Bank of Alexandria
"Egyptian Joint Stock Company"

Financial Statements
for 31 December 2019
&Auditors' Report

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Wahid Abdel Ghaffar & Co.
Public Accountant & Consultants

BDO

BDO Khaled & Co.

Public Accountant & Advisers

Bank of Alexandria
"Egyptian Joint Stock Company"

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Wahid Abdel Ghaffar & Co.
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Public Accountant & Advisers

Translation of financial Statements Originally issued in Arabic

Auditors' Report

To the Shareholders of
Bank of Alexandria (S.A.E)

Report on the financial statements

We have audited the accompanying financial statements of Bank of Alexandria (S.A.E) which comprise the statement of financial position as of 31 December 2019 and the statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 as amended by the regulations issued on 26 February 2019 and in light of the prevailing Egyptian laws and regulations, the management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements , whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on Legal and Other Regulatory Requirements

No material contravention of the Central Bank of Egypt, Banking and Monetary Institutions Law No. 88 of 2003, were noted during the financial year ended 31 December 2019.

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

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

Auditors

Tarek Salah, CPA	**Mohanad T. Khaled**
Member of AICPA	Fellow of ACCA
Fellow of ESAA	Fellow of ESAA
R.A.A 9631	R.A.A. 22444
FRA. No. 105	FRA No. 375
BT Wahid Abdel Ghaffar & Co.	**BDO Khaled & Co.**

WAHID ABDEL GHAFFAR & CO

BDO Khaled & Co. Public Accountants & Advisors

Cairo, 29 January 2020

Bank of Alexandria
(Egyptian Joint Stock Company)
Financial position statement
For the year ended 31 December 2019

	Note	31 December 2019 EGP 000	31 December 2018 EGP 000
Assets			
Cash and balances at Central Bank of Egypt	(16)	5 975 427	3 915 184
Due from banks	(17)	31 118 632	29 238 822
Treasury bills and other governmental notes	(18)	18 047 092	19 070 088
Loans and advances to customers	(19)	41 801 709	38 239 121
Financial assets classified at fair value through profit and loss	(20)	6 832	4 384
Financial investments			
Financial assets classified at fair value through other comprehensive income	(21)	4 948 356	2 503 079
Financial assets classified at fair value through profit and loss	(21)	49 851	76 819
Investments in associates	(22)	76 888	60 373
Intangible assets	(23)	152 001	193 523
Other assets	(24)	1 367 045	1 247 477
Fixed assets	(25)	633 766	583 753
Total assets		**104 177 599**	**95 132 623**
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(26)	456 927	419 215
Customers' deposits	(27)	87 451 824	78 782 023
Other loans	(28)	907 781	778 510
Other liabilities	(29)	1 671 569	2 553 171
Other provisions	(30)	275 609	492 163
Current income tax liabilities		587 140	524 744
Deferred tax liabilities	(31)	172 596	136 869
Retirement benefits obligations	(32)	1 064 549	941 443
Total Liabilities		**92 587 995**	**84 628 138**
Shareholders' equity			
Share capital	(33)	800 000	800 000
Reserves	(34)	1 834 414	1 846 982
Retained earnings	(34)	8 955 190	7 857 503
Total Shareholders' equity		**11 589 604**	**10 504 485**
Total liabilities and Shareholders' equity		**104 177 599**	**95 132 623**

Auditors, Report"attached"

The accompanying notes from page (7) to page (80) are an integral part of these interim financial statements and are to be read therewith.

Dante Campioni
CEO and Managing Director

Mohamed Raef
Chief Financial Officer

Bank of Alexandria
(Egyptian Joint Stock Company)
Income statement
For the year ended 31 December 2019

	Note	For the year end 31 December 2019 EGP 000	For the year end 31 December 2018 EGP 000
Interest and similar income	(6)	13 210 599	11 960 183
Interest and similar expense	(6)	(7 199 149)	(6 387 252)
Net interest income		**6 011 450**	**5 572 931**
Fee and commission income	(7)	926 720	871 537
Fee and commission expense	(7)	(307 114)	(191 833)
Net fee and commission income		**619 606**	**679 704**
Net income		**6 631 056**	**6 252 635**
Dividends' income	(8)	48 868	36 711
Net income from financial assets classified at fair value through profit and loss	(9)	985	(1 413)
Change in financial assets classified at fair value through profit and loss		(40 895)	-
Net trading income	(10)	88 120	66 444
(Losses) from financial investments	(21)	(325)	(6 531)
Bank's share in undistributed profit of associated companies		3 757	5 734
Impairment recovery / (charge) on credit losses	(13,19)	115 788	(19 840)
Administrative expenses	(11)	(2 634 181)	(2 270 997)
Other operating revenues / (expenses)	(12)	230 408	(81 765)
Net profit before income tax		**4 443 581**	**3 980 978**
Income tax expense	(14)	(1 104 206)	(955 493)
Net profit for the year		**3 339 375**	**3 025 485**
Earnings per share (EGP/share) - Basic	(15)	7.51	6.83

The accompanying notes from page (7) to page (80) are an integral part of these interim financial statements and are to be read therewith.

Dante Campioni
CEO and Managing Director

Mohamed Raef
Chief Financial Officer

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of comprehensive income
For the year ended 31 December 2019

	For the year end 31 December 2019 EGP 000	For the year end 31 December 2018 EGP 000
Net profit for the period	**3 339 375**	**3 025 485**
Other Comprehensive Income that may be reclassified to the income statement		
Net change in fair value - Debt instruments	278 434	4 613
	278 434	**4 613**
Other Comprehensive Income that will not be reclassified to the income statement		
Net change in fair value in financial instruments (shareholders' equity) by fair value through other comprehensive income	126 866	(51 391)
Recycled net change in fair value in financial instruments (shareholders' equity) after reclassification to Associates entity	(8 739)	-
Comprehensive income for the year after tax	**396 561**	**(46 778)**
Total comprehensive income attributable to shareholders' for the year	**3 735 936**	**2 978 707**

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Dante Campioni
CEO and Managing Director

Mohamed Raef
Chief Financial Officer

Bank of Alexandria
(Egyptian Joint Stock Company)
Cash flow statement
For the year ended 31 December 2019

	Note	For the year end 31 December 2019 EGP 000	For the year end 31 December 2018 EGP 000
Cash flows from operating activities			
Net profit before tax		4 443 581	3 980 078
Adjustments to reconcile net profit to cash flows from operating activities			
Depreciation and amortization	(23 25)	202 895	154 952
Impairment (recovery) loss on loans and advances	(13 19)	(115 788)	19 841
Other provisions (recovery) formed	(30)	(138 236)	106 911
Impairment (recovery) loss treasury bills		(82)	-
Impairment (recovery) loss treasury bonds		(18)	-
Impairment (recovery) loss due to banks		(12 759)	-
Net income from financial assets classified at fair value through profit and loss		(985)	1 413
Provisions used (other than loans provision)	(30)	(30 457)	(167 938)
Foreign currencies revaluation differences of other provisions	(30)	(6 847)	(1 414)
Foreign currencies revaluation differences of other loans		(57 457)	6 136
Change in financial assets by fair value through profit and loss		(40 895)	-
Revaluation differences of financial investments		447	(187)
Revaluation differences of fair value reserves	(34 C)	(531)	(6 958)
Interest income from treasury bills and bonds - impact of the recalculation of bonds by the amortized cost	(34 C)	225	(80)
(Gains) / Losses from sale of fixed assets		421	(7)
Dividend income	(8)	(48 868)	(36 711)
Impairment of equity instrument - financial instruments	(21)	-	13 564
Gains from sale of financial investments (other than financial assets held -for- trading)	(21)	(11)	(14 600)
Gains of financial investments transferred from reserve of fair value account		-	(889)
Issued discount amortization		(207)	
Bank's share in undistributed profit of associated companies		(3 757)	(5 734)
Operating profits before changes in assets and liabilities used in operating activities		**4 190 671**	**4 049 277**
Net decrease/(increase) in assets and (decrease)/increase in liabilities			
Balances with Central Bank within the mandatory reserve percentage		(2 024 379)	418 337
Due from banks		(3 674 954)	29 000
Treasury bills and other governmental notes		11 847 468	(12 736 658)
Loans and advances to customers		(3 882 902)	(6 110 300)
Financial assets classified at fair value through profit and loss		(1 463)	(409)
Financial assets by fair value through profit and loss		(26 968)	-
Other assets		(134 222)	(478 877)
Due to banks		37 712	14 478
Customers' deposits		8 669 801	15 244 999
Other liabilities		(881 602)	503 880
Retirement benefits obligations		123 106	143 443
Paid taxes		(1 040 848)	(927 387)
Net cash flows provided from operating activities		**13 201 428**	**149 783**
Cash flows from investing activities			
Payments to purchase fixed assets and branches preparations	(25)	(155 907)	(205 169)
Proceeds from sale of fixed assets		5 133	2 036
Proceeds from sale of financial investments other than financial assets held -for- trading		30 457	588 064
Payments to purchase financial investments other than financial assets held -for- trading		(2 026 954)	(1 972 144)
Payments to purchase intangible assets		(16 715)	(97 015)
Dividends Received (include dividends from associates)		52 350	40 194
Net cash flows (used in) investing activities		**(2 111 636)**	**(1 644 034)**
Cash flows from financing activities			
Proceeds from other loans		376 843	172 543
Payments of other loans		(190 114)	(118 747)
Dividends paid		(2 211 321)	(1 443 964)
Net cash flows (used in) financing activities		**(2 024 593)**	**(1 390 168)**
Net change in cash and cash equivalents during the year		9 065 192	(2 884 419)
Cash and cash equivalents at the beginning of the year		30 919 211	33 803 630
Cash and cash equivalents at the end of the year		**39 984 403**	**30 919 211**
Cash and cash equivalents are represented in the following (note no. 36):			
Cash and balances with Central Bank of Egypt		5 975 427	3 915 184
Due from banks		31 118 632	29 238 822
Treasury bills and other governmental notes		18 047 092	19 070 088
Balances with Central Bank within the mandatory reserve percentage		(4 266 198)	(2 241 819)
Deposits with banks with maturity more than three months *		(3 674 954)	-
Treasury bills and other governmental notes (with maturity more than 3 months)*		(7 215 596)	(19 063 064)
Cash and cash equivalents		**39 984 403**	**30 919 211**

Non-Cash transactions
For the purpose of preparing the statement of cash flows the following non - cash transactions were eliminated:

EGP 44 318	From both payments to purchase intangible assets and the change in debit balances, which represent the amounts transferred from assets under construction
EGP 30 833	From both loans and advances to customers and the change in debit balances, which represent the amounts of assets reverted to the bank
EGP 405 300	From both changes in fair value reserve and financial investments (investments valuation differences)
EGP 16 239	From both change in financial assets fair value through O C I to associates (EGY ALEX CO for fin Inv)

* From the date of acquisition

The accompanying notes from page (7) to page (80) are an integral part of these interim financial statements and are to be read therewith

Dante Campioni
CEO and Managing Director

Mohamed Raef
Chief Financial Officer

Bank of Alexandria

(Egyptian Joint Stock Company)

Statement of changes in shareholders's equity

For the year ended 31 December 2019

		Share capital EGP 000	Reserves EGP 000	Retained earnings EGP 000	Total EGP 000
Balance as at 31 December 2017		**800 000**	**1 896 198**	**6 279 916**	**8 976 114**
Transferred to Special capital reserve		-	3 934	(3 934)	-
Dividends paid for the year 2017		-	-	(1 443 964)	(1 443 964)
Net change in fair value of the Available-for-Sale Investments		-	(53 150)	-	(53 150)
Net profit for the year ended 31 December 2018		-	-	3 025 485	3 025 485
Balance as at 31 December 2018		**800 000**	**1 846 982**	**7 857 503**	**10 504 485**
Balance as at 31 December 2018		**800 000**	**1 846 982**	**7 857 503**	**10 504 485**
<u>IFRS 9 First Time Adoption Impact</u>					
FTA impact of Impairment on Treasury Bills	(18)	-	(6 230)	-	(6 230)
FTA impact of Impairment on Treasury Bonds	(21)	-	(173)	-	(173)
FTA impact of Impairment on Due from Banks	(17)	-	(51 767)	-	(51 767)
FTA impact of Impairment on Loans and Advances to Customers	(19)	-	(437 407)	-	(437 407)
FTA impact of Impairment on Loans Commitments		-	41 152	-	41 152
Impact of Reclassification and Measurement to Financial Assets Classified at fair value Through profit and loss	(21)	-	-	8 156	8 156
Impact of Reclassification to Financial Assets Classified at Fair value Through profit and loss	(34)	-	(31 761)	31 761	-
Balance as at 31 December 2018 (After First Time Adoption)		**800 000**	**1 360 796**	**7 897 420**	**10 058 216**
Net profit for the year ended 31 December 2019		-	-	3 339 375	3 339 375
Investments Fair Value Reserve classified at Fair value Through OCI		-	405 300	-	405 300
Investments Fair Value Reserve impact of classified investment in associate		-	(8 739)	8 739	-
Tax effect on Investments Fair Value Reserve classified at Fair value Through OCI transferred to retained rearinings	(34)	-	-	(1 966)	(1 966)
Net profit for the year ended 31 December 2019		**-**	**396 561**	**3 346 148**	**3 742 709**
Transferred to Special capital reserve	(34)	-	7	(7)	-
Dividends paid for the year 2018		-	-	(2 211 321)	(2 211 321)
Net change in General Banking Risks Reserve	(34)	-	25	(25)	-
Transferred to Banking Risks Reserve - Credit		-	77 025	(77 025)	-
Balance as at 31 December 2019		**800 000**	**1 834 414**	**8 955 190**	**11 589 604**

The accompanying notes from page (7) to page (80) are an integral part of these interim financial statements and are to be read therewith.

Dante Campioni
CEO and Managing Director

Mohamed Raef
Chief Financial Officer

Bank of Alexandria

(Egyptian Joint Stock Company)

Profit appropriation statement (Proposed)

For the year ended 31 December 2019

	For the year end 31 December 2019 EGP 000	For the year end 31 December 2018 EGP 000
Net profit for the year (from income statement)	3 339 375	3 025 485
Add:		
Gain from sale of Fixed assets transferred from capital reserve according to law	-	(7)
Bank Risk Reserves	201	(25)
Bank Risk Reserves - Credit	-	(77 026)
Appropriated profit for the year (1)	**3 339 576**	**2 948 427**
Retained earnings at year beginning, and before the folloing adjustments	5 569 124	4 832 018
Reclassification impact of Financial Assets (Mutual fund) from HTM to FVTPL	8 156	-
Reclassification impact of Financial Assets (Equity instruments) from AFS to FVTPL	31 761	-
Fair value reserve for investments reclassificated to Invesments in associates (Note no 22)	8 739	-
Tax effect of fair value reserve for investments reclassificated at OCI trnasfered to retained earnings	(1 966)	-
Retained earnings (at year beginning) - adjusted	5 615 814	-
Total	**8 955 390**	**7 780 445**
Appropriation		
Legal reserve (*)	-	-
Shareholders' Dividends	2 170 724	1 916 478
Employees' profit share	333 957	294 843
Retained earnings (at year end)	6 450 709	5 569 124
Total	**8 955 390**	**7 780 445**

(*) In accordance with the Bank's Articles of Association, deduction should stop when it reach 50% of the issued share capital and paid-up (started from 2015)

The accompanying notes from page (7) to page (80) are an integral part of these interim financial statements and are to be read therewith.

Dante Campioni
CEO and Managing Director

Mohamed Raef
Chief Financial Officer

1. General information

Bank of Alexandria provides retail, corporate and investment banking services in Arab Republic of Egypt through its Head Office in Cairo (49, Kasr El Nil street) and through 211 branches and banking units and employs 4 494 staff members as of 31th of December 2019.

Bank of Alexandria (S.A.E) was established on 17 April 1957, as a State wholly owned commercial bank until 31 October 2006, SanPaolo I.M.I (Italian Bank) acquired 80% of its issued capital. On 1 January 2007, a merger was announced between SanPaolo I.M.I and Banca Intesa S.P.A., and the name of shareholder SanPaolo I.M.I has been amended to be Intesa SanPaolo S.P.A.

Bank of Alexandria currently performs its activities under the provisions of the Central Bank of Egypt, Banking Sector, and Monetary Law No. 88/2003.

On 22 March 2009, the International Finance Corporation I.F.C purchased 9.75% of the bank shares, so Intesa SanPaolo S.P.A capital share became 70.25%.

The Bank's Board of Directors' have approved the financial statements hereunder for issuance on 28th of January 2020.

2. Summary of accounting policies

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

2.A. Basis of preparation of financial statements

The financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) issued in 2006 and their amendments and in accordance with the instructions of the Central Bank of Egypt (CBE), approved by its Board of Directors on 16 December 2008, and starting from January 2019 IFRS 9 "Classification of Financial Instruments" has been applied in accordance with the instructions of the Central Bank of Egypt (CBE) dated February, 26 2019, that are in compliant with the standards referred to. And was prepared under the historical cost convention, as modified by revaluation of financial assets, liabilities held for trading, financial assets and liabilities classified at inception at fair value through profit and loss, financial investments at fair value through Other Comprehensive Income (FVOCI) and all financial derivatives contracts. The financial statements of the Bank have been prepared in accordance with the provisions of the relevant local laws.

2.B. Associates companies

Associates companies are entities over which the bank exercises a direct or indirect significant influence without reaching the extent of control. Normally the bank holds ownership equities ranging between 20% and 50% of the voting rights.

Purchase method of accounting has been applied for the bank's acquisition of companies. The acquisition cost is measured by fair value or the equivalent value offered by the bank for acquired assets and/or issued shareholders' equity's instruments and/or obligations the bank incurred and/or obligations the bank accepted on behalf of the acquired company, to complete the acquisition process at the date of the exchange process, plus any costs that can be directly attributed to the acquisition process. Net assets including acquired defined potential obligations are measured at fair value at the acquisition date regardless of the minority's rights existence. The excess of the acquisition cost over the fair value of the bank's share in the net assets is considered goodwill. Moreover, if there is a decrease in the acquisition cost below the net fair value referred to, the difference shall be recorded directly in the income statement under account of "Other operating income (expenses)".

The associate's companies in the bank's financial statements are accounted by the equity method. In addition, dividend payouts are deducted in the carrying value of the investment when approved

2.C. Segment reporting

A business segment is a group of assets and operations related to providing products or services subject to risk and returns, different from those that are related to other business segments. A geographical segment is related to providing products and services within the same economic environment subject to risk and returns different from those that are related to other geographical segments that operate in a different economic environment.

2.D. Foreign currencies translation

2.D.1. Functional and presentation currency:

The bank's financial statements presented to the nearest thousand Egyptian pounds, which represents the bank's functional and presentation currency.

