Impairment of available-for-sale equity investments

The bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the bank evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

If considered that all declines in fair value below cost been considered significant or prolonged, the bank would have recognized an additional loss presented in the transfer from the fair value reserve to the in the income statement.

C. Fair value of Derivatives

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the disclosed fair value of financial instruments.

D. Debt instruments at amortized cost

The bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as amortized cost “Within the business model of financial assets held to collect contractual cash flow”.

Income taxes

The bank is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year where the differences exist.

5. Segment analysis

Segment activity involves operating activities, assets used in providing banking services, and risk and return management associated with this activity, which might differ from other activities. Segment analysis for the banking operations involves the following:

Large, medium, and small enterprises:

Including current account, deposit, overdraft account, loan, credit facilities, and financial derivative activities.

Investment:

Encompasses money management activities.

Retail:

Encompasses current account, saving account, deposit, credit card, personal loans, and real estate loans activities,

Asset and liability management:

Encompasses other banking operations, such as asset and liability management. It also encompasses administrative expenses that can hardly be classified with other sectors.

Transactions among segments are performed according to the bank's operating cycle, and include operating assets and liabilities as presented in the bank's statement of financial position.

a. Segment reporting analysis

(All amounts are in thousand Egyptian pounds)

<u>31 December 2019</u>	Corporate banking	SMEs	Investment banking	Retail	Assets and liabilities management	Total
Revenues and expenses according to the sector activity						
Revenues of the sector activity	1,139,398	514,296	221,617	1,640,453	538,648	4,054,412
Expenses of the sector	(59,168)	(202,163)	(117,012)	(681,804)	41,660	(1,018,487)
Result of the sector operations	1,080,230	312,133	104,605	958,649	580,308	3,035,925
Profit before tax	1,080,230	312,133	104,605	958,649	580,308	3,035,925
Taxes	(233,683)	(69,244)	(25,109)	(214,941)	(132,088)	(675,065)
Net profit	846,547	242,889	79,496	743,708	448,220	2,360,860
Assets and Liabilities according to the sector activity						
Assets of the sector activity	14,291,223	1,673,386	11,288,354	7,383,137	15,791,324	50,427,424
Total assets	14,291,223	1,673,386	11,288,354	7,383,137	15,791,324	50,427,424
Liabilities of the sector activity	12,014,644	4,856,480	760,489	22,991,155	2,594,908	43,217,676
Total Liabilities	12,014,644	4,856,480	760,489	22,991,155	2,594,908	43,217,676

<u>31 December 2018</u>	Corporate banking	SMEs	Investment banking	Retail	Assets and liabilities management	Total
Revenues and expenses according to the sector activity						
Revenues of the sector activity	1,149,103	497,042	134,854	1,577,467	484,311	3,842,777
Expenses of the sector	(225,476)	(116,745)	(103,228)	(607,413)	(19)	(1,052,881)
Result of the sector operations	923,627	380,297	31,626	970,054	484,292	2,789,896
Profit before tax	923,627	380,297	31,626	970,054	484,292	2,789,896
Taxes	(195,299)	(77,855)	(6,707)	(207,512)	(102,653)	(590,026)
Net profit	728,328	302,442	24,919	762,542	381,639	2,199,870
Assets and Liabilities according to the sector activity						
Assets of the sector activity	12,064,937	1,682,287	17,160,886	6,657,289	15,949,415	53,514,814
Total assets	12,064,937	1,682,287	17,160,886	6,657,289	15,949,415	53,514,814
Liabilities of the sector activity	17,038,999	5,349,340	439,819	21,742,412	2,746,087	47,316,657
Total Liabilities	17,038,999	5,349,340	439,819	21,742,412	2,746,087	47,316,657

b. Geographical sector analysis

(All amounts are in thousand Egyptian pounds)

<u>31 December 2019</u>	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenues & Expenses according to the geographical sectors				
Revenues of the Geographical sectors	6,450,069	524,596	157,360	7,132,025
Expenses of the Geographical sectors	(3,402,381)	(566,360)	(127,359)	(4,096,100)
Result of sector operations	3,047,688	(41,764)	30,001	3,035,925
Profit before tax	3,047,688	(41,764)	30,001	3,035,925
Tax	(668,315)	-	(6,750)	(675,065)
Profit of the year	2,379,373	(41,764)	23,251	2,360,860

<u>31 December 2018</u>	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenues & Expenses according to the geographical sectors				
Revenues of the Geographical sectors	6,097,230	515,836	148,325	6,761,391
Expenses of the Geographical sectors	(3,369,757)	(485,924)	(115,814)	(3,971,495)
Result of sector operations	2,727,473	29,912	32,511	2,789,896
Profit before tax	2,727,473	29,912	32,511	2,789,896
Tax	(575,981)	(6,730)	(7,315)	(590,026)
Profit of the year	2,151,492	23,182	25,196	2,199,870

