

QNB ALAHLI S.A.E
(Egyptian Joint Stock Company)

Consolidated Financial Statements
Together With Auditors' Report
For The Year Ended December 31, 2019

KPMG Hazem Hassan
Public Accountants & Consultants

Allied for Accounting and Auditing – EY
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AUDITORS' REPORT

To the shareholders of QNB ALAHLI Bank (S.A.E)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of QNB ALAHLI Bank (S.A.E) and its subsidiaries (the group) which comprise the consolidated financial position as at December 31, 2019 and the related consolidated statements of income, changes in equity and consolidated cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

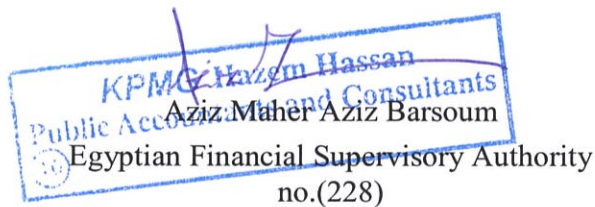
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and of its financial performance and its consolidated cash flows for the year then ended, in accordance with the rules of preparation and presentation of the banks financial statements, basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations related to the preparation of these consolidated financial statements.



KPMG Hazem Hassan

Public Accountants & Consultants

Auditors



Allied for Accounting and Auditing – EY


Public Accountants & Consultants

Cairo January 14, 2020

QNB ALAHLI S.A.E
Consolidated Statement of Financial Position
As at 31 December 2019

(All amounts are shown in Egyptian Pounds)

	Note	December 31, 2019	December 31, 2018
Assets:			
Cash and due from Central Bank of Egypt (CBE)	(16)	12,012,836,152	11,750,952,820
Due from banks	(17)	8,464,251,159	11,522,654,240
Treasury bills	(18)	46,194,518,180	49,371,352,025
Trading investments	(19)	84,301,673	76,808,191
Loans and credit facilities to customers	(20)	153,527,192,019	137,965,061,824
Financial derivatives	(21)	83,458,859	3,796,045
Financial Investments:			
- Fair value through other comprehensive income	(22)	2,463,888,129	2,269,997,110
- Amortized cost	(22)	40,937,627,601	37,538,005,839
- Fair value through profit or loss	(22)	61,694,866	45,449,175
Investments in associates	(23)	2,809,012	2,545,366
Intangible assets	(24)	209,802,791	162,239,439
Other assets	(25)	3,385,587,727	2,963,025,028
Deferred tax assets	(33)	128,766,307	234,978,895
Assets leased under finance lease arrangements		2,944,084,604	2,342,477,039
Property and equipment	(26)	2,512,982,918	2,237,611,327
Total assets		273,013,801,997	258,486,954,363
Liabilities and equity:			
Liabilities:			
Due to banks	(27)	16,030,665,382	12,707,779,270
Customer deposits	(28)	208,126,587,681	205,285,519,783
Financial derivatives	(21)	45,851,553	1,245,670
Other loans	(29)	5,625,017,188	5,238,545,028
Other liabilities	(30)	2,968,092,020	2,706,973,598
Other provisions	(31)	743,849,118	685,844,771
Insurance policyholders' rights	(32)	2,589,480,929	2,060,992,495
Current income tax payable		1,098,931,902	708,755,394
Defined benefits obligation	(34)	482,288,384	437,821,485
Total liabilities		237,710,764,157	229,833,477,494
Equity:			
Issued and paid-up capital	(35)	9,794,649,850	9,794,649,850
Reserves	(36)	15,660,147,528	10,615,114,917
Profit for the year and retained earnings	(36)	9,848,191,979	8,243,667,987
Total equity attributable to equity holders of the bank		35,302,989,357	28,653,432,754
Non-controlling interests		48,483	44,115
Total equity		35,303,037,840	28,653,476,869
Total liabilities and equity		273,013,801,997	258,486,954,363



Mohamed Osman El-Dib
Chairman and Managing Director

The accompanying notes from (1) to (40) are an integral part of these Consolidated Financial Statements.
(Auditors' report attached)

QNB ALAHLI S.A.E
Consolidated Income Statement
For the Year Ended 31 December 2019

(All amounts are shown in Egyptian Pounds)

	Note	From January 01, 2019 To December 31, 2019	From January 01, 2018 To December 31, 2018
Interest on loans and similar income	(6)	32,372,534,448	30,596,431,064
Cost of deposits and similar expense	(6)	(18,619,581,266)	(19,506,471,134)
Net interest income		13,752,953,182	11,089,959,930
Fee and commission income	(7)	2,473,723,530	2,347,250,862
Fee and commission expense	(7)	(501,949,911)	(391,596,792)
Net interest, fee and commission income		15,724,726,801	13,045,614,000
Dividend income	(8)	49,611,913	25,477,281
Net trading income	(9)	119,748,154	49,865,432
Gain on financial investments	(22)	6,652,342	63,095,667
Impairment credit losses	(12)	(697,159,681)	(530,290,358)
Administrative expenses	(10)	(3,505,731,222)	(2,975,117,856)
Other operating revenues (expenses)	(11)	(254,504,961)	137,576,677
Share of results of associates		375,949	84,150
Profit before income tax		11,443,719,295	9,816,304,993
Income tax expense	(13)	(2,921,623,568)	(2,615,753,453)
Net profit for the year		8,522,095,727	7,200,551,540
Attributable to:			
Equity holders of the Bank		8,522,091,359	7,200,541,436
Non-controlling interests		4,368	10,104
Net profit for the year		8,522,095,727	7,200,551,540
Earnings per share	(14)	7.63	6.34


Mohamed Osman El-Dib
Chairman and Managing Director

The accompanying notes from (1) to (40) are an integral part of these Consolidated Financial Statements.

QNB ALAHLI S.A.E
 Consolidated Statement of Comprehensive Income
 For the Year Ended 31 December 2019

(All amounts are shown in Egyptian Pounds)

	From January 01, 2019 To December 31, 2019	From January 01, 2018 To December 31, 2018
Net profit for the year	8,522,095,727	7,200,551,540
Other comprehensive income items that will not be reclassified to the Profit or Loss:		
Net change in fair value of investments in equity instruments measured at fair value through other comprehensive income	(29,707,974)	13,190,445
Tax impact related to other comprehensive income that will not be reclassified to the profit or loss	7,415,771	10,226
Amount transferred to retained earning, net of tax	(9,368,086)	-
Other comprehensive income items that is or may be reclassified to the profit or loss:		
Net change in fair value of debt instruments measured at fair value through other comprehensive income	54,165,205	202,243,469
Tax impact related to other comprehensive income that will be reclassified to the profit or loss	(12,187,171)	8,094,217
Expected credit loss for fair value of debt instruments measured at fair value through other comprehensive income	(29,494)	-
Total other comprehensive income items for the year, net of tax	10,288,251	223,538,357
Total comprehensive income for the year, net of tax	8,532,383,978	7,424,089,897
Attributable to:		
Equity holders of the Bank	8,532,379,610	7,424,079,793
Non-controlling interests	4,368	10,104
Total comprehensive income for the year, net of tax	8,532,383,978	7,424,089,897

QNB ALAHLI S.A.E
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2019

(All amounts are shown in Egyptian Pounds)

	Issued and Paid Up Capital	Legal Reserve	General Reserve	Special Reserve	Capital Reserve	Reserve for Transactions Under Common Control	Fair Value Reserve	General Banking Risk Reserve	IFRS 9 Reserve	General Risk Reserve	Retained Earnings	Net Profit for the Year	Equity Attributable to Equity Holders of the Bank	Non-Controlling Interests	Total
December 31, 2018															
Balance at 1 January 2018	8,904,227,140	1,023,166,558	7,326,936,116	173,681,968	10,116,810	4,000,483	(902,704,456)	8,974,023	-	-	435,156,262	5,522,820,791	22,506,375,695	34,011	22,506,409,706
Transfer to reserves and retained earnings	-	264,581,718	2,094,574,293	-	1,938,155	-	-	-	1,282,925,633	-	613,359,611	(4,257,379,410)	-	-	-
Dividend distributions	-	-	-	-	-	-	-	-	-	-	(11,581,353)	(1,265,441,381)	(1,277,022,734)	-	(1,277,022,734)
Transfer from general reserve to capital increase	890,422,710	-	(890,422,710)	-	-	-	-	-	-	-	-	-	-	-	-
Net Change in Other Comprehensive Income	-	-	-	-	-	-	223,538,357	-	-	-	-	-	223,538,357	-	223,538,357
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	7,200,541,436	7,200,541,436	10,104	7,200,551,540
Transfer from general banking risk reserve	-	-	-	-	-	-	-	(6,192,031)	-	-	6,192,031	-	-	-	-
Balance at 31 December 2018	9,794,649,850	1,287,748,276	8,531,087,699	173,681,968	12,054,965	4,000,483	(679,166,099)	2,781,992	1,282,925,633	-	1,043,126,551	7,200,541,436	28,653,432,754	44,115	28,653,476,869
December 31, 2019															
Balance at 1 January 2019	9,794,649,850	1,287,748,276	8,531,087,699	173,681,968	12,054,965	4,000,483	(679,166,099)	2,781,992	1,282,925,633	-	1,043,126,551	7,200,541,436	28,653,432,754	44,115	28,653,476,869
Transfer to general risk reserve	-	-	-	(152,225,804)	-	-	-	-	(1,282,925,633)	1,435,151,437	-	-	-	-	-
Impact of adopting IFRS 9	-	-	-	18,038,291	-	-	1,193,292,938	-	-	(1,413,697,514)	26,389,444	-	(175,976,841)	-	(175,976,841)
Restated Balance at 1 January 2019	9,794,649,850	1,287,748,276	8,531,087,699	39,494,455	12,054,965	4,000,483	514,126,839	2,781,992	-	21,453,923	1,069,515,995	7,200,541,436	28,477,455,913	44,115	28,477,500,028
Transfer to reserves and retained earnings	-	345,553,468	4,886,735,548	-	6,434,554	-	-	-	-	-	245,603,614	(5,484,327,184)	-	-	-
Dividend distributions	-	-	-	-	-	-	-	-	-	-	-	(1,716,214,252)	(1,716,214,252)	-	(1,716,214,252)
Net Change in Other Comprehensive Income	-	-	-	-	-	-	19,656,337	-	-	-	-	-	19,656,337	-	19,656,337
Reclassification of the net change in fair value of equity instruments upon derecognition	-	-	-	-	-	-	(9,368,086)	-	-	-	9,368,086	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	8,522,091,359	8,522,091,359	4,368	8,522,095,727
Transfer from general banking risk reserve	-	-	-	-	-	-	-	(1,612,925)	-	-	1,612,925	-	-	-	-
Balance at 31 December 2019	9,794,649,850	1,633,301,744	13,417,823,247	39,494,455	18,489,519	4,000,483	524,415,090	1,169,067	-	21,453,923	1,326,100,620	8,522,091,359	35,302,989,357	48,483	35,303,037,840

The accompanying notes from (1) to (40) are an integral part of these Consolidated Financial Statements.

QNB ALAHLI S.A.E
Consolidated Statement Of Cash Flows
For the Year Ended 31 December 2019

(All amounts are shown in Egyptian Pounds)

	Note	December 31, 2019	December 31, 2018
Cash flows from operating activities			
Profit before tax		11,443,719,295	9,816,304,993
Adjusted by:			
Property and Equipment depreciation and Intangible assets amortization	(10)	289,911,992	244,469,515
Impairment credit losses	(12)	697,159,681	530,290,358
Loans written off during the year		(234,204,878)	(151,861,803)
Recovery from loans previously written off		25,455,529	44,640,892
Net formed / (reversed) other provisions		(77,414,349)	3,057,571
Utilized provisions other than loans provision		(11,253,410)	(78,898,119)
Translation differences of other provisions in foreign currencies		(6,569,817)	783,565
Translation differences resulting from monetary foreign currency investments		290,744,039	(32,313,544)
Amortization of premium / discount for bonds		(72,985,822)	(65,013,355)
Formed insurance policyholders' rights provisions during the year		528,488,434	432,834,047
(Gain) on sale of Property and Equipment		(2,895,344)	(6,434,554)
Dividend income	(8)	(49,611,913)	(25,477,281)
Share of results of associates applying the equity method		(375,949)	(84,150)
Gain on financial investments	(22)	(6,652,342)	(63,095,667)
Operating profits before changes in assets and liabilities resulting from operating activities		12,813,515,146	10,649,202,468
Net decrease / increase in assets and liabilities			
Due from banks		(2,016,461,758)	5,093,446,429
Treasury bills		1,208,164,955	(10,802,365,131)
Trading investments		(7,493,482)	(25,853,520)
Loans and credit facilities to customers		(17,269,696,020)	(25,791,361,494)
Financial derivatives		(35,056,931)	(10,130,285)
Financial investement recognized at fair value through profit or loss		(16,245,691)	-
Other assets		(426,711,386)	(96,302,822)
Due to banks		3,322,886,112	7,739,133,498
Customer deposits		2,841,067,898	20,408,615,605
Other liabilities		261,118,422	(99,082,120)
Defined benefits obligation		44,466,899	72,418,117
Net change Leased assets		(601,607,565)	(38,760,010)
Income tax paid		(2,523,866,221)	(2,361,559,160)
Net cash flows used in / resulting from operating activities (1)		(2,405,919,622)	4,737,401,575
Cash flows from investing activities			
Acquisition of Property and Equipment and Intangible assets		(613,205,094)	(419,629,285)
Proceeds from sale of Property and Equipment		3,253,503	6,830,845
Proceeds from financial investments other than held for trading investments		4,535,102,791	4,327,269,754
Acquisition of financial investments other than held for trading investments		(6,997,299,939)	(8,775,602,764)
Dividends received		49,611,913	25,477,281
Cash dividends received from investments in associates		112,303	-
Net cash flows used in investing activities (2)		(3,022,424,523)	(4,835,654,169)
Cash flows from financing activities			
Other loans		386,472,160	896,993,581
Dividends paid		(1,716,214,252)	(1,277,022,734)
Net cash flows used in financing activities (3)		(1,329,742,092)	(380,029,153)
Net (decrease) in cash and cash equivalents during the year (1+2+3)		(6,758,086,237)	(478,281,747)
Cash and cash equivalents at the beginning of the year		18,044,471,132	18,522,752,879
Cash and cash equivalents at the end of the year (37)		11,286,384,895	18,044,471,132
Cash and cash equivalents at end of the year are represented in :			
Cash and due from Central Bank of Egypt	(16)	12,012,836,152	11,750,952,820
Due from banks	(17)	8,473,376,520	11,522,654,240
Treasury bills		46,208,956,979	48,144,648,964
Balances with Central Bank of Egypt (mandatory reserve)		(8,056,431,357)	(6,940,189,599)
Balances Due from banks with maturities more than 3 months		(1,870,220,000)	(970,000,000)
Treasury bills with maturity more than 3 months		(45,482,133,399)	(45,463,595,293)
Cash and cash equivalents at end of the year		11,286,384,895	18,044,471,132

QNB ALAHLI S.A.E
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2019

(All amounts are shown in Egyptian Pounds)

1. Background:

QNB ALAHLI "S.A.E" ("The Bank") was incorporated as an investment and commercial bank on April 13, 1978, in accordance with the provisions of the Investment Law no 43 of 1974 and its executive regulations and the amendments thereon. The Bank provides all banking services related to its activity, through its Head Office located in 5 Champlion Street - Downtown - Cairo and its 227 branches served by 6,791 staff at the date of the financial statements. The Bank is listed on the Egyptian Stock Exchange (EGX).

These consolidated financial statements were approved by the Board of Directors on January 14, 2020.

2 Summary of significant accounting policies:-

2.1 Basis of preparation of the consolidated financial statements

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

These consolidated financial statements have been prepared in accordance with the applicable laws of Egypt.

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

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

2.2 Changes in accounting policies:

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

Classification of financial assets and financial liabilities

At initial recognition, financial assets have been classified and measured according to amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

The financial assets have been classified according to how they are managed (the entity's business model) and their contractual cash flow characteristics.

The financial assets are measured at amortized cost if it is not measured at fair value through the profit or loss and if the following two conditions met:

- The management's intention is to maintain the asset in the business model to collect contractual cash flows and;
- The contractual conditions of the financial assets will build cash flows in certain dates which are limited only on payment of principal and interest (SPPI).

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

- The management's intention is to maintain the asset in the business model to collect contractual cash flows and sell;
- This contractual conditions of financial assets will build cash flows in certain dates which are limited only on payment of principal and interest (SPPI).

The Group may choose without recourse to measure equity investments which are not classified as a trading investment at fair value through other comprehensive income at initial recognition. This choice will be made per each investment.

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

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

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice, specially to know whether these management policies concentrate to gain the contractual interest or reconcile financial assets period with financial liabilities period which finance these assets or target cash flow from selling the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model and the financial assets held within that business model and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. Meanwhile the group did not rely only on information related to sales activity separately, but taking into consideration overall assessment on how achieving the goal that was announced by the bank to manage financial assets and how to achieve cash flow.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Impairment of financial assets

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

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

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

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

Stage 1: 12 months Expected Credit Loss:

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

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

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

Stage 3: Lifetime Expected Credit Loss - credit impaired

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

QNB ALAHLI S.A.E
Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2019

(All amounts are shown in Egyptian Pounds)

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

	General Risk Reserve EGP	Retained Earnings EGP	Fair Value Reserve EGP
Opening balance as of January 01, 2019	1,435,151,437	1,043,126,551	(679,166,099)
Total reclassification and re-measurement impact:	-	2,698,907	1,193,176,805
ECL impact	(1,413,697,514)	23,690,537	116,133
Total	(1,413,697,514)	26,389,444	1,193,292,938
Adjusted opening balance	21,453,923	1,069,515,995	514,126,839

2.3.1 Basis of Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method unless the transaction does not constitute an acquisition in form or substance. Application of the purchase method involves the following steps:

- Identifying an acquirer;
- Measuring the cost of the business combination;
- And allocating, at the acquisition date, the cost of the combination to the assets acquired, liabilities and contingent liabilities assumed.

On acquisition date where control is obtained, the cost of the business combination is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree, in addition to any costs directly attributable to the business combination.

Thus, the acquirer recognizes the acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, that are recognized and measured at the lower of their carrying amounts, or fair value less costs to sell.

Goodwill arising on acquisition date is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The non-controlling interest in an acquiree is initially measured at the non-controlling interest proportionate share in the fair value of the assets, liabilities and contingent liabilities recognized at acquisition date.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

A business combination agreement may allow for adjustments to the cost of the combination that are contingent on one or more future events. The acquirer usually estimates the amount of any such adjustment at the time of initially accounting for the combination, even though some uncertainty exists. If the future events do not occur or the estimate needs to be revised, the cost of the business combination is adjusted accordingly.

However, when a business combination agreement provides for such an adjustment, that adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.

In case of a business combination - made through step acquisitions for a Group reorganization purposes - involving entities or businesses under common control in which all of the combining entities or businesses are ultimately controlled by the same party or parties, both before and after the business combination, the acquirer recognizes the identifiable assets, liabilities and contingent liabilities that meet the recognition criteria at their carrying amounts previously reported at the books of the Group with common control.

