Separate Financial Statements

March 2020

PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants

Deloitte - Saleh, Barsoum & Abdel Aziz
Accountants & Auditors

Report on Review of Separate Interim Financial Statements

To: The Board of Directors of Commercial International Bank (S.A.E)

Introduction

We have reviewed the accompanying separate balance sheet of Commercial International Bank - Egypt (S.A.E) as of 31 March 2020 and the related separate statements of income, other comprehensive income, cash flows and changes in shareholders equity for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with the rules of preparation and presentation of the bank's financial statements issued by the Central Bank of Egypt on 16 December 2008 as amended by regulations issued on February 26, 2019 and with the requirements of applicable Egyptian laws and regulations, our responsibility is to express a conclusion on these separate interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Egyptian Standard on review engagements (2410). "Review of interim financial statements performed by the Independent Auditor of the Entity''. A limited review of separate interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the bank, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these separate interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly - in all material respects - the separate financial position of Commercial International Bank - Egypt (S.A.E) as at 31 March 2020 and of its separate financial performance and separate cash flows for the three months period then ended in accordance with the rules of preparation and presentation of the bank's financial statements issued by the Central Bank of Egypt on 16 December 2008 as amended by regulations issued on February 26, 2019 and with the requirements of applicable Egyptian laws and regulations.

Cairo; May 4, 2020

Auditors

Tamer Abdel Tawab
Financial Regulatory Authority
Register Number "388"
PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants

Kamel Magdy Saleh
Financial Regulatory Authority
Register Number "69"
Deloitte - Saleh, Barsoum & Abdel Aziz
Accountants & Auditors

Separate balance sheet as at March 31,2020

	Notes	Mar. 31, 2020 EGP Thousands	Dec. 31, 2019 EGP Thousands
Assets			
Cash and balances with central bank	15	27,169,495	28,273,962
Due from banks	16	26,608,406	28,353,366
Loans and advances to banks, net	18	937,043	625,264
Loans and advances to customers, net	19	115,422,951	119,321,103
Derivative financial instruments	20	377,344	216,383
Investments			
- Financial Assets at Fair value through P&L	21	314,665	418,781
- Financial Assets at Fair value through OCI	21	92,469,884	89,897,257
- Amortized cost	21	106,531,563	107,225,613
- Investments in associates and subsidiaries	22	49,132	63,953
Other assets	23	9,011,617	9,747,939
Deferred tax assets (Liabilities)	31	425,580	350,339
Property, plant and equipment	24	2,226,095	2,202,698
Total assets		381,543,775	386,696,658
Liabilities and equity			
Liabilities			
Due to banks	25	10,437,923	11,810,607
Due to customers	26	309,997,120	304,483,655
Derivative financial instruments	20	479,441	282,588
Current tax liabilities		1,332,487	4,639,364
Other liabilities	28	7,674,064	8,396,487
Other loans	27	3,181,170	3,272,746
Provisions	29	2,389,204	2,011,369
Total liabilities		335,491,409	334,896,816
Equity			
Issued and paid up capital	30	14,690,821	14,690,821
Reserves	33	27,862,114	24,342,314
Reserve for employee stock ownership plan (ESOP)	33	1,108,221	963,152
Retained earnings *	33	2,391,210	11,803,555
Total equity		46,052,366	51,799,842
Total liabilities and equity		381,543,775	386,696,658

The accompanying notes are an integral part of these financial statements.

(Review report attached)

* *Including net profit for the current period*

Hisham Ezz Al-Arab
Chairman and Managing Director

Separate income statement for the period ended March 31, 2020

	Notes	Mar. 31, 2020 EGP Thousands	Mar. 31, 2019 EGP Thousands
Interest and similar income		10,687,101	10,278,050
Interest and similar expense		(4,491,834)	(5,339,464)
Net interest income	6	6,195,267	4,938,586
Fee and commission income		805,413	855,477
Fee and commission expense		(305,561)	(277,625)
Net fee and commission income	7	499,852	577,852
Dividend income	8	-	121
Net trading income	9	(5,425)	249,879
Profits (Losses) on financial investments	21	470,150	6,377
Administrative expenses	10	(1,523,538)	(1,320,672)
Other operating (expenses) income	11	(747,740)	(141,097)
Intangible assets amortization		-	(32,552)
Impairment release (charges) for credit losses	12	(1,240,110)	(520,727)
Profit before income tax		3,648,456	3,757,767
Income tax expense	13	(1,332,487)	(1,090,009)
Deferred tax assets (Liabilities)	31 - 13	75,241	(25,411)
Net profit for the period		2,391,210	2,642,347
Earning per share	14		
Basic		1.44	1.59
Diluted		1.43	1.58

Hisham Ezz Al-Arab
Chairman and Managing Director

Separate statement of other comprehensive income for the period ended March 31, 2020

	Mar. 31, 2020 EGP Thousands	Mar. 31, 2019 EGP Thousands
Net profit for the period	**2,391,210**	2,642,347
Net change in fair value of debt instruments measured at fair value through other comprehensive income	**(4,865,970)**	2,442,704
Expected credit loss for fair value of debt instruments measured at fair value through other comprehensive income	**(47,321)**	(107,122)
Total other comprehensive income for the period	**(2,522,081)**	4,977,929

Separate cash flow for the period ended March 31, 2020

	Notes	Mar. 31, 2020 EGP Thousands	Mar. 31, 2019 EGP Thousands
Cash flow from operating activities			
Profit before income tax		3,648,456	3,757,767
Adjustments to reconcile net profit to net cash provided by operating activities			
Fixed assets depreciation	24	160,538	131,898
Impairment charge for credit losses (Loans and advances to customers)	12	1,272,649	634,951
Other provisions charges	29	439,410	2,077
Impairment charge for credit losses (due from banks)	12	14,782	(7,102)
Impairment charge for credit losses (financial investments)	12	(47,321)	(107,122)
Impairment charge for other assets	23	13,707	24,814
Exchange revaluation differences for financial assets at fair value through OCI	21	287,889	334,394
Intangible assets amortization		-	32,552
Impairment charge financial assets at fair value through OCI	21	-	45,664
Exchange differences in financial investments in subsidiary	22	719	1,485
Utilization of other provisions	29	(726)	2,461
Other provisions no longer used	29	(38,630)	(164,335)
Exchange differences of other provisions	29	(22,219)	(37,871)
(Profits) losses from selling property, plant and equipment	11	(94)	-
(Profits) losses from selling financial investments	21	(554,113)	(52,041)
Shares based payments		145,069	124,000
Released (Impairment) charges of investments in associates and subsidiaries		14,100	-
Released (Impairment) charges of equity instruments		69,863	-
Operating profits before changes in operating assets and liabilities		5,404,079	4,723,592
Net decrease (increase) in assets and liabilities			
Due from banks	15	211,025	(17,549,341)
Treasury bills and other governmental notes		-	15,781,350
Financial assets at fair value through P&L	21	104,116	2,180,287
Derivative financial instruments	20	35,892	(47,159)
Loans and advances to banks and customers	18 - 19	2,428,551	(6,035,057)
Other assets	40	857,769	(587,120)
Due to banks	25	(1,372,684)	(3,921,303)
Due to customers	26	5,513,465	8,051,449
Income tax obligations paid		(4,639,364)	(3,762,070)
Other liabilities	28	(722,423)	3,487,750
Net cash provided from operating activities		7,820,426	2,322,378
Cash flow from investing activities			
Payment for purchases of property, plant, equipment and branches constructions		(319,089)	(483,048)
Proceeds from selling property, plant and equipment	11	94	-
Proceeds from redemption of financial assets at amortized cost	21	45,639,889	33,452,378
Payment for purchases of financial assets at amortized cost	21	(44,945,839)	(32,834,360)
Payment for purchases of financial assets at fair value through OCI	21	(62,050,349)	(4,493,603)
Proceeds from selling financial assets at fair value through OCI		54,866,521	4,617,766
Net cash used in investing activities		(6,808,773)	259,133

Separate cash flow for the period ended March 31, 2020 (Cont.)

	Note	Mar. 31, 2020 EGP Thousands	Mar. 31, 2019 EGP Thousands
Cash flow from financing activities			
Increase (decrease) in long term loans	27	(91,576)	(114,541)
Dividend paid		(3,370,464)	(2,700,544)
Net cash used in (provided from) financing activities		(3,462,040)	(2,815,085)
Net increase (decrease) in cash and cash equivalent during the period		(2,450,387)	(233,574)
Beginning balance of cash and cash equivalent		22,895,017	34,303,645
Cash and cash equivalent at the end of the period		20,444,630	34,070,071
Cash and cash equivalent comprise:			
Cash and balances with central bank	15	27,169,495	24,741,584
Due from banks	16	26,640,005	51,538,237
Treasury bills and other governmental notes	17	29,091,960	33,831,714
Obligatory reserve balance with CBE	15	(22,186,285)	(17,837,693)
Due from banks with maturities more than three months		(10,415,104)	(23,971,797)
Treasury bills with maturity more than three months		(29,855,441)	(34,231,974)
Total cash and cash equivalent		20,444,630	34,070,071

Separate statement of changes in shareholders' equity for the period ended March 31, 2019

Mar. 31, 2019	Issued and paid up capital	Legal reserve	General reserve	General risk reserve	Capital reserve	Reserve for financial assets at fair value through OCI	Banking risks reserve	Retained earnings	Reserve for employee stock ownership plan	Total
										EGP Thousands
Beginning balance	11,668,326	1,710,293	12,776,215	1,549,445	12,421	(1,860,851)	4,323	9,555,755	738,320	36,154,247
Capital increase	2,917,082	-	(2,917,082)	-	-	-	-	-	-	-
Transferred to reserves	-	477,736	6,375,589	-	1,045	-	-	(6,854,370)	-	-
Dividend paid	-	-	-	-	-	-	-	(2,700,544)	-	(2,700,544)
Net profit for the period	-	-	-	-	-	-	-	2,642,347	-	2,642,347
Net unrealised gain/(loss) on financial assets at fair value through OCI	-	-	-	-	-	2,442,704	-	-	-	2,442,704
Transferred (from) to bank risk reserve	-	-	-	-	-	-	841	(841)	-	-
ECL for impairment of debt instruments investments	-	-	-	-	-	(107,122)	-	-	-	(107,122)
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	124,000	124,000
Ending balance	14,585,408	2,188,029	16,234,722	1,549,445	13,466	474,731	5,164	2,642,347	862,320	38,555,632

Separate statement of changes in shareholders' equity for the period ended March 31, 2020

EGP Thousands

Mar. 31, 2020	Issued and paid up capital	Legal reserve	General reserve	General risk reserve	Capital reserve	Reserve for financial assets at fair value through OCI	Banking risks reserve	Retained earnings	Reserve for employee stock ownership plan	Total
Beginning balance	14,690,821	2,188,029	16,474,429	1,549,445	13,466	4,111,781	5,164	11,803,555	963,152	51,799,842
Capital increase	-	-	-	-	-	-	-	-	-	-
Transferred to reserves	-	590,106	7,840,286	-	1,440	-	-	(8,431,832)	-	-
Dividend paid	-	-	-	-	-	-	-	(3,370,464)	-	(3,370,464)
Net profit for the period	-	-	-	-	-	-	-	2,391,210	-	2,391,210
Net unrealised gain/(loss) on financial assets at fair value through OCI	-	-	-	-	-	(4,865,970)	-	-	-	(4,865,970)
Transferred (from) to bank risk reserve	-	-	-	-	-	-	1,259	(1,259)	-	-
Release provision for impairment of debt instruments investments	-	-	-		-	(47,321)	-	-	-	(47,321)
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	145,069	145,069
Ending balance	14,690,821	2,778,135	24,314,715	1,549,445	14,906	(801,510)	6,423	2,391,210	1,108,221	46,052,366

Notes to the separate financial statements for the period ended March 31, 2020

1. General information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate and investment banking services in various parts of Egypt through 179 branches, and 28 units employing 6974 employees on the statement of financial position date.

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

Financial statements have been approved by board of directors on May 4, 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 to all years presented, unless otherwise stated.

2.1. Basis of preparation

The separate financial statements have been prepared in accordance with Egyptian financial reporting standards issued in 2006 and its amendments and in accordance with the Central Bank of Egypt regulations approved by the Board of Directors on December 16, 2008.

Also according to the instructions for applying the International Standard for Financial Reports (9) issued by the Central Bank of Egypt on February 26, 2019, reference is made to what was not mentioned in the instructions of the Central Bank of Egypt to the Egyptian Accounting Standards.

The separate and consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with the relevant domestic laws and the Egyptian financial reporting standards issued in 2006 and its amendments and in accordance with the Central Bank of Egypt regulations approved by the Board of Directors on December 16, 2008, also according to the instructions for applying the International Standard for Financial Reports (9) issued by the Central Bank of Egypt on February 26, 2019, reference is made to what was not mentioned in the instructions of the Central Bank of Egypt to the Egyptian Accounting Standards, the affiliated companies are entirely included in the consolidated financial statements and these companies are the companies that the Bank - directly or indirectly – has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of activity, the Bank’s consolidated financial statements can be obtained from the Bank's management. The Bank accounts for investments in subsidiaries and associate companies in the separate financial statements at cost minus impairment loss.

The separate financial statements of the Bank should be read with its consolidated financial statements, for the period ended on March 31,2020 to get complete information on the Bank’s financial position, results of operations, cash flows and changes in ownership rights.

2.2. Subsidiaries and associates

2.2.1. Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Bank has owned directly or indirectly the control to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity or not.

2.2.2. Associates

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

The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Bank share of the fair value of the identifiable net assets acquired is recorded as goodwill. A gain on acquisition is recognized in profit or loss if there is an excess of the Bank’s share of the fair value of the identifiable net assets acquired over the cost of the acquisition.

The cost method is applied to account for investments in subsidiaries and associates, whereby, investments are recorded based on the acquisition cost including any goodwill, deducting any impairment losses, and dividends are recorded in the income statement in the adoption of the distribution of these profits and evidence of the Bank right to collect them.

2.3. Segment reporting

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

2.4. Foreign currency translation

2.4.1. Functional and presentation currency

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

2.4.2. Transactions and balances in foreign currencies

The Bank maintains its accounting records in Egyptian pound. Transactions in foreign currencies during the period are translated into the Egyptian pound using the prevailing exchange rates on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of reporting period at the prevailing exchange rates. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items:

- Net trading income from held-for-trading assets and liabilities.
- Items of other comprehensive income with equity in relation to investments in equity instruments at fair value through comprehensive income.
- Other operating revenues (expenses) from the remaining assets and liabilities.

Changes in the fair value of financial instruments of a monetary nature in foreign currencies that are classified as financial investments at fair value through comprehensive income (debt instruments) are analyzed between valuation differences that resulted from changes in the cost consumed for the instrument and differences that resulted from changing the exchange rates in effect and differences caused by changing the fair value For the instrument, the evaluation differences related to changes in the cost consumed are recognized in the income of loans and similar revenues and in the differences related to changing the exchange rates in other operating income (expenses) item, and are recognized in the items of comprehensive income right The ownership of the difference in the change in the fair value (fair value reserve / financial investments at fair value through comprehensive income).

Valuation differences arising from the measurement of items of a non-monetary nature at fair value through profit and losses resulting from changes in the exchange rates used to translate those items include, and then are recognized in the income statement by the total valuation differences resulting from the measurement of equity instruments classified at fair value through Profits and losses, while the total valuation differences resulting from the measurement of equity instruments at fair value through comprehensive income are recognized within other comprehensive income items in equity, fair value reserve item for financial investments at fair value through comprehensive income.

2.5. Financial assets

The Bank classifies its financial assets in the following categories:

- Financial assets designated at amortized cost.
- Financial assets designated at fair value through other comprehensive income (FVTOCI).
- Financial assets designated at fair value through profit or loss (FVTPL).
- Loans and receivables.

