Consolidated Financial Statements

June 2019

PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants

Deloitte - Saleh, Barsoum & Abdel Aziz
Accountants & Auditors

Report on Review of Consolidated Interim Financial Statements

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

Introduction

We have reviewed the accompanying consolidated balance sheet of Commercial International Bank - Egypt (S.A.E) as of 30 June 2019 and the related consolidated statements of income, other comprehensive income, cash flows and changes in equity for the six 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 consolidated 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 consolidated 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 review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the bank, and applying analytical and other review procedures. A 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 consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly - in all material respects - the consolidated financial position of Commercial International Bank - Egypt (S.A.E) as at 30 June 2019 and of its consolidated financial performance and consolidated cash flows for the six 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, July 8, 2019

Auditors

Mohamed Elmoataz
Egyptian Financial Supervisory Authority
Register Number "133"
PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants

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

Consolidated balance sheet as at June 30, 2019

	Notes	Jun. 30, 2019 EGP Thousands	Dec. 31, 2018 EGP Thousands
Assets			
Cash and balances with central bank	15	**24,993,377**	20,058,974
Due from banks	16	**66,506,687**	46,518,892
Loans and advances to banks, net	18	**708,126**	67,703
Loans and advances to customers, net	19	**110,287,589**	106,309,205
Derivative financial instruments	20	**175,020**	52,289
Investments			
- Financial investments securities	21	**147,462,881**	157,585,611
- Investments in associates	22	**105,457**	106,558
Other assets	23	**8,489,715**	9,563,018
Intangible assets	40	**173,611**	238,715
Deferred tax assets (Liabilities)	31	**462,161**	308,370
Property, plant and equipment	24	**1,948,465**	1,651,875
Total assets		**361,313,089**	342,461,210
Liabilities and equity			
Liabilities			
Due to banks	25	**1,380,213**	7,259,819
Due to customers	26	**305,562,840**	285,296,869
Derivative financial instruments	20	**170,361**	132,858
Current tax liabilities		**2,058,736**	3,625,579
Other liabilities	28	**5,275,981**	6,501,553
Other loans	27	**3,490,728**	3,721,529
Provisions	29	**1,503,326**	1,694,607
Total liabilities		**319,442,185**	308,232,814
Equity			
Issued and paid up capital	30	**14,585,408**	11,668,326
Reserves	33	**20,863,350**	12,184,667
Reserve for employee stock ownership plan (ESOP)	33	**986,318**	738,320
Retained earnings *	33	**5,435,828**	9,637,083
Total equity		**41,870,904**	34,228,396
Total liabilities and equity		**361,313,089**	342,461,210

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

Consolidated income statement for the period ended June 30, 2019

	Notes	Last 3 Months Jun. 30, 2019 EGP Thousands	Last 6 Months Jun. 30, 2019 EGP Thousands	Last 3 Months Jun. 30, 2018 EGP Thousands	Last 6 Months Jun. 30, 2018 EGP Thousands
Continued Operations					
Interest and similar income		10,417,753	20,695,803	8,996,372	16,932,688
Interest and similar expense		(5,351,446)	(10,690,088)	(4,403,133)	(9,079,533)
Net interest income	6	5,066,307	10,005,715	4,593,239	7,853,155
Fee and commission income		791,777	1,647,254	845,595	1,632,017
Fee and commission expense		(258,515)	(536,140)	(223,813)	(437,896)
Net fee and commission income	7	533,262	1,111,114	621,782	1,194,121
Dividend income	8	22,333	22,454	19,447	20,533
Net trading income	9	130,064	379,943	(50,167)	385,925
Profits (Losses) on financial investments	21	13,404	19,781	255,344	401,995
Administrative expenses	10	(1,297,166)	(2,619,234)	(975,990)	(1,933,064)
Other operating (expenses) income	11	(521,245)	(662,508)	(412,447)	(649,306)
Intangible assets amortization	40	(32,552)	(65,104)	(32,552)	(65,104)
Impairment charge for credit losses	12	(274,397)	(795,124)	(970,935)	(1,291,167)
Bank's share in the profits of associates		(3,481)	(1,101)	3,748	7,457
Profit before income tax		3,636,529	7,395,936	3,051,469	5,924,545
Income tax expense	13	(968,727)	(2,058,736)	(789,062)	(1,685,554)
Deferred tax assets (Liabilities)	31 - 13	42,711	17,300	140,658	185,421
Net profit for the period		2,710,513	5,354,500	2,403,065	4,424,412
Bank shareholders		2,710,513	5,354,500	2,403,065	4,424,412
Earning per share	14				
Basic		1.68	3.31	1.48	2.73
Diluted		1.66	3.28	1.47	2.71

Hisham Ezz Al-Arab
Chairman and Managing Director

Consolidated statement of other comprehensive income for the period ended June 30, 2019

	Last 3 Months Jun. 30, 2019 EGP Thousands	Last 6 Months Jun. 30, 2019 EGP Thousands	Last 3 Months Jun. 30, 2018 EGP Thousands	Last 6 Months Jun. 30, 2018 EGP Thousands
Net profit for the period	**2,710,513**	**5,354,500**	2,403,065	4,424,412
Reserve for financial assets at fair value through OCI	**393,611**	**2,729,193**	(1,807,047)	(2,410,531)
Cumulative foreign currencies translation differences	**3,002**	**4,182**	-	-
Total other comprehensive income for the period	**3,107,126**	**8,087,875**	596,018	2,013,881

Consolidated cash flow for the period ended June 30, 2019

	Notes	Jun. 30, 2019 EGP Thousands	Jun. 30, 2018 EGP Thousands
Cash flow from operating activities			
Profit before income tax from continued operations		7,395,936	5,924,545
Adjustments to reconcile net profit to net cash provided by operating activities			
Fixed assets depreciation	24	275,052	180,206
Impairment charge for credit losses	12	875,635	1,291,167
Other provisions charges	29	3,140	99,715
Provisions charges - due from banks	12	29,156	-
Provisions charges - financial investments	12	(109,667)	-
Impairment charge for other assets	23	52,772	214,000
Exchange revaluation differences for financial assets at fair value through OCI	21	886,795	(91,952)
Intangible assets amortization	40	65,104	65,104
Impairment charge financial assets at fair value through OCI	21	45,664	19,842
Exchange differences in financial investments in subidiary	22	3,020	-
Utilization of other provisions	29	1,878	(872)
Other provisions no longer used	29	(126,575)	(62,000)
Exchange differences of other provisions	29	(69,724)	(790)
Profits from selling property, plant and equipment	11	(1,439)	-
(Profits) losses from selling financial investments	21	(65,445)	(421,837)
Shares based payments		247,998	215,861
Bank's share in the profits of associates		1,101	(7,457)
Operating profits before changes in operating assets and liabilities		9,510,401	7,425,532
Net decrease (increase) in assets and liabilities			
Due from banks	16	(25,049,337)	(27,757,024)
Treasury bills and other governmental notes	41	24,315,394	20,314,670
Financial assets at fair value through P&L	21	2,262,513	389,097
Derivative financial instruments	20	(75,592)	(42,938)
Loans and advances to banks and customers	18 - 19	(4,776,117)	(19,945,443)
Other assets	42	1,289,326	(567,525)
Due to banks	25	(5,879,606)	3,779,710
Due to customers	26	20,265,649	16,102,770
Income tax obligations paid		(3,625,579)	(2,778,973)
Other liabilities	28	(1,225,572)	(1,480,689)
Net cash provided from operating activities		17,011,480	(4,560,813)
Cash flow from investing activities			
Payment for purchases of associates		-	(10,575)
Payment for purchases of property, plant, equipment and branches constructions		(840,953)	(404,485)
Proceeds from selling property, plant and equipment	11	1,439	-
Proceeds from redemption of financial assets at amortized cost	21	33,290,053	4,982,600
Payment for purchases of financial assets at amortized cost	21	(32,633,462)	-
Payment for purchases of financial assets at fair value through OCI	21	(11,433,512)	(10,731,239)
Proceeds from selling financial assets at fair value through OCI		5,105,870	724,732
Net cash used in investing activities		(6,510,565)	(5,438,967)

Consolidated cash flow for the period ended June 30, 2019 (Cont.)

		Jun. 30, 2019 EGP Thousands	Jun. 30, 2018 EGP Thousands
Cash flow from financing activities			
Increase in long term loans	27	(230,801)	24,901
Dividend paid		(2,700,544)	(2,143,177)
Net cash used in (provided from) financing activities		(2,931,345)	(2,118,276)
Net increase (decrease) in cash and cash equivalent during the period		7,569,570	(12,118,056)
Beginning balance of cash and cash equivalent		34,303,645	49,208,837
Cash and cash equivalent at the end of the period		41,873,215	37,090,781
Cash and cash equivalent comprise:			
Cash and balances with central bank	15	24,993,377	24,601,352
Due from banks	16	66,543,158	51,245,308
Treasury bills and other governmental notes	17	25,344,096	33,938,896
Obligatory reserve balance with CBE	15	(15,980,212)	(14,042,817)
Due from banks with maturities more than three months		(33,329,274)	(24,312,780)
Treasury bills with maturity more than three months		(25,697,930)	(34,339,178)
Total cash and cash equivalent		41,873,215	37,090,781

Consolidated statement of changes in shareholders' equity for the period ended June 30, 2018

EGP Thousands

Jun. 30, 2018	Issued and paid up capital	Legal reserve	General reserve	General risk reserve*	Special reserve	Capital reserve	Reserve for financial assets at fair value through OCI	Banking risks reserve	IFRS 9 risk reserve	Retained earnings	Reserve for employee stock ownership plan	Cumulative foreign currencies translation differences	Total Shareholders Equity	Minority Interest	Total
Beginning balance	11,618,011	1,332,807	9,000,023	-	20,645	11,815	(1,642,958)	3,634	1,411,549	6,193,879	489,334	-	28,438,739	-	28,438,739
Transferred to reserves	-	377,486	3,616,832	-	-	606	-	-	-	(3,994,924)	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(2,143,177)	-	-	(2,143,177)	-	(2,143,177)
Net profit of the period	-	-	-	-	-	-	-	-	-	2,021,347	-	-	2,021,347	-	2,021,347
Net unrealised gain/(loss) on AFS	-	-	-	-	-	-	(603,484)	-	-	-	-	-	(603,484)	-	(603,484)
Transferred (from) to bank risk reserve	-	-	-	-	-	-	-	689	-	(689)	-	-	-	-	-
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	-	-	107,302	-	107,302	-	107,302
Balance at the end of the period	11,618,011	1,710,293	12,616,855	-	20,645	12,421	(2,246,442)	4,323	1,411,549	2,076,436	596,636	-	27,820,727	-	27,820,727

Consolidated statement of changes in shareholders' equity for the period ended June 30, 2019

EGP Thousands

Jun. 30, 2019	Issued and paid up capital	Legal reserve	General reserve	General risk reserve*	Special reserve	Capital reserve	Reserve for financial assets at fair value through OCI	Banking risks reserve	IFRS 9 risk reserve	Retained earnings	Reserve for employee stock ownership plan	Cumulative foreign currencies translation differences	Total Shareholders Equity	Minority Interest	Total
Beginning balance	11,668,326	1,710,293	12,776,215	-	20,645	12,421	(3,750,779)	4,323	1,411,549	9,637,083	738,320	-	34,228,396	-	34,228,396
Effect of applying IFRS 9 **	-	-	-	117,251	-	-	1,889,928	-	-	-	-	-	2,007,179	-	2,007,179
Transferred to general risk reserve	-	-	-	1,432,194	(20,645)	-	-	-	(1,411,549)	-	-	-	-	-	-
Beginning balance after the impact of initial application	11,668,326	1,710,293	12,776,215	1,549,445	-	12,421	(1,860,851)	4,323	-	9,637,083	738,320	-	36,235,575	-	36,235,575
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)	-	(2,700,544)
Net profit of the period	-	-	-	-	-	-	-	-	-	5,354,500	-	-	5,354,500	-	5,354,500
Net unrealised gain/(loss) on financial assets at fair value through OCI	-	-	-	-	-	-	2,838,861	-	-	-	-	-	2,838,861	-	2,838,861
Transferred (from) to bank risk reserve	-	-	-	-	-	-	-	841	-	(841)	-	-	-	-	-
Provision for impairment of debt instruments investments	-	-	-	-	-	-	(109,668)	-	-	-	-	-	(109,668)	-	(109,668)
Cost of employees stock ownership plan (ESOP)	-	-	-	-	-	-	-	-	-	-	247,998	-	247,998	-	247,998
Cumulative foreign currencies translation differences	-	-	-	-	-	-	-	-	-	-	-	4,182	4,182	-	4,182
Balance at the end of the period	14,585,408	2,188,029	16,234,722	1,549,445	-	13,466	868,342	5,164	-	5,435,828	986,318	4,182	41,870,904	-	41,870,904

* The special reserve, general bank risk reserve and IFRS 9 risk reserve - were consolidated in the general risk reserve as per the instructions of the Central Bank of Egypt dated 26 February 2019

** The initial application impact (disclosure in page number 17)

The initial application impact is LE 109,697 thousand and the tax effect is LE 7,554 thousand

Notes to the consolidated financial statements for the period ended June 30, 2019

1. General information

Commercial International Bank (Egypt) S.A.E. provides retail, corporate and investment banking services in various parts of Egypt through 181 branches, and 21 units employing 6810 employees on the statement of financial position date.