Any difference between the consideration paid or transferred and the carrying amounts of the acquiree's net assets and contingent liabilities is reflected within equity as a reserve for transactions under common control. This policy is also applied in case of the groups' full or partial acquisition of shares held by the non-controlling interests in a subsidiary or the partial disposition of the Group's interest in a subsidiary while retaining control over that subsidiary.

Therefore, no adjustments are made to reflect new fair value at the date of the combination; rather fair value for net assets, and contingent liabilities acquired in such cases shall be determined based on the fair value that was previously determined when control was initially obtained, as adjusted by any changes in equity components that have occurred during the period from the date when control was initially obtained up to the date when control has increased or decreased.

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Since combinations of entities or businesses under common control are scoped out of the CBE basis of preparation and presentation of the banks financial statements, EAS (29) and IFRS (3) Business Combinations, management applied the requirements of EAS (5) and IAS (8), which allows it, in the absence of a specific Standard or Interpretation specifically addressing certain transaction, event or other circumstances, to set and develop an appropriate accounting policy that results in information that is more reliable and relevant to the economic decisions making needs of the financial statements users.

2.3.2 Transactions Eliminated on Consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3.3 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments, depending on the level of influence retained.

2.3.4 Basis of presentation of consolidation

The consolidated financial statements of the Group incorporate the financial statements of QNB ALAHLI (Parent) and entities controlled by the Bank (its Subsidiaries) at the end of each reporting date.

A Subsidiary is an entity (including Special Purpose Entities) that is controlled, directly or indirectly, by the bank (Parent). Control exists when the Bank has the power, to govern the financial and operating policies of an entity to obtain benefits from its activities. This is usually achieved when the bank owns, directly or indirectly, through subsidiaries, more than half of the voting power of an entity, the existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

The Group fully consolidates its subsidiaries from the effective date in which control is obtained and deconsolidates them when such control ceases to exist.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of a Group entity to bring its accounting policies into line with those used by other members of the Group.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. Losses applicable to owners of the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that owners of the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

Since QNB ALAHLI incorporated QNB ALAHLI Factoring Company in which it owns 99.997% of its capital, increased its interest in QNB ALAHLI Leasing Company to 100%, and increased in QNB ALAHLI Life Insurance Company to 100% instead of 25%, and increased in QNB ALAHLI Asset Management Egypt Company to 100% instead of 4.875%, therefore, the full consolidation basis has been used for the preparation of the Group accompanying consolidated financial statements which comprise the financial statements of QNB ALAHLI (the parent) and its subsidiaries, QNB ALAHLI Factoring, QNB ALAHLI Leasing Company, QNB ALAHLI Life Insurance Company and QNB ALAHLI Asset Management Egypt Company from the date in which control over each subsidiary was obtained.

Non-controlling interest in these consolidated financial statements represents interests held by investors other than QNB ALAHLI in the subsidiaries. Information on subsidiaries is set out below.

Company name	Origin Country	Year of controlling (Acquisition or Incorporation)	Group Stake %
QNB ALAHLI Factoring Company	Egypt	2012	99.997
QNB ALAHLI Leasing Company	Egypt	2012	100
QNB ALAHLI Life Insurance Company	Egypt	2014	100
QNB ALAHLI Asset Management Egypt Company	Egypt	2014	100

2.3.5 Investments in associates

An associate is an entity over which the Group has significant influence that is not control or joint control. Significant influence exists where the bank holds voting rights of 20% to 50% in an entity.

Acquisitions of Associates are accounted for using the purchase method; goodwill arising on acquisition of an associate, if any, is not presented separately, but is rather included within the carrying amount of the investment. Investments in associates are accounted for subsequently in the consolidated financial statements using the equity method.

According to the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and is subsequently adjusted to recognize the Group's share in profit or loss, and other changes in the net assets, of the associate.

2.4 Segment reporting

An operating segment is a group of assets and operations providing products or services whose risks and benefits are different from those associated with products or services provided by other operating segments. A geographical segment provides products or services within a specific economic environment characterized by risks and benefits different from those related to other geographical segments operating in a different economic environment.

The Bank is divided into two main business lines, which are corporate banking and retail banking. In addition, a corporate center acts as a central funding department for the bank's core businesses. The dealing room, proprietary activity and other non-core businesses are reported under the corporate banking business line.

For the purpose of preparation of segment reporting by geographical region, segment profit or loss and assets and liabilities are presented based on the location of the branches. Given that the bank does not have any entity abroad, and unless otherwise stated in a specific disclosure, all equity and debt instruments of the bank issued by foreign institutions and credit facilities granted to foreign counterparties are reported based on the location of the domestic branch where such assets are recorded.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

The consolidated financial statements of the Group are presented in the Egyptian Pound which is the Bank's functional and presentation currency.

2.5.2 Transactions and balances in foreign currencies

The Bank maintains its accounting records in Egyptian Pounds. Transactions in foreign currencies during the year are translated into the Egyptian Pounds using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at end of reporting year at the exchange rates then prevailing. 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;
- Investments in equity instrument recognized at fair value through other comprehensive income in equity.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as FVTOCI assets are analyzed into 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. Differences resulting from changes in the amortized cost are recognized and reported in the income statement in "Interest on loans and similar income" 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 recognized in equity and accumulated in the "Fair value revaluation reserve" in Other comprehensive income.

Valuation differences arising on the measurement of non-monetary items at fair value include gains or losses resulting from changes in foreign currency exchange rates used to translate those items. Total fair value changes arising on the measurement of equity instruments classified as at fair value through the profit or loss are recognized in the income statement, whereas total fair value changes arising on the measurement of equity instruments classified as FVTOCI are recognized directly in equity in the "Fair value reserve" in Other Comprehensive Income.

Leased assets denominated in foreign currency which the group leases to others are measured at historical cost and translated to Egyptian Pounds using the exchange rates prevailing at the dates of the initial recognition.

2.6 Financial assets

2.6.1 Financial Policies applied until December 31, 2018:

The Group classifies its financial assets into the following categories:

Financial assets classified as at fair value through profits or loss, loans and receivables, held to maturity financial assets, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined by management at the time of initial recognition.

2.6.1.1 Financial assets classified as at fair value through profit or loss

This category includes financial assets held for trading and financial derivatives.

A financial instrument is classified as an instrument held for trading if it is primarily acquired for the purpose of the sale in the short term or if it represents a part of a portfolio of specific financial instruments that are managed together and there is evidence of recent actual transactions that resulted in short-term profit taking, or it is a derivative that is not designated and effective as a hedging instrument.

2.6.1.2 Loans and receivables

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

- The group intends to sell immediately or in the short term, which are classified as held for trading;
- The group upon initial recognition designates as available-for-sale;
- The group may not recover substantially all of its initial investment, other than because of deterioration in the credit worthiness of the issuer.

2.6.1.3 Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to be held to maturity. The group will not classify any financial assets as held to maturity if the group has, during the current financial period or during the two preceding financial periods, sold or reclassified more than an insignificant amount of held to maturity investments before maturity other than those allowed in specific circumstances.

2.6.1.4 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets 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 is applied in respect of all financial assets:

- Regular-way purchases and sales of financial assets classified as at fair value through profit or loss, loans and receivables, held to maturity and available-for-sale are recognized using the settlement-date, which is the date that an asset is delivered to or by the entity.
- All financial assets, other than those classified as at fair value through profit or loss, are initially recognized at fair value plus transaction costs. Financial assets classified as at fair value through profit or loss are initially recognized at fair value. Transaction costs associated with those assets are expensed and reported in the income statement.
- The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial liabilities are derecognized when they are extinguished; that is when the obligation is discharged, cancelled or it expires.
- Available-for-sale, held for trading and financial assets designated as at fair value through profit or 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 classified as at fair value through profit or loss are recognized in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired, at which time, the cumulative gain or loss previously recognized in equity is recognized in the income statement.
- Interest income calculated using the amortized cost method, and gains and losses arise from the foreign currency on monetary financial assets classified as available-for-sale financial investments shall be recognized in the income statement. Dividends resulted from the equity instruments classified as available-for-sale shall be recognized in the income statement when the entity's right to receive payment is established.
- The fair value of quoted investments in an active market is based on current bid prices. If there is no active market for a financial asset, it is measured at cost less of any impairment losses.

2.6.2 Financial Policies applied starting from January 01, 2019:

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

2.6.2.1 Financial assets classified as amortized cost

The financial asset is retained in the business model of financial assets held to collect contractual cash flow. The objective from this business model is to collect contractual cash flow which represented in principal and interest. The sale is an exceptional event for the purpose of this model and under the terms of the standard represented in following:

- Significant deterioration for the issuer of financial instrument.
- Lowest sales in terms of rotation and value.
- A clear and reliable documentation process for the justification of each sale and its conformity with the requirements of the standard.

2.6.2.2 Financial assets classified as fair value through other comprehensive income

The financial asset is retained in the business model of financial assets held to collect contractual cash flows and sales. Held to collect contractual cash flows and sales are integrated to achieve the objective of the model. Sales are high in terms of turnover and value as compared to the business model retained for the collection of contractual cash flows.

2.6.2.3 Financial assets classified as fair value through profit or loss

The financial asset is held in other business models including trading, management of financial assets at fair value, maximization of cash flows through sale. The objective of the business model is not to retain the financial asset for the collection of contractual or retained cash flows for the collection of contractual cash flows and sales. Collecting contractual cash flows is an incidental event for the objective of the model.

The characteristics of the business model are as follows:

- Structuring a set of activities designed to extract specific outputs.
- Represents a complete framework for a specific activity (inputs - activities - outputs).
- One business model can include sub-business models.

2.7 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset when the group has a legally enforceable right to offset the recognized amounts and it intends to settle these amounts on a net basis, or realize the asset and settle the liability simultaneously.

2.8 Financial derivatives and hedge accounting

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

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

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

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

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

2.8.1 Fair value hedge

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

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

2.8.2 Cash flow hedge

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

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

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

2.8.3 Derivatives that do not qualify for hedge accounting

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

2.9 Interest income and expense

Interest income and expense on all interest-bearing financial instruments are recognized in "Interest income" and "Interest expense" line items in the income statement using the effective interest rate method.

The effective interest rate is a method of calculating the amortized cost of a debt instrument whether a financial asset or a financial liability and of allocating its 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 debt instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating the effective interest rate, the Group estimates the future cash flows, considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income on loans is recognized on an accrual basis except for the interest income on non-performing loans, which ceases to be recognized as revenue when the recovery of interest or principal is in doubt.

Interest income on non-performing or impaired (Stage 3) loans and receivables ceases to be recognized in profit or loss and is rather recorded off balance sheet in statistical records. Interest income on these loans is recognized as revenue on a cash basis as follows:

- 1- For retail loans, personal loans, small and medium business loans, real estate loans for personal housing and small loans for businesses, when interest income is collected and after recovery of all arrears.
- 2- For corporate loans, interest income is recognized on a cash-basis after the bank collects 25% of the rescheduled installments and provided these installments continue to be paid for at least one year.

If a loan continues to be performing thereafter, interest accrued on the principal then outstanding starts to be recognized as revenues. Interest that is marginalized prior to the date when the loan becomes performing is not recognized in the profit or loss except when the total balance of loan, prior to that date, is paid in full.

2.10 Fees 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 or loss, at which time, fees and commissions that are 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 received by the bank to originate a loan are deferred if it is probable that the bank will enter into a specific lending arrangement and are regarded as a compensation for an ongoing involvement with the acquisition of the financial instrument and recognized as an adjustment to the effective interest rate. If the commitment expires without the bank making the loan, the fees are recognized as revenue on expiry.

Loan syndication fees received by the bank are recognized as revenue when the syndication has been completed, only if the bank arranges the loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

Fees and commissions that are earned on negotiating or participating in the negotiation of a transaction in favor of another entity, such as arrangements for the allotment of shares or another financial instrument or acquisition or sale of an enterprise on behalf of a client, are recognized as revenue when the transaction has been completed. Administrative consultations and other service fees are usually recognized as revenue on a straight-line basis over the period in which the service is rendered. Fees from financial planning management and custodian services provided to clients over long periods are usually recognized as revenue on a straight-line basis over the period in which these services are rendered.

Leasing revenues

Revenues from lease contracts are recognized based on the interest rate implicit in each contract plus an amount equal to depreciation of the leased asset. Debit/credit differences between revenue recognized in profit or loss and rental value for each period are recorded in "leased assets – lease contracts settlement" account in the balance sheet whose balance is to be settled against the carrying amount of leased asset at the end of the contract period.

Insurance revenues

Premium income and Claim expense is recognized on accrual basis.

2.11 Dividends income

Dividend income on investments in equity instruments and similar assets, other than investments in subsidiaries and associates, is recognized in the income statement when the bank's right to receive payment is established.

2.12 Purchase and resale agreements and sale and repurchase agreements (repos and reverse repos)

Financial instruments sold under repurchase agreements are not derecognized from the statement of financial position and cash receipts are shown in liability side in the statement of financial position.

2.13 Impairment of financial assets

2.13.1 Financial Policies applied until December 31, 2018:

The group reviews all its financial assets, except those classified as at fair value through profit or loss, to assess whether an indication exists that these assets have suffered an impairment loss as described below:

2.13.1.1 Financial assets carried at amortized cost

At the end of each reporting period, an assessment is made whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognized (a "loss event") and whether that loss event has impacted the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The group considers the following indicators to determine the existence of substantive evidence for impairment losses:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It is becoming probable that the borrower will enter bankruptcy or financial re-organization;
- Deterioration of the competitive position of the borrower;
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- Impairment in the value of collaterals;
- Deterioration in the creditworthiness of the borrower.

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An objective evidence for impairment loss of the financial asset includes observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with an individual financial asset in the group.

The bank estimates the period between the date on which the loss event has occurred and the date on which the impairment loss has been identified for each specific portfolio. For application purposes, the bank considers such period to equal one.

The Group first assesses is made 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. In that field the below items will be considered:

- If it is determined 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 based on the historical loss rates taking into consideration the following:
- Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If a loan, receivable or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate(s) determined under the contract at the date on which an objective evidence for impairment of the asset has been identified.

As a practical expedient, the bank may measure impairment of a financial asset carried at amortized cost 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 purpose of a collective assessment of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

When assessing the impairment loss for a group of financial assets on the basis of the historical loss rates, future cash flows in the group are estimated on the basis of the contractual cash flows of the group's assets and the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on 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 exist currently. The Group ensures that estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the management to reduce any differences between loss estimates and actual loss experience.

2.13.1.2 Available-for-sale financial assets

At the end of each financial period, the bank assesses whether there is objective evidence that any financial asset or group of financial assets classified as available-for-sale has been impaired.

According to the central bank of Egypt's rules, a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment. Such decline is presumed to be significant for the equity instruments if it reaches 10% of the cost of the financial instrument, whereas it is presumed a prolonged decline when it extends for a period of more than 9 months.

When a decline in the fair value of an available-for-sale financial asset has been recognized in equity and there is objective evidence that the asset is impaired the cumulative loss that had been recognized in the equity reserve shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

In respect of available-for-sale equity securities, impairment losses previously recognized in the profit or loss are not reversed through the profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity. However 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 profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss for that debt instrument.

2.13.2 Financial Policies applied starting from January 01, 2019:

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

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Financial assets are classified at three stages at each reporting date:

- Stage 1 : Financial assets that have not experienced a significant increase in credit risk since the date of initial recognition, and the expected credit loss is calculated for 12 months.
- Stage 2 : Financial assets that have experienced a significant increase in credit risk since the initial recognition or the date on which the investments are made, and the expected credit loss is calculated over the life of the asset.
- Stage 3 : Impairment of financial assets whose expected credit loss is to be recognized over the life of the asset on the basis of the difference between the carrying amount of the instrument and the present value of expected future cash flows.

Credit losses and impairment losses on the value of financial instruments are measured as follows:

- The low risk financial instrument is classified at initial recognition in the first stage and credit risk is monitored continuously by the Bank's credit risk management.
- If it is determined that there has been a significant increase in credit risk since the initial recognition, the financial instrument is transferred to the second stage where it is not yet considered impaired at this stage.
- If there are indicators of impairment of the financial instrument, it is transferred to the third stage.
- The financial assets created or acquired by the Group and include a high credit risk ratio for the Bank's low risk financial assets are recognized on the initial recognition of the second stage directly and therefore the expected credit losses are measured on the basis of expected credit losses over the life of the asset.

2.13.2.1 Significant increase in credit risk

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

2.13.2.2 Quantitative Factors

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

2.13.2.3 Qualitative Factors

Retail loans, micro and small businesses

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

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

Corporate loans and Medium businesses

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

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

Nonpayments

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

Transfer between the Three stages:

Transfer from second stage to first stage:

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

Transfer from third stage to second stage:

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

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

2.13 Intangible assets

2.13.1 Goodwill

Goodwill, arising from the acquisition or legal merger of subsidiaries, represents the difference between the cost of the combination and the acquiree interest in the fair value of the identifiable assets, liabilities and qualifying contingent liabilities of the acquiree at the acquisition date. Goodwill is annually tested for impairment and is written-down to profit or loss at an annual amortization of 20% or impairment loss whichever is higher.

2.13.2 Software (computer programs)

Expenditure on upgrade and maintenance of computer programs is recognized as an expense in the income statement in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by the group and when it is probable that they will generate future economic benefits within more than one year that exceed its cost. Direct costs include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads.

Upgrade costs are recognized and added to the original cost of the software when it is likely that such costs will increase the efficiency or enhance the performance of the computers software beyond its original specification.

Cost of computer software recognized as an asset shall be amortized over the year of expected benefits from three to five years except for the core IT system which is amortized over ten years.

2.14 Property and Equipment

The Group's property and equipment include lands and buildings of the bank which basically comprise the head office premises and branch buildings. All property and equipment are carried at historical cost net of accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the construction or acquisition of the items. Subsequent costs are included in the assets carrying amount or recognized separately, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Repairs and maintenance expenses are recognized in profit or loss within "other operating costs" line item during the financial period in which they are incurred.

The Group considers the residual value of its property and equipment as insignificant and immaterial in relation to the depreciable amount; therefore, the depreciable amount of the group's property and equipment is determined without any deduction for residual values. Depreciation is charged so as to write off the cost of assets, other than land which is not depreciated, over their estimated useful lives, using the straight-line method based on the following annual rates:

Buildings		50 years
Fixtures	Decoration & installations	10 years
	Lifts	15 years
	Electricity & Air conditioning	10 years
	Generators	30 years
	Telephone network & CCTV	10 years
	Firefighting system & Plumbing system	10 years
	Other installations	10 years
Leasehold improvements		The shortest of 10 years or contract period

Depreciation years for property and equipment, other than buildings, depend on their useful lives which are usually estimated as specified below:

Furniture	10 years
Armored vaults	20-30 years
IT equipment	5 years
Electric appliances	5 years
Vehicles	5 years

The carrying amounts of its depreciable property and equipment are reviewed whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered. Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. Gains or losses on disposals are determined by comparing proceeds with relevant carrying amount. These are included in the profit or loss in other operating income (expenses) in the income statement.

2.15 Impairment of non-financial assets

Non-financial assets that do not have definite useful lives, except for goodwill are not amortized. These are annually tested for impairment. Depreciable property and equipment are tested for impairment whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered. Impairment loss is recognized and the carrying amount of an asset is reduced to the extent that such carrying amount exceeds the asset's recoverable amount.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. For the purpose of estimating the impairment loss, where it is not possible to estimate the recoverable amount of an individual asset, The Group estimates the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

At the end of each period, the group reviews non-financial assets for which an impairment loss is recognized to assess whether or not all or part of such impairment losses should be reversed through profit or loss.

