IFRS Consolidated Financial Statements

December 2019

Building a better working world

Allied for Accounting & Auditing
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Independent auditor's report

To the Shareholders of Commercial International Bank (Egypt) S.A.E and its subsidiaries

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of Commercial International Bank S.A.E (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Egypt, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How the key audit matter was addressed in the audit
Impairment of loans and advances: As at December 31, 2019, the Bank's gross loans and advances to customers amounted to EGP 131,244 million (2018: EGP 119,432 million), against which an impairment charge for loans and advances of EGP 1,611 million (2018: EGP 2,293 million) maintained. We considered this as a key audit matter as the determination of ECL involves significant management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include: 1. Categorization of loans in Stage 1, 2 and 3 based on identification of: • exposures with significant deterioration in credit quality since their origination; and • individually impaired / default exposures. 2.Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors etc. 3.The need to apply additional overlays to reflect current or future external factors that might not be captured by the expected credit loss model. Refer to the significant accounting policies notes 2.3 to the consolidated financial statements for the adoption of IFRS 9 – Financial Instruments and significant accounting policy relating to impairment of financial assets, note 2.3 (9) which contains the disclosure of critical accounting judgement, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group, note 9 which contains the disclosure of impairment against loans and advances to	• We obtained an understanding of management's assessment of impairment of loans and advances including the IFRS 9 implementation process, Group's internal rating model, and Group's impairment allowance policy and ECL modelling methodology. • We compared the Group's impairment allowance policy and ECL methodology with the requirements of IFRS 9. • We assessed the design and implementation, and tested the operating effectiveness of controls over: • the modelling process including governance over monitoring of the model, its ongoing validation and approval of key assumptions; • the classification of borrowers in various stages and timely identification of significant increase in credit risk ("SICR") since initial recognition; and • integrity of data inputs into the ECL model. • We checked the completeness and accuracy of data underlying the ECL calculation as of December 31, 2019. We assessed the underlying assumptions used by the Group in ECL calculations: • checked the appropriateness of the Group's criteria for determination of SICR and identification of "default" or "individually impaired" exposures and their classification into stages. For a sample of exposures, we checked the appropriateness of the Group's staging;

customers and note 33.1.3 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.	• checked the appropriateness of management's computations for a sample of customers, across all the three stages of ECL assessment; and • where management's overlays were used, assessed their appropriateness and governance process around such overlays. • We involved our internal specialists to review model calculations and data integrity. • We assessed the adequacy of disclosures included by management in the consolidated financial statements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

The Group has prepared separate set of consolidated financial statements for the year ended 31 December 2019 issued on 3 February 2020 in accordance with the rules of preparation and presentation of the Bank's consolidated financial statements issued by the Central Bank of Egypt on 16 December 2008 and with the requirements of applicable Egyptian laws and regulations issued on 26 February 2019

The partner in charge of the audit resulting in this independent auditor's report is Ehab Morad Azer

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

Allied for Accounting and Auditing

26 April 2020

Cairo

Consolidated statement of profit or loss for the year ended December 31, 2019

	Notes	Dec. 31, 2019 EGP Thousands	Dec. 31, 2018 EGP Thousands
Interest and similar income		42,600,957	37,403,709
Interest and similar expense		(21,054,078)	(19,260,190)
Net interest income	3	21,546,879	18,143,519
Fee and commission income		3,451,688	3,402,616
Fee and commission expense		(1,170,893)	(991,957)
Net fee and commission income	4	2,280,795	2,410,659
Dividend income	5	53,423	25,958
Net trading income	6	688,059	1,041,810
Profits (Losses) on financial investments	20	450,697	402,068
Administrative expenses	7	(6,468,560)	(5,322,654)
Other operating expenses	8	(1,698,547)	(1,589,675)
Impairment charge for credit losses	9	(1,435,460)	(2,487,066)
Intangible Assets Impairment	38	(651,041)	-
Bank's share in the profits of associates	12	1,135	27,419
Profit before income tax from continuing operations		14,767,380	12,652,038
Current income tax expense		(4,639,364)	(3,625,579)
Deferred income tax	10.2	(94,522)	36,008
Net profit from continuing operations		10,033,494	9,062,467
Net profit for the year		10,033,494	9,062,467
Attributable to:			
Equity holders of the parent		10,033,494	9,062,467
Non-controlling interest		-	-
Net Profit for the year		10,033,494	9,062,467
Earning per share	11		
Basic attributable to equity holders of the parent		7.04	7.79
Diluted attributable to equity holders of the parent		6.99	7.73

The accompying notes from 1 to 41 form an integral part of these consolidated financial statements.

Hisham Ezz Al-Arab
Chairman and Managing Director

Consolidated statement of other comprehensive income for the year ended December 31, 2019

	Notes	Dec. 31, 2019 EGP Thousands	Dec. 31, 2018 EGP Thousands
Profit for the year		**10,033,494**	9,062,467
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net (Loss)/gain on FVOCI		**5,975,133**	(1,928,674)
Total other comprehensive income for the year		**16,008,627**	7,133,793
Attributable to:			
Equity holders of the parent		**16,008,627**	7,133,793
Non-controlling interest		**-**	-

The accompying notes from 1 to 41 form an integral part of these consolidated financial statements.

Consolidated statement of financial position as at December 31, 2019

	Notes	Dec. 31, 2019 EGP Thousands	Dec. 31, 2018 EGP Thousands
Assets			
Cash and balances with central bank	13	28,273,962	20,058,974
Due from banks	14	28,353,366	46,511,579
Loans and advances to banks, net	15	625,264	68,385
Loans and advances to customers, net	16	119,321,103	107,828,597
Financial Assets at Fair value through P&L	19	418,781	10,303,319
Derivative financial instruments	17	216,383	52,289
Financial Assets at Fair value through OCI	19	89,897,257	73,266,653
Financial Assets at Amortized cost	19	107,225,613	73,598,251
Right of use	23	339,501	-
Investments in associates	21	107,693	106,558
Other assets	22	9,748,143	9,570,533
Intangible assets	38	-	651,041
Deferred tax assets	10.2	350,339	308,370
Property and equipment	23	2,204,464	1,653,102
Total assets		387,081,869	343,977,651
Liabilities and equity			
Liabilities			
Due to banks	24	11,810,607	7,259,819
Due to customers	25	304,448,455	285,296,869
Lease Liability		337,531	-
Derivative financial instruments	17	282,588	132,858
Other liabilities	27	9,753,940	7,600,248
Current Tax Liability		4,639,364	3,625,579
Other loans	26	3,272,746	3,721,529
Provisions	28	2,011,369	1,694,607
Total liabilities		336,556,600	309,331,509
Equity			
Issued and paid in capital	29	14,690,821	11,668,326
Reserves		23,180,850	12,635,473
Reserve for employee stock ownership plan (ESOP)	31	963,152	897,680
Retained earnings		11,690,446	9,444,663
Total equity attributable to equity holders of the parent		50,525,269	34,646,142
Non-controlling interest		-	-
Total equity		50,525,269	34,646,142
Total liabilities , equity and non-controlling interest		387,081,869	343,977,651

The accompying notes from 1 to 41 form an integral part of these consolidated financial statements.

Hisham Ezz Al-Arab
Chairman and Managing Director

Consolidated statement of changes in shareholders' equity

Dec. 31, 2018	Issued and paid in capital	Reserve for employee stock ownership plan (ESOP)	Retained earnings	Reserves	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the parents						
Beginning balance	11,618,011	489,334	6,876,988	8,867,806	27,852,139	-	27,852,139
Profit for the period	-	-	9,062,467	-	9,062,467	-	9,062,467
Other comprehensive income :	-	-	-	-	-	-	-
IFRS 9 impact	-	-	455,274	156,187	611,461	-	611,461
Cumulative foreign currencies translation differences	-	-	-	-	-	-	-
Total comprehensive income	-	-	9,517,741	156,187	9,673,928	-	9,673,928
Capital increase	50,315	-	-	-	50,315	-	50,315
Reserve for employee stock ownership plan (ESOP)	-	408,346	-	-	408,346	-	408,346
Dividend	-	-	(2,143,177)	-	(2,143,177)	-	(2,143,177)
Transferred to reserves	-	-	(2,927,869)	2,854,791	(73,078)	-	(73,078)
Distribution of profits	-	-	(1,879,020)	-	(1,879,020)	-	(1,879,020)
Changes to Equity	-	-	-	756,689	756,689	-	756,689
Balance at 31 December 2018	**11,668,326**	**897,680**	**9,444,663**	**12,635,473**	**34,646,142**	**-**	**34,646,142**
Beginning balance at 1 Jan 2019	**11,668,326**	**897,680**	**9,444,663**	**12,635,473**	**34,646,142**	**-**	**34,646,142**
Profit for the period	**-**	**-**	**10,033,494**	**-**	**10,033,494**	**-**	**10,033,494**
Total comprehensive income	**-**	**-**	**10,033,494**	**-**	**10,033,494**	**-**	**10,033,494**
Capital increase	**3,022,495**	**-**		**-**	**3,022,495**	**-**	**3,022,495**
Reserve for employee stock ownership plan (ESOP)	**-**	**464,539**	**-**	**-**	**464,539**	**-**	**464,539**
Dividend	**-**	**-**	**(2,700,544)**	**-**	**(2,700,544)**	**-**	**(2,700,544)**
Transferred to reserves	**-**	**(399,067)**	**(5,087,167)**	**10,545,377**	**5,059,143**	**-**	**5,059,143**
Balance at 31 December 2019	**14,690,821**	**963,152**	**11,690,446**	**23,180,850**	**50,525,269**	**-**	**50,525,269**

Consolidated cash flow statement for the year ended December 31, 2019

	Notes	Dec. 31, 2019 EGP Thousands	Dec. 31, 2018 EGP Thousands
Cash flow from operating activities			
Profit before income tax from continued operations		**14,767,380**	12,652,038
Adjustments to reconcile net profit to net cash provided by operating activities			
Fixed assets depreciation		**587,662**	390,830
Impairment charge for credit losses (Loans and advances to customers)		**1,610,878**	3,076,023
Other provisions charges		**461,869**	101,501
Impairment charge for other assets		**(93,313)**	316,763
Impairment charge for credit losses (due from banks)		**9,503**	-
Exchange revaluation differences for financial assets at fair value through OCI		**1,593,030**	(102,991)
Impairment charge for credit losses (financial investments)		**(184,921)**	39,561
Utilization of other provisions		**(28,135)**	(2,114)
Other provisions no longer used		**(6,910)**	(17,670)
Impairment of intangible assets		**651,041**	-
Exchange differences of other provisions		**(110,062)**	(2,269)
Profits from selling property, plant and equipment		**(1,439)**	(1,045)
(Profits) losses from selling financial investments		**(497,894)**	(441,628)
Shares based payments		**464,539**	408,346
Bank's share in the profits of associates		**(1,135)**	(27,419)
Operating profits before changes in operating assets and liabilities		**19,222,093**	16,389,926
Net decrease (increase) in assets and liabilities			
Due from banks		**(8,870,547)**	(13,661,577)
Treasury bills and other governmental notes		**-**	4,640,524
Financial assets at fair value through P&L		**2,318,924**	4,557,492
Derivative financial instruments		**(2,910)**	(66,141)
Loans and advances to banks and customers		**(14,533,328)**	(21,255,952)
Other assets		**163,933**	(2,263,465)
Due to banks		**4,550,788**	5,381,901
Due to customers		**19,151,586**	34,573,817
Income tax obligations paid		**(3,625,579)**	(2,778,973)
Other liabilities		**1,895,241**	1,025,022
Net cash provided from operating activities		**20,270,201**	26,542,574
Cash flow from investing activities			
Payment for purchases of associates		**-**	(10,575)
Payment for purchases of property, plant, equipment and branches constructions		**(1,303,181)**	(874,708)
Proceeds from selling property, plant and equipment		**1,439**	1,045
Proceeds from redemption of financial assets at amortized cost		**43,937,957**	-
Payment for purchases of financial assets at amortized cost		**(76,516,842)**	(33,995,313)
Payment for purchases of financial assets at fair value through OCI		**(50,954,311)**	(12,670,761)
Proceeds from selling financial assets at fair value through OCI		**54,855,966**	2,314,616
Proceeds from selling non current assets held for sale		**-**	2,059,341
Net cash used in investing activities		**(29,978,972)**	(43,176,355)

Consolidated cash flow statement for the year ended December 31, 2019 (Cont.)

		Dec. 31, 2019 EGP Thousands	Dec. 31, 2018 EGP Thousands
Cash flow from financing activities			
Increase (decrease) in long term loans		(448,783)	46,793
Dividend paid		(2,700,544)	(2,143,177)
Capital increase		105,413	50,315
Net cash used in financing activities		(3,043,914)	(2,046,069)
Net increase (decrease) in cash and cash equivalent during the year		(12,752,685)	(18,679,850)
Beginning balance of cash and cash equivalent		21,115,654	39,795,504
Cash and cash equivalent at the end of the year		8,362,969	21,115,654
Cash and cash equivalent comprise:			
Cash and balances with central bank	13	28,273,962	20,058,974
Due from banks	14	28,370,183	46,511,579
Treasury bills and other governmental notes	19	27,634,062	41,999,252
Obligatory reserve balance with CBE	13	(22,397,310)	(13,526,763)
Due from banks with maturities more than three months		(25,125,951)	(23,914,064)
Treasury bills with maturity more than three months		(28,391,977)	(50,013,324)
Obligatory reserve balance with CBE		8,362,969	21,115,654

Notes to the consolidated financial statements for the year ended December 31, 2019

1. Corporate information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate and investment banking services in various parts of Egypt through 180 branches, and 27 units employing 6900 employees on the statement of financial position date.

Commercial international Bank (Egypt) S.A.E. was formed as a commercial bank under the investment law no. 43 of 1974. The address of its registered head office is as follows: Nile tower, 21/23 Charles de Gaulle Street-Giza. The Bank is listed in the Egyptian stock exchange.

The bank owns investments in a subsidiary “C-Ventures”, in which the bank’s share is 99.99%.

CIB has GDRs in London Stock Exchange.

2. Accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis , except for financial investment at FVOCI, derivative financial instruments , financial assets and liabilities classified as trading or held at fair value through profit or loss, all of which have been measured at fair value. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in Egyptian pound (EGP).

Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the bank and its subsidiaries as at 31 December 2019. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The bank has the majority of the voting or similar rights of an investee, the bank considers all
Relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- the bank's voting rights and potential voting rights

Consolidation of a subsidiary begins when the bank obtains control over the subsidiary and ceases when the bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the bank gains control until the date the bank ceases to control the subsidiary.
Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of The parent of the bank and to the non-controlling interests, even if this results in the non-controlling interests Having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to Bring their accounting policies into line with the bank's accounting policies. All intra-bank assets and Liabilities, equity, income, expenses and cash flows relating to transactions between members of the bank are Eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an Equity transaction. If the bank loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interests
- derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the bank had directly disposed of the related assets or liabilities.

Loss of Control

When the bank loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Investment in Associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those polices.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit/ (loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the bank and its associate are recognized in the bank's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

2.2. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2019 is set out below in relation to the impairment of financial instruments and in the following notes:

•• Note 35 – determination of fair value of financial instruments with significant unobservable inputs;

••Note 10.2 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used; and

•• Notes 30 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

•• Note 31 -Share-based payments.

•• Note 34 -Segment analysis.

Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

Therefore, the financial statements continue to be prepared on the going concern basis.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

* In the principal market for the asset or liability

Or

* In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 34.4.

The bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The bank's valuation committee determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial investment at FVOCI, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, such as properties and financial investment at FVOCI, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. valuers are normally rotated every three years. The valuation committee decides, after discussions with the Bank's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, "the direct investment exposure unit '' operating under "investment committee '' analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the bank's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The valuation committee, in conjunction with the bank's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy Note 34.4.

Impairment of loans and advances

The Bank reviews its individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups). The impairment loss on loans and advances is disclosed in more detail in Note 16.

In the case of equity investments classified as financial investment at FVOCI, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as financial investment at FVOCI, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies .Tax losses can be used indefinitely.

2.3. Summary of significant accounting policies

(1) Foreign currency translation

The consolidated financial statements are denominated and presented in Egyptian pound, which is also the functional currency of the Bank. Transactions in foreign currencies are translated into Egyptian pound at exchange rates prevailing at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the year are translated into Egyptian pound at the exchange rates prevailing at the reporting date.
Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non–monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

Realized and unrealized gains or losses on exchange are credited or charged to the consolidated statement of profit and loss in net trading income.

(2) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Derivatives recorded at fair value through profit or loss

The Bank uses derivatives such as interest rate swaps and futures, forward foreign exchange contracts and options on interest rates and foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in Net trading income.

(iv) Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognized in Net trading income. Interest and dividend income or expense is recorded in Net trading income according to the terms of the contract, or when the right to the payment has been established. Included in this classification are debt securities.

(3) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:

- The Bank has transferred substantially all the risks and rewards of the asset

  Or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

(ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a DE recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

(4) Sale and repurchase agreements

Securities sold with a commitment to repurchase at a specified future date (repos), continue to be recognized in the statement of consolidated financial position and are measured in accordance with related accounting policies for trading, FVIS, available for sale and other investments at amortized cost. The counterparty liability for amounts received under these agreements is included in due to banks and other financial institutions or customer deposits, as appropriate. The difference between the sale and the repurchase price is treated as special interest expense and is recognized over the life of the repo agreement on an effective yield basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognized in the statement of consolidated financial position, as the bank does not obtain control over the assets. Amounts paid under these agreements are included in cash and balances with Central Banks, due from banks and other financial institutions or loans and advances, as appropriate. The difference between the purchase and the resale price is treated as special commission income and is recognized over the life of the reverse repo agreement on an effective yield basis.