Management determines the classification of its investments at initial recognition.

Financial assets are measured based on both:

(a) The banks business model for managing its financial assets.
(b) The contractual cash flow characteristics of the financial asset.

2.5.1. Financial assets designated at amortized cost.

Financial assets are measured at amortized cost when each of the following are satisfied and are not classified as at fair value through profit or loss:

- Assets are retained in a business model that is intended to hold assets in order to collect contractual cash flows;
- The contractual terms of the financial assets on specific dates result in cash flows which are only payments on the original amount and interest on the original amount outstanding.

2.5.2. Financial assets designated at fair value through other comprehensive income (FVTOCI)

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

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

Upon initial recognition of equity investments that are not held for trading, the Bank may elect irrevocably to present changes in fair value in other comprehensive income.

This choice is made on an investment-by-investment basis.

2.5.3. Financial assets designated at fair value through profit or loss (FVTPL)

Financial assets are measured at fair value through other profit or loss when :

- The objective is not to retain the financial asset for the collection of contractual or retained cash flows for the collection of contractual cash flows and sales.
- Collecting contractual cash flows is an incidental event for the model objective.
- Management of financial assets at fair value through profit or loss to avoid inconsistency in accounting measurement

2.5.4. Loans

Represents financial assets with a fixed or determined amount and are not traded in an active market with the exception of :

- Assets that the bank intends to sell immediately or in a short period of time.
- Assets that the bank will not be able to substantially recover the value of its original investment for other reasons other than deteriorating credit worthiness.

Expected credit losses

The Bank applies a three-stage approach to measure expected credit losses for financial assets. Assets are transferred through the following three stages on the basis of changes in the quality of credit ratings since the initial recognition of these assets:

• **Stage 1**:

expected credit losses over 12 months

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

• **Stage 2**:

Unrealized credit losses over life - non-credit risk For credit exposures where there has been a significant increase in credit risk since initial recognition, but not credit default, expected credit losses are recognized over the life of the asset.

Significant Increase in Credit Risk (SICR):

CIB will use the following indicators to identify any significant increase in credit risks.

For Corporate and Business Banking Risk Rating, Transition in Risk Ratings, Delinquency Status, Industry and Restructured status.

For Retail Delinquency Status, Watch list, Individual Profile, Restructured status.

• **Stage 3**:

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

Business model

The Bank assesses the objective of the business model in which the asset is maintained at the business portfolio level. This method better reflects how business is managed and how information is presented to management. The following information is taken into consideration

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

Financial Instrument	**Methods of Measurement according to Business Models**		
	Amortized Cost	**Fair Value**	
		Through Comprehensive Income	**Through Profit or Loss**
Equity Instruments	Not Applicable	An irrevocable election at Initial Recognition	Normal treatment of equity instruments
Debt Instruments / Loans & Facilities	Business Model of Assets held for Collecting Contractual Cash Flows	Business Model of Assets held for Collecting Contractual Cash Flows & Selling	Business Model of Assets held for Trading

The Bank prepares, documents and approves Business Models in accordance with the requirements of IFRS 9 and reflects the Bank's strategy for managing financial assets and cash flows as follows:

Financial asset	Business model	Basic characteristics
Financial assets at amortized cost	Business model for financial assets held to collect contractual cash flows	- The objective of the business model is to retain the financial assets to collect the contractual cash flows of the principal amount of the investment and the proceeds. - Sale is an exceptional event for the purpose of this model and under the terms of the criterion of a deterioration in the creditworthiness of the issuer of the financial instrument. - Lowest sales in terms of turnover and value. - The Bank makes clear and reliable documentation of the reasons for each sale and its compliance with the requirements of the Standard.
Financial assets at fair value through other comprehensive income	Business model of financial assets held to collect cash flows and sales	- Both the collection of contractual cash flows and sales are complementary to the objective of the model. - High sales (in terms of turnover and value) compared to the business model retained for the collection of cash flows.
Financial assets at fair value through profit or loss	Other business models include trading - management of financial assets at fair value - maximizing cash flows by selling)	- The objective of the business model is not to retain the financial asset for the collection of contractual or retained cash flows for the collection of contractual cash flows and sales. - Collecting contractual cash flows is an incidental event for the model objective. - Management of financial assets at fair value through profit or loss to avoid inconsistency in accounting measurement.

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

- The documented policies and objectives of the portfolio and the implementation of these policies in practice. In particular, whether the management strategy focuses only on the collection of the contractual cash flows of the asset and maintaining a specific rate of return to meet the maturities of the financial assets with the maturity dates of the liabilities that finance these assets or generate cash flows through the sale of these assets.
- How to evaluate and report on portfolio performance to senior management.
- Risks affecting the performance of the business model, including the nature of the financial assets held within that model and the manner in which these risks are managed.
- How to assess the performance of business managers (fair value, return on portfolio, or both).

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- The periodicity, value and timing of sales in prior periods, the reasons for such transactions, and expectations regarding future selling activities. However, information on sales activities is not taken into account separately, but as part of a comprehensive assessment of how the Bank's objective of managing financial assets and how to generate cash flows is achieved.

• Financial assets held for trading or managed and their fair value performance are measured at fair value through profit or loss as they are not held to collect contractual cash flows or to collect contractual cash flows and sell financial assets together.

• Assess whether the contractual cash flows of an asset represent payments that are limited to the principal of the instrument and the proceeds:

For the purpose of this valuation, the Bank recognizes the original amount of the financial instrument at the fair value of the financial asset at initial recognition. The return is defined as the time value of money and the credit risk associated with the original amount over a specified period of time and other basic lending risk and costs (such as liquidity risk and administrative costs) as well as profit margin.

To assess whether the contractual cash flows of an asset are payments that are limited only to the asset of the financial instrument and the yield, the Bank takes into consideration the contractual terms of the instrument. This includes assessing whether the financial asset includes contractual terms that may change the timing or amount of contractual cash flows, thereby not meeting that requirement. In order to conduct such an assessment, the Bank shall consider:

- Potential events that may change the amount and timing of cash flows.
- Leverage characteristics (rate of return, maturity, currency type ...).
- Terms of accelerated payment and term extension.

- Conditions that may limit the ability of the Bank to claim cash flows from certain assets.

- Features that may be adjusted against the time value of money (re-setting the rate of return periodically).

Reclassification

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

3. Disposal

Financial assets

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

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

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

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

The financial asset (in whole or in part) is derecognized when:

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

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

Financial Liabilities

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

Deposits and amounts due from banks and other financial institutions

These are stated at cost, adjusted for effective fair value hedges, net of any amounts written off and provision for impairment.

2.6. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention to be settled on a net basis.

Agreements of repos & reverse repos are shown by the net in the financial statement in treasury bills and other governmental notes.

2.7. Derivative financial instruments and hedge accounting

Derivatives are recognized initially, and subsequently, at fair value. Fair values of exchange traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models. Derivatives are classified as assets when their fair value is positive and as liabilities when their fair value is negative.

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

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

- Hedging instruments of the risks associated with fair value changes of recognized assets or liabilities or firm commitments (fair value hedge).
- Hedging of risks relating to future cash flows attributable to a recognized asset or liability or a highly probable forecast transaction (cash flow hedge)
- Hedge accounting is used for derivatives designated in a hedging relationship when the following criteria are met.

At the inception of the hedging relationship, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge, and on ongoing basis, the Bank documents whether the hedging instrument is expected to be highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk.

2.7.1. Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit and loss immediately together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The effective portion of changes in the fair value of the interest rate swaps and the changes in the fair value of the hedged item attributable to the hedged risk are recognized in the 'net interest income' line item of the income statement. Any ineffectiveness is recognized in profit and loss in 'net trading income'.

When the hedging instrument is no longer qualified for hedge accounting, the adjustment to the carrying amount of a hedged item, measured at amortized cost, arising from the hedged risk is amortized to profit and loss from that date using the effective interest method.

2.7.2. Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognized immediately in the income statement. These gains and losses are reported in 'net trading income', except where derivatives are managed in conjunction with financial instruments designated at fair value , in which case gains and losses are reported in 'net income from financial instruments designated at fair value'.

2.8. Interest income and expense

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

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

Once loans or debts are classified as nonperforming or impaired, the revenue of interest income will not be recognized and will be recorded off balance sheet, and are recognized as income subsequently based on a cash basis according to the following:

- When all arrears are collected for consumer loans, personnel mortgages and micro-finance loans.
- When calculated interest for corporate are capitalized according to the rescheduling agreement conditions until paying 25% from rescheduled payments for a minimum performing period of one year, if the customer continues to perform, the calculated interest will be recognized in interest income (interest on the performing rescheduling agreement balance) without the marginalized before the rescheduling agreement which will be recognized in interest income after the settlement of the outstanding loan balance.

2.9. Fee and commission income

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue as the service is provided. Fees and commissions on non-performing or impaired loans or receivables cease to be recognized as income and are rather recorded off balance sheet. These are recognized as revenue, on a cash basis, only when interest income on those loans is recognized in profit and loss, at that time, fees and commissions that represent an integral part of the effective interest rate of a financial asset, are treated as an adjustment to the effective interest rate of that financial asset.

Commitment fees and related direct costs for loans and advances where draw down is probable are deferred and recognized as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognized at the maturity of the term of the commitment.

Fees are recognized on the debt instruments that are measured at fair value through profit and loss on initial recognition and syndicated loan fees received by the Bank are recognized when the syndication has been completed and the Bank does not hold any portion of it or holds a part at the same effective interest rate used for the other participants portions.

Commission and fee arising from negotiating, or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares or other securities and the purchase or sale of properties are recognized upon completion of the underlying transaction in the income statement .

Other management advisory and service fees are recognized based on the applicable service contracts, usually on accrual basis. Financial planning fees related to investment funds are recognized steadily over the period in which the service is provided. The same principle is applied for wealth management; financial planning and custody services that are provided on the long term are recognized on the accrual basis also.

2.10. Dividend income

Dividends are recognized in the income statement when the right to collect it is declared.

2.11. Sale and repurchase agreements

Securities may be lent or sold according to a commitment to repurchase (Repos) are reclassified in the financial statements and deducted from treasury bills balance. Securities borrowed or purchased according to a commitment to resell them (Reverse Repos) are reclassified in the financial statements and added to treasury bills balance. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

2.12. Impairment of financial assets

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

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

- Cash flow difficulties experienced by the borrower (e.g, equity ratio, net income percentage of sales).
- Violation of the conditions of the loan agreement such as non-payment.
- Initiation of bankruptcy proceedings.
- Deterioration of the borrower's competitive position.
- The Bank for reasons of economic or legal financial difficulties of the borrower by granting concessions may not agree with the Bank granted in normal circumstances.
- Deterioration in the value of collateral or deterioration of the creditworthiness of the borrower.

The objective evidence of impairment loss for a group of financial assets is observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, for instance an increase in the default rates for a particular banking product.

The Bank estimates the period between a losses occurring and its identification for each specific portfolio. In general, the periods used vary between three months to twelve months.

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract when there is objective evidence for asset impairment. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

Estimates of changes in future cash flows for groups of assets should be reflected together with changes in related observable data from period to period (e.g. changes in unemployment rates, property prices, payment status, or other indicative factors of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank.

The Bank assesses on each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classify fair value through OCI is impaired. In the case of equity investments classified as fair value through OCI, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired,. During periods start from first of January 2009, the decrease consider significant when it became 10% from the book value of the financial instrument and the decrease consider to be extended if it continues for period more than 9 months, and if the mentioned evidences become available then any cumulative gains or losses previously recognized in equity are recognized in the income statement , in respect of available for sale equity securities, impairment losses previously recognized in profit and loss are not reversed through the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as fair valur through OCI increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement to the extent of previously recognized impairment charge from equity to income statement.

2.13. Real estate investments

The real estate investments represent lands and buildings owned by the Bank in order to obtain rental returns or capital gains and therefore do not include real estate assets which the Bank exercised its work through or those that have owned by the Bank as settlement of debts. The accounting treatment is the same used with property, plant and equipment.

2.14. Property, plant and equipment

Lands and buildings comprise mainly branches and offices. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Buildings	20 years.
Leasehold improvements	3 years, or over the period of the lease if less
Furniture and safes	3/5 years.
Typewriters, calculators and air-conditions	5 years
Vehicles	5 years
Computers and core systems	3 years
Fixtures and fittings	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, on each balance sheet date. Depreciable assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An asset's carrying amount is written down immediately to its recoverable value if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing the selling proceeds with the asset carrying amount and charged to other operating expenses in the income statement.

2.15. Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized -except goodwill- and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Assets are tested for impairment with reference to the lowest level of cash generating unit(s). A previously recognized impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset will only be increased up to the amount that the original impairment not been recognized.

2.15.1 Goodwill

Goodwill is capitalized and represents the excess of acquisition cost over the fair value of the Bank's share in the acquired entity's net identifiable assets on the date of acquisition. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows. Goodwill is included in the cost of investments in associates and subsidiaries in the Bank's separate financial statements. Goodwill is tested for impairment, impairment loss is charged to the income statement.

Goodwill is allocated to the cash generating units for the purpose of impairment testing. The cash generating units represented in the Bank main segments.

2.15.2. Other intangible assets

Is the intangible assets other than goodwill and computer programs (trademarks, licenses, contracts for benefits, the benefits of contracting with clients).

Other intangible assets that are acquired by the Bank are recognized at cost less accumulated amortization and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible asset with definite life. Intangible assets with indefinite life are not amortized and tested for impairment.

2.16. Leases

The accounting treatment for the finance lease is complied with the instructions of Central Bank of Egypt, if the contract entitles the lessee to purchase the asset at a specified date and predefined value, or the current value of the total lease payments representing at least 90% of the value of the asset. The other leases contracts are considered operating leases contracts.

2.16.1. Being lessee

Finance lease contract recognizes the lease cost, including the cost of maintenance of the leased assets in the income statement for the period in which they occurred. If the Bank decides to exercise the right to purchase the leased asset the leased assets are capitalized and included in 'property, plant and equipment' and depreciated over the useful life of the expected remaining life of the asset in the same manner as similar assets.

Operating lease payments leases are accounted for on a straight-line basis over the periods of the leases and are included in 'general and administrative expenses'.

2.16.2. Being lessor

For finance lease, assets are recorded in the property, plant and equipment in the balance sheet and amortized over the expected useful life of this asset in the same manner as similar assets. Lease income is recognized on the basis of rate of return on the lease in addition to an amount corresponding to the cost of depreciation for the period. The difference between the recognized rental income and the total finance lease clients' accounts is transferred to the in the income statement until the expiration of the lease to be reconciled with a net book value of the leased asset. Maintenance and insurance expenses are charged to the income statement when incurred to the extent that they are not charged to the tenant.

In case there is objective evidence that the Bank will not be able to collect the of financial lease obligations, the finance lease payments are reduced to the recoverable amount.

For assets leased under operating lease it appears in the balance sheet under property, plant and equipment, and depreciated over the expected useful life of the asset in the same way as similar assets, and the lease income recorded less any discounts given to the lessee on a straight-line method over the contract period.

2.17. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.18. Other provisions

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

In case of similar obligations, the related cash outflow should be determined in order to settle these obligations as a group. The provision is recognized even in case of minor probability that cash outflow will occur for an item of these obligations.

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

Provisions for obligations, other than those for credit risk or employee benefits, due within more than 12 months from the balance sheet date are recognized based on the present value of the best estimate of the consideration required to settle the present obligation on the balance sheet date. An appropriate pretax discount rate that reflects the time value of money is used to calculate the present value of such provisions. For obligations due within less than twelve months from the balance sheet date, provisions are calculated based on undiscounted expected cash outflows unless the time value of money has a significant impact on the amount of provision, then it is measured at the present value.