	31 December 2019 LE,000	31 December 2018 LE,000
6. <u>Net interest income</u>		
Interest on loans and similar income		
To customers	3,495,122	3,120,743
	3,495,122	3,120,743
Treasury bills	1,334,219	1,456,348
Balances with banks	439,255	483,997
Investments in HTM and AFS debt instruments	663,670	576,836
	2,437,144	2,517,181
	5,932,266	5,637,924
Interest expenses and similar charges		
Deposits and current accounts:		
- To banks	(116,201)	(66,148)
- To customers	(2,678,034)	(2,573,713)
- Other Loans	(27,015)	(27,100)
- Others	(203)	(117)
	(2,821,453)	(2,667,078)
Net interest income	3,110,813	2,970,846
7. <u>Net fee and commission income</u>		
Fee and Commission income :		
Credit related fees and commissions	654,696	698,404
Trust and other custody fees	8,689	9,255
Other fees	179,303	179,726
Total	842,688	887,385
Fee and Commission expense :		
Other fees and commissions paid	(256,160)	(229,887)
	(256,160)	(229,887)
Net fee and Commission	586,528	657,498
8. <u>Dividend Income</u>		
	31 December 2019 LE,000	31 December 2018 LE,000
Subsidiaries	7,124	6,174
Investment at Fair value through profit or loss	8,411	12,655
	15,535	18,829

9. <u>Net trading income</u>	31 December 2019 LE,000	31 December 2018 LE,000
Foreign exchange:		
Gains from foreign currencies transactions	295,923	193,824
Gain on revaluation of Forward rate contracts	-	1,132
Gain (Loss) on revaluation of currency swap contracts	177	61
Gain on revaluation of option deals	563	814
Foreign currencies revaluation of Debt instruments at fair value through profit / Loss	12,343	10,365
Foreign currencies revaluation of MF at fair value through profit / Loss	7,996	-
Gain on revaluation of MF at fair value through profit / Loss	5	5
	317,007	206,201
10. <u>Gains from financial investments</u>	31 December 2019 LE,000	31 December 2018 LE,000
Gain on sale of Equity Instruments	13,067	-
Gain on sale of Treasury Bills	11,462	14,115
Impairment charge for Investments	-	(3,063)
	24,529	11,052
11. <u>Impairment release / (charge) for credit losses</u>	31 December 2019 LE,000	31 December 2018 LE,000
Loans and advances to customers	184,463	27,852
Due from banks	7,356	-
Debt instruments at fair value through other comprehensive income	31,879	-
	223,698	27,852
12. <u>Administrative expenses</u>	31 December 2019 LE,000	31 December 2018 LE,000
Staff costs		
Wages and salaries	(530,044)	(471,848)
Social insurance costs	(115,141)	(124,802)
	(645,185)	(596,650)
Other Administrative expenses	(521,734)	(453,151)
Stamp Duty on Loans	(13,717)	(30,932)
	(1,180,636)	(1,080,733)

	31 December 2019 LE,000	31 December 2018 LE,000
13. <u>Other operating (expense) income</u>		
(Charge) Other provisions	(67,648)	(29,047)
Revaluation on foreign currencies assets & Liabilities rather than those held for trading	2,632	158
(loss) / Profit on asset acquired revaluation	175	(137)
Profit on sale of fixed assets	227	2,803
Others	3,065	4,574
	(61,549)	(21,649)
	31 December 2019 LE,000	31 December 2018 LE,000
14. <u>Income tax expense</u>		
Profit before tax	3,035,925	2,789,896
Tax calculated at applied tax rate	(683,083)	(627,727)
Nondeductible expenses	(149,263)	(90,767)
Tax on interest from T-bills and G-bonds - separate tax pool	(116,304)	-
Tax exempted income	231,045	89,244
Prior years adjustment	42,540	39,224
Income tax expense	(675,065)	(590,026)
Effective tax rate	22.2%	21.1%
	31 December 2019 LE,000	31 December 2018 LE,000
15. <u>Earnings per share</u>		
Net profit for the year	2,360,860	2,199,870
Employees share in profit	(224,282)	(208,988)
Profit attributable to shareholders of the bank (1)	2,136,578	1,990,882
Weighted average number of ordinary shares in issue (2)	310,917	310,917
Basic earnings per share (Egyptian pound) (1:2)	6.87	6.40

The following table shows financial assets according to IFRS 9:

Financial assets	Measurement according to CBE instruction dated December 16, 2008		Measurement according to IFRS 9	
	31-Dec 2018		1-Jan 2019	
	EGP,000		EGP,000	
Cash and balances with Central Bank of Egypt	Amortized cost	6,346,290	Amortized cost	6,346,290
Due from banks	Amortized cost	11,077,716	Amortized cost	11,077,716
Treasury bills	Amortized cost	10,056,360	Amortized cost	7,658,598
			FVOCI	2,397,762
Held for trading investments	Held for trading	67,020	FVPL (Mandatory)	67,020
Loans to banks	Amortized cost	61,755	Amortized cost	61,755
Loans and advances to customers	Amortized cost	20,290,990	Amortized cost	20,290,990
Investment securities	Available for sale	3,909,361	FVOCI	3,908,028
			FVPL	1,333
	Held to Maturity	76,634	FVPL	76,634

The following table shows the net amounts of financial assets according to CBE instruction dated December 16, 2008 and IFRS 9:

	IAS 39 carrying amount 31-Dec 2018 EGP,000	Reclassifications EGP,000	IFRS 9 carrying amount 1-Jan 2019 EGP,000
Amortized cost			
Cash and balances with Central Bank of Egypt	6,346,290	-	6,346,290
Due from banks	11,077,716	-	11,077,716
Treasury bills	10,056,360	(2,397,762)	7,658,598
Loans to banks	61,755	-	61,755
Loans and advances to customers	20,290,990	-	20,290,990
Mutual fund Certificates - according to law requirements	76,634	(76,634)	-
Fair value through over comprehensive income (FVOCI)			
Listed debt securities - at fair value	3,874,551	2,397,762	6,272,313
Unlisted debt securities - at fair value	26,838	-	26,838
Unlisted Equity securities – at fair value	7,972	(1,333)	6,639
Fair value through profit or loss (FVTPL)			
Mutual fund Certificates - according to law requirements	-	76,634	76,634
Debt securities held for trading - Government bonds	61,243	-	61,243
Equity securities - Mutual funds certificates	5,777	-	5,777
Unlisted Equity securities – at fair value	-	1,333	1,333

* Re-measurement is related to expected credit loss adjustments, while reclassification includes adjustments to changes in measurement bases.

16. <u>Cash and balances with Central Bank of Egypt</u>	31 December 2019 LE,000	31 December 2018 LE,000
Cash in hand	1,243,106	1,452,216
Balances with the Central Bank of Egypt -reserve ratio	2,984,648	4,894,074
	4,227,754	6,346,290
Non-interest bearing balances	4,227,754	6,346,290
	4,227,754	6,346,290
17. <u>Due from banks</u>	31 December 2019 LE,000	31 December 2018 LE,000
Current accounts	370,205	655,950
Placements with other banks	6,505,336	10,421,766
	6,875,541	11,077,716
Expected credit loss	(4,115)	-
Balance	6,871,426	11,077,716
Central bank of Egypt	2,783,430	3,763,224
Local banks	688,898	2,244,858
Foreign banks	3,403,213	5,069,634
	6,875,541	11,077,716
Expected credit loss	(4,115)	-
	6,871,426	11,077,716
Non-interest bearing balances	370,205	655,950
Fixed interest bearing balances	6,505,336	10,421,766
	6,875,541	11,077,716
Expected credit loss	(4,115)	-
	6,871,426	11,077,716
The movement in expected credit loss - Due from banks	31 December 2019 LE,000	31 December 2018 LE,000
Balance at the beginning of the year	-	-
Impact of adopting IFRS 9	12,443	-
Balance at 1 January 2019	12,443	-
Impairment (charge)	(7,356)	-
Exchange differences	(972)	-
Balance at the year end	4,115	-

18. <u>Treasury bills</u>	31 December 2019 LE,000	31 December 2018 LE,000
Treasury bills, maturity 91 days	586,900	104,125
Treasury bills, maturity 182 days	1,713,225	745,750
Treasury bills, maturity 273 days	1,915,775	1,811,900
Treasury bills, maturity 364 days	3,355,525	5,483,350
Unearned interest	(381,950)	(486,527)
	7,189,475	7,658,598
19. <u>Loans to banks</u>	31 December 2019 LE,000	31 December 2018 LE,000
Other loans	4,019	61,755
Total	4,019	61,755
20. <u>Loans and advances to customers (net)</u>	31 December 2019 LE,000	31 December 2018 LE,000
Individual		
Overdrafts	68,007	77,115
Credit cards	980,925	917,013
Personal Loans	6,455,785	5,829,058
Real Estate Loans	14,023	10,639
Total (1)	7,518,740	6,833,825
Corporate entities		
Overdrafts	12,356,405	10,351,746
Direct Loans	1,139,876	813,471
Syndicated loans	3,120,008	3,192,149
Other Loans	285,086	336,540
Total (2)	16,901,375	14,693,906
Total Loans and advances (1+2)	24,420,115	21,527,731
Less :		
Unearned Income	(1,890)	-
Suspense interest	(61,350)	(51,768)
Allowance for impairment	(1,009,130)	(1,184,973)
Net	23,347,745	20,290,990
Current Balances	14,197,494	11,950,970
Non-Current Balances	10,222,621	9,576,761
	24,420,115	21,527,731