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

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

Financial statements have been approved by board of directors on July 8, 2019.

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 consolidated financial statements have been prepared in accordance with Egyptian financial reporting standards issued in 2006 and its amendments and in accordance with the instructions of the Central Bank of Egypt approved by the Board of Directors on December 16, 2008 consistent with the principles referred to.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of trading, financial assets and liabilities held at fair value through profit or loss, available for sale and all derivatives contracts.

2.1.1. Basis of consolidation

The basis of the consolidation is as follows:

- Eliminating all balances and transactions between the Bank and group companies.
- The cost of acquisition of subsidiary companies is based on the company's share in the fair value of assets acquired and obligations outstanding on the acquisition date.
- Minority shareholders represent the rights of others in subsidiary companies.
- Proportional consolidation is used in consolidating method for companies under joint control.

In January 2019 and in accordance with the instructions of the Central Bank, the Bank did not restate the comparative figures and recognized the effect of the application on the profit as of the date of application. Clarification of the impact of application of IFRS 9 clarifies further information on the impact of the application.

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 Bank applies the Equity Method in its consolidated financial statements, initially recognizing the Bank’s investments in associate companies at amortized cost. The book value of associate investments is subsequently increased or decreased by recognition of the Bank’s share in the profits or losses of associate companies after the date of acquisition among the Bank’s profit or loss. The book value for associate investments is also decreased by the dividends received from associate companies.

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 at 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.
- Other operating revenues (expenses) from the remaining assets and liabilities.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as available for sale assets are analyzed into valuation differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument.

Valuation differences resulting from changes in the amortized cost are recognized and reported in the income statement in 'income from loans and similar revenues' whereas differences resulting from changes in foreign exchange rates are recognized and reported in 'other operating revenues (expenses)'. The remaining differences resulting from changes in fair value are deferred in equity and accumulated in the 'revaluation reserve of available-for-sale investments'.

Valuation differences resulting from the non-monetary items include gains and losses of the change in fair value of such equity instruments held at fair value through profit and loss, as for recognition of the differences of valuation resulting from equity instruments classified as financial investments available for sale within the fair value reserve in equity.

Application of EAS 26

2.5. Financial assets

The Bank classifies its financial assets in the following categories:

- Financial assets designated at fair value through profit or loss.
- Loans and receivables.
- Financial investments at amortized cost.
- Financial investments at fair value through OCI.

Management determines the classification of its investments at initial recognition.

2.5.1. Financial assets at fair value through profit or loss

This category has two sub-categories:

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

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

Financial instruments, other than those held for trading, are classified as financial assets designated at fair value through profit and loss if they meet one or more of the criteria set out below:

- When the designation eliminates or significantly reduces measurement and recognition inconsistencies that would arise from measuring financial assets or financial liabilities, on different bases. Under this criterion, an accounting mismatch would arise if the debt securities issued were accounted for at amortized cost, because the related derivatives are measured at fair value with changes in the fair value recognized in the income statement. The main classes of financial instruments designated by the Bank are loans and advances and long-term debt issues.
- Applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments is reported to management on that basis.

- Relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments, including certain debt issues and debt securities held.

Any financial derivative initially recognized at fair value can't be reclassified during the holding period. Re-classification is not allowed for any financial instrument initially recognized at fair value through profit and loss.

2.5.2. Loans and advances

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

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

2.5.3. Held to maturity financial investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold till maturity. If the Bank has to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale unless in necessary cases subject to regulatory approval.

2.5.4. Available for sale financial investments

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

The following are applied in respect to all financial assets:

Debt securities and equity shares intended to be held on a continuing basis, other than those designated at fair value, are classified as available-for-sale or held-to-maturity. Financial investments are recognized on trade date, when the group enters into contractual arrangements with counterparties to purchase securities.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when the Bank transfers substantially all risks and rewards of the ownership. Financial liabilities are derecognized when they are extinguished, that is, when the obligation is discharged, cancelled or expired.

Available-for-sale, held–for-trading and financial assets designated at fair value through profit and loss are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are subsequently measured at amortized cost.

Gains and losses arising from changes in the fair value of the 'financial assets designated at fair value through profit or loss' are recognized in the income statement in 'net income from financial instruments designated at fair value'. Gains and losses arising from changes in the fair value of available for sale investments are recognized directly in equity, until the financial assets are either sold or become impaired. When available-for-sale financial assets are sold, the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

Interest income is recognized on available for sale debt securities using the effective interest method, calculated over the asset's expected life. Premiums and discounts arising on the purchase are included in the calculation of effective interest rates. Dividends are recognized in the income statement when the right to receive payment has been established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, or no current demand prices available, the Bank measures fair value using valuation models. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation models commonly used by market participants. If the Bank has not been able to estimate the fair value of equity instruments classified as available for sale, the value is measured at cost less impairment.

Available for sale investments that would have met the definition of loans and receivables at initial recognition may be reclassified out to loans and advances or financial assets held to maturity. In all cases, when the Bank has the intent and ability to hold these financial assets in the foreseeable future or till maturity. The financial asset is reclassified at its fair value on the date of reclassification, and any profits or losses that has been recognized previously in equity, is treated based on the following:

- If the financial asset has a fixed maturity, gains or losses are amortized over the remaining life of the investment using the effective interest rate method. In case of subsequent impairment of the financial asset, the previously recognized unrealized gains or losses in equity are recognized directly in the profits and losses.

- In the case of financial asset which has infinite life, any previously recognized profit or loss in equity will remain until the sale of the asset or its disposal, in the case of impairment of the value of the financial asset after the re-classification, any gain or loss previously recognized in equity is recycled to the profits and losses.
- If the Bank adjusts its estimates of payments or receipts of a financial asset that in return adjusts the carrying amount of the asset (or group of financial assets) to reflect the actual cash inflows, the carrying value is recalculated based on the present value of estimated future cash flows at the effective yield of the financial instrument and the differences are recognized in profit and loss.
- In all cases, if the Bank re-classifies financial asset in accordance with the above criteria and increases its estimate of the proceeds of future cash flow, this increase adjusts the effective interest rate of this asset only without affecting the investment book value.

IFRS 9 Effective 1 January 2019

The requirements in IFRS 9 represent a material change from the requirements of EAS 26 Financial Instruments: Recognition and Measurement. The new standard leads to fundamental changes in the accounting of financial assets and some aspects of accounting of financial liabilities.

The principal changes in the Group's accounting policies resulting from the adoption of IFRS 9 are summarized below

Classification of financial assets and liabilities

IFRS 9 includes three categories of major classifications of financial assets: measured at amortized cost and fair value through other comprehensive income and fair value through profit or loss. The classification of IFRS 9 is generally based on the business model through which the financial asset is managed and its contractual cash flows. The Standard excludes the current categories of EAS 26 which include held-to-maturity investments and held for trading and available for sale.

• IFRS 9 replaces the "recognized loss" model in EAS 26 with the "expected credit loss" model. The new impairment model also applies to certain credit and financial collateral contracts but does not apply to equity investments under IFRS (IFRS 9), credit losses are recognized before they are achieved, other than EAS 26

The following are the principal changes in the Group's accounting policy: Impairment of financial assets:

Default Definition as per IFRS 9

Default is not specifically defined within IFRS 9. However the following guidance is available within the Standard:

‘’When defining default for the purposes of determining the risk of a default occurring, an entity shall apply a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due (DPD) unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The definition of default used for these purposes shall be applied consistently to all financial instruments unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument.’

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

• Stage 1: 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.

Financial assets and liabilities

1. Initial Recognition

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

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

2. Measurement and Classification
Financial assets - Policy effective 1 January 2019.

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

- Assets are retained in 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.

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

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

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

All other financial assets are classified at fair value through profit or loss.

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

Effective January 1, 2019, 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 derecognised 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 derecognised when the obligation under the obligation is discharged, canceled or expires.

Investments held for trading - effective until 31 December 2018

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

Classification of financial assets carried at fair value through profit or loss – applied

Effective 1 January 2019

The Bank classifies certain financial assets as at fair value through profit or loss

Profits or losses because assets were valued, managed and internally recorded on a fair value basis. The Bank has classified certain financial assets at fair value through profit or loss.

Financial assets classified at fair value through statement of profit or loss - applied

Until 31 December 2018

Financial assets classified in this category are classified by the management as evidence

When the following criteria are met:

- The classification eliminates or substantially reduces the difference in the transaction that may arise from the measurement of assets or liabilities or the recognition of gains or losses on different grounds; or

- Assets are part of a group of financial assets that are managed and their performance evaluated on a fair value basis, in accordance with documented management risk or investment strategy; or

- Financial instruments include embedded derivatives, unless embedded derivatives do not substantially change cash flows and should not be recorded as a separate item.

Financial assets carried at fair value through the consolidated statement of income or loss are recognized at fair value in the consolidated statement of financial position. Changes in fair value are recognized in net gain or loss on financial assets designated at fair value through profit or loss. Interest earned on interest income is accrued, whereas income from equity is recognized in other income. The Group has not classified any financial assets at fair value through profit or loss.

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.

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 contact as at fair value through net trading income in profit or loss.

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

Operating revenues in the holding company are:

- Commission income is resulting from purchasing and selling securities to a customer account upon receiving the transaction confirmation from the Stock Exchange.
- Mutual funds and investment portfolios management which is calculated as a percentage of the net value of assets under management according to the terms and conditions of agreement. These amounts are credited to the assets management company’s revenue pool on a monthly accrual basis.

2.10. Dividend income

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

2.11. Sale and repurchase agreements

Securities may be lent or sold subject to a commitment to repurchase (Repos) are reclassified in the financial statements and deducted from treasury bills balance. Securities borrowed or purchased subject 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 method.

2.12. Impairment of financial assets before 01 January 2019

2.12.1. Financial assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired 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 (for example, 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 are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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 reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other 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.

2.12.2. Available for sale investments

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classify under available for sale is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired, until 31-December-2018. 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 or loss are not reversed through the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale 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

Land 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	3/10 years
Fixtures and fittings	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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 it would have been had 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 law 95/1995, 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 Bank, 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 at 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 and performance conditions and market performance conditions are taken into account when estimating the fair value of equity instruments at the date of grant. At 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.

CIB owns a private insurance fund for financing end of service benefits, pensions and medical insurance for employees under the supervision of the Ministry of Social Solidarity.

2.20. Income tax

Income tax on the profit or 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 at 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 at 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 to changes in presentation in the current period where necessary.

2.24. Noncurrent 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

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

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

These credit risk measurements, which reflect expected loss (the 'expected loss model') are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee), and are embedded in the Bank's daily operational management. The operational measurements can be contrasted with impairment allowances required, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses (note 3.1,5) until 31-December-2018.