2.D.2. Transactions and balances in foreign currencies

The bank holds its accounting records in the Egyptian pound. Transactions in foreign currencies during the fiscal period are recorded using the prevailing exchange rates at the date of the transaction. Monetary assets and liabilities in foreign currency are re-evaluated at the end of the reporting period using the prevailing exchange rates at that date. The gains and losses resulting from settlement of such transactions, as well as the differences resulting from the re-evaluation, are recognized in the income statement among the following items:

- Net trading income or net income on the financial instruments classified at inception in fair value through the profit and loss of assets / liabilities held for trading or those classified at inception in fair value through profit and loss according to their type.
- Shareholders' equity for financial derivatives that are eligible for qualified hedge for cash flows or eligible for qualified hedge for net investment.
- Other operating income (expenses) for the remaining items.
- Changes in the fair value of the financial instruments with monetary nature in foreign currencies and classified as investments at fair value through Other Comprehensive Income FVOCI (debt instruments), are analyzed into evaluation differences resulting from changes in the amortized cost of the instruments, differences resulting from changes in the prevailing exchange rates or differences resulting from the changes in the instrument's fair value. The evaluation differences resulting from the changes in the amortized cost are recognized in the income statement within "Interest and similar income". The differences relating to exchange

rates changes are recognized in “Other operating income (expenses)”, whereas the change in the fair value (fair value reserve/financial investments at fair value through Other Comprehensive Income FVOCI) are recognized within shareholders' equity.

- The revaluation differences resulting from items other than those with monetary nature include the gains and losses resulting from the change of the fair value such as the equity instruments held in fair value through profit and loss. The revaluation differences resulting from equity instruments classified as financial investments at fair value through Other Comprehensive Income (FVOCI) are recognized within the fair value reserve in the shareholders' equity.

2.E. Financial assets

The bank classifies financial assets among the following categories:

- Financial assets classified at fair value through profit and loss (FVTPL).
- Financial Assets at amortized cost (Loans and receivables).
- Financial Assets at fair value through Other Comprehensive Income (FVOCI).

The management determines the classification of its investments at initial recognition.

2.E.1. Financial assets classified at fair value through profit and loss:

This category includes:

- Financial assets held for trading.
- Assets classified at inception at fair value through profit and loss.

A financial instrument is classified as an instrument held for trading if it is primarily acquired for the purpose of the sale in the short term or if it represents a part of a portfolio of specific financial instruments that are managed together and there is evidence of recent actual transactions that resulted in short-term profit taking. Further, derivatives are classified as held for trading (Unless hedge accounting is applied).

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

- When such classification reduces the measurement inconsistency that could arise from handling the related derivative as held for trading at the time of the valuation of the financial instrument in the place of the derivative at amortized cost for loans and facilities to banks and customers and issued debt instruments.
- When managing some investments, such as investments in equity instruments are managed, and valuated at fair value according to the investment strategy or risk management and reports are prepared for the top management on this basis, accordingly these investments are classified as at fair value through profit or loss.
- The financial instruments such as held debt instruments, which contain one or more embedded derivatives that strongly affect cash flows are classified through fair value through profit and loss.
- Profits and losses resulting from changes in the fair value of the financial derivatives that managed in conjunction with the assets and liabilities classified at inception at fair value through profit and loss are recorded in the income statement under “Net income from financial instruments classified at inception at fair value through profit and loss”.

- No reclassification for any financial derivative from the financial instruments group valuated at fair value through profit and loss is made during the period in which it is held or its validity period. In addition, any financial instrument from the group of the financial instruments valuated at fair value through profit and loss, is not reclassified if it has been classified by the bank at its initial recognition as an instrument valuated at fair value through profit and loss.

2.E.2 Loans and receivables

Loans and receivables represent non-derivative financial assets with fixed or determinable payment that are not quoted in an active market, with the exception of:

- Assets which the bank intends to sell immediately or in the short term. In which case, they are classified as assets held for trading or assets classified at inception at fair value through profit and loss.
- Assets classified by the bank at fair value through Other Comprehensive Income (FVOCI) at initial recognition.
- Assets for which the bank will not be able to substantially recover the value of its initial investment for reasons other than creditworthiness deterioration.

2.E.3 Assets at fair value through Other Comprehensive Income (FVOCI)

Investments classified at fair value through Other Comprehensive Income (FVOCI) are non-derivative financial assets held within the bank model whose objective is to hold cash flows, including principle and interest or may be sold in response to needs for liquidity or to decrease in instrument credit-worthiness or to changes in interest rates, exchange rates, or equity prices (Liquidity Management portfolio).

The following is applied to financial assets:

- Purchase and sale transactions of the financial assets classified at fair value through profit and loss, held-to-maturity financial investments and the available-for-sale investments shall be recognized in the ordinary way on the trade date on which the bank is committed to purchase or sell the asset.
- The financial assets which are not classified at inception at fair value through profit and loss, shall be recognized at fair value plus the transaction costs, whereas financial assets classified at inception at fair value through profit and loss are recognized only at fair value with the transaction' costs associated to those assets being reported in the income statement under "Net Trading Income" item.
- Financial assets shall be derecognized when the contractual right validity to receive cash flows from the financial asset expires or when the bank transfers most of risk and returns associated with the ownership to a third party. Financial liabilities are derecognized when they expire by either discharging, cancellation, or the expiration of the contractual period.
- Financial assets at fair value through Other Comprehensive Income (FVOCI) and financial assets classified at fair value through profit and loss (FVTPL) shall be subsequently measured at fair value. Loans and receivables are subsequently measured at amortized cost.
- Gains and losses resulting from changes in the fair value of assets classified at

fair value through profit and loss shall be recognized in the income statement in the period in which they are made, while the gains and losses arising from changes in the fair value of the investments at fair value through Other Comprehensive Income (FVOCI) shall be directly recognized in shareholders' equity statement, until the asset is derecognized or impaired. In which case, the cumulative profit and losses previously recognized in shareholders' equity statement shall be recognized in the income statement.

- Income calculated at the amortized cost method and gains and losses on foreign currencies related to the assets with monetary nature classified at fair value through Other Comprehensive Income assets shall be recognized in the income statement. Dividends resulting from equity instruments classified at fair value through Other Comprehensive Income shall be recognized in the income statement when the right of the bank to receive payment is established.
- Fair value of the investments quoted in active markets shall be defined pursuant to the current Bid Prices. In case there is no active market for the financial assets or the current Bid Prices are unavailable, the bank shall define the fair value by using one of the valuation methods. This includes either using arm's length transactions, discounted cash flow analysis, options pricing models or other valuation methods commonly used by market traders. In case the bank is unable to estimate the fair value of equity instruments classified at fair value through Other Comprehensive Income, their value shall be measured by cost after deducting any impairment in value.
- If the bank adjusts its estimates of payments or receivables, the book value of the financial asset (or the group of financial assets) shall be settled in a way that reflects the actual cash flows and the adjusted estimates, provided that the book value is recalculated by calculating the present value of estimated future cash flows by the actual return rate of the financial instrument. The result of the settlement shall be recognized as revenue or expenses in the profit and loss.
- In all cases it shall not be permissible to reclassify the financial (Debt Instruments) assets except if the bank changes the business model(s), which procedures takes place infrequently and rarely.

2.F. Accounting Standards applied starting from January 01,2019:

The financial statements at December 31, 2018 have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors, except the effect of the instructions of the Central Bank of Egypt dated February 26, 2019 to prepare financial statements according to IFRS 9 "Financial Instruments": classification and measurements.

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

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

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

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

2.F.1. Definition of default: The bank applies a single definition of default for classifying assets and determining the probability of default of its obligors for risk modeling purpose.

The definition of default is based on quantitative and qualitative criteria, A counterparty is classified as default at the latest when material payments of interest, principal or fees are overdue for more than 90 days.

2.F.2. Significant increase in credit risk:

IFRS 9 doesn’t specify a definition for significant income in credit risk, and the bank assessment is for significant increase in credit risk is based on range of data that is determined to be predictive including quantitative and qualitative information, taking into consideration the self-assessment and its vision to the significant increase in credit risk.

An estimate of whether there is a significant increase in credit risk includes comparing the current default risk at financial reporting date, with the initial default risk at inception lending date, during that the bank took into account all quantitative and qualitative information including historical data and prospective outlook, which are available without effort and cost is not required, which depends on the ability of the bank to provide data objectively.

The Bank considers different economic scenarios in estimating the probability of default at the initial lending date and successively in each financial reporting date, each scenario outcome has different results, and the Bank adjust weighted factor for each of the different scenarios.

The Bank calculates the expected credit loss for the entire life of the instrument when there is a significant decrease in the creditworthiness that reflects the cash flow deficit resulting from all the events and factors affecting the creditworthiness weighted by the risk of default.

The bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant decrease in credit risk and to measure the loss allowance based on lifetime rather than 12-months ECL.

2.F.3. Write-Off:

Debt is written off when all or part of the debt is uncollectible or agreed to be exempt from it. Loans, credit facilities and debt instruments are considered to be impaired when the Bank has no reasonable expectation of collection of these financial assets (in whole or in part), this scenario occurs when the Bank determines that the borrower has no other assets or resources from the cash flows to repay the loan. The Bank may continue to take legal actions to collect all or part of the debt after the debt is executed, which may lead to the collection of certain amounts granted to the borrower.

Written-off loans reduce the principle amount granted, and when collection of debts has been written off, these amounts are recognized on collection.

2.F.4. Market Risk:

Market risk represents the expected loss resulting from the negative effects of market variables. Market variables represent several factors such as interest rate, currency risk, exchange rate, equity prices, credit risk margin and commodity prices. These variables may be not reliably measurable such as volatility and bonding factors with each other.

Market risk includes risks related to the source of the financial instrument and investment risk.

- **Financial instrument risk:** The possibility of loss arising from changes in fair value due to events related to the credit loss affecting the issuer and which the Bank is exposed to through investments and derivatives derived from the source of the financial instrument.

- **Investment risk:** Risks related to the volume of held financial investments.

Market Risk Management: The Bank's objective of managing market risk is to control and manage exposure to market variables in order to maximize returns while ensuring adequate solvency.

With regard to liquidity risk, the task of the concerned committees is to ensure effective market risk management across the Bank's various sectors. The main activities for managing these risks are as follows:

- Identification of the main types of risks and their causes.
- Neutral independent measurement and evaluation of these risks and their effects.
- Use evaluation results as a basis for managing return / risk ratios.
- Risk control and reporting

2.F.5. Changes in accounting policies and significant professional estimates and assumptions:

Main Changes in Bank Accounting policies

The following is a summary of the major changes in the Bank's accounting policies resulting from the adoption of IFRS 9. As the comparative financial statements have not been modified, the accounting policies for financial instruments for comparative periods are based on IAS 39 and the Bank's applicable regulations as disclosed in the audited financial statements as at and for the year ended 31 December 2018.

Classification of financial assets and financial liabilities

IFRS 9 includes three major asset classes:

- At amortized cost
- And at fair value through comprehensive income
- And at fair value through profit and loss.

The classification of financial assets in accordance with IFRS 9 is generally based on the business model in which the financial assets and contractual cash flow characteristics are managed. The Standard eliminates current classes in accordance with IAS 39, held to maturity and loans and receivables and available for sale investments.

Impairment of financial assets

IFRS 9 replaces the "recognized losses" model in IAS 39 with the "expected credit loss" future model. The new impairment model also applies to certain loan commitments and financial guarantees contracts but does not apply to equity investments. In accordance with IFRS 9, credit losses are recognized earlier in relation to IAS 39.

Classification of financial assets and liabilities (SPPI test)

Valuation of the business model under which assets are retained and an assessment of whether the contractual terms of the financial asset are only payments of principal and interest in a specific date on the principal of the receivable.

Impairment of financial instruments

Assess whether credit risk on financial assets has increased significantly since initial recognition and inclusion of future information in measuring expected credit losses.

2.F.6. IFRS 9 First Time Adoption impact:

The impact of IFRS 9 first time adoption on January 1, 2019, resulted with increasing retained Earnings with EGP 39.9 Mln, decreasing fair Value reserve with EGP 32 Mln nearly, and decreasing the General Risks reserve with EGP 454 Mln, as follows:

	Retained Earnings	General Risks Reserve	In EGP 000 Fair value Reserve
December,31 2018 Closing Balance as per IAS 39	**7 857 503**	**489 561**	**297 656**
Impact on Re-Classification & Re-Measurement			
Financial Assets (Equity instruments) starting with AFS and ending to FVTPL	31 761	-	(31 761)
Financial Assets (Mutual funds) starting with HTM and ending to FVTPL	8 156	-	-
Impact on recognition of expected credit losses			
Due from banks	-	(51 767)	-
Governmental Treasury bills	-	(6 230)	-
Governmental Treasury Bonds	-	(173)	-
Loans and advances to customers	-	(437 408)	-
Commitments related to loans, guarantees, and facilities	-	41 152	-
January,1 2019 Opening Balance as per IFRS 9	**7 897 420**	**35 135**	**265 895**

2.F.7. Measurement of Financial Instruments - Effect of subsequent measurement:

The Bank has carried out a detailed analysis of its financial asset management business models as well as an analysis of the characteristics of its cash flows. The table below reconciles the original measurement classes and the carrying amounts of financial assets in accordance with IAS 39 and the new measurement categories in accordance with IFRS 9 as of 31 December 2019.

Financial Assets	Original Classification As per IAS 39	Classification As per IFRS 9	NBV as of December -2019	Adoption impact IFRS 9		
				Measurement impact	Classification impact	New NBV as of December-2019
Cash and due from Central Bank of Egypt	Loans and Advances	At Amortized cost	5 975 427	-	-	5 975 427
Governmental Treasury Bills	Loans and Advances	At fair value through Comprehensive Income	18 052 597	(5 505)	-	18 047 092
Due from banks	Loans and Advances	At Amortized cost	31 153 094	(34 462)	-	31 118 632
Loans and advances to customers	Loans and advances to customers	At Amortized cost	44 001 520	(2 199 811)	-	41 801 709

Financial Assets	Original Classification As per IAS 39	Classification As per IFRS 9	NBV as of December -2019	IFRS 9 adoption impact Measurement impact	As per IAS 39	As per IAS 39
Financial investments - Debt instruments	Available for Sale	At fair value through Comprehensive Income	4 345 779	(153)	-	4 345 626
Financial investments - Equity instruments	Available for Sale	At fair value through Comprehensive Income	602 730	-	-	602 730
Financial investments - Equity instruments	Available for Sale	At fair value through Profit & Loss	42 588	-	(42 588)	-
Financial investments - Debt instruments	Held to maturity	At fair value through Profit & Loss	49 851	-	-	49 851

The following table shows the financial assets quality based on the credit-worthiness stages during the period:

(a) Due from banks:

	Stage 1	Stage 2	Stage 3	Total
1-Performing loans	1 817 910	-	-	1 817 910
2-Regular watching	29 335 184	-	-	29 335 184
3-Non-performing loans	-	-	-	-
Total Due from banks	**31 153 094**	**-**	**-**	**31 153 094**
Impairment losses provision	(34 462)	-	-	(34 462)
Net balance as Dec. 31, 2019	**31 118 632**	-	-	**31 118 632**

(b) Governmental treasury bills:

	Stage 1	Stage 2	Stage 3	Total
1-Performing	-	-	-	-
2-Regular watching	18 052 597	-	-	18 052 597
3-Non-performing	-	-	-	-
Total Treasury bills	**18 052 597**	**-**	**-**	**18 052 597**
Impairment losses provision	(5 505)	-	-	(5 505)
Net balance as Dec. 31, 2019	**18 047 092**	**-**	**-**	**18 047 092**

(c) Financial assets at fair value through other comprehensive income:

	Stage 1	Stage 2	Stage 3	Total
1-Performing	-	-	-	-
2-Regular watching	4 948 509	-	-	4 948 509
3-Non-performing	-	-	-	-
Total Financial assets at fair value through other comprehensive income	**4 948 509**	**-**	**-**	**4 948 509**
Impairment losses provision	(153)	-	-	(153)
Net balance as Dec. 31, 2019	**4 948 356**	**-**	**-**	**4 948 356**

(d) Loans and Advances to customers':

	Stage 1	Stage 2	Stage 3	Total
1- Corporate Loans	13 415 586	1 931 498	1 096 877	16 443 961
2- Medium Enterprise	2 123 074	186 397	377 717	2 687 188
3- Small & Micro Enterprise	4 213 238	251 420	216 976	4 681 634
4- Retail Loans	19 888 849	418 735	195 003	20 502 587
Total Loans and advances to customers	**39 640 747**	**2 788 050**	**1 886 573**	**44 315 370**
Impairment loss provision	(587 678)	(535 485)	(1 076 648)	(2 199 811)
Unearned discount	(25 336)	-	-	(25 336)
Interest under settlement from customer loans	-	(38 996)	(246 172)	(285 168)
Suspended interest	-	-	(3 346)	(3 346)
Net balance as Dec. 31, 2019	**39 027 733**	**2 213 569**	**560 407**	**41 801 709**

2.G. Offsetting of financial instruments

Financial assets and liabilities are offset in case the bank has a legal right in force to undertake the offsetting of the recognized amounts and it intends to settle the amounts on a net basis or to receive the asset and settle the liability simultaneously.

The items of the agreements for purchasing treasury bills with commitment to resell and the agreements for selling treasury bills with commitment to repurchase shall be presented based on the net basis in the financial position within the item of treasury bills and other governmental notes.

2.H. Financial Derivatives

Derivatives shall be recognized at fair value at the date of the entering into its contract and subsequently be re-measured at fair value. The fair value is defined either from the quoted market prices in the active markets, recent market transactions, or valuation techniques such as discounted cash flow models and options pricing models, as appropriate. All derivatives shall be recognized within the assets if their fair value is positive or within the liabilities if their fair value is negative.

2.I. Interest income and expense

Interest income and expense of all interest-bearing financial instruments, except those classified as held-for-trading or which been classified at inception at fair value through profit and loss shall be recognized in the income statement under "Interest income on loans and similar income" item or "Interest expenses on deposits and similar charges" by using the effective interest rate method.

The effective interest rate is the method to calculate the amortized cost of a financial asset or liability and to distribute the interest income or expenses over the related instruments' lifetime. The actual rate of return is the rate used to discount the estimated future cash flows of expected payments or receivables during the expected lifetime of the financial instrument or shorter period of time when appropriate in order to reach accurately the book value of a financial asset or liability. When the effective rate of return is calculated, the bank estimates cash flows by considering all the contractual terms and conditions of the financial instrument's contract (for example accelerated repayment options) and not to consider the future credit losses. The method of calculation includes all fees paid or received by and between the contract's parties, which are considered part of the effective interest rate. The cost of transaction includes any premiums or discounts.

When loans or receivables are classified as non-performing or impaired ones as the case may be, the related interest income shall not be recognized nor recorded as off-balance sheet items out of financial statements. However, such interest income shall be recognized under the revenue item pursuant to the cash basis according to the following:

2.I.1. As for consumer loans, mortgage loans for personal housing and small loans for economic activities, when the interest income is collected and after arrears are fully recovered.

2.I.2. As for corporate loans, the cash basis shall be also applied, as the return rose according to loans' rescheduling contract terms until payment of 25% of the rescheduling installments and at a minimum of one year of regular payments. In case of the continuation of the customer to repay regularly then the calculated interest will be included in the balance of the loan which included in the income (return on the balance of regular rescheduling) without the marginal interest before the rescheduling, which is not included in the income except after the full repayment of the loan's balance in the balance sheet before rescheduling.