Allowance for impairment
31 December 2019

Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at the beginning of the year	420	33,442	142,568	106	176,536
Impact of adopting IFRS 9	1,038	(5,861)	(44,137)	(100)	(49,060)
Balance at 1 January 2019	1,458	27,581	98,431	6	127,476
Impairment release / (charge)	(476)	5,356	33,525	2	38,407
Loans written off during the year	-	(9,546)	(58,386)	-	(67,932)
Amount recoveries during the year	2	6,162	31,132	-	37,296
Balance at the year end	984	29,553	104,702	8	135,247
Corporate entities	Overdrafts	Direct Loans	Syndicated loans	Other Loans	Total
Balance at the beginning of the year	656,819	314,587	27,616	9,415	1,008,437
Impact of adopting IFRS 9	(7,024)	(44,876)	173,324	13,864	135,288
Balance at 1 January 2019	649,795	269,711	200,940	23,279	1,143,725
Impairment release / (charge)	104,030	(244,800)	(61,057)	(21,043)	(222,870)
Transfers	764	-	-	-	764
Loans written off during the year	(42)	-	-	-	(42)
Amount recoveries during the year	1,530	-	-	-	1,530
Exchange differences	(32,219)	(596)	(15,727)	(682)	(49,224)
Balance at the year end	723,858	24,315	124,156	1,554	873,883
Total					1,009,130

31 December 2018

Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at the beginning of the year	490	34,308	125,650	128	160,576
Impairment charges	(74)	2,980	30,334	(22)	33,218
Loans written off during the year	-	(9,966)	(42,131)	-	(52,097)
Amount recoveries during the year	4	6,120	28,715	-	34,839
Balance at the year end	420	33,442	142,568	106	176,536
Corporate entities	Overdrafts	Direct Loans	Syndicated loans	Other Loans	Total
Balance at the beginning of the year	766,761	176,744	107,183	42,066	1,092,754
Impairment release / (charge)	(85,490)	137,190	(79,963)	(32,807)	(61,070)
Loans written off during the year	(29,937)	-	-	-	(29,937)
Amount recoveries during the year	2,650	-	-	-	2,650
Exchange differences	2,835	653	396	156	4,040
Balance at the year end	656,819	314,587	27,616	9,415	1,008,437
Total					1,184,973

21. Derivatives financial instruments

The Bank uses the following derivative instruments for both hedging and non-hedging purposes.

- Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an active financial market.
- Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.
- Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps.
- The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, and a proportion of the notional amount of the contracts. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.
- Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a pre-determined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Bank and a customer (OTC). The Bank is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.
- The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks.
- The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

Derivatives:			
31 December 2019	Contractual	Assets	Liabilities
LE,000	amount		
Derivatives			
Currency forwards	1,097,696	23,235	37,097
Currency swaps	602,644	24,036	22,664
Currency options	615,892	170	170
	2,316,232	47,441	59,931
Interest rate derivatives			
Interest rate swaps	1,084,063	1,680	3,340
	1,084,063	1,680	3,340
Total derivatives	3,400,295	49,121	63,271
31 December 2018	Contractual	Assets	Liabilities
LE,000	amount		
Derivatives			
Currency forwards	505,310	348	2,307
Currency swaps	20,526	124	231
OTC currency options	8,473	128	128
	534,309	600	2,666
Interest rate derivatives			
Interest rate swaps	2,158,968	2,585	2,585
	2,158,968	2,585	2,585
Total derivatives	2,693,277	3,185	5,251

	31 December	31 December
	2019	2018
	LE,000	LE,000
22. <u>Financial Investments</u>		
Fair value through other comprehensive income		
Listed debt securities - at fair value	6,769,399	6,272,313
Unlisted debt securities - at fair value	-	26,838
Unlisted - Equity instruments	6,639	6,639
Total investment measured at fair value through other comprehensive income	6,776,038	6,305,790
Fair value through other profit or loss		
Unlisted - Equity instruments	-	1,333
Mutual fund Certificates - according to law requirements	145,882	76,634
Governmental Bonds	19,121	61,243
Equity instruments - Mutual fund	-	5,777
Total investment measured at fair value through other profit or loss	165,003	144,987
Total Financial investments	6,941,041	6,450,777
Current Balances	3,909,614	3,674,425
Non-current balances	3,031,427	2,776,352
	6,941,041	6,450,777
Debt instruments with fixed interest rates	6,788,520	6,360,394
Debt instruments with variable interest rates	-	-
	6,788,520	6,360,394

The movement in financial investments during the year may be summarized as follows:

31 December 2019	Fair value through other comprehensive income	Fair value through other profit or loss	Total
Balance at 1 January 2019	6,305,790	144,987	6,450,777
Impact of adopting IFRS 9	56,387	61,252	117,639
Balance at 1 January 2019	6,362,177	206,239	6,568,416
Additions	4,015,741	4,753,949	8,769,690
Disposals	(3,617,865)	(4,805,494)	(8,423,359)
Premium / discount amortization	100,612	-	100,612
Exchange difference on monetary assets	(252,776)	-	(252,776)
Changes in fair value	168,149	(2,758)	165,391
Gain on sale of Equity Instruments	-	13,067	13,067
Balance at 31 December 2019	6,776,038	165,003	6,941,041
31 December 2018	Fair value through other comprehensive income	Fair value through other profit or loss	Total
Balance at 1 January 2018	3,094,990	76,634	3,171,624
Reclassifications for investment:			
Treasury bills	2,460,877	-	2,460,877
Unlisted - Equity instruments	(4,354)	4,354	-
Government Bonds	-	57,211	57,211
Equity instruments - Mutual fund	-	5,807	5,807
Balance at 1 January 2018	5,551,513	144,006	5,695,519
Additions	4,212,587	4,042,968	8,255,555
Disposals	(3,540,992)	(4,025,609)	(7,566,601)
Premium / discount amortization	90,039	-	90,039
Exchange difference on monetary assets	27,165	42	27,207
Changes in fair value	(34,522)	(13,357)	(47,879)
Impairment Losses	-	(3,063)	(3,063)
Balance at 31 December 2018	6,305,790	144,987	6,450,777

23. Investment in subsidiaries

The bank's interest in its subsidiary is as follows:

<u>Company</u>	<u>Country</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Profit/(Loss)</u>
EHFC December 31, 2019	Egypt	321,269	209,426	45,996	7,553
EHFC December 31, 2018	Egypt	258,875	146,250	50,197	9,057

The bank's participation in subsidiary represents 99.99% and the subsidiary is unlisted in the Egyptian stock exchange.

	31 December 2019 LE,000	31 December 2018 LE,000
Balance at cost	143,822	143,822
24. <u>Intangible assets</u>		
Balance at beginning of the year		
Cost	250,591	210,854
Accumulated amortization	(155,874)	(135,773)
Net book value	94,717	75,081
Balance for the current year		
Net Book value at the beginning of the year	94,717	75,081
Additions	60,516	39,737
Amortization expense	(29,731)	(20,101)
Net Book Value at the end of the current year	125,502	94,717
Balance at the end of the current year		
Cost	311,107	250,591
Accumulated amortization	(185,605)	(155,874)
Net book value	125,502	94,717
25. <u>Other assets</u>		
	31 December 2019 LE,000	31 December 2018 LE,000
Accrued revenues	332,387	357,189
Prepaid expenses	243,270	209,434
Advance payments for purchase of fixed assets	73,883	28,373
Assets reverted to the Bank in settlement of debts	67,362	68,328
Deposits with others and imprest fund	26,742	18,308
Other	154,223	137,889
Total	897,867	819,521

26. Fixed Assets

	Land	Buildings	Computer systems	Vehicles	Fixtures	Machinery and equipment	Furniture	Other	Total
Balance as of previous year									
Cost	108,729	375,369	194,618	16,513	208,749	40,235	32,814	65,668	1,042,695
Accumulated Depreciation	-	(101,387)	(147,540)	(11,641)	(170,640)	(22,768)	(15,073)	(30,259)	(499,308)
Net book value as of beginning of previous year	108,729	273,982	47,078	4,872	38,109	17,467	17,741	35,409	543,387
Additions	-	-	59,826	4,819	9,695	3,097	1,492	10,245	89,174
Disposals - Cost	-	-	(14,018)	(1,365)	(1,661)	(1,086)	(1,777)	(3,041)	(22,948)
Depreciation expense	-	(13,010)	(20,945)	(2,344)	(16,400)	(3,450)	(2,800)	(5,856)	(64,805)
Disposals – Accumulated Depreciation	-	-	13,970	1,365	1,661	1,036	1,700	2,903	22,635
Net book value as of Ending of previous year	108,729	260,972	85,911	7,347	31,404	17,064	16,356	39,660	567,443
Balance as of 1 January									
Cost	108,729	375,369	240,426	19,967	216,783	42,246	32,529	72,872	1,108,921
Accumulated Depreciation	-	(114,397)	(154,515)	(12,620)	(185,379)	(25,182)	(16,173)	(33,212)	(541,478)
Net Book value	108,729	260,972	85,911	7,347	31,404	17,064	16,356	39,660	567,443
Additions	-	33,000	37,382	4,178	34,834	5,342	4,462	21,146	140,344
Disposals – Cost	-	-	(60)	(242)	-	(66)	(26)	(4)	(398)
Depreciation expense	-	(13,404)	(30,360)	(2,189)	(18,749)	(3,596)	(2,929)	(6,852)	(78,079)
Disposals – Accumulated Depreciation	-	-	31	242	-	41	25	3	342
Net book value	108,729	280,568	92,904	9,336	47,489	18,785	17,888	53,953	629,652
Balance as of current year									
Cost	108,729	408,369	277,748	23,903	251,617	47,522	36,965	94,014	1,248,867
Accumulated Depreciation	-	(127,801)	(184,844)	(14,567)	(204,128)	(28,737)	(19,077)	(40,061)	(619,215)
Net book value	108,729	280,568	92,904	9,336	47,489	18,785	17,888	53,953	629,652