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

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

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

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

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

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 at 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:

	June 30, 2019		December 31, 2018	
Bank's rating	**Loans and advances (%)**	**Impairment provision (%)**	Loans and advances (%)	Impairment provision (%)
1-Performing loans	**78.41**	**11.63**	78.61	12.61
2-Regular watching	**11.96**	**12.57**	11.65	17.85
3-Watch list	**4.67**	**27.16**	5.68	33.18
4-Non-Performing Loans	**4.96**	**48.64**	4.06	36.36

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. Pattern 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 the CBE regulations. 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 with CBE ratings and rates of provisions needed for assets impairment related to credit risk:

The classification of financial assets and liabilities at the date of initial application of IFRS 9

The following table shows the financial assets and financial liabilities net as per the Central Bank's instructions issued on December 16, 2008 and IFRS 9 in accordance with the Central Bank's issued instructions at 26 February 2019:

	Original classification under EAS 26	Classification under IFRS 9	The original carrying amount under EAS 26	Remeasurment	Reclassification	The value included under IFRS 9
			EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
Financial assets						
Cash and balances with central bank	Amortized cost	Amortized cost	20,058,974	-	-	20,058,974
Due from banks	Amortized cost	Amortized cost	46,518,892	-	-	46,518,892
Treasury bills and other governmental notes	Amortized cost	Fair value through OCI	41,999,252	-	-	41,999,252
Loans and advances to banks, net	Amortized cost	Amortized cost	67,703	-	-	67,703
Loans and advances to customers, net	Amortized cost	Amortized cost	106,309,205	-	-	106,309,205
Financial investment securities - debt instruments	Amortized cost	Amortized cost	73,598,251	1,053,407	-	74,651,658
Financial investment securities - debt instruments	Fair value through OCI (AFS)	Fair value through OCI	38,615,045	-	-	38,615,045
Financial investment securities - debt instruments	Fair value through P&L	Fair value through P&L	2,270,080	-	-	2,270,080
Financial investment securities - mutual funds	Fair value through P&L	Fair value through P&L	38,376	-	-	38,376
Financial investment securities - mutual funds	Fair value through OCI (AFS)	Fair value through OCI	98,678	-	-	98,678
Financial investment securities - mutual funds	Amortized cost (HTM)	Fair value through OCI	32,513	-	47,029	79,542
Financial investment securities - equity instruments	Fair value through P&L	Fair value through P&L	429,249	-	-	429,249
Financial investment securities - equity instruments	Fair value through OCI (AFS)	Fair value through OCI	504,167	190,178	-	694,345
Total financial assets			330,540,385	1,243,585	47,029	331,830,999
Financial liabilities						
Due to banks	Amortized cost	Amortized cost	7,259,819	-	-	7,259,819
Due to customers	Amortized cost	Amortized cost	285,340,472	-	-	285,340,472
Other loans	Amortized cost	Amortized cost	3,721,529	-	-	3,721,529
Total financial liabilities			296,321,820	-	-	296,321,820
The impairment loss on debt instruments at fair value through OCI is added			-	-	599,314	-
Total			-	1,243,585	646,343	1,889,928

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

	Jun. 30, 2019	Dec. 31, 2018
In balance sheet items exposed to credit risk	**EGP Thousands**	EGP Thousands
Cash and balances with central bank	**24,993,377**	20,058,974
Due from banks	**66,506,687**	46,518,892
Gross loans and advances to banks	**712,883**	70,949
Less:Impairment provision	**(4,757)**	(3,246)
Gross loans and advances to customers		
Individual:		
- Overdraft	**1,586,354**	1,635,910
- Credit cards	**3,814,358**	3,540,849
- Personal loans	**19,067,991**	17,180,864
- Mortgages	**1,123,283**	876,372
Corporate:		
- Overdraft	**16,284,047**	13,992,595
- Direct loans	**46,430,152**	49,179,820
- Syndicated loans	**34,154,103**	32,899,950
- Other loans	**143,864**	125,429
Unamortized bills discount	**(54,362)**	(65,718)
Impairment provision	**(12,239,871)**	(13,040,828)
Unearned interest	**(22,330)**	(16,038)
Derivative financial instruments	**175,020**	52,289
Financial investments:		
-Debt instruments	**146,146,109**	112,213,297
- Other assets (Accrued revenues)	**5,325,922**	4,509,314
Total	**354,142,830**	289,729,674
Off balance sheet items exposed to credit risk		
Financial guarantees	**6,850,900**	7,962,043
Customers acceptances	**1,315,806**	1,050,573
Letters of credit (import and export)	**4,722,685**	4,178,288
Letter of guarantee	**62,552,041**	66,166,953
Total	**75,441,432**	79,357,857

The above table represents the Bank's Maximum exposure to credit risk on June 30, 2019, 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, 31.34% of the total maximum exposure is derived from loans and advances to banks and customers while investments in debt instruments represent 60.05%.
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:

- 90.37% 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 6,121,782 thousand.
- The Bank has implemented more prudent processes when granting loans and advances during the financial period ended on June 30, 2019.
- 98.24% of the investments in debt Instruments are Egyptian sovereign instruments.

3.1.6. Loans and advances

Loans and advances are summarized as follows:

	Jun.30, 2019 EGP Thousands		Dec.31, 2018 EGP Thousands	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	112,160,284	712,883	110,351,697	70,949
Past due but not impaired	4,322,086	-	4,224,632	-
Individually impaired	6,121,782	-	4,855,460	-
Gross	122,604,152	712,883	119,431,789	70,949
Less:				
Impairment provision	12,239,871	4,757	13,040,828	3,246
Unamortized bills discount	54,362	-	65,718	-
Unearned interest	22,330	-	16,038	-
Net	110,287,589	708,126	106,309,205	67,703

Impairment provision losses for loans and advances reached EGP 12,244,628 thousand.

During the period, the Bank's total loans and advances increased by 3.19%.

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 divided by stages: **EGP Thousands**

Jun.30, 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	24,875,286	438,034	278,666	-	25,591,986
Institutions and Business Banking	55,242,515	35,926,535	5,843,116	-	97,012,166

Provision for impairment losses

Jun.30, 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	91,766	14,080	118,825	-	224,671
Institutions and Business Banking	861,635	5,316,674	5,836,891	-	12,015,200

Provision for impairment losses divided by internal classification: **EGP Thousands**

Corporate and Business Banking loans:

Jun.30, 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%	613,154	715,578	-	-	1,328,732
Regular watching (6)	15%-21%	248,481	1,289,288	-	-	1,537,769
Watch list (7)	21%-28%	-	3,311,808	-	-	3,311,808
Non-performing loans (8-10)	100%	-	-	5,836,891	-	5,836,891

Individual Loans:

Jun.30, 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%)	89,805	-	-	-	89,805
Regular watching (6)	(5% - 10%)	1,961	-	-	-	1,961
Watch list (7)	(10% above)	-	14,080	-	-	14,080
Non-performing loans (8-10)	100%	-	-	118,825	-	118,825

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

Jun.30, 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%	51,651,395	23,050,036	-	-	74,701,431
Regular watching (6)	12%-21%	3,591,120	7,559,850	-	-	11,150,970
Watch list (7)	21%-27%	-	5,316,649	-	-	5,316,649
Non-performing loans (8-10)	100%	-	-	5,843,116	-	5,843,116

Individual Loans:

Jun.30, 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%)	21,276,519	-	-	-	21,276,519
Regular watching (6)	(5% - 10%)	3,598,767	-	-	-	3,598,767
Watch list (7)	(10% above)	-	438,034	-	-	438,034
Non-performing loans (8-10)	100%	-	-	278,666	-	278,666

Impact of IFRS 9 application:

Effect of applying IFRS 9 *

	Balance at 31/12/2018 under IAS 39	Financial investments	Due from banks	Loans to customers and banks	Opening balance at 1/1/2019 under IFRS 9	Balance at 30/6/2019 under IFRS 9
Begining balance	(13,044,074)	(599,314)	(7,314)	716,325	(12,934,377)	(12,934,377)
Charges/(Reversals) PL						(795,127)
Write off						252,396
Recovery						(39,269)
F.X Revaluation						745,629
Ending Balance as at 30/6/2019 (IFRS9)						(12,770,748)

*before tax effect

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

Due from banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit rating	**12 months**	**Life time**	**Life time**	
Performing loans	66,543,158	-	-	66,543,158
Regular watching	-	-	-	-
Watch list	-	-	-	-
Non-performing loans	-	-	-	-
Total	66,543,158	-	-	66,543,158
Less:Impairment provision	(36,471)	-	-	(36,471)
Book value	66,506,687	-	-	66,506,687

Individual Loans:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit rating	**12 months**	**Life time**	**Life time**	
Performing loans	21,276,519	-	-	21,276,519
Regular watching	3,598,767	-	-	3,598,767
Watch list	-	438,034	-	438,034
Non-performing loans	-	-	278,666	278,666
Total	24,875,286	438,034	278,666	25,591,986
Less:Impairment provision	(91,766)	(14,080)	(118,825)	(224,671)
Book value	24,783,520	423,954	159,841	25,367,315

Corporate and Business Banking loans:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit rating	**12 months**	**Life time**	**Life time**	
Performing loans	51,651,395	23,050,036	-	74,701,431
Regular watching	3,591,120	7,559,850	-	11,150,970
Watch list	-	5,316,649	-	5,316,649
Non-performing loans	-	-	5,843,116	5,843,116
Total	55,242,515	35,926,535	5,843,116	97,012,166
Less:Impairment provision	(861,635)	(5,316,674)	(5,836,891)	(12,015,200)
Book value	54,380,880	30,609,861	6,225	84,996,966

Financial Assets at Fair value through OCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit rating	**12 months**	**Life time**	**Life time**	
Performing loans	71,815,279	335,162	-	72,150,441
Regular watching	-	-	-	-
Watch list	-	-	-	-
Non-performing loans	-	-	-	-
Total	71,815,279	335,162	-	72,150,441
Less:Impairment provision	(473,221)	(16,426)	-	(489,647)
Book value	71,342,058	318,736	-	71,660,794

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

EGP Thousands

Due from banks	Stage 1	Stage 2	Stage 3	Total
Provision for credit losses on 1 January 2019	160	7,155	-	7,315
New financial assets purchased or issued	4	-	-	4
Matured or disposed financial assets	(124)	-	-	(124)
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	36,183	-	-	36,183
Changes to model assumptions and methodology	248	(7,155)	-	(6,907)
Write off during the period	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	36,471	-	-	36,471

Individual Loans:	Stage 1	Stage 2	Stage 3	Total
Provision for credit losses on 1 January 2019	72,092	24,839	127,380	224,311
Impairment during the period	19,674	(10,759)	11,738	20,653
Write off during the period	-	-	(47,632)	(47,632)
Recoveries	-	-	27,339	27,339
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	91,766	14,080	118,825	224,671

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 2019	691,013	6,700,083	4,709,096	12,100,192
New financial assets purchased or issued	17,608	913	-	18,521
Matured or disposed financial assets	(48,567)	(772)	(17,039)	(66,378)
Transferred to stage 1	6	-	-	6
Transferred to stage 2	(22,580)	61,416	-	38,836
Transferred to stage 3	-	(1,456,143)	1,671,586	215,443
Changes in the probability of default and loss in case of default and the exposure at default	(222,649)	894,698	(45,464)	626,585
Changes to model assumptions and methodology	489,647	(469,485)	-	20,162
Recoveries	-	-	11,931	11,931
Write off during the period	-	-	(204,764)	(204,764)
Cumulative foreign currencies translation differences	(42,843)	(414,036)	(288,455)	(745,334)
Ending balance	861,635	5,316,674	5,836,891	12,015,200

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 2019	595,511	3,803	-	599,314
New financial assets purchased or issued	2,960	16,426	-	19,386
Matured or disposed financial assets	-	-	-	-
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	(125,250)	(3,803)	-	(129,053)
Changes to model assumptions and methodology	-	-	-	-
Write off during the period	-	-	-	-
Cumulative foreign currencies translation differences	-	-	-	-
Ending balance	473,221	16,426	-	489,647

There is no transfer between the stages during the period.

Net loans and advances to customers and banks (after deducting impairment provision):

EGP Thousands

Dec. 31, 2018	Individual					Corporate					
Grades:	Overdrafts	Credit cards	Personal loans	Mortgages	Other loans	Overdraft	Direct loans	Syndicated loans	Other loans	Total loans and advances to customers	Total loans and advances to banks
Performing loans	1,499,139	3,383,507	16,297,361	851,610	-	11,886,919	29,062,330	29,171,920	122,646	92,275,432	15,153
Regular watching	68,373	78,094	509,541	-	-	759,547	8,743,821	1,386,896	-	11,546,272	52,550
Watch list	20,319	34,784	253,811	-	-	265,760	1,597,634	284,808	-	2,457,116	-
Non-performing loans	43,967	12,850	43,676	2,377	-	4	9,267	-	-	112,141	-
Total	1,631,798	3,509,235	17,104,389	853,987	-	12,912,230	39,413,052	30,843,624	122,646	106,390,961	67,703

Without deducting the unamortized discounted bills and unearned interest.