2.16 Leasing

Lease contracts are accounted according to Law 95 of 1995 for financial lease. All other lease contracts are recognized as operating leases.

2.16.1 As a lessee

Lease payments made under operating leases, net of any discounts received from the lessor, are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

2.16.2 As a lessor

Assets leased out under operating lease contracts are reported as part of the fixed assets in the statement of financial position and are depreciated over the expected useful lives of the assets, on the same basis as other property assets. Lease rental income is recognized in profit or loss, net of any discounts granted to the lessee, using the straight line method over the contract term.

Assets leased out under finance lease contracts, are reported in the statement of financial position within fixed assets and are depreciated over the expected useful life of the assets using the same method followed in depreciating similar assets. Lease income is recognized using the rate of return implicit in each lease contract in addition to an amount equal to depreciation charge for the period. Differences between lease income recognized in the income statement and rental receivable from lease customers are accumulated and reported in the statement of financial position in a separate account until duration of the lease contract expires, at which time offset occurs between the account balance and net book value of leased assets.

Maintenance and insurance expenses shall be charged to the income statement when incurred to the extent that they are chargeable to the lessee. If substantive evidence indicates that the group could not be able to collect all balances due from finance lease debtors, these balance are reduced to their expected realizable value.

Depreciation is charged so as to write off the cost of leased assets, other than land which is not depreciated, over their estimated useful lives, using the straight-line method based on the following annual rates:

Computers	2-8 years
Equipment	4-10 years
Vehicles	4-5 years
Building	17-50 years

2.17 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances due within three months from date of placement or acquisition. They include cash and balances placed with the Central Bank of Egypt (other than those required under the mandatory reserve), current accounts with Banks and treasury bills, certificates of deposits and other governmental notes.

2.18 Other provisions

Provisions for obligations, other than those for credit risk or employee benefits, due within more than 12 months from the date of consolidated financial statements are recognized based on the present value of the best estimate of the consideration required to settle the present obligation at the reporting 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 date of consolidated financial statements, provisions are calculated based on undiscounted expected cash outflows unless the time value of money is material, in which case provisions are measured at present value.

When a provision is wholly or partially no longer required, it is reversed through the profit or loss under "Other Operating Income (expenses)" line item.

2.19 Insurance activity

2.19.1 Technical reserves

2.19.1.1 Mathematical reserve

The mathematical reserve is calculated by the actuarial expert according to the technical basis approved by the board of the Egyptian Financial Supervisory Authority (Formerly Egyptian Insurance Supervisory Authority), in addition to the portion of each certificate from the increase (decrease) in the capital value resulting from insurance premiums invested in investment portfolio for the account of policyholders.

2.19.1.2 Provision for outstanding claims

A provision for outstanding claims is established for life and personal accident insurance policies. Which were reported before the period-end but not settled at the balance sheet date.

2.19.2 Receivables arising from insurance contracts

Receivables arising from insurance contract either as installments under collection or current accounts of insured parties are carried at amortized cost which represent nominal balances, net of impairment loss.

2.19.3 Due from insurance and reinsurance companies

Insurance and reinsurance companies stated at amortized cost, which represent its book value, net of allowance for impairment loss.

2.20 Financial guarantees

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

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

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

- (I) The amount initially recognized less, when appropriate, cumulative amortization of security fees recognized as income in profit or loss using the straight-line method over the term of the guarantee; and
 - (II) The best estimate for the payments required to settle any financial obligation resulting from the financial guarantee at the reporting date.
- Such estimates are made based on experience in similar transactions and historical losses as supported by management judgment.

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

2.21 Employee benefits

2.21.1 Post-employment benefits (defined benefit plans) and defined contribution plans:

The Bank is liable for all obligations arising from its plans for employee benefits which comply, in all material respects, with the principles set out below. Starting 1 January 2009, the Bank has fully complied with the policy referred to below, and recognized any adjustments, resulting from the first full implementation of amendments to the CBE rules, directly on retained earnings.

The Bank provides several post-employment benefits to its employees, such as the medical care scheme which qualifies as a defined-benefit plan. A defined benefit plan commits the Bank, either formally or constructively, to pay a certain amount or level of future benefits and therefore bears the medium- or long-term risk.

The Bank recognizes the defined benefit obligation as a liability in the statement of financial position under "obligations for post-retirement schemes" to cover the total value of such obligations. This is assessed regularly by independent actuary using the projected unit credit method. This valuation technique incorporates assumptions about demographics variables, staff turnover, salary growth rate and discount and inflation rates.

When these plans are financed from external funds classified as plan assets, the fair value of these funds is subtracted from the defined benefit obligation. Differences arising from changes in the actuarial assumptions and estimates are recognized in the income statement as actuarial gains or losses to the extent of the higher of the following two amounts as of the end of the previous financial period:

- 10% of the present value of the defined benefit obligation (before deducting plan assets); and
- 10% of the fair value of the plan assets.

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Actuarial gains and losses that exceed the 10 percent criteria above are amortized to profit or loss over the expected average remaining working lives of the participating employees.

Past service cost is recognized immediately to the extent that the benefits have already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. Annual cost of employee benefits plans is reported as part of general and administrative expenses (employee costs).

Defined contribution plans are pension schemes whereby the group pays defined contributions to an independent entity. The group shall not be under legal or constructive obligation to pay more contributions if this entity doesn't maintain adequate assets to pay-off the employees' benefits in return for their service in the current and previous periods.

According to the defined contribution plans, contributions are paid to private sector pension scheme under mandatory or voluntary contractual arrangement. The group shall be under no additional obligation other than the contribution payments. Contributions to defined contribution retirement benefit plans are recognized as employee benefits cost when employees have rendered service entitling them to the contributions. Prepaid contributions shall be recognized as assets to the extent that these contribution payments will reduce future payments or result in cash refunds.

2.22 Income taxes

Income tax expense on the period's profit or loss represents the sum of the tax currently payable and deferred tax and is recognized in the income statement, except when they relate to items that are recognized directly in equity, in which case the tax is also recognized in equity.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, in addition to income tax differences related to prior years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. However, when it is expected that the tax benefit will increase, the carrying amount of deferred tax assets shall increase to the extent of previous reduction.

2.23 Borrowings

Loans obtained by the bank are initially recognized at fair value net of transaction costs incurred in connection with obtaining the loan. Borrowings are subsequently measured at amortized cost, with the difference between net proceeds and the value to be paid over the borrowing period, recognized in the profit or loss using the effective interest rate method.

2.24 Capital

2.24.1 Capital issuance cost

Issued and paid up-capital (i.e. bank's own equity instruments) is initially measured at the cash proceeds received, less transaction costs directly attributable to the issuance of new shares, issuance of shares to effect business combination, or issue of share options. Transaction costs, net of tax benefits, are reported as a deduction from equity.

2.24.2 Dividends

Dividends on equity instruments issued by the group entities are recognized when the general assembly of the group's shareholders approves them. Dividends include the non-controlling interests' share in the subsidiaries' dividends, and employees' profit share and board of directors' remuneration as prescribed by the articles of incorporation of the bank and Group entities as well as the corporate law.

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2.25 Fiduciary activities

The Bank carries out fiduciary activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans and other institutions. These assets and income arising thereon are not recognized in the group's consolidated financial statements, as they are not assets or income of the Bank or the Group.

2.26 Comparative figures

Comparative figures for financial assets and liabilities are reclassified but not re-measured to comply with the current period's financial statements presentation according to CBE instruction for IFRS9 implementation dated February 26, 2019.

3. Management of financial risks

The Group is exposed to various financial risks, mainly as a result of activities conducted by the Bank and some subsidiaries. Since financial activities are based on the concept of accepting risks and analyzing and managing individual risks or group of risks altogether, the group aims at achieving a well-balanced risks and relevant rewards, as appropriate and to reduce the probable adverse effects on the group's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency risk, interest rate risk and other pricing risks.

For example, the Bank has laid down risk management policies to determine and analyze the risks, set limits to the risks and control them through reliable methods and up-to-date systems. The Bank regularly reviews the risk management policies and systems and amendments thereto, so that they reflect the changes in markets, products and services and the best up-to-date applications.

Risks are managed in accordance with pre-approved policies by the board of directors. The risk management department identifies, evaluates and covers financial risks, in close collaboration with the Bank's various operating units. The board of directors provides written rules which cover certain risk areas, such as credit risk, foreign exchange risk, interest rate risk and the use of derivative and non-derivative financial instruments. Moreover, the risk department is responsible for the periodic review of risk management and the control environment independently.

Risk management strategy

The bank operates in business lines, which generate a range of risks whose frequency, severity and volatility can be of different and significant magnitudes. A greater ability to calibrate its risk appetite and risk parameters, the development of risk management core competencies, as well as the implementation of a high-performance and efficient risk management structure are therefore critical undertakings for the bank.

Thus, the primary objectives of the bank's risk management framework are:

- To contribute to the development of the Bank in various business lines to reach an ideal level of general risk.
- To guarantee the Bank's sustainability as a going concern, through the implementation of a high-quality risk management infrastructure.

In defining the Bank's overall risk appetite, the bank management takes various considerations and variables into account, including:

- The relative balance between risk and reward of the bank's various activities.
- Earnings sensitivity to business, credit and economic cycles.
- The aim of achieving a well-balanced portfolio of earnings streams.

Risk management governance and risk principles

Bank's risk management governance is based on:

- i) Strong managerial involvement, throughout the entire organization, starting from the Board of Directors down to operational field management teams;
- ii) A tight framework of internal procedures and guidelines; and
- iii) Continuous supervision by business lines and support functions as well as by an independent body to monitor risks and to enforce rules and procedures.

Within the Board, the Risk and Audit Committees are more specifically responsible for examining the consistency of the internal framework for monitoring risks and compliance.

Risk categories

The following are part of the risks associated with the bank's Banking activities:

a- Credit risk:

(Including country risk): represents risk of losses arising from the inability of the Bank's customers, sovereign issuers or other counterparties to meet their financial commitments.

Credit risk also includes the replacement risk linked to market transactions. In addition, credit risk may be further increased by a concentration risk, which arises either from large individual exposures or from groups of counterparties with a high default probability.

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b- Market risk:

Represents risk of loss resulting from changes in market prices and interest rates.

c- Operational risk:

(Including legal, compliance, accounting, environmental, reputational risks, etc.): represents risk of loss or fraud or of producing inaccurate financial and accounting data due to inadequacies or failures in procedures and internal systems, human error or external events. Additionally, operational risks may also take the form of compliance risk, which is the risk of the bank incurring either legal, administrative or disciplinary sanctions or financial losses due to failure to comply with relevant rules and regulations.

d- Structural interest and exchange rate risk:

Represents risk of loss or of residual depreciation in the bank's balance sheet and off-balance sheet assets arising from changes in interest or exchange rates. Structural interest and exchange rate risk arises from banking commercial activities and on Corporate Center transactions (operations on equities, investments and bond issues).

e- Liquidity risk:

Represents the risk that the bank might not be able to meet its obligations as they become due.

The Bank dedicates significant resources to constantly adapting its risk management to its activities and ensures that its risk management framework operates in full compliance with the following fundamental principles of:

- Full independence of risk assessment departments from the operating divisions; and
- Consistent approach to risk assessment and monitoring applied throughout the Bank.

The Risk Division is independent from the bank's operating entities and reports directly to general management. Its role is to contribute to the development and profitability of the bank by ensuring that the risk management framework in place is both robust and effective. It employs various teams specializing in the operational management of credit and market risk.

More specifically, the Risk Division:

- Defines and approves the methods used to analyze, assess, approve and monitor credit risks, countries risks, market risks and operational risks; conducts a critical review of commercial strategies in high risk areas and continually seeks to improve such risk forecasting and management;
- Contributes to independent assessment by analyzing transactions implying a credit risk and by providing guidance on transactions proposed by sales managers.

Identifying a frame for all Banks' operational risks.

The Assets and Liabilities Unit under the Finance Division, for its part, is entrusted with assessing and managing other major types of risks, namely liquidity and structural risks (resulting from interest rate, exchange rate and liquidity) as well as the bank's long term financing, management of capital requirements and equity structure.

The Internal Legal Counsel deals with compliance and legal risks.

Responsibility for devising the relevant risk management structure and defining risk management operating principles lies mainly with both the Risk Division and, in particular fields, the assets and liabilities management under Finance Division.

The Bank's Risk Committee is in charge of reviewing all the bank's key risk management issues and meets at least on quarterly basis. Risk Committee's monthly meetings involve members of the Executive Committee, the heads of the business lines and the Risk Division managers and are used to review all the core strategic issues: risk-taking policies, assessment methods, material and human resources, analysis of credit portfolios and of the cost of risk, market and credit concentration limits (by product, country, sector, region, etc.)

On the other hand, the Assets and Liabilities management committee (ALCO) is competent for matters relating to funding and liquidity policymaking and planning.

All new products and activities or products under development must be submitted to the New Product Committee.

This New Product Committee aims at ensuring that, prior to the launch of a new activity or product, all associated risks are fully understood, measured, approved and subject to adequate procedures and controls, using the available information and processing systems.

Operational risks, permanent control and audit (periodic) control process are supervised by the Audit and Accounts Committee that meets on a quarterly basis.

Finally, the Bank's risk management principles, procedures and infrastructures and their implementation are monitored by the Internal Audit team and the External Auditors.

(A) CREDIT RISKS

The Bank is exposed to the credit risk which is the risk resulting from failure of the client to meet its contractual obligations towards the bank. The credit risk is considered to be the most significant risk for the bank, therefore requiring careful management. The credit risk manifests itself in the lending activities and debt instruments in bank's assets as well as off balance sheet financial instruments, such as letters of credit and letters of guarantee.

(A/1) Credit risk management: organization and structure

Maintaining comprehensive and efficient management and monitoring of credit risk – which constitutes the bank's primary source of risk – is vital to preserving bank financial strength and profitability. As a result, the bank implements a tight credit risk control framework, whose cornerstone is the Credit Risk Policy and Authorities defined jointly by the Risk Division and the Business Lines, and is subject to periodic review and approval by the Board of Directors.

Within the Risk Division, persons are responsible for:

- Setting credit limits by customer, customer group or transaction type;
- Approving credit score or internal customer rating criteria;
- Monitoring and surveillance of large exposures and various credit portfolios;
- Reviewing specific and general provisioning policies.

In addition, comprehensive portfolio analysis is performed in order to provide guidance to the General Management on the bank's overall credit risk exposure as well as reporting to Risk Committee.

The Risk Division also helps define criteria for measuring risk and defining appropriate provisioning practices.

Risk approval

Embedded in bank's credit policy is the concept that approval of any credit risk undertaking must be based on sound knowledge of the client and a thorough understanding of the client's business, the purpose, nature and structure of the transaction and the sources of repayment, while bearing in mind the bank's risk strategy and risk appetite.

The risk approval process is based on four core principles:

- All transactions involving replacement risk must be pre-authorized, replacement risk is bearing a loss when a bank is forced to replace a contract in case of breaching the original party's contract (debtor risk, non-settlement or non-delivery risk and issuer risk).
- Staff assessing credit risk is fully independent from the decision-making process.
- Subject to relevant credit delegations, responsibility for analyzing and approving risk lies with the most appropriate business line or credit risk unit, which reviews all authorization requests relating to a specific client or client group, to ensure a consistent approach to risk management.
- All credit decisions systematically include internal obligor risk ratings, as proposed by business lines and vetted by the Risk Division and approved by concerned Credit Committee.

Risk management and audit

Changes in the quality of outstanding commitments are reviewed on a periodic basis and at least once a quarter, as part of the "sensitive names" and provisioning procedures. This review is based on analyses performed by the business divisions and the risk function. Furthermore, the Internal Audit also carries out file reviews or risk audits in the bank's branch groups and reports its findings to the General Management.

Replacement risk

Replacement risk provides the measurement of the replacement cost of a transaction in the event of default by the original counterparty and the necessity to close the ensuing position with counterparty; hence, the replacement cost is the result of the market price between the date on which the original transaction is entered into and the default date. Transactions giving rise to replacement risk include interest rate swaps and forward FX deals.

Replacement risk management

The Bank places great emphasis on carefully monitoring its replacement risk exposure in order to minimize its losses in case of default of its counterparties and counterparty limits are, therefore, assigned to all trading counterparties, irrespective of their status (bank, other financial institution, corporate and public institutions).

(A/2) Risk measurement and internal ratings

Bank rating system is based on three key pillars:

- The internal ratings models used to measure and quantify counterparty risk.
- A set of procedures defining guidelines for devising and using ratings (scope, frequency of rating revision, procedure for approving ratings, etc.)
- Reliance on human judgment to improve modeling results to include elements outside the scope of rating model.

Credit risk rating is supported by a set of procedures ensuring reliable, consistent and timely default and loss data detection.

Rating models are reviewed and developed when necessary. The Bank regularly evaluates performance of credit rating models and their capacity to predict default cases.

The calculations used to measure and monitor replacement risk include:

- Current Average Risk (CAR) is a calculation of the Average risk of all the future scenarios, excluding the negative scenarios, i.e., when the replacement makes a gain.
- Credit value at risk (VAR) is a calculation of the largest loss that would be incurred in 99% of cases.

Following are some risk mitigations methods:

Collaterals

The Bank designs several policies and controls for credit risk mitigation such as collaterals for funds provided. The bank lays down guidelines for specific categories of the accepted collaterals.

The main types of collaterals for Loans and credit facilities are:

- Real estate mortgage;
- Pledge on business assets like machinery and merchandise;
- Pledge in financial instruments like debt instruments and equity.

The long term financing and lending for companies are often collateralized while credit facilities for persons are not collateralized. The bank attempts to mitigate the credit risk through additional collaterals from the concerned parties immediately on arising of impairment indicators for any of the loans or facilities.

Collaterals taken to secure assets other than Loans and credit facilities are identified according to the nature of the instrument.

Debit instruments and treasury bills are often not collateralized.

Derivatives

The Bank exercise prudential strict control procedures on net open positions of derivatives. i.e. The difference between sale and purchase agreements at the level of value and duration. The amount exposed to credit risk at any time is determined at fair value of the instrument that may achieve benefit to the bank. i.e. any assets with high positive fair value which represents insignificant part of contractual imputed value used to reflect the volume of existing instruments. This credit risk is managed as part of overall lending limit granted to the customer together with the potential risk as a result of market changes.

The Bank doesn't obtain collaterals for credit risk related to such instruments except for the amounts requested by the bank as marginal deposits from other parties.

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(A/3) Provisioning policy (Measurement of expected credit losses)

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

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

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

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

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

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

	December 31, 2019		December 31, 2018	
	Loans and credit facilities	Allowance for impairment loss	Loans and credit facilities	Allowance for impairment loss
1- Good debts	90.12%	15.79%	89.54%	13.49%
2- Normal watch-list	5.35%	11.47%	5.81%	11.77%
3- Special watch-list	1.74%	25.58%	2.23%	33.63%
4- Non performing loans	2.79%	47.16%	2.42%	41.11%
	100%	100%	100%	100%

(A/4) General Model for Measurements of Banking Risks:

In addition to the four categories of the bank's internal credit ratings indicated above, management classifies Loans and credit facilities based on more detailed subgroups in accordance with the CBE requirements. 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 Group calculates the allowances required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the allowance required for impairment losses as per CBE credit worthiness rules exceeds the provisions as required by the expected credit loss, 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 the reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution; note (37) shows the movement (if any) on the general banking risk reserve during the financial year

Below is a statement of credit rating for corporations as per the Bank's internal ratings compared with those of CBE's; it also includes the percentages of provisions required for impairment of assets exposed to credit risk.