	31 December 2019 LE,000	31 December 2018 LE,000
27. <u>Due to banks</u>		
Current accounts	186,090	187,588
Deposits	481,245	220,000
	667,335	407,588
Local banks	498,404	234,797
Foreign banks	168,931	172,791
	667,335	407,588
Non-interest bearing	186,090	187,588
Interest bearing	481,245	220,000
	667,335	407,588
Current Balances	667,335	407,588
28. <u>Treasury bills Sold with repurchase agreements</u>		
Treasury bills, maturity 364 days	9,724	3,695
	9,724	3,695
29. <u>Customers' deposits</u>		
Demand deposits	13,183,144	12,402,050
Time and call deposits	10,245,870	12,463,086
Certificates of deposits	9,093,978	8,102,978
Saving accounts	4,284,868	4,612,099
Other deposits	2,828,882	6,354,707
Total	39,636,742	43,934,920
Corporate Deposits	18,782,559	24,088,231
Retail Deposits	20,854,183	19,846,689
	39,636,742	43,934,920
Current Balances	25,908,164	30,039,326
Non-current balances	13,728,578	13,895,594
	39,636,742	43,934,920
Non-interest bearing balances	16,012,026	18,756,757
Interest bearing balances	23,624,716	25,178,163
	39,636,742	43,934,920

30. <u>Other Loans</u>	Interest Rates	31 December 2019 LE,000	31 December 2018 LE,000
Credit Agricole Paris (13/6/2027)	Libor+3.49%	160,415	179,136
Credit Agricole Paris (11/5/2028)	Libor+3.87%	160,415	179,136
Credit Agricole Paris (13/4/2029)	Libor+4.30%	160,415	179,136
		481,245	537,408
		31 December 2019 LE,000	31 December 2018 LE,000
31. <u>Other Liabilities</u>			
Accrued interest		222,282	246,895
Unearned revenue		26,736	25,902
Accrued expenses		412,318	512,336
Other credit balances		1,008,973	927,850
		1,670,309	1,712,983
		31 December 2019 LE,000	31 December 2018 LE,000
32. <u>Other provisions</u>			
At 1 January		262,424	238,376
Impact of adopting IFRS 9		(30,007)	-
Balances		232,417	238,376
Exchange differences		(9,670)	1,483
Charged to the income statement		67,648	29,047
Transfers		(764)	
Utilized during year		(1,562)	(6,482)
		288,069	262,424
Other provisions represent the following:		31 December 2019 LE,000	31 December 2018 LE,000
Provision for claims		61,631	66,508
Provision for contingent liabilities		226,438	195,916
Balance		288,069	262,424

33. Retirement benefit obligations	31 December 2019 LE,000	31 December 2018 LE,000
Medical benefits liability		
Post-employment medical benefits	167,424	144,293
	167,424	144,293

- There is a liability on the Bank towards the Post-Employment Medical Benefits Fund for the payment of medical insurance premiums for the ex-employees of ex-EAB who reach the retirement age or resign from ex-EAB before its merger with Calyon Bank – Egypt in September 2006.
- The Bank is obligated to pay these premiums for providing medical care for the retired employees' spouses and children till death, or reach 21 years of age in respect of children.
- The Bank entrusted an actuary with determining the net present value of all future medical insurance premiums required to be paid by the Bank until the death of retirees & their spouses, and their children until reaching 21 years of age.
- The most important assumptions used by the actuary are as follows:

Interest rate used as a discount basis	14.60%
Inflation Rate of medical care costs	15.00%
- The assumption of death rates were made according to the British Mortality Table no. A49/52.

End of services bonus benefits:

- The Bank entrusted the actuary to determine the net present value of the obligation resulting from retirement benefits that the employee will receive upon retirement.
- The most important assumptions used by the actuary are as follows:

Interest rate used as a discount basis	14.60%
Rates of salary increases	15.00%
- The assumption of death rates were made according to the British Mortality Table no. (A49/52).
- The Bank considers the present value of the obligation is not substantially different from the fair value of the net assets of the Fund, and therefore there is no obligation on the Bank arising from the obligations of specific benefits (severance pay severance) to fund insurance for employees of Credit Agricole Egypt who reached retirement age, or disability or death or resignation.