2.19. Share based payments

The Bank applies an equity-settled, share-based compensation plan. The fair value of equity instruments recognized as an expense over the vesting period using appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted. The vesting period is the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied. Vesting conditions include service conditions, performance conditions and market performance conditions are taken into account when estimating the fair value of equity instruments on the date of grant. On each balance sheet date the number of options that are expected to be exercised are estimated. Recognizes estimate changes, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The bank's contributions to the employees' social insurance fund

Bank employees benefit from the Social Insurance Fund that has been established under the Law No. 64 of year 84 regarding alternative social insurance systems. This system is considered an alternative to state regulations and is subject to the supervision of the Ministry of Social Insurance. A Ministerial Resolution No. 22 of year 83 was issued regarding approval of the establishment of the Social Fund for Employees. The bank is obliged to pay to the fund the contributions due for each month represented in the employer's share and the share of the insured and pay his obligations towards the fund in implementation of the provisions of the fund system. This is a system of benefits enjoyed by employees, a system of specific benefits for the bank, according to the Egyptian accounting.

2.20. Income tax

Income tax on the profit and loss for the period and deferred tax are recognized in the income statement except for income tax relating to items of equity that are recognized directly in equity.

Income tax is recognized based on net taxable profit using the tax rates applicable on the date of the balance sheet in addition to tax adjustments for previous years.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundations of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable on the date of the balance sheet.

Deferred tax assets of the Bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset, and is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years, that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

2.21. Borrowings

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

2.22. Dividends

Dividends on ordinary shares and profit sharing are recognized as a charge of equity upon the general assembly approval. Profit sharing includes the employees' profit share and the Board of Directors' remuneration as prescribed by the Bank's articles of incorporation and the corporate law.

2.23. Comparatives

Comparative figures have been adjusted to conform with changes in the presentation of the current period where necessary.

2.24. Non-current assets held for sale

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

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

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

(a) It must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets (or disposal groups);

(b) Its sale must be highly probable;

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

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

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

2.25. Discontinued operation

Discontinued operation as 'a component of an entity that either has been disposed of, or is classified as held for sale, and

(a) Represents a separate major line of business or geographical area of operations,

(b) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or

(c) Is a subsidiary acquired exclusively with a view to resale.

When presenting discontinued operations in the income statement, the comparative figures should be adjusted as if the operations had been discontinued in the comparative period.

3. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and rewards and minimize potential adverse effects on the Bank's financial performance. The most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks. Also market risk includes exchange rate risk, rate of return risk and other prices risks.

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

Risk management is carried out by risk department under policies approved by the Board of Directors. Bank treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, credit risk management is responsible for the independent review of risk management and the control environment.

3.1. Credit risk

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

3.1.1. Credit risk measurement

3.1.1.1. Loans and advances to banks and customers

Bank's rating	Description of the grade
1	Performing loans
2	Regular watching
3	Watch list
4	Non-performing loans

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

3.1.1.2. Debt instruments and treasury and other bills

For debt instruments and bills, external rating such as standard and poor's rating or their equivalents are used for managing of the credit risk exposures, and if this rating is not available, then other ways similar to those used with the credit customers are uses.

The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3.1.2. Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified − in particular, to individual counterparties and banks, and to industries and countries.

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

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

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

Some other specific control and mitigation measures are outlined below:

3.1.2.1. Collateral

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

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

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

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

3.1.2.2. Derivatives

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

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

3.1.2.3. Master netting arrangements

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

3.1.2.4. Credit related commitments

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

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.3. Impairment and provisioning policies

The internal rating system described in Note 3.1.1 focus on the credit-quality mapping from the lending and investment activities perspective. Conversely, for only financial reporting purposes impairment losses are recognized for that has been incurred on the balance sheet date when there is an objective evidence of impairment. Due to the different methodologies applied, the amount of incurred impairment losses in balance sheet are usually lower than the amount determined from the expected loss model that is used for internal operational management and CBE regulation purposes.

The impairment provision reported in balance sheet at the end of the period is derived from each of the four internal credit risk ratings. However, the majority of the impairment provision is usually driven by the last two rating degrees. The following table illustrates the proportional distribution of loans and advances reported in the balance sheet for each of the four internal credit risk ratings of the Bank and their relevant impairment losses:

Bank's rating	March 31, 2020		December 31, 2019	
	Loans and advances (%)	**Impairment provision (%)**	Loans and advances (%)	Impairment provision (%)
1-Performing loans	**85.14**	**22.69**	85.63	19.27
2-Regular watching	**7.45**	**8.85**	6.88	8.76
3-Watch list	**3.41**	**28.24**	3.50	28.15
4-Non-Performing loans	**4.00**	**40.22**	3.99	43.82

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

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

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

3.1.4. Model of measuring the general banking risk

In addition to the four categories of the Bank's internal credit ratings indicated in note 3.1.1, management classifies loans and advances based on more detailed subgroups in accordance with instructions for the implementation of the International Financial Reporting Standard (9) issued by the Central Bank of Egypt on February 26, 2019. Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position and his repayment track record. The Bank calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the provision required for impairment losses as per CBE credit worthiness rules exceeds the required provisions by the application used in balance sheet preparation in accordance with EAS. That excess shall be debited to retained earnings and carried to the general banking risk reserve in the equity section. Such reserve is always adjusted, on a regular basis, by any increase or decrease so, that reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution.

Below is a statement of institutional worthiness according to internal ratings, compared to CBE ratings and rates of provisions needed for assets impairment related to credit risk:

CBE Rating	Categorization	Provision %	Internal rating	Categorization
1	Low risk	0%	1	Performing loans
2	Average risk	1%	1	Performing loans
3	Satisfactory risk	1%	1	Performing loans
4	Reasonable risk	2%	1	Performing loans
5	Acceptable risk	2%	1	Performing loans
6	Marginally acceptable risk	3%	2	Regular watching
7	Watch list	5%	3	Watch list
8	Substandard	20%	4	Non performing loans
9	Doubtful	50%	4	Non performing loans
10	Bad debts	100%	4	Non performing loans

Starting 1st of Jan 2019 and after implementing CBE regulations for IFRS 9, Customer Loans has been reclassified into 3 stages based on each facility credit characteristics. Credit characteristics that used to determine the staging is different from ORR customer classification

3.1.5. Maximum exposure to credit risk before collateral held

	Mar. 31, 2020	Dec. 31, 2019
In balance sheet items exposed to credit risk	**EGP Thousands**	EGP Thousands
Cash and balances with central bank	**27,169,495**	28,273,962
Due from banks	**26,608,406**	28,353,366
Gross loans and advances to banks	**942,243**	629,780
Less:Impairment provision	**(5,200)**	(4,516)
Gross loans and advances to customers		
Individual:		
- Overdraft	**1,290,052**	1,462,439
- Credit cards	**4,338,810**	4,264,204
- Personal loans	**21,219,864**	20,219,305
- Mortgages	**1,581,673**	1,330,323
Corporate:		
- Overdraft	**19,521,080**	19,100,709
- Direct loans	**46,736,517**	51,163,302
- Syndicated loans	**33,565,624**	33,642,235
- Other loans	**29,090**	61,578
Unamortized bills discount	**(52,102)**	(55,197)
Impairment provision	**(12,761,556)**	(11,825,887)
Unearned interest	**(8,236)**	(8,236)
Suspended credit account	**(37,865)**	(33,672)
Derivative financial instruments	**377,344**	216,383
Financial investments:		
-Debt instruments	**198,118,540**	196,046,335
Other assets (Accrued revenues)	**4,925,087**	4,011,196
Total	**373,558,866**	376,847,609
Off balance sheet items exposed to credit risk		
Financial guarantees	**5,992,252**	6,085,760
Customers acceptances	**1,871,436**	3,188,757
Letters of credit (import and export)	**4,256,169**	5,866,630
Letter of guarantee	**62,116,550**	61,143,216
Total	**74,236,407**	76,284,363

The above table represents the Bank's Maximum exposure to credit risk on March 31, 2020, before taking into account any held collateral.

For assets recognized on balance sheet, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 31.15% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt instruments represent 60.16%.

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

- 92.59% of the loans and advances are concentrated in the top two grades of the internal credit risk rating system.
- Loans and advances assessed individualy are valued EGP 5,170,845 thousand.
- The Bank has implemented more prudent processes when granting loans and advances during the financial period ended on March 31, 2020.
- 97.60% of the investments in debt Instruments are Egyptian sovereign instruments.

3.1.6. Loans and advances

Loans and advances are summarized as follows:

	Mar.31, 2020 EGP Thousands		Dec.31, 2019 EGP Thousands	
	Loans and advances to customers	**Loans and advances to banks**	Loans and advances to customers	Loans and advances to banks
Gross Loans and advances	**128,282,710**	**942,243**	131,244,095	629,780
Less:				
Impairment provision	**12,761,556**	**5,200**	11,825,887	4,516
Unamortized bills discount	**52,102**	**-**	55,197	-
Unearned interest	**8,236**	**-**	8,236	-
Suspended credit account	**37,865**	**-**	33,672	-
Net	**115,422,951**	**937,043**	119,321,103	625,264

Impairment provision losses for loans and advances reached EGP 12,766,756 thousand.

During the period, the Bank's total loans and advances decreased by 2.01%.

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

Total balances of loans and facilities to customers divided by stages: **EGP Thousands**

Mar.31, 2020

	Stage 1: Expected credit losses over 12 months	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
Individuals	**27,784,477**	**401,209**	**244,713**	**-**	**28,430,399**
Institutions and Business Banking	**53,582,464**	**41,343,715**	**4,926,132**	**-**	**99,852,311**
Total	**81,366,941**	**41,744,924**	**5,170,845**	**-**	**128,282,710**

Expected credit losses for loans and facilities to customers divided by stages:

Mar.31, 2020

	Stage 1: Expected credit losses over 12 months	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
Individuals	**200,250**	**11,719**	**249,521**	**-**	**461,490**
Institutions and Business Banking	**1,349,014**	**6,066,761**	**4,884,291**	**-**	**12,300,066**
Total	**1,549,264**	**6,078,480**	**5,133,812**	**-**	**12,761,556**

Loans, advances and expected credit losses to banks divided by stages:

Mar.31, 2020

	Stage 1: Expected credit losses over 12 months	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Total**
Time and term loans	**-**	**942,243**	**-**	**942,243**
Expected credit losses	**-**	**(5,200)**	**-**	**(5,200)**
Net	**-**	**937,043**	**-**	**937,043**

Off balance sheet items exposed to credit risk and ecpected credit losses divided by stages:

Mar.31, 2020

	Stage 1: Expected credit losses over 12 months	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Total**
Facilities and guarantees	**44,331,853**	**23,839,110**	**73,192**	**68,244,155**
Expected credit losses	**(955,632)**	**(1,186,035)**	**(66,734)**	**(2,208,401)**
Net	**43,376,221**	**22,653,075**	**6,458**	**66,035,754**

Total balances of loans and facilities divided by stages: **EGP Thousands**

Dec.31, 2019

	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Individuals	26,734,506	339,408	202,357	-	27,276,271
Institutions and Business Banking	63,749,864	35,158,341	5,059,619	-	103,967,824
Total	90,484,370	35,497,749	5,261,976	-	131,244,095

Expected credit losses

Dec.31, 2019

	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Individuals	96,469	10,394	210,068	-	316,931
Institutions and Business Banking	1,208,722	5,325,121	4,975,113	-	11,508,956
Total	1,305,191	5,335,515	5,185,181	-	11,825,887

Loans and advances to banks divided by stages:

Dec.31, 2019

	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Total
Time and term loans	-	629,780	-	629,780
Expected credit losses	-	(4,516)	-	(4,516)
Net	-	625,264	-	625,264

Expected credit losses divided by internal classification: **EGP Thousands**

Corporate and Business Banking loans:

Mar.31, 2020	Scope of probability of default (PD)	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Performing loans (1-5)	1%-14%	1,147,747	1,544,829	-	-	2,692,576
Regular watching (6)	15%-21%	201,267	927,938	-	-	1,129,205
Watch list (7)	21%-28%	-	3,593,994	-	-	3,593,994
Non-performing loans (8-10)	100%	-	-	4,884,291	-	4,884,291

Individual Loans:

Mar.31, 2020	Scope of probability of default (PD)	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Performing loans (1-5)	(0% - 5%)	199,023	-	-	-	199,023
Regular watching (6)	(5% - 10%)	1,227	-	-	-	1,227
Watch list (7)	(10% above)	-	11,719	-	-	11,719
Non-performing loans (8-10)	100%	-	-	249,521	-	249,521

The total balances of loans and facilities divided according to the internal classification:

Corporate and Business Banking loans:

Mar.31, 2020	Scope of probability of default (PD)	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Performing loans (1-5)	1%-12%	51,338,579	30,758,147	-	-	82,096,726
Regular watching (6)	12%-21%	2,243,885	6,577,028	-	-	8,820,913
Watch list (7)	21%-27%	-	4,008,540	-	-	4,008,540
Non-performing loans (8-10)	100%	-	-	4,926,132	-	4,926,132

Individual Loans:

Mar.31, 2020	Scope of probability of default (PD)	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Performing loans (1-5)	(0% - 5%)	26,980,515	-	-	-	26,980,515
Regular watching (6)	(5% - 10%)	803,962	-	-	-	803,962
Watch list (7)	(10% above)	-	401,209	-	-	401,209
Non-performing loans (8-10)	100%	-	-	244,713	-	244,713

Expected credit losses divided by internal classification: **EGP Thousands**

Corporate and Business Banking loans:

Dec.31, 2019	Scope of probability of default (PD)	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Performing loans (1-5)	1%-14%	1,041,456	1,137,990	-	-	2,179,446
Regular watching (6)	15%-21%	167,266	867,786	-	-	1,035,052
Watch list (7)	21%-28%	-	3,319,345	-	-	3,319,345
Non-performing loans (8-10)	100%	-	-	4,975,113	-	4,975,113

Individual Loans:

Dec.31, 2019	Scope of probability of default (PD)	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Performing loans (1-5)	(0% - 5%)	95,234	-	-	-	95,234
Regular watching (6)	(5% - 10%)	1,235	-	-	-	1,235
Watch list (7)	(10% above)	-	10,394	-	-	10,394
Non-performing loans (8-10)	100%	-	-	210,068	-	210,068

The total balances of loans and facilities divided according to the internal classification:

Corporate and Business Banking loans:

Dec.31, 2019	Scope of probability of default (PD)	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Performing loans (1-5)	1%-12%	61,291,934	24,935,477	-	-	86,227,411
Regular watching (6)	12%-21%	2,457,930	5,944,147	-	-	8,402,077
Watch list (7)	21%-27%	-	4,278,717	-	-	4,278,717
Non-performing loans (8-10)	100%	-	-	5,059,619	-	5,059,619

Individual Loans:

Dec.31, 2019	Scope of probability of default (PD)	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
Performing loans (1-5)	(0% - 5%)	26,059,247	-	-	-	26,059,247
Regular watching (6)	(5% - 10%)	675,259	-	-	-	675,259
Watch list (7)	(10% above)	-	339,408	-	-	339,408
Non-performing loans (8-10)	100%	-	-	202,357	-	202,357

The following table provides information on the quality of financial assets during the financial period: EGP Thousands

Mar.31, 2020

Due from banks	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 months	Life time	Life time	
Performing loans	16,848,131	-	-	16,848,131
Regular watching	9,700,395	91,479	-	9,791,874
Watch list	-	-	-	-
Non-performing loans	-	-	-	-
Total	26,548,526	91,479	-	26,640,005
Less:Impairment provision	(31,473)	(126)	-	(31,599)
Book value	26,517,053	91,353	-	26,608,406