CBE rating	Description	Required Provision According to % ORR	Internal Rating	Internal Description
1	Low risk	0%	1	Good debts
2	Moderate risks	1%	1	Good debts
3	Satisfactory risks	1%	1	Good debts
4	Appropriate risks	2%	1	Good debts
5	Acceptable risks	2%	1	Good debts
6	Marginally acceptable risks	3%	2	Normal watch-list
7	Watch-list	5%	3	Special watch-list
8	Substandard debts	20%	4	Non-performing loans
9	Doubtful debts	50%	4	Non-performing loans
10	Bad debts	100%	4	Non-performing loans

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(A/5) Maximum limit for credit risk before collaterals

Financial position items exposed to credit risks	December 31, 2019	December 31, 2018
Treasury bills	46,194,518,180	49,371,352,025
Loans and credit facilities to customers		
Retail loans		
- Overdrafts	3,433,826,947	2,651,774,716
- Credit cards	975,503,290	770,673,588
- Personal loans	19,979,405,278	16,573,040,799
- Real estate loans	1,743,041,205	1,350,633,464
Corporate loans		
- Overdrafts	62,308,459,497	55,157,408,187
- Direct loans	41,200,398,353	36,654,746,983
- Syndicated loans and facilities	19,111,959,605	20,219,672,773
- Other loans	4,912,058,973	4,778,839,549
- Segregated interest & unearned discount	(137,461,129)	(191,728,235)
- Financial derivatives	83,458,859	3,796,045
Financial investments		
- Debt instrument	42,573,465,078	39,562,533,525
- Other Financial assets	2,519,168,442	2,403,976,471
Total	244,897,802,578	229,306,719,890

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

Due from banks	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating				
Good debts	978,370,746	146,348,168	-	1,124,718,914
Normal watch-list	5,078,070,791	2,270,586,815	-	7,348,657,606
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	6,056,441,537	2,416,934,983	-	8,473,376,520
Allowance for impairment losses	(9,125,361)	-	-	(9,125,361)
Carrying amount	6,047,316,176	2,416,934,983	-	8,464,251,159
Treasury bills				
Credit rating				
Good debts	-	-	-	-
Normal watch-list	46,208,956,979	-	-	46,208,956,979
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	46,208,956,979	-	-	46,208,956,979
Allowance for impairment losses	(14,438,799)	-	-	(14,438,799)
Carrying amount	46,194,518,180	-	-	46,194,518,180
Retail loans				
Credit rating				
Good debts	24,484,169,185	-	-	24,484,169,185
Normal watch-list	1,385,271,936	-	-	1,385,271,936
Special watch-list	-	310,867,666	-	310,867,666
Non performing loan	-	-	383,915,910	383,915,910
	25,869,441,121	310,867,666	383,915,910	26,564,224,697
Allowance for impairment losses	(146,580,951)	(14,987,231)	(270,879,795)	(432,447,977)
Carrying amount	25,722,860,170	295,880,435	113,036,115	26,131,776,720
Corporate loans				
Credit rating				
Good debts	119,502,379,237	1,090,294,044	-	120,592,673,281
Normal watch-list	2,193,802,876	5,025,702,629	-	7,219,505,505
Special watch-list	-	2,497,533,088	-	2,497,533,088
Non performing loan	-	-	4,110,272,208	4,110,272,208
	121,696,182,113	8,613,529,761	4,110,272,208	134,419,984,082
Allowance for impairment losses	(1,195,552,396)	(2,510,683,999)	(3,180,871,259)	(6,887,107,654)
Carrying amount	120,500,629,717	6,102,845,762	929,400,949	127,532,876,428

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Debt instruments at fair value through other comprehensive income	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating				
Good debts	1,635,837,477	-	-	1,635,837,477
Normal watch-list	-	-	-	-
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	1,635,837,477	-	-	1,635,837,477
Allowance for impairment losses	(86,639)	-	-	(86,639)
Carrying amount - fair value	1,635,837,477	-	-	1,635,837,477

Debt instruments at amortized cost	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating				
Good debts	-	-	-	-
Normal watch-list	40,951,128,217	-	-	40,951,128,217
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	40,951,128,217	-	-	40,951,128,217
Allowance for impairment losses	(13,500,616)	-	-	(13,500,616)
Carrying amount	40,937,627,601	-	-	40,937,627,601

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

Due from banks	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	19,083,244	-	-	19,083,244
New financial assets purchased or issued	9,125,361	-	-	9,125,361
Financial assets have been matured or derecognised	(19,083,244)	-	-	(19,083,244)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	-	-	-	-
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the year	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the year	9,125,361	-	-	9,125,361

Treasury bills	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	30,548,616	-	-	30,548,616
New financial assets purchased or issued	14,438,799	-	-	14,438,799
Financial assets have been matured or derecognised	(30,548,616)	-	-	(30,548,616)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	-	-	-	-
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the year	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the year	14,438,799	-	-	14,438,799

Retail loans	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	52,573,588	2,303,028	426,697,861	481,574,477
Net impairment loss recognized during the year	94,007,363	5,288,334	10,256,089	109,551,786
Loans written-off during the period	-	-	(166,045,747)	(166,045,747)
Collections of loans previously written-off	-	7,395,869	-	7,395,869
Foreign exchange translation differences	-	-	(28,408)	(28,408)
Balance at the end of the year	146,580,951	14,987,231	270,879,795	432,447,977

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Corporate loans	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	1,318,563,344	2,562,361,700	2,595,532,931	6,476,457,975
New financial assets purchased or issued	154,201,368	1,007,169,569	-	1,161,370,937
Financial assets have been matured or derecognised	(323,698,647)	(1,168,030,814)	-	(1,491,729,461)
Transfer to stage 1	1,085,880	(1,085,880)	-	-
Transfer to stage 2	(34,339,561)	34,339,561	-	-
Transfer to stage 3	(1,103,912)	(83,368,566)	84,472,478	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	80,843,924	190,886,555	662,720,245	934,450,724
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the year	-	-	(68,159,130)	(68,159,130)
Collections of loans previously written-off	-	18,059,660	-	18,059,660
Foreign exchange translation differences	-	(49,647,786)	(93,695,265)	(143,343,051)
Balance at the end of the year	1,195,552,396	2,510,683,999	3,180,871,259	6,887,107,654

Debt instruments at fair value through other comprehensive income	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	116,133	-	-	116,133
New financial assets purchased or issued	5,913	-	-	5,913
Financial assets have been matured or derecognised	(9,421)	-	-	(9,421)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	(25,986)	-	-	(25,986)
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the year	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the year	86,639	-	-	86,639

Debt instruments at amortized cost	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	4,619,649	-	-	4,619,649
New financial assets purchased or issued	13,500,616	-	-	13,500,616
Financial assets have been matured or derecognised	(4,619,649)	-	-	(4,619,649)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	-	-	-	-
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the year	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the year	13,500,616	-	-	13,500,616

Off balance sheet items exposed to credit risks	December 31, 2019	December 31, 2018
Financial guarantees	357,500	357,500
L/Cs	3,678,811,436	3,286,272,865
Accepted papers	3,300,687,075	2,249,112,360
L/Gs	42,590,274,614	39,879,061,700
Other contingent liabilities	367,558,187	691,158,344
Total	49,937,688,812	46,105,962,769

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Commitments for credit facilities have a carrying amount of EGP 36,638,991,924 at the end of current reporting year against EGP 33,702,421,721 in the prior year.

The preceding table shows the maximum limit exposure to risks at the end of December, 2019 and December, 2018 without taking into consideration collaterals held by the Group, if any. For financial position items, amounts stated depend on the net carrying amount shown in the financial position.

The preceding table related to financial position items exposed to credit risks shows that 63% of the maximum limit exposed to credit risk at the end of current reporting year is attributable to Loans and credit facilities to customers against 60% at the end of the prior year, investments in debt instruments constitute 17% against 17% at the end of the prior year and treasury bills constitute 19% against 22% at the end of the prior year.

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from loan portfolio, facilities, and debt instruments based on the following facts:

- 95 % of the loans and credit facilities portfolio at the end of the current reporting year comprises loans and credit facilities classified at the top 2 categories of the internal rating against 95% at the end of the prior year.
- 96 % of the loans and credit facilities portfolio at the end of the current reporting year does not have arrears or indicators of impairment against 96% at the end of the prior year.
- Loans and credit facilities that are individually assessed for impairment (stage 3) at the end of the current reporting year have a carrying amount of EGP 4,494,188,118 Impairment on these loans and credit facilities represents 77% of their carrying amount. Loans and credit facilities, that are individually assessed for impairment at the end of the prior year had a carrying amount of EGP 3,480,258,107 and their impairment represents 68% of such carrying amount.
- The Bank applied more prudential selection process on granting loans and credit facilities during the current reporting year ended December 31, 2019.
- 98% of investments in debt instruments and treasury bills at the end of the current reporting year comprise local sovereign debt instruments against 98% at the end of the prior year.

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(A/6) Loans and credit facilities

Balances of loans and credit facilities in terms of credit risk rating are analyzed below:

	December 31, 2019		December 31, 2018	
	Loans and credit facilities to customers	Loans and credit facilities to banks	Loans and credit facilities to customers	Loans and credit facilities to banks
Neither have arrears nor impaired	153,836,995,672	-	137,826,903,220	-
Have arrears but not impaired	2,653,024,989	-	2,604,989,996	-
Impaired	4,494,188,118	-	3,480,258,107	-
Total	160,984,208,779	-	143,912,151,323	-
Less: Allowance for impairment losses	(7,319,555,631)	-	(5,755,361,264)	-
Less: Segregated interest	(5,850,387)	-	(5,985,581)	-
Less: Unearned discount	(131,610,742)	-	(185,742,654)	-
Net	153,527,192,019	-	137,965,061,824	-

Total credit allowance for loans and credit facilities at the end of the current reporting year amounted to EGP 7,319,555,631 (EGP 5,755,361,264 at the end of the prior year) of which EGP 3,451,751,054 represent impairment in stage three (EGP 2,366,315,820 at the end of the prior year) and EGP 3,867,804,577 represent impairment for stage one and stage two in the credit portfolio (EGP 3,389,045,444 at the end of the prior year).

Note (20-A) includes additional information on the allowance for impairment losses for Loans and credit facilities to customers during the current reporting year.

During the current accounting year, the loans and credit facilities portfolio increase by 12 % due to the increase on lending activity.

Loans and credit facilities which do not have arrears and are not subject to impairment

The credit quality of Loans and credit facilities that do not have arrears and which are not subject to impairment is assessed by reference to the bank's internal rating.

Loans and credit facilities to customers

Rating	December 31, 2019				
	Retail				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Good debts	3,450,187,264	846,011,295	18,597,924,787	1,590,045,837	24,484,169,183
Normal watch-list	388,176	-	-	-	388,176
Special watch-list	123,322	-	-	-	123,322
Total	3,450,698,762	846,011,295	18,597,924,787	1,590,045,837	24,484,680,681

Rating	December 31, 2019				
	Corporate				
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Good debts	60,290,571,684	36,869,956,346	18,732,595,710	4,301,670,618	120,194,794,358
Normal watch-list	3,093,093,351	3,666,076,797	408,316,057	36,895,450	7,204,381,655
Special watch-list	166,366,570	1,786,772,408	-	-	1,953,138,978
Total	63,550,031,605	42,322,805,551	19,140,911,767	4,338,566,068	129,352,314,991

Guaranteed loans are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees.

Rating	December 31, 2018				
	Retail				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Good debts	2,669,108,000	663,164,272	15,566,307,734	1,222,447,964	20,121,027,970
Normal watch-list	805,411	-	-	-	805,411
Special watch-list	935,556	-	-	-	935,556
Total	2,670,848,967	663,164,272	15,566,307,734	1,222,447,964	20,122,768,937

Rating	December 31, 2018				
	Corporate				
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Good debts	52,791,111,902	32,721,902,694	18,620,116,228	4,448,961,948	108,582,092,772
Normal watch-list	2,795,180,186	2,997,043,043	1,524,417,649	17,913,600	7,334,554,478
Special watch-list	697,166,546	842,187,730	210,885,018	37,247,739	1,787,487,033
Total	56,283,458,634	36,561,133,467	20,355,418,895	4,504,123,287	117,704,134,283

Guaranteed loans are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees.

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Loans and credit facilities which have arrears but are not subject to impairment

These are loans and credit facilities with past-due installments but are not subject to impairment, unless information has otherwise indicated. Loans and credit facilities to customers which have arrears but are not subject to impairment are analyzed below.

December 31, 2019					
Retail					
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Up to 30 days	-	94,226,249	1,158,825,914	131,831,597	1,384,883,760
More than 30 – 60 days	-	25,373,887	154,895,434	14,578,370	194,847,691
More than 60 – 90 days	-	8,945,942	96,720,986	10,229,727	115,896,655
Total	-	128,546,078	1,410,442,334	156,639,694	1,695,628,106

Corporate					
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Up to 30 days	-	121,337,753	-	13,037,884	134,375,637
More than 30 – 60 days	-	39,038,295	-	11,963,964	51,002,259
More than 60 – 90 days	-	7,922,114	-	29,862,315	37,784,429
More than 90 days	-	-	537,968,917	196,265,641	734,234,558
Total	-	168,298,162	537,968,917	251,129,804	957,396,883

December 31, 2018					
Retail					
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Up to 30 days	-	74,581,920	838,840,013	110,406,295	1,023,828,228
More than 30 – 60 days	-	23,237,823	101,717,189	6,423,790	131,378,802
More than 60 – 90 days	-	6,393,044	42,424,462	1,472,245	50,289,751
Total	-	104,212,787	982,981,664	118,302,330	1,205,496,781

Corporate					
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Up to 30 days	-	462,473,143	-	58,137,106	520,610,249
More than 30 – 60 days	-	34,420,124	130,083,951	22,357,342	186,861,417
More than 60 – 90 days	-	76,769,329	-	14,403,262	91,172,591
More than 90 days	-	17,809,451	551,922,481	31,117,026	600,848,958
Total	-	591,472,047	682,006,432	126,014,736	1,399,493,215

Past due loans and credit facilities are those amounts, or any part thereof, which have fallen due but for which no payment has been received in accordance with the contractual terms. These include arrears for periods more than one day.

Amounts shown in the note represent the whole balance of the loan or facility and not only the past due amounts. These do not include the remaining loans and credit facilities of the same customer so long default has not fully or partially occurred on those loans.

On initial recognition of Loans and credit facilities, the fair value of collaterals, if any, is assessed based on valuation methods used for similar assets but are not recognized in the financial statements since these do not represent assets of the bank at that date. In subsequent periods, the fair value is updated to reflect the market price or prices for similar assets.

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Loans and credit facilities which are individually impaired
Loans and credit facilities to customers

At the end of the current reporting year, the carrying amount of loans and credit facilities, that are assessed to be individually impaired (Stage 3) excluding any cash flows expected to arise from the associated guarantees, amounted to EGP 4,494,188,118 against EGP 3,480,258,107 at the end of the prior year.

The following table provides a breakdown of the balance of such loans and credit facilities which are individually impaired including the fair value of the collaterals shall prevail when calculating the provisions.

	December 31, 2019				
	Retail				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Loans which are individually impaired	49,384,349	20,037,400	291,449,626	23,044,535	383,915,910
Fair value of collaterals	-	6,985,795	86,093,496	9,801,766	102,881,057
	Corporate				
	Syndicated loans and facilities				
	Overdrafts	Direct loans	Other loans	Total	
Loans which are individually impaired	378,456,031	3,290,262,295	519,862	441,034,020	4,110,272,208
Fair value of collaterals	-	-	-	-	-
	December 31, 2018				
	Retail				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Loans which are individually impaired	38,240,587	13,394,264	293,668,479	23,981,665	369,284,995
Fair value of collaterals	-	3,984,326	45,812,319	10,467,283	60,263,928
	Corporate				
	Syndicated loans and facilities				
	Overdrafts	Direct loans	Other loans	Total	
Loans which are individually impaired	185,134,989	2,626,199,748	-	299,638,375	3,110,973,112
Fair value of collaterals	-	-	-	-	-

Restructured loans and facilities:

The Bank applies different types of restructuring policies to its loans and credit facilities, which include extending payment terms, executing forced management programmes and applying prepayment and extension provisions to the loan. The applied restructuring policies depend on factors or criteria that indicate, in management judgment that the counterparty's continuous payment of the loan is unlikely to occur in the absence of such restructuring policies that are subject to ongoing review. Within the bank renegotiated outstanding loans relate to long-term loans made to any type of clientele (retail and corporate loans clients).

Total renegotiated loans amounted to EGP 735,628,769 at the end of the current reporting year against EGP 333,414,248 at the end of the prior year. These balances do not include any amounts whose commercial terms were renegotiated to preserve the quality of the bank's relationship with its clients, including those terms pertaining to loans interest rates and/or loans repayment periods.

The Bank practice calls for most clients whose loans have been renegotiated to be maintained in the "non-performing" category, as long as the bank remains uncertain of their ability to meet their future commitments in accordance with the definition of default under Basel II.

Loans and credit facilities to customers

Corporate loans	December 31, 2019	December 31, 2018
Overdrafts	14,813,140	-
Direct loans	720,815,629	333,414,248
Total	735,628,769	333,414,248

(A/7) Debt instruments, treasury bills, and other governmental notes

The following table shows a breakdown of debt instruments, treasury bills, and other governmental notes (excluding allowances for impairment) per last rating for Standard and Poor's and its equivalent:

	Rating	December 31, 2019	December 31, 2018
Egyptian Treasury Bills	B	46,208,956,979	49,371,352,025
Fair value through other comprehensive income			
US Treasury Bonds	AA+	1,635,837,477	2,024,527,686
Amortized cost			
Egyptian Treasury Bonds	B	40,951,128,217	37,538,005,839
Total		88,795,922,673	88,933,885,550

(A/8) Acquisition of collaterals

During the current reporting year, the Bank acquire foreclosed asset as acquisition of guarantees as following:

Nature of the asset	Book Value
Building	7,300,000

Assets acquired were classified under other Assets in the financial position. Such Assets shall be sold, if practical.

(A/8) Concentration of risks of financial assets exposed to credit risks**(Geographical segments)**

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting year (excluding allowances for impairment). The gross amount of all financial assets including loans and credit facilities is segmented into the geographical regions of the bank's clients except for investments in foreign treasury bonds which are reported in the "other countries" category.