34. Share capital

The bank authorized share capital with LE 3,500,000,000. The issued and paid up capital is LE 1,243,668,000 divided into 310,917,000 ordinary shares with par value LE 4 each and there is no treasury stock.

The following is a list of the shareholders of the bank:

Shareholder	No. of shares	% of ownership	Amount 000'EGP
Credit Agricole SA	147,329,416	47.39%	589,318
Credit Agricole Corporate and Investment	40,625,052	13.07%	162,500
RolaCo. EGP For Investment owned by Ali Ben Hassan Ben Ali Daykh	21,050,000	6.77%	84,200
Others	101,912,532	32.77%	407,650
Total	310,917,000	100.00%	1,243,668

35. Reserves and retained earning

	31 December 2019 LE,000	31 December 2018 LE,000
A. Reserves		
General Banking Risk Reserve	1,120	1,120
Legal reserve	456,271	346,418
Special reserve	65,214	103,732
Capital reserve	61,841	59,038
Fair value reserve	205,619	(55,934)
IFRS9 Risk Reserve	-	214,098
General Risk Reserve	168,803	-
Total reserves	958,868	668,472

Movements in reserves were as follows:

	31 December 2019 LE,000	31 December 2018 LE,000
a. General Banking Risk Reserve		
Balance at the beginning of the year	1,120	840
Additions	-	280
Balance	1,120	1,120
b. Legal reserve		
Balance at the beginning of the year	346,418	248,735
Transferred from the Net profit	109,853	97,683
Balance	456,271	346,418

According to the Statute of the Bank is statutes a sum equal to 5% of the annual net profit is appropriated to a legal reserve and to be stopped when the legal reserve balance reaches 20% of the capital and in accordance with the instructions of the Central Bank shall act in the special reserve of the Bank only after consulting The Egyptian Central Bank. The Statute was amended in accordance with the extraordinary General Assembly held in 30/3/2017 modified the legal reserve of up to 50% of the issued capital.

	31 December 2019 LE,000	31 December 2018 LE,000
c. Special reserve		
Balance at the beginning of the year	103,732	103,732
Transferred to General Risk Reserve	(38,518)	-
Balance	65,214	103,732
d. Capital Reserve		
Balance at the beginning of the year	59,038	54,798
Transferred from Net profit for the end of year	2,803	4,240
Balance	61,841	59,038
e. Fair value reserve		
Balance at the beginning of the year	(55,934)	(21,412)
Impact of adopting IFRS 9	132,789	-
Balance at the beginning of the year (Restated)	76,855	(21,412)
Other comprehensive income for the year	128,764	(34,522)
Balance	205,619	(55,934)

	31 December 2019 LE,000	31 December 2018 LE,000
f. IFRS9 Risk Reserve		
Balance at the beginning of the year	214,098	214,098
Transferred to General Risk Reserve	(214,098)	-
Balance	-	214,098
g. General Risk Reserve		
Balance at the beginning of the year	-	-
Transferred from Special reserve ORR	38,518	-
Transferred from IFRS9 Risk Reserve	214,098	-
Balance after transfers	252,616	-
Impact of adopting IFRS 9 – (Expected Credit Loss)	(145,065)	-
Impact of adopting IFRS 9 – (Fair Value)	61,252	-
Balance at the beginning of the year (Restated)	168,803	-
Movement during the year	-	-
Balance	168,803	-
B. Retained earnings		
Balance at the beginning of the year	4,286,017	3,759,921
Dividend	(1,527,009)	(1,357,753)
Transferred to Legal reserve	(109,853)	(97,683)
Transferred to Capital Reserve	(2,803)	(4,240)
Transferred to IFRS9 Risk Reserve	-	(214,098)
Profit of the year	2,360,860	2,199,870
Balance	5,007,212	4,286,017
36. <u>Contingent liabilities and commitments</u>		
A. Loans, advances and Guarantees Commitments		
Letters of guarantee	8,320,446	7,713,334
Commercial letters of credit (import and export)	1,107,724	506,640
Acceptances	959,339	642,972
Other contingent liability	2,171,640	2,297,699
Total	12,559,149	11,160,645

B. Operational Lease:

There is no commitment for operational lease at the financial statement date.

C. Legal Claims

There were a number of legal proceedings outstanding against the bank with provision amounted 4,819 thousand Egyptian pounds.

D. Capital Commitments

The bank had capital commitments of 36,253 thousand Egyptian pounds in respect of fixed assets purchases and branches fixtures and have not been implemented yet till the balance sheet date.