(5) Impairment of financial assets

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

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(6)Impairment of non–financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Impairment losses relating to goodwill are not reversed in future periods.

(7) Hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the income statement in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

Fair value hedges

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognized in the income statement in Net trading income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognized in the income statement in Net trading income. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the recalculated EIR method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the income statement.

(8) Offsetting Financial Assets and Financial Liabilities:

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the bank has legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the trading activities.

IFRS 7 and its amendments have no impact on the consolidated financial statements.

(9) IFRS 9 Implementation

Classification of financial assets and liabilities:

IFRS 9 Financial Instruments (Policy applicable from 1 January 2018)

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that will replace IAS 39 for annual periods on or after 1 January 2018, with early adoption permitted. In 2017 the Bank set up a multidisciplinary implementation team ('the Team') with members from its Risk, Finance and Operations teams to prepare for IFRS 9 implementation ('the Project'). The Project is sponsored by the Chief Risk and Financial officers, who regularly report to the Bank's Supervisory Board and is managed within the Bank's transformation framework. The Project has clear individual work streams within two sub-teams for classification and measurement and impairment. The sub-teams have individual budgets with five key phases: Preliminary Analysis, Data Collection & Validation, Methodology Setting, Impact Assessment and IFRS 9 Implementation.

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial ~assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

(a) Classification and measurement

From a classification and measurement perspective, the new standard is require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Defining a business model

Business Model is the overarching principle that determines the management philosophy and style on how the Bank manages its group of financial assets to achieve a particular objective. A business model document shall set the broader objectives of the Bank and serve as the guiding principle in developing portfolios of debt instruments.

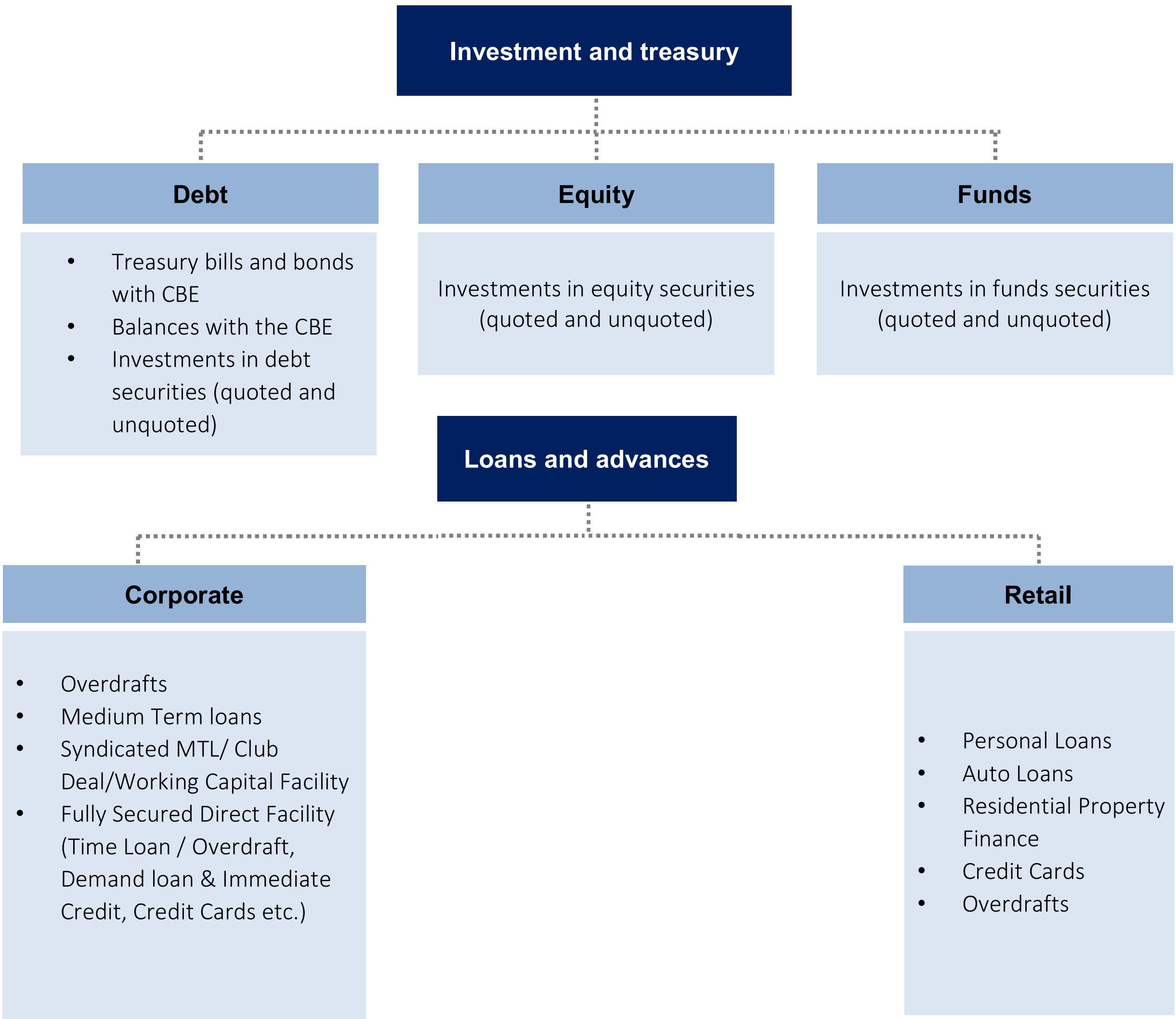
The Bank applies the following approved business models in the management of its debt instrument to achieve its goals and objectives.

Business models	Primary objective
Hold to Collect	Hold to collect contractual cash flows
Hold to Collect and Sell	Hold to collect and sell financial assets
Others	Hold for trading and/or manage on a fair value basis

Level of portfolio aggregation

The management shall define the level of portfolio aggregation at which the business model applies to aid in the management, monitoring, and operation of the model. The aggregation reflects the objective of the portfolio rather than the intent of each instrument.

The following diagram depicts the bank business segment and the financial asset portfolio being managed by each segment:



Management and monitoring of business models

The business groups, in consultation with Finance, shall:

- Perform business model reassessment regularly to ensure that the portfolios are managed consistent with the business model; and
- Monitor and document deviations from the business model

If deviations to business model were noted, the business group shall document the nature, justification and impact of deviation. IFRS 9 committee shall be notified with the deviation report and assess the need for business model reclassification.

Contractual cash flow characteristics

IFRS 9 Financial Instruments requires that the Bank should assess the contractual cash flow characteristics of its financial assets, which are debt instruments held within the following business model:

- Hold to Collect
- Hold to Collect and Sell

To do so, the Bank has to determine whether the asset's contractual cash flows are consistent with the basic lending arrangement by performing a Contractual Cash Flow Characteristics of Financial Assets or more commonly known as Solely Payment of Principal and Interest (SPPI) testing.

In a basic lending arrangement, the contractual cash flows of debt investments and credit products are composed of principal value, and interest payment (i.e., rate of return). These two components are discussed further below:

Principal value

Principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset when there are principal repayments.

Rate of return

Rate of return consists of consideration for the time value of money, credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin. The Bank derived the rate of return considering its cost of fund, provision for expected and unexpected losses, administrative costs, and reasonable return of investment.

Levels of SPPI assessment

Generally, SPPI test is performed at an instrument level. Details of the assessment vary between debt securities and loan products as discussed further below:

Loan Facilities

Standard loan contracts

Standard loan contracts are based on master agreements where contracts for facilities include pre-defined contractual agreements. Lending terms may vary from obligor to obligor depending on the lending risk (e.g. interest rate, frequency, tenor, etc.)

Facilities under a standard loan contract is expected to have consistent cash flow features and characteristics. Therefore, assessment is performed on the master agreement to determine whether IFRS 9 criteria on cash flow characteristics are met. Rest of individual contracts within the product portfolio is presumed to be covered by the SPPI testing of single master agreement.

Bank has controls in place to consistently comply with the Bank's credit documentation requirements. Any deviation shall be reviewed and cleared by the Bank's legal unit.

New credit product – standard loan contracts

Proposal for new credit products shall include full details of the offering such as credit criteria, pricing, legal terms and expected risk adjusted returns. In consultation with Finance, proposing business unit shall perform SPPI test on new credit product as per the requirement of IFRS 9. Clearance on SPPI testing is needed to be able to classify new credit products in accordance with IFRS 9 classification and measurement. Results of the SPPI testing will be communicated to Finance department prior to launch to ensure that the transactions under this product are properly accounted in the books.

Non-standard loan contracts

Non-standard loan contracts are not based on master agreement where credit terms vary from one obligor to another. The contractual cash flow characteristics are expected to be different from each other, thus, SPPI testing is performed at instrument level.

The business unit managing a non-standard loan contracts shall perform the SPPI testing, in consultation with Finance. Results of the SPPI testing will be forwarded to Finance for the assessment of accounting treatment in the books.

Restructuring and modification of financial assets

Some loan facilities are subject to restructuring or modification of credit terms. In such cases, modified or restructured terms of a credit facility shall be assessed for contractual cash flow characteristics and features.

The business unit managing the restructured or modified products shall perform the SPPI test with consultation with Finance department, as needed. Results of the SPPI testing will be forwarded to Finance for the assessment of accounting impact in the financial statements.

Bonds and other debt instruments

As part of the Bank's activity to maximize return on its assets, Investment and Treasury department will endeavour to find profitable investments within the acceptable risk limit.

The investment proposal should include the result of SPPI testing along with the business model objective for which the Bank would intend to manage the investment in following cases:

- Prior to approval to purchase
- Upon restructuring
- Modification of an investment

The business unit managing the investment shall perform the SPPI testing. Results shall be forwarded to Finance department for the assessment of accounting impact in the financial statements.

Equity instruments and derivatives

Equity instruments are generally measured at FVTPL as per IFRS 9. However, Bank may acquire equity instrument, which is not held for trading. IFRS 9, upon initial recognition, provides an irrevocable election to designate equity securities (instrument level) to present subsequent changes in fair value in other comprehensive income (OCI). Amounts presented in OCI are not subsequently transferred to profit and loss even on derecognition, although the cumulative amounts may be transferred within equity, as appropriate. Dividend on equity instruments is recognized in profit and loss, unless it represents recovery of the cost of investment consequently, there is no requirement to review equity instruments for impairment.

Derivative instruments that are not designated into hedging relationships are assumed to be held for trading under IFRS 9, thus measured at FVTPL.

Reclassification of financial assets

Under IFRS 9, financial assets are not reclassified subsequent to their initial recognition, except in certain rare circumstances when the Bank changes its business model for managing financial assets, it should reclassify all affected financial assets within the portfolio in accordance with the new business model. However, it is expected to be infrequent as it occurs if the Bank begins or ceases activity of a significant operation and it is demonstrable to external parties.

The following are not considered changes in the business model:

- A change in intention related to particular financial assets
- A temporary disappearance of a particular market for financial assets
- A transfer of financial assets between parts of the entity with different business models

The Bank does not allow, in all cases, reclassification in equity instruments after the initial recognition.

The IFRS 9 committee shall review and asses the IFRS 9 guidance for changes in business models and has to secure approval of the Board of Directors.

The reclassification should be applied prospectively from the reclassification date, which is defined as, 'the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets'. Any previously recognised gains, losses or interest should not be restated.

Classification of financial liabilities

The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. Financial liabilities are to be subsequently measured at:

- Amortised cost, measured using the effective interest method; OR
- Fair value through profit or loss (FVTPL)

there is no change in classification of financial liabilities for the Bank on adoption of IFRS 9.

The principal changes in the Group's accounting policies are as follows:

Impairment of financial assets:

• The Bank applies a three-stage approach to measure expected credit losses in respect of financial assets carried at amortized cost and debt instruments classified at fair value through other comprehensive income. Assets are transferred through the following three stages on the basis of changes in the quality of credit ratings since the initial recognition of these assets:

Stage 1: 12 months Expected Credit Loss (ECL)

For exposures where there has been no significant increase in credit risk since initial recognition, the portion of expected long-term credit losses associated with the probability of default over the next 12 months is recognized.

Stage 2: Life Time Expected Credit Loss (ECL) – Non-impaired credit exposures where there has been a significant increase in credit risk since initial recognition, but not credit default, expected credit losses are recognized over the life of the asset.

Stage 3: Expected Credit Losses Financial assets are credit risk when one or more events have occurred that have a detrimental effect on the estimated future cash flows of those financial assets. Due to the use of the same standards in IAS 39, the Bank's methodology for specific provisions remains unchanged.

(b) Impairment

The Bank has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

• To calculate ECL, the Bank estimates the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and

• The cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

In comparison to IAS 39, the Bank expects the impairment charge under IFRS 9 and to result in an increase in the total level of current impairment allowances. The Bank groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below|:

• Stage 1 – Performing loans: when loans are first recognised, the Bank recognises an allowance based on 12-month expected credit losses.

• Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss.

• Stage 3 – Impaired loans: the Bank recognises the lifetime expected credit losses for these loans. In addition, in Stage 3 the Bank accrues interest income on the amortised cost of the loan net of allowances.

The Bank will record impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statement of financial position, which will remain at fair value.

Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost will be recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

Loans in Stage 3, where the Bank calculated the IAS 39 impairment on an individual basis will continue to be calculated on the same basis.

Having completed its initial assessment, the Bank has concluded that the impairment amount for IFRS 9 will be EGP 10.6 billion changed from current impairment by EGP 3.3 billion to be released to retained earnings.

Additional details related to ECL calculation Under IFRS 9:

- **Default Definition for CIB**

Days Past Due: Exposures that have one or more instalment past due for more than 90 days both for Consumer and Business Banking assets. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Bank.

Rating: Customers rated 8 to 10 (applicable to both corporate and business banking as a whole)

Event driven defaults: this will be based on the customer specific factors such as breach of covenants which are deemed material, declaration of bankruptcy by the customer, death of borrower and other customer specific factors. This will be applied on a case-by-case basis, subject to IFRS 9 Committee approval.

Regulatory default: If in future, the local regulator prescribes the criteria of default for IFRS 9 purposes, the Bank will chose the criteria which is stricter of the criteria under this policy or regulatory purpose for defining default.

The definition should be applied to all financial instruments under the scope of IFRS 9 impairment with the exception of ‘Rating’ criteria which is only applicable for corporate and business banking facilities as the Bank does not currently maintain any rating or credit scoring for Consumer facilities.

- **Modification of assets**

For the purpose of implementation of IFRS 9, this section outlines the accounting approach to be taken by the Bank for modification of assets under IFRS 9.

- IFRS 9 introduces the concept of Modification, which is intrinsically linked with the existing (and unchanged) concept of de-recognition under IAS 39.
- Modification occurs when the contractual cash flows of a financial asset are renegotiated or otherwise modified.

  Consumer Banking

  Stage 1 – Restructure: (within the policy) based on customer request (no credit reasons present)

  Stage 2 – Restructure: In case of credit risk reasons and not in default will be classified into Stage 2. (The Impairment % of such accounts to follow the current bank's policy)

  Stage 2 or Stage 3 – Reschedule: Already in delinquency (customer in debt repayment) Stage 2 or Stage 3 depending upon the policy (100% Impairment is taken and kept for six months – post six months the release of the Impairment depends on the customer good performance)

  Corporate & Business Banking

  Stage 1 – Restructure: Business Banking is complying with the modification rules in the policy, regarding collateralized asset under Restructure (within the policy) based on customer request (no credit reasons present)

  Stage 2 – Restructure: In case of credit risk reasons and not in default will be classified into Stage 2. (The Impairment % of such accounts to follow the current bank's policy).

  Stage 2 or Stage 3 – Reschedule: Reschedule already in delinquency (customer in debt repayment) Stage 2 or Stage 3 depending upon the policy (100% Impairment is taken and kept for six months – post six months the release of the Impairment depends on the customer good performance).
- De-recognition of modified assets requires judgment as there is no specific guidance offered by IFRS 9/IAS 39. The underlying concept in the decision to derecognize is when the new asset is substantially different from the original asset.
- As de-recognition 'resets the clock' and puts an asset back to stage 1, its effect is potentially more material than under IAS 39.

- **Individual vs collective assessment**

Corporate and Business banking

For corporate exposures, CIB will assess SICR on an individual assessment at a facility/instrument level:

While for business banking (all segments)–

- Business Banking (all segments) exposures will assess SICR on an individual assessment at a Customer level.
- Business Banking assessment will be on each facility level but if any facility assessed as SICR or default all other facilities granted to one counterparty will be assessed as SICR or default (contagion)

Consumer Exposures

- The bank will determine SICR at both instrument level and collective basis. As per IFRS 9, SICR can be assessed at a collective/portfolio level if common risk characteristics are shared. Any instruments that are assessed collectively must possess shared credit risk characteristics. This is to prevent significant increases in credit risk being obscured by aggregating instruments that have different risks. CIB's Consumer exposures are grouped into different segments by
- products (i.e. auto loan, personal loan etc.) and their employment status (self-employed, salaried etc.) for cards we have further segmented by Limit buckets (Less than 10k and greater than 10K). CIB may try alternate segmentations if deemed to be significant.

- **Significant increase in credit risk (SICR):**

CIB has laid out the following criteria in line with the guidelines of IFRS 9 in order to conduct the SICR assessment.

Corporate and Business Banking:

CIB will use the following indicators to identify any significant increase in credit risks. The occurrence of any one of the indicators should be considered as an indicator of SICR and consequently the related financial instrument will be classified as Stage 2 and will attract a lifetime ECL:

- **Risk Ratings:** All facilities with internal rating of 7 (watch list) will be directly categorised in Stage 2 (absolute measure).
- **Transition in Risk Ratings**: All facilities that have been downgraded at the reporting date by:
  - 2 or more grades: for facilities which were internally rated 2 to 4 at inception.