2.J. Fee and commission income

Due fees from servicing the loan or facility shall be recognized in the income when performing the service, while the fee and commission income related to non-performing or impaired loans or receivables shall not be recognized, as it shall be on off-balance sheet of the financial statements. Then it shall be recognized within the income pursuant to the cash basis when the interest income is recognized according to item (2.I.2). As for fees, which represent an integral part of the actual return of the financial assets in general, they shall be treated as an amendment to the effective rate of return.

Commitment fees on loans shall be postponed, if there is a probability that these loans will be withdrawn, taking into account that these fees that the bank receives are a compensation for the constant intervention to acquire the financial instrument. Then they shall be recognized by amending the effective rate of return on the loan. When the period of commitment expires without the loan being issued by the bank, these fees shall be recognized within the income at the expiry of the commitment's validity.

Fees on debt instruments measured at fair value shall be recognized within revenue at the initial recognition. Fees on the promotion of the syndicated loans shall be recognized within revenue when the promotion process is completed, and the bank does not retain any portion of the loan or if the bank retains a portion for itself earning of the actual rate return which is available to other participants as well.

Fees and commission resulting from negotiations or the participation in negotiations on a transaction in favor of a third party shall be recognized within the income statement- such as the arrangement of the acquisition of shares or other financial instruments, or the acquisition or selling of premises- when the specific transaction is completed. The administrative consultations fees and other services are normally recognized based on the distribution over time relative to the service performance period. However, the financial planning management fees and conservation services fees, which are provided for long periods of time, are recognized over the period during which the service is performed.

2.K. Dividend income

Dividend income shall be recognized when the right to receive such income is established.

2.L. Purchase and resale agreements and sale and repurchase agreements

The financial instruments sold under repurchase agreements within the assets of the balances of treasury bills and other governmental notes in the financial position. Whereas, the liability (purchase and resale agreements) is deducted from the treasury bills and other governmental notes in the financial position. The difference between the sell price and repurchase price is recognized as a return over the period of the agreement by applying the effective interest rate method.

2.M. Impairment of financial assets

2.M.1. Financial assets recorded at amortized cost

At reporting dates, the bank assesses whether there is objective evidence on the impairment of a financial asset or a group of financial assets. The financial asset or the group of financial assets shall be considered impaired and impairment losses shall be recognized when there is objective evidence on the impairment as a consequence of an event or more events that occurred after the initial recognition of the asset and such (Loss Event) affects the reliability of the estimated future cash flow of the financial asset or the group of financial assets which can be reliably estimated.

The indicators that the bank considers to determine the existence of objective evidence on impairment losses include the following:

- Significant financial difficulties that face the borrower / debtor.
- Breach of the terms of the loan facility, such as the stopping of repayments;
- Expectation of the declaration of the borrower's bankruptcy, the entering into the liquidation lawsuit or the restructuring of the granted finance;
- Deterioration of the competitive position of the borrower.
- Granting privileges or concessions by the bank to the borrower for legal or economic reasons related to the latter's financial difficulties, which the bank may not accept granting the same in ordinary circumstances.
- The impairment of the collateral's value.
- The deterioration of the credit situation and positions.

Objective evidence of the impairment losses of a group of financial assets includes the existence of observable data indicating a decrease in the measurement in the future cash flows of the group since the initial recognition though it is not possible to determine the decline of each individual asset, such as the increase of default cases in regards with a bank product.

The bank estimates the period between the loss event and its identification for each specific portfolio. This period normally ranges between three and twelve months.

Further, the bank first assesses whether there is objective evidence of impairment exists for each individual financial asset if it represents significance. The assessment is made individually or collectively for the financial assets that are not significant on an individual basis. In this regard, the following shall be taken into account:

- If the bank identifies there is no objective evidence on the impairment of a financial asset assessed separately whether it has a significance of its own or not, then this asset shall be added to the group of financial assets with similar credit risk features for assessment together to estimate impairment pursuant to historic default ratios.
- If the bank identifies the existence of objective evidence of impairment of a financial asset assessed separately, then this asset shall not be included in the group of assets for which impairment losses are assessed on a collective basis.
- If the aforementioned assessment resulted in the non-existence of impairment losses, then the asset is included in the group.

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

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

For the purposes of the estimation of impairment on group basis, the financial assets are pooled in groups of similar characteristics in terms of credit risk, based on classification process conducted by the bank, taking into consideration the type of asset, the industry, the geographical location, the collateral type, the position of arrears, and the other related factors. These characteristics are related to the assessment of future cash flows of the groups of these assets, as they are deemed an indicator of the debtors' ability to repay the amounts due pursuant to the contractual conditions of the assets under consideration.

Upon estimating the impairment of a group of the financial assets based on historical default ratios, the future cash flows of the group shall be estimated based on the contractual cash flows of the banks' assets and the amount of historical losses of these assets with similar credit risk characteristics of these assets held by the bank. The amount of historical losses shall be adjusted based on the current disclosed data in a way that reflects the impact of the current conditions that did not occur in the period over which the amount of historical losses has been identified. Besides, this will cause that the effects of the conditions that existed in the historical periods but no longer exists be cancelled.

The bank seeks that the forecasts of changes in cash flows of a group of assets are reflected in line with these changes in relevant reliable data which occur from time to time; for example, changes in Macro-Economic factors like changes in unemployment rates, and changes in Micro-Economic factors like real estate prices, the position of repayments and any other factors indicating changes in the likelihood of loss in the group and its amount. The bank conducts a periodic review of the method and assumptions used to estimate future cash flows.

2.M.2. Financial investments at fair value through Other Comprehensive Income

On each reporting date, the bank estimates whether there is objective evidence on the impairment of a financial asset or a group of financial assets classified within financial investments at fair value through Other Comprehensive Income.

In the case of the existence of investments in equity instruments classified as investments at fair value through Other Comprehensive Income, the significant or prolonged decline in the fair value of the instrument below its book value shall be taken into account upon the estimation of whether there is impairment in the asset or not.

2.N. Investments Property

Investments property represent lands and buildings the bank owns in order to obtain rental revenues or capital appreciation. Consequently, these investments do not include the real estate assets where the bank practices its business and activities or the assets reverted to the bank in settlement of debts. The same accounting method applied for fixed assets, shall be applied for investments property.

2.O. Intangible assets

2.O.1. Computer software

Expenditure on the development or maintenance of the computer software shall be recognized when being incurred in the income statement. Expenditures associated directly with specific software under the bank's control that are expected to generate economic benefits exceeding their cost for more than a year shall be recognized as intangible asset. The direct expenses include the cost of the staff involved in the software development, in addition to an adequate share of related overheads.

Expenditure that leads to the increase or expansion in the performance of computer software beyond their original specifications shall be recognized as a development cost and shall be added to the cost of original software.

The cost of the computer software shall be amortized over their expected useful life with a maximum of three years starting from the year 2010.

2.O.2. Other intangible assets

Other intangible assets represent intangible assets other than goodwill and computer software (for example but not limited to trademark, licenses, and benefits of rental contracts).

The recognition of other intangible assets, at their acquisition cost, shall be recognized and amortized on the straight-line method or based on the economic benefits expected from these assets over their estimated useful life. Concerning the assets which do not have a finite useful life, they shall not be subject to amortization; however, they shall be annually assessed for impairment and the value of impairment, (if any), shall be charged to the income statement.

2.P. Fixed assets

Lands and buildings are mainly represented in head office premises, branches, and offices. All fixed assets shall be disclosed at historical cost minus accumulated depreciation and impairment losses. The historical cost includes expenses directly attributable to the acquisition of the fixed assets' items.
Subsequent expenditures shall be recognized within the book value of the outstanding asset or as an independent asset, as appropriate, when the generation of future economic benefits to the bank from the concerned asset and the reliable determination of its cost become possible. Any maintenance and fixing expenses, during the period in which they are incurred, shall be carried to other operating expenses.

Land shall not be subject to depreciation, while depreciation of other fixed assets shall be calculated using the straight-line method to allocate the cost over the useful life of the asset in a way that the remaining carrying value would equal to its residual value as follows:

Buildings and constructions	20 years
Elevators	10 years
Leased real estate improvements	4 years or leasing period, whichever is less
Office furniture	10 years
Machinery	10 years
Means of transport	5 years
Computers and core systems	5 years
Fittings and fixtures	10 years

The residual value and useful life of the fixed assets shall be reviewed on each reporting date and shall be adjusted whenever required. Depreciated assets shall be reviewed for purposes of determining the extent of impairment when an event or a change in conditions suggesting that the book value may not be redeemable occurs. Consequently, the book value of the asset shall be reduced immediately to the asset's net realizable value in case of the increase of the book value over the net realizable value.

The net realizable value represents the net selling value of the asset or its utilization value whichever is greater. Gains and losses from the disposal of fixed assets shall be determined by comparing the net proceeds at book value. Gains (losses) shall be included within other operating income (expenses) in the income statement.

2.Q. Impairment of non-financial assets

Assets other than goodwill, which do not have a finite useful life, shall not be subject to amortization and shall be reviewed annually to determine whether there is any indication of impairment. Impairment of depreciable assets shall be assessed, whenever there are events or changes in conditions suggesting that the book value may not be redeemable.

The impairment loss shall be recognized, and the asset's value shall be reduced by the increase in the asset's book value over its net realizable value. The net realizable value represents the net selling value of the asset or its utilization value whichever is greater. For purposes of the estimation of impairment, the asset shall be linked to the smallest available cash-generating unit. On the date of the preparing the financial statements, the non-financial assets that have been impaired shall be reviewed to assess a reversal of the impairment to the income statement.

2.R. Finance Lease

Finance lease is accounted for pursuant to law no. 95 for the year 1995 on leasing; if the lease contract gives the lessee the right to purchase the asset on a fixed date for a fixed amount and the contract's period represents more than 75% of the asset's expected useful life at least or the present value of total rental payments represents is not less than 90% of the asset value. Other leasing contracts shall be considered operational leasing ones.

2.R.1. Lease

With regard to financial leasing contracts, the lease cost including the maintenance cost of leased assets shall be recognized within the expenses in the income statement for the period in which it has been incurred. If the bank decides to exercise the right of the purchase of leased assets, then the cost of the purchasing right shall be capitalized as fixed assets and amortized over the expected remaining useful life of the asset in the same way applied to similar assets.

Payments under the operational leasing minus any discounts granted by the lessor shall be recognized within expenses in the income statement by applying the straight-line method over the period of contract.

2.S. Cash and cash equivalents

For the purpose of presentation of the statement of cash flows, cash and cash equivalents shall include the balances with maturity not exceeding three months from the date of the acquisition, and cash and balances at the Central Bank of Egypt, other than those that are deemed within the compulsory reserve, due from banks, treasury bills and other governmental notes.

2.T. Other provisions

The restructuring costs and legal claims' provision shall be recognized when there is a legal or a present indicative obligation due to previous events, and it is also likely that the situation shall require the utilization of the bank's resources to settle the mentioned obligations with the provision of a reliable estimation of the obligation’s value being possible.

When there are similar obligations, the cash outflow that can be used in settlement shall be identified, taking into consideration this set of liabilities. The related provision shall be recognized even if there is a little possibility that an outflow with respect to any one item is included in the same class of obligations.

When a provision is wholly or partially no longer required, it shall be reversed through profit or loss under other operating income (expenses) line item.

2.U. Employees’ benefits

2.U.1. Retirement benefits obligations

The bank manages a variety of retirement benefit plans that are often funded through payments that are defined based on periodical actuarial calculations and are made to insurance companies and other specialized funds. The bank has defined benefits and defined contribution plans.

Defined benefit plans: these are retirement rules, which specify the amount of the retirement benefits that the employee will be granted by the end of the period of service. This benefit normally depends on one factor or more such as age, years of services and income.

The recognized liability in the financial position with regards to defined benefit plans is represented in the present value of the defined benefit liabilities at the reporting date, after deducting the fair value of the retirement plans' assets and debiting (crediting) unrealized actuarial reconciliations of profits (losses), as well as the cost of additional benefits related to prior service terms.

An independent actuary who applies the Projected Unit Credit Method calculates the liability of the defined benefit plans (future cash flows expected to be paid) annually. The present value of the identified plans liability is determined through deducting these expected future cash flows to be paid by using the rate of return of high quality corporate bonds or the rate of return of the government bonds in the same currency to be used in payment of the benefits and which have almost the same maturity period of the related obligations of the retirement benefits.

Gains (losses) resulting from changes and adjustments in actuarial estimates and assumptions shall be calculated, and such gains shall be deducted from (the losses shall be added to) the income statement, if they do not exceed 10% of the plan assets' value or 10% of the defined benefits' liability whichever is higher. In case gains (losses) rise above the mentioned percentage, then the increase shall be deducted (added) in the income statements over the average of the remaining years of service.

Past service costs shall be immediately recognized in the income statement within administrative expenses, unless the introduced changes on the retirements' plans are conditional on that employees must be in service for a specified period of time (vesting period). In which case, the past service costs shall be amortized by the straight-line method over the vesting period.

Defined contribution plans: These are pension schemes pursuant to which the bank pays fixed contributions to an independent entity while there is no legal or constrictive commitment on the bank to pay further contributions, if the entity has not established sufficient assets to pay all the employees' benefits related to their service whether in current or previous periods.

Regarding the defined contribution plans, the bank pays contributions according to the retirement's insurance regulations in the public and private sectors on either mandatory or voluntary contractual basis and the bank has no further obligations following the payment of contributions. These contributions shall be recognized within the employees' benefit expenses when maturing (vesting). Paid contributions paid in advance shall be recognized within assets to the extent where the advance payment reduces future payments or cash refund.

2.U.2. Liabilities of other post-service's benefits

The bank provides health care benefits to retirees, after the end of service term. Usually, such benefits are given provided that the employee remains in the employ of the bank's service until the retirement age and completes a minimum period of service. The expected costs of these benefits are accrued (vested) over the period of employment by adopting an accounting method similar to the method adopted in the defined benefit plans previously explained in the item 2. T.1.

2.V. Income tax

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

The income tax shall be recognized based on the net profit subject to tax through the application of the applicable tax rates at the date of preparing the financial position, in addition to the tax adjustments related to previous years.

Deferred tax arising from temporary timing differences between the book value of assets and liabilities calculated according to the accounting principles, as well as its values shall be recognized according to the tax principles. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates enacted or substantively enacted by the end of the reporting year.

The deferred tax assets shall be recognized when profits to be subject to tax in the future are likely to be generated, through which this asset can be utilized. The deferred tax shall be decreased with the portion from which the expected taxable benefit will not be achieved over the coming years. In case of the increase of the expected taxable benefits, the deferred tax assets shall be increased within the limit of previous reduction in the value of deferred tax assets.

2.W. Borrowing

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

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

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

2.X. Share capital

2.X.1. Cost of capital

The issuance expenses, directly attributable to the issuance of new shares or shares against the acquisition of an entity, or the issuance of options shall be presented as a deduction from the shareholders’ equity in net proceeds after taxes.

2.X.2. Dividends

Dividends shall be recognized through deducting from shareholders' equity in the period where the General Assembly meeting of shareholder approves these dividends. These include the employees' share in profits and the remuneration of the board of directors prescribed by the article of association of the bank and the law.

2.Y. Custody activities

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

2.Z. Comparative figures

Comparative figures shall be reclassified whenever it is necessary to conform to the changes in the adopted presentation of the current year.

3. Financial risk management

The bank is exposed to a variety of financial risks, while it practices its business and activities, and the acceptance of risk is considered the basis of financial business. Some risk aspects or a combination of risk are analyzed, assessed, and managed. The bank targets to achieve adequate balance between the risk and return, and to minimize likely adverse impacts on its financial performance. The most important types of risk are credit risk, market risk, liquidity risk and other operating risks. Market risk includes the risk of foreign exchange rates, interest rates and the other pricing risks.

The bank has developed risk management policies to define, analyze and control risk, and set, control and comply with its limits through a variety of reliable methods and up to date information systems. The bank conducts regular reviews and amendments of the risk management policies in order to reflect changes in the markets, products, and services, as well as the best up to date applications.

Risk Management Division carries out risk management in the light of the policies approved by the Board of Directors. Risk division identifies, assesses, and hedges against the financial risk in close collaboration with the different operating units of the bank. The board of directors provides written principles for risk management as a whole, in addition to written policies, which cover defined risk areas such as credit risk, foreign exchange risk, interest- rate risk, and the use of derivatives and non-derivatives financial instruments. In addition, Risk division is responsible for the periodic review of risk management and control environment independently.

3.A. Credit risk

The bank is exposed to credit risk, which is the risk of default of one party on its obligations. Credit risk is considered as the most important risk the bank faces. Thus, the top management carefully manages risk exposure. Credit risk is mainly represented in lending business from which activities of loans and facilities arise, and in investment activities which cause that the bank's assets include debt instruments. Credit risk is also found in the financial instruments off- balance sheet, such as loan commitments. The credit risk management team in the division, which reports to the board of directors, top management as well as heads of business units, conducts mainly all operations related to the management and control of the credit risk.

3.A.1. Measurement of credit risk

- Loans and facilities to banks and customers

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

- Probability of default of the customer or a third party on their contractual obligations.
- The current position and the likely expected future development from which the bank can conclude the balance exposed to default (Exposure at default).

- Loss given default.

The daily activities of the bank's business involve the measurement of credit risk which reflects the expected loss (The Expected Loss Model) required by the Basel Committee on Banking Supervision. The operating measures may contradict with the impairment charge according to IFRS 9, which depends on losses realized at the reporting date (realized losses model) and not on expected losses (Note A/3).

- The bank estimates the probability of default at the level of every customer by applying internal rating methods to rate the creditworthiness of the different categories of customers in details. These methods have been developed for internal rating and the statistical analyses are taken into account together with the personal reasoning of credit officials to reach the adequate rating. The bank's customers have been divided into Three categories of creditworthiness rating. The structure of creditworthiness adopted by the bank as illustrated in the following table reflects how probable default of each category is, which mainly means that credit positions move among mentioned categories pursuant to the change in the assessment of the extent of default probability. The assessment methods are reviewed and developed whenever required. Further, the bank periodically assesses the performance of the creditworthiness rating methods and how they are able to predict default cases.

Classification	**The classification's Indication**
1	Stage 1 (Performing loans)
2	Stage 2 (Watch list)
3	Stage 3 (Non-performing loans)

The position exposed to default depends on the amounts the bank expects to be outstanding amounts when the default takes place; for example, as for a loan, the position is the nominal value while for commitments, the bank enlists all already withdrawn amounts in addition to these amounts expected to be withdrawn until the date of default, if it happens.

Loss given default or loss severity each represents the bank's expectations of the loss to the extent when claiming repayment of debt if the default occurs. Expressed by the percentage of loss to the debt; this certainly differs in accordance with category of the debtor, the claim's seniority and availability guarantees or other credit mitigation.

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

Concerning debt instruments and bills, the bank uses the external foreign rating such as the rating of "Standard and Poors" or of similar agencies to manage credit risk. If such ratings are not available, then the bank applies similar methods to those applied to credit customers. Investment in securities, financial papers, and bonds shall be considered as a way to gain a better credit quality and maintain a readily available source to meet funding requirements at the same time.