Individual Loans:	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 months	Life time	Life time	
Performing loans	26,980,515	-	-	26,980,515
Regular watching	803,962	-	-	803,962
Watch list	-	401,209	-	401,209
Non-performing loans	-	-	244,713	244,713
Total	27,784,477	401,209	244,713	28,430,399
Less:Impairment provision	(200,250)	(11,719)	(249,521)	(461,490)
Book value	27,584,227	389,490	(4,808)	27,968,909

Corporate and Business Banking loans:	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 months	Life time	Life time	
Performing loans	51,338,579	30,758,147	-	82,096,726
Regular watching	2,243,885	6,577,028	-	8,820,913
Watch list	-	4,008,540	-	4,008,540
Non-performing loans	-	-	4,926,132	4,926,132
Total	53,582,464	41,343,715	4,926,132	99,852,311
Less:Impairment provision	(1,349,014)	(6,066,761)	(4,884,291)	(12,300,066)
Book value	52,233,450	35,276,954	41,841	87,552,245

Financial Assets at Fair value through OCI	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 months	Life time	Life time	
Performing loans	66,561,122	-	-	66,561,122
Regular watching	24,717,069	-	-	24,717,069
Watch list	-	-	-	-
Non-performing loans	-	-	-	-
Total	91,278,191	-	-	91,278,191
Less:Impairment provision	(367,073)	-	-	(367,073)
Book value	90,911,118	-	-	90,911,118

The following table provides information on the quality of financial assets during the financial period: **EGP Thousands**

Dec.31, 2019

Due from banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit rating	**12 months**	**Life time**	**Life time**	
Performing loans	**19,284,999**	**-**	**-**	**19,284,999**
Regular watching	**9,085,184**	**-**	**-**	**9,085,184**
Watch list	**-**	**-**	**-**	**-**
Non-performing loans	**-**	**-**	**-**	**-**
Total	**28,370,183**	**-**	**-**	**28,370,183**
Less:Impairment provision	**(16,817)**	**-**	**-**	**(16,817)**
Book value	**28,353,366**	**-**	**-**	**28,353,366**

Individual Loans:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit rating	**12 months**	**Life time**	**Life time**	
Performing loans	**26,059,247**	**-**	**-**	**26,059,247**
Regular watching	**675,259**	**-**	**-**	**675,259**
Watch list	**-**	**339,408**	**-**	**339,408**
Non-performing loans	**-**	**-**	**202,357**	**202,357**
Total	**26,734,506**	**339,408**	**202,357**	**27,276,271**
Less:Impairment provision	**(96,469)**	**(10,394)**	**(210,068)**	**(316,931)**
Book value	**26,638,037**	**329,014**	**(7,711)**	**26,959,340**

Corporate and Business Banking loans:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit rating	**12 months**	**Life time**	**Life time**	
Performing loans	**61,291,934**	**24,935,477**	**-**	**86,227,411**
Regular watching	**2,457,930**	**5,944,147**	**-**	**8,402,077**
Watch list	**-**	**4,278,717**	**-**	**4,278,717**
Non-performing loans	**-**	**-**	**5,059,619**	**5,059,619**
Total	**63,749,864**	**35,158,341**	**5,059,619**	**103,967,824**
Less:Impairment provision	**(1,208,722)**	**(5,325,121)**	**(4,975,113)**	**(11,508,956)**
Book value	**62,541,142**	**29,833,220**	**84,506**	**92,458,868**

Financial Assets at Fair value through OCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit rating	**12 months**	**Life time**	**Life time**	
Performing loans	**59,915,108**	**-**	**-**	**59,915,108**
Regular watching	**28,905,614**	**-**	**-**	**28,905,614**
Watch list	**-**	**-**	**-**	**-**
Non-performing loans	**-**	**-**	**-**	**-**
Total	**88,820,722**	**-**	**-**	**88,820,722**
Less:Impairment provision	**(414,395)**	**-**	**-**	**(414,395)**
Book value	**88,406,327**	**-**	**-**	**88,406,327**

The following table shows changes in expected ECL losses between the beginning and end of the period as a result of these factors:

Mar.31, 2020 — **EGP Thousands**

Due from banks	Stage 1	Stage 2	Stage 3	Total
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2020	16,817	-	-	16,817
New financial assets purchased or issued	15,445	126	-	15,571
Matured or disposed financial assets	(1)	-	-	(1)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes in the probability of default and loss in case of default and the exposure at default	(788)	-	-	(788)
Changes to model assumptions and methodology	-	-	-	-
Write off during the period	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	31,473	126	-	31,599

Individual Loans:	Stage 1	Stage 2	Stage 3	Total
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2020	96,469	10,394	210,068	316,931
Impairment during the period	103,781	1,325	48,520	153,626
Write off during the period	-	-	(20,054)	(20,054)
Recoveries	-	-	10,987	10,987
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	200,250	11,719	249,521	461,490

Corporate and Business Banking loans:	Stage 1	Stage 2	Stage 3	Total
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2020	1,208,723	5,325,119	4,975,114	11,508,956
New financial assets purchased or issued	184,924	634,516	-	819,440
Matured or disposed financial assets	(251,347)	(535,330)	(107,876)	(894,553)
Transferred to stage 1	1,975	(2,402)	-	(427)
Transferred to stage 2	(221,457)	460,361	-	238,904
Transferred to stage 3	(10)	(142,550)	186,854	44,294
Changes in the probability of default and loss in case of default and the exposure at default	(127,848)	(96,200)	46,970	(177,078)
Changes to model assumptions and methodology	564,793	522,966	-	1,087,759
Recoveries	-	-	861	861
Write off during the period	-	-	(131,291)	(131,291)
Cumulative foreign currencies translation differences	(10,739)	(99,719)	(86,341)	(196,799)
Ending balance	1,349,014	6,066,761	4,884,291	12,300,066

Financial Assets at Fair value through OCI	Stage 1	Stage 2	Stage 3	Total
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2020	414,395	-	-	414,395
New financial assets purchased or issued	56,945	-	-	56,945
Matured or disposed financial assets	(10,562)	-	-	(10,562)
Transferred to stage 1	-	-	-	-
Transferred to stage 2	-	-	-	-
Transferred to stage 3	-	-	-	-
Changes in the probability of default and loss in case of default and the exposure at default	(93,705)	-	-	(93,705)
Changes to model assumptions and methodology	-	-	-	-
Write off during the period	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	367,073	-	-	367,073

The following table shows changes in expected ECL losses between the beginning and end of the period as a result of these factors:

Dec.31, 2019 — **EGP Thousands**

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

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

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

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

Loans and advances restructured

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

	Mar.31, 2020	Dec.31, 2019
Loans and advances to customer		
Corporate		
- Direct loans	**4,449,117**	4,682,243
Total	**4,449,117**	4,682,243

3.1.8. Financial investments:

The following table represents an analysis of financial investment balances by rating agencies at the end of the period based on Standard & Poor's valuation and its equivalent.

Mar.31, 2020

EGP Thousands

Amortized cost	**Stage 1: Expected credit losses over 12 months**	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
AAA	-	-	-	-	-
AA+ to -AA	-	-	-	-	-
A to -A+	-	-	-	-	-
Less than -A	106,531,563	-	-	-	106,531,563
Not rated	-	-	-	-	-
Total	106,531,563	-	-	-	106,531,563

Mar.31, 2020

EGP Thousands

Fair value through OCI	**Stage 1: Expected credit losses over 12 months**	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
AAA	-	-	-	-	-
AA+ to -AA	-	-	-	-	-
A+ to -A	-	-	-	-	-
Less than -A	91,278,191	-	-	-	91,278,191
Not rated	-	-	-	-	-
Total	91,278,191	-	-	-	91,278,191

The following table shows the analysis of impairment on credit losses of financial investments by rating agencies at the end of the period based on Standard & Poor's valuation and its equivalent.

Mar.31, 2020

EGP Thousands

Fair value through OCI	**Stage 1: Expected credit losses over 12 months**	**Stage 2: Expected credit losses Over a lifetime that is not creditworthy**	**Stage 3: Expected credit losses Over a lifetime Credit default**	**Individually impaired**	**Total**
AAA	-	-	-	-	-
AA+ to -AA	-	-	-	-	-
A+ to -A	-	-	-	-	-
Less than -A	367,073	-	-	-	367,073
Not rated	-	-	-	-	-
Total	367,073	-	-	-	367,073

3.1.8. Financial investments:

The following table represents an analysis of financial investment balances by rating agencies at the end of the period based on Standard & Poor's valuation and its equivalent.

Dec.31, 2019

EGP Thousands

Amortized cost	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
AAA	-	-	-	-	-
AA+ to -AA	-	-	-	-	-
A to -A+	-	-	-	-	-
Less than -A	107,225,613	-	-	-	107,225,613
Not rated	-	-	-	-	-
Total	107,225,613	-	-	-	107,225,613

Dec.31, 2019

EGP Thousands

Fair value through OCI	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
AAA	-	-	-	-	-
AA+ to -AA	-	-	-	-	-
A+ to -A	-	-	-	-	-
Less than -A	88,820,722	-	-	-	88,820,722
Not rated	-	-	-	-	-
Total	88,820,722	-	-	-	88,820,722

The following table shows the analysis of impairment on credit losses of financial investments by rating agencies at the end of the period based on Standard & Poor's valuation and its equivalent.

Dec.31, 2019

EGP Thousands

Fair value through OCI	Stage 1: Expected credit losses over 12 months	Stage 2: Expected credit losses Over a lifetime that is not creditworthy	Stage 3: Expected credit losses Over a lifetime Credit default	Individually impaired	Total
AAA	-	-	-	-	-
AA+ to -AA	-	-	-	-	-
A+ to -A	-	-	-	-	-
Less than -A	414,395	-	-	-	414,395
Not rated	-	-	-	-	-
Total	414,395	-	-	-	414,395

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

3.1.8.1. Geographical sectors

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

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

EGP Thousands

Mar.31, 2020	Cairo	Alex, Delta and Sinai	Upper Egypt	Total
Cash and balances with central bank	27,169,495	-	-	**27,169,495**
Due from banks	26,608,406	-	-	**26,608,406**
Gross loans and advances to banks	942,243	-	-	**942,243**
Less:Impairment provision	(5,200)	-	-	**(5,200)**
Gross loans and advances to customers				
Individual:				
- Overdrafts	734,125	432,628	123,299	**1,290,052**
- Credit cards	3,476,790	741,601	120,419	**4,338,810**
- Personal loans	13,620,285	6,494,099	1,105,480	**21,219,864**
- Mortgages	1,491,783	80,906	8,984	**1,581,673**
Corporate:				
- Overdrafts	17,625,868	1,195,360	699,852	**19,521,080**
- Direct loans	30,612,842	11,204,772	4,918,903	**46,736,517**
- Syndicated loans	31,277,189	2,126,682	161,753	**33,565,624**
- Other loans	19,090	10,000	-	**29,090**
Unamortized bills discount	(52,102)	-	-	**(52,102)**
Impairment provision	(10,552,813)	(1,776,282)	(432,461)	**(12,761,556)**
Unearned interest	(8,236)	-	-	**(8,236)**
Suspended credit account	(37,865)	-	-	**(37,865)**
Derivative financial instruments	377,344	-	-	**377,344**
Financial investments:				
-Debt instruments	198,118,540	-	-	**198,118,540**
Total	**341,417,784**	**20,509,766**	**6,706,229**	**368,633,779**

3.1.8.2. Industry sectors

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

EGP Thousands

Mar.31, 2020	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Government sector	Other activities	Individual	Total
Cash and balances with central bank	27,169,495	-	-	-	-	-	-	**27,169,495**
Due from banks	26,608,406	-	-	-	-	-	-	**26,608,406**
Gross loans and advances to banks	942,243	-	-	-	-	-	-	**942,243**
Less:Impairment provision	(5,200)	-	-	-	-	-	-	**(5,200)**
Gross loans and advances to customers								
Individual:								
- Overdrafts	-	-	-	-	-	-	1,290,052	**1,290,052**
- Credit cards	-	-	-	-	-	-	4,338,810	**4,338,810**
- Personal loans	-	-	-	-	-	-	21,219,864	**21,219,864**
- Mortgages	-	-	-	-	-	-	1,581,673	**1,581,673**
Corporate:								
- Overdrafts	800,985	8,694,026	2,899,491	483,662	2,197,370	4,445,546	-	**19,521,080**
- Direct loans	1,449,635	22,546,362	1,695,949	803,523	5,396,765	14,844,283	-	**46,736,517**
- Syndicated loans	-	7,874,405	302,220	-	24,738,137	650,862	-	**33,565,624**
- Other loans	-	29,090	-	-	-	-	-	**29,090**
Unamortized bills discount	(52,102)	-	-	-	-	-	-	**(52,102)**
Impairment provision	(50,591)	(4,873,259)	(20,302)	(97,467)	(488,823)	(6,769,624)	(461,490)	**(12,761,556)**
Unearned interest	-	-	-	-	-	-	(8,236)	**(8,236)**
Suspended credit account	-	(842)	-	(37,023)	-	-	-	**(37,865)**
Derivative financial instruments	377,344	-	-	-	-	-	-	377,344
Financial investments:								
-Debt instruments	4,755,000	-	-	-	193,363,540	-	-	**198,118,540**
Total	**61,995,215**	**34,269,782**	**4,877,358**	**1,152,695**	**225,206,989**	**13,171,067**	**27,960,673**	**368,633,779**

3.2. Market risk

Market risk represents the fluctuations in fair value, future cash flow, foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices, and it may reduce the Bank's income or the value of its portfolios. The bank assigns the market risk management department to measure, monitor and control the market risk. In addition, regular reports are submitted to the Asset and Liability Management Committee (ALCO), Board Risk Committee and the heads of each business unit.

The bank separates exposures to market risk into trading or non-trading portfolios.

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

3.2.1. Market risk measurement techniques

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

3.2.1.1. Value at Risk

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

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the ‘maximum’ amount the Bank might lose , but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain ‘holding period’ until positions can be closed (1 Day). The Bank assesses the historical movements in the market prices based on volatilities and correlations. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VaR constitutes an integral part of the Bank’s market risk control regime, the Market Risk Management set VaR Limits, for the trading book, which have been approved by the board, and are monitored and reported on a daily basis to the Senior Management. In addition, monthly limits compliance is reported to the ALCO.

The Bank is calculating the Market Risk Capital Requirements by applying Basel II "Standardised Measurement Method", according to the Central Bank of Egypt regulatory requirements.

3.2.1.2. Stress tests

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

3.2.2. Value at risk (VaR) Summary

EGP Thousands

Total VaR by risk type	**Mar.31, 2020**			Dec.31, 2019		
	Medium	**High**	**Low**	Medium	High	Low
Foreign exchange risk	**511**	**1,221**	**109**	410	2,426	50
Interest rate risk	**507,528**	**755,629**	**352,891**	604,814	1,176,577	274,079
- For non trading purposes	**514,734**	**767,562**	**357,881**	609,137	1,186,564	271,813
- For trading purposes	**290**	**290**	**290**	4,346	9,949	183
Portfolio managed by others risk	**8,583**	**14,894**	**4,969**	4,858	9,696	1,487
Investment fund	**-**	**-**	**-**	76	122	44
Total VaR	**510,725**	**761,252**	**354,704**	605,585	1,178,349	274,303

Trading portfolio VaR by risk type

	Mar.31, 2020			Dec.31, 2019		
	Medium	**High**	**Low**	Medium	High	Low
Foreign exchange risk	**511**	**1,221**	**109**	410	2,426	50
Interest rate risk	**290**	**290**	**290**	4,346	9,949	183
- For trading purposes	**290**	**290**	**290**	4,346	9,949	183
Funds managed by others risk	**8,583**	**14,894**	**4,969**	4,858	9,696	1,487
Investment fund	**-**	**-**	**-**	76	122	44
Total VaR	**8,538**	**14,696**	**4,995**	5,839	10,382	3,475

Non trading portfolio VaR by risk type

	Mar.31, 2020			Dec.31, 2019		
	Medium	**High**	**Low**	Medium	High	Low
Interest rate risk						
- For non trading purposes	**514,734**	**767,562**	**357,881**	609,137	1,186,564	271,813
Total VaR	**514,734**	**767,562**	**357,881**	609,137	1,186,564	271,813

The increase in the value at risk, especially the rate of return, is associated with the increase in interest rate sensitivity in the global financial markets. The three previous outcomes of the VAR were calculated independently from the centers involved and historical market movements. The aggregate value at risk for trading and non-trading is not the Bank's risk value because of the correlation between types of risk and types of portfolios and the consequent variety of impact.