- 1 or more grade: for other facilities which were internally rated 5 or 6.

- **Delinquency Status:** The facilities will be considered as SICR and will be moved to Stage 2 if the following conditions re prevail:

- Outstanding exposure (or related interest) is 60 days past due ("DPD") at the reporting date irrespective of the rating OR;
- Internal rating is 5 or 6 And DPD>=30 for 3 times or more over the last 12 months OR;
- Internal rating is 5 or 6 And DPD>=60 once or more over the last 12 months

- **Industry**: Certain industries/sectors are considered high risk. If the following conditions prevail, the account will be categorized in stage 2:

- Internal rating is 5 or 6 And Industry is classified as high risk, which will be determined and revised periodically.

Restructured status: All facilities that have been restructured in the past period due to credit risk related factors or which were NPL in the past and now regular (subject to cooling period of 24 months) to be considered Stage 2.

• Risk Parameters

This section covers the calculation methodology of the risk parameters of Expected Credit Loss (ECL) measurement and this is complementary to all other individual policies on risk qualification.

The ECL methodology was detailed in the previous section on Expected Credit Loss Approach and the related scenario methodology is detailed in the next section on Scenarios and Forward Looking Information, this section restricts itself to the calculation methodology of PD, EAD and LGD, which are the key risk parameters for ECL calculation.

In the context of risk parameters, the key areas that need to be addressed are the following:

The Bank's internal rating and PD estimation process

The Bank's independent Credit Risk Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rate from 1 to 10 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from Good Rating Agency. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

Loss Give Default Methodology

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

Exposure at Default – EAD

For corporate and investment banking financial instruments, LGD values are assess ed at least every three months by account managers and reviewed and approved by the Bank's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. The Bank estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

(c) Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS become mandatory on 1 January 2018. Based on its analysis, the Bank has decided to continue to apply hedge accounting under IAS 39.

Financial assets and liabilities:

1. **Initial recognition and measurement**

All "regular" purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Regular purchases and sales are purchases and sales of financial assets that require delivery of assets within the time frame generally provided by law or by market norms.

Financial assets or liabilities are measured initially at fair value plus, in the case of an item not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue.

2. **Classification**

On initial recognition, financial assets are classified as measured at cost, carried at fair value through other comprehensive income or at fair value through profit or loss. Financial assets are measured at amortized cost when each of the following officers is satisfied and is not classified as at fair value through profit or loss:

- Assets are retained in the business model, which is intended to retain assets in order to collect contractual cash flows;

- The contractual terms of the financial assets on specific dates result in cash flows which are only payments on the original amount and interest on the original amount outstanding.

Debt instruments are measured at fair value through other comprehensive income only when both of the following conditions are met and are not classified as at fair value through profit or loss:

Assets are retained in the business model which is intended to achieve both the collection of contractual cash flows and the sale of financial assets. The contractual terms of the financial assets on specific dates result in cash flows that are only payments on the original amount and interest on the original amount outstanding.

Upon initial recognition of equity investments that are not held for trading, the Bank may elect irrevocably to present changes in fair value in other comprehensive income. This choice is made on an investment-by-investment basis.
All other financial assets are classified at fair value through profit or loss.

Evaluation of business model

The Bank assesses the objective of the business model in which assets are maintained at the business portfolio level. This method better reflects how business is managed and how information is communicated to management. The information to be considered is as follows:

- Specific policies and objectives of the business portfolio and practical application of these policies. In particular, whether the management strategy focuses on the achievement of contractual interest income and the realization of cash flows through the sale or retention of assets for liquidity purposes;

- the risks that affect the performance of the business model (and the financial assets that are retained within that business model), how these risks are managed; the frequency, value and timing of sales in prior periods, the reasons for such sales, as well as their forecast for future sales activities. Information on sales activities can not be taken into account alone from the rest of the activities. Rather, they are part of a comprehensive assessment of how the Bank achieves the objectives of managing the financial assets as well as how to achieve cash flows.

Financial assets held for trading or managed, whose performance is measured at fair value, are measured at fair value through profit or loss where they are not held for the purpose of collecting contractual cash flows and are not held for the purpose of collecting cash flows And the sale of financial assets.

Assess whether the contractual cash flows are only payments of the original amount and interest on the original amount outstanding

For the purpose of this valuation, the original amount is determined on the basis of the fair value of financial assets at initial recognition. Interest is determined on the basis of the time value of the money and the credit risk associated with the original principal over a given period of time or other basic lending risk and costs (eg liquidity risk and administrative costs), as well as profit margin.

Reclassification

Financial assets are not recognized after initial recognition, unless the Bank changes the business model to manage financial assets

3. Derecognition

Financial Assets

The Bank derecognizes financial assets upon expiry of the contractual rights of cash flows from the financial asset or transfers its rights to receive the contractual cash flows in accordance with the transactions in which all significant risks and rewards of ownership relating to the transferred financial asset are transferred or when the Bank has not transferred or retained all the risks The fundamental benefits of ownership and did not retain control of financial assets.

When the financial asset is derecognised, the difference between the carrying amount of the financial asset (or the carrying amount allocated to the financial asset excluded) and the total of the consideration received (including any new acquired asset) In other comprehensive income is recognized in profit or loss.

Effective January 1, 2018, any gain / loss recognized in other comprehensive income in respect of investment securities in equity securities is not recognized in profit or loss on disposal of such securities. Any interest on transferred financial assets that are eligible for disposal that are created or retained by the Group as a separate asset or liability is recognized.

If the terms of the financial assets are modified, the Bank assesses whether the cash flows of the financial assets are substantially different. If there are significant differences in cash flows, the contractual rights to the cash flows from the original financial assets are past due. In this case, the original financial assets are derecognised and the new financial assets are recognized at fair value.

The financial asset (in whole or in part) is derecognised when

- Expiration of rights to receive cash flows from the original;

- The Bank has transferred substantially all the risks and rewards of the asset or (b) has not transferred or retained the cash flows; All the material risks and benefits of the assets but transferred control over the assets.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, canceled or expires.

Investments held for trading

Investments held for trading are subsequently measured at fair value with any gain or loss arising from the change in fair value recognized in the consolidated statement of income or loss in the period in which they arise. Interest earned or dividends received are included in net trading income.

(10) Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Bank as a lessee

Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

Bank as a lessor

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.
IFRS 16.9

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

(11) Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

(i) Interest and similar income and expense

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers.

Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Fee income from providing transaction services

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. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(iii) Dividend income

Revenue is recognized when the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(iv) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

(12) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non–restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

(13) Property and equipment

Property and equipment (including equipment under operating leases where the Bank is the lessor) is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Premises	25 years

Leasehold improvements	3 years, or over the period of the lease if less
Furniture and furnishing	5 years
Calculators and air conditioners	8 years
Vehicles	5 years
IT	3/10 years
Fitting –out	3 years

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on DE recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other operating income in the income statement in the year the asset is derecognized.

(14) Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognized directly in the income statement in the year of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash– generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 Operating Segments.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative fair values of the disposed operation and the portion of the CGU retained.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument

Recognition and Measurement, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Bank re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

(15) Intangible assets

The Bank's other intangible assets include the value of computer software and customer core deposits acquired in business combinations.

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial yearend. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is presented as a separate line item in the income statement.

Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives.

(16) Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

(17) Share–based payment transactions

Employees (including senior executives) of the Bank receive remuneration in the form of share–based payment transactions, whereby employees render services as consideration for equity instruments (equity–settled transactions).

Equity–settled transactions

The cost of equity–settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date) the cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period is recorded in administrative expense and represents the movement in cumulative expense recognized as at the beginning and end of that period.

Where the terms of an equity–settled award are modified, the minimum expense recognized in administrative expense is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share–based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity–settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non–vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(18) Employee Benefits

For defined contribution plans, the Bank pays contributions to the General Organization for Social Insurance (GOSI) as a percentage of the employees' salaries. The Bank's obligation is limited to these contributions which are expensed when due.

(19) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(20) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

(21) Equity reserves

The reserves recorded in equity (Other comprehensive income) on the Bank's statement of financial position include financial investment at FVOCI reserve, which comprises changes in fair value of financial investment at FVOCI.

(22) Segment reporting

The Bank's segment reporting is based on the following operating segments: Corporate Banking, SME's, Investment Banking and Retails Banking.

(23) Investment Property

"Investment Property" is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply services or for administrative purposes. The bank holds some investment property as a consequence of the ongoing rationalization of its retail branch network. Other property has been acquired through the enforcement of security over loans and advances. Investment property is initially measured at cost and tested for impairment through fair valuation to be allocated through fair value, in profit or loss.

Any gain or loss on disposal of an investment property (Calculated as the difference between the net proceeds from disposal and the carrying amount if the item) us recognized in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the fate of reclassification becomes its cost for subsequent accounting.

(24) Earnings per Share

The bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(25) Financial Guarantees and Loan 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.

(26) Deposits

Deposits issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

(27) Noncurrent assets held for sale

IFRS 5 requires a non-current asset (or disposal group) to be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Determining whether (and when) an asset stops being recovered principally through use and becomes recoverable principally through sale.

For an asset (or disposal group) to be classified as held for sale:

(a) It must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets (or disposal groups) ;(b) Its sale must be highly probable; (c) It must genuinely be sold, not abandoned.

The standard requires that non-current assets (and, in a 'disposal group', related liabilities and current assets,) meeting its criteria to be classified as held for sale be:

(a) Measured at the lower of carrying amount and fair value less costs to sell, with depreciation on them ceasing; and

(b) Presented separately on the face of the statement of financial position with the results of discontinued operations presented separately in the statement of comprehensive income.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. This standard is not applicable to the Bank.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.
Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'
The amendments to the definition of material is not expected to have a significant impact on the Bank's consolidated financial statements.

Standards applied for first time during the year:

Amendments to IAS 12 Income Taxes
In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January 2017. The Bank is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial statements.

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Bank is currently evaluating the impact.

Changes in liabilities arising from financing activities:

Cash flow from financing activities	1/1/2019	New loans	Settlement	FX	Capital increase	31/12/2019
Long term loans	3,699,637	-	(63,851)	(363,022)	-	3,272,764
Issued and paid in capital	11,618,011	-	-	-	3,072,810	14,690,821
Total	15,317,648	-	(63,851)	(363,022)	3,072,810	17,963,585

Cash flow from financing activities	1/1/2018	New loans	Settlement	FX	Capital increase	31/12/2018
Long term loans	3,674,736	5,257	(12,376)	32,020	-	3,699,637
Issued and paid in capital	11,618,011	-	-	-	-	11,618,011
Financial lease obligation	1,804	-	(1,804)	-	-	-
Total	15,294,551	5,257	(14,180)	32,020	-	15,317,648

3 Net interest income

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Interest and similar income		
- Banks	3,308,719	3,338,266
- Clients	14,630,606	15,274,649
	17,939,325	18,612,915
Treasury bills and bonds	24,277,671	18,582,089
Reverse repos	-	2,519
Financial investments in amortized cost & FVOCI*	383,961	206,186
Total	42,600,957	37,403,709
Interest and similar expense		
- Banks	(597,877)	(840,233)
- Clients	(19,893,262)	(18,001,197)
	(20,491,139)	(18,841,430)
Financial instruments purchased with a commitment to re-sale (Repos)	(232,055)	(112,366)
Finance expense related to financial lease contract	(31,740)	-
Other loans	(299,144)	(306,394)
Total	(21,054,078)	(19,260,190)
Net interest income	21,546,879	18,143,519

* Financial investments in amortized cost is 18K.

4 Net fee and commission income

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Fee and commission income		
Fee and commissions related to credit	1,258,672	1,456,930
Custody fee	141,907	140,247
Other fee	2,051,109	1,805,439
Total	3,451,688	3,402,616
Fee and commission expense		
Other fee	(1,170,893)	(991,957)
Total	(1,170,893)	(991,957)
Net income from fee and commission	2,280,795	2,410,659

5 Dividend income

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Financial assets at fair value through P&L	7,307	9,951
Financial assets at fair value through OCI	46,116	16,007
Total	53,423	25,958

6 Net trading income

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Gain from foreign exchange	749,591	668,071
Forex gain from revaluations of trading assets and liabilities	-	-
Gain (Loss) from forward foreign exchange deals revaluation	(85,657)	(38,904)
Loss from interest rate swaps revaluation	(29,521)	(20,865)
Profit (Loss) from currency swap deals revaluation	3,238	8,179
Net gains on trading securities	50,408	472,595
Impairment Charges for FVTPL	-	(47,266)
Total	688,059	1,041,810

7 . Administrative expenses

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Staff costs		
Wages and salaries	(2,140,136)	(1,829,249)
Social insurance	(95,408)	(78,841)
Other benefits	(1,465,513)	(1,160,671)
Stock option	(464,539)	(408,346)
Depreciation *	(525,170)	(390,830)
Maintenance	(468,897)	(458,979)
Premises & Vehicles improvements and maintenance	(573,558)	(535,254)
Internship expense	(45,719)	(46,275)
Board Meeting & Director's expense	(2,743)	(2,541)
Other administrative expenses	(686,877)	(411,668)
Total	(6,468,560)	(5,322,654)
***include depreciation related to financial lease contract amounting to:**	(62,492)	(2,676)

8 . Other operating (expenses) income

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Forex (losses) gains from non-trading assets and liabilities revaluation	91,769	59,863
Gains from selling property, plant and equipment	1,439	1,045
Charges of Provisions	(361,649)	(400,596)
Care Service & Cash Trans. Expense	(237,519)	(220,925)
Regulatory Expense	(407,185)	(342,270)
Consultants	(48,784)	(60,157)
IT communications	(238,308)	(173,509)
Utilities	(150,728)	(126,393)
Other income/expenses	(347,582)	(326,731)
Total	(1,698,547)	(1,589,675)

9 . Impairment charge for credit losses

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Loans and advances to customers	(1,610,878)	(2,292,580)
Due from banks	(9,503)	165
Financial investments	184,921	(194,651)
Total	(1,435,460)	(2,487,066)

10 . Income Taxes

10.1 Adjustments to calculate the effective tax rate

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Profit before tax	14,767,380	12,652,038
Tax rate	22.5%	22.5%
Income tax based on accounting profit	3,322,661	2,846,709
Add / (Deduct)		
Non-deductible expenses	1,864,075	1,055,182
Tax exemptions	(1,493,292)	(314,361)
10% Withholding tax	1,040,443	2,041
Income tax / Deferred tax	4,733,886	3,589,571
Effective tax rate	32.06%	28.37%

10.2 . Deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	Net balance at 1 January	OCI	Balance at 31 December 2019 Recognised in profit or loss	Net	Deferred tax assets/Liability
Fixed assets (depreciation)	(49,750)	-	(29,412)	(79,162)	(79,162)
Provisions (excluded loan loss, contingent liabilities and income tax provisions)	53,552	-	93,123	146,675	146,675
Intangible Assets & Good will	53,657	-	(53,657)	-	-
Other investments impairment	65,788	-	10,619	76,407	76,407
Reserve for employee stock ownership plan (ESOP)	166,122	-	50,587	216,709	216,709
Interest rate swaps revaluation	4,695	-	1,947	6,642	6,642
Trading investment revaluation	7,394	-	(42,871)	(35,477)	(35,477)
Forward foreign exchange deals revaluation	6,912	-	11,633	18,545	18,545
Total Assets (Liabilities)	308,370	-	41,969	350,339	350,339

	Assets (Liabilities) Dec.31, 2019 EGP Thousands	Assets (Liabilities) Dec.31, 2018 EGP Thousands
Movement of Deferred Tax Assets and Liabilities:		
Beginning Balance	308,370	179,630
Effect of applying IFRS 9	136,491	-
Additions / disposals	(94,522)	128,740
Ending Balance	350,339	308,370

	Net balance at 1 January	OCI	Balance at 31 December 2018 Recognised in profit or loss	Net	Deferred tax assets/Liability
Fixed assets (depreciation)	(31,409)	-	(18,341)	(49,750)	(49,750)
Provisions (excluded loan loss, contingent liabilities and income tax provisions)	31,038	-	22,514	53,552	53,552
Intangible Assets & Good will	36,712	-	16,945	53,657	53,657
Other investments impairment	56,698	92,732	(83,642)	65,788	65,788
Reserve for employee stock ownership plan (ESOP)	110,100	-	56,022	166,122	166,122
Interest rate swaps revaluation	5,340	-	(645)	4,695	4,695
Trading investment revaluation	(37,478)	-	44,872	7,394	7,394
Forward foreign exchange deals revaluation	8,629	-	(1,717)	6,912	6,912
Total Assets (Liabilities)	179,630	92,732	36,008	308,370	308,370

Recognised deferred tax assets

Recognition of deferred tax assets is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Group's entities will have future taxable profits against which these assets can be utilised.