3.A.2. Risk Mitigation Policies

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

The bank structures the levels of credit risk tolerance by placing limits for the risk tolerance in relation to each borrower or a class of borrowers, and at the level of economic activities and geographical sectors. Such risk shall be constantly monitored and controlled and shall be subject to reviews on an annual basis or more frequently if necessary. Limits of credit risk at the level of borrower/ the group / producer, the sector and the country shall be quarterly approved by the board of directors.

Lines of credit for any borrower including banks shall be divided into sub-lines which include in- and off- the balance sheet amounts and daily risk limit related to trading items such as forward foreign exchange contracts. Actual amounts shall be compared daily with the mentioned limits. Credit risk exposure is also managed by the regular analysis of the present and the potential borrowers' ability to fulfill their obligations and by amendment of the lending lines when appropriate.

Following are some methods to mitigate risk:

- Collaterals

The bank sets a range of policies and controls to mitigate credit risk. Among these implemented methods is to obtain a security against the extended funds. The bank sets guide rules for defined types of acceptable collaterals.

Main types of collaterals against loans and facilities include the following:

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

Longer-term finance and lending to corporate are often secured, while credit facilities granted to retail customers are generally unsecured. To reduce credit loss to its minimum level, the bank seeks to get additional collateral from the concerned parties as soon as indicators of impairment in a loan or facility appear.

Collateral held as a security against assets other than loans and facilities; determined by the nature of the instrument, and debt instruments and treasury bills are normally unsecured with the exception of asset-backed securities and the similar instruments backed by a securities portfolio.

- Derivatives

The bank maintains control procedures over the net open positions for derivatives i.e. the difference between purchase and sale contracts at the level of value and period. The amount exposed to credit risk is at any time defined at the fair value of the instrument that achieves benefit to the bank i.e. an asset that has a positive fair value and represents a small portion of the contractual (nominal) value adopted to express for the volume of outstanding instruments. This credit risk is managed as a part of the aggregate lending line granted to the customer together with the expected risk due to market changes.

Collateral or other security is not usually obtained against credit risk exposures in these instruments, except where the bank requires that collateral be taken as margin deposits from the counterparties.

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

- **Master Netting Arrangements**

The bank mitigates the credit risk by entering into Master Netting Arrangements with counterparties that represent a signification volume of transaction. In general, these arrangements do not result in conducting offset between balance sheet assets and liabilities at financial position because these settlements are always conducted on a gross basis. However, the credit risk associated to the contracts that serve the bank's interest is reduced through master netting arrangements, as in case of default, all amounts with the counterparty are settled by clearance.

The bank's overall exposure to credit risk resulting derivative instruments subject to master netting arrangements can be substantially changed within a short period, as it is affected by each transaction subject to these arrangements.

- **Credit related commitments**

The primary purpose of credit related commitments is to ensure the availability of funds to the customer at demand. Guarantees and standby letters of credit also carry the same credit risk related to loans. Documentary and commercial letters of credit which are issued by the bank on behalf of its customer to grant a third party the right of withdrawal from the bank within the limit of certain amounts and under predefined conditions – are collateralized by the underlying shipments of goods and consequently carry a lesser degree of risk, compared to direct loans.

The commitments for granting credit represent the unutilized part of the authorized limit to grant loans, guarantees, or documentary letters of credit. The bank is exposed to a potential loss that represents the amount equal to the total of unutilized commitments as concerning credit risk arising from credit granting commitments. Nevertheless, the amount of loss that is likely to occur is below the unutilized commitments, as most credit granting commitments represents potential liabilities of customers who have defined credit specifications. The bank monitors the duration until maturity date of credit commitments, as long-term commitments have a high degree of credit risk, compared to short-term commitments.

3.A.3. Impairment policies and provisions

The internal systems of aforementioned assessments (note no. 3.A.1) focus to a great extent on the planning of the credit quality, from the starting point of the recognition of lending and investment activities. However, the impairment losses incurred at the reporting date are only recognized for purpose of the preparation of financial statements based on objective evidence, which refers to impairment pursuant to the disclosure below in light of the implementation of different methods.

The impairment loss provision included in the financial position at the end of the fiscal year is derived from the Three internal ratings; however, the majority of the provision results from the last two ratings. The following table shows the percentage for the items within the financial position relate to loans and facilities and the relevant impairment for each of the bank's internal ratings:

Bank's Assessment	**Dec. 31, 2019**		**Dec. 31, 2018**	
	Loans and advances %	**Impairment loss provision %**	**Loans and advances %**	**Impairment loss provision %**
1- Stage 1 (Performing loans)	88.57	31.00	85.68	25.73
2- Stage 2 (Watch list)	6.98	19.90	8.55	19.94
3- Stage 3 (Non-performing loans)	4.45	49.10	5.77	54.33
	100	**100**	**100**	**100**

The bank's policies require review of all financial assets, which exceed defined relative importance at least annually or more if necessary. The impairment charge is to be defined to accounts that have been assessed on an individual basis by assessing the realized loss at the reporting date on each individual case and is to be applied individually to all accounts that have relative importance. The assessment usually includes the outstanding collateral with a reconfirmation of the possibility to realize the collateral as well as the expected collections from these identified accounts being made.
The impairment loss provision shall be made on the basis of a group of homogeneous assets by using the available historical experience, personal judgment, and statistical methods.

3.A.4. The General Model for Measurement of Banking Risk

In addition to the three-creditworthiness ratings shown in (note no. 3.A.1), the management also prepares ratings in the form of more detailed subgroups, which are in line with the requirements of the Central Bank of Egypt (CBE). Assets exposed to credit risk shall be rated in these subgroups pursuant to detailed rules and terms, which depend largely on customer related information, business and activities, financial position and regularity of payments thereof.

The bank calculates the provision required for the impairment of these assets exposed to credit risk, including credit related commitments based on defined rates set by the Central Bank of Egypt. In case the impairment loss provision required according to Central Bank of Egypt's rules exceeds the provisions as required for the purposes of the preparation of the financial statements in accordance with the instructions of the Central Bank of Egypt (CBE) dated February 26 2019, that excess shall be debited to retained earnings and carried to the general reserve for banking risk in the shareholders' equity section. Such reserves shall be regularly adjusted, by any increase or decrease so that the reserve shall always be equal to the amount of increase between the two provisions. Such provision shall not be subject to distribution.
Following is an indication of corporate credit worthiness categories according to internal rating principles, compared to the rating principles of the Central Bank of Egypt, and of the required provision percentages for the impairment of assets exposed to credit risk.

Central Bank of Egypt's rating	Rating's meaning	Provision's ratio required	Internal Rating	Meaning of Internal Rating
1	Low risk	Zero	1	Stage 1
2	Average risk	1%	1	Stage 1
3	Satisfactory risk	1%	1	Stage 1
4	Reasonable risk	2%	1	Stage 1
5	Acceptable risk	2%	1	Stage 1
6	Marginally acceptable risk	3%	2	Stage 2
7	Watch List	5%	2	Stage 2
8	Substandard	20%	3	Stage 3
9	Doubtful	50%	3	Stage 3
10	Bad debt	100%	3	Stage 3

3.A.5. The Maximum Limit for Credit Risk before Collateral

Credit Risk exposures in the statement of financial position:

	Dec. 31, 2019 EGP 000	Dec. 31, 2018 EGP 000
Treasury bills and other governmental notes	18 047 092	19 070 088
Loans and advances to customers		
Loans to individuals (Retail):		
Overdraft accounts	502 504	652 220
Credit cards	189 239	126 465
Personal loans	19 800 424	17 280 162
Mortgage	10 419	13 014
Corporate loans:		
Overdraft accounts	5 870 803	5 563 834
Direct loans	15 015 196	12 181 146
Syndicated loans	2 926 361	5 141 727
Other loans	424	891
Unearned Discount	(25 336)	(11 574)
Interest under settlement from customer loan	(285 168)	(274 228)
Suspended interest	(3 346)	(4 027)
Financial investments:		
Debt instruments	4 395 477	2 075 456
Other assets	423 957	403 047
Total	**66 868 046**	**62 218 221**
Off balance sheet items exposed to credit risk:		
Financial guarantees	3 920 235	4 696 545
Non-revocable credit-related commitments for loans and other liabilities	7 574 814	6 345 362
Letters of credit	2 040 075	2 736 486
Letters of guarantee (incentive)	6 363 707	5 179 260
Total	**19 898 831**	**18 957 653**

- The previous table represents the maximum limit of exposure as at 31 December 2019 and as at 31 December 2018, without taking into consideration any financial guarantees. As for the financial position items, the enlisted amounts depend on the net book value presented in the statement in financial position.

  As illustrated in the previous table 65.8 % of the maximum limit exposed to credit risk at 31 December 2019 arises from loans and advances to banks and customers versus 65.4 % as at 31 December 2018 whereas investments in the debt instruments represent 6.6 % at 31 December 2019 versus 3.4 % as at 31 December 2018.

  The management has confidence in its abilities to continue of controlling and maintaining the minimum limit of credit risk resulted from loans, facilities, and debt instruments portfolios based on the following:

  - 3.87 % of the loans and advances' portfolio is classified in the two higher categories of the internal assessment (low/average risks) as at 31 December 2019, versus 0.12 % at 31 December 2018.
  - 82.2 % of the loans and advances' portfolio is free from any delays or impairment indicators at 31 December 2019 versus 83.4 % as at 31 December 2018.
  - The mortgages covered by collaterals, represent an important group in the portfolio.
  - Loans and facilities that have been assessed on an individual basis reach EGP 1 886 572 thousand as at 31 December 2019 versus EGP 2 361 542 thousand as at 31 December 2018. Formed from it an 57.07 % as a provision at 31 December 2019 versus 57.7 % as at 31 December 2018.
  - The bank applied more conservative selecting process when granting loans and advances during the year.
  - More than 99.8 % as at 31 December 2019 and as at 31 December 2018, of the investments in debt instruments and treasury bills represents debt instruments on the Egyptian government.

3.A.6. Loans and advances

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

	Dec. 31, 2019 EGP 000 Loans and advances to customers	**Dec. 31, 2018 EGP 000 Loans and advances to customers**
With no past dues or impairment	36 436 769	34 162 721
With past dues but not subject to impairment	5 992 029	4 435 196
Subject to impairment	1 886 572	2 361 542
Total	**44 315 370**	**40 959 459**

Less:		
Impairment loss provision	(2 199 811)	(2 430 509)
Unearned discount	(25 336)	(11 574)
Interest under settlement from customer loans	(285 168)	(274 228)
Suspended interest	(3 346)	(4 027)
Net	**41 801 709**	**38 239 121**

The total impairment charges on loans and advances facilities; reached EGP 2 199 811 thousand as of 31 December 2019, versus EGP 2 430 509 thousand as of 31 December 2018, including EGP 1 123 162 thousand as of 31 December 2019, versus EGP 1 361 731 thousand as of 31 December 2018, of which represents the impairment of individual loans and the remaining amounting to EGP 1 076 649 thousand versus EGP 1 068 778 thousand representing the impairment charges on a group basis of the credit portfolio (Note no. 19) include further information on the impairment losses provision of loans and facilities to banks and customers.

Loans and facilities with no past dues or impairment:

The creditworthiness of the loans and facilities portfolio with no past dues or impairment is assessed with reference to the internal assessment adopted by the bank.

EGP 000

December 31, 2019

Assessment	**Retail**				**Corporate**				**Net loans and facilities to customers**
	Debit Current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit Current accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	
1- Performing	-	-	-	-	2 324 684	9 935 572	482 434	40	**12 742 730**
2- Regular Watching	386 699	148 209	15 552 273	4 718	1 548 851	3 874 321	1 398 152	177	**22 913 400**
3- Watch List	-	-	-	-	11 407	15 448	11 083	13	**37 951**
Total	**386 699**	**148 209**	**15 552 273**	**4 718**	**3 884 942**	**13 825 341**	**1 891 669**	**230**	**35 694 081**

- The guaranteed loans were subjected to impairment as for the non-performing loans category after taking into consideration the collectability of these guarantees.

EGP 000

December 31, 2018

Assessment	**Retail**				**Corporate**				
	Debit Current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit Current accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Net loans and facilities to customers**
1- Performing	-	-	-	-	1 270 139	6 702 247	1 781 302	141	**9 753 829**
2- Regular Watching	542 467	94 756	13 960 033	6 038	2 364 059	4 679 327	1 739 023	358	**23 386 061**
3- Watch List	-	-	-	-	10 903	186 876	35 647	2	**233 428**
Total	**542 467**	**94 756**	**13 960 033**	**6 038**	**3 645 101**	**11 568 450**	**3 555 972**	**501**	**33 373 318**

Loans and facilities with past dues but are not subject to impairment

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

EGP 000

December 31, 2019

	Retail				Corporate				
	Debit Current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit Current accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Net loans and facilities to customers**
Past dues up to 30 days	-	29 743	3 205 841	1 863	535	485 859	697 408	-	**4 421 249**
Past dues more than 30 days to 60 days	14 496	5 815	569 955	-	106 984	72 776	-	-	**770 026**
Past dues more than 60 days to 90 days	23 497	2 275	190 539	-	68 110	93 598	16 925	-	**394 944**
Total	**37 993**	**37 833**	**3 966 335**	**1 863**	**175 629**	**652 233**	**714 333**	**-**	**5 586 219**
The fair value of Collaterals	**39 139**	**-**	**3 110 901**	**-**	**26 290**	**4 143**	**413 427**	**-**	**3 593 900**

EGP 000

December 31, 2018

	Retail				Corporate				
	Debit Current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit Current accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Net loans and facilities to customers**
Past dues up to 30 days	-	20 090	2 488 979	5 427	23 352	133 636	788 539	105	**3 460 128**
Past dues more than 30 days to 60 days	53 232	-	284 145	539	28 277	75 263	-	19	**441 475**
Past dues more than 60 days to 90 days	18 328	-	81 569	-	108 384	21 163	13 196	4	**242 644**
Total	**71 560**	**20 090**	**2 854 693**	**5 966**	**160 013**	**230 062**	**801 735**	**128**	**4 144 247**
The fair value of collaterals	**71 560**	**-**	**1 921 102**	**-**	**8 794**	**4 603**	**-**	**2**	**2 006 061**

At the initial recognition of loans and facilities, the fair value of collaterals is evaluated based on the same financial assets' evaluation methods used, and in subsequent periods, the fair value is updated by the market prices or the similar assets' prices.

Loans and facilities subject to impairment on an individual basis

The balance of loans and facilities which are subject to impairment on an individual basis, before taking into account the cash flow from collaterals, amounted to EGP 1 886 572 thousand as at 31 December 2019 versus EGP 2 361 542 thousand as at 31 December 2018.

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

EGP 000

December 31, 2019

	Retail				Corporate				
	Debit Current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit Current accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Total loans and facilities to customers**
Balance	75 614	1 906	113 895	3 587	1 661 587	29 844	-	139	**1 886 572**
Provision	(68 788)	(1 300)	(50 652)	(748)	(925 181)	(29 844)	-	(136)	**(1 076 649)**
Net	**6 826**	**606**	**63 243**	**2 839**	**736 406**	**-**	**-**	**3**	**809 923**
The fair value of collaterals	**12 006**	**-**	**2 540**	**-**	**505 690**	**-**	**-**	**2**	**520 238**

EGP 000

December 31, 2018

	Retail				Corporate				
	Debit Current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit Current accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Total loans and facilities to customers**
Balance	38 159	8 067	221 897	639	1 645 552	4 608	442 415	205	**2 361 542**
Provision	(38 127)	(2 489)	(99 940)	(638)	(790 252)	(4 116)	(425 998)	(171)	**(1 361 731)**
Net	**32**	**5 578**	**121 957**	**1**	**855 300**	**492**	**16 417**	**34**	**999 811**
The fair value of collaterals	**-**	**-**	**-**	**-**	**17 753**	**-**	**-**	**3**	**17 756**

Restructured Loans and Facilities:

The restructuring activities include extending of repayment's arrangements, implementation of obligatory management programs, amending and postponing repayment. The policies of restructuring application depend on indicators or standards that refer to the high prospects of continuance repayment based on the management's personal judgment. These policies are reviewed on regular basis. Restructuring is usually applied on long-term loans, especially customers financing loans. Loans which have been subject to renegotiations have reached EGP 434 387 thousand as at 31 December 2019 versus EGP 629 116 thousand as at 31 December 2018.

	Dec. 31, 2019 EGP 000	**Dec. 31, 2018 EGP 000**
Loans and facilities to customers		
Corporate		
- Debit current accounts	-	-
- Direct loans	434 387	629 116
Total Corporate Loans	434 387	629 116
Total	**434 387**	**629 116**

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

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

		EGP 000	
	Treasury bills and other governmental notes	**Investments in Securities**	**Total**
AAA	-	-	-
Less than -A	18 047 092	4 345 622	22 392 714
Unclassified	-	49 855	49 855
Total	**18 047 092**	**4 395 477**	**22 442 569**

3.A.8. Acquisition of collaterals

During the present financial year, the bank has obtained assets by acquiring some collaterals as following:

Type of Assets	**EGP 000 Book value**
Land and Building	30 833
Total	**30 833**

The acquired assets are being sold whenever practicable and are recorded under the "other assets" item in Balance sheet.

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

- **Geographical segments**

The following table represents an analysis of the bank's most important boundaries of credit risk at book value, distributed in accordance with the geographical segment as at 31 December 2019.