Loans and advances past due but not impaired:

Loans and advances less than 90 days past due are not considered impaired, unless there is an objective evidence of impairment.

Dec.31, 2018	Individual					Corporate			
	Overdrafts	Credit cards	Personal loans	Mortgages	Total	Overdraft	Direct loans	Syndicated loans	Total
Past due up to 30 days	472,341	450,435	38,318	397	961,491	594,739	768,415	99,957	1,463,111
Past due 30-60 days	68,644	83,381	28,168	192	180,385	24,524	157,374	17,273	199,171
Past due 60-90 days	20,466	42,121	22,763	41	85,391	389,889	945,194	-	1,335,083
Total	561,451	575,937	89,249	630	1,227,267	1,009,152	1,870,983	117,230	2,997,365

Individually impaired loans

Loans and advances individually assessed without taking into consideration cash flows from guarantees are totaled EGP 4,855,460 thousand.

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

	Individual					Corporate			
Dec.31, 2018	Overdrafts	Credit cards	Personal loans	Mortgages	Other loans	Overdraft	Direct loans	Syndicated loans	Total
Individually impaired loans	46,253	22,872	61,869	6,047	-	80,311	4,465,444	172,664	4,855,460

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:

	Jun.30, 2019	Dec.31, 2018
Loans and advances to Corporate		
- Direct loans	**6,814,228**	7,673,956
Total	**6,814,228**	7,673,956

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.

Jun.30, 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	73,995,668	-	-	-	73,995,668
Not rated	-	-	-	-	-
Total	**73,995,668**	**-**	**-**	**-**	**73,995,668**

Jun.30, 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	72,150,441	-	-	-	72,150,441
Not rated	-	-	-	-	-
Total	**72,150,441**	**-**	**-**	**-**	**72,150,441**

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.

Jun.30, 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	489,647	-	-	-	489,647
Not rated	-	-	-	-	-
Total	**489,647**	**-**	**-**	**-**	**489,647**

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

Jun.30, 2019	Cairo	Alex, Delta and Sinai	Upper Egypt	Total
Cash and balances with central bank	24,993,377	-	-	**24,993,377**
Due from banks	66,506,687	-	-	**66,506,687**
Gross loans and advances to banks	712,883	-	-	**712,883**
Less:Impairment provision	(4,757)	-	-	**(4,757)**
Gross loans and advances to customers				
Individual:				
- Overdrafts	978,363	492,943	115,048	**1,586,354**
- Credit cards	3,012,629	691,695	110,034	**3,814,358**
- Personal loans	12,268,170	5,784,324	1,015,497	**19,067,991**
- Mortgages	1,038,642	76,671	7,970	**1,123,283**
Corporate:				
- Overdrafts	14,218,148	1,492,824	573,075	**16,284,047**
- Direct loans	30,841,931	11,743,641	3,844,580	**46,430,152**
- Syndicated loans	31,466,257	2,505,855	181,991	**34,154,103**
- Other loans	115,578	28,286	-	**143,864**
Unamortized bills discount	(54,362)	-	-	**(54,362)**
Impairment provision	(9,230,850)	(2,736,279)	(272,742)	**(12,239,871)**
Unearned interest	(22,330)	-	-	**(22,330)**
Derivative financial instruments	175,020	-	-	**175,020**
Financial investments:				
-Debt instruments	146,146,109	-	-	**146,146,109**
Total	**323,161,495**	**20,079,960**	**5,575,453**	**348,816,908**

3.1.8.2. Industry sectors

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

EGP Thousands

Jun.30, 2019	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Government sector	Other activities	Individual	Total
Cash and balances with central bank	24,993,377	-	-	-	-	-	-	**24,993,377**
Due from banks	66,506,687	-	-	-	-	-	-	**66,506,687**
Gross loans and advances to banks	712,883	-	-	-	-	-	-	**712,883**
Less:Impairment provision	(4,757)	-	-	-	-	-	-	**(4,757)**
Gross loans and advances to customers								
Individual:								
- Overdrafts	-	-	-	-	-	-	1,586,354	**1,586,354**
- Credit cards	-	-	-	-	-	-	3,814,358	**3,814,358**
- Personal loans	-	-	-	-	-	-	19,067,991	**19,067,991**
- Mortgages	-	-	-	-	-	-	1,123,283	**1,123,283**
Corporate:								
- Overdrafts	653,456	8,454,289	1,761,095	371,480	2,046,041	2,997,686	-	**16,284,047**
- Direct loans	1,787,751	22,454,236	490,266	1,111,171	5,317,067	15,269,661	-	**46,430,152**
- Syndicated loans	-	7,248,630	2,220,500	-	23,668,650	1,016,323	-	**34,154,103**
- Other loans	-	125,578	-	16,000	-	2,286	-	**143,864**
Unamortized bills discount	(54,362)	-	-	-	-	-	-	**(54,362)**
Impairment provision	(533,917)	(4,294,091)	(9,972)	(40,263)	(565,588)	(6,571,369)	(224,671)	**(12,239,871)**
Unearned interest	-	-	-	-	-	-	(22,330)	**(22,330)**
Derivative financial instruments	175,020	-	-	-	-	-	-	**175,020**
Financial investments:								
-Debt instruments	1,698,002	-	-	-	144,448,107	-	-	**146,146,109**
Total	**95,934,140**	**33,988,642**	**4,461,889**	**1,458,388**	**174,914,277**	**12,714,587**	**25,344,985**	**348,816,908**

3.2. Market risk

Market risk represnts as 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 available for sale and held-to-maturity.

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 data for the past five years. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VaR constitutes an integral part of the Bank's market risk control regime, the Market Risk Management set 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 has developed the internal model to calculate VaR, however, it is not yet approved by the Central Bank as the regulator is currently applying and requiring banks to calculate the Market Risk Capital Requirements according to Basel II Standardized Approach.

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	**Jun.30, 2019**			Dec.31, 2018		
	Medium	**High**	**Low**	Medium	High	Low
Foreign exchange risk	**485**	**2,426**	**69**	231	1,482	20
Interest rate risk	**427,541**	**543,511**	**274,079**	453,569	645,193	238,077
- For non trading purposes	**431,178**	**546,974**	**271,813**	429,195	586,852	232,882
- For trading purposes	**4,676**	**9,949**	**401**	24,374	58,341	5,195
Portfolio managed by others risk	**4,085**	**6,978**	**1,487**	7,030	11,507	1,969
Investment fund	**75**	**110**	**44**	119	267	55
Total VaR	**428,342**	**545,215**	**274,347**	455,104	647,983	238,493

Trading portfolio VaR by risk type

	Jun.30, 2019			Dec.31, 2018		
	Medium	**High**	**Low**	Medium	High	Low
Foreign exchange risk	**485**	**2,426**	**69**	231	1,482	20
Interest rate risk	**4,676**	**9,949**	**401**	24,374	58,341	5,195
- For trading purposes	**4,676**	**9,949**	**401**	24,374	58,341	5,195
Funds managed by others risk	**4,085**	**6,978**	**1,487**	7,030	11,507	1,969
Investment fund	**75**	**110**	**44**	119	267	55
Total VaR	**5,936**	**9,793**	**3,511**	26,165	60,912	5,611

Non trading portfolio VaR by risk type

	Jun.30, 2019			Dec.31, 2018		
	Medium	**High**	**Low**	Medium	High	Low
Interest rate risk						
- For non trading purposes	**431,178**	**546,974**	**271,813**	429,195	586,852	232,882
Total VaR	**431,178**	**546,974**	**271,813**	429,195	586,852	232,882

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

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

Jun.30, 2019	EGP	USD	EUR	GBP	Other	Total
Financial assets						
Cash and balances with central bank	21,011,430	2,471,813	516,955	67,288	925,891	**24,993,377**
Gross due from banks	38,196,599	22,500,167	4,858,551	896,693	91,148	**66,543,158**
Gross loans and advances to banks	-	709,281	3,602	-	-	**712,883**
Gross loans and advances to customers	70,606,912	49,057,076	2,844,377	95,787	-	**122,604,152**
Derivative financial instruments	13,028	161,992	-	-	-	**175,020**
Financial investments						
Gross financial investment securities*	119,912,237	27,033,689	1,424,503	-	-	**148,370,429**
Investments in associates	105,457	-	-	-	-	**105,457**
Total financial assets	**249,845,663**	**101,934,018**	**9,647,988**	**1,059,768**	**1,017,039**	**363,504,476**
Financial liabilities						
Due to banks	56,469	1,020,252	234,073	66,309	3,110	**1,380,213**
Due to customers	207,541,122	87,594,835	8,872,754	987,334	566,795	**305,562,840**
Derivative financial instruments	73,449	96,912	-	-	-	**170,361**
Other loans	149,588	3,341,140	-	-	-	**3,490,728**
Total financial liabilities	**207,820,628**	**92,053,139**	**9,106,827**	**1,053,643**	**569,905**	**310,604,142**
Net on-balance sheet financial position	**42,025,035**	**9,880,879**	**541,161**	**6,125**	**447,134**	**52,900,334**

* After adding Reverse repos and deducting Repos.

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.

Jun.30, 2019	Up to1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Non- Interest Bearing	Total
Financial assets							
Cash and balances with central bank	-	-	-	-	-	24,993,377	**24,993,377**
Gross due from banks	52,335,281	12,387,293	1,819,060	-	-	1,524	**66,543,158**
Gross loans and advances to banks	54,307	477,130	181,446	-	-	-	**712,883**
Gross loans and advances to customers	81,966,146	12,234,947	12,181,943	12,824,490	3,396,626	-	**122,604,152**
Derivatives financial instruments (including IRS notional amount)	620,273	1,672,272	1,138,163	6,960,516	-	-	**10,391,224**
Financial investments							
Gross financial investment securities*	23,020,697	23,719,160	26,569,290	42,434,805	31,436,033	1,190,444	**148,370,429**
Investments in associates	-	-	-	-	-	105,457	**105,457**
Total financial assets	**157,996,704**	**50,490,802**	**41,889,902**	**62,219,811**	**34,832,659**	**26,290,802**	**373,720,680**
Financial liabilities							
Due to banks	965,749	-	-	-	-	414,464	**1,380,213**
Due to customers	165,401,513	28,805,842	28,339,164	34,635,903	441,378	47,939,040	**305,562,840**
Derivatives financial instruments (including IRS notional amount)	3,317,268	4,656,976	671,255	70,496	1,670,570	-	**10,386,565**
Other loans	5,725	3,341,140	137,863	6,000	-	-	**3,490,728**
Total financial liabilities	**169,690,255**	**36,803,958**	**29,148,282**	**34,712,399**	**2,111,948**	**48,353,504**	**320,820,346**
Total interest re-pricing gap	**(11,693,551)**	**13,686,844**	**12,741,620**	**27,507,412**	**32,720,711**	**(22,062,702)**	**52,900,334**

** 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.

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.

0

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.