11 Earning per share

(a) Basic earnings per share

	Earning per share		Earning per share from continuing operations	
	Dec.31, 2019	Dec.31, 2018	**Dec.31, 2019**	Dec.31, 2018
	EGP Thousands	EGP Thousands	**EGP Thousands**	EGP Thousands
(i) Profit attributable to ordinary shareholders (basic)				
Net profit for the year attributable to equity holders of the bank	**10,033,494**	9,062,467	**10,033,494**	9,062,467
(ii) Weighted - average number of ordinary shares (basic)		-		-
Average number of shares	**1,424,525**	1,163,898	**1,424,525**	1,163,898
Basic earning per share	**7.04**	7.79	**7.04**	7.79
(b) Diluted earnings per share				
(i) Profit attributable to ordinary shareholders (diluted)				
Net profit for the year attributable to equity holders of the bank	**10,033,494**	9,062,467	**10,033,494**	9,062,467
(ii) Weighted - average number of ordinary shares (diluted)				
Issued ordinary shares	**1,424,525**	1,163,898	**1,424,525**	1,163,898
Effect of ESOP program	**10,866**	7,744	**10,866**	7,744
Weighted - average number of ordinary shares diluted	**1,435,391**	1,171,642	**1,435,391**	1,171,642
Diluted earning per share	**6.99**	7.73	**6.99**	7.73

12 . Bank's share in the profits of associates

	Dec.31, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
- International Co. for Security and Services (Falcon)	**1,135**	27,419
Total	**1,135**	27,419

13 . Cash and balances with central bank

	Dec.31, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Cash	**5,876,652**	6,532,211
Current accounts	**22,397,310**	13,526,763
Total	**28,273,962**	20,058,974

14 . Due from banks*

	Dec.31, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Current accounts	**3,704,142**	4,168,973
Deposits	**24,666,041**	42,349,920
Expected credit losses	**(16,817)**	(7,314)
Total	**28,353,366**	46,511,579
Central banks	**9,945,682**	25,397,559
Local banks	**1,348,559**	4,109,576
Foreign banks	**17,059,125**	17,004,444
Total	**28,353,366**	46,511,579
Non-interest bearing balances	**1,460**	1,724
Floating interest bearing balances	**9,085,184**	10,203,376
Fixed interest bearing balances	**19,266,722**	36,306,479
Total	**28,353,366**	46,511,579
Current balances	**28,353,366**	46,511,579
Total	**28,353,366**	**46,511,579**

Due from banks *

	Stage 1
Beginning Balance	28,353,366
Addition during the period	16,817
As of 31 December 2019	**28,370,183**
Impairment Loss*	16,817

* All due from banks is high grade

Below is an analysis of outstanding balance:

Balance	**Rating**
28,353,366	B-

15 . Loans and advances to banks, net

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Time and term loans	629,780	70,949
Impairment provision	(4,516)	(2,564)
Net	625,264	68,385
Current balances	625,264	68,385
Non-current balances	-	-
Net	625,264	68,385

Analysis for impairment provision of loans and advances to banks

Dec.31, 2019 EGP Thousands	Stage 1	Stage 2	Total
Beginning Balance	(622)	(1,942)	(2,564)
Addition during the period (IFRS9)	(3,306)	-	(3,306)
Deduction during the period	-	1,354	1,354
As of 31 December 2019	(3,928)	(588)	(4,516)

Below is an analysis of outstanding balance:

Balance	Rating
625,264	B-

16 Loans and advances to customers, net

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Individual		
- Overdraft	**1,462,439**	1,635,910
- Credit cards	**4,264,204**	3,540,849
- Personal loans	**20,219,305**	17,180,864
- Real estate loans	**1,330,323**	876,372
Total 1	**27,276,271**	23,233,995
Corporate		
- Overdraft	**19,100,709**	13,992,595
- Direct loans	**51,163,302**	49,179,820
- Syndicated loans	**33,642,235**	32,899,950
- Other loans	**61,578**	125,429
Total 2	**103,967,824**	96,197,794
Total Loans and advances to customers (1+2)	**131,244,095**	119,431,789
Less:		
Unamortized bills discount*	**(55,197)**	(65,718)
Impairment provision	**(11,867,795)**	(11,537,474)
Net loans and advances to customers	**119,321,103**	107,828,597
Distributed to		
Current balances	**51,682,809**	44,549,290
Non-current balances	**67,638,294**	63,279,307
Total	**119,321,103**	107,828,597

16.1 Loans and advances

Loans and advances are summarized as follows:

	Dec.31, 2019 EGP Thousands		Dec.31, 2018 EGP Thousands	
	Loans and advances to customers	**Loans and advances to banks**	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	**120,937,024**	**629,780**	110,351,697	70,949
Past due but not impaired	**5,045,095**	**-**	4,224,632	-
Individually impaired	**5,261,976**	**-**	4,855,460	-
Gross	**131,244,095**	**629,780**	119,431,789	70,949
Less:				
Impairment provision	**11,825,887**	**4,516**	11,521,436	2,564
Unamortized bills discount	**55,197**	**-**	65,718	-
Unearned interest	**41,908**	**-**	16,038	-
Net	**119,321,103**	**625,264**	107,828,597	68,385

Impairment provision losses for loans and advances reached EGP 11,830,403 thousand.

During the period, the Bank's total loans and advances increased by 10.35%.

In order to minimize the probable exposure to credit risk, the Bank focuses more on the business with large enterprises,banks or retail customers with good credit rating or sufficient collateral.

The below table covers Gross outstanding Exposure (EAD) by segment in each stage

EGP Thousands

	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	**Total**
Individuals	26,734,506	339,408	202,357	**27,276,271**
Corporate	63,749,864	35,158,341	5,059,619	**103,967,824**

The below table covers Expected Credit Loss by segment in each stage

EGP Thousands

	Stage 1: 12 month ECL	Stage 2: Lifetime ECL not credit impaired	Stage 3:Lifetime ECL credit impaired	Total
Individuals	96,469	10,394	210,068	**316,931**
Corporate	1,208,722	5,325,121	4,975,113	**11,508,956**

By Internal Rating Dec 2019
Provision for impairment losses - Corporate

EGP Thousands

	PD Range	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Total
1 - High Grade (1-5)	1%-14%	1,041,456	1,137,990	-	**2,179,446**
2 - Standard (6)	15%-21%	167,266	867,786	-	**1,035,052**
3 - Sub Standard (7)	21%-28%	-	3,319,345	-	**3,319,345**
4 - Non - Performing Loans (8-10)	100%	-	-	4,975,113	**4,975,113**

By Internal Rating
Provision for impairment losses - Individuals

	PD Range	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Total
1 - High Grade (1-5)	(0% - 5%)	95,234	-	-	**95,234**
2 - Standard (6)	(5% - 10%)	1,235	-	-	**1,235**
3 - Sub Standard (7)	(10% above)	-	10,394	-	**10,394**
4 - Non - Performing Loans (8-10)	100%	-	-	210,068	**210,068**

By Internal Rating
Loans and Advances to customers - Corporate

	PD Range	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Total
1 - High Grade (1-5)	1%-12%	61,291,934	24,935,477	-	**86,227,411**
2 - Standard (6)	12%-21%	2,457,930	5,944,147	-	**8,402,077**
3 - Sub Standard (7)	21%-27%	-	4,278,717	-	**4,278,717**
4 - Non - Performing Loans (8-10)	100%	-	-	5,059,619	**5,059,619**

By Internal Rating
Loans and Advances to customers - Individuals

	PD Range	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Total
1 - High Grade (1-5)	(0% - 5%)	26,059,247	-	-	**26,059,247**
2 - Standard (6)	(5% - 10%)	675,259	-	-	**675,259**
3 - Sub Standard (7)	(10% above)	-	339,408	-	**339,408**
4 - Non - Performing Loans (8-10)	100%	-	-	202,357	**202,357**

By Internal Rating
Provision for impairment losses - Corporate

	PD Range	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Total
1 - High Grade (1-5)	1%-14%	676,124	301,763	-	**977,887**
2 - Standard (6)	15%-21%	18,144	1,803,695	-	**1,821,839**
3 - Sub Standard (7)	21%-28%	-	62,304	3,819,427	**3,881,731**
4 - Non - Performing Loans (8-10)	100%	-	-	4,709,148	**4,709,148**

By Internal Rating
Provision for impairment losses - Individuals

	PD Range	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Total
1 - High Grade (1-5)	(0% - 5%)	5,296	371	-	**5,667**
2 - Standard (6)	(5% - 10%)	19,712	10,411	-	**30,123**
3 - Sub Standard (7)	(10% above)	16,799	2,635	-	**19,434**
4 - Non - Performing Loans (8-10)	100%	-	-	78,170	**78,170**

By Internal Rating
Loans and Advances to customers - Corporate

	PD Range	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Total
1 - High Grade (1-5)	1%-12%	53,839,682	23,031,321	-	**76,871,003**
2 - Standard (6)	12%-21%	1,462,259	12,957,852	-	**14,420,111**
3 - Sub Standard (7)	21%-27%	-	274,622	6,161,818	**6,436,440**
4 - Non - Performing Loans (8-10)	100%	-	-	4,709,148	**4,709,148**

By Internal Rating
Loans and Advances to customers - Individuals

	PD Range	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Total
1 - High Grade (1-5)	(0% - 5%)	1,254,707	36,642	-	**1,291,349**
2 - Standard (6)	(5% - 10%)	1,540,990	38,412	-	**1,579,402**
3 - Sub Standard (7)	(10% above)	1,281,179	101,621	-	**1,382,800**
4 - Non - Performing Loans (8-10)	100%	-	-	78,170	**78,170**

The following table shows changes in expected ECL losses between the beginning and end of the year as a result of

Dec.31, 2019 **EGP Thousands**

Due from banks	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	Total
Provision for credit losses on 1 January 2019	160	7,155	-	7,315
New financial assets purchased or issued	16,816	-	-	16,816
Matured or disposed financial assets	(158)	(7,155)	-	(7,313)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes in the probability of default and loss in case of default and the exposure at default	(1)	-	-	(1)
Changes to model assumptions and methodology	-	-	-	-
Write off during the year	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	**16,817**	**-**	**-**	**16,817**

Individual Loans:	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	Total
Provision for credit losses on 1 January 2019	72,092	24,843	127,376	224,311
Impairment during the year	24,377	(14,449)	140,974	150,902
Write off during the year	-	-	(118,486)	(118,486)
Recoveries	-	-	60,204	60,204
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	**96,469**	**10,394**	**210,068**	**316,931**

Corporate and Business Banking loans:	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	Total
Provision for credit losses on 1 January 2019	691,013	6,700,083	4,709,096	12,100,192
New financial assets purchased or issued	751,746	1,074,222	-	1,825,968
Matured or disposed financial assets	(364,309)	(899,007)	(772,859)	(2,036,175)
Transferred to stage 1	158,357	(359,174)	-	(200,817)
Transferred to stage 2	(3,937)	9,427	-	5,490
Transferred to stage 3	1,472	(2,560,546)	2,409,875	(149,199)
Changes in the probability of default and loss in case of default and the exposure at default	93,395	1,509,405	3,051	1,605,851
Changes to model assumptions and methodology	5,845	401,743	-	407,588
Recoveries	-	-	399,429	399,429
Write off during the year	-	-	(1,262,286)	(1,262,286)
Cumulative foreign currencies translation differences	(124,860)	(551,032)	(511,193)	(1,187,085)
Ending balance	**1,208,722**	**5,325,121**	**4,975,113**	**11,508,956**

Financial Assets at Fair value through OCI	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	Total
Provision for credit losses on 1 January 2019	595,511	3,803	-	599,314
New financial assets purchased or issued	183,940	-	-	183,940
Matured or disposed financial assets	(282,223)	(773)	-	(282,996)
Transferred to stage 1	931	(3,030)	-	(2,099)
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes in the probability of default and loss in case of default and the exposure at default	(83,764)	-	-	(83,764)
Changes to model assumptions and methodology	-	-	-	-
Write off during the year	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	**414,395**	**-**	**-**	**414,395**

17 . Derivative financial instruments

17.1 . Derivatives

A derivative is a financial instrument or other contract with all three of the following characteristics:
a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price , foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
b) it requires no initial net investment or an initial net investment that is smaller than would be required for other factors; and types of contracts that would be expected to have a similar response to changes in market.
c) it is settled at a future date.

17.1.1 . For trading derivatives

	Dec.31, 2019			Dec.31, 2018		
	Notional amount	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Foreign currencies derivatives						
- Forward foreign exchange contracts	**8,315,292**	**52,183**	**189,833**	5,360,272	21,112	73,105
- Currency swap	**4,904,151**	**24,756**	**16,082**	3,628,415	18,243	12,807
Total (1)		**76,939**	**205,915**		39,355	85,912
17.1.2 . Fair value hedge						
Interest rate derivatives						
- Governmental debt instruments hedging	-	-	-	662,803	-	9,164
- Customers deposits hedging	**8,880,574**	**139,444**	**76,673**	7,103,638	12,934	37,782
Total (2)		**139,444**	**76,673**		12,934	46,946
Total financial derivatives (1+2)		**216,383**	**282,588**		52,289	132,858

18 Hedging derivatives

18.1 Fair value hedge

The Bank uses interest rate swap contracts to cover part of the risk of potential decrease in fair value of its fixed rate governmental debt instruments in foreign currencies and increase in fair value of its fixed rate customers deposits in foreign currencies.

Gains or losses due to changes on fair value hedges for the year:

	Dec.31, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Gains/(Losses) on:		
- Hedged instruments	**(33,345)**	(23,526)
- Hedged item attributable to hedged risk	**3,824**	2,660
Net Gains/(Losses) on hedge	**(29,521)**	(20,865)

19. Financial Investments

EGP Thousands

	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Total
Debt investment securities at amortized cost				
AAA	-	-	-	-
AA - to AA+	-	-	-	-
A - to A+	-	-	-	-
B-	107,225,613	-	-	107,225,613
Unrated	-	-	-	-
Total	**107,225,613**	**-**	**-**	**107,225,613**
Debt investment securities at FVOCI				
AAA	-	-	-	-
AA - to AA+	-	-	-	-
A - to A+	-	-	-	-
B-	88,820,722	-	-	88,820,722
Unrated	-	-	-	-
Total	**88,820,722**	**-**	**-**	**88,820,722**

Provision for impairment losses	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Total
Debt investment securities at amortized cost				
AAA	-	-	-	-
AA - to AA+	-	-	-	-
A - to A+	-	-	-	-
B-	-	-	-	-
Unrated	-	-	-	-
Total	**-**	**-**	**-**	**-**
Debt investment securities at FVOCI				
AAA	-	-	-	-
AA - to AA+	-	-	-	-
A - to A+	-	-	-	-
B-	414,395	-	-	414,395
Unrated	-	-	-	-
Total	**414,395**	**-**	**-**	**414,395**

Dec-18	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Total
Debt investment securities at amortized cost				
AAA	-	-	-	-
AA - to AA+	-	-	-	-
A - to A+	-	-	-	-
B-	73,598,251	-	-	73,598,251
Unrated	-	-	-	-
Total	73,598,251	-	-	73,598,251
Debt investment securities at FVOCI				
AAA	-	-	-	-
AA - to AA+	-	-	-	-
A - to A+	-	-	-	-
B-	73,179,636	-	-	73,179,636
Unrated	-	-	-	-
Total	73,179,636	-	-	73,179,636

Provision for impairment losses	Stage 1: 12 month	Stage 2: Lifetime not credit impaired	Stage 3:Lifetime credit impaired	Total
Debt investment securities at amortized cost				
AAA	-	-	-	-
AA - to AA+	-	-	-	-
A - to A+	-	-	-	-
B-	-	-	-	-
Unrated	-	-	-	-
Total	-	-	-	-
Debt investment securities at FVOCI				
AAA	-	-	-	-
AA - to AA+	-	-	-	-
A - to A+	-	-	-	-
B-	(599,314)	-	-	(599,314)
Unrated	-	-	-	-
Total	(599,314)	-	-	(599,314)

Financial investments securities

EGP Thousands

	Dec.31, 2019			
Listed	Financial Assets at Fair value through P&L	Financial Assets at Fair value through OCI	Financial Assets at Amortized cost	Total
Governmental bonds	-	56,363,393	107,225,613	163,589,006
Other bonds	-	4,823,267	-	4,823,267
Equity shares	-	502,920	-	502,920
Portfolio managed by others	418,781	-	-	418,781
Unlisted				
Treasury bills and other governmental notes	-	27,634,062	-	27,634,062
Governmental bonds	-	-	-	-
Other bonds	-	-	-	-
Equity shares	-	395,890	-	395,890
Funds	-	177,725	-	177,725
Total	418,781	89,897,257	107,225,613	197,541,651

EGP Thousands

	Dec.31, 2018			
Listed	Financial Assets at Fair value through P&L	Financial Assets at Fair value through OCI	Financial Assets at Amortized cost	Total
Governmental bonds	2,270,080	37,387,013	73,598,251	113,255,344
Treasury bills and other governmental notes	7,434,661	34,564,591	-	41,999,252
Other bonds	-	628,718	-	628,718
Equity shares	-	458,094	-	458,094
Portfolio managed by others	429,249	-	-	429,249
Unlisted				
Governmental bonds	-	-	-	-
Other bonds	-	-	-	-
Equity shares	-	228,237	-	228,237
Funds	169,329	-	-	169,329
Total	10,303,319	73,266,653	73,598,251	157,168,223

	Financial Assets at Fair value through OCI
Beginning balance	81,486,862
Addition	58,210,468
Deduction	(54,358,072)
Exchange revaluation differences for foreign financial assets	(1,588,099)
Profit (losses) from fair value difference	6,146,098
Ending Balance as of Dec.31, 2019	89,897,257

20 . Profits (Losses) on financial investments

	Dec.31, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Profit from selling FVOCI	497,894	441,629
Released charges of FVOCI	(47,197)	(39,561)
Total	450,697	402,068

21 Investments in associates

Dec.31, 2019	Business activity	Company's country	Company's current assets	Company's non current assets	Company's current liabilities	Company's non current liabilities	Company's revenues	Company's net profit	Investment book value	Stake %
Associates										
- Fawry plus		Egypt	42,920	-	45,557	-	17,399	(19,917)	5,563	23.5
- International Co. for Security and Services (Falcon)	Security Services		701,949	39,926	501,413	-	511,163	22,437	102,130	32.5
Total			744,869	39,926	546,970	-	528,562	2,520	107,693	

Dec.31, 2018	Business activity	Company's country	Company's current assets	Company's non current assets	Company's current liabilities	Company's non current liabilities	Company's revenues	Company's net profit	Investment book value	Stake %
Associates										
- Fawry plus		Egypt	-	-	-	-	-	-	14,100	23.5
- International Co. for Security and Services (Falcon)	Security Services	Egypt	814,825	45,232	631,994	8,560	926,624	72,954	92,458	32.5
Total			814,825	45,232	631,994	8,560	926,624	72,954	106,558	