	Arab Republic of Egypt						Total	Other Countries	Total
	Cairo	East Cairo	Giza	Alex	Delta	Red Sea & Upper Egypt			
Treasury bills	46,208,956,979	-	-	-	-	-	46,208,956,979	-	46,208,956,979
Loans and credit facilities to customers									
Retail loans									
Overdrafts	918,135,958	593,513,589	576,707,374	1,079,941,262	235,935,849	95,849,079	3,500,083,111	-	3,500,083,111
Credit cards	291,721,923	223,676,271	229,407,399	121,744,611	87,297,347	40,747,222	994,594,773	-	994,594,773
Personal loans	5,347,521,220	3,942,320,062	4,693,942,718	2,347,553,281	3,106,193,463	862,286,003	20,299,816,747	-	20,299,816,747
Real estate loans	477,547,899	460,383,136	416,642,320	106,838,182	149,090,339	159,228,190	1,769,730,066	-	1,769,730,066
Corporate loans									
Overdrafts	20,055,234,421	11,902,116,052	16,308,591,609	7,941,755,505	5,166,058,084	2,554,731,965	63,928,487,636	-	63,928,487,636
Direct loans	15,628,129,643	4,842,716,832	10,923,553,324	6,539,245,258	5,866,466,556	1,981,254,395	45,781,366,008	-	45,781,366,008
Syndicated loans and facilities	7,744,424,946	9,443,880,861	543,534,065	-	1,786,962,915	160,597,759	19,679,400,546	-	19,679,400,546
Other loans	3,413,091,700	13,477,084	1,344,291,859	14,512,197	208,461,602	36,895,450	5,030,729,892	-	5,030,729,892
Financial derivatives	-	-	-	-	-	-	-	83,458,859	83,458,859
Financial Investments									
Debt instruments	40,951,128,217	-	-	-	-	-	40,951,128,217	1,635,837,477	42,586,965,694
Other financial assets	2,120,545,386	104,745,744	111,203,400	66,629,151	70,231,397	22,818,403	2,496,173,481	27,143,646	2,523,317,127
Total at the end of the current year	143,156,438,292	31,526,829,631	35,147,874,068	18,218,219,447	16,676,697,552	5,914,408,466	250,640,467,456	1,746,439,982	252,386,907,438
Total at the end of the comparative year	133,416,833,318	31,574,544,978	31,143,694,338	16,993,413,908	14,681,795,663	5,379,098,762	233,189,380,967	2,064,428,422	235,253,809,389

(Business segments)

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting year (excluding allowances for impairment). The gross amount of all financial assets is segmented into business sectors in which the bank's clients operate.

	Agricultural entities	Industrial entities	Trading institutions	Service institutions	Governmental sector	Foreign governmental	Other activities	Individuals	Total
Treasury bills	-	-	-	-	46,208,956,979	-	-	-	46,208,956,979
Loans and credit facilities to customers									
Retail loans									
Overdrafts	-	-	-	-	-	-	-	3,500,083,111	3,500,083,111
Credit cards	-	-	-	-	-	-	-	994,594,773	994,594,773
Personal loans	-	-	-	-	-	-	-	20,299,816,747	20,299,816,747
Real estate loans	-	-	-	-	-	-	-	1,769,730,066	1,769,730,066
Corporate loans									
Overdrafts	682,736,440	29,074,991,690	11,616,918,288	22,553,841,218	-	-	-	-	63,928,487,636
Direct loans	1,242,565,221	25,786,172,740	8,204,462,825	10,548,165,222	-	-	-	-	45,781,366,008
Syndicated loans and facilities	-	17,654,043,063	315,115,477	1,710,242,006	-	-	-	-	19,679,400,546
Other loans	-	2,208,245,396	746,449,804	388,481,737	-	-	1,687,552,955	-	5,030,729,892
Financial derivatives	-	-	-	-	-	-	83,458,859	-	83,458,859
Financial Investments									
Debt instruments	-	-	-	-	40,951,128,217	1,635,837,477	-	-	42,586,965,694
Other financial assets	9,117,474	351,746,755	95,397,001	113,404,608	1,802,081,930	25,771,609	-	125,797,750	2,523,317,127
Total at the end of the current year	1,934,419,135	75,075,199,644	20,978,343,395	35,314,134,791	88,962,167,126	1,661,609,086	1,771,011,814	26,690,022,447	252,386,907,438
Total at the end of the comparative year	1,570,116,857	72,699,703,273	16,440,194,239	31,101,668,718	88,591,056,209	2,060,577,895	991,210,654	21,799,281,544	235,253,809,389

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(B) Market Risk

Market risk is the risk of losses resulting from unfavorable changes in market parameters. It contains all trading book transactions as well as some banking book portfolios valued using the mark-to-market approach. The bank's policy on market risk transactions is "Prudent" in that:

- Products subject to "market risk" which are offered by the Bank to its customers are restricted to cash and simple financial derivatives such as interest rate swaps and foreign exchange swap and forward contracts.
- The only trading activity conducted by the Bank is over-night foreign exchange position, within a prudent limit that cannot be exceeded.
- Open positions must be centrally managed and matched.

The front-office managers assume primary responsibility in terms of risk exposure; however, global management lies with an independent structure being the Market Risk Controller (MRC), within Risk Division. The main function of MRC is the ongoing analysis, independently from the trading rooms, of the positions and risks linked to the market activities of the bank and the comparison of these positions to the allowed limits. The MRC carries out the following functions:

- Daily and periodic analysis and reporting (independently from the front office) of the exposures, stress tests and risks incurred by the Bank's market activities and comparison of said exposure and risks with the pre-set limits.
- Definition of the risk-measurement methods and control procedures, approval of the valuation methods used to calculate and monitor risks, including those made on a gross or nominal basis.
- Management of the approval process for limits.
- Reviewing new products or services from market risk aspect under New Product Committee to ensure that market risks are properly identified and controlled.

At the proposal of this MRC and Head of Risk Division, the Board sets the levels of authorized risk by type of market activity and makes the main decisions concerning Bank's market risk management.

(B/1) Methods of Measuring Market Risk and Defining Exposure Limits

As a part of managing market risk, the Bank has several hedging strategies and enters into interest rate swaps to balance the risks inherent in debt instruments and fixed rate long term loans, if the fair value option is applied. The Bank uses a lot of methods to control market risk such as stress testing "ST".

Stress testing gives indicator of the loss volume expected that may arise from sharp adverse circumstances. Stress testing is designed to match business using standard analysis for specific scenarios. The Bank sets set a maximum limit of expected losses of 10% from authorized limit according to internal bank rules.

(B/2) Stress test for foreign exchange risk

The following table provides FX position (whether short or long) for all balance sheet items and off balance sheet items.

Currency	Short/Long FX positions	FX short positions	FX long positions	Expected loss at 10%
USD	133,588,381	-	133,588,381	13,358,838
EUR	13,046,239	-	13,046,239	1,304,624
GBP	1,696,845	-	1,696,845	169,685
JPY	2,344	-	2,344	234
CHF	245,336	-	245,336	24,534
DKK	69,915	-	69,915	6,992
NOK	69,156	-	69,156	6,916
SEK	61,764	-	61,764	6,176
CAD	18,727	-	18,727	1,873
AUD	7,860	-	7,860	786
AED	91,523	-	91,523	9,152
BHD	135	-	135	14
KWD	236,115	-	236,115	23,612
QAR	(214,620)	(214,620)	-	(21,462)
SAR	106,693	-	106,693	10,669
CNY	92,777	-	92,777	9,278
EGP	(149,119,190)	(149,119,190)	-	-
Maximum expected loss at December 31, 2019				14,911,921
Maximum expected loss at December 31, 2018				16,581,200

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(B/3) Foreign exchange rate volatility risk (concentration of FX risk on financial instruments)

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The board of directors set limits for foreign exchange risk at the total value of positions at the end of the day and during the day when timely control is exercised. The following table summarizes the bank's exposure to the risks of fluctuations in foreign exchange rates at the end of the reporting year. This table includes the carrying amounts of the financial instruments in terms of their relevant currencies and in EGP equivalent.

	EGP	USD	Euro	GBP	Other currencies	Total
Financial assets						
Cash and due from Central Bank of Egypt (CBE)	10,945,764,704	800,416,082	221,549,843	14,852,233	30,253,290	12,012,836,152
Due from banks	2,718,446,226	5,265,705,643	110,820,102	265,220,561	104,058,627	8,464,251,159
Treasury bills	41,708,667,259	4,485,850,921	-	-	-	46,194,518,180
Trading investments	84,301,673	-	-	-	-	84,301,673
Loans and credit facilities to customers	120,299,909,314	30,400,706,371	2,775,683,485	50,846,037	46,812	153,527,192,019
Financial derivatives	-	83,458,859	-	-	-	83,458,859
Financial investments						
Fair value through other comprehensive income	344,320,705	2,118,411,376	1,156,048	-	-	2,463,888,129
Amortized cost	40,193,207,048	744,420,553	-	-	-	40,937,627,601
Fair value through profit or loss	61,694,866	-	-	-	-	61,694,866
Other financial assets	2,459,221,993	55,992,509	3,521,973	56,924	375,043	2,519,168,442
Total financial assets	218,815,533,788	43,954,962,314	3,112,731,451	330,975,755	134,733,772	266,348,937,080
Financial liabilities						
Due to banks	13,923,328,156	1,912,785,513	187,491,976	7,059,706	31	16,030,665,382
Customer deposits	171,379,379,938	31,872,187,210	4,264,642,253	461,553,113	148,825,167	208,126,587,681
Financial derivatives	45,851,553	-	-	-	-	45,851,553
Other loans	398,477,311	5,006,911,669	219,628,208	-	-	5,625,017,188
Other financial liabilities	857,017,494	104,101,545	1,667,629	383,143	978	963,170,789
Total financial liabilities	186,604,054,452	38,895,985,937	4,673,430,066	468,995,962	148,826,176	230,791,292,593
Net financial position	32,211,479,336	5,058,976,377	(1,560,698,615)	(138,020,207)	(14,092,404)	35,557,644,487
At the end of the comparative year						
Total financial assets	197,651,373,409	52,538,185,042	2,146,654,295	434,079,114	177,761,880	252,948,053,740
Total financial liabilities	172,522,667,992	45,021,762,247	6,288,716,880	531,941,138	190,349,087	224,555,437,344
Net financial position	25,128,705,417	7,516,422,795	(4,142,062,585)	(97,862,024)	(12,587,207)	28,392,616,396

(B/4) Structural Interest Rate Risk

Structural interest rate risk is linked to commercial activities and corporate center transactions. Structural interest rate risk arises from residual gaps (surplus or deficit) of the bank's fixed-rate positions. The general principle is to reduce structural interest rate risk to the maximum extent.

Whenever possible, commercial operations are hedged against interest rate, either through micro-hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within the treasury department).

Consequently, structural interest rate risk only results from the residual positions remaining after hedging. The absence of interest rate derivative market in Egyptian Pound makes it difficult to hedge positions in this currency.

Organization of the management of Structural Interest Rate risks

Identification and measurement of the risk is carried out by the Assets & Liabilities Management Unit (ALMU) which comes under the authority of the Bank's finance department.

Risk assessment, limits and corrective actions are decided by the Assets & Liabilities management Committee (ALCO) headed by the Chairman with the participation of the Managing Directors, the Chief Financial Officer and the Commercial Divisions Heads, the Branch Network Head, the General Secretary and the Head of the Dealing Room.

Execution of the necessary actions decided by the ALCO for the rectification of the gaps is carried out by the dealing room through the financial market. Progress is reported and notified to the ALMU/ALCO.

Assets & Liabilities Management Committee (ALCO) duties

- Decide on the limits for the sensitivity.
- Review, validate and approve any assumptions used for the identification and measurements of the respective risks.
- Review interest rate Gap and sensitivity position reported through ALMU.
- Assess, amend and approve recommendations for bringing the Gap (if any) within the previously approved limits.

Assets & Liabilities Management Unit (ALMU) duties

- Document and maintain the respective risks management policy as approved by the ALCO.
- Construct and continuously elaborate on the models used for the identification and measurement of the respective risks.
- Report to ALCO on the respective exposures and the evolution of such exposures over time.
- Provide recommendations for bringing the gaps within limits.
- Follow up and notify ALCO of the progress made in the implementation of the ALCO decisions.

Dealing Room duties

- Provide frequent updates on markets movements.
- Execute and Report progress of ALCO approved recommendations.
- Co-ordinate with ALMU on the spontaneous hedging of special transactions according to ALCO approved policy and recommendations.

Bank's Objective of Interest Rate Risk Management

The Bank's aim is to reduce exposure to structural interest rate risk as much as possible.

Any residual interest rate risk exposure must comply with the sensitivity limits approved by the ALCO. Sensitivity is defined as the variation in the net present value of future residual fixed-rate positions for a 1% parallel increase in the yield curve. Adherence to applicable limits is closely monitored.

Measurement and monitoring of structural interest rate risks

In order to quantify the Bank's exposure to structural interest rate risks, all fixed rate assets and liabilities on future maturities are analyzed to identify any gaps.

On a quarterly basis, assets and liabilities are analyzed independently, without any prior matching. Maturities on outstanding positions are determined on the basis of the contractual terms of the transactions and models of historic client behavior (e.g. saving accounts) as well as conventional assumptions for some balance sheet items (e.g. equity).

Once the gaps have been identified for each major currency, the sensitivity is calculated as the variation of the net present value of the fixed rate position of an instantaneous parallel shift of the 1% in the yield curve of each major currency. The cumulative sensitivity for all currencies as well as for any single currency should not exceed the above mentioned limit.

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The following table summarizes the extent to which the bank is exposed to the risks of fluctuations in the interest rate including the carrying amount of the financial instruments distributed on the basis of the rate prevailing in re-pricing dates or maturity dates, whichever is earlier.

At the end of the current year	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	Interest free	Total
Financial assets							
Cash and due from Central Bank of Egypt (CBE)	-	-	-	-	-	12,012,836,152	12,012,836,152
Due from banks	2,159,440,858	3,947,636,693	200,300,000	1,518,220,000	-	638,653,608	8,464,251,159
Treasury bills	2,830,777,678	8,169,555,566	35,194,184,936	-	-	-	46,194,518,180
Trading investments	-	-	-	-	-	84,301,673	84,301,673
Loans and credit facilities to customers	119,818,838,047	7,195,609,148	8,011,196,946	15,643,717,821	2,857,830,057	-	153,527,192,019
Financial derivatives	-	-	-	-	-	83,458,859	83,458,859
Financial investments							
Fair value through other comprehensive income	-	96,459,477	86,376,000	513,537,000	939,465,000	828,050,652	2,463,888,129
Amortized cost	-	242,818,824	6,554,882,628	24,265,246,641	9,874,679,508	-	40,937,627,601
Fair value through profit or loss	-	-	-	-	-	61,694,866	61,694,866
Other financial assets	-	-	-	-	-	2,519,168,442	2,519,168,442
Total financial assets	124,809,056,583	19,652,079,708	50,046,940,510	41,940,721,462	13,671,974,565	16,228,164,252	266,348,937,080
IRS (notional amount)	-	208,538,688	208,540,000	4,637,999,000	-	-	5,055,077,688
Financial liabilities							
Due to banks	15,260,508,539	-	-	-	-	770,156,843	16,030,665,382
Customer deposits	106,593,554,069	25,074,283,882	18,093,706,821	27,796,311,805	140,518,000	30,428,213,104	208,126,587,681
Financial derivatives	-	-	-	-	-	45,851,553	45,851,553
Other loans	2,798,050,585	1,444,221,547	1,257,708,536	110,036,520	15,000,000	-	5,625,017,188
Other financial liabilities	-	-	-	-	-	963,170,789	963,170,789
Total financial liabilities	124,652,113,193	26,518,505,429	19,351,415,357	27,906,348,325	155,518,000	32,207,392,289	230,791,292,593
IRS (notional amount)	5,055,077,688	-	-	-	-	-	5,055,077,688
Re-pricing gap	(4,898,134,298)	(6,657,887,033)	30,904,065,153	18,672,372,137	13,516,456,565	(15,979,228,037)	35,557,644,487
At the end of the comparative year							
Total financial assets	122,572,559,534	24,629,894,670	40,307,303,132	36,264,231,194	14,154,044,238	15,020,020,972	252,948,053,740
IRS (notional amount)	-	626,976,000	626,976,000	2,136,196,800	100,764,000	-	3,490,912,800
Total financial liabilities	108,952,340,170	31,328,636,392	25,065,135,773	28,138,239,177	190,191,798	30,880,894,034	224,555,437,344
IRS (notional amount)	3,490,912,800	-	-	-	-	-	3,490,912,800
Re-pricing gap	10,129,306,564	(6,071,765,722)	15,869,143,359	10,262,188,817	14,064,616,440	(15,860,873,062)	28,392,616,396

(C) Liquidity Risk

Liquidity risk is defined as the risk of not being able to meet cash flow or collateral requirements when they fall due and at a reasonable price.

The Bank manages this exposure through modeling of its cash flow under several scenarios.

Organization of Liquidity Risk Management

Identification and measurement of the risk is carried out by the Assets & Liabilities Management Unit (ALMU) which comes under the authority of the bank's Finance Department.

Risk assessment and corrective actions are decided by the Assets & Liabilities Management Committee (ALCO) headed by the Chairman with the participation of the Managing Directors, the Chief Financial Officer and the Commercial Divisions Heads, the Branch Network Head, the General Secretary and the Head of the Dealing Room.

Execution of the necessary actions decided by the ALCO for the rectification of the gaps is carried out by the dealing room and/or the business lines. Progress is reported and notified to the ALMU/ALCO.

Assets & Liabilities Management Committee (ALCO) duties

- Review, validate and approve any assumptions and scenarios used for the identification and measurements of the respective risks.
- Review the structured liquidity Gap reported by ALMU.
- Assess, amend and approve recommendations for funding strategy and/or the portfolio composition for the remedy of the gaps.

Assets & Liabilities Management Unit (ALMU) duties

- Document and maintain the respective risks' management policy as approved by the ALCO.
- Construct and continuously elaborate on the models used for the identification and measurement of the respective risks.
- Report to ALCO on the respective exposures and the evolution of such exposures over time.
- Follow up and notify ALCO of the progress made in the implementation of the ALCO decisions.
- Co-ordinate with the various business lines for funding needs and report potential impact on the liquidity gap.
- Test and advice on the potential impact of any new product offering on the structured liquidity positions.

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Dealing Room duties

- Is responsible for managing short term liquidity.
- Provide frequent updates on markets' status and alerting signals of liquidity stretches.
- Execute and Report progress of ALCO approved recommendations.
- Communicate their funding needs to ALMU for the construction of the liquidity gap.

Bank's Objective of Liquidity Risk Management

The Bank's objective is to finance its activities at the best possible rates under normal conditions and to ensure it can meet its obligations in the event of a crisis.

To this end, the main principles of the bank's liquidity management are as follows:

- Management of the short-term liquidity in accordance with The regulatory framework;
- Diversification of funding sources;
- Maintenance of a portfolio of liquid assets.

Measurement and monitoring of structural liquidity risks

The Bank's liquidity management framework comprises the following processes:

- Regular assessment of the bank structural liquidity profile and its development over time;
- Monitoring of the diversification of funding sources;
- Assessment of the bank's funding needs on the basis of the budget forecasts in order to plan appropriate funding solutions.

Liquidity gaps are constructed by listing the respective on and off-balance sheet-items according to the currency of denomination and residual maturity. Maturities on outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models of historic client behavior patterns (e.g. savings accounts) as well as conventional assumptions relating to certain balance sheet items (e.g. equity).

Liquidity risk

Liquidity risk represents difficulty encountering the bank in meeting its financial commitments upon maturity and refurbishing amounts withdrawn. This may results in failure in fulfilling obligations related to depositors and meeting lending commitments.