Dec. 31, 2019			EGP 000	
	Cairo	**Alex, Delta and Sinai**	**Upper Egypt**	**Total**
Treasury bills and other governmental notes	18 047 092	-	-	**18 047 092**
Loans and facilities to customers:				
- Loans to individuals (Retail):				
Debit current accounts	168 669	235 248	98 587	**502 504**
Credit cards	189 239	-	-	**189 239**
Personal loans	5 689 406	9 057 941	5 053 077	**19 800 424**
Mortgage	9 344	633	442	**10 419**

- Loans to corporate				
Debit current accounts	3 405 735	1 947 249	517 819	**5 870 803**
Direct loans	10 193 739	3 920 183	901 274	**15 015 196**
Syndicated loans	2 926 361	-	-	**2 926 361**
Other loans	195	140	89	**424**
Unearned discount	(25 336)	-		**(25 336)**
Interest under settlement from customer loans	(195 860)	(88 638)	(670)	**(285 168)**
Suspended interest	(3 321)	(3)	(22)	**(3 346)**
Financial Investments				
Debt instruments	4 395 477	-	-	**4 395 477**
Other assets	365 033	42 206	16 718	**423 957**
Total as at 31 Dec. 2019	**45 165 773**	**15 114 959**	**6 587 314**	**66 868 046**
Total as at 31 Dec. 2018	**44 197 141**	**12 331 662**	**5 689 418**	**62 218 221**

- **Business Segment**

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

EGP 000

Dec. 31, 2019	Financial Institutions	Industrial Institutions	Real estate Activity	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Treasury bills and other governmental notes	-	-	-	-	18 047 092	-	-	**18 047 092**
Loans & facilities to customers:								
Loans to individuals (Retail)								
Debit current account	-	-	-	-	-	-	502 504	**502 504**
Credit cards	-	-	-	-	-	-	189 239	**189 239**
Personal loans	-	-	-	-	-	-	19 800 424	**19 800 424**
Mortgage	-	-	-	-	-	-	10 419	**10 419**
Loans to Corporate								
Debit current account	-	1 067 087	1 695 527	1 435 082	853 999	819 108	-	**5 870 803**
Direct loans	-	3 981 298	136 830	1 404 195	6 561 294	2 931 579	-	**15 015 196**
Syndicated loans	-	1 616 039	70 681	-	651 057	588 584	-	**2 926 361**
Other loans	-	94	13	59	152	106	-	**424**
Unearned discount	-	(25 336)	-	-	-	-	-	**(25 336)**
Interest under settlement from customer loans	-	(114 747)	(142 169)	(4 936)	(12 349)	(10 967)	-	**(285 168)**
Suspended interest	-	(2 624)	(412)	(101)	(21)	(188)	-	**(3 346)**
Financial Investments								
Debt instruments	49 851	-	-	-	4 345 626	-	-	**4 395 477**
Other assets	12 448	-	-	-	152 067	147 740	111 702	**423 957**
Total as at 31 Dec. 2019	**62 299**	**6 521 811**	**1 760 470**	**2 834 299**	**30 598 917**	**4 475 962**	**20 614 288**	**66 868 046**
Total as at 31 Dec. 2018	**190 818**	**7 302 010**	**1 842 949**	**2 272 020**	**28 716 035**	**3 723 414**	**18 170 975**	**62 218 221**

3.B. Market Risk

3.B.1. Methods of Measuring Market Risk

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

- **Value at Risk**

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

Value at risk is a statistical estimate of the potential movements of the present portfolio due to market's adverse moves. It is an expression of the maximum value the bank can lose using a defined confidence factor (99%) consequently there is a statistical probability of (1%) that the actual loss may be greater than the expected value at risk. The value at risk model assumes a defined retention period (ten days) before closing of the open positions. It also assumes that the market movement during the retention period will follow the same pattern of movement that occurred during the previous ten days. The bank should assess these historical changes in rates, prices, and indicators directly on current positions, a method known as historical simulation. Actual outputs should be monitored and controlled on a regular basis to measure the integrity of the assumptions and factors applied to calculate value at risk.

The use of this method does not prevent the losses over these limits and within the limits of large movements in the market. Since the value at risk is an essential part of the banks' system in control of the market risk. The Board of Directors set the value at risk limits annually for each of the trading and non-trading and split on units of activity. The actual values at risk; are compared with limits set by the Bank and reviewed daily by the bank's risk management. The average daily value at risk during the financial period ended 31 December 2019 amounted to EGP 16 343 thousand, versus EGP 24 000 thousand during the comparative year.

The quality of value at risk model is continuously monitored by reinforcing testing to reinforce the results of value at risk of the trading portfolio and the results of such tests are usually reported to senior management and board of directors.

- **Stress Testing**

Stress testing gives an indicator of the potential size of losses, which may arise from extremely adverse conditions. Stress testing is designed in a way that suites business and activity by applying typical analysis of defined scenarios. The market risk department undertakes Stress testing to include the stress testing of risk factors where a set of extreme movements is applied on each risk category. There is also stress testing applied on emerging markets, which are subject to extreme movements, and special stress testing that includes potential events, which may affect certain centers or regions such as what can happen in a region currency peg break. The senior management and board of director's monitor and review the results of stress testing.

3.B.2. Summary of value at risk

- **Total value at risk according to the risk type**

EGP 000

	Dec. 31,2019			Dec. 31,2018		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	16 343	23 993	7 782	24 000	75 133	11 852
Total value at risk	**16 343**	**23 993**	**7 782**	**24 000**	**75 133**	**11 852**

The bank did not estimate exchange rate risk and equity instruments risk as the data is not available.

- **Value at risk of the trading portfolio according to the risk type.**

EGP 000

	Dec. 31,2019			Dec. 31,2018		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	-	-	-	-	-	-
Total value at risk	**-**	**-**	**-**	-	-	-

- **Value at risk of the non-trading portfolio according to the type of risk.**

EGP 000

	Dec. 31,2019			Dec. 31,2018		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	16 343	23 993	7 782	24 000	75 133	11 852
Total value at risk	**16 343**	**23 993**	**7 782**	**24 000**	**75 133**	**11 852**

The bank did not estimate exchange rate risk and equity instruments risk as the data is not available.

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

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

3.B.3. The risk of fluctuations in foreign exchange rates

The bank is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows and the board of directors have set limits of foreign currencies in total value for each position at the end of the day and during the day, which are monitored on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in foreign exchange rates risk at 31 December 2019. The following table includes the book value of financial instruments distributed into its component currencies:

The concentration of currency risk of financial instruments

Equivalent in EGP 000

	EGP	USD	Euro	GBP	Other Currencies	Total
As at Dec. 31, 2019						
Financial assets:						
Cash and balances with Central Bank of Egypt	5 721 775	154 098	48 390	1 357	49 807	**5 975 427**
Due from banks	27 349 797	3 306 664	255 799	131 593	74 779	**31 118 632**
Treasury bills and other governmental notes	17 880 367	166 725	-	-	-	**18 047 092**
Loans and facilities to customers	34 055 629	7 346 251	399 828	1	-	**41 801 709**
Financial assets classified at fair value through profit and loss	-	-	6 832	-	-	**6 832**
Financial Investments:						
- Financial assets classified at Fair Value through Other Comprehensive Income	4 943 318	5 038	-	-	-	**4 948 356**
- Financial assets classified at Fair Value through profit and loss	49 851	-	-	-	-	**49 851**
Total financial assets	**90 000 737**	**10 978 776**	**710 849**	**132 951**	**124 586**	**101 947 899**
Financial liabilities:						
Due to banks	20 660	426 993	7 765	392	1 117	**456 927**
Customers' deposits	76 770 534	9 400 039	1 049 859	135 504	95 888	**87 451 824**
Other loans	265 871	641 910	-	-	-	**907 781**
Total financial liabilities	**77 057 065**	**10 468 942**	**1 057 624**	**135 896**	**97 005**	**88 816 532**
Net of financial position	**12 943 672**	**509 834**	**(346 775)**	**(2 945)**	**27 581**	**13 131 367**
Credit related commitments	**4 852 908**	**2 550 718**	**4 595 976**	**272 797**	**51 618**	**12 324 017**
As at 31 December 2018						
Total financial assets	**78 221 684**	**13 371 983**	**1 112 930**	**161 708**	**201 130**	**93 069 435**
Total financial liabilities	**65 703 698**	**12 707 657**	**1 224 064**	**153 117**	**191 212**	**79 979 748**
Net of financial position	**12 517 986**	**664 326**	**(111 134)**	**8 591**	**9 918**	**13 089 687**
Credit related commitments	**4 370 287**	**3 136 174**	**4 744 885**	**282 189**	**78 756**	**12 612 291**

3.B.4. Interest rate risk

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

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

As at Dec. 31, 2019	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial assets:							
Cash and balance with Central Bank of Egypt	-	-	-	-	-	5 975 427	**5 975 427**
Due from banks	23 514 154	7 459 577	-	-	-	144 901	**31 118 632**
Treasury bills and other governmental notes	5 845 781	10 860 786	1 340 525	-	-	-	**18 047 092**
Loans and facilities to customers	30 662 695	1 695 649	3 839 704	4 952 329	574 085	77 247	**41 801 709**
Financial assets classified at fair value through profit and loss	6 832	-	-	-	-	-	**6 832**
Financial Investments:							
- Financial assets classified at Fair Value through Other Comprehensive Income	-	-	-	4 789 177	159 179	-	**4 948 356**
- Financial assets classified at Fair Value through profit and loss	-	-	-	49 851	-	-	**49 851**
Other financial assets	-	-	-	-	-	687 085	**687 085**
Total financial assets	**60 029 462**	**20 016 012**	**5 180 229**	**9 791 357**	**733 264**	**6 884 660**	**102 634 984**
Financial liabilities							
Due to banks	257 692	-	-	-	-	199 235	**456 927**
Customers' deposits	35 752 134	34 420 579	2 603 141	5 234 121	19 142	9 422 707	**87 451 824**
Other loans	652 325	255 456	-	-	-	-	**907 781**
Other financial liabilities	-	-	-	-	-	373 838	**373 838**
Total financial liabilities	36 662 151	34 676 035	2 603 141	5 234 121	19 142	9 995 780	**89 190 370**
The interest gap re-pricing	23 367 311	(14 660 023)	2 577 088	4 557 236	714 122	(3 111 120)	**13 444 614**
As at 31 December 2018							
Total financial assets	**51 350 275**	**11 503 093**	**18 071 210**	**7 488 285**	**626 815**	**4 698 799**	**93 738 477**
Total financial liabilities	**29 871 101**	**31 150 518**	**4 940 344**	**4 572 078**	**114 048**	**9 744 677**	**80 392 766**
Interest gap re-pricing	**21 479 174**	**(19 647 425)**	**13 130 866**	**2 916 207**	**512 767**	**(5 045 878)**	**13 345 711**

3.C. Liquidity risk

The liquidity risk is the risk that the bank is unable to meet its commitments associated with its financial obligations at maturity date and replacing the funds that withdrawn; and that may result of failure in meeting obligations related to repayment of the depositor's funds or meeting the borrowing commitments.

- **Liquidity risk management**

The processes of liquidity risk control carried by Assets and Liabilities management department in the bank include the following:

- The daily funding is managed by monitoring and controlling the future cash flows to ensure the ability to fulfill all obligations and requirements. This includes replenishment of funds as they mature or is borrowed by customers. The bank maintains an active presence in the global money markets to ensure achievement of this target.
- Maintaining a portfolio of highly marketable assets, which can easily be liquidated to meet any unexpected interruption in cash flows.

- Monitoring liquidity ratios compared to the internal requirements of the bank and the Central Bank of Egypt's requirements.
- Management of concentration and list of the debt maturities.

For the purpose of monitoring and reporting take the form of cash flow measurement and projections for the next day, week, and month respectively, which is main period for managing liquidity. The starting point for these projections represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.

Assets and Liabilities management department controls the unmatched medium-term assets, the level and type of the unutilized portion of loans' commitments, the extent of utilizing overdraft accounts advances and the impact of contingent liabilities such as letters of guarantees and letters of credit.

- **Financing approach**

Liquidity resources, reviewed by a separate team in the Assets and Liabilities management department of the bank to provide a wide variety of currencies, geographical regions, resources, products, and maturities.

- **Non-derivative cash flows**

The following table represents the cash flows payable by the method of non-derivative financial liabilities distributed based on remaining period from the contractual maturities on the financial position date. The amounts presented in the table represent the undiscounted contractual cash flows while the bank manages the liquidity risk based on "expected" instead of contractual undiscounted cash flows.

EGP 000

Dec. 31, 2019	Up to 1 month	1-3 months	More than 3 months – 1 year	1-5 years	More than 5 years	Total
Financial liabilities (According to original amount + Interest)						
Due to banks	456 927	-	-	-	-	**456 927**
Customers' deposits	39 328 132	6 484 114	14 864 146	35 942 615	30 540	**96 649 547**
Other loans	32 345	63 684	128 180	706 153	63 009	**993 371**
Other financial liabilities	373 838	-	-	-	-	**373 838**
Total financial liabilities according to contractual maturity date	**40 191 242**	**6 547 798**	**14 992 326**	**36 648 768**	**93 549**	**98 473 683**
Total financial assets according to contractual maturity date	**44 783 704**	**16 480 550**	**19 262 470**	**26 128 258**	**4 316 215**	**110 971 197**

EGP 000

Dec. 31, 2018	Up to 1 month	1-3 months	More than 3 months -1 year	1-5 years	More than 5 years	Total
Financial liabilities (According to original amount + Interest)						
Due to banks	469 055	-	167	-	-	**469 222**
Customers' deposits	30 978 483	3 896 688	10 026 145	33 850 893	31 634	**78 783 843**
Other loans	172	50 142	143 119	496 421	96 884	**786 738**
Other financial liabilities	413 018	-	-	-	-	**413 018**
Total financial liabilities according to contractual maturity date	**31 860 728**	**3 946 830**	**10 169 431**	**34 347 314**	**128 518**	**80 452 821**
Total financial assets according to contractual maturity date	**31 231 379**	**22 471 057**	**23 345 367**	**20 875 920**	**3 302 520**	**101 226 243**

The assets available to meet all liabilities and to hedge commitments related to loans include cash and balances with Central Bank, due from banks, treasury bills and other governmental bills and loans and facilities to banks and customers. In the normal course of business, a proportion of customer loans contractually repayable within one year extended through normal business of bank. The bank has the ability to meet unexpected net cash flows through selling financial securities as well as raising other funding resources.

- **Off-balance sheet items**

The following is according to Note no. (37.C.)

EGP 000

Dec. 31, 2019	**Less than 1 year**	**1-5 years**	**Total**
Commitments of loans and facilities for customers	7 574 814	-	**7 574 814**
Financial guarantees, accepted bills and other financial facilities	12 324 017	-	**12 324 017**
Commitments on operational leasing contracts	3 549	-	**3 549**
Capital commitments due to fixed assets' acquisition	150 278	-	**150 278**
Total	**20 052 658**	**-**	**20 052 658**

EGP 000

Dec. 31, 2018	**Less than 1 year**	**1-5 years**	**Total**
Commitments of loans and facilities for customers	6 345 362	-	**6 345 362**
Financial guarantees, accepted bills and other financial facilities	12 612 291	-	**12 612 291**
Commitments on operational leasing contracts	3 707	3 549	**7 256**
Capital commitments due to fixed assets' acquisition	89 765	-	**89 765**
Capital commitments due to holding shares	-	1 699	**1 699**
Total	**19 051 125**	**5 248**	**19 056 373**

3.D. The fair value of financial assets and liabilities

3.D.1. Financial instruments measured at fair value by applying valuation methods

The change in estimated fair value by applying valuation methods has reached EGP 207.1 million in the fiscal year ended 31 December 2019 versus EGP 65.7 million in the previous year.

Financial instruments not measured at fair value

The following table summarizes the present value and the fair value of financial assets and liabilities, not presented in the bank's statement of financial position at fair value:

EGP 000

	Dec. 31, 2019		**Dec. 31, 2018**	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial Assets:				
Due from banks	31 118 632	31 118 632	29 238 822	29 238 822
Loans and facilities to customers:				
Current balances	22 172 165	22 172 165	19 789 627	19 789 627
Financial liabilities:				
Due to banks	456 927	459 927	419 215	419 215
Customers' deposits:				
Current balances	27 393 579	27 393 579	19 461 558	19 461 558
Other loans	907 781	907 781	778 510	778 510

- **Due from banks**
  The fair value of the Due from banks is the book value where all Due from banks mature within a year.

- **Loans and facilities to banks**
  Loans and facilities to banks represented in loans other than deposits with banks. The expected fair value for loans and facilities represents the discounted value of future cash flows expected for collection. Cash flows discounted by adopting the current market rate to determine the fair value.

- **Loans and facilities to customers**
  Loans and facilities presented in net after discounting the impairment loss provision. Loans and facilities to customers; are divided to current and non-current balances and the book value of current balances is equal to the fair value but it is difficult to obtain the fair value of non-current balances.

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

- **Due to banks**
  The fair value of the due to banks is the book value where all due to banks mature within a year.

- **Customers' deposits**
  Customers' deposits are divided to current and non-current balances and the book value of current balances is equal to the fair value while could not obtain the present value of non-current balances.

3.E.1. Capital Management

For capital management purposes, the bank's capital includes total equity as reported in the financial position in addition to other elements that are managed as capital. The bank manages its capital to ensure the following objectives are achieved:

- Comply with the legal capital requirements in Arab Republic of Egypt and in countries where the bank's branches operate.
- Protect the bank's ability to continue as going concern and enabling it to continue in generating return to shareholders and other parties dealing with the bank.
- Maintain a strong capital base that supports the growth of business.
- Capital adequacy and capital utilizations according to the regulator requirements (the Central Bank of Egypt in Arab Republic of Egypt); are reviewed and monitored by the bank's management through models, which depend on the guidelines developed by the Basel Committee as implemented by the Banking Supervision. Required information is submitted to the Central Bank of Egypt on a quarterly basis.

Central Bank of Egypt requires each bank to do the following:

- Maintaining an amount of EGP 500 million as a minimum requirement for the issued and paid-up-capital.
- Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk-weighted assets and contingent liabilities of the Bank.

The overseas bank's branches outside Arab Republic of Egypt are subject to the supervision rules regulating banking business in the countries where they operate.

In accordance with the requirements of Basel II, the numerator of the capital adequacy ratio consists of the following two tiers:

Tier One:

A. Ongoing capital:

Consists of issued and paid-up share capital, legal, statutory and capital reserve and retained earnings (retained losses) and approved interim earnings excluding the following: -

- Treasury Shares
- Good Will
- Bank investments in financial companies (Banks and Companies) and insurance companies [more than 10% or more of the company's issued capital].
- Increase in all bank investments where each investment individually is less than 10% of the company's issued capital for the value of 10% of ongoing capital after regulatory amendments (capital base before excluding investments in financial companies and insurance companies).

The following elements are not considered: -

- Fair value reserve of financial investments available for sale (If negative).

- Foreign currency translation differences reserve (If negative).
- Where the above items are deducted from Basic capital if the balance is negative while it's not considered if it is positive.

B. Additional ongoing capital:

It consists of permanent non-cumulative preferred shares, interim quarterly profit (loss), minority rights and the difference between the nominal value and the current value of supplementary loans (deposits).

Interim profits are recognized only after approval of the auditor and the General Assembly approval of the distributions and the approval of CBE, banks are permitted to include the periodical net profits to the capital base after a limited review performed by the external auditors for the financial statements of the bank, interim losses are deducted without conditions.

Tier Two:

Consists of the following: -

- 45% of the increase in fair value above the book value of financial investments (FVOCI fair value reserve if positive, and investments in associates and subsidiaries).
- 45% of the special reserve.
- 45% of positive foreign currency translation differences reserve.
- Hybrid financial instruments.
- Supplementary loans (deposits).
- Impairment loss provision of loans and contingent liabilities (must not exceed 1.25% of the total credit risk of performing assets and contingent liabilities weighted by risk weights, thus, the impairment loss provision should be sufficient to meet the obligations for which the provision is allocated).

Exclusions of 50% of Tier I and 50% Tier II:

- Investments in non-financial companies (each individual) 15% or more of Basic ongoing capital of the bank before the regulatory amendments.
- Total value of bank investments in non-financial companies (each individual) less than 15% of base ongoing capital before regulatory amendments, these investments must exceed (collectively) 60% of ongoing base capital of the bank before the regulatory amendments.
- Securitization portfolio.
- The share (in general banking risks reserve) of assets reverted to the Bank in settlement of debts.

When calculating the total numerator of capital adequacy, it should be noted that supplementary loans (deposits) must not exceed 50% of Tier I after exclusions.

Assets and contingent liabilities are likely weighted by credit risk weights, market risk and operating risks.