	Dec.31, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
The bank's share of proft from continuing operations	1,135	27,419
The bank's share of total comprehensive income	1,135	27,419

22 . Other assets

	Dec.31, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Accrued revenues	4,011,196	4,509,314
Prepaid expenses	253,614	217,742
Advances to purchase fixed assets	942,985	768,733
Accounts receivable and other assets (after deducting the provision)*	4,333,966	3,798,224
Assets acquired as settlement of debts	356,382	276,520
Gross assets	9,898,143	9,570,533
Impairment of other assets	(150,000)	-
Net	9,748,143	9,570,533

23 Property and equipment

	Land	Premises	IT	Vehicles	Fitting -out	Machines and equipment	Furniture and furnishing	Total
Balance as at Jan.1, 2018	64,708	983,114	1,646,187	89,364	658,342	583,065	165,205	**4,189,985**
Additions during the year 2018	-	61,606	347,376	5,601	72,276	133,192	8,135	**628,186**
Ending gross assets at end of the year 2018	**64,708**	**1,044,720**	**1,993,563**	**94,965**	**730,618**	**716,257**	**173,340**	**4,818,171**
Accu.depreciation as at Jan.1, 2018	-	346,767	1,205,399	53,088	538,678	485,193	145,114	**2,774,239**
Depreciation 2018	-	50,099	189,949	12,619	73,048	57,408	7,707	**390,830**
Accu.depreciation at end of the year 2018	-	396,866	1,395,348	65,707	611,726	542,601	152,821	**3,165,069**
Net book value 2018	**64,708**	**647,854**	**598,215**	**29,258**	**118,892**	**173,656**	**20,519**	**1,653,102**
Balance as at Jan.1, 2019	64,708	1,044,720	1,993,563	94,965	730,618	716,257	173,340	4,818,171
Additions during the year 2019	-	48,863	591,957	47,642	244,074	117,203	26,793	1,076,532
Ending gross assets at end of the year 2019	**64,708**	**1,093,583**	**2,585,520**	**142,607**	**974,692**	**833,460**	**200,133**	**5,894,703**
Accu.depreciation as at Jan.1, 2019	-	396,866	1,395,348	65,707	611,726	542,601	152,821	3,165,069
Depreciation 2019	-	45,327	309,466	8,750	78,409	74,142	9,076	**525,170**
Accu.depreciation at end of the year 2019	**-**	**442,193**	**1,704,814**	**74,457**	**690,135**	**616,743**	**161,897**	**3,690,239**
Net book value 2019	**64,708**	**651,390**	**880,706**	**68,150**	**284,557**	**216,717**	**38,236**	**2,204,464**

Leases

	Right of Use		
	Premises	Machines and equipment	Total
Balance as at Jan.1, 2019	320,191	81,802	401,993
Depreciation	**58,402**	**4,090**	**62,492**
Balances as at December 2019	**261,790**	**77,712**	**339,501**

	Lease Liability
Balance as at Jan.1, 2019	**401,993**
Amortization	**64,462**
Balances as at December 2019	**337,531**

General Conditions:

It is important to note that the Bank's two main leasing contracts include lease contracts for printers and lease contracts for premises.

- The average contract period for the printers that have been leased by the Bank as of 2019 is 5 years with a discount rate of 10%.
- As regards to the Banks leased premises, they have a contractual lifetime, which varies between 3 to 20 years, also with a discount rate of 10%.
- The discount rate is the Bank's borrowing rate.

24 Due to banks

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Current accounts	420,500	503,539
Deposits	11,390,107	6,756,280
Total	11,810,607	7,259,819
Central banks	111,967	190,801
Local banks	10,476,614	6,009,778
Foreign banks	1,222,026	1,059,240
Total	11,810,607	7,259,819
Non-interest bearing balances	289,069	257,355
Floating bearing interest balances	4,908,538	89,568
Fixed interest bearing balances	6,613,000	6,912,896
Total	11,810,607	7,259,819
Current balances	11,810,607	7,259,819
Total	11,810,607	7,259,819

25 Due to customers

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Demand deposits	98,755,641	92,422,114
Time deposits	47,843,715	43,561,846
Certificates of deposit	85,344,897	81,059,934
Saving deposits	68,579,440	62,812,279
Other deposits	3,924,762	5,440,696
Total	304,448,455	285,296,869
Corporate deposits	120,553,214	116,842,160
Individual deposits	183,895,241	168,454,709
Total	304,448,455	285,296,869
Non-interest bearing balances	44,260,283	48,741,931
Floating interest bearing balances	39,592,933	23,738,113
Fixed interest bearing balances	220,595,239	212,816,825
Total	304,448,455	285,296,869
Current balances	217,358,718	202,126,154
Non-current balances	87,089,737	83,170,715
Total	304,448,455	285,296,869

26 Other loans

	Interest rate %	Maturity date	Maturing through next year	Balance on Dec.31, 2019	Balance on Dec.31, 2018
			EGP Thousands	EGP Thousands	EGP Thousands
Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years	56,578	61,578	125,429
Social Fund for Development (SFD)	3 months T/D or 9% which is more	01-May-20	2,868	2,868	13,380
European Bank for Reconstruction and Development (EBRD) subordinated Loan	3 months libor + 6.2%	10 years	-	1,604,150	1,791,360
International Finance Corporation (IFC) subordinated Loan	3 months libor + 6.2%	10 years	-	1,604,150	1,791,360
Total			59,446	3,272,746	3,721,529

27 Other liabilities

	Dec.31, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Accrued interest payable	1,090,649	1,347,397
Accrued expenses	1,027,526	733,218
Accounts payable	7,454,223	5,200,579
Other payables	181,542	319,054
Total	9,753,940	7,600,248

28 . Provisions

Dec.31, 2019	Beginning balance	Charged amounts	Exchange revaluation difference	Utilized amounts	Reversed amounts	Ending balance
						EGP Thousands
Provision for income tax claims	**6,910**	**-**	**-**	**-**	**(6,910)**	**-**
Provision for legal claims	**57,677**	**11,299**	**(244)**	**(2,626)**	**-**	**66,106**
Provision for contingent liabilities	**1,449,690**	**444,786**	**(103,784)**	**-**	**-**	**1,790,692**
Provision for other claim	**180,330**	**5,784**	**(6,034)**	**(25,509)**	**-**	**154,571**
Total	**1,694,607**	**461,869**	**(110,062)**	**(28,135)**	**(6,910)**	**2,011,369**

Dec.31, 2018	Beginning balance	Charged amounts	Exchange revaluation difference	Utilized amounts	Reversed amounts	Ending balance
						EGP Thousands
Provision for income tax claims	6,910	-	-	-	-	6,910
Provision for legal claims	45,773	12,820	7	(923)	-	57,677
Provision for contingent liabilities	1,470,302	-	(2,942)	-	(17,670)	1,449,690
Provision for other claim	92,174	88,681	666	(1,191)	-	180,330
Total	1,615,159	101,501	(2,269)	(2,114)	(17,670)	1,694,607

Provision for legal claims:are recognized when the Bank has present legal obligations as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

Provision for contingent liabilities: This is a provision provided for withdrawn amounts of issued Letters of Credit (LCs) and Letters of Guarantee (LGs). The provisions provided are short-term and are rolled over every year.

This provision are recognized when the Bank has present contingent obligations as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

Provision for other claim:are recognized to face the potential risk of banking operations obligations as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

29 . Issued and paid in capital

	2019	2018
	EGP Thousands	EGP Thousands
Authorized capital	50,000,000	20,000,000
Issued and Paid in Capital	14,690,821	11,668,326
Number of shares outstanding in Thousands	1,469,082	1,166,833

	2019	2018
	EGP	EGP
Par value per share	10	10

The authorized capital reached EGP 50 billion according to the extraordinary general assembly decision on 12 June 2019.

- Increase issued and Paid in Capital by amount EGP 105,413 thousand on November 18,2019 to reach EGP 14,690,821 thousand according to Board of Directors decision on February 4, 2019 by issuance of tenth tranche for E.S.O.P program.

- Increase issued and Paid in Capital by amount EGP 2,917,082 thousand on February 14, 2019 to reach 14,585,408 according to Ordinary General Assembly Meeting decision on March 4 ,2018 by distribution of a one share for every four outstanding shares by capitalizing on the General Reserve.

30 . Reserves

	Dec.31, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Legal reserve	**2,188,029**	1,710,293
General reserve	**16,474,429**	12,776,215
Cumulative foreign currencies translation differences	**2,501**	-
General risk reserve	**1,549,445**	1,432,194
Capital reserve	**13,466**	12,421
Banking risks reserve	**5,164**	4,323
Reserve for financial assets at fair value through OCI	**2,947,816**	(3,299,973)
Total	**23,180,850**	12,635,473

30.1 Legal reserve

As required by the Egyptian corporate law 159 of 1981 and the Articles of Association of the Egyptian companies of the Group, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50 % of the issued capital. As required by the Egyptian corporate law 159 of 1981, the reserve may be used upon a decision from the general assembly meeting based on the proposal of the board of directors.

30.2 . General reserve

The general reserve represents optional reserve approved by the general assembly meetings dated 10 March 2015 based on the proposal of the board of directors.

As required by the Egyptian corporate law 159 of 1981, the reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

30.3 . Cumulative foreign currencies translation differences

The special reserve represents profits transferred in accordance with the resolutions of the general assembly meetings of dated 4 March 2018.

As required by the Egyptian corporate law 159 of 1981, the reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

30.4 . Reserve for FVOCI investments revaluation difference

This reserve records fair value changes on FVOCI investments.

31 . Share-based payments

According to the extraordinary general assembly meeting on June 26, 2006, the Bank launched new Employees Share Ownership Plan (ESOP) scheme and issued equity-settled share-based payments. Eligible employees should complete a term of 3 years of service in The Bank to have the right in ordinary shares at face value (right to share) that will be issued on the vesting date, otherwise such grants will be forfeited. Equity-settled share-based payments are measured at fair value at the grant date, and expensed on a straight-line basis over the vesting period (3 years) with corresponding increase in equity based on estimated number of shares that will eventually vest(True up model). The fair value for such equity instruments is measured using the Black-Scholes pricing model.

Details of the rights to share outstanding during the year are as follows:

	Dec.31, 2019 **No. of shares in Thousands**	Dec.31, 2018 No. of shares in Thousands
Outstanding at the beginning of the year	**29,697**	26,600
Granted during the year	**9,152**	10,422
Forfeited during the year	**(880)**	(1,035)
Exercised during the year	**(10,541)**	(6,290)
Outstanding at the end of the year	**27,428**	29,697

The comparative figures has been updated due to shares distribution 1:4 during 2019 which should be affect the comparative same as EPS

Details of the rights to share outstanding during the 2019 are as follows :

Maturity date	EGP **Exercise price**	EGP **Fair value**	**No. of shares in thousand**
2020	10.00	52.44	8,685
2021	10.00	54.51	9,850
2022	10.00	50.53	8,893
Total			**27,428**

The fair value of granted shares is calculated using Black-Scholes pricing model with the following inputs into the model :

	13th tranche	**12th tranche**
Exercise price	10.00	10.00
Current share price	59.26	77.35
Expected life (years)	3	3
Risk free rate %	18.14%	15.54%
Dividend yield%	1.70%	1.29%
Volatility%	25%	26%

Volatility is calculated based on the daily standard deviation of returns for the last five years.

		Dec.31, 2019 **EGP Thousands**	Dec.31, 2018 EGP Thousands
Expense arising from equity–settled share–based payment transactions	(note 7)	**464,539**	408,346

Details of the outstanding tranches are as follows:	EGP **Exercise price**	EGP **Average market value during the exercise date**
2018	10.00	78.42
2019	10.00	74.47

33. 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 rewards and minimize potential adverse effects on the Bank's financial performance. The most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks. Also market risk includes exchange rate risk, rate of return risk and other prices risks.

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 systems. 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 risk department under policies approved by the Board of Directors. Bank treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's 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, credit risk management is responsible for the independent review of risk management and the control environment.

33.1. Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances, debt securities, derivatives and other bills. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralized in a credit risk management team in Bank treasury and reported to the Board of Directors and head of each business unit regularly.

33.1.1. Credit risk measurement

33.1.1.1. Loans and advances to banks and customers

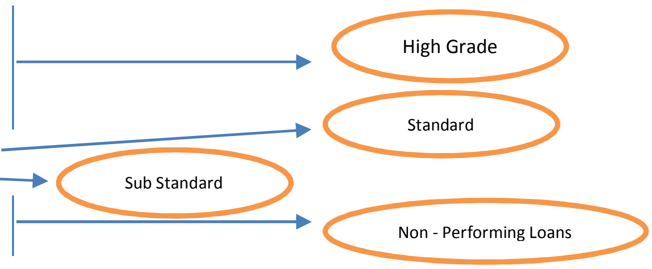
In measuring credit risk of loans and facilities to banks and customers at a counterparty level, the Bank reflects three components:

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

These credit risk measurements, which reflect expected loss (the 'incurred loss model') are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee), and are embedded in the Bank's daily operational management.

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

Bank's rating	Description of the rating
1	Low risk
2	Average risk
3	Satisfactory risk
4	Reasonable risk
5	Acceptable risk
6	Marginally acceptable risk
7	Watch list
8	Substandard
9	Doubtful
10	Bad debts



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

33.1.1.2. Debt instruments , treasury bills and other governmental notes

For debt instruments , treasury bills and other governmental notes , external rating such as Standard and Poor's rating or their equivalents are used for managing of the credit risk exposures, and if this rating is not available, then other ways similar to those used with the credit customers are uses. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

33.1.2. 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 and banks, and to industries and countries.

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

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

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

Some other specific control and mitigation measures are outlined below:

33.1.2.1. 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.
- Mortgage business assets such as premises, and inventory.
- Mortgage financial instruments such as debt securities and equities.

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

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

33.1.2.2. 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. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Bank (i.e., assets with positive fair value), which in relation to derivatives is only a small 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 transactions on any single day.

33.1.2.3. 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.

33.1.3. Impairment and provisioning policies

The internal rating system focus on the credit-quality mapping from the lending and investment activities perspective. Conversely, for only financial reporting purposes impairment losses are recognized for that has been incurred at the balance sheet date when there is an objective evidence of impairment. The impairment provision reported in balance sheet at the end of the period is derived from each of the four internal credit risk ratings. However, the majority of the impairment provision is usually driven by the last two rating degrees. The following table illustrates the proportional distribution of loans and advances reported in the balance sheet for each of the four internal credit risk ratings of the Bank and their relevant impairment losses

Amounts in Million EGP

	December 31, 2019		
Bank's rating	**Loans and advances**	**Impairment provision**	**Net Loans and advances**
1-High Grade	**112,916**	**2,321**	**110,595**
2-Standard	**9,077**	**1,036**	**8,041**
3-Sub Standard	**4,618**	**3,330**	**1,288**
4-Non-Performing Loans	**5,262**	**5,185**	**77**
Total	**131,873**	**11,872**	**120,001**

	December 31, 2018		
Bank's rating	**Loans and advances**	**Impairment provision**	**Net Loans and advances**
1-High Grade	**93,935**	**1,594**	**92,341**
2-Standard	**13,927**	**1,727**	**12,200**
3-Sub Standard	**6,786**	**3,929**	**2,857**
4-Non-Performing Loans	**4,855**	**4,290**	**565**
Total	**119,503**	**11,540**	**107,963**

The Bank's internal rating and PD estimation process continued

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

• Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing

• Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing

The Bank's internal credit rating grades

Internal rating grade Performing	Internal rating description	12 month Basel III PD range
1-5	High grade	(0% - 5%)
6	Standard	(5% - 10%)
7	Sub Standard	(10% above)
8-10	Non - Performing Loans	(100%)

Non-performing

25 Individually impaired 100% Very bad

The internal rating tools assists management to determine whether objective evidence of impairment exists, based on the following criteria set by the Bank:

- Cash flow difficulties experienced by the borrower or debtor
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Bank granted concessions may not be approved under normal circumstances due to economic, legal reasons and financial difficulties facing the borrower
- Deterioration of the collateral value
- Deterioration of the credit situation

The Bank's policy requires the review of all financial assets that are above materiality thresholds at least annually or more regularly when circumstances require. Impairment provisions on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date, and are applied to all significant accounts individually. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collective impairment provisions are provided portfolios of homogenous assets by using the available historical loss experience, experienced judgment and statistical techniques.

33.1.4. Maximum exposure to credit risk before collateral held

In balance sheet items exposed to credit risk	**Dec. 31, 2019** **EGP Thousands**	Dec. 31, 2018 EGP Thousands
Cash and balances with central bank	**28,273,962**	50,013,324
Due from banks	**28,353,366**	2,270,080
Gross loans and advances to banks	**629,780**	70,949
Less:Impairment provision	**(4,516)**	-
Gross loans and advances to customers		
Individual:		
- Overdraft	**1,462,439**	1,635,910
- Credit cards	**4,264,204**	3,540,849
- Personal loans	**20,219,305**	17,180,864
- Mortgages	**1,330,323**	876,372
Corporate:		
- Overdraft	**19,100,709**	13,992,595
- Direct loans	**51,163,302**	49,179,820
- Syndicated loans	**33,642,235**	32,899,950
- Other loans	**61,578**	125,429
Unamortized bills discount	**(55,197)**	(65,718)
Impairment provision	**(11,867,795)**	(16,038)
Total	**176,573,695**	171,704,386
Financial guarantees	**6,085,760**	7,962,043
Customers acceptances	**3,188,757**	1,050,573
Letters of credit (import and export)	**5,866,630**	4,178,288
Letter of guarantee	**15,141,147**	13,190,904

December 2019

The above table represents the Bank Maximum exposure to credit risk on December 31, 2019 , before taking account of any held collateral.