Contractual maturities	December 31, 2019					Total
	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	
Financial liabilities						
Due to banks	16,050,840,383	-	-	-	-	16,050,840,383
Customer deposits	121,153,301,172	25,147,093,882	24,583,178,821	48,513,288,805	174,957,000	219,571,819,681
Other loans	693,973,743	1,461,510,270	1,785,890,226	1,749,950,972	15,000,156	5,706,325,366
Total financial liabilities	137,898,115,298	26,608,604,152	26,369,069,047	50,263,239,778	189,957,156	241,328,985,430

- All balances shown in the table above represent the undiscounted cash flows; therefore, it is not possible to match these figures with the corresponding items in the statement of financial position.
- The spot foreign exchange rate and interest rate prevailing at that date are used in the above table.

Contractual maturities	December 31, 2018					Total
	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	
Financial liabilities						
Due to banks	12,734,555,689	-	-	-	-	12,734,555,689
Customer deposits	109,634,472,257	31,580,700,679	30,617,131,994	49,663,884,526	226,626,811	221,722,816,267
Other loans	578,459,266	2,068,702,628	683,621,781	1,995,454,642	55,967,052	5,382,205,369
Total financial liabilities	122,947,487,212	33,649,403,307	31,300,753,775	51,659,339,168	282,593,863	239,839,577,325

- All balances shown in the table above represent the undiscounted cash flows; therefore, it is not possible to match these figures with the corresponding items in the statement of financial position.
- The spot foreign exchange rate and interest rate prevailing at that date are used in the above table.

Assets available to meet all liabilities and cover loan commitments include cash, balances with Central Banks, due from banks, treasury bills, other governmental notes and Loans and credit facilities to banks and clients. Maturity term of percentage of loans to clients that are maturing within a year is extended in the normal course of the bank's business. Moreover, some debt instruments, treasury bills and other governmental notes are pledged to cover liabilities. The Bank has the ability to meet unexpected net cash flows through selling securities, and finding other financing sources.

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Cash flow derivatives
Derivatives settled on a gross-basis

The Bank is a party to derivative contracts that are settled on a gross-basis, in particular foreign exchange derivatives. The following table shows derivative financial liabilities that shall be settled in gross distributed over the remaining period of contractual maturities at the balance sheet date. The amounts shown in the table represent the undiscounted cash flows.

Maturities for statement of financial position items	December 31, 2019					Total
	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	
Held for trading derivatives						
Foreign exchange derivatives						
Cash outflows	1,473,159,499	547,327,997	1,057,615,772	-	-	3,078,103,268
Cash inflows	1,472,146,050	537,448,106	969,969,010	-	-	2,979,563,166

Maturities for statement of financial position items	December 31, 2018					Total
	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	
Held for trading derivatives						
Foreign exchange derivatives						
Cash outflows	4,404,926,911	654,525,562	617,325,245	-	-	5,676,777,718
Cash inflows	4,417,243,898	645,352,030	579,153,934	-	-	5,641,749,862

Cash flow for Off-balance sheet items

Maturities for off-balance sheet items	December 31, 2019			
	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Financial guarantees	357,500	-	-	357,500
Operating lease commitments	95,093,222	275,023,904	66,162,524	436,279,650
Capital commitments resulting from acquisition of property and equipment	956,533,263	-	-	956,533,263
Total	1,051,983,985	275,023,904	66,162,524	1,393,170,413

Maturities for off-balance sheet items	December 31, 2018			
	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Commitments for credit facilities	33,564,754,800	3,074,237,002	122	36,638,991,924

Maturities for off-balance sheet items	December 31, 2018			
	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Financial guarantees	357,500	-	-	357,500
Operating lease commitments	84,797,020	194,655,635	42,142,805	321,595,460
Capital commitments resulting from acquisition of property and equipment	373,156,102	-	-	373,156,102
Total	458,310,622	194,655,635	42,142,805	695,109,062

Maturities for off-balance sheet items	December 31, 2018			
	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Commitments for credit facilities	27,351,480,070	6,277,239,982	73,701,669	33,702,421,721

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(D) Fair value of financial assets and liabilities and sources of fair value

(D/1) Financial instruments measured at fair value

Financial assets classified as trading financial assets at fair value with changes in fair value are measured in the statement of income under 'Net trading income'.

Debt instruments classified as financial assets at fair value through other comprehensive income are measured at fair value with changes in fair value recognized in the other comprehensive income statement under "fair value reserve".

For investments in equity instruments, equity securities listed on the stock exchange are measured at fair value in accordance with quoted market prices on the date of the consolidated financial statements.

For non-listed shares, except for strategic investments, they are evaluated in one of the accepted techniques: discounted cash flow method Multiples of value "and the inclusion of the valuation differences in other comprehensive income within the" fair value reserve "; for strategic investments, the nominal cost or value is the fair value of those investments.

The table below shows the financial assets and liabilities at fair value in the consolidated financial statements as of 31 December 2019 within the fair value hierarchy, based on the levels of inputs that are essential for measuring the fair value as a whole:

Level 1:

The first level inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access on the measurement date.

Level 2:

The inputs of the second level are all inputs other than quoted prices within the first level and these inputs are observable for the asset or liability, directly or indirectly.

Level 3:

The third level inputs are the unobservable inputs of the asset or liability.

Financial Assets	Level 1	Level 2	Level 3	Total
US Treasury bonds	1,635,837,477	-	-	1,635,837,477
Funds at fair value through other comprehensive income	41,521,680	-	-	41,521,680
Funds at fair value through profit or loss	61,694,866	-	-	61,694,866
Equity Instruments	97,190,572	-	689,338,400	786,528,972
Trading investments	84,301,673	-	-	84,301,673
Financial derivatives	-	83,458,859	-	83,458,859

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(D/2) Financial instruments not measured at fair value

The following table summarizes the carrying amount and fair value of financial assets and liabilities that are not stated in the statement of financial position at fair value:

	Carrying amount		Fair value	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Financial assets				
Due from banks	8,464,251,159	11,522,654,240	8,464,251,159	11,522,654,240
Loans and credit facilities to customers	153,527,192,019	137,965,061,824	154,086,662,117	Not Determined
Financial investments at amortized Cost				
Debt instruments	40,937,627,601	37,538,005,839	43,244,233,868	36,215,465,303
Financial liabilities:				
Due to banks	16,030,665,382	12,707,779,270	16,030,665,382	12,707,779,270
Customer deposits	208,126,587,681	205,285,519,783	206,297,797,867	Not Determined
Other loans	5,625,017,188	5,238,545,028	5,625,017,188	5,238,545,028

* It was impracticable to measure the fair value for the remainder financial assets & liabilities at the end of prior year.

Due from Banks:

The carrying amount of variable interest rate placements and deposits for one day represents its fair value. For non-interest bearing balances due from banks, the carrying amount represents their fair value. The carrying amount of fixed interest rate deposits represents their fair value since the maturity of these deposits is less than one year.

Loans and credit facilities to customers:

Loans and credit facilities are stated at the statement of financial position net of allowance for impairment losses.

Debt instruments at amortized cost:

The fair value of debt instruments is determined at the cost charged on the "Egyptian Treasury Bonds" according to Reuters announced at the end of the financial year.

Customer deposits and due to other banks:

The estimated fair value for deposits of indefinite maturity, including free-interest rate deposits, represents the amount paid on demand.

(E) Capital management:

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

- Compliance with the legally imposed capital requirements in Egypt;
- Protecting the Bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the Bank;
- Maintaining a strong capital base to enhance growth of the Bank's operations;
- Capital adequacy and uses are reviewed by the Bank's management in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE). Data is submitted and filed with the CBE on a quarterly basis. The CBE requires the bank to comply with the following:
 - Maintaining EGP 500 million as a minimum requirement for the issued and paid-up capital. The Bank's paid-up capital amounted to EGP 9,794,649,850 at the end of the current year.
 - Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk-weighted average of the bank's assets and contingent liabilities. Minimum level of capital adequacy ratio reached 12.75% after adding capital conservation buffer and Domestic Systemically Important Banks during current year. The Bank's capital adequacy ratio reached 20.65% at the end of the current year (December 31, 2018: 16.72%) according to Basel II.

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The numerator in the capital adequacy ratio according to Basel II comprise the following 2 tiers:

- Tier 1: basic capital which comprises paid-up capital (net of treasury stock), plus: retained earnings and reserves resulting from profit appropriations (other than general reserve for banking risks and special reserves), less: any goodwill previously recognized and any carried forward losses, plus: the carrying amount of other comprehensive income. The interim net profit was incorporated in Tier 1 capital in accordance with the decision of Central Bank of Egypt Board of Directors held on 15 February 2017.
- Tier 2: subordinated capital which comprises with equivalent amount of the loans provision for debt instrument / Loans and credit facilities at stage 1 which does not exceed 1.25% from the total risk-weighted average of assets and contingent liabilities, plus: the carrying amount of subordinated loans/deposits maturing over more than 5 years (provided that such carrying amount shall be reduced by 20 % of its value in each of the last five years of their maturity), in addition to 45% from increase in fair value above the carrying amount of investments in subsidiaries and associates and 45% from special reserve.

In calculating the numerator of the capital adequacy ratio, total value of Tier 2 should not exceed total value of Tier 1. Also, total value of subordinated loans (deposits) should not exceed 50 % of Tier 1.

Assets are risk weighted at a range of 0 to 200%. Risk classification of these assets is based on the type of the debtor as to reflect the associated credit risk and after consideration of cash collaterals. The same treatment is applied for the off-balance sheet items which shall be adjusted to reflect the contingent nature of and potential loss on these amounts.

Capital adequacy Standard had been prepared based on Basel II requirements, and Central Bank of Egypt Board of Directors had approved in its meeting held on December 18, 2012, which had been issued on December 24, 2012 and in accordance with the instructions of the Central Bank of Egypt for the capital adequacy ratio (Basel II) issued during May 2019.

The tables below summarize the compositions of Tier 1, Tier 2 and the capital adequacy ratio based on Basel II:

According to Basel II	December 31, 2019	December 31, 2018 Restated**
Tier 1 capital		
Share capital	9,794,649,850	9,794,649,850
General reserve	13,417,823,247	13,417,823,247
Legal reserve	1,633,301,744	1,633,301,744
Other reserves	18,489,519	18,489,519
Retained earnings	889,215,786	851,845,334
Interim profit	8,452,184,008	-
General risk reserve	21,453,923	1,282,925,633
Other comprehensive income	524,328,450	-
Total deductions from capital invested	(642,605,412)	(1,256,954,629)
Total tier 1 capital	34,108,841,115	25,742,080,698
Tier 2 capital		
45% from special reserve	16,761,150	8,643,920
Impairment provision for loans, debt instruments and contingent liabilities in stage one*	1,596,969,858	1,867,843,793
45 % of the increase in the fair value above the carrying amount of fair value through other comprehensive income, Debt instruments amortized cost, and investments in associates.	-	11,884,294
Total tier 2 capital	1,613,731,008	1,888,372,007
Total capital	35,722,572,123	27,630,452,705
Risk weighted assets and contingent liabilities:		
Credit Risk	152,904,242,645	149,459,663,358
Market Risk	9,060,800	12,090,730
Operational Risk	20,037,457,036	15,763,715,389
Total risk weighted assets and contingent liabilities	172,950,760,481	165,235,469,477
Capital adequacy ratio for Tier 1	19.72%	15.58%
Capital adequacy ratio	20.65%	16.72%

* Provided it does not exceed 1.25% from total value of risk weighted assets and contingent liabilities.

** After 2018 profit distribution.

- Based on Consolidated financial statement after the disposal of insurance activity.

Leverage financial ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on July 7, 2015 on special supervisory instructions related to leverage ratio which maintaining a minimum level of leverage ratio of 3% to be reported in quarterly basis to be obligatory ratio started from year 2018.

This ratio will be included in Basel requirement Tier1 in order to maintain Egyptian Banking system strong and safe, as long to keep up with best international regulatory treatments.

Leverage financial ratio reflect relationship between Tier 1 for capital that is used in capital adequacy ratio (after exclusions) and other assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

Ratio Elements

I- The numerator elements

The numerator consists of Tier 1 for capital that is used in capital adequacy ratio (after exclusions) in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE).

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II- The denominator elements

The denominator consists of all bank assets (on balance sheet and off-balance sheet) according to financial statements called "Bank exposures" which include total the following:

- 1- On balance sheet items after deducting some of Tier I Exclusions for capital base;
- 2- Derivatives contracts exposures;
- 3- Financing Financial papers operations exposures;
- 4- Off-balance sheet items (weighted by credit conversion factor).

The tables below summarizes the leverage financial ratio:

	December 31, 2019	December 31, 2018 Restated*
Tier 1 capital after exclusions	34,108,841,115	25,742,080,698
Total on-balance sheet exposures, derivatives contracts and financial papers operations.	271,343,121,990	258,478,214,484
Total exposures off-balance sheet	30,628,941,430	27,378,852,628
Total exposures on-balance sheet and off-balance sheet	301,972,063,420	285,857,067,112
Leverage financial ratio	11.30%	9.01%

* After 2018 profit distribution.

- Based on Consolidated financial statements after the disposal of insurance activity.

4- Significant accounting estimates and assumptions :

In the application of the bank's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

a. Impairment of Loans and credit facilities (Expected Credit Loss)

The Bank reviews its Loans and credit facilities portfolio, at least, on a quarterly basis. Management uses its discretionary judgment in determining whether it is necessary to recognize impairment loss in the income statement. This requires it to identify any reliable evidence indicating measurable decline in the expected future cash flows from loan portfolio before identifying any decline for each individual loan.

This evidence includes data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default. On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having similar credit risks. Such experience refers to impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on management given experience.

b. Fair value of derivatives

Fair value of derivative financial instruments not quoted in an active market is determined using valuation techniques. When these techniques (such as the pricing models) are used to determine fair value, periodic tests and review are performed on them using competent independent personnel other than those responsible for the preparation of such techniques. All such models have been approved and tested prior to use to ensure that their results reflect reliable data and prices that can be compared to the market. These models use market observable data only to the extent it is practical to obtain such data, however, some areas such as credit risk related to the bank and counterparties, volatility and correlations requires management judgement. Changes in assumptions about these factors can affect the fair value of the financial instrument's disclosure.

c. Debt instrument at amortized cost:

Non-derivative financial assets with fixed or determinable payments and maturity dates are classified as debt instruments at amortized cost "within the business model of financial assets held to collect contractual cash flows".

If classification of investments as amortized cost – other than stakes required to be retained by the Group in accordance with the provisions of the law – were suspended by the bank, the carrying amount of the outstanding amortized cost investments at the end of the current reporting year would have increased by EGP 2,293,105,651 to reach the fair value with a corresponding increase in the fair value through other comprehensive income.

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5- Segmentation analysis
(5/A) Segmental analysis by activity

Segment activity includes operational processes, assets used in offering banking services, management of surrounding risks and related yield. Such activity may be different from other activities. Segmentation analysis of operations according to banking activities includes:

Corporate: This includes current account activities, deposits, overdrafts, loans, credit facilities, and financial derivatives to large, medium, and small entities.

Individuals: This includes current account activities, deposits, savings, credit cards, personal loans, and real estate loans.

Other businesses: They include other Banking activities such as fund management and insurance activity.

Inter-segment activities are affected within the bank's normal course of business. Assets and liabilities of each segment include operating assets and liabilities as shown in the bank's balance sheet.

At the end of the current year

Income and expenses according to segmental activities

	Corporate	Investments	Individuals	Other businesses	Total
(December 31, 2019)					
Net interest income	5,781,248,347	861,115,590	3,644,514,448	3,466,074,797	13,752,953,182
Net fee and commission income	1,319,036,335	8,273,246	627,674,351	16,789,687	1,971,773,619
Dividend income	-	49,611,913	-	-	49,611,913
Net trading income	294,664,031	-	24,639,937	(199,555,814)	119,748,154
Gain on financial investments	-	6,652,342	-	-	6,652,342
Impairment credit losses	(604,092,200)	7,258,344	(109,551,786)	9,225,961	(697,159,681)
Administrative expenses	(1,450,787,203)	(3,225,291)	(2,069,482,588)	17,763,860	(3,505,731,222)
Other operating revenues (expenses)	295,142,612	46,838,956	(188,049,821)	(408,436,708)	(254,504,961)
Share of profits of associates	-	375,949	-	-	375,949
Profit before income tax	5,635,211,922	976,901,049	1,929,744,541	2,901,861,783	11,443,719,295
Income tax expense	(1,268,806,654)	(235,051,031)	(434,396,517)	(983,369,366)	(2,921,623,568)
Net profit for the current year	4,366,405,268	741,850,018	1,495,348,024	1,918,492,417	8,522,095,727

Assets and liabilities according to segmental activities

	Corporate	Investments	Individuals	Other businesses	Total
(December 31, 2019)					
Segment activity assets	130,353,672,064	88,684,268,099	26,131,654,532	17,650,662,764	262,820,257,459
Unclassified assets	-	-	-	-	10,193,544,538
Total assets	130,353,672,064	88,684,268,099	26,131,654,532	17,650,662,764	273,013,801,997
Segment activity liabilities	105,796,404,060	-	103,868,062,330	22,753,136,343	232,417,602,733
Unclassified liabilities	-	-	-	-	5,293,161,424
Total liabilities	105,796,404,060	-	103,868,062,330	22,753,136,343	237,710,764,157

At the end of comparative year

Income and expenses according to segmental activities

	Corporate	Investments	Individuals	Other businesses	Total
(December 31, 2018)					
Net interest income	5,118,234,138	730,588,297	3,027,992,851	2,213,144,644	11,089,959,930
Net fee and commission income	1,426,418,587	9,732,149	542,836,152	(23,332,818)	1,955,654,070
Dividend income	-	25,477,281	-	-	25,477,281
Net trading income	256,759,268	-	15,345,295	(222,239,131)	49,865,432
Gain on financial investments	-	63,095,667	-	-	63,095,667
Impairment credit losses	(508,123,082)	-	(22,167,276)	-	(530,290,358)
Administrative expenses	(1,251,309,246)	(2,568,815)	(1,784,861,234)	63,621,439	(2,975,117,856)
Other operating revenues (expenses)	216,418,794	19,885,658	(159,317,897)	60,590,122	137,576,677
Share of profits of associates	-	84,150	-	-	84,150
Profit before income tax	5,258,398,459	846,294,387	1,619,827,891	2,091,784,256	9,816,304,993
Income tax expense	(1,188,222,128)	(194,669,373)	(358,896,848)	(873,965,104)	(2,615,753,453)
Net profit for the comparative year	4,070,176,331	651,625,014	1,260,931,043	1,217,819,152	7,200,551,540

At the end of comparative year

Assets and liabilities according to segmental activities

	Corporate	Investments	Individuals	Other businesses	Total
(December 31, 2018)					
Segment activity assets	118,974,674,882	88,231,652,017	21,346,000,379	19,526,009,175	248,078,336,453
Unclassified assets	-	-	-	-	10,408,617,910
Total assets	118,974,674,882	88,231,652,017	21,346,000,379	19,526,009,175	258,486,954,363
Segment activity liabilities	113,997,941,832	-	94,582,833,342	16,713,307,072	225,294,082,246
Unclassified liabilities	-	-	-	-	4,539,395,248
Total liabilities	113,997,941,832	-	94,582,833,342	16,713,307,072	229,833,477,494

(5/B) Segmental analysis by geographic area

At the end of current year

Income and expenses according to geographical segments (December 31, 2019)