Jun.30, 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	**1,296,684**	**83,529**	**-**	**-**	**-**	**1,380,213**
Due to customers	**26,869,524**	**29,338,279**	**83,355,103**	**155,173,479**	**10,826,455**	**305,562,840**
Other loans	**-**	**-**	**143,588**	**900,948**	**2,446,192**	**3,490,728**
Total liabilities (contractual and non contractual maturity dates)	**28,166,208**	**29,421,808**	**83,498,691**	**156,074,427**	**13,272,647**	**310,433,781**
Total financial assets (contractual and non contractual maturity dates)	**61,323,285**	**49,005,006**	**77,323,664**	**117,333,924**	**58,303,733**	**363,289,612**

Dec.31, 2018	Up to 1 month	One to three months	Three months to one year	One year to five years	Over five years	Total EGP Thousands
Financial liabilities						
Due to banks	6,632,843	626,976	-	-	-	7,259,819
Due to customers	29,932,979	23,750,618	72,467,784	145,207,840	13,937,648	285,296,869
Other loans	33,380	10,000	87,286	443,188	3,147,675	3,721,529
Total liabilities (contractual and non contractual maturity dates)	36,599,202	24,387,594	72,555,070	145,651,028	17,085,323	296,278,217
Total financial assets (contractual and non contractual maturity dates)	41,324,915	40,718,467	74,369,489	141,260,576	49,075,657	346,749,104

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

Jun.30, 2019	**Up to 1 month**	**One to three months**	**Three months to one year**	**One year to five years**	**Total**
Liabilities					
Derivatives financial instruments					
- Foreign exchange derivatives	18,893	27,827	27,415	-	**74,135**
- Interest rate derivatives	-	-	25,730	70,496	**96,226**
Total	**18,893**	**27,827**	**53,145**	**70,496**	**170,361**

Off balance sheet items

EGP Thousands

Jun.30, 2019	**Up to 1 year**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit, guarantees and other commitments	45,744,199	15,865,307	6,981,026	**68,590,532**
Total	**45,744,199**	**15,865,307**	**6,981,026**	**68,590,532**

EGP Thousands

Jun.30, 2019	**Up to 1 year**	**1-5 years**	**Total**
Credit facilities commitments	1,979,720	13,304,052	**15,283,772**
Total	**1,979,720**	**13,304,052**	**15,283,772**

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**	
	Jun.30, 2019	Dec.31, 2018	**Jun.30, 2019**	Dec.31, 2018
Financial assets				
Due from banks	**66,506,687**	46,518,892	**66,542,969**	46,859,224
Gross loans and advances to banks	**712,883**	70,949	**712,883**	70,949
Gross loans and advances to customers	**122,604,152**	119,431,789	**119,076,470**	115,452,376
Financial investments:				
Amortized cost	**73,995,668**	73,630,764	**73,995,668**	73,630,764
Total financial assets	**263,819,390**	239,652,394	**260,327,990**	236,013,313
Financial liabilities				
Due to banks	**1,380,213**	7,259,819	**969,785**	7,069,442
Due to customers	**305,562,840**	285,296,869	**304,507,957**	280,729,572
Other loans	**3,490,728**	3,721,529	**3,490,728**	3,721,529
Total financial liabilities	**310,433,781**	296,278,217	**308,968,470**	291,520,543

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 Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 30 June 2019:

instruments:

Level 1 - Quoted prices in active markets for the same instrument (i.e. without modification or repacking);
Level 2 - Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3 - Valuation techniques for which any significant input is not based on observable market data.

		Fair value measurement using			
Jun.30, 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	30-Jun-19	475,192	434,401	40,791.00	-
Financial Assets at Fair value through OCI	30-Jun-19	72,992,021	47,294,650	25,697,371	-
Total		**73,467,213**	**47,729,051**	**25,738,162**	**-**
Derivative financial instruments					
Financial assets	30-Jun-19	**175,020**	-	175,020	-
Financial liabilities	30-Jun-19	**170,361**	-	170,361	-
Assets for which fair values are disclosed:					
Amortized cost	30-Jun-19	73,995,668	-	73,995,668	-
Loans and advances to banks	30-Jun-19	712,883	-	-	712,883
Loans and advances to customers	30-Jun-19	119,076,470	-	-	119,076,470
Total		**193,785,021**	**-**	**73,995,668**	**119,789,353**
Liabilities for which fair values are disclosed:					
Other loans	30-Jun-19	3,490,728	-	3,490,728	-
Due to customers	30-Jun-19	304,507,957	-	-	304,507,957
Total		**307,998,685**	**-**	**3,490,728**	**304,507,957**

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.

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 losses

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

Assets risk weight scale ranging from zero to 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	**Jun.30, 2019**	Dec.31, 2018
	EGP Thousands	EGP Thousands
		Restated**
Tier 1 capital		
Share capital (net of the treasury shares)	**14,585,408**	11,668,326
Reserves	**21,124,368**	14,829,948
IFRS 9 Reserve	**-**	1,411,549
Retained Earnings (Losses)	**81,328**	55,089
Total deductions from tier 1 capital common equity	**(1,097,139)**	(4,754,596)
Net profit for the period / year	**5,354,500**	6,879,563
Total qualifying tier 1 capital	**40,048,465**	30,089,879
Tier 2 capital		
45% of special reserve	**-**	49
Subordinated Loans	**3,341,140**	3,582,720
Impairment provision for loans and regular contingent liabilities	**1,467,850**	1,879,734
Total qualifying tier 2 capital	**4,808,990**	5,462,503
Total capital 1+2	**44,857,455**	35,552,382
Risk weighted assets and contingent liabilities		
Total credit risk	**149,601,078**	156,952,618
Total market risk	**839,921**	5,959,133
Total operational risk	**23,292,505**	23,292,505
Total	**173,733,504**	186,204,256
***Capital adequacy ratio (%)**	**25.82%**	19.09%

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

***After 2018 profit distribution.*

2-Leverage ratio	**Jun.30, 2019**	Dec.31, 2018
	EGP Thousands	EGP Thousands
		Restated**
Total qualifying tier 1 capital	**40,048,465**	30,089,879
On-balance sheet items & derivatives	**374,455,648**	346,163,131
Off-balance sheet items	**47,460,571**	45,407,765
Total exposures	**421,916,219**	391,570,896
***Percentage**	**9.49%**	7.68%

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

***After 2018 profit distribution.*

For June 2019 NSFR ratio record 144.82% (LCY 163.00% and FCY 115.41%), and LCR ratio record 548.42% (LCY 654.76% and FCY 263.95%).

For December 2018 NSFR ratio record 209.70% (LCY 243.36% and FCY 165.61%), and LCR ratio record 601.53% (LCY 667.84% and FCY 338.82%).

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

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

EGP Thousands

Jun.30, 2019	**Corporate banking**	**SME's**	**Investment banking**	**Retail banking**	**Asset Liability Mangement**	**Total**
Revenue according to business segment	**4,402,998**	**1,146,734**	**2,222,841**	**3,327,731**	**462,230**	**11,562,534**
Expenses according to business segment	**(2,167,050)**	**(501,365)**	**(54,771)**	**(1,406,092)**	**(37,320)**	**(4,166,598)**
Profit before tax	**2,235,948**	**645,369**	**2,168,070**	**1,921,639**	**424,910**	**7,395,936**
Tax	**(617,847)**	**(178,051)**	**(598,149)**	**(530,161)**	**(117,228)**	**(2,041,436)**
Profit for the period	**1,618,101**	**467,318**	**1,569,921**	**1,391,478**	**307,682**	**5,354,500**
Total assets	**130,180,057**	**2,518,526**	**148,297,888**	**24,837,676**	**55,478,942**	**361,313,089**

Dec.31, 2018	Corporate banking	SME's	Investment banking	Retail banking	Asset Liability Mangement	Total
Revenue according to business segment	8,999,279	2,452,934	3,870,401	6,163,506	639,484	22,125,604
Expenses according to business segment	(5,516,282)	(739,340)	(427,332)	(2,373,798)	(16,258)	(9,073,010)
Profit before tax	3,482,997	1,713,594	3,443,069	3,789,708	623,226	13,052,594
Tax	(933,068)	(459,085)	(922,426)	(1,015,293)	(166,967)	(3,496,839)
Profit for the year	2,549,929	1,254,509	2,520,643	2,774,415	456,259	9,555,755
Total assets	102,781,541	2,159,095	165,584,686	22,693,303	49,242,585	342,461,210

5.2. By geographical segment

EGP Thousands

Jun.30, 2019	**Cairo**	**Alex, Delta & Sinai**	**Upper Egypt**	**Total**
Revenue according to geographical segment	**9,629,436**	**1,616,424**	**316,674**	**11,562,534**
Expenses according to geographical segment	**(3,360,612)**	**(676,449)**	**(129,537)**	**(4,166,598)**
Profit before tax	**6,268,824**	**939,975**	**187,137**	**7,395,936**
Tax	**(1,730,478)**	**(259,329)**	**(51,629)**	**(2,041,436)**
Profit for the period	**4,538,346**	**680,646**	**135,508**	**5,354,500**
Total assets	**334,810,709**	**20,697,103**	**5,805,277**	**361,313,089**

Dec.31, 2018	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenue according to geographical segment	17,766,245	3,424,556	934,803	22,125,604
Expenses according to geographical segment	(7,545,066)	(1,304,228)	(223,716)	(9,073,010)
Profit before tax	10,221,179	2,120,328	711,087	13,052,594
Tax	(2,738,280)	(568,053)	(190,506)	(3,496,839)
Profit for the year	7,482,899	1,552,275	520,581	9,555,755
Total assets	316,673,321	19,340,837	6,447,052	342,461,210

6 . Net interest income

	Last 3 Months Jun.30, 2019 EGP Thousands	Last 6 Months Jun.30, 2019 EGP Thousands	Last 3 Months Jun.30, 2018 EGP Thousands	Last 6 Months Jun.30, 2018 EGP Thousands
Interest and similar income				
- Banks	1,302,390	2,179,820	968,093	1,333,749
- Clients	3,834,793	7,516,015	3,966,005	6,973,109
Total	5,137,183	9,695,835	4,934,098	8,306,858
Treasury bills and bonds	5,217,084	10,882,904	4,006,531	8,522,049
Financial investments at amortized cost and fair value through OCI	63,486	117,064	55,743	103,781
Total	10,417,753	20,695,803	8,996,372	16,932,688
Interest and similar expense				
- Banks	(141,282)	(278,049)	(303,906)	(439,318)
- Clients	(5,119,637)	(10,038,065)	(4,016,855)	(8,485,361)
Total	(5,260,919)	(10,316,114)	(4,320,761)	(8,924,679)
Financial instruments purchased with a commitment to re-sale (Repos)	(13,922)	(218,189)	(6,077)	(7,483)
Other loans	(76,605)	(155,785)	(76,295)	(147,371)
Total	(5,351,446)	(10,690,088)	(4,403,133)	(9,079,533)
Net interest income	5,066,307	10,005,715	4,593,239	7,853,155

7 . Net fee and commission income

	Last 3 Months Jun.30, 2019 EGP Thousands	Last 6 Months Jun.30, 2019 EGP Thousands	Last 3 Months Jun.30, 2018 EGP Thousands	Last 6 Months Jun.30, 2018 EGP Thousands
Fee and commission income				
Fee and commissions related to credit	280,916	581,077	363,100	745,278
Custody fee	33,239	70,735	28,926	60,285
Other fee	477,622	995,442	453,569	826,454
Total	791,777	1,647,254	845,595	1,632,017
Fee and commission expense				
Other fee paid	(258,515)	(536,140)	(223,813)	(437,896)
Total	(258,515)	(536,140)	(223,813)	(437,896)
Net income from fee and commission	533,262	1,111,114	621,782	1,194,121

8 . Dividend income

	Last 3 Months Jun.30, 2019 EGP Thousands	Last 6 Months Jun.30, 2019 EGP Thousands	Last 3 Months Jun.30, 2018 EGP Thousands	Last 6 Months Jun.30, 2018 EGP Thousands
Financial assets at fair value through P&L	5,044	5,165	7,682	8,768
Financial assets at fair value through OCI	17,289	17,289	11,765	11,765
Total	22,333	22,454	19,447	20,533

9 . Net trading income

	Last 3 Months Jun.30, 2019 EGP Thousands	Last 6 Months Jun.30, 2019 EGP Thousands	Last 3 Months Jun.30, 2018 EGP Thousands	Last 6 Months Jun.30, 2018 EGP Thousands
Profit (Loss) from foreign exchange	151,438	342,425	93,973	272,220
Profit (Loss) from forward foreign exchange deals revaluation	14,748	(8,090)	22,500	396
Profit (Loss) from interest rate swaps revaluation	(10,490)	(10,804)	(9,560)	(10,236)
Profit (Loss) from currency swap deals revaluation	5,473	(5,775)	4,884	4,971
Profit (Loss) from financial assets at fair value through P&L	(31,105)	62,187	(161,964)	118,574
Total	130,064	379,943	(50,167)	385,925

10 . Administrative expenses

	Last 3 Months Jun.30, 2019 EGP Thousands	Last 6 Months Jun.30, 2019 EGP Thousands	Last 3 Months Jun.30, 2018 EGP Thousands	Last 6 Months Jun.30, 2018 EGP Thousands
Staff costs				
Wages and salaries	**(675,661)**	**(1,326,764)**	(530,720)	(1,052,094)
Social insurance	**(23,799)**	**(47,603)**	(18,574)	(37,138)
Other benefits	**(27,274)**	**(53,877)**	(13,864)	(28,494)
Other administrative expenses *	**(570,432)**	**(1,190,990)**	(412,832)	(815,338)
Total	**(1,297,166)**	**(2,619,234)**	(975,990)	(1,933,064)