The above table represents the Bank's Maximum exposure to credit risk on December 31, 2019, before taking into account any held
For assets recognized on balance sheet, the exposures set out above are based on net carrying

As shown above 67.93% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt instruments represents 16.06%.

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

- 92.51% of the loans and advances are concentrated in the top two grades of the internal credit risk rating system.

- Loans and advances assessed individually are valued EGP 5,261,976.
- The Bank has implemented more prudent processes when granting loans and advances during the financial year ended on December 31, 2019.
- 97.57% of the investments in debt Instruments are Egyptian sovereign instruments.

December 2018

The above table represents the Bank's Maximum exposure to credit risk on December 31, 2018, before taking into account any held
For assets recognized on balance sheet, the exposures set out above are based on net carrying
amounts as reported in the balance sheet.

As shown above, 41.40% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt instruments represent 39.69%.

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

- 90.26% of the loans and advances are concentrated in the top two grades of the internal credit risk rating system.
- 95.94% of loans and advances portfolio are considered to be neither past due nor impaired.
- Loans and advances assessed individualy are valued EGP 4,855,460 thousand.
- The Bank has implemented more prudent processes when granting loans and advances during the financial year ended on December 31, 2018.
- 98.56% of the investments in debt Instruments are Egyptian sovereign instruments.

33.1.5. Loans and advances

Loans and advances are summarized as follows:

	Dec.31, 2019 EGP Thousands Loans and advances to customers	Dec.31, 2019 EGP Thousands Loans and advances to banks	Dec.31, 2018 EGP Thousands Loans and advances to customers	Dec.31, 2018 EGP Thousands Loans and advances to banks
Neither past due nor impaired	120,937,024	629,780	110,351,697	70,949
Past due but not impaired	5,045,095	-	4,224,632	-
Individually impaired	5,261,976	-	4,855,460	-
Gross	131,244,095	629,780	119,431,789	70,949
Less:				
Impairment provision	11,867,795	4,516	13,056,866	3,246
Unamortized bills discount	55,197	-	65,718	-
Suspended credit account	119,321,103	625,264	106,309,205	67,703

Impairment provision distributed to:

	Dec.31, 2019 Loans and advances to customers	Dec.31, 2019 Loans and advances to banks	Dec.31, 2018 Loans and advances to customers	Dec.31, 2018 Loans and advances to banks
Collective provision	205,235	-	205,235	-
Specific provision	4,509,255	4,516	4,510,525	3,246
Total	4,714,490	4,516	4,715,760	3,246

Impairment provision losses for loans and advances reached EGP 13,044,074 thousand.
During the year, the Bank's total loans and advances increased by 16.70%.
In order to minimize the propable exposure to credit risk, the Bank focuses more on the business with large enterprises,banks or retail customers with good credit rating or sufficient collatera

Collateral held and other credit enhancements, and their financial effect

The bank holds collateral and other credit enhancements against certain of its credit exposures.

The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Exposure	Percentage of exposure that is subject to collateral requirements Dec. 31, 2019	Percentage of exposure that is subject to collateral requirements Dec. 31, 2018	ECL Dec. 31, 2019	Principal type of coll
Trading derivative assets	-	100	100		Cash
Derivative assets held for risk management	216,383	100	100		Cash
Loans and advances to banks	625,264	-	-	4,516	None
Loans and advances to retail customers					
Real estate loans	1,330,323	80	80		Residential property
Personal loans	20,219,305	100	100	316,931	Cash
Credit cards	4,264,204	-	-		None
Overdraft	1,462,439	100	100		Cash
Loans and advances to corporate customers					
Other	103,967,824	40	40	11,508,956	Cash
Reverse sale and repurchaseagreements	-	100	100		Marketable securities

Residential mortgage lending

The tables below stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral.The gross amounts exclude any impairment allowance.
The valuation of the collateral excludes any adjustments for obtaining and selling the collateral.
The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

LTV ratio	Dec. 31, 2019	Dec. 31, 2018
Less than 50%	-	-
51–70%	-	-
71–90%	1,330,323	876,372
91–100%	-	-
More than 100%	-	-
Total	1,330,323	876,372

Loans and advances restructured

Restructuring activities include rescheduling arrangements, obligatory management programs, modification and deferral of payments. The application of restructuring policies are based on indicators or criteria of credit performance of the borrower that is based on the personal judgment of the management, indicate that payment will most likely continue. Restructuring is commonly applied to term loans, specially customer loans. Renegotiated loans totaled at the end of the year

	Dec.31, 2019	Dec.31, 2018
Loans and advances to customer		
Corporate		
- Direct loans stage 3	**4,682,243**	7,673,956
Total	**4,682,243**	7,673,956

33.1.8. Concentration of risks of financial assets with credit risk exposure

33.1.8.1. Geographical analysis

Following is a breakdown of the Bank's main credit exposure at their book values categorized by geographical region at the end of the year.

The Bank has allocated exposures to regions based on domicile of its counterparties.

Dec.31, 2019	**Cairo**	**Alex, Delta and Sinai**	**Upper Egypt**	**Total**
Cash and balances with central bank	28,273,962	-	-	**28,273,962**
Due from banks	28,353,366	-	-	**28,353,366**
Gross loans and advances to banks	629,780	-	-	**629,780**
Less:Impairment provision	(4,516)	-	-	**(4,516)**
Gross loans and advances to customers				
Individual:				
- Overdrafts	894,272	442,103	126,064	**1,462,439**
- Credit cards	3,355,501	782,472	126,231	**4,264,204**
- Personal loans	13,109,677	6,039,542	1,070,086	**20,219,305**
- Mortgages	1,243,652	78,135	8,536	**1,330,323**
Corporate:				
- Overdrafts	17,361,940	1,092,048	646,721	**19,100,709**
- Direct loans	34,218,971	11,970,680	4,973,651	**51,163,302**
- Syndicated loans	31,194,568	2,285,914	161,753	**33,642,235**
- Other loans	50,578	11,000	-	**61,578**
Unamortized bills discount	(55,197)	-	-	**(55,197)**
Impairment provision	(9,782,970)	(1,620,679)	(464,146)	**(11,867,795)**
Derivative financial instruments	216,383			
Financial investments:				
-Debt instruments	196,046,335	-	-	**196,046,335**
Total	**345,106,302**	**21,081,215**	**6,648,896**	**372,620,030**

Dec.31, 2018	**Cairo**	**Alex, Delta and Sinai**	**Upper Egypt**	**Total**
Treasury bills and other governmental notes	50,013,324	-	-	**50,013,324**
Trading financial assets:				
- Debt instruments	2,270,080	-	-	**2,270,080**
Gross loans and advances to banks	70,949	-	-	**70,949**
Less:Impairment provision	(3,246)	-	-	**(3,246)**
Gross loans and advances to customers				
Individual:				
- Overdrafts	948,571	558,087	129,252	**1,635,910**
- Credit cards	2,806,734	632,771	101,344	**3,540,849**
- Personal loans	10,820,446	5,401,963	958,455	**17,180,864**
- Mortgages	795,852	72,124	8,396	**876,372**
- Other loans	-	-	-	**-**
Corporate:				
- Overdrafts	11,941,245	1,415,913	635,437	**13,992,595**
- Direct loans	32,889,668	12,894,439	3,395,713	**49,179,820**
- Syndicated loans	30,010,681	2,687,040	202,229	**32,899,950**
- Other loans	80,000	45,429	-	**125,429**
Unamortized bills discount	(65,718)	-	-	**(65,718)**
Impairment provision	(9,723,380)	(3,024,196)	(309,290)	**(13,056,866)**
Derivative financial instruments	-	-	-	**-**
Financial investments:				
-Debt instruments	-	-	-	**-**
-Investments in associates	112,213,297	-	-	**112,213,297**
Total	**245,068,503**	**20,683,570**	**5,121,536**	**270,873,609**

Refer to Note 16 page 29/30.

33.1.8.2. Industry analysis

The following table analysis the Group's main credit exposure at their book value categorized by the Bank's customers activities.

EGP Thousands

Dec.31, 2019	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Government sector	Other activities	Individual	Total
Cash and balances with central bank	28,273,962	-	-	-	-	-	-	**28,273,962**
Due from banks	28,353,366	-	-	-	-	-	-	**28,353,366**
Gross loans and advances to banks	629,780	-	-	-	-	-	-	**629,780**
Less:Impairment provision	(4,516)	-	-	-	-	-	-	**(4,516)**
Gross loans and advances to customers								
Individual:								
- Overdrafts	-	-	-	-	-	-	1,462,439	**1,462,439**
- Credit cards	-	-	-	-	-	-	4,264,204	**4,264,204**
- Personal loans	-	-	-	-	-	-	20,219,305	**20,219,305**
- Mortgages	-	-	-	-	-	-	1,330,323	**1,330,323**
- Other loans	-	-	-	-	-	-	-	**-**
Corporate:								
- Overdrafts	944,864	9,250,386	2,386,079	481,734	2,205,542	3,832,104	-	**19,100,709**
- Direct loans	1,488,876	24,779,354	1,629,745	1,329,944	5,438,391	16,496,992	-	**51,163,302**
- Syndicated loans	20,825	7,746,397	305,750	-	24,577,394	991,869	-	**33,642,235**
- Other loans	-	61,578	-	-	-	-	-	**61,578**
Unamortized bills discount	(55,197)	-	-	-	-	-	-	**(55,197)**
Impairment provision	(44,300)	(4,540,883)	(14,126)	(87,280)	(511,802)	(6,310,565)	(358,839)	**(11,867,795)**
Suspended credit account	-	-	-	-	-	-	-	**-**
Derivative financial instruments	216,383	-	-	-	-	-	-	**216,383**
Financial investments:								
-Debt instruments	4,823,267	-	-	-	191,223,068	-	-	**196,046,335**
Total	**64,647,310**	**37,296,832**	**4,307,448**	**1,724,398**	**222,932,593**	**15,010,400**	**26,917,432**	**372,836,413**

The following table analysis the Group's main credit exposure at their book value categorized by the Bank customers activities as of 31 Dec 2018.

EGP Thousands

Dec.31, 2018	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Government sector	Other activities	Individual	Total
Treasury bills and other governmental notes	-	-	-	-	50,013,324	-	-	**50,013,324**
Trading financial assets:								
- Debt instruments	-	-	-	-	2,270,080	-	-	**2,270,080**
Gross loans and advances to banks	70,949	-	-	-	-	-	-	**70,949**
Less:Impairment provision	(3,246)	-	-	-	-	-	-	**(3,246)**
Gross loans and advances to customers								
Individual:								
- Overdrafts	-	-	-	-	-	-	1,635,910	**1,635,910**
- Credit cards	-	-	-	-	-	-	3,540,849	**3,540,849**
- Personal loans	-	-	-	-	-	-	17,180,864	**17,180,864**
- Mortgages	-	-	-	-	-	-	876,372	**876,372**
- Other loans	-	-	-	-	-	-	-	-
Corporate:								
- Overdrafts	554,027	7,482,009	1,695,229	493,626	1,086,755	2,680,949	-	**13,992,595**
- Direct loans	1,298,852	23,551,603	367,485	884,853	5,727,216	17,349,811	-	**49,179,820**
- Syndicated loans	226,331	8,178,023	222,300	-	23,108,258	1,165,038	-	**32,899,950**
- Other loans	-	106,000	-	16,000	-	3,429	-	**125,429**
Unamortized bills discount	(65,718)	-	-	-	-	-	-	**(65,718)**
Impairment provision	(41,632)	(4,282,971)	(5,939)	(65,139)	(274,825)	(8,235,736)	(150,624)	**(13,056,866)**
Interest in suspense	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Financial investments:								
-Debt instruments	1,228,033	-	-	-	110,985,264	-	-	112,213,297
Total	**3,267,596**	**35,034,664**	**2,279,075**	**1,329,340**	**192,916,072**	**12,963,491**	**23,083,371**	**270,873,609**

The investment balances and other assets are highly rated not impaired .

34.2. Market risk

Market risk represented as fluctuations in fair value or future cash flow, including foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices will reduce the Bank's income or the value of its portfolios. the Bank separates exposures to market risk into trading or non-trading portfolios.

Market risks are measured, monitored and controlled by the market risk management department. In addition, regular reports are submitted to the Asset and Liability Management Committee (ALCO), Board Risk Committee and the heads of each business unit.

Trading portfolios include positions arising from market-making, position taking and others designated as marked-to-market. Non-trading portfolios include positions that primarily arise from the interest rate management of the group's retail and commercial banking assets and liabilities, financial investments at amortized cost and FVOCI.

33.2.1. Market risk measurement techniques

As part of the management of market risk, the Bank undertakes various hedging strategies. the Bank also enters into interest rate swaps to match the interest rate risk associated with the fixed-rate long-term debt instrument and loans to which the fair value option has been applied .

	Note	Dec.31, 2019 Carrying amount	Dec.31, 2019 Market risk measure Trading portfolios	Dec.31, 2019 Market risk measure Non-trading portfolios	Dec.31, 2018 Carrying amount	Dec.31, 2018 Market risk measure Trading portfolios	Dec.31, 2018 Market risk measure Non-trading portfolios
Assets subject to market risk							
Derivatives held for risk management		139,444	-	139,444	52,289	39,355	12,934
Loans and advances to banks		625,264	-	625,264	68,385	-	68,385
Loans and advances to customers		119,321,103	-	119,321,103	107,828,597	-	107,828,597
Investment securities		107,565,114	-	107,565,114	73,598,251	-	73,598,251
Liabilities subject to market risk					-	-	-
Derivatives held for risk management		76,673	-	76,673	132,858	85,912	46,946
Deposits		316,259,062	-	316,259,062	292,556,688	-	292,556,688

33.2.1.1. Value at Risk

The Bank applies a "Value at Risk" methodology (VaR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected under normal market conditions, based upon a number of assumptions for various changes in market conditions.

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 (95%).

There is therefore a specified statistical probability (5%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain 'holding period' until positions can be closed (1 Day).

The Bank is assessing the historical movements in the market prices based on volatilities and correlations data for the past five years.

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, the Market Risk Management set Soft VaR Limits, trading book, which have been approved by the board, and are monitored and reported on a daily basis to the Senior Management.

In addition, monthly limits compliance is reported to the ALCO.

The Bank has developed the internal model to calculate VaR and is not yet approved by the Central Bank as the regulator is currently applying and requiring banks to calculate the Market Risk Capital Requirements according to Basel II Standardized Approach.

33.2.1.2. Stress tests

Stress tests provide an indication of the potential size of losses that could arise under extreme market conditions. Therefore, bank computes on a daily basis trading Stress VaR, combined with trading Normal VaR to capture the abnormal movements in financial markets and to give more comprehensive picture of risk. The results of the stress tests are reviewed by the ALCO on a monthly basis and the board risk committee on a quarterly basis.

33.2.2. Value at risk (VaR) Summary

Total VaR by risk type	**Dec.31, 2019** Medium	High	Low	Dec.31, 2018 Medium	High	Low
Foreign exchange risk	**410**	**2,426**	**50**	231	1,482	20
Interest rate risk	**604,814**	**1,176,577**	**274,079**	453,569	645,193	238,077
Equities risk	**-**	**-**	**-**	-	-	-
Portfolio managed by others risk	**4,858**	**9,696**	**1,487**	7,030	11,507	1,969
Investment fund	**76**	**122**	**44**	119	267	55
Total VaR	**605,585**	**1,178,349**	**274,303**	455,104	647,983	238,493

The aggregate of the trading and non-trading VaR results does not constitute the Bank's VaR due to correlations and consequent diversification effects between risk types and portfolio types.

33.2.3. Foreign exchange risk

The Bank's financial position and cash flows are exposed to fluctuations in foreign currency exchange rates. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank’s exposure to foreign currency exchange rate risk and Bank’s financial instruments at carrying amounts, categorized by currency as of 31 Dec 2019.