The bank has committed all of the domestic capital requirements over the past two years, the following table summarizes the components of basic and additional capital ratios and capital adequacy according to Basel II requirements at the end of 31 December 2019, 31 December 2018:

	Dec. 31, 2019 EGP 000	Dec.31, 2018 EGP 000
Capital		
Tier one (Ongoing basic capital)		
Share capital	800 000	800 000
General reserve	29 312	29 312
Legal reserve	400 000	400 000
Other reserves	707 311	901 084
General Risks' Reserve	35 135	-
Retained earnings	5 412 981	4 788 649
Total Accumulated Other Comprehensive income	396 561	-
Profit for the year / Q-3 profits	834 895	2 139 743
Total ongoing basic capital	**8 616 195**	**9 058 788**
Tier two (Supplementary basic capital)		
Equivalent to general risks provisions	482 781	479 216
45% of the increase in the fair value over book value of financial investment without held -for- trading investment	-	137 616
Total supplementary basic capital	**482 781**	**616 832**
Total capital	**9 098 976**	**9 675 620**
Risk weighted assets and contingent liabilities:		
Credit Risk	38 622 460	38 337 291
Market Risk	29 915	945 887
Operation Risk	9 439 388	6 299 580
Total risk weighted assets and contingent liabilities	**48 091 763**	**45 582 758**
Capital adequacy ratio (%)	**18.92 %**	**21.23 %**

3.E.2. Financial leverage ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on July 7, 2015 special supervisory instructions related to leverage ratio of maintaining a minimum level of leverage ratio of 3% to be reported on a quarterly basis as follows:

- As a guidance ratio starting from end of September 2015 till December 2017.
- As an obligatory ratio starting from the year 2018.

This ratio will be included in Basel requirement tier1 (minimum limit of capital adequacy ratio) in order to maintain the effectiveness of the Egyptian Banking system, as well as keep up with the best international regulatory practices.

Financial leverage ratio reflects the relationship between tier I for capital that are used in capital adequacy ratio (after Exclusions) and the bank's assets (on and off-balance sheet items) that are not risk weighted assets.

Ratio Components

The numerator components

The numerator consists of tier I for capital that are used in capital adequacy ratio (after Exclusions) in accordance with the requirements of the Central Bank of Egypt (CBE)

The denominator components

The denominator consists of all bank's assets (on and off-balance sheet items) according to the financial statements, called "Bank exposures" including the following totals:

1- On balance sheet exposure items after deducting Tier I Exclusions for capital base.
2- Derivatives contracts exposure.
3- Financing Financial securities operations exposures.
4- off-balance sheet exposures "weighted exchange transactions".

The Financial leverage ratio as of 31 December 2019 and 31 December 2018 is summarized in the following table:

	Dec. 31, 2019 EGP 000	**Dec.31, 2018 EGP 000**
First: Tier I capital after exclusions	8 616 195	9 058 788
Total on-balance sheet exposures items (1)	**102 408 256**	**96 289 448**
Total contingent liabilities	6 416 580	6 423 608
Total commitments	1 823 832	1 394 875
Total exposures off-balance sheet (2)	**8 240 412**	**7 818 483**
Total exposures on and off-balance sheet (1+2)	**110 648 668**	**104 107 931**
Financial leverage ratio	**7.79 %**	**8.70 %**

4. The significant accounting estimates and assumptions

The bank applies estimates and assumptions, which affect the amounts of assets and liabilities disclosed in the next fiscal year. The estimates and assumptions are continuously assessed based on historical experience and other factors as well, including expectations of future events, which are considered reasonable in light of the available information and surrounding circumstances.

4.A. Impairment loss on loans and facilities (Expected Credit Losses)

The bank reviews the portfolio of loans and facilities to assess the impairment on a quarterly basis at least. The bank determines at its own discretion whether the impairment charges should be recorded in the income statement, in order to know if there is any reliable data referring to the existence of a measurable decline in the expected future cash flows of the loan portfolio, before identifying the decline of the level of each loan in the portfolio. Such evidence may include observable data referring to a negative change in the ability of a borrower's portfolio to repay the bank, or to local or economic circumstances related to default in the bank's assets.

Upon scheduling the future cash flows, the management use estimates based on prior loss experience for assets with same credit risk characteristics, in the presence of objective evidence, which refers to impairment similar to those included in the portfolio. The method and assumptions used in estimating both the amount and timing of future cash flows are reviewed on a regular basis to minimize any differences between estimated and actual losses based on experience. If the net present value of estimated cash flows differs by +/-5%, then the estimated impairment loss provision will increase or decrease by EGP 47 758 thousand of the formed provisions.

4.B. Fair value of derivatives

Fair values of derivative financial instruments not quoted in active markets are determined by using valuation methods. When these methods are used to determine the fair value, they are tested and reviewed periodically by qualified personnel who are independent of the body that prepared them. All such models have been approved before being used and after being tested to ensure that their results reflect actual data and prices that can be compared with the market to the extent that is deemed practical. Reliable data is only used in these models; however; areas such as credit risk related to the bank and counterparties, volatility or correlations require the management to use estimates. Changes in assumptions surrounding these factors may affect the fair value of the disclosed financial instruments.

4.C. Income tax

The bank records the liabilities of the expected results of tax examination according to the estimates of the probability of the emergence of additional tax. When there is a discrepancy between the final result of the Tax Authority and the amounts previously recorded, then these discrepancies will affect the income tax and deferred tax provision for the period, in which the discrepancy has been identified.

5. Segment analysis

5.A. Business segment analysis

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

Large, medium and small enterprises (SMEs)
They include the activities of current accounts, deposits, overdraft accounts, loans, credit facilities and financial derivatives.

Investments
It includes the activities of companies’ mergers, the purchase of investments; the financing of company restructuring and financial instruments.

Retail
They include the activities of current and savings accounts, deposits, credit cards, personal loans, and mortgage loans.

Other activities
They include other types of banking business activities such as treasury management.

Transactions between the segmental activities are made in accordance with the bank's ordinary course of business and include operational assets and liabilities as presented in the bank's statement of financial position.

EGP 000

Dec. 31, 2019	**Corporate**	**Medium and small enterprises**	**Investment**	**Retail**	**Other activities**	**Total**
Income and expenses according to segmental business activity						
Business activity income	2 360 487	1 363 044	24 487	12 924 051	(2 281 352)	**14 390 717**
Business activity expenses	(1 518 829)	(774 214)	(84 075)	(10 560 850)	4 111 243	**(8 826 725)**
Results of activity business	841 658	588 830	(59 588)	2 363 201	1 829 891	**5 563 992**
Unclassified expenses	-	-	-	-	(1 120 411)	**(1 120 411)**
Profit before income tax of the year	841 658	588 830	(59 588)	2 363 201	709 480	**4 443 581**
Income tax	-	-	-	-	(1 104 206)	**(1 104 206)**
Profit for the year	**841 658**	**588 830**	**(59 588)**	**2 363 201**	**(394 726)**	**3 339 375**
Assets and liabilities according To segmental business activity as at Dec. 31, 2019						
Business activity Assets	16 049 299	5 580 230	736 301	20 172 180	61 639 589	**104 177 599**
Business activity liabilities	4 126 583	5 927 581	-	76 892 020	17 231 415	**104 177 599**
Results of activity business						
Depreciations	-	-	-	-	(202 895)	**(202 895)**
Impairment for other provisions on income statement	-	-	-	-	241 165	**241 165**

Dec. 31, 2018	**Corporate**	**Medium and small enterprises**	**Investment**	**Retail**	**Other activities**	**Total**
Income and expenses according to segmental business activity						
Business activity income	2 686 430	1 186 813	47 582	11 598 788	(2 499 946)	**13 019 667**
Business activity expenses	(1 845 984)	(534 001)	(104 729)	(9 304 167)	3 664 495	**(8 124 386)**
Results of activity business	840 446	652 812	(57 147)	2 294 621	1 164 549	**4 895 281**
Unclassified expenses	–	–	–	–	(914 303)	**(914 303)**
Profit before income tax of the year	840 446	652 812	(57 147)	2 294 621	250 246	**3 980 978**
Income tax	–	–	–	–	(955 493)	**(955 493)**
Profit for the year	**840 446**	**652 812**	**(57 147)**	**2 294 621**	**(705 247)**	**3 025 485**
Assets and liabilities according to segment business activity as at Dec. 31, 2018						
Business activity Assets	17 124 111	3 974 891	599 386	17 139 538	56 294 697	**95 132 623**
Business activity liabilities	4 735 544	5 353 089	–	68 400 072	16 643 918	**95 132 623**
Other items of business segment						
Depreciations	–	–	–	–	(154 952)	**(154 952)**
Impairment for other provisions on income statement	–	–	–	–	(126 752)	**(126 752)**

EGP 000

5.B. Geographical Segment Analysis

Dec. 31, 2019	**Cairo**	**Alex., Delta and Sinai**	**Upper Egypt**	**Total**
Income and expenses according to geographical segment analysis				
Geographical segment Income	11 102 413	2 209 786	1 078 518	**14 390 717**
Geographical segment expense	(4 483 345)	(3 541 645)	(1 922 146)	**(9 947 136)**
Profit before income tax of the year	6 619 068	(1 331 859)	(843 628)	**4 443 581**
Income tax	(1 104 206)	-	-	**(1 104 206)**
Profit for the year	**5 514 862**	**(1 331 859)**	**(843 628)**	**3 339 375**
Assets and liabilities according to geographical segment as at Dec. 31, 2019				
Geographical segment assets	82 528 183	14 975 860	6 673 556	**104 177 599**
Geographical segment liabilities	46 225 062	37 377 933	20 574 604	**104 177 599**
Other items of geographical segment items				
Depreciations	(202 895)	-	-	**(202 895)**
Impairment and other provisions on income statement	241 165	-	-	**241 165**

Dec. 31, 2018	**Cairo**	**Alex., Delta and Sinai**	**Upper Egypt**	**Total**
Income and expenses according to geographical segment analysis				
Geographical segment Income	10 116 456	1 940 091	963 120	**13 019 667**
Geographical segment expense	(4 186 308)	(3 159 624)	(1 692 757)	**(9 038 689)**
Profit before income tax of the year	5 930 148	(1 219 533)	(729 637)	**3 980 978**
Income tax	(955 492)	-	-	**(955 493)**
Profit for the year	**4 974 656**	**(1 219 533)**	**(729 637)**	**3 025 485**
Assets and liabilities according to geographical segment as at Dec. 31, 2018				
Geographical segment assets	77 059 850	12 245 124	5 827 649	**95 132 623**
Geographical segment liabilities	43 612 114	33 498 527	18 021 982	**95 132 623**
Other items of geographical segment				
Depreciations	(154 952)	-	-	**(154 952)**
Impairment and other provisions on income statement	(126 752)	-	-	**(126 752)**

6. Net interest income

	For the year ended 31/12/2019 EGP 000	For the year ended 31/12/2018 EGP 000
Interest income on loans and similar income:		
Loans and advances to:		
- Customers	5 382 974	5 067 522
	5 382 974	**5 067 522**
- Treasury bills and bonds	3 678 209	3 461 357
- Current accounts and deposits	4 149 416	3 431 304
	13 210 599	**11 960 183**
Interest expense on deposits and similar expenses:		
Current accounts and deposits to:		
– Banks	(3 286)	(1 027)
– Customers	(7 162 074)	(6 351 831)
	(7 165 360)	**(6 352 858)**
Other loans	(33 789)	(34 394)
	(7 199 149)	**(6 387 252)**
Net	**6 011 450**	**5 572 931**

7. Net fee and commission income

	For the year ended 31/12/2019 EGP 000	For the year ended 31/12/2018 EGP 000
Fees & commissions income:		
- Fees and commissions related to credit.	390 451	411 735
- Fees on the financing services (corporate).	357	329
- Trust and custody fee.	8 759	16 323
- Other fees.	527 153	443 150
	926 720	**871 537**
Fees and commissions expenses		
- Other paid fees.	(307 114)	(191 833)
	(307 114)	**(191 833)**
Net	**619 606**	**679 704**

8. Dividends' income

	For the year ended 31/12/2019	For the year ended 31/12/2018
Net income from:	**EGP 000**	**EGP 000**
- Financial assets through other comprehensive income	48 830	36 666
- Financial assets through profit and loss	38	45
	48 868	**36 711**

9. Net income from Financial assets classified at Fair Value through Other Comprehensive Income

	For the year ended 31/12/2019 EGP 000	For the year ended 31/12/2018 EGP 000
Net income from:		
- Equity instruments	985	(1 413)
	985	**(1 413)**

10. Net trading income

	For the year ended 31/12/2019 EGP 000	For the year ended 31/12/2018 EGP 000
Foreign currency transactions:		
- Profits of trading in foreign currencies	**89 937**	**67 306**
- Losses from currency swap deals	**(1 817)**	**(862)**
	88 120	**66 444**

11. Administrative expenses

	For the year ended 31/12/2019 EGP 000	For the year ended 31/12/2018 EGP 000
Employees cost:		
- Salaries and Wages	(1 038 067)	(960 010)
- Social Insurance	(75 478)	(52 969)
Pension cost:		
- Defined-benefit plans (Note no.32)	(218 176)	(223 774)
- Other Pension benefits *	(182 051)	(119 940)
	(1 513 772)	**(1 356 693)**
Other administrative expenses	(1 120 409)	(914 304)
	(2 634 181)	**(2 270 997)**

(*) Being the early retirement program cost' approved by the Bank, considering providing the alternative human resources to ensure the business continuity efficiency assumption.

12. Other operating revenues (expenses)

	For the year ended 31/12/2019 EGP 000		For the year ended 31/12/2018 EGP 000	
	Aggregate	Amount	Aggregate	Amount
Revaluation losses of monetary assets and liabilities balances in foreign currencies the following:				
- Revaluation Provision for loan Credit / (Debit)	124 172		(11 925)	
- Revaluation Provision for contingent liabilities	5 626		1 301	
- Revaluation Provision for Other provisions	6 428		114	
- Revaluation of assets and liabilities balances in foreign currencies with monetary nature other than held for trading or classified at inception at fair value through profit and loss (Debit) / Credit	(60 498)		84 026	
- Revaluation Gains of assets and liabilities balances in foreign currencies with monetary nature other than held for trading or classified at inception at fair value through profit and loss.		**75 728**		**73 516**
- Gains from the disposition of the assets reverted to the Bank		782		1 974
- (Losses) / Gains from sale of property and equipment		(421)		7
- Rents		(71 475)		(62 054)
- Operating and finance lease		(1 548)		(1 549)
- Recovery of Impairment of due from banks balances (Note 17)		12 759		-
- Recovery of Impairment on government bills (Note 18)		82		-
- Recovery of Impairment on government bonds (Note 21)		2		-
- Impairment of assets reverted to the bank		(531)		-
- Recovery of Impairment on other assets		894		-
- Recovery / (Charges) of Impairment on other provisions (Note 30)		138 236		(106 911)
- Others		75 900		13 252
		230 408		**(81 765)**

13. Impairment Recovery / (Charge) of Impairment on Credit losses

	For the year ended 31/12/2019 EGP 000	For the year ended 31/12/2018 EGP 000
- Loans and advances to customers (Note no. 19)	115 788	(19 840)
	115 788	**(19 840)**

14. Income tax expenses

	For the year ended 31/12/2019 EGP 000	For the year ended 31/12/2018 EGP 000
- Current taxes	(1 102 774)	(936 755)
- Deferred income taxes (Note no. 31)	(1 432)	(18 738)
	(1 104 206)	**(955 493)**

The following view reveals additional information about Deferred income taxes (Note no. 31), and different taxes on bank profits from the value that would result from the application of the applicable tax rates are as follows:

	For the year ended 31/12/2019 EGP 000		For the year ended 31/12/2018 EGP 000	
	Amount	Aggregate	Amount	Aggregate
Accounting profit before governmental bills income as per tax law#10 and before taxes (1)		3 101 281		3 980 978
Tax at 22.5%	697 788		895 720	
Governmental bills income law no.10 (2)		1 342 300		-
Tax at 20%	268 460		-	
Total Accounting profit before tax (1+2)		**4 443 581**		**3 980 978**
Total Taxes		**966 248**		**895 720**
Add (deduct):				
Expenses are not deductible		256 509		18 450
The exemptions		(14 479)		(16 025)
Tax impact of provisions		(111 154)		34 269
Dividends payout at price 10%		4 869		3 841
Other Taxes		781		500
Tax from income statement		**1 102 774**		**936 755**
The price of the actual tax		**24.82%**		**23.53%**

The effect of the changes resulting from IFRS 9 First time adoption impact related to the reserves transferred to the provision for loan impairment by total amount EGP 437 408, and treated taxable according to rule no. 52 by 80% discount.

Tax Position

Bank Tax Policy

The Bank calculates and pays tax due in accordance with the applicable laws, rules and regulations, and makes provisions for all tax liabilities after conducting the required study considering the actual and forecast tax claims.

Following is the Bank's tax position:

A. Corporate Income Tax:

- Alex Bank has finished all tax disputes From FY 2009 till FY 2016 and the bank received Form (9) without any tax liability.
- Financial year 2017: Inspection had been finished and Form 19 has been received and bank is following up with Large tax payers center to receive Form (9).
- Financial Year 2018: Tax declaration presented to tax authority after tax due got paid in legal dates as well as comprehensive health insurance, the inspection process still in progress by Large tax payers center.
- Financial Year Ended in 31 Dec 2019, Tax declaration has been affected as the following:

- In accordance to applying law no.10 for year 2019 treasury bills and bonds has been subject to independent tax pool and calculate their costs according to the law
- IFRS 9 has been implemented and its relevant tax treatment.

B. WHT "With-holding tax"

- In light of tax authority instructions, withholding tax must be submitted digitally the date of third quarter 2019 Starting from that taxes get paid from 1 OCT 2019 without submitting any paper forms.

C. Offshore tax on non-Resident

- The bank committed to apply deducting tax due at rate of 20% to tax authority on rendered services to nonresident and issuing certificate from International tax treaties to each supplier to apply double tax convention agreement.

D. Stamp Tax Duty

First: The status of Stamp Tax Duty before the period from the application of Law No. 143 of 2006.

In light of Tax law, No.79 for year 2016 regarding ending of tax disputes, Alexbank`s Legal department provided requests for ending disputes in legal dates regarding the outstanding disputes in the competent courts. The law has been renewed by law No. 14 for FY 2018 which is effective from the date of Feb 28, 2018, noting that the bank has not signed the protocol between ministry of Finance and Federation of Egyptian banks.

Second: **The status of Stamp Duty Tax after the period from the application of**

Law No. 143 of 2006.

As per the signed protocol between the federation of the Egyptian Banks and the tax authority, executive instructions No.61 for the year 2015 were issued on 16 December 2015 regarding Stamp duty for banks as follows:

1- Calculate stamp duty for non-Performing clients on Bank portion only not on client's portion, in case the bank made a settlement with their non-performing clients at any later stage the bank commits to pay tax due on the reimbursement from these debtors from the first quarter the debt arose or since the application of law no. 143 of 2006 abreast of each repayment according to settlement.
2- Calculate stamp duty regarding balances of payments that bank granted to their clients by the provision of article 10 and 41 of Investment law no.72 of 2017 on the bank portion with any exemption for client portion.