	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Net interest income	3,050,164,247	1,814,929,505	2,191,844,045	1,133,429,744	977,656,850	447,593,973	4,137,334,818	13,752,953,182
Net fee and commission income	448,908,969	265,187,019	408,092,468	173,627,934	172,802,867	95,767,737	407,386,625	1,971,773,619
Dividend income	-	-	-	-	-	-	49,611,913	49,611,913
Net trading income	172,971,377	34,791,887	70,779,279	38,818,590	63,553,047	10,286,016	(271,452,042)	119,748,154
Gain on financial investments	21,188	-	-	-	-	-	6,631,154	6,652,342
Impairment credit losses	(184,591,891)	(24,140,053)	(136,497,751)	(232,062,411)	(124,742,991)	(11,628,585)	16,504,001	(697,159,681)
Administrative expenses	(1,011,571,563)	(691,169,212)	(789,220,069)	(433,769,798)	(429,548,965)	(205,816,693)	55,365,078	(3,505,731,222)
Other operating revenues (expenses)	231,017,740	(100,064,517)	(39,695,782)	(35,839,314)	(40,824,893)	(34,127,564)	(234,970,631)	(254,504,961)
Share of profits of associates	-	-	-	-	-	-	375,949	375,949
Profit before income tax	2,706,920,067	1,299,534,629	1,705,302,190	644,204,745	618,895,915	302,074,884	4,166,786,865	11,443,719,295
Income tax expense	(596,211,119)	(292,474,152)	(383,790,426)	(145,069,165)	(139,349,578)	(67,977,368)	(1,296,751,760)	(2,921,623,568)
Net profit for the current year	2,110,708,948	1,007,060,477	1,321,511,764	499,135,580	479,546,337	234,097,516	2,870,035,105	8,522,095,727

Assets and liabilities according to geographical segments (December 31, 2019)

	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Assets of geographical segments	57,001,701,979	31,523,028,761	35,052,949,910	17,702,947,372	16,056,976,028	5,763,277,378	109,574,351,471	272,675,232,899
Unclassified assets	-	-	-	-	-	-	-	338,569,098
Total assets	57,001,701,979	31,523,028,761	35,052,949,910	17,702,947,372	16,056,976,028	5,763,277,378	109,574,351,471	273,013,801,997
Liabilities of geographical segments	58,402,222,967	59,448,714,617	47,270,907,784	28,086,535,998	14,931,135,008	5,568,749,741	21,677,428,638	235,385,694,753
Unclassified liabilities	-	-	-	-	-	-	-	2,325,069,404
Total liabilities	58,402,222,967	59,448,714,617	47,270,907,784	28,086,535,998	14,931,135,008	5,568,749,741	21,677,428,638	237,710,764,157

At the end of comparative year

Income and expenses according to geographical segments (December 31, 2018)

	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Net interest income	2,406,005,596	1,751,096,751	1,906,978,567	1,001,050,198	869,155,240	380,092,364	2,775,581,214	11,089,959,930
Net fee and commission income	418,506,691	330,518,780	428,984,440	171,085,818	164,215,891	86,484,609	355,857,841	1,955,654,070
Dividend income	-	-	-	-	-	-	25,477,281	25,477,281
Net trading income	158,078,138	41,185,661	66,061,490	28,023,211	62,669,166	11,658,496	(317,810,730)	49,865,432
Gain on financial investments	2,363	-	-	-	-	-	63,093,304	63,095,667
Impairment credit losses	(266,076,940)	(22,711,808)	90,218,736	(199,704,020)	(163,554,525)	31,538,199	-	(530,290,358)
Administrative expenses	(798,936,502)	(674,646,473)	(682,551,498)	(399,650,408)	(338,998,858)	(172,484,656)	92,150,539	(2,975,117,856)
Other operating revenues (expenses)	230,687,238	(64,800,846)	(75,038,793)	(33,369,797)	(35,534,997)	(8,775,808)	124,409,680	137,576,677
Share of profits of associates	-	-	-	-	-	-	84,150	84,150
Profit before income tax	2,148,266,584	1,360,642,065	1,734,652,942	567,435,002	557,951,917	328,513,204	3,118,843,279	9,816,304,993
Income tax expense	(497,546,756)	(304,189,297)	(388,535,097)	(126,601,393)	(124,658,061)	(73,378,099)	(1,100,844,750)	(2,615,753,453)
Net profit for the comparative year	1,650,719,828	1,056,452,768	1,346,117,845	440,833,609	433,293,856	255,135,105	2,017,998,529	7,200,551,540

At the end of comparative year

Assets and liabilities according to geographical segments (December 31, 2018)

	Cairo	East Cairo	Giza	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Assets of geographical segments	46,697,890,576	31,799,002,865	31,193,114,939	16,739,607,743	14,421,256,129	5,312,786,892	111,926,076,885	258,089,736,029
Unclassified assets	-	-	-	-	-	-	-	397,218,334
Total assets	46,697,890,576	31,799,002,865	31,193,114,939	16,739,607,743	14,421,256,129	5,312,786,892	111,926,076,885	258,486,954,363
Liabilities of geographical segments	61,704,370,340	56,187,741,077	47,498,284,305	28,176,650,844	13,819,814,569	5,149,284,943	15,464,909,766	228,001,055,844
Unclassified liabilities	-	-	-	-	-	-	-	1,832,421,650
Total liabilities	61,704,370,340	56,187,741,077	47,498,284,305	28,176,650,844	13,819,814,569	5,149,284,943	15,464,909,766	229,833,477,494

Geographical Segmental analysis is based on the locations of branches through which the bank provides its services.

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	December 31, 2019	December 31, 2018
6- Net interest income		
Interest from loans and similar income:		
Loans and credit facilities:		
- Customers	19,557,349,707	17,193,204,167
Total	19,557,349,707	17,193,204,167
Treasury bills and bonds	11,879,104,501	12,503,346,781
Deposits and current accounts	928,610,714	895,655,699
Net interest differential on hedging instruments (IRS contracts)	7,469,526	4,224,417
Total	32,372,534,448	30,596,431,064
Cost of deposits and similar expense :		
Deposits and current accounts:		
- Banks	(365,100,542)	(655,266,567)
- Customers	(17,983,161,729)	(18,500,031,524)
Total	(18,348,262,271)	(19,155,298,091)
Repo arrangements	(51,471,289)	(112,500,521)
Other loans	(219,847,706)	(238,672,522)
Total	(18,619,581,266)	(19,506,471,134)
Net	13,752,953,182	11,089,959,930
7- Net fee and commission income:		
December 31, 2019	December 31, 2018	
Fee and commission income :		
Credit fees and commission	1,543,432,252	1,561,161,223
Custody fees	29,263,782	31,130,262
Investment commission	18,947,896	13,104,606
Other fees	882,079,600	741,854,771
Total	2,473,723,530	2,347,250,862
Fee and commission expense:		
Brokerage fees	(4,816,874)	(4,108,895)
Other fees	(497,133,037)	(387,487,897)
Total	(501,949,911)	(391,596,792)
Net	1,971,773,619	1,955,654,070
8- Dividend income		
December 31, 2019	December 31, 2018	
Investment funds	-	500,000
Equity instruments at fair value through other comprehensive income	49,611,913	24,977,281
Total	49,611,913	25,477,281
9- Net trading income:		
December 31, 2019	December 31, 2018	
Forex operations:		
Foreign exchange trading gains (loss)	155,259,419	33,858,470
Investment funds held for trading	7,961,578	9,701,988
Changes in fair value of currency forward contracts	(32,132,645)	2,672,021
Changes in fair value of currency swap contracts	(12,473,238)	3,662,219
Changes in fair value IRS contracts	1,133,040	(29,266)
Total	119,748,154	49,865,432
10- Administrative expenses		
December 31, 2019	December 31, 2018	
Staff cost:		
Salaries and wages	1,480,565,332	1,242,249,059
Social insurance	106,155,140	66,100,080
Pension cost:		
Defined contribution scheme	89,043,720	78,945,985
Other retirement benefits (Defined benefit scheme)	66,879,618	93,539,843
Total	1,742,643,810	1,480,834,967
Depreciation and amortization	289,911,992	244,469,515
Other administrative expenses	1,473,175,420	1,249,813,374
Total	3,505,731,222	2,975,117,856

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11- Other operating revenues (expenses)	December 31, 2019	December 31, 2018
Foreign exchange differences from translation of foreign currency monetary assets and liabilities other than held for trading items and those classified as at fair value through profit or loss at initial recognition	(451,249,074)	44,061,041
Gain on sale of property and equipment	2,895,344	6,434,554
Software cost	(159,676,576)	(138,633,994)
Operating lease rental expense	(124,395,096)	(99,654,607)
Gain on sale of foreclosed assets reverted to the bank in settlement of debts	736,748	12,404,761
Other provisions (net of reversed amounts)	77,414,349	(3,057,571)
Finance leases revenue, net	399,918,035	364,336,877
Other leasing revenues	38,767,979	25,574,924
Impairment loss on leased assets	(25,953,904)	(59,290,997)
Net return received from insurance activity*	(31,732,438)	(34,555,189)
Other income (expense)	18,769,672	19,956,878
Total	(254,504,961)	137,576,677

* The following table summarise the net return received from insurance activity:	December 31, 2019	December 31, 2018
Direct premium	704,546,534	573,385,330
Re-insurance premium ceded	(38,354,618)	(45,022,383)
Technical reserve during the year	(523,129,273)	(426,437,706)
Outgoing re-insurance commissions	852,991	1,964,800
Other revenues	14,650,450	16,169,965
Claims paid	(201,335,652)	(161,656,356)
Re-insurance pay-back claim	26,894,901	25,000,952
Change in Provision for Outstanding Claims Balance	(5,359,161)	(6,396,341)
Impairment on receivable arising from insurance contracts	(10,498,610)	(11,563,450)
Total	(31,732,438)	(34,555,189)

12- Impairment credit losses	December 31, 2019	December 31, 2018
Loans and credit facilities to customers	(713,643,986)	(530,290,358)
Due from banks	9,957,883	-
Treasury bills	16,109,817	-
Debt instruments at fair value through other comprehensive income	29,494	-
Debt instruments at amortized cost	(8,880,967)	-
Other assets	(731,922)	-
Total	(697,159,681)	(530,290,358)

13- Income tax expense	December 31, 2019	December 31, 2018
Current tax	(2,911,322,966)	(2,617,039,565)
Deferred tax	(10,300,602)	1,286,112
Total	(2,921,623,568)	(2,615,753,453)

Additional data on deferred tax is disclosed in note (33). Income tax expense is different from the tax that would have arisen had the statutory tax rate been applied on pre-tax accounting profit as shown below:

Profit before tax	11,443,719,295	9,816,304,993
Income tax calculated at 22.5 % tax rate	2,574,836,841	2,208,668,623
Tax impact for:		
Non-taxable income	(34,260,891)	(27,096,425)
Non-deductible expenses for tax purposes	330,500,975	371,977,569
Use of deferred tax assets	(24,780,803)	(14,001,329)
Prior-years' tax settlements	27,029,507	29,675,916
Provision and segregated interest	28,055,524	45,334,892
Tax deductible (10% on dividend income)	9,941,813	2,480,319
Effective income tax expense	2,911,322,966	2,617,039,565

Tax Position

A) QNB ALAHLI Position:

A-1) Corporate Tax

- The Bank's accounts were tax-inspected and settled with respect to tax since the beginning of activity till the end of December 31, 2010.
- Years 2011 and 2012 transferred to court.
- Years 2013 till 2017 have been inspected, and the due tax was paid.
- Year 2018 the Bank submitted its tax return in the due date and books have not been inspected yet.

A-2) Salaries Taxes

- The Bank's books have been inspected, and the due tax was paid until year 2016.
- Years 2017 Under inspection from the tax authority.
- Year 2018 the Bank submitted its tax return in the due date and books have not been inspected yet.

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A-3) Stamp duties

- The Bank's books have been inspected, for all branches until July 31, 2006 and all tax was paid.
- Period from August 01, 2006 till December 31, 2017 have been inspected, and the due tax was paid.
- Year 2018 the Bank submitted its tax return in the due date and books have not been inspected yet.

(B) EX-MIBank Position:

B-1) Corporate Tax

- The Bank's accounts were tax- inspected, and settled since the beginning of activity till November 30, 2006.

B-2) Salaries Taxes

- The Bank's books have been inspected, and the due tax was paid till November 30, 2006.

B-3) Stamp duties

- The Bank's books have been inspected for all branches until July 31, 2006 and all due tax was paid.
- Period from August 01, 2006 till November 30, 2006 have been inspected, and the due tax was paid.

(C) QNB ALAHLI Leasing Position (subsidiary company):

C-1) Corporate Tax

- Years from start of activity inception until 2016, the Company was tax inspected and the tax assessment was carried out and the payment thereof was made.
- Year 2017 and 2018, the company submitted its tax return on the due date and the books have not been inspected yet.

C-2) Salary tax

- Years from the start of activity inception until December 31, 2016, the Company was tax inspected and the tax assessment was carried out and the payment thereof was made.
- Years from 2017 to 2018, no tax inspection has been carried out up till date.

C-3) Stamp duties

- Years from activity inception until 2017, the Company was tax inspected and the tax assessment was carried out and the payment thereof was made.
- Year 2018, no tax inspection has been carried out up till date.

(D) QNB ALAHLI Factoring Company Position (subsidiary company):

D-1) Corporate Tax

- The Company is subject to income tax law No. 91 of 2005 and its executive statute and law No. 44 of 2014.
- Years 2012 till 2016, the Company submitted the tax returns on the due date and this periods under inspection by tax authority.
- Year 2017 and 2018, the company submitted the tax returns on the due date.

D-2) Salary tax

- The Company is not abided by deducting and delivering salary taxes, as the company's employees are seconded by QNB ALAHLI (Major Shareholder).

C-3) Stamp duties

- The Company is subject to stamp duty tax law No. 111 of 1980 and amended by law 143 of period 2006 and the company not have been inspected till now.

D-3) Withholding tax

- The Company is committed to withholding tax and delivering it to tax authority on due dates.

(E) QNB ALAHLI Life Insurance Company Position (subsidiary company):

E-1) Corporate Tax

- The Company has received deemed tax claim from inception till 30 June 2005. The company objected the deemed tax at the due date and transferred to appeal committee.
- Years from 1 July 2005 to 30 June 2008, no tax inspection has taken place.
- Years from 1 July 2008 to 30 June 2012, the tax authority inspection and settlement took place and the final settlement have been made.
- Years from 1 July 2012 to 30 June 2017, the company submitted its tax return and under inspection by tax authority.
- Years from 1 July 2017 to 30 June 2018, the company submitted its tax return on the due dates.

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E-2) Salary tax

- The tax authority inspection and settlement took place for the period since inception till 2010.
- Years from 2011 up to 30 June 2012, the tax authority inspection took place and the company objected the results in the due dates for the periods and internal committee approved to pay the due tax.
- Years from 2013 up to June 2017, the company deduct tax dues from employee's salaries, it was inspected from the tax authority and they required further analysis and documents and it was inspected and waiting to inspection results.

E-3) Stamp duties

- The Company's accounts were tax-inspected and settled with respect to Tax since the beginning of activity till June 2017.
- Years from 01 July 2017 up to 30 June 2019 under inspection.

(F) QNB ALAHLI Asset Management Egypt Company Position (subsidiary company):

F-1) Corporate Tax

- Years from 2002 till 2004, the Company has been inspected, and the due tax was paid for some items and remaining items have been transferred to the internal committee.
- Years from 2005 till 2006 have been transferred to the internal committee.
- Years from 2007 till 2010, the Company have been inspected, and the due tax was paid for some items and remaining items have been transferred to the internal committee.
- Years from 2011 till 2014, prepare to inspection.
- Years 2015 till 2018, the Company submitted its tax return in the due date and the books have not been inspected yet.

F-2) Salaries Taxes

- periods from 2002 till 2004, the tax inspection was took place and internal committee was agreed and tax claim was paid.
- periods from 2005 till 2014 were inspected and finalized with no tax due.

F-3) Stamp duty tax:

- Years from 2002 till 2010 have been inspected, and the due tax was paid.
- Years from 2011 till 2016 have been inspected and the company objected the results within the legal periods.
- Years 2017 till 2018, the Company submitted its tax return in the due date and the books have not been inspected yet.

14- Earnings per share

	December 31, 2019	December 31, 2018
Net profit for the year**	8,321,530,798	6,917,503,916
Remuneration for the Board Members (from the year's net profit)*	(16,000,000)	(13,781,250)
Staff profit share (from the year's net profit)*	(832,962,180)	(691,726,139)
Profit available to shareholders	7,472,568,618	6,211,996,527
Weighted average number of the shares outstanding during the year	979,464,985	979,464,985
Earning Per Share	7.63	6.34

* Estimate amount based on bank approved budget. The actual amount will be subject to the ordinary AGM approval at the end year.