	Local Currency	Foreign Currencies				Equivalent EGP
Dec.31, 2019	**EGP**	**USD**	**EUR**	**GBP**	**Other**	**Total**
Financial assets						
Cash and balances with Central Bank	24,810,156	2,022,378	550,291	42,833	848,304	**28,273,962**
Due from banks	651,997	24,997,111	1,865,300	789,250	66,525	**28,370,183**
Gross loans and advances to banks	-	629,780	-	-	-	**629,780**
Gross loans and advances to customers	76,258,644	50,732,541	4,175,708	77,202	-	**131,244,095**
Derivative financial instruments	76,939	139,444	-	-	-	**216,383**
Financial investments						
Financial investment securities	172,199,545	25,001,742	1,810,704	-	-	**199,011,991**
Investments in associates	107,693	-	-	-	-	**107,693**
Total financial assets	**274,104,974**	**103,522,996**	**8,402,003**	**909,285**	**914,829**	**387,854,087**
Financial liabilities						
Due to banks	81,980	11,644,652	73,058	10,890	27	**11,810,607**
Due to customers	216,276,483	78,428,221	8,479,582	867,498	396,671	**304,448,455**
Derivative financial instruments	205,915	76,673	-	-	-	**282,588**
Long term loans	64,446	3,208,300	-	-	-	**3,272,746**
Total financial liabilities	**216,628,824**	**93,357,846**	**8,552,640**	**878,388**	**396,698**	**319,814,396**
Net on-balance sheet financial position	**57,476,150**	**10,165,150**	**(150,637)**	**30,897**	**518,131**	**68,039,691**

Dec.31, 2018	EGP	USD	EUR	GBP	Other	Equivalent EGP Total
Financial assets						
Cash and balances with Central Bank	15,822,884	2,511,902	657,323	80,582	986,283	**20,058,974**
Due from banks	15,730,309	23,594,720	6,743,789	366,545	83,529	**46,518,892**
Treasury bills and other governmental notes	31,491,429	12,272,607	1,333,103	-	-	**45,097,139**
Financial Assets at Fair value through P&L	1,802,626	935,079	-	-	-	**2,737,705**
Gross loans and advances to banks	-	70,949	-	-	-	**70,949**
Gross loans and advances to customers	63,518,898	52,952,122	2,938,691	22,078	-	**119,431,789**
Derivative financial instruments	39,355	12,934	-	-	-	**52,289**
Financial investments	-	-	-	-	-	**-**
Financial Assets at Fair value through OCI	26,664,326	12,367,155	186,409	-	-	**39,217,890**
Financial Assets at Amortized cost	73,630,764	-	-	-	-	**73,630,764**
Investments in associates	106,558	-	-	-	-	**106,558**
Total financial assets	**228,807,149**	**104,717,468**	**11,859,315**	**469,205**	**1,069,812**	**346,922,949**
Financial liabilities						
Due to banks	5,958,780	1,099,145	92,882	12,773	96,239	**7,259,819**
Due to customers	182,983,217	89,794,399	11,046,226	1,005,452	467,575	**285,296,869**
Derivative financial instruments	85,912	46,946	-	-	-	**132,858**
Long term loans	138,809	3,582,720	-	-	-	3,721,529
Total financial liabilities	**189,166,718**	**94,523,210**	**11,139,108**	**1,018,225**	**563,814**	**296,411,075**
Net on-balance sheet financial position	**39,640,431**	**10,194,258**	**720,207**	**(549,020)**	**505,998**	**50,511,874**

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant.
The impact on the Bank's profit before tax is due to changes in the fair value of monetary assets and liabilities.
The Bank's exposure to foreign currency changes for all other currencies is not material.

	Change in USD rate	Effect on profit before tax
		EGP '000
2019	+10%	1,016,515
	-10%	(1,016,515)
2018	+10%	1,019,426
	-10%	(1,019,426)

	Change in EUR rate	Effect on profit before tax
		EGP '000
2019	+10%	(15,064)
	-10%	15,064
2018	+10%	1,167,431
	-10%	(1,167,431)

33.2.4. Interest rate risk

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 Gain may decrease in the event that unexpected movements arise.The Board sets limits on the gaps of interest rate repricing that may be undertaken, which is monitored by bank's Risk Management Department.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of repricing or contractual maturity dates.

Dec.31, 2019	Up to1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non- Interest Bearing	Total
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	28,273,962	**28,273,962**
Due from banks	18,576,895	9,085,184	706,644	-	-	1,460	**28,370,183**
Gross loans and advances to banks	658	173,793	455,329	-	-	-	**629,780**
Gross loans and advances to customers	85,681,987	15,769,768	14,670,005	11,728,367	3,393,968	-	**131,244,095**
Derivatives financial instruments (including IRS notional amount)	402,984	1,604,150	704,698	6,385,125	-	-	**9,096,957**
Financial investments							
Financial investment securities	2,485,199	37,674,269	77,869,613	43,231,169	36,383,640	1,368,101	**199,011,991**
Investments in associates	-	-	-	-	-	107,693	**107,693**
Total financial assets	**107,147,723**	**64,307,164**	**94,406,289**	**61,344,661**	**39,777,608**	**29,751,216**	**396,734,661**
Financial liabilities							
Due to banks	5,505,976	320,830	5,694,732	-	-	289,069	**11,810,607**
Due to customers	178,790,478	30,449,392	15,856,268	34,834,663	257,371	44,260,283	**304,448,455**
Derivatives financial instruments (including IRS notional amount)	3,182,215	4,175,946	125,307	4	1,679,690	-	**9,163,162**
Long term loans	2,868	3,250,787	14,091	5,000	-	-	**3,272,746**
Total financial liabilities	**187,481,537**	**38,196,955**	**21,690,398**	**34,839,667**	**1,937,061**	**44,549,352**	**328,694,970**
Total interest re-pricing gap	**(80,333,814)**	**26,110,209**	**72,715,891**	**26,504,994**	**37,840,547**	**(14,798,136)**	**68,039,691**

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of repricing or contractual maturity dates.

Dec.31, 2018	Up to1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non- Interest Bearing	Total
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	20,058,974	**20,058,974**
Due from banks	33,676,642	12,438,963	401,563	-	-	1,724	**46,518,892**
Treasury bills and other governmental notes*	(3,711,230)	5,425,047	43,383,322	-	-	-	**45,097,139**
Trading financial assets	38,375	-	-	1,643,653	626,428	429,249	**2,737,705**
Gross loans and advances to banks	3,969	5,483	17,829	42,233	1,435	-	**70,949**
Gross loans and advances to customers	77,155,228	13,993,151	14,231,235	10,708,275	3,343,900	-	**119,431,789**
Derivatives financial instruments (including IRS notional amount)	1,510,540	9,650	399,197	5,899,343	-	-	**7,818,730**
Financial investments	-	-	-	-	-	-	
Financial Assets at Fair value through OCI	132,500	73,030	457,834	19,793,116	18,158,565	602,845	**39,217,890**
Financial Assets at Amortized cost	9,361,480	2,055,231	26,632,213	27,257,651	8,324,189	-	**73,630,764**
Investments in associates	-	-	-	-	-	106,558	**106,558**
Total financial assets	**118,167,504**	**34,000,555**	**85,523,193**	**65,344,271**	**30,454,517**	**21,199,350**	**354,689,390**
Financial liabilities							
Due to banks	7,002,464	-	-	-	-	257,355	**7,259,819**
Due to customers	148,862,473	22,012,700	24,470,575	40,675,873	533,317	48,741,931	**285,296,869**
Derivatives financial instruments (including IRS notional amount)	2,148,569	5,011,865	33,028	705,837	-	-	**7,899,299**
Long term loans	33,380	10,000	87,286	443,188	3,147,675	-	**3,721,529**
Total financial liabilities	**158,046,886**	**27,034,565**	**24,590,889**	**41,824,898**	**3,680,992**	**48,999,286**	**304,177,516**
Total interest re-pricing gap	**(39,879,382)**	**6,965,990**	**60,932,304**	**23,519,373**	**26,773,525**	**(27,799,936)**	**50,511,874**

Interest rate sensitivity

Sensitivity Analysis extends Gap Analysis by focusing on changes in the bank's earnings, due to changes in Interest Rates and Balance Sheet Interest Sensitive items composition.

Defined as the impact on the bank's consolidated Net Income over the following 12 months, based on adverse changes in Interest Rates.

	Increase/decreasein basis points	Effect on P&L EGP '000
2019		
EGP	+ 100 bps	(317,802)
USD	+ 100 bps	402,923
EUR	+ 100 bps	20,787
EGP	- 100 bps	317,802
USD	- 100 bps	(402,923)
EUR	- 100 bps	(20,787)
2018		
EGP	+ 200 bps	(150,653)
USD	+ 200 bps	143,315
EUR	+ 200 bps	16,328
EGP	- 200 bps	150,653
USD	- 200 bps	(143,315)
EUR	- 200 bps	(16,328)

33.3. Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations arises from its financial liabilities as they fall due or to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill lending commitments.

33.3.1 Liquidity risk management process

The Bank's liquidity management process is carried by the Assets and Liabilities Management Department and monitored independently by the Risk Management Department, which includes:
Projecting cash flows by major currency under various stress scenarios and considering the level of liquid assets necessary in relation thereto:
- The Bank maintains an active presence in global money markets to enable this to happen.
- Maintaining a diverse range of funding sources with back-up facilities.
- Monitoring balance sheet liquidity and advances to core funding ratios against internal regulations.
- Managing the concentration and profile of debt maturities.
- Monitoring and reporting takes 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 assets projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Bank's Risk Management Department also monitors unmatched medium-term.

33.3.2. Funding approach

Sources of liquidity are regularly reviewed jointly by the Bank's Assets & Liabilities Management Department and Consumer Banking to maintain a wide diversification within currencies, geographical area,depositors, products and tenors.

33.3.3. Non-derivative cash flows

The table below presents the undiscounted cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities and the maturities assumption for non contractual products are based on there behavior studies.
These accounts are presented in the financial statement at cost not at present value.

Dec.31, 2019	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total EGP Thousands
Financial liabilities						
Due to banks	5,795,044	320,830	5,694,733	-	-	11,810,607
Due to customers	34,976,355	25,769,297	71,077,755	161,953,222	10,671,826	304,448,455
Long term loans	2,868	42,488	14,090	1,257,765	1,955,535	3,272,746
Total liabilities (contractual and non contractual maturity dates)	40,774,267	26,132,615	76,786,578	163,210,987	12,627,361	319,531,808
Cash & Cash Item	5,876,652	-	-	-	-	5,876,652
Due From CBE	322,290	9,085,184	538,209	17,917,842	4,479,467	32,342,992
Due From Local Banks	1,348,559	-	-	-	-	1,348,559
Due From Foreign Banks	16,890,689	-	168,436	-	-	17,059,125
Financial investments securities	3,361,060	5,124,396	54,654,731	97,890,616	36,510,847	197,541,651
Investments in associates	-	-	-	-	107,693	107,693
Loans & Overdraft	11,340,254	15,904,126	27,581,671	49,714,865	26,703,178	131,244,095
Total financial assets (contractual and non contractual maturity dates)	39,139,504	30,113,707	82,943,048	165,523,324	67,801,185	385,520,767

Dec.31, 2018	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total EGP Thousands
Financial liabilities						
Due to banks	6,632,843	626,976	-	-	-	7,259,819
Due to customers	31,894,334	25,110,083	76,931,013	152,063,312	14,985,086	300,983,828
Long term loans	33,380	10,000	87,286	443,188	3,418,675	3,992,529
Total liabilities (contractual and non contractual maturity dates)	38,560,557	25,747,059	77,018,299	152,506,500	18,403,761	312,236,176
Cash & Cash Item	5,083,805	-	-	-	-	5,083,805
Due From Cbe	13,958,000	15,923,996	7,565,899	5,438,232	-	42,886,127
Due From Commercial Banks Local	204,309	-	-	-	-	204,309
Due From Foreign Banks	19,866,454	382,172	110,207	-	-	20,358,833
Financial Assets at Fair value through OCI	525,388	-	153,523	4,735,500	32,880	5,447,291
Financial Assets at Fair value through P&L	490,769	221,987	126,111	1,243,272	362,995	2,445,134
Financial Assets at Amortized cost	4,016,605	3,295,916	6,664,146	29,628,561	10,319,708	53,924,936
Investments in associates	-	-	-	-	14,100	14,100
Treasury Bills	4,027,742	4,614,183	32,771,155	-	-	41,413,080
Net Loans & Overdraft	13,368,396	9,668,819	17,055,324	34,887,070	10,409,723	85,389,332
Total financial assets (contractual and non contractual maturity dates)	61,541,468	34,107,073	64,446,365	75,932,635	21,139,406	257,166,947

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, due from CBE and due from banks, treasury bills, other government notes , loans and advances to banks and customers.

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt instrument and treasury bills and other governmental notes have been pledged to secure liabilities. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

33.3.4. Derivative cash flows

Derivatives settled on a net basis

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

Foreign exchange derivatives: exchange traded options and over-the-counter (OTC) ,exchange traded forwards currency options.

Interest rate derivatives: interest rate swaps, forward rate agreements, OTC and exchange traded interest rate options, other interest rate contracts and exchange traded futures .

The table below analyses the Bank's derivative undiscounted financial liabilities that will be settled on a net basis into maturity groupings based on the remaining period of the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

EGP Thousands

Dec.31, 2019	**Up to 1 month**	**One to three months**	**Three months to one year**	**One year to five years**	**Over five years**	**Total**
Liabilities						
Derivatives financial instruments						
Inflows	34,031	-	37,372	144,980	-	216,383
Outflows	(30,061)	(51,676)	(125,307)	(4)	(75,540)	(282,588)
Net	**3,970**	**(51,676)**	**(87,935)**	**144,976**	**(75,540)**	**(66,205)**
interbank rates	**3,970**	**(51,676)**	**(87,935)**	**144,976**	**(75,540)**	**(66,205)**

Dec.31, 2018	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total
Liabilities						
Derivatives financial instruments						
Inflows	109,750	102,737	189	11,954	-	224,630
Outflows	(201,744)	(214,633)	(324)	(22,915)	-	(439,616)
Net	**(91,994)**	**(111,896)**	**(136)**	**(10,960)**	**-**	**(214,986)**

Letters of credit, guarantees and other commitments

	Up to 1 year	**1-5 years**	**Over 5 years**	**Total**
Dec.31, 2019	50,210,710	14,264,820	5,723,073	70,198,603
Dec.31, 2018	51,260,372	14,088,753	6,046,689	71,395,814

33.3.5. Balance sheet by maturity

Dec-19	1 year	One year to five years	Over five years	Total EGP Thousands
Financial liabilities				
Due to banks	**11,810,607**	**-**	**-**	**11,810,607**
Due to customers	**129,918,126**	**113,133,767**	**61,396,562**	**304,448,455**
Long term loans	**59,562**	**80,295**	**3,132,889**	**3,272,746**
Total liabilities	**141,788,295**	**113,214,062**	**64,529,451**	**319,531,808**
Cash & Cash Item	**5,876,652**	**-**	**-**	**5,876,652**
Due From Cbe	**9,945,683**	**17,917,842**	**4,479,467**	**32,342,992**
Due From Local Banks	**1,348,559**	**-**	**-**	**1,348,559**
Due From Foreign Banks	**17,059,125**	**-**	**-**	**17,059,125**
Financial investments securities	**63,128,424**	**80,727,095**	**53,686,131**	**197,541,651**
Investments in associates	**-**	**-**	**107,693**	**107,693**
Loans & Overdraft	**56,069,600**	**18,577,309**	**56,597,185**	**131,244,094**
Total financial assets	**153,428,043**	**117,222,247**	**114,870,476**	**385,520,766**

Dec-18	1 year	One year to five years	Over five years	Total EGP Thousands
Financial liabilities				
Due to banks	7,259,819	-	-	7,259,819
Due to customers	128,439,656	111,846,303	60,697,868	300,983,828
Long term loans	72,662	97,955	3,821,913	3,992,529
Total liabilities	135,772,137	111,944,258	64,519,781	312,236,176
Cash & Cash Item	5,083,805	-	-	5,083,805
Due From Cbe	13,187,766	23,758,682	5,939,679	42,886,127
Due From Local Banks	204,309	-	-	204,309
Due From Foreign Banks	20,358,833	-	-	20,358,833
Financial investments securities	19,754,986	25,262,196	16,800,178	61,817,361
Investments in associates	-	-	14,100	14,100
Loans & Overdraft	36,479,704	12,086,670	36,822,958	85,389,332
Total financial assets	95,069,403	61,107,548	59,576,916	215,753,867

33.4. Fair value of financial assets and liabilities

33.4.1. Financial instruments not measured at fair value

The table below summarizes the book value and fair value of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Book value		Fair value	
	Dec.31, 2019	Dec.31, 2018	**Dec.31, 2019**	Dec.31, 2018
Financial assets				
Cash and balances with central bank	**28,273,962**	20,058,974	**28,273,962**	20,058,974
Due from banks	**28,353,366**	46,511,579	**28,353,366**	46,511,579
Gross loans and advances to banks	**629,780**	70,949	**629,780**	70,949
Gross loans and advances to customers		-		-
- Individual	**27,276,271**	23,233,995	**27,322,758**	23,907,444
- Corporate	**103,967,824**	96,197,794	**101,417,718**	91,544,932
Financial investments		-		-
Financial Assets at Amortized cost	**107,225,613**	73,630,764	**107,652,925**	74,058,076
Total financial assets	**295,726,816**	259,704,055	**293,650,509**	256,151,954
Financial liabilities				
Due to banks	**11,810,607**	7,259,819	**11,810,607**	7,259,819
Due to customers	**304,448,455**	285,296,869	**302,256,825**	280,685,969
Long term loans	**3,272,746**	3,721,529	**3,272,746**	3,721,529
Total financial liabilities	**319,531,808**	296,278,217	**317,340,178**	291,667,317

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

Fair values of financial instruments

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2019:

instruments:

Level 1 - Quoted prices in active markets for the same instrument (i.e. without modification or repacking);

Level 2 - Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3 - Valuation techniques for which any significant input is not based on observable market data.