* The expenses related to the activity for which the bank obtains a commodity or service and all taxes and charges incurred by the bank - except for income tax - donations, depreciation and impairment of non financial assets other than subsidiaries and associates

11 . Other operating (expenses) income

	Last 3 Months Jun.30, 2019 EGP Thousands	Last 6 Months Jun.30, 2019 EGP Thousands	Last 3 Months Jun.30, 2018 EGP Thousands	Last 6 Months Jun.30, 2018 EGP Thousands
Profits (losses) from non-trading assets and liabilities revaluation	**23,423**	**50,888**	57,158	80,325
Profits from selling property, plant and equipment	**1,439**	**1,439**	-	-
Release (charges) of other provisions	**(66,782)**	**70,662**	(225,667)	(251,715)
Other income/expenses	**(479,325)**	**(785,497)**	(243,938)	(477,916)
Total	**(521,245)**	**(662,508)**	(412,447)	(649,306)

12 . Impairment charge for credit losses

	Last 3 Months Jun.30, 2019 EGP Thousands	Last 6 Months Jun.30, 2019 EGP Thousands	Last 3 Months Jun.30, 2018 EGP Thousands	Last 6 Months Jun.30, 2018 EGP Thousands
Loans and advances to customers	**(240,684)**	**(875,635)**	(970,935)	(1,291,167)
Due from banks impairment provision	**(36,258)**	**(29,156)**	-	-
Provision for impairment of debt instruments investments	**2,545**	**109,667**	-	-
Total	**(274,397)**	**(795,124)**	(970,935)	(1,291,167)

13 . Adjustments to calculate the effective tax rate

	Last 3 Months Jun.30, 2019 EGP Thousands	Last 6 Months Jun.30, 2019 EGP Thousands	Last 3 Months Jun.30, 2018 EGP Thousands	Last 6 Months Jun.30, 2018 EGP Thousands
Profit before tax	**3,636,529**	**7,395,936**	3,051,469	5,924,545
Tax rate	**22.50%**	**22.50%**	22.50%	22.50%
Income tax based on accounting profit	**818,219**	**1,664,086**	686,581	1,333,023
Add / (Deduct)				
Non-deductible expenses	**166,908**	**490,544**	82,184	354,212
Tax exemptions	**(102,006)**	**(157,466)**	(120,934)	(186,754)
Depreciation	**(1,029)**	**(2,059)**	(1,030)	(2,059)
10% Withholding tax	**43,924**	**46,331**	1,603	1,711
Income tax / Deferred tax	**926,016**	**2,041,436**	648,404	1,500,133
Effective tax rate	**25.46%**	**27.60%**	21.25%	25.32%

14 . Earning per share

	Last 3 Months Jun.30, 2019 EGP Thousands	Last 6 Months Jun.30, 2019 EGP Thousands	Last 3 Months Jun.30, 2018 EGP Thousands	Last 6 Months Jun.30, 2018 EGP Thousands
Net profit for the period, available for distribution	**2,715,673**	**5,358,020**	2,399,317	4,416,955
Board member's bonus	**(40,735)**	**(80,370)**	(35,990)	(66,254)
Staff profit sharing	**(271,567)**	**(535,802)**	(239,932)	(441,696)
* **Profits shareholders' Stake**	**2,403,371**	**4,741,848**	2,123,395	3,909,005
Weighted Average number of shares	**1,434,232**	**1,434,232**	1,434,232	1,434,232
Basic earning per share	**1.68**	**3.31**	1.48	2.73
By issuance of ESOP earning per share will be:				
Average number of shares including ESOP shares	**1,443,943**	**1,443,943**	1,443,943	1,443,943
Diluted earning per share	**1.66**	**3.28**	1.47	2.71

* *Based on separate financial statement profits.*

15 . Cash and balances with central bank

	Jun.30, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Cash	9,013,165	6,532,211
Obligatory reserve balance with CBE		
- Current accounts	15,980,212	13,526,763
Total	24,993,377	20,058,974
Non-interest bearing balances	24,993,377	20,058,974

16 . Due from banks

	Jun.30, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Current accounts	2,388,211	4,168,973
Deposits	64,154,947	42,349,919
Effect of applying IFRS 9 **	(7,314)	-
Impairment	(29,157)	-
Total	66,506,687	46,518,892
Central banks	48,526,380	25,397,558
Local banks	2,165,095	4,109,576
Foreign banks	15,815,212	17,011,758
Total	66,506,687	46,518,892
Non-interest bearing balances	1,524	1,724
Floating interest bearing balances	8,018,736	10,203,376
Fixed interest bearing balances	58,486,427	36,313,792
Total	66,506,687	46,518,892
Current balances	66,506,687	46,518,892

Due from banks *

	Stage 1
Gross due from banks	66,543,158
Impairment Loss*	36,471
Net due from banks	**66,506,687**

17 . Treasury bills and other governmental notes

	Jun.30, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
91 Days maturity	423,975	-
182 Days maturity	1,063,050	3,669,700
364 Days maturity	25,534,367	49,441,511
Unearned interest	(907,548)	(3,097,887)
Total 1	26,113,844	50,013,324
Repos - treasury bills	(769,748)	(8,014,072)
Total 2	(769,748)	(8,014,072)
Net	25,344,096	41,999,252

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

18 . Loans and advances to banks, net

	Jun.30, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Time and term loans	**712,883**	70,949
Impairment provision	**(4,757)**	(3,246)
Total	**708,126**	67,703
Current balances	**708,126**	67,703
Total	**708,126**	67,703

Analysis for impairment provision of loans and advances to banks

	Jun.30, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Beginning balance	**(3,246)**	(70)
Release during the period / year	**(1,806)**	(3,140)
Exchange revaluation difference	**295**	(36)
Ending balance	**(4,757)**	(3,246)

advances to banks	**Stage 1**
Beginning Balance	**(3,246)**
Addition during the period	**(1,806)**
Deducation during the period	**295**
Ending balance	**(4,757)**

Below is an analysis of outstanding balance:	**Balance**	**Rating**
	708,126	B-

19 . Loans and advances to customers, net

	Jun.30, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Individual		
- Overdraft	**1,586,354**	1,635,910
- Credit cards	**3,814,358**	3,540,849
- Personal loans	**19,067,991**	17,180,864
- Real estate loans	**1,123,283**	876,372
Total 1	**25,591,986**	23,233,995
Corporate		
- Overdraft	**16,284,047**	13,992,595
- Direct loans	**46,430,152**	49,179,820
- Syndicated loans	**34,154,103**	32,899,950
- Other loans	**143,864**	125,429
Total 2	**97,012,166**	96,197,794
Total Loans and advances to customers (1+2)	**122,604,152**	119,431,789
Less:		
Unamortized bills discount	**(54,362)**	(65,718)
Effect of applying IFRS 9 **	**716,325**	-
Impairment provision*	**(12,956,196)**	(13,040,828)
Unearned interest	**(22,330)**	(16,038)
Net loans and advances to customers	**110,287,589**	106,309,205
Distributed to		
Current balances	**46,782,517**	44,549,290
Non-current balances	**63,505,072**	61,759,915
Total	**110,287,589**	106,309,205

Analysis of the movement of provision for losses of IFRS 9 / Loss on loans and advances to customers by type during the period / year was as follows:

EGP Thousands

	Jun.30, 2019				
Individual Loans:	Overdrafts	Credit cards	Personal loans	Mortgages	Total
Beginning balance	(4,112)	(31,614)	(76,475)	(22,385)	(134,586)
Effect of changes arising from the first application of IFRS 9	(44,507)	(10,548)	(32,293)	(2,377)	(89,725)
Balance adjusted at the beginning of the financial year after the first application of IFRS 9	(48,619)	(42,162)	(108,768)	(24,762)	(224,311)
Impairment	44,098	(1,590)	(57,243)	(5,919)	(20,654)
Written off amounts	-	17,919	29,713	-	47,632
Recoveries	-	(11,931)	(15,407)	-	(27,338)
Ending balance	(4,521)	(37,764)	(151,705)	(30,681)	(224,671)

	Jun.30, 2019				
Corporate and Business Banking loans:	Overdraft	Direct loans	Syndicated loans	Other loans	Total
Beginning balance	(1,080,365)	(9,766,768)	(2,056,326)	(2,783)	(12,906,242)
Effect of changes arising from the first application of IFRS 9	368,401	387,171	47,695	2,783	806,050
Balance adjusted at the beginning of the financial year after the first application of IFRS 9	(711,964)	(9,379,597)	(2,008,631)	-	(12,100,192)
Impairment	(371,447)	435,385	(917,113)	-	(853,175)
Written off amounts	-	204,764	-	-	204,764
Recoveries	-	(11,931)	-	-	(11,931)
foreign currencies translation differences	43,403	576,718	125,213	-	745,334
Ending balance	(1,040,008)	(8,174,661)	(2,800,531)	-	(12,015,200)

			Individual			EGP Thousands
Dec.31, 2018	Overdraft	Credit cards	Personal loans	Real estate loans	Other loans	Total
Beginning balance	(3,297)	(25,667)	(226,996)	(9,496)	-	(265,456)
Released (charged) released during the year	(798)	(24,509)	(51,976)	(12,889)	-	(90,172)
Write off during the year	-	42,967	228,363	-	-	271,330
Recoveries during the year*	(17)	(24,405)	(25,866)	-	-	(50,288)
Ending balance	(4,112)	(31,614)	(76,475)	(22,385)	-	(134,586)

			Corporate		
Dec.31, 2018	Overdraft	Direct loans	Syndicated loans	Other loans	Total
Beginning balance	(1,707,127)	(7,107,690)	(1,911,226)	(2,947)	(10,728,990)
Released (charged) released during the year	633,877	(2,927,862)	(688,890)	164	(2,982,711)
Write off during the year	-	356,501	571,273	-	927,774
Recoveries during the year*	-	(42,020)	-	-	(42,020)
Exchange revaluation difference	(7,115)	(45,697)	(27,483)	-	(80,295)
Ending balance	(1,080,365)	(9,766,768)	(2,056,326)	(2,783)	(12,906,242)

*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

	Jun.30, 2019			Dec.31, 2018		
	Notional amount	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Foreign currencies derivatives						
- Forward foreign exchange contracts	**6,273,565**	**12,007**	**72,090**	5,360,272	21,112	73,105
- Currency swap	**2,073,143**	**1,020**	**1,359**	3,628,415	18,243	12,807
- Options	**319,072**	**686**	**686**	-	-	-
Total (1)		**13,713**	**74,135**		39,355	85,912
20.1.2 . Fair value hedge						
Interest rate derivatives						
- Governmental debt instruments hedging	**618,111**	**-**	**22,449**	662,803	-	9,164
- Customers deposits hedging	**9,598,093**	**161,307**	**73,777**	7,103,638	12,934	37,782
Total (2)		**161,307**	**96,226**		12,934	46,946
Total financial derivatives (1+2)		**175,020**	**170,361**		52,289	132,858

20.2 . Hedging derivatives

Fair value hedge

The Bank uses interest rate swap contracts to cover part of the risk of potential decrease in fair value of its fixed rate governmental debt instruments in foreign currencies. Net derivative value resulting from the related hedging instruments is EGP 22,449 thousand at June 30, 2019 against EGP 9,164 thousand at the December 31, 2018, Resulting in losses from hedging instruments at June 30, 2019 EGP 13,285 thousand against gains of EGP 16,832 thousand at the December 31, 2018. Gains arose from the hedged items at June 30, 2019 reached EGP 1,920 thousand against losses of EGP 34,193 thousand at December 31, 2018.

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 87,530 thousand at the end of June 30, 2019 against EGP 24,848 thousand at December 31, 2018, resulting in gains from hedging instruments at June 30, 2019 of EGP 112,378 thousand against losses of EGP 90,306 thousand at December 31, 2018. Losses arose from the hedged items at June 30, 2019 reached EGP 181,927 thousand against losses EGP 94,856 thousand at December 31 , 2018.