3.2.3. Foreign exchange risk

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

Equivalent EGP Thousands

Mar.31, 2020	EGP	USD	EUR	GBP	Other	Total
Financial assets						
Cash and balances with central bank	23,831,567	1,780,321	604,368	61,755	891,484	**27,169,495**
Gross due from banks	815,701	23,929,472	966,719	819,092	109,021	**26,640,005**
Gross loans and advances to banks	-	936,942	5,301	-	-	**942,243**
Gross loans and advances to customers	77,118,309	45,988,898	5,096,269	79,223	11	**128,282,710**
Derivative financial instruments	106,814	270,530	-	-	-	**377,344**
Financial investments						
Gross financial investment securities	178,321,644	21,155,669	1,550,351	-	-	**201,027,664**
- Investments in associates and subsidiaries	9,750	39,382	-	-	-	**49,132**
Total financial assets	**280,203,785**	**94,101,214**	**8,223,008**	**960,070**	**1,000,516**	**384,488,593**
Financial liabilities						
Due to banks	143,167	10,212,452	64,189	11,312	6,803	**10,437,923**
Due to customers	224,793,024	76,087,716	7,780,312	937,788	398,280	**309,997,120**
Derivative financial instruments	293,131	186,310	-	-	-	**479,441**
Other loans	30,530	3,150,640	-	-	-	**3,181,170**
Total financial liabilities	**225,259,852**	**89,637,118**	**7,844,501**	**949,100**	**405,083**	**324,095,654**
Net on-balance sheet financial position	**54,943,933**	**4,464,096**	**378,507**	**10,970**	**595,433**	**60,392,939**

3.2.4. Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but profit may decrease in the event that unexpected movements arise.The Board sets limits on the gaps of interest rate repricing that may be undertaken, which is monitored by the bank's Risk Management Department.

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

Mar.31, 2020	Up to1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non- Interest Bearing	Total
Financial assets							
Cash and balances with central bank	-	-	-	-	-	27,169,495	**27,169,495**
Gross due from banks	16,183,944	8,659,802	1,668,658	-	-	127,601	**26,640,005**
Gross loans and advances to banks	71,057	4,760	866,426	-	-	-	**942,243**
Gross loans and advances to customers	77,085,041	15,806,978	15,659,710	15,064,548	4,666,433	-	**128,282,710**
Derivatives financial instruments (including IRS notional amount)	323,600	3,253,838	296,994	6,436,880	-	-	**10,311,312**
Financial investments							
Gross financial investment securities	41,841,190	37,869,410	39,554,332	47,523,972	33,170,821	1,067,939	**201,027,664**
- Investments in associates and subsidiaries	-	-	-	-	-	49,132	**49,132**
Total financial assets	**135,504,832**	**65,594,788**	**58,046,120**	**69,025,400**	**37,837,254**	**28,414,167**	**394,422,561**
Financial liabilities							
Due to banks	232,360	8,191,664	1,654,086	-	-	359,813	**10,437,923**
Due to customers	177,285,398	29,268,561	20,263,153	37,637,631	199,877	45,342,500	**309,997,120**
Derivatives financial instruments (including IRS notional amount)	2,809,549	4,144,500	122,546	-	3,336,814	-	**10,413,409**
Other loans	8,530	3,151,640	16,000	5,000	-	-	**3,181,170**
Total financial liabilities	**180,335,837**	**44,756,365**	**22,055,785**	**37,642,631**	**3,536,691**	**45,702,313**	**334,029,622**
Total interest re-pricing gap	**(44,831,005)**	**20,838,423**	**35,990,335**	**31,382,769**	**34,300,563**	**(17,288,146)**	**60,392,939**

** After adding Reverse repos and deducting Repos.*

3.3. Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

Liquidity Risk Management Organization and Measurement Tools

Liquidity Risk is governed by Asset and Liability Committee (ALCO) and Board Risk Committee (BRC) subject to provisions of Treasury Poilcy Guide (TPG).

Board Risk Committee (BRC): Provides oversight of risk management functions and assesses compliance to the set risk strategies and policies approved by the Board of Directors (BoD) through periodic reports submitted by the Risk Group. The committee makes recommendations to the BoD with regards to risk management strategies and policies (including those related to capital adequacy, liquidity management,various types of risks: credit, market, operation, compliance, reputation and any other risks the Bank may be exposed to).

Asset & Liability Committee (ALCO): Optimises the allocation of assets and liabilities, taking into consideration expectations of the potential impact of future interest rate fluctuations, liquidity constraints, and foreign exchange exposures. ALCO monitors the Bank's liquidity and market risks, economic developments, market fluctuations, and risk profile to ensure ongoing activities are compatible with the risk/ reward guidelines approved by the BoD.

Treasury Policy Guide (TPG): The purpose of the TPG is to document and communicate the policies that govern the activities performed by the Treasury Group and monitored by Risk Group.

The main measures and monitoring tools used to assess the Bank's liquidity risk include regulatory and internal ratios, gaps, Basel III liquidity ratios, asset and liability gapping mismatch, stress testing, and funding base concentration. More conservative internal targets and Risk Appetite indicators (RAI) against regulatory requirements are set for various measures of Liquidity and Funding Concentration Risks.At the end of year, the Basel III Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) remained strong and well above regulatory requirements.

3.3.1. Liquidity risk management process

The Bank's liquidity management process is carried by the Assets and Liabilities Management Department and monitored independently by the Risk Management Department, and includes projecting cash flows by major currency under various stress scenarios and considering the level of liquid assets necessary in relation thereto:

-Maintaining an active presence in global money markets to enable this to happen.
-Maintaining a diverse range of funding sources with back-up facilities
-Monitoring balance sheet liquidity and advances to core funding ratios against internal and CBE regulations.
-Managing the concentration and profile of debt maturities.

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

3.3.2. Funding approach

Sources of liquidity are regularly reviewed jointly by the bank's Assets & Liabilities Management Department and Consumer Banking to maintain a wide diversification by currency, provider, product and term.

3.3.3. Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities and the maturities assumption for non contractual products on the basis of their behaviour studies, at balance sheet date.

Mar.31, 2020	**Up to 1 month**	**One to three months**	**Three months to one year**	**One year to five years**	**Over five years**	**Total** EGP Thousands
Financial liabilities						
Due to banks	**592,173**	**8,191,664**	**1,654,086**	**-**	**-**	**10,437,923**
Due to customers	**31,655,267**	**25,099,254**	**77,891,076**	**164,764,540**	**10,586,983**	**309,997,120**
Other loans	**8,530**	**1,000**	**16,000**	**1,464,046**	**1,691,594**	**3,181,170**
Total liabilities (contractual and non contractual maturity dates)	**32,255,970**	**33,291,918**	**79,561,162**	**166,228,586**	**12,278,577**	**323,616,213**
Total financial assets (contractual and non contractual maturity dates)	**36,996,867**	**22,869,834**	**93,154,782**	**167,352,545**	**63,737,220**	**384,111,248**

Dec.31, 2019	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total EGP Thousands
Financial liabilities						
Due to banks	5,795,044	320,830	5,694,733	-	-	11,810,607
Due to customers	34,976,355	25,769,297	71,077,755	161,953,222	10,707,026	304,483,655
Other loans	2,868	42,488	14,090	1,257,765	1,955,535	3,272,746
Total liabilities (contractual and non contractual maturity dates)	40,774,267	26,132,615	76,786,578	163,210,987	12,662,561	319,567,008
Total financial assets (contractual and non contractual maturity dates)	39,156,322	30,113,707	85,349,273	167,623,442	67,757,445	390,000,189

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, due from CBE and due from banks, treasury bills, other government notes , loans and advances to banks and customers.
In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt instrument and treasury bills and other governmental notes have been pledged to secure liabilities. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

3.3.4. Derivative cash flows

The Bank's derivatives include:
Foreign exchange derivatives: exchange traded options and over-the-counter (OTC) ,exchange traded forwards currency options that will be settled on a gross basis interest rate derivatives: interest rate swaps, forward rate agreements, OTC and exchange traded interest rate options, other interest rate contracts and exchange traded futures .

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

EGP Thousands

Mar.31, 2020	**Up to 1 month**	**One to three months**	**Three months to one year**	**One year to five years**	**Over five years**	**Total**
Liabilities						
Derivatives financial instruments						
Foreign exchange derivatives	76,236	94,349	122,546	-	-	**293,131**
Interest rate derivatives	133	3	-	-	186,174	**186,310**
Total	**76,369**	**94,352**	**122,546**	**-**	**186,174**	**479,441**

Off balance sheet items

EGP Thousands

Mar.31, 2020	**Up to 1 year**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit, guarantees and other commitments	44,178,998	14,916,399	9,148,758	**68,244,155**
Total	**44,178,998**	**14,916,399**	**9,148,758**	**68,244,155**

Mar.31, 2020	**Up to 1 year**	**1-5 years**	**Total**
Credit facilities commitments	7,074,041	4,250,800	**11,324,841**
Total	**7,074,041**	**4,250,800**	**11,324,841**

3.4. Fair value of financial assets and liabilities

3.4.1. Financial instruments not measured at fair value

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

	Book value		**Fair value**	
	Mar.31, 2020	Dec.31, 2019	**Mar.31, 2020**	Dec.31, 2019
Financial assets				
Due from banks	**26,608,406**	28,353,366	**26,608,004**	28,370,754
Gross loans and advances to banks	**942,243**	629,780	**942,243**	629,780
Gross loans and advances to customers	**128,282,710**	131,244,095	**128,009,816**	128,740,476
Financial investments:				
Amortized cost	**106,531,563**	107,225,613	**103,766,158**	106,016,744
Total financial assets	**262,364,922**	267,452,854	**259,326,221**	263,757,754
Financial liabilities				
Due to banks	**10,437,923**	11,810,607	**10,437,669**	11,702,778
Due to customers	**309,997,120**	304,483,655	**308,192,446**	302,292,025
Other loans	**3,181,170**	3,272,746	**3,181,170**	3,272,746
Total financial liabilities	**323,616,213**	319,567,008	**321,811,285**	317,267,549

The fair value is considered in the previous note from the second and third level in accordance with the fair value standard

Due from banks

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

Fair values of financial instruments

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

Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2020:

instruments:

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

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

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

		Fair value measurement using			
Mar.31, 2020	**Date of Valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (level 2)**	**Valuation techniques (level 3)**
Measured at fair value:					
Financial assets					
Financial Assets at Fair value through P&L	31-Mar-20	314,665	314,665	-	-
Financial Assets at Fair value through OCI	31-Mar-20	92,469,884	62,475,467	29,994,417	-
Total		**92,784,549**	**62,790,132**	**29,994,417**	**-**
Derivative financial instruments					
Financial assets	31-Mar-20	**377,344**	-	377,344	-
Financial liabilities	31-Mar-20	479,441	-	479,441	-
Total		**856,785**	**-**	**856,785**	**-**
Assets for which fair values are disclosed:					
Amortized cost	31-Mar-20	103,766,158	-	103,766,158	-
Loans and advances to banks	31-Mar-20	942,243	-	-	942,243
Loans and advances to customers	31-Mar-20	128,009,816	-	-	128,009,816
Total		**232,718,217**	**-**	**103,766,158**	**128,952,059**
Liabilities for which fair values are disclosed:					
Other loans	31-Mar-20	3,181,170	-	3,181,170	-
Due to customers	31-Mar-20	308,192,446	-	-	308,192,446
Total		**311,373,616**	**-**	**3,181,170**	**308,192,446**

		Fair value measurement using			
Dec.31, 2019	**Date of Valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (level 2)**	**Valuation techniques (level 3)**
Measured at fair value:					
Financial assets					
Financial Assets at Fair value through P&L	31-Dec-19	418,781	418,781	-	-
Financial Assets at Fair value through OCI	31-Dec-19	89,897,257	61,689,580	28,207,677	-
Total		**90,316,038**	**62,108,361**	**28,207,677**	**-**
Derivative financial instruments					
Financial assets	31-Dec-19	216,383	-	216,383	-
Financial liabilities	31-Dec-19	282,588	-	282,588	-
Total		**498,971**	**-**	**498,971**	**-**
Assets for which fair values are disclosed:					
Amortized cost	31-Dec-19	106,016,744	-	106,016,744	-
Loans and advances to banks	31-Dec-19	629,780	-	-	629,780
Loans and advances to customers	31-Dec-19	128,740,476	-	-	128,740,476
Total		**235,387,000**	**-**	**106,016,744**	**129,370,256**
Liabilities for which fair values are disclosed:					
Other loans	31-Dec-19	3,272,746	-	3,272,746	-
Due to customers	31-Dec-19	302,292,025	-	-	302,292,025
Total		**305,564,771**	**-**	**3,272,746**	**302,292,025**

Fair value of financial assets and liabilities

Loans and advances to banks

Loans and advances to banks are represented in loans that do not consider bank placing. The expected fair value of the loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted using the current market rate to determine fair value.

Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Financial Investments

Investment securities include only interest-bearing assets, financial assets at amortized cost, and fair value through OCI.
Fair value for amortized cost assets is based on market prices or broker/dealer price quotations.

Due to other banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar maturity date.

3.5 Capital management

For capital management purposes, the Bank's capital includes total equity as reported in the balance sheet plus some other elements that are managed as capital. The Bank manages its capital to ensure that the following objectives are achieved:

- Complying with the legally imposed capital requirements in Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling the generation of yield for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth of the Bank's operations.

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

Central Bank of Egypt requires the following:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital.
- Maintaining a minimum level of capital adequacy ratio of 12.75%, calculated as the ratio between total value of the capital elements, and the risk-weighted assets and contingent liabilities of the Bank (credit risk, market risk and opertional risk). While taking into consideration the conservation buffer.

Tier one:

Tier one comprises of paid-in capital (after deducting the book value of treasury shares), retained earnings and reserves resulting from the distribution of profits except the banking risk reserve, interim profits and deducting previously recognized goodwill and any retained los

Tier two:

Tier two represents the gone concern capital which is compposed of general risk provision according to stage one ECL to the maximum of 1.25% risk weighted assets and contingent liabilities ,subordinated loans with more than five years to maturity (amortizing 20% of its carrying amount in each year of the remaining five years to maturity) and 45% of the increase in fair value than book value for financial assets fair value through OCI , amortized cost , subsidiaries and associates investment

When calculating the numerator of capital adequacy ratio, the rules set limits of total tier 2 to no more than tier 1 capital and also limits the subordinated to no more than 50% of tier1.

Assets risk weight scale ranging from zero to 400% is based on the counterparty risk to reflect the related credit risk scheme, taking into considration the cash collatrals. Similar criteria are used for off balance sheet items after adjustments to reflect the nature of contingency and the potential loss of those amounts. The Bank has complied with all local capital adequacy requirements for the current year.

The tables below summarize the compositions of teir 1, teir 2 , the capital adequacy ratio and leverage ratio .