   Therefore, the following actions were taken:

   - FY from 1-8-2006 till 31-3-2013: tax inspection has been completed.
   - FY from 1-4-2013 till 31-12-2017: Tax inspection has been finished and an internal committee held to prove the bank`s right to the credit balances.
   - FY ended 31 Dec 2018: all stamp tax due at this period has been paid in accordance with the law and the data were provided to large tax payers center to start the inspection process.
   - FY Ended in 31 Dec 2019: all stamp tax due on loans and facilities of the Fourth quarter of 2019 has been paid to tax authority in legal dates.

Third: **Fiscal stamp**

- Alexbank has calculated the fiscal stamp tax due automatically upon the creation current accounts, saving accounts, certificates deposits and time deposits issuance for clients instead of attaching stamp on the forms and stamp tax due get paid quarterly to large tax payers.

E. Real estate tax

- Regarding to the Real estate tax law no. 196 of 2008 that was amended with law no. 117 of 2014 as the following:
- In respect of Property tax on owned building, Alexbank paid real estate tax according to tax claims therefore the real estate tax of owned building has been paid from 1/7/2013 till 31/12/2019 in accordance with tax that comply with the housing and development bank`s accruals.
- The bank appealed in legal dates on the overestimated claims with housing and development bank estimates
- In respect of the leased premises, which the lease agreement provides for the bank to burden real estate tax, all the claims received from these buildings have been paid till 31 of December 2019.

F. Value Added Tax

- In accordance with Law No. 67 of 2016 and agreed between the Federation of Egyptian bank and The Central Bank of Egypt, the banks don't subject to Value added tax as The Central Bank has the right to determine the taxable activities. The

Banks pays value added tax for imported services from abroad (reverse charges) and pay tax due in legal dates till 31 of December 2019.

- The bank received a letter from Large tax payers requires a detailed statement of the value of the transactions to which applies on article rule No. 32 special for reverse charges for period from Dec. 2016 till Dec. 2019, and the data were provided to large tax payers center to start the inspection process.

G. Payroll Tax

Payroll tax have been re-inspected Financial years from 2005 till 2014 and reinspection result has been approved for FY from 2005 till 2012 and inspected FY from 2013 till 2014 and receiving paper forms, Alexbank received tax research department`s letter which indicating the bank`s right to benefit from applying law no.174 for 2018 regarding late penalties of FY 2005 Till 2012 for their implementation.

Financial year from 2015 till 2018: co-ordination with Large tax payers center has been made to start inspecting these years.

15. Basic earnings per share

	For the year ended 31/12/2019 EGP 000	For the year ended 31/12/2018 EGP 000
Net profit for the year	3 339 375	3 025 485
Employees' profit share (in net profit of the year)	(333 957)	(294 843)
Shareholders' share in net profit of the year (1)	**3 005 418**	**2 730 642**
The weighted average of the ordinary issued shares (2) "shares in thousands"	**400 000**	**400 000**
Basic earnings per share (in EGP) (1:2)	**7.51**	**6.83**

16. Cash and balances with Central Bank of Egypt

	Dec.31,2019 EGP 000	Dec.31,2018 EGP 000
Cash	1 709 229	1 673 365
Balances at central bank within the mandatory reserve ratio*	4 266 198	2 241 819
	5 975 427	**3 915 184**
Non-interest-bearing balances	5 975 427	3 915 184

* Represented in the amounts deposited with the Central Bank of Egypt in the context of the rules of the calculation of 14% as a mandatory reserve, which is non-bearing interest.

17. Due from Banks

	Dec.31,2019	Dec.31,2018
	EGP 000	EGP 000
Current accounts	206 891	932 862
Deposits	30 946 203	28 305 960
Less: Allowance for impairment loss provision	(34 462)	-
	31 118 632	**29 238 822**
Central banks other than the obligatory reserve ratio *	27 424 953	22 576 688
Local banks	1 589 359	2 690 130
Foreign banks	2 138 782	3 972 004
Less: Allowance for impairment loss provision **	(34 462)	-
	31 118 632	**29 238 822**
Balances without interest	144 901	31 258
Balances with fixed return	30 973 731	29 207 564
	31 118 632	**29 238 822**
Current balances	30 041 878	27 877 138
Non-current balances	1 076 754	1 361 684
	31 118 632	**29 238 822**

Impairment Loss provision of Due from banks balances:

Beginning Balance	51 767
(Recovery) Impairment (Note no. 12)	(12 759)
Foreign currencies revaluation differences	(4 546)
Ending Balance	**34 62**

* Including the amount of EGP 1 076 754 thousand, as the Bank shall maintain, as per the instructions of the Central Bank of Egypt, 10% of the customers' deposits in foreign currencies as a return-generating reserve with the CBE.

18. Treasury bills and other governmental notes

	Dec.31,2019	Dec.31,2018
	EGP 000	EGP 000
Treasury bills due 91 days	11 062 250	7 050
Treasury bills due 182 days	25	36 300
Treasury bills due 273 days	4 964 175	11 317 450
Treasury bills due 364 days	2 485 073	9 164 617
Unearned interest	(458 926)	(1 455 329)
Less: Allowance for impairment losses provision	(5 505)	-
Total	**18 047 092**	**19 070 088**

Impairment Losses provision of Treasury bills and other governmental notes:

Beginning Balance	6 230
(Recovery) Impairment (Note no. 12)	(82)
Foreign currencies revaluation differences	(643)
Ending Balance	**5 505**

19. Loans and advances to customers

	Dec.31,2019 EGP 000	Dec.31,2018 EGP 000
Retail		
- Debit current accounts	502 504	652 220
- Credit cards	189 239	126 465
- Personal loans	19 800 424	17 280 162
- Mortgage loans	10 419	13 014
Total (1)	**20 502 586**	**18 071 861**
Corporate including small loans for economic activities		
- Debit current accounts	5 870 803	5 563 834
- Direct loans	15 015 196	12 181 146
- Syndicated loans	2 926 361	5 141 727
- Other loans	424	891
Total (2)	**23 812 784**	**22 887 598**
Total loans and facilities to customers (1+2)	**44 315 370**	**40 959 459**
Impairment loss provision	(2 199 811)	(2 430 509)
Unearned discount	(25 336)	(11 574)
Interest under settlement from customer loans	(285 168)	(274 228)
Suspended interest	(3 346)	(4 027)
Net	**41 801 709**	**38 239 121**
Distributed to:		
- Current balances	22 172 165	19 789 627
- Non-current balances	19 629 544	18 449 494
	41 801 709	**38 239 121**

Impairment loss provision

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

31/12/2019	Overdraft accounts EGP 000	Credit Cards EGP 000	Retail Personal Loans EGP 000	Mortgage loans EGP 000	Total EGP 000
Balance at the beginning of the year	**38 161**	**6 041**	**343 479**	**1 009**	**388 690**
Impact of adopting IFRS 9	4 661	(2 514)	(33 036)	(488)	**(31 377)**
Balance at the beginning after modification	**42 822**	**3 527**	**310 443**	**521**	**357 313**
Impairment (recovery) during the year	55 460	747	(102 901)	478	**(46 216)**
Amounts written-off during the year	(27 270)	(2 279)	(3 865)	-	**(33 414)**
Amounts recovered during the year *	-	596	14 895	-	**15 491**
Differences in revaluation of foreign currencies	(27)	-	-	-	**(27)**
Balance at the year end	**70 985**	**2 591**	**218 572**	**999**	**293 147**

	Overdraft accounts EGP 000	Direct Loans EGP 000	Corporate Syndicated Loans EGP 000	Other Loans EGP 000	Total EGP 000
Balance at the beginning of the year	**903 420**	**370 568**	**767 603**	**228**	**2 041 819**
Impact of adopting IFRS 9	149 037	129 604	190 105	39	**468 785**
Balance at the beginning after modification	**1 052 457**	**500 172**	**957 708**	**267**	**2 510 604**
Impairment (recovery) during the year	462 531	26 951	(558 978)	(76)	**(69 572)**
Amounts written-off during year	(459 216)	-	-	-	**(459 216)**
Amounts recovered during year *	48 994	-	-	-	**48 994**
Differences in revaluation of foreign currencies	(30 938)	(14 834)	(78 371)	(3)	**(124 146)**
Balance at the year end	**1 073 828**	**512 289**	**320 359**	**188**	**1 906 664**
Total provision					**2 199 811**

31/12/2018	Overdraft accounts EGP 000	Credit Cards EGP 000	Retail Personal Loans EGP 000	Mortgage loans EGP 000	Total EGP 000
Balance at the beginning of the year	**64 756**	**4 386**	**396 531**	**1 445**	**467 118**
Impairment (recovery) during the year	(18 592)	2 525	(13 802)	(436)	**(30 305)**
Amounts written-off during the year	(8 003)	(1 119)	(47 832)	-	**(56 954)**
Amounts recovered during the year *	-	249	8 582	-	**8 831**
Differences in revaluation of foreign currencies	-	-	-	-	**-**
Balance at the year end	**38 161**	**6 041**	**343 479**	**1 009**	**388 690**

	Overdraft accounts EGP 000	Direct Loans EGP 000	Corporate Syndicated Loans EGP 000	Other Loans EGP 000	Total EGP 000
Balance at the beginning of the year	**588 224**	**737 690**	**928 096**	**978**	**2 254 988**
Impairment charge during the year	583 994	(366 981)	(166 119)	(749)	**50 145**
Amounts written-off during the year	(329 108)	-	(3 252)	-	**(332 360)**
Amounts recovered during the year *	57 121	-	-	-	**57 121**
Differences in revaluation of Foreign currencies	3 189	(141)	8 878	(1)	**11 925**
Balance at the year end	**903 420**	**370 568**	**767 603**	**228**	**2 041 819**
Total Provision					**2 430 509**

* From amounts that have been previously written off.

20. Financial assets classified at fair value through profit and loss

	Dec.31,2019 EGP 000	Dec.31,2018 EGP 000
Equity instruments at fair value:		
- Listed in the market	6 832	4 384
Total Equity instrument at fair value	**6 832**	**4 384**
Total Financial assets classified at fair value through profit and loss	**6 832**	**4 384**

The value represents 160 717 shares of ISP equity securities owned by the bank with the dividends to be credited to the bank account. The amount due to Italian employee's beneficiary of these shares under the Parent Company's Remuneration System for Top Management is recorded under credit balance.

21. Financial investments

	Dec.31,2019 EGP 000	Dec.31,2018 EGP 000
Financial assets classified at Fair Value through Other Comprehensive Income		
Debt instruments at fair value:		
Listed in the market	4 345 779	2 045 269
Less: Impairment of treasury bills	(153)	-
Equity instruments at fair value:		
Unlisted in the market	602 730	457 810
Total financial assets classified at Fair Value through Other Comprehensive Income (1)	**4 948 356**	**2 503 079**
Financial assets classified at Fair Value through profit and loss		
Debit instruments:		
Unlisted in the market	49 851	76 819
Financial assets classified at Fair Value through profit and loss (2)	**49 851**	**76 819**
Total of Financial investments (1+2)	**4 998 207**	**2 579 898**
Current balances	4 345 625	2 091 901
Non-current balances	652 582	487 997
	4 998 207	**2 579 898**
Debt instruments with fixed interest	4 345 622	2 045 265
Debt instruments with variable interest	49 855	30 191
	4 395 477	**2 075 456**

Impairment Loss provision of Governmental Bonds:

Beginning Balance	173
Impairment (Recovery) (Note 12)	(2)
Foreign currencies revaluation differences	(18)
Ending Balance	**153**

	Financial Investments At FVOCI EGP 000	Financial Investments At FVTPL EGP 000	Total EGP 000
Beginning Balance as at December 31, 2018	**2 571 649**	**30 187**	**2 601 836**
Impact of adopting IFRS 9 - Corporate Mutual funds	(46 632)	46 632	**-**
Impact of adopting IFRS 9 - Other Debit Investments	(21 938)	-	**(21 938)**
Adjusted Beginning Balance as at January 1, 2019	2 503 079	76 819	**2 579 898**
Impact of adopting IFRS 9 - Our bank Mutual funds	-	8 156	**8 156**
Impact of adopting IFRS 9 – Impairment of Gov. Bonds	(173)	**-**	**(173)**
Additions	2 012 199	31 202	**2 043 401**
Disposals (sale/ redemption)	(5 351)	(25 431)	**(30 782)**
Change in fair Value through profit and loss - Corporate Mutual funds	-	(42 588)	**(42 588)**
Fair Value through profit and loss - Our bank Mutual funds	-	(4 044)	**(4 044)**
Change in fair Value - Corporate Mutual funds	-	5 737	**5 737**
Differences of valuation of assets of monetary nature in foreign currencies	(447)	-	**(447)**
Gains from changes in fair value (Note no.34.c)	439 375		**439 375**
Reclassification to investments in associated companies		-	
by fair value	(16 239)	-	**(16 239)**
Amortized cost	16 100	-	**16 100**
Amortization of issuance discount	(207)	-	**(207)**
Governmental bonds impairment provisions			
Differences of revaluation of FX for Other provisions in	2	-	**2**
Foreign currencies.	18	-	**18**
Balance as at Dec. 31, 2019	**4 948 356**	**49 851**	**4 998 207**

Balance as at January 1, 2018	**1 244 791**	**31 885**	**1 276 676**
Additions	1 940 020	28 341	**1 968 361**
Disposals (sale/ redemption)	(543 425)	(30 039)	**(573 464)**
Differences of valuation of assets of monetary nature in foreign currencies	187	-	**187**
Losses from changes in fair value (Note no.34.c)	(60 143)	-	**(60 143)**
Impairment (Charges) losses	(13 564)	-	**(13 564)**
Amortization of issuance discount	3 783	-	**3 783**
Balance as at Dec. 31, 2018	**2 571 649**	**30 187**	**2 601 836**

21.A. Gains from financial investments

	For the year ended 31/12/2019 EGP 000	For the year ended 31/12/2018 EGP 000
Gains from financial investments		
Gain on sale of Financial assets	-	2 010
Impairment losses Equity instruments	-	(13 564)
Gain on sale of Financial assets classified at Fair Value through Profit and loss Income	11	12 590
Losses on sale of Financial investments – Governmental Bills	(336)	(7 567)
	(325)	**(6 531)**

22. Investments in associates

The Bank contributions in associates are as follows:

Dec. 31, 2019	**Total shareholders' equity EGP 000**	**Bank's share percentage**	**Bank's share in shareholders' equity EGP 000**
Misr International Towers Co.	219 063	27.86%	61 023
MisrAlex Fund Co. For Fin. Inv.	63 461	25.00%	15 865
	282 524		**76 888**

Dec. 31, 2018	**Total shareholders' equity EGP 000**	**Bank's Share Percentage**	**Bank's share in shareholders' equity EGP 000**
Misr International Towers Co.	216 731	27.86%	60 373
Misr Alex Fund Co. For Fin. Inv.	-	25.00%	-
	216 731		**60 373**

The bank contribution in Misr Alex Fund Co. For Fin. Inv. has been reclassified from the financial investment portfolio through comprehensive income to the investment portfolio in associate companies, this is as a direct effect of the exit number of Companies from the Fund's documents to become 30 708 investments certificates in 30 September 2019 from 98 208 investments certificates in 31 December 2018.

The effect after exit, and after publication of F.S in 30 September 2019, the percentage of owned share for bank become 25% vs 7.82%.

Our bank's share in Egypt Alexandria Fund Co. has been reclassified to investments in associate's companies at fair value and the remaining fair value amount has been transferred from the fair value reserve to retained earnings by total amount EGP 8,739 million, and the tax effect has been calculated and our banks' share has been adjusted after the calculation based on shareholders equity.

The financial data of associates are as follows:

Dec. 31, 2019	**Country of the Company's Head Office**	**Balance Sheet date**	**Company's Assets**	***Company's Liabilities (without shareholders' equity)**	**Company's Revenues**	***Profits (losses) of the company**	**Share Percentage**
			EGP 000	**EGP 000**	**EGP 000**	**EGP 000**	**%**
Misr International Towers Co.	Egypt	*30/09/2019	292 974	73 911	26 479	14 909	27.86%
MisrAlex Fund Co. For Fin. Inv.	Egypt	*30/09/2019	266 293	202 832	72 169	9 970	25.00%
			559 267	**276 743**	**98 648**	**24 879**	

December 31, 2018	***Country of the Company's Head Office**	**Balance Sheet date**	**Company's Assets**	****Company's Liabilities (without shareholders' equity)**	**Company's Revenues**	*** Profits (losses) of the company**	**Share Percentage**
			EGP 000	**EGP 000**	**EGP 000**	**EGP 000**	%
Misr International Towers Co.	Egypt	30/9/2018	273 995	57 264	30 670	23 703	27.86
			273 995	**57 264**	**30 670**	**23 703**	

** It includes the effect of decision of dividend payout (The Board members' and the employees' share).

23. Intangible assets

Dec. 31, 2019	**Computer software programs**	**Benefits of rental contracts**	**Total**
	EGP 000	**EGP 000**	**EGP 000**
Cost at the beginning of the year	**482 368**	**655**	**483 023**
Additions	61 033	-	61 033
Total cost	**543 401**	**655**	**544 056**
Amortization at the beginning of the year	(288 911)	(589)	(289 500)
Amortization for the year	(102 529)	(26)	(102 555)
Accumulated amortization	**(391 440)**	**(615)**	**(392 055)**
Net book value at the end of the year	**151 961**	**40**	**152 001**

December 31, 2018	Computer Software Programs	Benefits of rental contracts	Total
	EGP 000	EGP 000	EGP 000
Cost at the beginning of the year	364 919	655	365 574
Additions	117 449	-	117 449
Total cost	**482 368**	**655**	**483 023**
Amortization at the beginning of the year	(212 703)	(563)	(213 266)
Amortization for the year	(76 208)	(26)	(76 234)
Accumulated amortization	**(288 911)**	**(589)**	**(289 500)**
Net book value at the year end	**193 457**	**66**	**193 523**

24. Other assets

	Dec.31,2019	Dec.31,2018
	EGP 000	EGP 000
Accrued revenues	563 056	569 104
Prepaid expenses	96 187	73 914
Payments under purchase of fixed assets	82 195	75 619
Assets reverted to the Bank in settlement of debts (after deducting impairment)	32 192	2 683
Insurance and custodies	3 968	3 144
Others	708 313	642 016
	1 485 911	**1 366 480**
Less: Provisions for doubtful debts	(118 866)	(119 003)
	1 367 045	**1 247 477**

25. Fixed assets

	Land and Buildings	Improvements on leased assets	Machinery and Equipment	Others	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance as at 1/1/2018					
Cost	336 269	58 472	204 557	444 124	**1 043 422**
Accumulated depreciation	(135 546)	(49 773)	(72 175)	(326 597)	**(584 091)**
Net book value at 1/1/2018	**200 723**	**8 699**	**132 382**	**117 527**	**459 331**
Additions	28 439	15 945	35 714	125 071	**205 169**
Disposals	(4 192)	(150)	(565)	(283)	**(5 190)**
Depreciation for the year	(14 121)	(5 850)	(18 300)	(40 447)	**(78 718)**
Disposals' accumulated depreciation	2 823	-	221	117	**3 161**
Net Book value as at 31/12/2018	**213 672**	**18 644**	**149 452**	**201 985**	**583 753**
Balance as at 1/1/2019					
Cost	360 516	74 267	239 706	568 912	**1 243 401**
Accumulated depreciation	(146 844)	(55 623)	(90 254)	(366 927)	**(659 648)**
Net book value at 1/1/2019	**213 672**	**18 644**	**149 452**	**201 985**	**583 753**
Additions	33 137	20 957	37 403	64 410	**155 907**
Disposals	-	(5 355)	(3 574)	(1 332)	**(10 261)**
Depreciation for the year	(14 816)	(7 675)	(21 832)	(56 017)	**(100 340)**
Disposals' accumulated depreciation	-	1 239	2 786	682	**4 707**
Net Book value as at 31/12/2019	**231 993**	**27 810**	**164 235**	**209 728**	**633 766**
Balance as at 31/12/2019					
Cost	393 653	89 869	273 535	631 990	**1 389 047**
Accumulated depreciation	(161 660)	(62 059)	(109 300)	(422 262)	**(755 281)**
Net book value	**231 993**	**27 810**	**164 235**	**209 728**	**633 766**

26. Due to banks

	Dec.31,2019	Dec.31,2018
	EGP 000	EGP 000
Current accounts	456 927	418 025
Deposits	-	1 190
	456 927	**419 215**
Local banks	12 171	39 035
Foreign banks	444 756	380 180
	456 927	**419 215**
Balances without interest	199 235	188 756
Balances with fixed interest	257 692	230 459
	456 927	**419 215**
Current balance	**456 927**	**419 215**

27. Customers' deposits

	Dec.31,2019 EGP 000	**Dec.31,2018 EGP 000**
Demand deposits	17 669 743	17 058 692
Term and notice deposits	6 030 362	5 327 200
Certificates of deposits and savings	44 894 278	38 092 645
Savings deposits	18 340 334	17 475 234
Other deposits	517 107	828 252
	87 451 824	**78 782 023**
Corporate deposits	10 163 612	10 565 035
Retail deposits	77 288 212	68 216 988
	87 451 824	**78 782 023**
Balances without interest	9 422 707	9 142 903
Balances with variable interest	66 461 333	59 819 825
Balances with fixed interest	11 567 784	9 819 295
	87 451 824	**78 782 023**
Current balances	27 393 579	19 461 558
Non-current balances	60 058 245	59 320 465
	87 451 824	**78 782 023**

Customers' accounts include deposits amounted to EGP 1 002 029 thousand as at 31 December 2019 versus EGP 1 382 505 thousand as at 31 December 2018 Which represent collateral of customer loans, letters of credit, and letters of guarantee. Deposits' fair value approximately equals the present value of such deposits.