21 . Financial investments securities

	Available for sale financial investments	Held to maturity financial investments	Total
			EGP Thousands
Beginning balance	30,474,781	45,167,722	75,642,503
Addition	12,670,761	33,995,313	46,666,074
Deduction	(1,872,988)	(5,532,271)	(7,405,259)
Exchange revaluation differences for foreign financial assets	102,991	-	102,991
Profit (losses) from fair value difference	(2,118,094)	-	(2,118,094)
Available for sale impairment charges	(39,561)	-	(39,561)
Ending Balance as of Dec.31, 2018	39,217,890	73,630,764	112,848,654

	Financial Assets at Fair value through OCI	Amortized cost	Total
Beginning balance	**39,217,890**	**73,630,764**	**112,848,654**
Effect of applying IFRS 9 **	**42,268,972**	**1,020,895**	**43,289,867**
Addition	**11,433,512**	**32,633,462**	**44,066,974**
Deduction	**(21,438,598)**	**(33,289,453)**	**(54,728,051)**
Exchange revaluation differences for foreign financial assets	**(886,795)**	**-**	**(886,795)**
Profit (losses) from fair value difference	**2,442,704**	**-**	**2,442,704**
Released (Impairment) charges of available for sale	**(45,664)**	**-**	**(45,664)**
Ending Balance as of Jun.30, 2019	**72,992,021**	**73,995,668**	**146,987,689**

Jun.30, 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	**-**	**45,108,343**	**73,995,668**	**119,104,011**
Other bonds	**-**	**1,698,002**	**-**	**1,698,002**
Equity instruments	**-**	**488,305**	**-**	**488,305**
Portfolio managed by others	**434,401**	**-**	**-**	**434,401**
	-	**-**	**-**	**-**
Investments not listed in the market				
Treasury bills and other governmental notes	**-**	**25,344,096**	**-**	**25,344,096**
Governmental bonds	**-**	**-**	**-**	**-**
Other bonds	**-**	**-**	**-**	**-**
Equity instruments	**-**	**158,689**	**-**	**158,689**
Mutual funds	**40,791**	**194,586**	**-**	**235,377**
Total	**475,192**	**72,992,021**	**73,995,668**	**147,462,881**

	Dec.31, 2018			
	Trading financial investments	Available for sale financial investments	Held to maturity financial investments	Total
	EGP Thousands	EGP Thousands	EGP Thousands	EGP Thousands
Investments listed in the market				
Governmental bonds	2,270,080	37,387,013	73,598,251	113,255,344
Other bonds	-	1,228,032	-	1,228,032
Equity instruments	-	458,094	-	458,094
Portfolio managed by others	429,249	-	-	429,249
Investments not listed in the market				
Treasury bills and other governmental notes	-	-	41,999,252	41,999,252
Governmental bonds	-	-	-	-
Other bonds	-	-	-	-
Equity instruments	-	46,073	-	46,073
Mutual funds	38,376	98,678	32,513	169,567
Total	2,737,705	39,217,890	115,630,016	157,585,611

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:

Jun.30, 2019	**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	**24,993,377**	**-**	**-**	**-**	**24,993,377**
Due from banks	**66,506,687**	**-**	**-**	**-**	**66,506,687**
Treasury bills	**-**	**25,344,096**	**-**	**-**	**25,344,096**
Loans and advances to customers, net	**110,287,589**	**-**	**-**	**-**	**110,287,589**
Derivative financial instruments	**175,020**	**-**	**-**	**-**	**175,020**
Financial Assets at Fair value through OCI	**-**	**46,806,345**	**841,580**	**-**	**47,647,925**
Amortized cost	**73,995,668**	**-**	**-**	**-**	**73,995,668**
Financial Assets at Fair value through P&L	**-**	**-**	**-**	**475,192**	**475,192**
Total 1	**275,958,341**	**72,150,441**	**841,580**	**475,192**	**349,425,554**
Due to banks	**1,380,213**	**-**	**-**	**-**	**1,380,213**
Due to customers	**305,562,840**	**-**	**-**	**-**	**305,562,840**
Derivative financial instruments	**170,361**	**-**	**-**	**-**	**170,361**
Other loans	**3,490,728**	**-**	**-**	**-**	**3,490,728**
Other provisions	**1,503,326**	**-**	**-**	**-**	**1,503,326**
Total 2	**312,107,468**	**-**	**-**	**-**	**312,107,468**

21.1 . Profits (Losses) on financial investments

	Last 3 Months Jun.30, 2019 EGP Thousands	Last 6 Months Jun.30, 2019 EGP Thousands	Last 3 Months Jun.30, 2018 EGP Thousands	Last 6 Months Jun.30, 2018 EGP Thousands
Profit (Loss) from selling FVOCI / available for sale financial instruments	**13,404**	**65,445**	275,202	421,837
Released (Impairment) charges of available for sale equity instruments	**-**	**-**	(19,858)	(19,842)
Released (Impairment) charges of FVOCI / available for sale equity instruments	**-**	**(45,664)**	-	-
Total	**13,404**	**19,781**	255,344	401,995

22 Investments in associates

EGP Thousands

Jun.30, 2019	**Company's country**	**Company's assets**	**Company's liabilities (without equity)**	**Company's revenues**	**Company's net profit**	**Investment book value**	**Stake %**
Associates							
- Fawry plus	**Egypt**	**51,903**	**30,497**	**26,332**	**(31,468)**	**6,705**	**23.50**
- International Co. for Security and Services (Falcon)	**Egypt**	**892,659**	**653,788**	**174,213**	**12,043**	**98,752**	**32.50**
Total		**944,562**	**684,285**	**200,545**	**(19,425)**	**105,457**	

EGP Thousands

Dec.31, 2018	Company's country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's net profit	Investment book value	Stake %
Associates							
- Fawry Plus	Egypt	-	-	-	-	14,100	23.50
- International Co. for Security and Services (Falcon)	Egypt	860,057	640,554	926,624	72,954	92,458	32.50
Total		860,057	640,554	926,624	72,954	106,558	

23 . Other assets

	Jun.30, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Accrued revenues	5,325,922	4,509,314
Prepaid expenses	281,419	186,797
Advances to purchase of fixed assets	1,039,529	768,733
Accounts receivable and other assets (after deducting the provision)*	1,684,191	3,790,709
Assets acquired as settlement of debts	274,520	276,520
Insurance	34,134	30,945
Gross	8,639,715	9,563,018
Impairment of other assets	(150,000)	-
Net	8,489,715	9,563,018

* A provision with amount EGP 53 million has been created 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, amounts paid in advance relating to taxes on bills and bonds, custodies, debit accounts under settlement and any balance that has no place in another asset category.

24 . Property, plant and equipment

Jun.30, 2019	Land	Premises	IT	Vehicles	Fitting -out	Machines and equipment	Furniture and furnishing	Total EGP Thousands
Beginning gross assets (1)	64,732	1,025,368	1,580,496	62,147	525,323	449,823	88,777	3,796,666
Additions during the period	-	33,630	202,846	35,103	230,850	53,639	15,574	571,642
Disposals during the period*	-	(4,354)	(608)	-	(21,388)	(1,773)	(837)	(28,960)
Ending gross assets (2)	64,709	1,054,667	1,782,734	97,250	734,785	501,689	103,514	4,339,348
Accumulated depreciation at beginning of the period (3)	-	376,931	982,280	32,890	406,431	277,393	68,866	2,144,791
Current period depreciation	-	24,452	153,297	3,397	52,861	36,809	4,236	275,052
Disposals during the period*	-	(4,354)	(608)	-	(21,388)	(1,773)	(837)	(28,960)
Accumulated depreciation at end of the period (4)	-	397,029	1,134,969	36,287	437,904	312,429	72,265	2,390,883
Ending net assets (2-4)	64,709	657,638	647,765	60,963	296,881	189,260	31,249	1,948,465
Beginning net assets (1-3)	64,732	648,437	598,216	29,257	118,892	172,430	19,911	1,651,875
Depreciation rates		%5	%33.3	%20	%33.3	%20	%20	

Net fixed assets value on the balance sheet date includes EGP 303,923 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, 2018	Land	Premises	IT	Vehicles	Fitting -out	Machines and equipment	Furniture and furnishing	Total EGP Thousands
Beginning gross assets (1)	64,709	996,629	1,646,187	89,363	658,343	516,763	151,689	4,123,683
Additions during the year	-	61,606	347,376	5,601	72,276	133,192	8,135	628,186
Disposals during the year*	-	(32,867)	(413,068)	(32,817)	(205,296)	(200,132)	(71,023)	(955,203)
Ending gross assets (2)	64,709	1,025,368	1,580,495	62,147	525,323	449,823	88,801	3,796,666
Accumulated depreciation at beginning of the year (3)	-	359,699	1,205,399	53,088	538,679	420,117	132,182	2,709,164
Current year depreciation	-	50,099	189,949	12,619	73,048	57,408	7,707	390,830
Disposals during the year*	-	(32,867)	(413,068)	(32,817)	(205,296)	(200,132)	(71,023)	(955,203)
Accumulated depreciation at end of the year (4)	-	376,931	982,280	32,890	406,431	277,393	68,866	2,144,791
Ending net assets (2-4)	64,709	648,437	598,215	29,257	118,892	172,430	19,935	1,651,875
Beginning net assets (1-3)	64,709	636,930	440,788	36,275	119,664	96,646	19,507	1,414,519
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

	Jun.30, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Current accounts	587,954	503,539
Deposits	792,259	6,756,280
Total	1,380,213	7,259,819
Central banks	140,773	190,801
Local banks	197,625	6,009,778
Foreign banks	1,041,815	1,059,240
Total	1,380,213	7,259,819
Non-interest bearing balances	414,464	257,355
Floating bearing interest balances	-	89,568
Fixed interest bearing balances	965,749	6,912,896
Total	1,380,213	7,259,819
Current balances	1,380,213	7,259,819

26 Due to customers

	Jun.30, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Demand deposits	100,142,340	92,422,114
Time deposits	46,164,702	43,561,846
Certificates of deposit	87,050,270	81,059,934
Saving deposits	68,292,199	62,812,279
Other deposits	3,913,329	5,440,696
Total	305,562,840	285,296,869
Corporate deposits	120,677,215	116,842,160
Individual deposits	184,885,625	168,454,709
Total	305,562,840	285,296,869
Non-interest bearing balances	47,939,040	48,741,931
Floating interest bearing balances	32,680,563	23,738,113
Fixed interest bearing balances	224,943,237	212,816,825
Total	305,562,840	285,296,869
Current balances	217,733,905	202,126,154
Non-current balances	87,828,935	83,170,715
Total	305,562,840	285,296,869

27 Other loans

	Interest rate %	Maturity date	Maturing through next year EGP Thousands	Balance on Jun.30, 2019 EGP Thousands	Balance on Dec.31, 2018 EGP Thousands
Agricultural Research and Development Fund (ARDF)	3.5 - 5.5 depends on maturity date	3-5 years*	137,864	143,864	125,429
Social Fund for Development (SFD)	3 months T/D or 9% which is more	4 January 2020*	5,724	5,724	13,380
European Bank for Reconstruction and Development (EBRD) subordinated Loan	3 months libor + 6.2%	10 years	-	1,670,570	1,791,360
International Finance Corporation (IFC) subordinated Loan	3 months libor + 6.2%	10 years	-	1,670,570	1,791,360
Balance			143,588	3,490,728	3,721,529

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

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

28 . Other liabilities

	Jun.30, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Accrued interest payable	1,445,675	1,347,397
Accrued expenses	977,548	733,218
Accounts payable	2,589,280	4,101,884
Other credit balances	263,478	319,054
Total	5,275,981	6,501,553

29 . Provisions

Jun.30, 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	1,000	(154)	(43)	-	58,480
Provision for contingent	1,449,690	-	(64,936)	-	(126,575)	1,258,179
* **Provision for other claim**	180,330	2,140	(4,634)	1,921	-	179,757
Total	1,694,607	3,140	(69,724)	1,878	(126,575)	1,503,326

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

* *To face the potential risk of banking operations.*

30 . Equity

30.1 Capital

The authorized capital reached EGP 20 billion according to the extraordinary general assembly decision on March 17, 2010.

Issued and Paid in Capital increased from EGP 11,668,326 thousand to be EGP 14,585,408 thousand divided on 1,458,541 thousand shares with EGP 10 par value for each share and registered in the commercial register dated 28th January 2019.