1-The capital adequacy ratio	**Mar.31, 2020**	Dec.31, 2019
	EGP Thousands	EGP Thousands
Tier 1 capital		
Share capital (net of the treasury shares)	**14,690,821**	14,690,821
Reserves	**28,451,772**	24,661,076
Retained Earnings (Losses)	**78,768**	81,328
Total deductions from tier 1 capital common equity	**(785,315)**	(807,709)
Net profit for the period	**2,398,521**	8,430,530
Total qualifying tier 1 capital	**44,834,567**	47,056,046
Tier 2 capital		
Subordinated Loans	**3,150,640**	3,208,300
Impairment provision for loans and regular contingent liabilities	**1,916,337**	1,740,919
Total qualifying tier 2 capital	**5,066,977**	4,949,219
Total capital 1+2	**49,901,544**	52,005,265
Risk weighted assets and contingent liabilities		
Total credit risk	**159,994,596**	169,831,103
Total market risk	**540,612**	766,516
Total operational risk	**28,851,964**	28,851,964
Total	**189,387,172**	199,449,583
***Capital adequacy ratio (%)**	**26.35%**	26.07%

**Based on consolidated financial statement figures and in accordance with Central Bank of Egypt regulation issued on 24 December 2012.*

2-Leverage ratio	**Mar.31, 2020**	Dec.31, 2019
	EGP Thousands	EGP Thousands
Total qualifying tier 1 capital	**44,834,567**	47,056,046
On-balance sheet items & derivatives	**389,729,830**	409,689,485
Off-balance sheet items	**48,915,912**	46,195,165
Total exposures	**438,645,742**	455,884,650
***Percentage**	**10.22%**	10.32%

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

For March 2020 NSFR ratio record 203.47% (LCY 232.24% and FCY 150.98%), and LCR ratio record 611.72% (LCY 664.07% and FCY 325.09%).
For December 2019 NSFR ratio record 217.35% (LCY 255.43% and FCY 156.14%), and LCR ratio record 611.44% (LCY 757.42% and FCY 230.87%).

4. Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and available information.

4.1. Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. these valuation techniques (as models) are validated and periodically reviewed by qualified personnel independent of the area that created them.

All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. For practicality purposes, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

5. Segment analysis

5.1. By business segment

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

- Corporate banking – incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products
- Investment – incorporating financial instruments Trading, structured financing, Corporate leasing,and merger and acquisitions advice.
- Retail banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Others –Including other banking business, such as Assets Management.

Transactions between the business segments are on normal commercial terms and conditions.

EGP Thousands

Mar.31, 2020	**Corporate banking**	**SME's**	**Investments**	**Retail banking**	**Asset Liability Mangement**	**Total**
Revenue according to business segment	**3,031,662**	**405,533**	**1,795,704**	**1,802,854**	**176,044**	**7,211,797**
Expenses according to business segment	**(2,465,699)**	**(191,053)**	**(10,763)**	**(895,353)**	**(473)**	**(3,563,341)**
Profit before tax	**565,963**	**214,480**	**1,784,941**	**907,501**	**175,571**	**3,648,456**
Tax	**(192,929)**	**(74,055)**	**(616,301)**	**(313,340)**	**(60,621)**	**(1,257,246)**
Profit for the period	**373,034**	**140,425**	**1,168,640**	**594,161**	**114,950**	**2,391,210**
Total assets	**103,279,858**	**866,977**	**202,491,707**	**27,668,834**	**47,236,399**	**381,543,775**

Dec.31, 2019	Corporate banking	SME's	Investments	Retail banking	Asset Liability Mangement	Total
Revenue according to business segment	9,756,652	2,234,547	5,292,706	7,121,674	816,595	25,222,174
Expenses according to business segment	(4,737,534)	(898,119)	(152,895)	(2,882,762)	(13,423)	(8,684,733)
Profit before tax	5,019,118	1,336,428	5,139,811	4,238,912	803,172	16,537,441
Tax	(1,436,735)	(382,556)	(1,471,285)	(1,213,400)	(229,910)	(4,733,886)
Profit for the period	3,582,383	953,872	3,668,526	3,025,512	573,262	11,803,555
Total assets	103,509,368	1,398,063	200,721,627	26,524,730	54,542,870	386,696,658

5.2. By geographical segment

EGP Thousands

Mar.31, 2020	**Cairo**	**Alex, Delta & Sinai**	**Upper Egypt**	**Total**
Revenue according to geographical segment	**6,216,238**	**799,525**	**196,034**	**7,211,797**
Expenses according to geographical segment	**(3,147,140)**	**(359,246)**	**(56,955)**	**(3,563,341)**
Profit before tax	**3,069,098**	**440,279**	**139,079**	**3,648,456**
Tax	**(1,057,206)**	**(152,019)**	**(48,021)**	**(1,257,246)**
Profit for the period	**2,011,892**	**288,260**	**91,058**	**2,391,210**
Total assets	**350,946,508**	**23,169,907**	**7,427,360**	**381,543,775**

Dec.31, 2019	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenue according to geographical segment	21,218,087	3,309,436	694,651	25,222,174
Expenses according to geographical segment	(7,293,433)	(1,143,218)	(248,082)	(8,684,733)
Profit before tax	13,924,654	2,166,218	446,569	16,537,441
Tax	(3,985,969)	(620,086)	(127,831)	(4,733,886)
Profit for the period	9,938,685	1,546,132	318,738	11,803,555
Total assets	358,860,383	21,081,215	6,755,060	386,696,658

6 . Net interest income

	Mar.31, 2020 EGP Thousands	Mar.31, 2019 EGP Thousands
Interest and similar income		
- Banks	212,425	877,430
- Clients	3,374,413	3,681,222
Total	3,586,838	4,558,652
Treasury bills and bonds	6,934,122	5,665,820
Repos	4,067	-
Financial investments at amortized cost and fair value through OCI	162,074	53,578
Total	10,687,101	10,278,050
Interest and similar expense		
- Banks	(143,652)	(136,767)
- Clients	(4,259,720)	(4,919,250)
Total	(4,403,372)	(5,056,017)
Financial instruments purchased with a commitment to re-sale (Repos)	(24,019)	(204,267)
Other loans	(64,443)	(79,180)
Total	(4,491,834)	(5,339,464)
Net interest income	6,195,267	4,938,586

7 . Net fee and commission income

	Mar.31, 2020 EGP Thousands	Mar.31, 2019 EGP Thousands
Fee and commission income		
Fee and commissions related to credit	288,076	300,161
Custody fee	46,760	77,496
Other fee	470,577	477,820
Total	805,413	855,477
Fee and commission expense		
Other fee paid	(305,561)	(277,625)
Total	(305,561)	(277,625)
Net income from fee and commission	499,852	577,852

8 . Dividend income

	Mar.31, 2020 EGP Thousands	Mar.31, 2019 EGP Thousands
Financial assets at fair value through P&L	-	121
Total	-	121

9 . Net trading income

	Mar.31, 2020 EGP Thousands	Mar.31, 2019 EGP Thousands
Profit (Loss) from foreign exchange	166,429	190,987
Profit (Loss) from forward foreign exchange deals revaluation	(55,913)	(22,838)
Profit (Loss) from interest rate swaps revaluation	(10,914)	(314)
Profit (Loss) from currency swap deals revaluation	(1,428)	(11,248)
Profit (Loss) from financial assets at fair value through P&L	(103,599)	93,292
Total	(5,425)	249,879

10 . Administrative expenses

	Mar.31, 2020 EGP Thousands	Mar.31, 2019 EGP Thousands
Staff costs		
Wages and salaries	(673,030)	(651,103)
Social insurance	(29,389)	(23,804)
Other benefits	(32,475)	(26,603)
Other administrative expenses *	(788,644)	(619,162)
Total	(1,523,538)	(1,320,672)

* The expenses related to the activity for which the bank obtains a commodity or service, donations and depreciation.

11 . Other operating (expenses) income

	Mar.31, 2020 EGP Thousands	Mar.31, 2019 EGP Thousands
Profits (losses) from non-trading assets and liabilities revaluation	31,202	27,631
Profits from selling property, plant and equipment	94	-
Release (charges) of other provisions	(414,485)	137,444
Other income/expenses	(364,551)	(306,172)
Total	(747,740)	(141,097)

12 . Impairment release (charges) for credit losses

	Mar.31, 2020 EGP Thousands	Mar.31, 2019 EGP Thousands
Loans and advances to customers	(1,272,649)	(634,951)
Due from banks	(14,782)	7,102
Financial securities	47,321	107,122
Total	(1,240,110)	(520,727)

13 . Adjustments to calculate the effective tax rate

	Mar.31, 2020 EGP Thousands	Mar.31, 2019 EGP Thousands
Profit before tax	3,648,456	3,757,767
Tax rate	22.50%	22.50%
Income tax based on accounting profit	820,903	845,498
Add / (Deduct)		
Non-deductible expenses	816,364	322,975
Tax exemptions	(1,078,523)	(55,460)
Withholding tax	698,502	2,407
Income tax / Deferred tax	1,257,246	1,115,420
Effective tax rate	34.46%	29.68%

14 . Earning per share

	Mar.31, 2020 EGP Thousands	Mar.31, 2019 EGP Thousands
Net profit for the period, available for distribution	2,391,210	2,642,347
Board member's bonus	(35,868)	(39,635)
Staff profit sharing	(239,121)	(264,235)
Profits shareholders' Stake	2,116,221	2,338,477
Weighted Average number of shares	1,469,082	1,469,082
Basic earning per share	1.44	1.59
By issuance of ESOP earning per share will be:		
Average number of shares including ESOP shares	1,478,749	1,478,749
Diluted earning per share	1.43	1.58

15 . Cash and balances with central bank

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Cash	**4,983,210**	5,876,652
Obligatory reserve balance with CBE		
- Current accounts	**22,186,285**	22,397,310
Total	**27,169,495**	28,273,962
Non-interest bearing balances	**27,169,495**	28,273,962

16 . Due from banks

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Current accounts	**2,348,170**	3,704,142
Deposits	**24,291,835**	24,666,041
Effect of applying IFRS 9	**-**	(7,314)
Expected credit losses	**(31,599)**	(9,503)
Total	**26,608,406**	28,353,366
Central banks	**10,251,269**	9,945,682
Local banks	**7,086,501**	1,348,559
Foreign banks	**9,270,636**	17,059,125
Total	**26,608,406**	28,353,366
Non-interest bearing balances	**127,601**	1,460
Floating interest bearing balances	**91,479**	9,085,184
Fixed interest bearing balances	**26,389,326**	19,266,722
Total	**26,608,406**	28,353,366
Current balances	**26,608,406**	28,360,680

Due from banks

	Stage 1	Stage 2
Gross due from banks	26,548,526	91,479
Expected credit losses	(31,473)	(126)
Net due from banks	**26,517,053**	**91,353**

17 . Treasury bills and other governmental notes

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
91 Days maturity	**-**	6,025
182 Days maturity	**1,705,300**	749,625
364 Days maturity	**29,861,693**	29,112,513
Unearned interest	**(1,711,552)**	(1,470,340)
Total 1	**29,855,441**	28,397,823
Repos - treasury bills	**(763,481)**	(763,761)
Total 2	**(763,481)**	(763,761)
Net	**29,091,960**	27,634,062

Treasury bills and other government securities are classified to financial instruments through other comprehensive income when applying IFRS 9 Note 21

. Governmental bonds

	Mar.31, 2020 EGP Thousands Financial Assets at Fair value through OCI	Dec.31, 2019 EGP Thousands Financial Assets at Fair value through OCI
Governmental bonds	**60,102,997**	**58,769,618**
Repo	**(2,362,980)**	**(2,406,225)**
Total	**(2,362,980)**	**(2,406,225)**
Net	**57,740,017**	**56,363,393**

18 . Loans and advances to banks, net

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Time and term loans	**942,243**	629,780
Impairment provision	**(5,200)**	(4,516)
Net	**937,043**	625,264
Current balances	**937,043**	625,264
Net	**937,043**	625,264

Analysis for impairment provision of loans and advances to banks

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Beginning balance	**(4,516)**	(3,246)
Release during the period / year	**(684)**	(1,270)
Ending balance	**(5,200)**	(4,516)

Analysis for impairment provision of loans and advances to banks	Stage 2
Beginning Balance	**(4,516)**
Addition during the period	(684)
Deduction during the period	-
Ending balance	**(5,200)**

Below is an analysis of outstanding balance:	Balance	Rating
	937,043	B-

19 . Loans and advances to customers, net

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Individual		
- Overdraft	**1,290,052**	1,462,439
- Credit cards	**4,338,810**	4,264,204
- Personal loans	**21,219,864**	20,219,305
- Real estate loans	**1,581,673**	1,330,323
Total 1	**28,430,399**	27,276,271
Corporate		
- Overdraft	**19,521,080**	19,100,709
- Direct loans	**46,736,517**	51,163,302
- Syndicated loans	**33,565,624**	33,642,235
- Other loans	**29,090**	61,578
Total 2	**99,852,311**	103,967,824
Total Loans and advances to customers (1+2)	**128,282,710**	131,244,095
Less:		
Unamortized bills discount	**(52,102)**	(55,197)
Effect of applying IFRS 9	**-**	716,325
Impairment provision	**(12,761,556)**	(12,542,212)
Unearned interest	**(8,236)**	(8,236)
Suspended credit account	**(37,865)**	(33,672)
Net loans and advances to customers	**115,422,951**	119,321,103
Distributed to		
Current balances	**47,430,627**	51,682,809
Non-current balances	**67,992,324**	67,638,294
Total	**115,422,951**	119,321,103

Analysis of the expected credit losses of IFRS 9 / Loss on loans and advances to customers by type during the period was as follows:

EGP Thousands

	Mar.31, 2020				
Individual Loans:	Overdrafts	Credit cards	Personal loans	Mortgages	Total
Beginning balance	(5,413)	(90,776)	(179,293)	(41,449)	(316,931)
Impairment	2,414	(6,292)	(143,683)	(6,065)	(153,626)
Written off amounts	-	5,783	14,271	-	20,054
Recoveries	-	(4,894)	(6,093)	-	(10,987)
Ending balance	(2,999)	(96,179)	(314,798)	(47,514)	(461,490)

	Mar.31, 2020				
Corporate and Business Banking loans:	Overdraft	Direct loans	Syndicated loans	Other loans	Total
Beginning balance	(934,823)	(7,828,482)	(2,743,552)	(2,099)	(11,508,956)
Impairment	(121,736)	(894,205)	(98,068)	(4,330)	(1,118,339)
Written off amounts	-	131,291	-	-	131,291
Recoveries	-	(861)	-	-	(861)
foreign currencies translation differences	13,807	137,888	45,104	-	196,799
Ending balance	(1,042,752)	(8,454,369)	(2,796,516)	(6,429)	(12,300,066)

	Individual				EGP Thousands
Dec.31, 2019	Overdraft	Credit cards	Personal loans	Real estate loans	Total
Beginning balance	(48,619)	(42,162)	(108,768)	(24,762)	(224,311)
Released (charged) released during the period	43,206	(63,280)	(115,341)	(15,487)	(150,902)
Write off during the period	-	42,267	76,219	-	118,486
Recoveries during the period*	-	(27,601)	(31,403)	(1,200)	(60,204)
Ending balance	(5,413)	(90,776)	(179,293)	(41,449)	(316,931)

	Corporate				
Dec.31, 2019	Overdraft	Direct loans	Syndicated loans	Other loans	Total
Beginning balance	(711,964)	(9,379,597)	(2,008,631)	-	(12,100,192)
Released (charged) released during the period	(291,408)	(232,519)	(932,680)	(2,099)	(1,458,706)
Write off during the period	-	1,262,286	-	-	1,262,286
Recoveries during the period*	-	(399,429)	-	-	(399,429)
Exchange revaluation difference	68,549	920,777	197,759	-	1,187,085
Ending balance	(934,823)	(7,828,482)	(2,743,552)	(2,099)	(11,508,956)

*From previously written off amounts

20 . Derivative financial instruments

20.1 . Derivatives

The Bank uses the following financial derivatives for non hedging purposes.