28. Other loans (long term loans)

	Interest Rate %	Dec.31,2019 EGP 000	Dec.31,2018 EGP 000
Loan within the framework of The Agricultural Sector Development Program	3.5: 5.0	89 589	88 856
Long-term loans from CBE	3%	176 281	128 283
Sanad Loan Fund for MSME	Lipor 6 month+2.45%	-	39 768
Sanad Loan Fund for MSME	Lipor 6 month+2.85%	145 832	179 136
Loan Green for Growth Fund Tranche one amounted to USD 15 million	Lipor 6 month+2.95 %	198 163	252 899
Loan Green for Growth Fund Tranche two amounted to USD 5 million	Lipor 6 month+2.95%	57 294	89 568
European Bank Loan For reconstruction and development Tranche amounted USD 15 million	Lipor 6 month+3.25%	240 622	-
Total long-term loans		**907 781**	**778 510**
Current balances		194 122	191 410
Non-current balances		713 659	587 100
		907 781	**778 510**

- The bank has fulfilled all of its loan obligations in terms of the principal, interest or any other terms and conditions during the current year and the comparative year.

29. Other liabilities

	Dec.31,2019 EGP 000	Dec.31,2018 EGP 000
Accrued interest	373 838	413 018
Prepaid revenues	157 011	115 540
Accrued expenses	313 302	413 363
Creditors	151 988	180 927
Remittances of Egyptian workers in Iraq – due to customers	58 170	58 360
Other credit balances	617 260	1 371 963
	1 671 569	**2 553 171**

30. Other provisions

	Dec.31,2019	Dec.31,2018
	EGP 000	EGP 000
Balance at the beginning of the year	492 163	564 728
Impact of adopting IFRS 9	(41 152)	-
Differences in valuation of foreign currencies	(6 847)	(1 414)
(Recovery) / Charge to income statement - (Disclosure 12)	(138 236)	106 911
Used amounts during the year	(30 457)	(167 938)
Transfers to doubtful amounts provisions (other assets)	138	(10 124)
Balance at the end of the year	**275 609**	**492 163**

Other provisions include of an amount of EGP 155 533 thousand at 31 December 2019 to meet contingent liabilities and contractual commitments that amount to EGP 12 324 016 thousand, versus to EGP 248 880 thousand as at 31 December 2018 to meet contingent liabilities and contractual commitments that amount to EGP 12 612 291 thousand.

31. Deferred tax liabilities

- The deferred income tax has been calculated in full on the deferred tax differences according to the liabilities method by applying the actual tax rate of 22.5% for the current financial year.
- Deferred tax assets resulting from carried forward tax losses are not recognized unless future taxable profits, through which carried forward taxable losses can be utilized, are likely to be proven.
- Deferred tax assets resulting from other provisions are not recognized.

Following are the balances and the movement in deferred tax assets and liabilities:

31.A. Recognized deferred tax liabilities

	Deferred tax liabilities	
	Dec.31,2019	Dec.31,2018
	EGP 000	EGP 000
Fixed assets (depreciation)	(53 301)	(51 869)
Fair value differences	(119 295)	(85 000)
Total deferred tax liability	**(172 596)**	**(136 869)**

The movement of deferred tax liabilities:

	Dec.31,2019 EGP 000	Dec.31,2018 EGP 000
Balance at the beginning of the year	(136 869)	(133 050)
(Exclusions)	(35 727)	(3 819)
Balance at the end of the year	**(172 596)**	**(136 869)**

The deferred tax recorded directly in equity:

	Dec.31,2019 EGP 000	Dec.31,2018 EGP 000
Fair value differences	(119 295)	(85 000)
	(119 295)	**(85 000)**

31.B. Unrecognized deferred tax assets

	Deferred tax assets	
	Dec.31,2019 EGP 000	Dec.31,2018 EGP 000
Other provisions (other than impairment loss, provision on customers' loans and income tax provision and performing contingent liabilities provision)	96 519	80 783
	96 519	**80 783**

Deferred tax assets related to the abovementioned items have not been recognized, due to the lack of reasonable assurance to benefit from them in the near future.

32. Retirement benefits obligations

	Dec.31,2019 EGP 000	Dec.31,2018 EGP 000
Liabilities included in the financial position statement for:		
Post-retirement medical benefits	1 064 549	941 443
	1 064 549	**941 443**

Amounts recognized in the income statement:	For the year ended 31/12/2019 EGP 000	For the year ended 31/12/2018 EGP 000
Post-retirement medical benefits (Note no. 11)	218 176	223 774
	218 176	**223 774**

The balances in the financial position statement are presented as follows:

	Dec.31,2019	Dec.31,2018
	EGP 000	EGP 000
The present value of funded obligations	1 466 762	1 215 505
Unrealized actuarial (losses) *	(402 213)	(274 062)
The liabilities in the financial position statement	**1 064 549**	**941 443**

The movement in liabilities during the year is represented in the following:

	Dec.31,2019	Dec.31,2018
	EGP 000	EGP 000
The balance at the beginning of the year	941 443	798 000
Current service cost	9 897	14 358
Interest cost	192 241	179 496
Actuarial losses	16 038	29 920
Paid benefits	(95 070)	(80 331)
Balance at the end of the year	**1 064 549**	**941 443**

The recognized amounts in the income statement are presented as follows:

	For the year ended 31/12/2019	For the year ended 31/12/2018
	EGP 000	EGP 000
Current service cost	9 897	14 358
Interest cost	192 241	179 496
Actuarial losses	16 038	29 920
	218 176	**223 774**

The principal actuarial assumptions used are presented as follows:

	Dec. 30, 2019	Dec. 31, 2018
Discount rate	13.8%	15%
Previous service cost inflation rate	10%	10.5%
Future service assumption cost inflation rate	11%	12%
Mortality assumption	92 mortality cases every year	92 mortality cases every year
Employee turnover	15% pa at age 20 decreasing to 0.1% after age 50.0% after age 54	15% pa at age 20 decreasing to 0.1% after age 50.0% after age 54

* Whereas actuarial losses are higher than 10% of the defined benefits liability, then the amortized amount has been recognized in the income statement

33. Share capital

	No. of Shares (In millions)	Ordinary Shares	Total
		EGP 000	EGP 000
Balance at the beginning of the year	400	800 000	800 000
Balance at the end of the year	**400**	**800 000**	**800 000**

- The bank's authorized capital amounts to EGP 1 000 million.
- The issued and subscribed capital amounts to EGP 800 million, divided into 400 million shares with a par value of EGP 2 each and it has been fully subscribed and paid.
- On February 23rd, 2007, the Ministry of Investment (State owned assets management program) invited investment banks to submit their proposals for the public offering of 15% of the issued share capital and the remaining 5% to Alex Bank's employees and the subscription program is not implemented yet.

Therefore, the bank's issued and subscribed capital is divided as follows:

Name	Shareholding %	No. of Shares (000)	Nominal value Shares
			EGP 000
Intesa Sanpaolo S.P. A	70.25	281 000	562 000
International Finance Corporation I.F.C	9.75	39 000	78 000
Ministry of finance (Share of State)	20.00	80 000	160 000
	100%	**400 000**	**800 000**

34. Reserves and retained earnings

	Dec.31,2019	Dec.31,2018
	EGP 000	EGP 000
Legal reserve	400 000	400 000
General reserve	29 312	29 312
Special capital reserve	418 123	418 116
Other reserves	289 188	289 188
IFRS 9 Risks Reserve	-	391 535
General Banking Risks Reserve	200	175
Specific reserve	-	21 000
General Risk Reserve *	35 135	-
Fair value reserve for investments through O.C. I	662 456	297 656
Total reserves	**1 834 414**	**1 846 982**

* No amounts shall be distributed from the balance of the special capital reserve except after obtaining the approval of the Central Bank of Egypt (CBE).

The movement in reserves is as follows:

34.A. Legal reserve

	Dec. 31, 2019 EGP 000	Dec. 31, 2018 EGP 000
Balance at the beginning of the year	400 000	400 000
Balance at the end of the year	**400 000**	**400 000**

- According to the Bank's Articles of Association, 5% of the annual net profit shall be retained to make the legal reserve and retaining profit shall stop for the legal reserve balance when it reaches 50% of the share capital.

34.B. Special capital reserve

	Dec. 31, 2019 EGP 000	Dec. 31, 2018 EGP 000
Balance at the beginning of the year	418 116	414 182
Formed from the financial year 's profits 2016, 2017	7	3 934
Balance at the end of the year	**418 123**	**418 116**

34.C. Fair value reserve/ financial investments available for sale

	Dec. 31, 2019 EGP 000	Dec. 31, 2018 EGP 000
Balance at the beginning of the year	297 656	350 806
Impact of adopting IFRS 9 (Fair value reserve for investments through Profit and Loss)	(31 761)	-
Net Gains / (Losses) from change in fair value (Note no.21)	439 901	(60 143)
Fair value reserve transferred to retained earnings due to reclassification of investments in associate companies (Note no.22)	(8 739)	-
Net Gains / (Losses) transferred to income statement resulting from disposals	-	(889)
Fair value reserve revaluation differences	(531)	(6 958)
The impact on the reserve after calculating the bonds by the amortized cost	225	(80)
Deferred tax liability (Note no.31)	(34 295)	14 920
Balance at the end of the year	**662 456**	**297 656**

34.D. IFRS 9 Risks Reserve

- IFRS 9 Risks Reserve represents 1% of total credit risk for assets and contingent liabilities weighted by risk weights based on December 2017, and subsequent net profit after tax for 2017.

	Dec. 31, 2019 EGP 000	Dec. 31, 2018 EGP 000
IFRS 9 Risks Reserve	-	391 535
Balance at the end of the year	**-**	**391 535**

34.E. Retained earnings

The movement in retained earnings	**Dec. 31, 2019 EGP 000**	**Dec. 31, 2018 EGP 000**
Balance at the beginning of the year	7 857 503	6 279 916
Impact of adopting IFRS 9	39 917	-
Transferred to general banking risk reserve	(25)	-
Net profits of the current year	3 339 375	3 025 485
Employees' share in financial year 2018/2017 profit	(294 843)	(277 878)
Transferred to Special capital reserve	(7)	(3 934)
Transferred to general banking risk reserve – Credit	(77 025)	-
Shareholders' dividends in financial year 2018/2017	(1 916 478)	(1 166 086)
Transferred to Bank’s share in associate companies’ (net)	6 773	-
Balance at the end of the year	**8 955 190**	**7 857 503**

35. Dividends

Dividend is not recorded until it is approved by the General Assembly of Shareholders. The Board of Directors in accordance with the Bank's Bylaws proposes to the Assembly scheduled to be held on February 27th, 2020 the distribution to the Shareholders of an amount of EGP 2 170 724 thousand; and the Board of Directors has to distribute an amount of EGP 333 957 thousand for employees as a share in profits (the actual distributions amounted of EGP 294 843 thousand for employees and not recognized in these presented financial statements resolution. And the dividend recorded for shareholders’ and employees’ share in profits and Board of Directors members’ remuneration in equity distribution of retained earnings in the year ended 31 December 2019.

36. Cash and cash equivalents

For the presentation of the cash flows statement, cash and cash equivalents include the following balances with maturities of no later than three months from the acquisition date.

	Dec. 31, 2019 EGP 000	**Dec. 31, 2018 EGP 000**
Cash and balances at Central Bank of Egypt (Note no.16)	1 709 229	1 673 365
Due from banks (Note no. 17)	27 443 678	29 238 822
Treasury bills and other governmental notes (Note no. 18)	10 831 496	7 024
	39 984 403	**30 919 211**

37. Contingent liabilities and commitments:

37.A. Legal Claims

There are a number of cases filed against the bank on 31 December 2019, and the balance of the claims' provision amounted to EGP 64 603 thousand.

37.B. Capital commitments

37.B.2. Fixed assets and fittings and fixtures of branches

The value of the commitments related to the purchase contracts of fixed assets and the fittings and fixtures of the branches that has not yet been made till the reporting date amounted to EGP 150 278 thousand on 31 December 2019, versus EGP 89 765 thousand on 31 December 2018. The Top Management has sufficient confidence in generating revenues and providing the finance required to cover these commitments.

37.C. Commitments related to loans, guarantees, and facilities

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

	Dec. 31, 2019 EGP 000	Dec. 31, 2018 EGP 000
Loan commitments	7 574 814	6 345 362
Accepted documentation	1 082 822	974 594
Letters of guarantee	10 283 941	9 875 806
Letters of credit "import"	585 492	1 244 074
Letters of credit "export"	371 762	517 817
Total	**19 898 831**	**18 957 653**

37.D. Commitments on operational leasing contracts

The total of minimum lease payments on irrevocable operational leasing contracts is as follows:

	Dec. 31, 2019 EGP 000	Dec. 31, 2018 EGP 000
Not more than one year	3 549	3 707
More than one year but less than five years	-	3 549
Total	**3 549**	**7 256**

38. Transactions with related parties

- The bank is a subsidiary of the Parent Bank (Intesa Sanpaolo Bank - Italy), in which it owns 70.25% of the ordinary shares, whereas the remaining percentage 29.75% is owned by other shareholders.
- The bank has entered into many transactions with the related parties within the context of its normal business. These transactions include loans, deposits, as well as foreign currency swaps.
- The transactions and the balances of the related parties at the end of the financial year are as follow:

38.A. Transactions with related Parties (Associate companies)

	Dec. 31, 2019 EGP 000	Dec. 31, 2018 EGP 000
Statement of financial position		
Loans and Advances	37 549	11 313
Customers' Deposits	24 086	14 051
Income statements		
Interest Expenses	590	161
Interest Revenues	2 333	306

38.B. Transactions with the Parent Bank (Intesa Sanpaolo Bank)

	Dec. 31, 2019 EGP 000	Dec. 31, 2018 EGP 000
Statement of financial position		
Due from banks	1 181	226 807
Debit balances and other assets	8 790	11 495
Due to banks	1 100	899
Credit balances and other liabilities	30 206	31 552
Income statements		
Revenues	8 443	-
Expenses	59 475	6 400

38.C. Board of Directors and the Top Management Benefits

The monthly average amount of the 20 biggest employees’ salaries for the current year is amounted to EGP 5.72 million as at 31 December 2019 versus EGP 4.87 million as at 31 December 2018.

39. Mutual funds

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations.

These funds, which are managed by EFG- Hermes Fund Management Company, are as follows:

39.A. Bank of Alexandria Mutual Fund (with periodical return and capital growth)

The certificates of the fund reached 3 million with an amount of EGP 300 million (after increasing the capital of the mutual fund on March 26th, 2006 with an amount of EGP 100 million). The bank has allocated 2% from the size of the fund which represent at least EGP 5 million to continue the activity.

The Bank investment in the fund amounted to 15 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 5.5 million as at 31 December 2019.

The redeemable value of the certificate as at 31 December 2019 amounted to EGP 366.67 and the outstanding certificates at that date reached 93 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions in return for its supervision of the fund and other administrative services rendered thereby. Total commissions amounted to EGP 144 thousand as at 31 December 2019, which were presented under the item of "Fee and commission income" in the income statement.

39.B. Bank of Alexandria's Monetary Mutual Fund (with daily-accumulated return in Egyptian Pound)

The certificates of the fund reached 20 million certificates with an amount of EGP 200 million. As the fund is an open fund, the Bank adjusts its allocated percentage on a daily basis. The bank has allocated 2% from the size of the fund which represent at least EGP 5 million to continue the activity.

The Bank investments in the fund amounted to a number of 987 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 37.5 million as at 31 December 2019.

The redeemable value of the certificate amounted to EGP 37.99 as at 31 December 2019, and the outstanding certificates at that date reached 45 392 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 7 021 thousand as at 31 December 2019, which were presented under the item of "Fee and commission income" in the income statement.

39.C. Bank of Alexandria Fixed Income Fund (with quarterly return)

The certificates of the fund reached 10 million certificates with an amount of EGP 100 million. It is worth mentioning that the fund is an open fund with a quarterly return. The bank has allocated 2% from the size of the fund which represent at least EGP 5 million to continue the activity.

The Bank investment in the fund amounted to 250 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 6.87 million as at 31 December 2019.

The redeemable value of the certificate amounted to EGP 27.48 as at 31 December 2019 and the outstanding certificates at that date reached 3 243 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby.

Total commissions amounted to EGP 206 thousand as at 31 December 2019 which were presented under the item of "Fee and commission income" in the income statement.

40. Financial statements and comparative figures

The comparative figures reclassified whenever necessary to agree with the changes in presenting the financial statements for the current year.

Dante Campioni
CEO and Managing Director

Mohamed Raef
Chief Financial Officer