- Increase issued and Paid in Capital by amount EGP 2,917,082 thousand on February 14, 2019 according to Ordinary General Assembly Meeting decision on March 04 ,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.
- Increase issued and Paid in Capital by amount EGP 79,351 thousand on May 24,2017 to reach EGP 11,618,011 thousand according to Board of Directors decision on November 9, 2016 by issuance of eighth tranche for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 68,057 thousand on April 19,2016 to reach EGP 11,538,660 thousand according to Board of Directors decision on November 10, 2015 by issuance of seventh tranche for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 2,294,121 thousand on December 10, 2015 to reach 11,470,603 according to Ordinary General Assembly Meeting decision on March 12 ,2015 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 94,748 thousand on April 5,2015 to reach EGP 9,176,482 thousand according to Board of Directors decision on November 11, 2014 by issuance of sixth tranche for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 79,299 thousand on March 23,2014 to reach EGP 9,081,734 thousand according to Board of Directors decision on December 10, 2013 by issuance of fifth tranche for E.S.O.P program.
- Increase issued and Paid in Capital by amount EGP 3,000,812 thousand on December 5, 2013 according to Extraordinary General Assembly Meeting decision on July 15 ,2013 by distribution of a one share for every two outstanding shares by capitalizing on the General Reserve.
- The Extraordinary General Assembly approved in the meeting of June 26, 2006 to activate a motivating and rewarding program for the Bank's employees and managers through Employee Share Ownership Plans (ESOP) by issuing a maximum of 5% of issued and paid-in capital at par value ,through 5 years starting year 2006 and delegated the Board of Directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.
- The Extraordinary General Assembly approved in the meeting of April 13,2011 continue to activate a motivating and rewarding program for The Bank's employees and managers through Employee Share Ownership Plans (ESOP) by issuing a maximum of 5% of issued and paid-in capital at par value ,through 5 years starting year 2011 and delegated the Board of Directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.
- The Extraordinary General Assembly approved in the meeting of March 21,2016 continue to activate a motivating and rewarding program for The Bank's employees and managers through Employee Share Ownership Plans (ESOP) by issuing a maximum of 10% of issued and paid-in capital at par value ,through 10 years starting year 2016 and delegated the Board of Directors to establish the rewarding terms and conditions and increase the paid in capital according to the program.
- Dividend deducted from shareholders' equity in the Year that the General Assembly approves the dispersment of this dividend, which includes staff profit share and remuneration of the Board of Directors stated in the law.

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) Jun.30, 2019 EGP Thousands	Assets (Liabilities) Dec.31, 2018 EGP Thousands
Fixed assets (depreciation)	**(41,360)**	(49,750)
Other provisions (excluded loan loss, contingent liabilities and income tax provisions)	**171,980**	53,552
Intangible Assets	**62,129**	53,657
Other investments impairment	**76,062**	65,788
Reserve for employee stock ownership plan (ESOP)	**221,922**	166,122
Interest rate swaps revaluation	**4,778**	4,695
Trading investment revaluation	**(39,968)**	7,394
Forward foreign exchange deals revaluation	**6,618**	6,912
Balance	**462,161**	308,370

	Assets (Liabilities) Jun.30, 2019 EGP Thousands	Assets (Liabilities) Dec.31, 2018 EGP Thousands
Movement of Deferred Tax Assets and Liabilities:		
Beginning Balance	**308,370**	179,630
Effect of applying IFRS 9	**136,491**	-
Additions / disposals	**17,300**	128,740
Ending Balance	**462,161**	308,370

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:

	Jun.30, 2019 No. of shares in thousand	Dec.31, 2018 No. of shares in thousand
Outstanding at the beginning of the period /year	**29,697**	26,600
Granted during the period /year	**9,152**	10,422
Forfeited during the period /year	**-**	(1,035)
Exercised during the period /year	**(10,542)**	(6,290)
Outstanding at the end of the period /year	**28,307**	29,697

Details of the outstanding tranches are as follows:

Maturity date	EGP **Exercise price**	EGP **Fair value**	**No. of shares in thousand**
2020	10.00	52.44	8,968
2021	10.00	54.51	10,187
2022	10.00	50.53	9,152
Total			**28,307**

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

	13th tranche	**12th tranche**
Exercise price	10	10
Current share price	59.26	77.35
Expected life (years)	3	3
Risk free rate %	18.14%	15.54%
Dividend yield%	1.70%	1.29%
Volatility%	25%	26%

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

33 . Reserves and retained earnings

	Jun.30, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Legal reserve	2,188,029	1,710,293
General reserve	16,234,722	12,776,215
Capital reserve	13,466	12,421
Retained earnings	5,435,828	9,637,083
Special reserve	-	20,645
Reserve for financial assets at fair value through OCI	868,342	(3,750,779)
Banking risks reserve	5,164	4,323
IFRS 9 risk reserve	-	1,411,549
Cumulative foreign currencies translation differences	4,182	-
General risk reserve	1,549,445	-
Ending balance	26,299,178	21,821,750

33.1 . Banking risks reserve

	Jun.30, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Beginning balance	4,323	3,634
Transferred to bank risk reserve	841	689
Ending balance	5,164	4,323

33.2 . Legal reserve

	Jun.30, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Beginning balance	1,710,293	1,332,807
Transferred from previous period / year profits	477,736	377,486
Ending balance	2,188,029	1,710,293

33.3 . Reserve for financial assets at fair value through OCI

	Jun.30, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Beginning balance	(3,750,779)	(1,642,958)
Net unrealised gain/(loss) on financial assets at fair value through OCI	2,838,861	(2,107,821)
Effect of applying IFRS 9 **	1,889,928	-
Provision for impairment of debt instruments investments	(109,668)	-
Ending balance	868,342	(3,750,779)

33.4 . Retained earnings

	Jun.30, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Beginning balance	9,637,083	6,193,879
Transferred to reserves	(6,854,370)	(3,994,924)
Dividend paid	(2,700,544)	(2,143,177)
Net profit of the period	5,354,500	9,581,994
Transferred (from) to bank risk reserve	(841)	(689)
Ending balance	5,435,828	9,637,083

33.5 Reserve for employee stock ownership plan

	Jun.30, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Beginning balance	738,320	489,334
Transferred to reserves	-	(159,360)
Cost of employees stock ownership plan (ESOP)	247,998	408,346
Ending balance	986,318	738,320

33.6 General risk reserve

	Jun.30, 2019
	EGP Thousands
	General risk reserve
Beginning balance	1,432,194
Effect of applying IFRS 9	-
Effect of expected credit loss	117,251
Ending balance	1,549,445

In accordance with the instructions issued by the Central Bank of Egypt on February 26, 2019, IFRS 9 has been effective from 1 January 2019.
The Bank has measured the effect of applying the Standard as follows in accordance with the above instructions:

34 . Cash and cash equivalent

	Jun.30, 2019	Dec.31, 2018
	EGP Thousands	EGP Thousands
Cash and balances with central bank	24,993,377	20,058,974
Due from banks	66,543,158	46,518,892
Treasury bills and other governmental notes	25,344,096	41,999,252
Obligatory reserve balance with CBE	(15,980,212)	(13,526,763)
Due from banks with maturities more than three months	(33,329,274)	(10,733,386)
Treasury bills with maturities more than three months	(25,697,930)	(50,013,324)
Total	41,873,215	34,303,645

35 . Contingent liabilities and commitments

35.1 . Legal claims

- There is a number of existing cases filed against the bank on June 30, 2019 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 154,504 thousand as follows:

	Investments value	Paid	Remaining
Financial Assets at Fair value through OCI	167,057	137,843	**29,214**
Financial investments in subsidiaries	167,054	41,763	**125,290**

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 909,332 thousand.

35.3 . Letters of credit, guarantees and other commitments

	Jun.30, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Letters of guarantee	**62,552,041**	66,166,953
Letters of credit (import and export)	**4,722,685**	4,178,288
Customers acceptances	**1,315,806**	1,050,573
Total	**68,590,532**	71,395,814

35.4 . Credit facilities commitments

	Jun.30, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Credit facilities commitments	**15,283,772**	9,173,782

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 3,312,656 with redeemed value of EGP 1,280,673 thousands.
- The market value per certificate reached EGP 386.60 on June 30, 2019.
- The Bank portion got 137,112 certificates with redeemed value of EGP 53,007 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 441,265 with redeemed value of EGP 92,825 thousands.
- The market value per certificate reached EGP 210.36 on June 30, 2019.
- The Bank portion got 50,000 certificates with redeemed value of EGP 10,518 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 294,527 with redeemed value of EGP 32,363 thousands.
- The market value per certificate reached EGP 109.88 on June 30, 2019.
- The Bank portion got 27,690 certificates with redeemed value of EGP 3,043 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 90,501 with redeemed value of EGP 20,652 thousands.
- The market value per certificate reached EGP 228.20 on June 30, 2019.
- The Bank portion got 50,000 certificates with redeemed value of EGP 11,410 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 88,411 with redeemed value of EGP 22,365 thousands.
- The market value per certificate reached EGP 252.97 on June 30, 2019.
- The Bank portion got 50,000 certificates with redeemed value of EGP 12,649 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 158,260 with redeemed value of EGP 30,315 thousands.
- The market value per certificate reached EGP 191.55 on June 30, 2019.
- The Bank portion got 50,000 certificates with redeemed value of EGP 9,578 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	5,774
Deposits	182,418
Contingent liabilities	1,309

37.2 . Other transactions with related parties

	Income EGP Thousands	Expenses EGP Thousands
International Co. for Security & Services	-	117,720
CVenture Capital	-	34

38 . Main currencies positions

	Jun.30, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Egyptian pound	**(267,801)**	(636,384)
US dollar	**43,670**	578,745
Sterling pound	**383**	2,189
Japanese yen	**(73)**	(20)
Swiss franc	**872**	658
Euro	**14,436**	37,144

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

- Settlment of corporate income tax since the start of activity till 2016
- 2017 examined & paid
- The yearly income tax return is submitted in legal dates

Salary tax

- Settlment of salary tax since the start of activity till 2017

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 31/12/2017 was examined & paid in accordance with the protocol signed between the Federation of Egyptian Banks & the Egyptian Tax Authority

40 . Intangible assets:

	Jun.30, 2019 EGP Thousands	Dec.31, 2018 EGP Thousands
Book value	**651,041**	651,041
Amortization	**(477,430)**	(412,326)
Net book value	**173,611**	238,715

According to CBE's regulation issued on Dec 16, 2008, an annual amortization of 20% has been applied on intangible assets starting from acquisition date.

Cashflow disclosures

41 . Treasury bills and other governmental notes - net increase (decrease)

Jun.30, 2019

	Jun.30, 2019		Dec.31, 2018		
	Total	**Net**	**Total**	**Net**	**Change**
91 Days maturity	**423,975**		**-**		
Unearned interest	**(8,061)**		**-**		
Net		**415,914**		**-**	**(415,914)**
182 Days maturity	**1,063,050**		**3,669,700**		
Unearned interest	**(66,266)**		**(86,343)**		
Net		**996,784**		**3,583,357**	**2,586,573**
364 Days maturity	**25,534,367**		**49,441,511**		
Unearned interest	**(833,221)**		**(3,011,544)**		
Net		**24,701,146**		**46,429,967**	**21,728,821**
Total unearned interest	**(907,548)**		**(3,097,887)**		
Net		**25,697,930**		**50,013,324**	
Change					**24,315,394**

Jun.30, 2018

	Jun.30, 2018		Dec.31, 2017		
	Total	Net	Total	Net	Change
91 Days maturity	550		-		
Unearned interest	550		-		
Net		1,100		-	(1,100)
182 Days maturity	128,000		1,289,425		
Unearned interest	(4,082)		(87,067)		
Net		123,918		1,202,358	1,078,440
364 Days maturity	35,376,992		57,602,997		
Unearned interest	(1,161,732)		(4,151,507)		
Net		34,215,260		53,451,490	19,236,230
Total unearned interest	(1,165,264)		(4,238,574)		
Net		34,339,178		54,653,848	
Change					20,314,670

42 . Other assets - net increase (decrease)

	Jun.30, 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 period	**8,488,884**
Assets acquired as settlement of debts	**(274,520)**
Advances to purchase of fixed assets	**(1,038,497)**
Impairment charge for other assets	**52,772**
Total 2	**7,228,639**
Change (1-2)	**1,289,326**

	Jun.30, 2018 EGP Thousands
Total other assets by end of 2017	6,886,807
Assets acquired as settlement of debts	(45,083)
Advances to purchase of fixed assets	(435,949)
Total 1	6,405,775
Total other assets by end of 2018	7,766,424
Assets acquired as settlement of debts	(50,195)
Advances to purchase of fixed assets	(742,929)
Total 2	6,973,300
Change (1-2)	(567,525)

A BANK TO TRUST