Forward contracts represent commitments to buy foreign and local currencies including unexecuted spot transactions. Future contracts for foreign currencies and/or interest rates represent contractual commitments to receive or pay net on the basis of changes in foreign exchange rates or interest rates, and/or to buy/sell foreign currencies or financial instruments in a future date with a fixed contractual price under active financial market.

Credit risk is considered low, and future interest rate contract represents future exchange rate contracts negotiated for case by case, These contracts require financial settlements of any differences in contractual interest rates and prevailing market interest rates on future interest rates on future dates based on contractual amount (nominal value) pre agreed upon.

Foreign exchange and/or interest rate swap represents commitments to exchange cash flows, resulting from these contracts are exchange of currencies or interest (fixed rate versus variable rate for example) or both (meaning foreign exchange and interest rate contracts). Contractual amounts are not exchanged except for some foreign exchange contracts.

Credit risk is represented in the expected cost of foreign exchange contracts that takes place if other parties default to fulfill their liabilities. This risk is monitored continuously through comparisons of fair value and contractual amount, and in order to control the outstanding credit risk, the Bank evaluates other parties using the same methods as in borrowing activities.

Options contracts in foreign currencies and/or interest rates represent contractual agreements for the buyer (issuer) to the seller (holders) as a right not an obligation whether to buy (buy option) or sell (sell option) at a certain day or within certain year for a predetermined amount in foreign currency or interest rate. Options contracts are either traded in the market or negotiated between The Bank and one of its clients (Off balance sheet). The Bank is exposed to credit risk for purchased options contracts only and in the line of its book cost which represent its fair value.

The contractual value for some derivatives options is considered a base to analyze the realized financial instruments on the balance sheet, but it doesn’t provide an indicator for the projected cash flows of the fair value for current instruments, and those amounts don’t reflects credit risk or interest rate risk.

Derivatives in the Bank's benefit that are classified as (assets) are conversely considered (liabilities) as a result of the changes in foreign exchange prices or interest rates related to these derivatives. Contractual / expected total amounts of financial derivatives can fluctuate from time to time as well as the range through which the financial derivatives can be in benefit for the Bank or conversely against its benefit and the total fair value of the financial derivatives in assets and liabilities. Hereunder are the fair values of the booked financial derivatives:

20.1.1 . For trading derivatives

EGP Thousands

	Mar.31, 2020			Dec.31, 2019		
	Notional amount	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Foreign currencies derivatives						
- Forward foreign exchange contracts	**9,848,738**	**90,694**	**284,257**	8,315,292	52,183	189,833
- Currency swap	**1,709,635**	**16,120**	**8,874**	4,904,151	24,756	16,082
- Options	**1,341**	**-**	**-**	1,365	-	-
Total (1)		**106,814**	**293,131**		76,939	205,915
20.1.2 . Fair value hedge						
Interest rate derivatives						
- Customers deposits hedging	**9,933,968**	**270,530**	**186,310**	8,880,574	139,444	76,673
Total (2)		**270,530**	**186,310**		139,444	76,673
Total financial derivatives (1+2)		**377,344**	**479,441**		216,383	282,588

20.2 . Hedging derivatives

Fair value hedge

Losses arose from hedged items at March 31, 2020 reached EGP 7,034 thousand against losses of EGP 29,742 thousand at December 31, 2019.

The Bank uses interest rate swap contracts to cover part of the risk of potential increase in fair value of its fixed rate customer deposits in foreign currencies. Net derivative value resulting from the related hedging instruments is EGP 84,220 thousand at the end of March 31, 2020 against EGP 62,771 thousand at December 31, 2019, resulting in gains from hedging instruments at March 31, 2020 of EGP 21,449 thousand against gains of EGP 87,619 thousand at December 31, 2019. Losses arose from the hedged items at March 31, 2020 reached EGP 138,260 thousand against losses EGP 171,993 thousand at December 31 , 2019.

Movement of financial investment securities:

	Financial Assets at Fair value through OCI	Amortized cost
Beginning balance	81,486,862	74,651,659
Addition	58,210,468	76,516,842
Deduction	(54,358,072)	(43,937,957)
Exchange revaluation differences for foreign financial assets	(1,588,099)	(4,931)
Profit (losses) from fair value difference	6,146,098	-
Ending Balance as of Dec.31, 2019	89,897,257	107,225,613

	Financial Assets at Fair value through OCI	**Amortized cost**
Beginning balance	**89,897,257**	**107,225,613**
Addition	**62,050,349**	**44,945,839**
Deduction	**(54,312,408)**	**(45,638,757)**
Exchange revaluation differences for foreign financial assets	**(287,889)**	**(1,132)**
Profit (losses) from fair value difference	**(4,877,425)**	**-**
Ending Balance as of Mar.31, 2020	**92,469,884**	**106,531,563**

21 . Financial investments securities

Mar.31, 2020

	Financial Assets at Fair value through P&L EGP Thousands	**Financial Assets at Fair value through OCI EGP Thousands**	**Amortized cost EGP Thousands**	**Total EGP Thousands**
Investments listed in the market				
Governmental bonds	**-**	**57,740,017**	**106,531,563**	**164,271,580**
Other bonds	**-**	**4,446,214**	**-**	**4,446,214**
Equity instruments	**-**	**289,236**	**-**	**289,236**
Portfolio managed by others	**314,665**	**-**	**-**	**314,665**
Investments not listed in the market				
Treasury bills and other governmental notes	**-**	**29,091,960**	**-**	**29,091,960**
Other bonds	**-**	**308,786**	**-**	**308,786**
Equity instruments	**-**	**344,908**	**-**	**344,908**
Mutual funds	**-**	**248,763**	**-**	**248,763**
Total	**314,665**	**92,469,884**	**106,531,563**	**199,316,112**

Dec.31, 2019

	Financial Assets at Fair value through P&L	Financial Assets at Fair value through OCI	Amortized cost	Total
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
Investments listed in the market				
Governmental bonds	-	56,363,393	107,225,613	163,589,006
Other bonds	-	4,823,267	-	4,823,267
Equity instruments	-	502,920	-	502,920
Portfolio managed by others	418,781	-	-	418,781
Investments not listed in the market				
Treasury bills and other governmental notes	-	27,634,062	-	27,634,062
Governmental bonds	-	-	-	-
Other bonds	-	-	-	-
Equity instruments	-	344,929	-	344,929
Mutual funds	-	228,686	-	228,686
Total	418,781	89,897,257	107,225,613	197,541,651

Mar.31, 2020

Movement of financial Assets at Fair value through OCI	**Stage 1**
Beginning Balance	89,897,257
Addition during the period	2,572,627
Ending balance	**92,469,884**

disclosure and measurement of financial assets and financial liabilities:
The following table shows the financial assets and the net financial commitments according to the business model classification:

Mar.31, 2020	**Amortized cost**	**Debt financial Assets at Fair value through OCI**	**Equity financial Assets at Fair value through OCI**	**Financial Assets at Fair value through P&L**	**Total book value**
Cash and balances with central bank	**27,169,495**	**-**	**-**	**-**	**27,169,495**
Due from banks	**26,608,406**	**-**	**-**	**-**	**26,608,406**
Treasury bills	**-**	**29,091,960**	**-**	**-**	**29,091,960**
Loans and advances to customers, net	**115,422,951**	**-**	**-**	**-**	**115,422,951**
Derivative financial instruments	**-**	**377,344**	**-**	**-**	**377,344**
Financial Assets at Fair value through OCI	**-**	**62,495,017**	**882,907**	**-**	**63,377,924**
Amortized cost	**106,531,563**	**-**	**-**	**-**	**106,531,563**
Financial Assets at Fair value through P&L	**-**	**-**	**-**	**314,665**	**314,665**
Total 1	**275,732,415**	**91,964,321**	**882,907**	**314,665**	**368,894,308**
Due to banks	**10,437,923**	**-**	**-**	**-**	**10,437,923**
Due to customers	**309,997,120**	**-**	**-**	**-**	**309,997,120**
Derivative financial instruments	**-**	**479,441**	**-**	**-**	**479,441**
Other loans	**3,181,170**	**-**	**-**	**-**	**3,181,170**
Other provisions	**2,389,204**	**-**	**-**	**-**	**2,389,204**
Total 2	**326,005,417**	**479,441**	**-**	**-**	**326,484,858**

21.1 . Profits (Losses) on financial investments

	Mar.31, 2020 EGP Thousands	Mar.31, 2019 EGP Thousands
Profit (Loss) from selling FVOCI financial instruments	554,113	52,041
Released (Impairment) charges of equity instruments	(69,863)	-
Released (Impairment) charges of FVOCI equity instruments	-	(45,664)
Released (Impairment) charges of investments in associates and subsidiaries	(14,100)	-
Total	470,150	6,377

22 . Investments in associates and subsidiaries

EGP Thousands

Mar.31, 2020	Company's country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's net profit	Investment book value	Stake %
Subsidiaries							
- CVenture Capital	Egypt	34,780	253	627	(4,212)	39,382	99.99
Associates							
- Fawry plus	Egypt	122,266	143,662	42,176	(38,676)	-	23.50
- International Co. for Security and Services (Falcon)	Egypt	854,121	581,200	802,229	54,895	9,750	32.50
Total		1,011,167	725,115	845,032	12,007	49,132	

EGP Thousands

Dec.31, 2019	Company's country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's net profit	Investment book value	Stake %
Subsidiaries							
- CVenture Capital	Egypt	37,240	1,259	470	(3,467)	40,103	99.99
Associates							
- Fawry Plus	Egypt	42,920	45,557	17,399	(19,917)	14,100	23.50
- International Co. for Security and Services (Falcon)	Egypt	741,875	501,413	511,163	22,437	9,750	32.50
Total		822,035	548,229	529,032	(947)	63,953	

23 . Other assets

	Mar.31, 2020	Dec.31, 2019
	EGP Thousands	EGP Thousands
Accrued revenues	4,925,087	4,011,196
Prepaid expenses	286,470	217,484
Advances to purchase of fixed assets	1,077,935	942,781
Accounts receivable and other assets (after deducting the provision)*	2,479,351	4,333,966
Assets acquired as settlement of debts	356,382	356,382
Insurance	36,392	36,130
Gross	9,161,617	9,897,939
Impairment of other assets	(150,000)	(150,000)
Net	9,011,617	9,747,939

* A provision with amount EGP 14 million has been charged against pending installments.

This item includes other assets that are not classified under specific items of balance sheet assets, such as: accrued income and prepaid expenses, custodies, debit accounts under settlement and any balance that has no place in in another asset category.

24 . Property, plant and equipment

Mar.31, 2020

	Land	Premises	IT	Vehicles	Fitting -out	Machines and equipment	Furniture and furnishing	Total
								EGP Thousands
Beginning gross assets (1)	64,709	1,074,231	2,172,452	109,789	769,397	567,026	113,828	4,871,432
Additions during the period	-	3	119,310	266	9,989	49,750	4,617	183,935
Disposals during the period*	-	-	(197)	-	(4,612)	(3,784)	(286)	(8,879)
Ending gross assets (2)	**64,709**	**1,074,234**	**2,291,565**	**110,055**	**774,774**	**612,992**	**118,159**	**5,046,488**
Accumulated depreciation at beginning of the period (3)	-	422,258	1,290,519	41,640	484,840	351,535	77,942	2,668,734
Current period depreciation	-	12,819	83,493	1,933	34,017	25,229	3,047	160,538
Disposals during the period*	-	-	(197)	-	(4,612)	(3,784)	(286)	(8,879)
Accumulated depreciation at end of the period (4)	**-**	**435,077**	**1,373,815**	**43,573**	**514,245**	**372,980**	**80,703**	**2,820,393**
Ending net assets (2-4)	**64,709**	**639,157**	**917,750**	**66,482**	**260,529**	**240,012**	**37,456**	**2,226,095**
Beginning net assets (1-3)	**64,709**	**651,973**	**881,933**	**68,149**	**284,557**	**215,491**	**35,886**	**2,202,698**
Depreciation rates		**%5**	**%33.3**	**%20**	**%33.3**	**%20**	**%20**	

Net fixed assets value on the balance sheet date includes EGP 285,855 thousand non registered assets while their registrations procedures are in process.

There was no impairment provision charged for fixed assets.

* Fixed assets are fully depreciated with a retention value of one pound for assets still in operation.

Property, plant and equipment

Dec.31, 2019

	Land	Premises	IT	Vehicles	Fitting -out	Machines and equipment	Furniture and furnishing	Total
								EGP Thousands
Beginning gross assets (1)	64,709	1,025,368	1,580,495	62,147	525,323	449,823	88,801	3,796,666
Additions during the year	-	53,217	593,718	47,642	284,570	122,356	25,864	1,127,367
Disposals during the year*	-	(4,354)	(1,761)	-	(40,496)	(5,153)	(837)	(52,601)
Ending gross assets (2)	**64,709**	**1,074,231**	**2,172,452**	**109,789**	**769,397**	**567,026**	**113,828**	**4,871,432**
Accumulated depreciation at beginning of the year (3)	-	376,931	982,280	32,890	406,431	277,393	68,866	2,144,791
Current year depreciation	-	49,681	310,000	8,750	118,905	79,295	9,913	576,544
Disposals during the year*	-	(4,354)	(1,761)	-	(40,496)	(5,153)	(837)	(52,601)
Accumulated depreciation at end of the year (4)	**-**	**422,258**	**1,290,519**	**41,640**	**484,840**	**351,535**	**77,942**	**2,668,734**
Ending net assets (2-4)	**64,709**	**651,973**	**881,933**	**68,149**	**284,557**	**215,491**	**35,886**	**2,202,698**
Beginning net assets (1-3)	**64,709**	**648,437**	**598,215**	**29,257**	**118,892**	**172,430**	**19,935**	**1,651,875**
Depreciation rates		**%5**	**%33.3**	**%20**	**%33.3**	**%20**	**%20**	

Net fixed assets value on the balance sheet date includes EGP 316,688 thousand non registered assets while their registrations procedures are in process.

25 . Due to banks

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Current accounts	**458,271**	420,500
Deposits	**9,979,652**	11,390,107
Total	**10,437,923**	11,810,607
Central banks	**53,526**	111,967
Local banks	**3,498,085**	10,476,614
Foreign banks	**6,886,312**	1,222,026
Total	**10,437,923**	11,810,607
Non-interest bearing balances	**359,813**	289,069
Floating bearing interest balances	**133,902**	4,908,538
Fixed interest bearing balances	**9,944,208**	6,613,000
Total	**10,437,923**	11,810,607
Current balances	**10,437,923**	11,810,607

26 . Due to customers

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Demand deposits	**99,666,352**	98,755,641
Time deposits	**51,472,859**	47,878,915
Certificates of deposit	**86,857,455**	85,344,897
Saving deposits	**68,230,555**	68,579,440
Other deposits	**3,769,899**	3,924,762
Total	**309,997,120**	304,483,655
Corporate deposits	**124,672,832**	120,588,414
Individual deposits	**185,324,288**	183,895,241
Total	**309,997,120**	304,483,655
Non-interest bearing balances	**45,342,500**	44,260,283
Floating interest bearing balances	**41,476,969**	39,592,933
Fixed interest bearing balances	**223,177,651**	220,630,439
Total	**309,997,120**	304,483,655
Current balances	**221,031,652**	217,393,918
Non-current balances	**88,965,468**	87,089,737
Total	**309,997,120**	304,483,655

27 . Other loans

	Interest rate %	Maturity date	Maturing through next period EGP Thousands	Balance on Mar.31, 2020 EGP Thousands	Balance on Dec.31, 2019 EGP Thousands
Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years*	**24,090**	**29,090**	61,578
Social Fund for Development (SFD)	3 months T/D or 9% which is more	04/01/2020*	**1,440**	**1,440**	2,868
European Bank for Reconstruction and Development (EBRD) subordinated Loan	3 months libor + 6.2%	10 years	**-**	**1,575,320**	1,604,150
International Finance Corporation (IFC) subordinated Loan	3 months libor + 6.2%	10 years	**-**	**1,575,320**	1,604,150
Balance			**25,530**	**3,181,170**	3,272,746

Interest rates on variable-interest subordinated loans are determined in advance every 3 months. Subordinated loans are not repaid before their repayment dates.