37. Cash and cash equivalents

For the purposes of the cash flow statement presentation, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

	31 December 2019 LE,000	31 December 2018 LE,000
Cash and balances with central banks	1,243,106	1,452,216
Due from banks	5,596,440	9,499,492
Treasury bills	575,722	100,260
	7,415,268	11,051,968

38. Mutual funds

Credit Agricole Bank mutual fund no. (1)

The fund is one of the banking activities licensed by the capital law no. 95 for 1992 and its executive rules. The number of investment certificates in the fund have reached 3,000,000 certificates and their value 300,000,000 EGP. The bank owned 150 000 investment certificates (par value 15,000,000 EGP) Credit Agricole 1st fund managed by EFG Hermes, the redeemable price per IC amounted to LE 409.93 at balance sheet date and the total value is 61,489,500 EGP.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 591,636 EGP as of **31 December 2019** that was classified as fees and commission in the income statement.

Credit Agricole Bank mutual fund no. (2)

The mutual fund owns about 3,000,000 certificates (amounted 300,000,000 EGP) of which The bank owns 150,000 certificates (par value 15,000,000) for managing the mutual fund activity, their redemption value at the balance sheet date is 28,014,000 EGP with a redeemable price of 186.76 EGP per IC.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 366,559 EGP as of **31 December 2019** that was classified as fees and commission income in the income statement.

Credit Agricole Bank mutual fund no. (3)

The mutual fund owns about 4,000,000 certificates (amounted 4,000,000,000 EGP) of which The bank owns 39,000 Certificates (par value 39,000,000EGP) for managing the mutual fund activity, their redemption value at the balance sheet date is 44,532,930 EGP and a redeemable price of 1,141.87 EGP per IC.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 2,684,820 EGP as of **31 December 2019** that was classified as fees and commission income in the income statement.

Credit Agricole Bank mutual fund no. (4)

The mutual fund owns about 1,000,000 certificates (amounted 100,000,000 EGP) of which The bank owns 50,000 certificates (par value 5,000,000) for managing the mutual fund activity, their redemption value at the balance sheet date is 11,846,000 EGP with a redeemable price of 236.92 EGP per IC.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 152,517 EGP as of **31 December 2019** that was classified as fees and commission income in the income statement.

39. Related party transactions

The Bank's parent company is Credit Agricole (France) which holds 47.39% of the common stock and the remaining portion of 52.61% is held by other shareholders presented in the capital disclosure.

The Bank had transactions with its related parties on an arm's length basis. The nature of such transactions and related balances as presented at the balance sheet date are as follows:

A) Loans and advances to related parties

	Subsidiary	
	31 December 2019 LE,000	31 December 2018 LE,000
Loans outstanding at 1 January	70,005	116,647
Loans issued (repayment)	35,069	(46,642)
Loans outstanding	105,074	70,005
Interest income earned	9,880	16,879

B) Deposits from related parties

	Subsidiary	
	31 December 2019 LE,000	31 December 2018 LE,000
Deposits at 1 January	2,260	3,265
Deposits received (repaid)	(429)	(1,005)
Deposits	1,831	2,260
Interest expense on deposits	8	5

C) Other transactions with related parties

	Credit Agricole Group	
	31 December	31 December
	2019	2018
	LE,000	LE,000
Due from banks	17,389	36,158
Financial Investments - FVOCI	-	26,838
Due to banks	9,314	33,897
General and Administrative expenses	16,210	16,306
Other Loans	481,245	537,408

	Subsidiaries and associates	
	31 December	31 December
	2019	2018
	LE,000	LE,000
Investment in subsidiary	143,822	143,822
Dividends	7,124	6,174

40. Short term wages and benefits

The monthly average of net total annual income of the banks' twenty employees with the largest wages and salaries collectively during the year amounted to 5,157 thousand EGP compared to 5,219 thousand for the previous year

41. Deferred tax (Liabilities) / Assets not recognized

	31 December	31 December
	2019	2018
	LE,000	LE,000
Other Provision	112,457	76,633
	112,457	76,633

No recognition of deferred tax assets related to items previously mentioned, due to the unavailability of reasonably sure to take advantage of the possibility or appropriate degree to make sure that there is a sufficient future taxable profits from which to take advantage of these assets.

42. Tax position

1- Corporate Income Tax

Period from Start-up date to 31 Dec. 2015

Tax examination was done together with internal committees & tax challenge committees, and due tax was paid.

Year 2016

Tax examination was done together with internal committees and due tax was paid.

Year 2017

Tax examination was done together with internal committees and due tax was paid.

Year 2018

2- Tax examination was done, the dispute ended and due tax was paid

3- Salaries Tax

Period from Start-up date to 31 Dec. 2016

Tax examination was done; due tax was paid.

Year 2017 / 2018

Under Tax examination.

4- Stamp Duty

Stamp Duty under Law no. 143/2006

Tax examination was done together with internal committees and due tax was paid until 2015.

2016 & 2017

Tax Examination was done, object to the claim and Internal committees ended and due tax was paid.

2018

Tax Examination was done, internal committees ended and due tax was paid

43. Translation

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

The original Arabic statements are the official financial statements.