Dec.31, 2019	Date of Valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (level 2)	Valuation techniques (level 3)
Measured at fair value:					
Financial assets					
Financial Assets at Fair value through OCI	31-Dec-19	89,897,257	61,689,580	27,634,062	573,615
		89,897,257	61,689,580	27,634,062	573,615
Derivative financial instruments					
Financial assets	31-Dec-19	216,383	-	216,383	-
Financial liabilities	31-Dec-19	282,588	-	282,588	-
Assets for which fair values are disclosed:					
Financial Assets at Amortized cost	31-Dec-19	107,652,925	-	107,652,925	-
Loans and advances to banks	31-Dec-19	625,264	-	-	625,264
Loans and advances to customers	31-Dec-19	128,740,476	-	-	128,740,476
Total		**237,018,665**	**-**	**107,652,925**	**129,365,740**
Liabilities for which fair values are disclosed:					
Other loans	31-Dec-19	3,272,746	-	3,272,746	-
Due to customers	31-Dec-19	304,448,455			304,448,455
Total		**307,721,201**	**-**	**3,272,746**	**304,448,455**

Dec.31, 2018	Date of Valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (level 2)	Valuation techniques (level 3)
Measured at fair value:					
Financial assets					
Financial Assets at Fair value through OCI	31-Dec-18	39,446,127	39,073,139	144,751	228,237
		39,446,127	**39,073,139**	**144,751**	**228,237**
Derivative financial instruments					
Financial assets	31-Dec-18	52,289	-	52,289	-
Financial liabilities	31-Dec-18	132,858	-	132,858	-
		-	-	-	-
Assets for which fair values are disclosed:		-	-	-	-
Financial Assets at Amortized cost	31-Dec-18	74,058,076	-	74,058,076	-
Loans and advances to banks	31-Dec-18	68,385	-	-	68,385
Loans and advances to customers	31-Dec-18	115,452,376	-	-	115,452,376
Total		**189,578,837**	**-**	**74,058,076**	**115,520,761**
Liabilities for which fair values are disclosed:					
Long term loans	31-Dec-18	3,721,529	-	3,721,529	-
Due to customers	31-Dec-18	285,296,869	-	-	285,296,869
Total		**289,018,398**	**-**	**3,721,529**	**285,296,869**

There are no financial instruments that qualify for classification under level 3 as at 31 December 2019 & 2018 .
there have been no transfers between level 1 and 2.
The fair values of on-balance sheet financial instruments, except for other investments held at amortised cost and financial investment at amortized cost which are carried at amortised cost, are not significantly different from the carrying values included in the consolidated financial statements. The fair values of loans and advances, commission bearing customers' deposits, due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and for the short duration of due from and due to banks.
The estimated fair values of investments held at amortised cost are based on quoted market prices when available or pricing models when used in the case of certain fixed rate bonds respectively. The fair values of these investments are also disclosed in note 19.
The value obtained from the relevant valuation model may differ, with the transaction price of a financial instrument. The difference between the transaction price and the model value is commonly referred to as 'day-one profit or loss'. It is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable data, or realized through disposal. Subsequent changes in fair value are recognized immediately in the statement of consolidated income without reversal of deferred day-one profits or losses.
The valuation of each publicly traded investment is based upon the closing market price of that stock as of the valuation date, less a discount if the security is restricted.
Unrealized private investments are valued at each reporting date using a combination of three methods:
(i) a comparable public market valuation ;
(ii) a comparable acquisition valuation;
(iii) a discounted cash flow analysis.
The relative weightings applied to each valuation method reflect the manager's judgment as to the relative applicability and strength of each valuation approach to the specific unrealized investment. Differences under the methods are reconciled through a variety of quantitative analysis and qualitative factors, as required.

33.5 Capital Management

For capital management purposes, the Bank's capital includes total equity as reported in the balance sheet .
The Bank manages its capital to ensure that the following objectives are achieved:
- Compliance with the legally imposed capital requirements in Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth of the Bank's operations.

Capital adequacy and the use of regulatory capital are monitored on a daily basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the banking supervision unit in the Central Bank of Egypt.
The required data is submitted to the Central Bank of Egypt on a quarterly basis.

Central Bank of Egypt requires the following:
- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital.
- Maintaining a minimum level of capital adequacy ratio of 12.75%, calculated as the ratio between total value of the capital elements, and the risk-weighted assets and contingent liabilities of the Bank.

Tier one:
Tier one, comprised of paid-in capital (after deducting the book value of treasury shares), retained earnings and reserves resulting from the distribution of profits except the banking risk reserve and deducting previously recognized goodwill and any retained losses
Tier two:
Represents the gone concern capital which comprised of general risk provision according to the impairment provision guidelines issued by the Central Bank of Egypt for to the maximum of 1.25% risk weighted assets and contingent liabilities ,subordinated loans with more than five years to maturity (amortizing 20% of its carrying amount in each year of the remaining five years to maturity) and 45% of the increase in fair value than book value financial investment at amortized cost , FVOCI , subsidiaries and associates investments.
When calculating the numerator of capital adequacy ratio, the rules set limits of total tier 2 to no more than tier 1 capital and also limits the subordinated to no more than 50% of tier1.
Assets risk weight scale ranging from zero to 100% based on the counterparty risk to reflect the related credit risk scheme, taking into consideration the cash collaterals. Similar criteria are used for off balance sheet items after adjusting it to reflect the nature of contingency and the potential loss of those amounts. The Bank has complied with all local capital adequacy requirements for the current year.

The tables below summarizes the compositions of Teir 1, Teir 2 , the capital adequacy ratio and leverage ratio .

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands Restated**
Tier 1 capital		
Share capital (net of the treasury shares)	**14,690,821**	11,668,326
Reserves	**24,661,076**	14,829,948
IFRS 9 Reserve	**-**	1,411,549
Retained Earnings (Losses)	**81,328**	55,089
Total deductions from tier 1 capital common equity	**(807,709)**	(4,754,596)
Net profit for the year	**8,430,530**	6,881,450
Total qualifying tier 1 capital	**47,056,046**	30,091,766
Tier 2 capital		
45% of special reserve	**-**	49
Impairment provision for loans and regular contingent liabilities	**1,740,919**	1,879,734
Subordinated Loans	**3,208,300**	3,582,720
Total qualifying tier 2 capital	**4,949,219**	5,462,503
Total capital 1+2	**52,005,265**	35,554,269
Risk weighted assets and contingent liabilities		
Total credit risk	**169,831,103**	156,952,618
Total market risk	**766,516**	5,959,133
Total operational risk	**28,851,964**	23,292,505
Total	**199,449,583**	186,204,256
***Capital adequacy ratio (%)**	**26.07%**	19.09%

**Based on consolidated financial statement figures and in accordance with Central Bank of Egypt regulation issued on 24 December 2012.*
***After 2018 profit distribution.*
2-Leverage ratio

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands Restated**
Total qualifying tier 1 capital	**47,056,046**	30,089,879
On-balance sheet items & derivatives	**409,689,485**	346,163,131
Off-balance sheet items	**46,195,165**	45,407,765
Total exposures	**455,884,650**	391,570,896
***Percentage**	**10.32%**	7.68%

**Based on consolidated financial statement figures and in accordance with Centeral Bank of Egypt regulation issued on 14 July 2015.*

34. Segment analysis

34.1. By business segment

The Bank is divided into main business segments on a worldwide basis:

- Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products
- SME's – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products
- Investment banking – incorporating financial instruments Trading, structured financing, Corporate leasing,and merger and acquisitions advice.
- Retail banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Transactions between the business segments are on normal commercial terms and conditions.

EGP Thousands

	Corporate banking	SME's	Investment banking	Retail banking	Total
Dec.31, 2019					
External revenue					
Net interest income	8,333,603	1,909,130	5,219,603	6,084,544	21,546,879
Net fee and commission income	882,134	202,087	552,509	644,065	2,280,795
Net trading income	332,796	60,964	-	294,298	688,059
Total segment revenue	9,548,533	2,172,181	5,772,112	7,022,908	24,515,733
Impairment charge for credit losses	(1,256,794)	(46,658)	184,921	(316,929)	(1,435,460)
Reportable segment profit before tax	4,052,229	1,336,428	5,139,811	4,238,912	14,767,380
Reportable segment assets	103,894,579	1,398,063	255,264,497	26,524,730	387,081,869
Letters of guarantee	33,259,703	334,412	27,479,441	69,660	61,143,216
Letters of credit	3,885,853	105,453	1,827,822	47,502	5,866,630
Customers acceptances	3,162,938	-	-	25,819	3,188,757
Total contingent liabilities and commitments	40,308,494	439,866	29,307,263	142,980	70,198,603

	Corporate banking	SME's	Investment banking	Retail banking	Total
Dec.31, 2018					
External revenue					
Net interest income	7,012,137	64,778	(83,300)	5,510,172	12,503,787
Net fee and commission income	1,145,256	19,503	104,513	783,394	2,052,666
Net trading income	631,416	4,472	-	656,327	1,292,215
Total segment revenue	8,788,809	88,753	21,213	6,949,893	15,848,668
Impairment charge for credit losses	(415,460)	-	-	(1,410)	(416,870)
Reportable segment profit before tax	(415,460)	-	-	(1,410)	(416,870)
Reportable segment assets	121,421,797	2,691,043	196,714,584	26,864,803	347,692,227
Reportable segment liabilities	92,220,132	445,062	404	174,819,134	267,484,732
Letters of guarantee	37,813,332	380,197	31,241,687	79,197	69,514,413
Letters of credit	1,126,363	30,567	529,817	13,769	1,700,516
Customers acceptances	1,009,450	-	-	8,240	1,017,690
Total contingent liabilities and commitments	39,949,145	410,764	31,771,504	101,206	72,232,619

34.2 . By geographical segment

EGP Thousands

Dec.31, 2019	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenue according to geographical segment	**19,448,026**	**3,309,436**	**694,651**	**23,452,113**
Expenses according to geographical segment	**(7,293,433)**	**(1,143,218)**	**(248,082)**	**(8,684,733)**
Profit before tax	**12,154,593**	**2,166,218**	**446,569**	**14,767,380**
Tax	**(3,985,969)**	**(620,086)**	**(127,831)**	**(4,733,886)**
Profit for the year	**8,168,624**	**1,546,132**	**318,738**	**10,033,494**
Total assets	**359,245,594**	**21,081,215**	**6,755,060**	**387,081,869**
Non current assets				

Dec.31, 2018	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenue according to geographical segment	16,788,381	3,424,556	934,803	21,147,740
Expenses according to geographical segment	(7,545,066)	(1,304,228)	(223,716)	(9,073,010)
Profit before tax	9,243,315	2,120,328	711,087	12,074,730
Tax	(2,738,280)	(568,053)	(190,506)	(3,496,839)
Profit for the year	6,505,035	1,552,275	520,581	8,577,891
Total assets	316,956,666	19,340,837	6,447,052	342,744,555
Non current assets				

35 . Contingent liabilities and commitments

35.1 . Legal claims

Litigation is a common occurrence in the Banking industry due to the nature of the business undertaken.
The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year-end, the Bank had several unresolved legal claims.

35.2 . Capital commitments

35.2.1 . Financial investments

The capital commitments for the financial investments reached on the date of financial position EGP 148,361 thousand as follows:

Financial Assets at Fair value through OCI	Investments value EGP Thousands	Paid EGP Thousands	Remaining EGP Thousands
Dec.31, 2019	**320,827**	**172,465**	**148,362**
Dec.31, 2018	358,268	192,593	165,675

35.2.2 . Fixed assets and branches constructions

The value of commitments for the purchase of fixed assets contracts and branches constructions that have not been implemented till the date of financial statement amount to :

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
	911,159	198,026

35.3 . Letters of credit, guarantees and other commitments

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Letters of guarantee	**61,143,216**	66,166,953
Letters of credit (import and export)	**5,866,630**	4,178,288
Customers acceptances	**3,188,757**	1,050,573
Total	**70,198,603**	71,395,814

	Dec.31, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Credit facilities commitments	**7,745,071**	9,173,782

36 . Related party disclosures

36.1 . Compensation of key management personnel of the Bank

Regarding Employee share ownership plan for the top 20 key management personnel, the average number of shares in 2019 amounted to 76,905 shares.
In accordance to the equity settled share based payment program approved by the extraordinary general assembly meeting of the bank in April 2011 with the same conditions previously approved by the extraordinary general assembly meeting of the bank in June 2006, these shares are vested after 3 years (in 2021) and should not be exercised until the beneficiaries pay its full par value of EGP 10 per share.

	Dec.31, 2019		Dec.31, 2018	
	Outstanding balance	**Income (expense)**	Outstanding balance	Income
	EGP Thousands	**EGP Thousands**	EGP Thousands	EGP Thousands
Loans and advances	**9,581**	**1,400**	5,414	2,830
Deposits	**83,921**	**(300,722)**	137,766	(281,998)

36.2 Transactions with associates

	Dec.31, 2019			
	Interest from	**Interest to**	**Amounts owed by**	**Amounts owed to**
	EGP Thousands	**EGP Thousands**	**EGP Thousands**	**EGP Thousands**
International Co. for Security & Services	**110**	**296,569**	**-**	**10,426**
Fawry Plus	**553**	**-**	**-**	**-**

	Dec.31, 2018			
	Interest from	**Interest to**	**Amounts owed by**	**Amounts owed to**
	EGP Thousands	**EGP Thousands**	**EGP Thousands**	**EGP Thousands**
International Co. for Security & Services	**94**	**277,139**	**-**	**9,919**

Terms and conditions of transactions with related parties
The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at normal commercial rates.
Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables.

37 . **Tax status**

Corporate income tax

Settlement of corporate income tax since the start of activity till 2017

2018 examined & paid

The yearly income tax return is submitted in legal dates

Salary tax

Settlement of salary tax since the start of activity till 2018

Stamp duty tax

The period since the start of activity till 31/07/2006 was examined & paid, disputed points have been transferred to the court for adjudication
The period from 01/08/2006 till 31/12/2018 was examined & paid in accordance with the protocol signed between the Federation of Egyptian Banks & the Egyptian Tax Authority

38 . **Intangible assets:**

Commercial International Bank of Egypt has acquired Citibank Egypt's Retail Banking and Credit Cards businesses in Egypt on 29 October 2015.
The transfer process concerns Citibank's retail banking and cards businesses including employees,branches and its ATM network.
The acquisition resulted in a goodwill and intangible assets including customers relationships , which is the outcome from the difference between the purchase price and the fair value of Citibank's portfolio.
Excess Earnings Method has been used to estimate the value of customer relationships. According to this method, the value of this intangible asset is represented in the present value of the earnings attributable to the subject intangible asset after providing for the proportion of earnings that attribute to returns for contributory assets.
The estimated the value of customer relationships was based on the expected profit to be earned from interest, fees, and charges.
No impairment indicators exist as of the statement of financial position.

A summary of the policies applied to the group's intangible assets is as follows:

	Goodwill	**Customer Relations**
Useful lives	Indefinite	Indefinite
Amortisation method used	No amortisation	No amortisation
Internally generated or acquired	Acquired	Acquired

Due to the nature of acquired Citibank Egypt's Retail Banking and Credit Cards businesses goodwill and intangible assets couldn't be allocated to cash generating unit.

38.1 . **Intangible assets:**

	Dec.31, 2019 **EGP Thousands**	Dec.31, 2018 EGP Thousands
Fair value at acquisition at 1 November 2015	**651,041**	651,041
Impairment	**(651,041)**	-
Total (2)	**-**	**651,041**

Based on the write off of the portfolio and the lack of tracking data to analyze the actual peformance of the portfolio, we did full impairment of the current value of 651 million.

39 **Important Events**

The Board of Directors and CBE have approved, on 4 November 2019 & 16 January 2020 respectively, to gain a control stake in a Kenyan bank, and CIB is currently in the process of fulfilling the necessary approvals from all supervisory and otherwise relevant authorities in Kenya.

40 **Subsequent event**

Subsequent to the reporting date, the coronavirus (COVID-19) outbreak has resulted high volatility in the financial markets worldwide.
The existing and anticipated effects of the outbreak of COVID-19 on the global economy and financial markets is expected to continue to evolve.
The scale and duration of these developments remain uncertain at this stage but could negatively impact the Bank's financial performance, cash flows and financial position.
On 2nd of March 2020, The International Monetary Fund (IMF) officially declared that the global economy has entered recession as a result of the spread of the new coronavirus.
To alleviate the negative impact of the COVID-19 pandemic, Egyptian Government (does it have any impact on the Bank so as other regulators) Central Bank of Egypt and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and Egyptian economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in Egypt.
CBE in particular for banks has requested to grant relief from principal and interest payments for up to six months on loans to all private sector and retail borrowers, which will have impact on the operations of CIB. It is expected that ECL calculation of the bank will be affected by the forward looking and forecast conditions for both the effects of covid-19 and the significant government support. However, it is difficult at this time to incorporate the specific effects of covid-19 and government support measures on a reasonable and supportable basis
Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these consolidated financial statements"

41 . Mutual funds

Osoul fund

- CIB established an accumulated return mutual fund under license no.331 issued from capital market authority on February 22, 2005. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 3,205,040 with redeemed value of EGP 1,324,387 thousands.
- The market value per certificate reached EGP 413.22 on December 31, 2019.
- The Bank portion got 137,112 certificates with redeemed value of EGP 56,657 thousands.

Istethmar fund

- CIB bank established the second accumulated return mutual fund under license no.344 issued from capital market authority on February 26, 2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 421,394 with redeemed value of EGP 80,718 thousands.
- The market value per certificate reached EGP 191.55 on December 31, 2019.
- The Bank portion got 50,000 certificates with redeemed value of EGP 9,578 thousands.

Aman fund (CIB and Faisal Islamic Bank Mutual Fund)

- CIB and Faisal Islamic Bank established an accumulated return mutual fund under license no.365 issued from capital market authority on July 30, 2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 291,583 with redeemed value of EGP 29,336 thousands.
- The market value per certificate reached EGP 100.61 on December 31, 2019.
- The Bank portion got 27,690 certificates with redeemed value of EGP 2,786 thousands.

Hemaya fund

- CIB bank established an accumulated return mutual fund under license no.585 issued from financial supervisory Authority on June 23, 2010. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 91,376 with redeemed value of EGP 21,947 thousands.
- The market value per certificate reached EGP 240.18 on December 31, 2019.
- The Bank portion got 50,000 certificates with redeemed value of EGP 12,009 thousands.

Thabat fund

- CIB bank established an accumulated return mutual fund under license no.613 issued from financial supervisory authority on September 13, 2011. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 86,779 with redeemed value of EGP 24,495 thousands.
- The market value per certificate reached EGP 282.27 on December 31, 2019.
- The Bank portion got 50,000 certificates with redeemed value of EGP 14,114 thousands.

Takamol fund

- CIB bank established an accumulated return mutual fund under license no.431 issued from financial supervisory authority on February 18, 2015. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 140,659 with redeemed value of EGP 25,921 thousands.
- The market value per certificate reached EGP 184.28 on December 31, 2019.
- The Bank portion got 50,000 certificates with redeemed value of EGP 9,214 thousands.

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