* Represents the date of loan repayment to the lending agent.

28 . Other liabilities

	Mar.31, 2020	Dec.31, 2019
	EGP Thousands	EGP Thousands
Accrued interest payable	1,211,951	1,090,649
Accrued expenses	1,274,176	1,027,526
Accounts payable	5,031,039	6,097,077
Other credit balances	156,898	181,235
Total	**7,674,064**	8,396,487

29 . Provisions

Mar.31, 2020	**Beginning balance**	**Charged amounts**	**Exchange revaluation difference**	**Utilized amounts**	**Reversed amounts**	**Ending balance**
						EGP Thousands
Provision for legal claims	**66,106**	**4**	**(39)**	**(57)**	**-**	**66,014**
Provision for contingent	**1,790,692**	**439,406**	**(21,697)**	**-**	**-**	**2,208,401**
* **Provision for other claim**	**154,571**	**-**	**(483)**	**(669)**	**(38,630)**	**114,789**
Total	**2,011,369**	**439,410**	**(22,219)**	**(726)**	**(38,630)**	**2,389,204**

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

* To face the potential risk of banking operations.

30 . Equity

30.1 . Capital

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

- Increase issued and Paid in Capital by amount EGP 105,413 thousand on November 18,2019 to reach EGP 14,690,821 thousand according to Board of Directors decision on February 4, 2019 by issuance of tenth tranche for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 2,917,082 thousand on February 14, 2019 to reach 14,585,408 according to Ordinary General Assembly Meeting decision on March 4 ,2018 by distribution of a one share for every four outstanding shares by capitalizing on the General Reserve.
- Increase issued and Paid in Capital by amount EGP 50,315 thousand on August 02,2018 to reach EGP 11,668,326 thousand (against EGP 11,618,011 thousand in 2017) according to Board of Directors decision on January 31, 2018 by issuance of ninth tranche for E.S.O.P program.

30.2 . Reserves

According to The Bank status 5% of net profit is used to increase the legal reseve to reaches 50% of The Bank's issued and paid in capital. Central Bank of Egypt concurrence for usage of special reserve is required.

31 . Deferred tax assets (Liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets (Liabilities)	Assets (Liabilities)
	Mar.31, 2020	Dec.31, 2019
	EGP Thousands	EGP Thousands
Fixed assets (depreciation)	**(71,646)**	(79,162)
Other provisions (excluded loan loss, contingent liabilities and income tax provisions)	**130,382**	146,675
Other investments impairment	**95,299**	76,407
Reserve for employee stock ownership plan (ESOP)	**249,348**	216,709
Interest rate swaps revaluation	**7,437**	6,642
Trading investment revaluation	**(12,051)**	(35,477)
Forward foreign exchange deals revaluation	**26,811**	18,545
Balance	**425,580**	350,339

	Assets (Liabilities)	Assets (Liabilities)
	Mar.31, 2020	Dec.31, 2019
	EGP Thousands	EGP Thousands
Movement of Deferred Tax Assets and Liabilities:		
Beginning Balance	**350,339**	308,370
Effect of applying IFRS 9	**-**	136,491
Additions / disposals	**75,241**	(94,522)
Ending Balance	**425,580**	350,339

32 . Share-based payments

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

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

	Mar.31, 2020	Dec.31, 2019
	No. of shares in thousand	No. of shares in thousand
Outstanding at the beginning of the period/year	**27,428**	29,697
Granted during the period/year	**11,313**	9,152
Forfeited during the period/year	**(86)**	(880)
Exercised during the period/year	**(8,599)**	(10,541)
Outstanding at the end of the period/year	**30,056**	27,428

Details of the outstanding tranches are as follows:

Maturity date	**Exercise price** (EGP)	**Fair value** (EGP)	**No. of shares in thousand**
2021	10.00	54.51	9,850
2022	10.00	50.53	8,893
2023	10.00	72.71	11,313
Total			**30,056**

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

	14th tranche	**13th tranche**
Exercise price	10	10
Current share price	83.02	59.26
Expected life (years)	3	3
Risk free rate %	13.66%	18.14%
Dividend yield%	1.50%	1.70%
Volatility%	25%	26%

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

33 . Reserves and retained earnings

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Legal reserve	2,778,135	2,188,029
General reserve	24,314,715	16,474,429
Capital reserve	14,906	13,466
Retained earnings	2,391,210	11,803,555
Reserve for financial assets at fair value through OCI	(801,510)	4,111,781
Reserve for employee stock ownership plan	1,108,221	963,152
Banking risks reserve	6,423	5,164
General risk reserve	1,549,445	1,549,445
Ending balance	31,361,545	37,109,021

33.1 . Banking risks reserve

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Beginning balance	5,164	4,323
Transferred to bank risk reserve	1,259	841
Ending balance	6,423	5,164

33.2 . Legal reserve

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Beginning balance	2,188,029	1,710,293
Transferred to legal reserve	590,106	477,736
Ending balance	2,778,135	2,188,029

33.3 . Reserve for financial assets at fair value through OCI

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Beginning balance	4,111,781	(3,750,779)
Net unrealised gain/(loss) on financial assets at fair value through OCI	(4,865,970)	6,157,553
Effect of applying IFRS 9	-	1,889,928
Release provision for impairment of debt instruments investments	(47,321)	(184,921)
Ending balance	(801,510)	4,111,781

33.4 . Retained earnings

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Beginning balance	11,803,555	9,555,755
Transferred to reserves	(8,431,832)	(6,854,370)
Dividend paid	(3,370,464)	(2,700,544)
Net profit for the period	2,391,210	11,803,555
Transferred (from) to bank risk reserve	(1,259)	(841)
Ending balance	2,391,210	11,803,555

33.5 Reserve for employee stock ownership plan

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Beginning balance	963,152	738,320
Transferred to reserves	-	(239,707)
Cost of employees stock ownership plan (ESOP)	145,069	464,539
Ending balance	1,108,221	963,152

33.6 General risk reserve

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Beginning balance	1,549,445	-
Effect of applying IFRS 9	-	117,251
Transferred to general risk reserve	-	1,432,194
Ending balance	1,549,445	1,549,445

34 . Cash and cash equivalent

	Mar.31, 2020 EGP Thousands	Dec.31, 2019 EGP Thousands
Cash and balances with central bank	27,169,495	28,273,962
Due from banks	26,640,005	28,370,183
Treasury bills and other governmental notes	29,091,960	27,634,062
Obligatory reserve balance with CBE	(22,186,285)	(22,397,310)
Due from banks with maturities more than three months	(10,415,104)	(10,593,903)
Treasury bills with maturities more than three months	(29,855,441)	(28,391,977)
Total	20,444,630	22,895,017

35 . Contingent liabilities and commitments

35.1 . Legal claims

- There is a number of existing cases against the bank on March 31, 2020 without provision as the bank doesn't expect to incur losses from it.
- A provision for legal cases that are expected to generate losses has been created. (Disclosure No. 29)

35.2 . Capital commitments

35.2.1 . Financial investments

The capital commitments for the financial investments reached on the date of financial position EGP 145,695 thousand as follows:

	Investments value	Paid	Remaining
Financial Assets at Fair value through OCI	157,532	129,984	**27,548**
Financial investments in subsidiaries	157,529	39,382	**118,147**

35.2.2 . Fixed assets and branches constructions

The value of commitments for the purchase of fixed assets, contracts, and branches constructions that have not been implemented till the date of financial statement amounted to EGP 868,597 thousand.

35.3 . Letters of credit, guarantees and other commitments

	Mar.31, 2020 **EGP Thousands**	Dec.31, 2019 EGP Thousands
Letters of guarantee	**62,116,550**	61,143,216
Letters of credit (import and export)	**4,256,169**	5,866,630
Customers acceptances	**1,871,436**	3,188,757
Total	**68,244,155**	70,198,603

35.4 . Credit facilities commitments

	Mar.31, 2020 **EGP Thousands**	Dec.31, 2019 EGP Thousands
Credit facilities commitments	**11,324,841**	7,745,071

36 . Mutual funds

Osoul fund

- CIB established an accumulated return mutual fund under license no.331 issued from capital market authority on February 22, 2005. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 3,111,318 with redeemed value of EGP 1,321,688 thousands.
- The market value per certificate reached EGP 424.80 on March 31, 2020.
- The Bank portion got 137,112 certificates with redeemed value of EGP 58,245 thousands.

Istethmar fund

- CIB bank established the second accumulated return mutual fund under license no.344 issued from capital market authority on February 26, 2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 405,522 with redeemed value of EGP 57,864 thousands.
- The market value per certificate reached EGP 142.69 on March 31, 2020.
- The Bank portion got 50,000 certificates with redeemed value of EGP 7,135 thousands.

Aman fund (CIB and Faisal Islamic Bank Mutual Fund)

- CIB and Faisal Islamic Bank established an accumulated return mutual fund under license no.365 issued from capital market authority on July 30, 2006. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 289,767 with redeemed value of EGP 21,898 thousands.
- The market value per certificate reached EGP 75.57 on March 31, 2020.
- The Bank portion got 34,596 certificates with redeemed value of EGP 2,614 thousands.

Hemaya fund

- CIB bank established an accumulated return mutual fund under license no.585 issued from financial supervisory Authority on June 23, 2010. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 92,929 with redeemed value of EGP 22,909 thousands.
- The market value per certificate reached EGP 246.52 on March 31, 2020.
- The Bank portion got 50,000 certificates with redeemed value of EGP 12,326 thousands.

Thabat fund

- CIB bank established an accumulated return mutual fund under license no.613 issued from financial supervisory authority on September 13, 2011. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 86,779 with redeemed value of EGP 25,371 thousands.
- The market value per certificate reached EGP 292.36 on March 31, 2020.
- The Bank portion got 50,000 certificates with redeemed value of EGP 14,618 thousands.

Takamol fund

- CIB bank established an accumulated return mutual fund under license no.431 issued from financial supervisory authority on February 18, 2015. CI Assets Management Co.- Egyptian joint stock co - manages the fund.
- The number of certificates issued reached 138,573 with redeemed value of EGP 21,465 thousands.
- The market value per certificate reached EGP 154.90 on March 31, 2020.
- The Bank portion got 50,000 certificates with redeemed value of EGP 7,745 thousands.

37 . Transactions with related parties

All banking transactions with related parties are conducted in accordance with the normal banking practices and regulations applied to all other customers without any discrimination.

37.1 . Loans, advances, deposits and contingent liabilities

	EGP Thousands
Loans and advances	9,600
Deposits	60,282
Contingent liabilities	1,197

37.2 Other transactions with related parties

	Income	**Expenses**
	EGP Thousands	EGP Thousands
International Co. for Security & Services	154	55,819
CVenture Capital	38	72
Fawry plus	207	-

38 . Main currencies positions

	Mar.31, 2020	Dec.31, 2019
	EGP Thousands	EGP Thousands
Egyptian pound	129,162	(387,742)
US dollar	(677,478)	(79,511)
Sterling pound	(234)	248
Japanese yen	47	6
Swiss franc	88	484
Euro	17,368	32,890

Main currencies positions above represents what is recognized in the balance sheet position of the Central Bank of Egypt.

39 . Tax status

Corporate income tax

- Settlement of corporate income tax since the start of activity till 2017
- 2018 examined & paid
- The yearly income tax return is submitted in legal dates

Salary tax

- Settlement of salary tax since the start of activity till 2018

Stamp duty tax

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

40 . Other assets - net increase (decrease)

	Mar.31, 2020 EGP Thousands
Total other assets by end of 2019	9,747,939
Assets acquired as settlement of debts	(356,382)
Advances to purchase of fixed assets	(942,781)
Total 1	**8,448,776**
Total other assets by end of period	9,011,617
Assets acquired as settlement of debts	(356,382)
Advances to purchase of fixed assets	(1,077,935)
Impairment charge for other assets	13,707
Total 2	**7,591,007**
Change (1-2)	**857,769**

	Dec.31, 2019 EGP Thousands
Total other assets by end of 2018	9,563,218
Assets acquired as settlement of debts	(276,520)
Advances to purchase of fixed assets	(768,733)
Total 1	**8,517,965**
Total other assets by end of 2019	10,372,008
Assets acquired as settlement of debts	(274,520)
Advances to purchase of fixed assets	(1,017,217)
Impairment charge for other assets	24,814
Total 2	**9,105,085**
Change (1-2)	**(587,120)**

41 . Important Events

- Based on both banks' Board of Directors' approval, and after obtaining all necessary approvals from the Central Bank of Egypt and the Central Bank of Kenya, CIB has acquired 51% of what is to be renamed as Mayfair CIB Bank Limited in Kenya in the form of a capital increase, for a total transaction value of USD 35.35 million.
- **IMPACT OF COVID-19**

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various fiscal and stimulus measures across the globe to counter possible adverse implications.

BUSINESS CONTINUITY PLANNING

The Bank is closely monitoring the situation and taking rightful measures to ensure the safety and security of the bank's staff and an uninterrupted service to its customers. Remote working arrangements have been implemented and part of the Bank staff are working from home in line with government directions. Business continuity plans are in place. The Bank has taken measures to ensure that services levels are maintained, customer complaints are resolved, and the Bank continues to serve its customers as they would do in normal conditions. CIB regularly conducts stress tests to assess the resilience of the statement of position and the capital adequacy. CIB is closely monitoring the situation and has activated its risk management practices managing the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

IMPACT ON EXPECTED CREDIT LOSSES

In the determination of the impact over the ECL, CIB has considered the potential impact of the uncertainties considering the available information caused by the Covid-19 pandemic and taken into account the economic support and relief measures taken by the Central Bank of Egypt. The Bank has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for ECL measurement. In addition, the Bank has analyzed the risk of the credit portfolio by focusing on economic sector wise segmentation analysis using both a top-down approach and the Bank own experience. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in our ECL estimates. In addition to the assumptions outlined above, CIB has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining the significant increase in credit risk (SICR) leading to reclassifying loans from stage 1 to stage 2 and assessing the indicators of impairment for the exposures in potentially affected sectors. The bank has implemented the CBE initiative of payment relief for the customers by deferring interest/principal due for six months. The relief offered to customers may at some cases indicate a SICR. However, the bank believes that the extension of these payment reliefs does not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the Covid-19 outbreak to resume regular payments. The Bank has reassessed its ECL models, underlying assumptions including relevant available macroeconomic data, and the judgmental overlays on the basis of macroeconomic variations reflected in models pertaining to particular industries rather than on customer-account basis. The ECL amounts recognized in the bank's financial statements for the period ending March 31, 2020 were mainly increased as a result of the Covid 19 impact, refer to the risk disclosure (page21) . The impact of current uncertain economic environment is judgmental and management will keep assessing the current position and its related impact regularly. It should be also considered that the assumptions used about economic forecasts are subject to high degree of inherent uncertainty and therefore the actual outcome may be significantly different from forecasted information. CIB has considered potential impacts of the current economic volatility in determination of the reported amounts of the bank's financial and non-financial assets and these are considered to represent management's best assessment based on observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

LIQUIDITY MANAGEMENT

The Bank's approach is to maintain a prudent Liquidity position with a Liability driven strategy, as almost the entire funding base is customer based rather than wholesale funding; which is a core component of the Risk Appetite. This is coupled with ample amounts of Liquid Assets. To limit potential Liquidity shocks, the Bank has a well-established Contingency Funding Plan (CFP), where Liquidity Risk is assessed in line with all Regulatory and Internal Liquidity Measurements, and Basel II and III requirements; including Liquidity Stress Testing; and Basel III Ratios; Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR).

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