** Based on separate financial statements.

15- Classification and measurement of financial assets and financial liabilities

The following table shows the gross financial assets and financial liabilities (excluding allowances for impairment) according to the business model classification:

December 31, 2019	Amortized cost	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial instruments at fair value through profit or loss	Total Carrying amount
Cash and due from Central Bank of Egypt (CBE)	12,012,836,152	-	-	-	12,012,836,152
Due from banks	8,473,376,520	-	-	-	8,473,376,520
Treasury bills	46,208,956,979	-	-	-	46,208,956,979
Trading investments	-	-	-	84,301,673	84,301,673
Loans and credit facilities to customers	160,984,208,779	-	-	-	160,984,208,779
Financial derivatives	-	-	-	83,458,859	83,458,859
Fair value through other comprehensive income	-	1,635,837,477	828,050,652	-	2,463,888,129
Amortized cost	40,951,128,217	-	-	-	40,951,128,217
Fair value through profit or loss	-	-	-	61,694,866	61,694,866
Other financial assets	2,523,317,127	-	-	-	2,523,317,127
Total financial assets	271,153,823,774	1,635,837,477	828,050,652	229,455,398	273,847,167,301
Due to banks	16,030,665,382	-	-	-	16,030,665,382
Customer deposits	208,126,587,681	-	-	-	208,126,587,681
Financial derivatives	-	-	-	45,851,553	45,851,553
Other loans	5,625,017,188	-	-	-	5,625,017,188
Other financial liabilities	963,170,789	-	-	-	963,170,789
Total financial liabilities	230,745,441,040	-	-	45,851,553	230,791,292,593

The following table shows the net amounts of financial assets and financial liabilities according to CBE instruction dated December 16, 2008 and IFRS 9 that was issued from CBE instructions dated February 26, 2019:

January 1, 2019	Measurement according to CBE instruction dated December 16, 2008	Measurement according to IFRS 9	Carrying amount according to CBE instruction dated December 16, 2008	Re-classification* Effect of IFRS 9	Re-measurement* Effect of IFRS 9	Total Carrying amount according to IFRS 9
Cash and due from Central Bank of Egypt (CBE)	Loans and facilities	Amortized cost	11,750,952,820	-	-	11,750,952,820
Due from banks	Loans and facilities	Amortized cost	11,522,654,240	-	(19,083,244)	11,503,570,996
Treasury bills	Loans and facilities	Amortized cost	48,144,648,964	1,226,703,061	(30,548,616)	49,340,803,409
Trading investments	Financial assets held for trading	Held for trading	76,808,191	-	-	76,808,191
Loans and credit facilities to customers	Loans and facilities	Amortized cost	137,965,061,824	-	(1,202,671,188)	136,762,390,636
Financial derivatives	Fair value through profit or loss	Fair value through profit or loss	3,796,045	-	-	3,796,045
Debt instruments	Held to maturity	Amortized cost	37,538,005,839	705,575,652	(4,619,649)	38,238,961,842
Debt instruments	Available-for-sale	Fair value through other comprehensive income	2,024,527,686	-	-	2,024,527,686
Equity instruments	Available-for-sale	Fair value through other comprehensive income	230,469,424	602,618,586	-	833,088,010
Investment Funds	Available-for-sale	Fair value through profit or loss	45,449,175	-	-	45,449,175
Investment Funds	Cost	Fair value through other comprehensive income	15,000,000	23,270,655	-	38,270,655
Other financial assets	Amortized cost	Amortized cost	2,403,976,471	-	(3,416,761)	2,400,559,710
Total financial assets			251,721,350,679	2,558,167,954	(1,260,339,458)	253,019,179,175
Due to banks	Amortized cost	Amortized cost	11,481,076,209	1,226,703,061	-	12,707,779,270
Customer deposits	Amortized cost	Amortized cost	205,285,519,783	-	-	205,285,519,783
Financial derivatives	Fair value through profit or loss	Fair value through profit or loss	1,245,670	-	-	1,245,670
Other loans	Amortized cost	Amortized cost	5,238,545,028	-	-	5,238,545,028
Other financial liabilities	Amortized cost	Amortized cost	1,322,347,593	-	-	1,322,347,593
Total financial liabilities			223,328,734,283	1,226,703,061	-	224,555,437,344

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

16- Cash and due from Central Bank of Egypt (CBE)	December 31, 2019	December 31, 2018
Cash	3,956,404,795	4,810,763,221
Balances with CBE (mandatory reserve)	8,056,431,357	6,940,189,599
Total	12,012,836,152	11,750,952,820
Interest free balances	12,012,836,152	11,750,952,820
Total	12,012,836,152	11,750,952,820
17- Due from Banks	December 31, 2019	December 31, 2018
Current accounts	767,613,975	775,303,876
Deposits	7,705,762,545	10,747,350,364
	8,473,376,520	11,522,654,240
Less : Allowance for impairment losses	(9,125,361)	-
Total	8,464,251,159	11,522,654,240
Balances at CBE other than those under the mandatory reserve	5,078,070,791	4,546,120,181
Local banks	2,270,586,815	5,775,296,281
Foreign Banks	1,124,718,914	1,201,237,778
Less : Allowance for impairment losses	(9,125,361)	-
Total	8,464,251,159	11,522,654,240
Interest free balances	638,653,608	493,568,846
Balances at floating interest rates	235,660,367	281,735,030
Balances at fixed interest rates	7,599,062,545	10,747,350,364
Less : Allowance for impairment losses	(9,125,361)	-
Total	8,464,251,159	11,522,654,240
Current balances	6,946,031,159	10,582,654,240
Non-current balances	1,518,220,000	940,000,000
Total	8,464,251,159	11,522,654,240
18- Treasury bills	December 31, 2019	December 31, 2018
91 days maturity	749,050,000	2,743,975,000
182 days maturity	5,040,225,000	10,136,700,000
More than 182 days maturity	43,359,678,100	39,161,663,320
Less : Unearned interest	(2,939,996,121)	(2,670,986,295)
	46,208,956,979	49,371,352,025
Less : Allowance for impairment losses	(14,438,799)	-
Total	46,194,518,180	49,371,352,025
19- Trading investments	December 31, 2019	December 31, 2018
Mutual Fund certificates	84,301,673	76,808,191
Total	84,301,673	76,808,191

20- Loans and credit facilities to customers

	December 31, 2019			December 31, 2018		
	Total	Allowance for impairment losses	Net	Total	Allowance for impairment losses	Net
Individuals						
Overdrafts	3,500,083,111	(66,256,164)	3,433,826,947	2,709,089,554	(57,314,838)	2,651,774,716
Credit cards	994,594,773	(19,091,483)	975,503,290	780,771,323	(10,097,735)	770,673,588
Personal loans	20,299,816,747	(320,411,469)	19,979,405,278	16,842,957,877	(269,917,078)	16,573,040,799
Real estate loans	1,769,730,066	(26,688,861)	1,743,041,205	1,364,731,959	(14,098,495)	1,350,633,464
Total (1)	26,564,224,697	(432,447,977)	26,131,776,720	21,697,550,713	(351,428,146)	21,346,122,567
Corporate including small loans for businesses						
Overdrafts	63,928,487,636	(1,620,028,139)	62,308,459,497	56,468,593,623	(1,311,185,436)	55,157,408,187
Direct loans	45,781,366,008	(4,580,967,655)	41,200,398,353	39,778,805,262	(3,124,058,279)	36,654,746,983
Syndicated loans and facilities	19,679,400,546	(567,440,941)	19,111,959,605	21,037,425,327	(817,752,554)	20,219,672,773
Other loans	5,030,729,892	(118,670,919)	4,912,058,973	4,929,776,398	(150,936,849)	4,778,839,549
Total (2)	134,419,984,082	(6,887,107,654)	127,532,876,428	122,214,600,610	(5,403,933,118)	116,810,667,492
Total loans and credit facilities to customers (1+2)	160,984,208,779	(7,319,555,631)	153,664,653,148	143,912,151,323	(5,755,361,264)	138,156,790,059
Less: Segregated interest			(5,850,387)			(5,985,581)
Less: Unearned discount			(131,610,742)			(185,742,654)
Net Loans and credit facilities to customers distributed as follows:			153,527,192,019			137,965,061,824
Current balances			110,620,728,243			99,383,422,654
Non-current balances			42,906,463,776			38,581,639,170
Net Loans and credit facilities to customers			153,527,192,019			137,965,061,824

20-A Allowance for impairment losses

Individuals	December 31, 2019				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at beginning of the year	57,314,838	10,097,735	269,917,078	14,098,495	351,428,146
Impact of adopting IFRS 9	30,720,193	3,513,548	91,105,836	4,806,754	130,146,331
Restated Balance at 1 January 2019	88,035,031	13,611,283	361,022,914	18,905,249	481,574,477
Net impairment loss recognized during the year	41,572,014	16,258,539	40,782,604	10,938,629	109,551,786
Loans written-off during the year	(63,350,881)	(10,778,339)	(88,761,510)	(3,155,017)	(166,045,747)
Collection of loans previously written-off	-	-	7,395,869	-	7,395,869
Foreign exchange translation differences	-	-	(28,408)	-	(28,408)
Balance at end of the year	66,256,164	19,091,483	320,411,469	26,688,861	432,447,977
Corporate					
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Balance at beginning of the year	1,311,185,436	3,124,058,279	817,752,554	150,936,849	5,403,933,118
Impact of adopting IFRS 9	602,021,049	470,503,808	-	-	1,072,524,857
Restated Balance at 1 January 2019	1,913,206,485	3,594,562,087	817,752,554	150,936,849	6,476,457,975
Net impairment loss recognized during the year	(257,824,867)	1,119,986,454	(228,262,559)	(29,806,828)	604,092,200
Loans written-off during the year	-	(67,406,595)	-	(752,536)	(68,159,131)
Collection of loans previously written-off	-	18,059,660	-	-	18,059,660
Foreign exchange translation differences	(35,353,479)	(84,233,951)	(22,049,054)	(1,706,566)	(143,343,050)
Balance at end of the year	1,620,028,139	4,580,967,655	567,440,941	118,670,919	6,887,107,654
Total					7,319,555,631
December 31, 2018					
Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at beginning of the year	54,581,456	15,266,943	245,775,629	14,188,349	329,812,377
Net impairment loss recognized during the year	2,733,382	3,420,614	16,103,134	(89,854)	22,167,276
Loans written-off during the year	-	(8,589,822)	(5,886,299)	-	(14,476,121)
Collection of loans previously written-off	-	-	13,921,793	-	13,921,793
Foreign exchange translation differences	-	-	2,821	-	2,821
Balance at end of the year	57,314,838	10,097,735	269,917,078	14,098,495	351,428,146
Corporate					
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Balance at beginning of the year	1,345,030,744	2,944,824,498	543,886,745	164,602,847	4,998,344,834
Net impairment loss recognized during the year	(34,974,750)	282,681,419	273,409,100	(12,992,687)	508,123,082
Loans written-off during the year	-	(136,639,548)	-	(746,134)	(137,385,682)
Collection of loans previously written-off	-	30,719,099	-	-	30,719,099
Foreign exchange translation differences	1,129,442	2,472,811	456,709	72,823	4,131,785
Balance at end of the year	1,311,185,436	3,124,058,279	817,752,554	150,936,849	5,403,933,118
Total					5,755,361,264

21- Financial derivatives

December 31, 2019			
	Notional amount	Assets	Liabilities
(A) Held for trading			
- Forward foreign exchange contracts	1,952,471,855	-	48,790,843
- Swap foreign exchange contracts	1,125,631,413	-	(2,939,290)
Total	3,078,103,268	-	45,851,553
(B) Fair value hedge			
- Interest rate swap contracts	5,055,077,688	83,458,859	-
Total	5,055,077,688	83,458,859	-
Total	8,133,180,956	83,458,859	45,851,553
December 31, 2018			
	Notional amount	Assets	Liabilities
(A) Held for trading			
- Forward foreign exchange contracts	1,559,595,700	-	16,658,198
- Swap foreign exchange contracts	4,117,182,018	-	(15,412,528)
Total	5,676,777,718	-	1,245,670
(B) Fair value hedge			
- Interest rate swaps contracts	3,490,912,800	3,796,045	-
Total	3,490,912,800	3,796,045	-
Total	9,167,690,518	3,796,045	1,245,670

Forward exchange contracts represent commitments to purchase local and foreign currencies including the unexecuted part of regular-way transactions. Interest rate swap contracts represent commitments to swap fixed interest rate with variable interest rate where the physical exchange of funds is not required except in foreign exchange swaps. The Bank's credit risk represents the cost of potential replacement of the swaps in case other parties fail to meet their obligations. This risk is controlled on an ongoing basis in terms of fair value and percentage of contracted amounts. To control the outstanding credit risk, the Bank assesses counterparties to the contract in the same manner used in lending activities.

- **Fair value hedge**

The Bank uses interest rate swap contracts to mitigate part of the risk of potential increase in fair value of its fixed rate customer deposits in foreign currencies to the extent caused by declining market interest rates.

Net fair value of hedging instruments (Interest rate swap) asset amounted to EGP 83,458,859 as of December 31, 2019 (EGP 3,796,045 in the prior year). Gain resulting from hedging instruments amounted to EGP 79,662,814 (Gain of EGP 3,796,045 in the prior year) and Loss arose from the hedged items reached EGP 78,529,774 (Loss of EGP 3,825,311 in the prior year).

22- Financial investments

Fair value through other comprehensive income (FVTOCI)	December 31, 2019	December 31, 2018
(A) Debt instruments at fair value:		
Listed instruments in foreign stock exchange market	1,635,837,477	2,024,527,686
Total debt instruments measured at fair value through other comprehensive income	1,635,837,477	2,024,527,686
(B) Equity instruments at fair value:		
Listed instruments in Egyptian stock exchange market	97,190,572	97,190,584
Unlisted instruments in stock exchange market	689,338,400	133,278,840
Total equity instruments measured at fair value through other comprehensive income	786,528,972	230,469,424
(C) Money market funds and balanced funds:		
Unlisted instruments in stock exchange market*	41,521,680	15,000,000
Total financial investments measured at fair value through other comprehensive income (1)	2,463,888,129	2,269,997,110
Amortized cost		
(A) Debt instruments:		
Listed instruments in stock exchange market	40,206,707,664	36,673,872,272
Unlisted instruments in stock exchange market	744,420,553	864,133,567
Less : Allowance for impairment losses	(13,500,616)	-
Total Debt instruments measured at amortized cost (2)	40,937,627,601	37,538,005,839
Fair value through profit or loss (FVTPL)		
(A) Mutual funds:		
Unlisted instruments in stock exchange market	61,694,866	45,449,175
Total equity instruments measured at fair value through profit or loss (3)	61,694,866	45,449,175
Total Financial investments (1+2+3)	43,463,210,596	39,853,452,124
Current balances	6,980,536,929	4,356,094,616
Non-current balances	36,482,673,667	35,497,357,508
Total financial investment	43,463,210,596	39,853,452,124
Fixed interest debt instruments	42,573,465,078	39,562,533,525
Total debt instruments	42,573,465,078	39,562,533,525

The following table analyzes the movements on financial investments during the year:

	Fair value through other comprehensive income	Amortized cost
Balance at the beginning of the current year	2,269,997,110	37,538,005,839
Impact of adopting IFRS 9	625,889,241	705,575,652
Additions	102,866,971	6,894,432,968
Amortization of premium / discount	(40,834,978)	113,820,800
Disposals (sale/redemption)	(301,385,348)	(4,214,977,248)
Translation differences resulting from monetary foreign currency denominated assets	(205,014,245)	(85,729,794)
Changes in fair value reserve	24,457,231	-
Transferred to Retained Earnings	(12,087,853)	-
Less : Allowance for impairment losses	-	(13,500,616)
Balance at the end of the current year	2,463,888,129	40,937,627,601

The following table analyzes the movements on financial investments during the comparative year:

	Fair value through other comprehensive income	Amortized cost
Balance at the beginning of the comparative year	2,698,006,718	32,331,255,916
Additions	176,628,565	8,598,974,199
Amortization of premium / discount	(43,783,070)	108,796,425
Disposals (sale/redemption)	(531,771,087)	(3,732,403,000)
Translation differences resulting from monetary foreign currency denominated assets	23,513,298	8,800,246
Changes in fair value reserve	(22,148,139)	237,582,053
Re-classification financial investments	(30,449,175)	(15,000,000)
Balance at the end of the comparative year	2,269,997,110	37,538,005,839

	December 31, 2019	December 31, 2018
Gain on financial investments		
Gain on financial investments at fair value through profit or loss	6,652,342	63,095,667
Total	6,652,342	63,095,667

* The Bank's equity instruments classified in the fair value through other comprehensive income category represent Bank subscribed stake at 5% from the total certificates' number of its QNB ALAHLI First Fund with cumulative daily return (THEMAR Money Market Fund) upon its initial offering, in addition to the Bank subscribed stake at 20% from the total certificates' number of its QNB ALAHLI Second Fund with yearly / cumulative return (Tawazon Balanced Fund), in addition to the 20% from the total certificates' number of its QNB ALAHLI Third Fund with yearly / cumulative return (Tadawol Equity Fund) upon its initial offering. All stakes required to be retained by the Bank until maturity of the funds in accordance with the provisions of the law, had a nominal value of EGP 5 million each.

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23- Investments in associates

The following table summarizes the Bank's holdings in its associates:

December 31, 2019	Country of residence	Investee's assets	Investee's liabilities (excluding equity)	Investee's revenues	Investee's profit (loss)	Carrying amount	The Bank's stake
Senouhi Company for Construction Materials (Associate)	Egypt	15,704,819	3,539,329	28,320,529	891,433	2,809,012	23.09%
Total		15,704,819	3,539,329	28,320,529	891,433	2,809,012	

December 31, 2018	Country of residence	Investee's assets	Investee's liabilities (excluding equity)	Investee's revenues	Investee's profit (loss)	Carrying amount	The Bank's stake
Senouhi Company for Construction Materials (Associate)	Egypt	14,140,443	3,116,776	17,419,379	(74,447)	2,545,366	23.09%
Total		14,140,443	3,116,776	17,419,379	(74,447)	2,545,366	

24- Intangible assets

	December 31, 2019	December 31, 2018
Software		
Net book value at the beginning of the year	162,239,439	115,937,261
Additions	108,152,238	93,906,947
Amortization	(60,588,886)	(47,604,769)
Net book value at the end of the year	209,802,791	162,239,439

25- Other assets

	December 31, 2019	December 31, 2018
Accrued revenues	2,523,317,127	2,403,976,471
Pre-paid expenses	121,520,288	82,065,070
Advance payments for acquisition of property and equipment	547,060,134	172,949,968
Foreclosed assets reverted to the group in settlement of debts	13,469,071	7,781,996
Deposits held with others and custody	13,401,196	10,346,019
Advance payments to tax authority	31,807,014	31,999,987
Receivables arising from insurance contracts, net	650,275	1,532,749
Others	138,511,307	252,372,768
	3,389,736,412	2,963,025,028
Less : Allowance for impairment losses	(4,148,685)	-
Total	3,385,587,727	2,963,025,028

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26- Property and Equipment

	Lands and buildings	Renovations of leased assets	Machinery & equipment	Others	Total
January 1, 2018					
Cost	2,271,696,618	155,687,576	713,717,418	231,925,082	3,373,026,694
Accumulated depreciation	(552,689,719)	(111,840,743)	(490,740,983)	(108,605,223)	(1,263,876,668)
Net book value	1,719,006,899	43,846,833	222,976,435	123,319,859	2,109,150,026
December 31, 2018					
Net book value at the beginning of the year	1,719,006,899	43,846,833	222,976,435	123,319,859	2,109,150,026
Additions	183,440,842	40,218,505	77,453,979	24,609,012	325,722,338
Disposals from property and equipment	(409,267)	-	(175,901)	(14,865)	(600,033)
Disposals from accumulated depreciation	43,738	-	145,139	14,865	203,742
Depreciation for the year	(93,195,161)	(10,513,466)	(73,880,736)	(19,275,383)	(196,864,746)
Net book value	1,808,887,051	73,551,872	226,518,916	128,653,488	2,237,611,327
January 1, 2019					
Cost	2,454,728,193	195,906,081	790,995,496	256,519,229	3,698,148,999
Accumulated depreciation	(645,841,142)	(122,354,209)	(564,476,580)	(127,865,741)	(1,460,537,672)
Net book value	1,808,887,051	73,551,872	226,518,916	128,653,488	2,237,611,327
December 31, 2019					
Net book value at the beginning of the year	1,808,887,051	73,551,872	226,518,916	128,653,488	2,237,611,327
Additions	208,652,399	61,871,240	209,244,135	25,285,082	505,052,856
Disposals from property and equipment	(856,362)	(139,751)	(18,621,355)	(1,613,603)	(21,231,071)
Disposals from accumulated depreciation	517,386	139,751	18,602,172	1,613,603	20,872,912
Depreciation for the year	(104,060,717)	(12,167,960)	(92,805,984)	(20,288,445)	(229,323,106)
Net book value	1,913,139,757	123,255,152	342,937,884	133,650,125	2,512,982,918
Balances at December 31, 2019					
Cost	2,662,524,230	257,637,570	981,618,276	280,190,708	4,181,970,784
Accumulated depreciation	(749,384,473)	(134,382,418)	(638,680,392)	(146,540,583)	(1,668,987,866)
Net book value	1,913,139,757	123,255,152	342,937,884	133,650,125	2,512,982,918

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27- Due to banks	December 31, 2019	December 31, 2018
Current accounts	886,972,602	600,111,378
Deposits	13,499,913,543	10,880,964,831
Repos transactions	1,643,779,237	1,226,703,061
Total	16,030,665,382	12,707,779,270
Central banks	1,643,779,237	1,226,716,743
Local banks	13,652,248,182	10,881,443,503
Foreign banks	734,637,963	599,619,024
Total	16,030,665,382	12,707,779,270
Non-interest bearing balances	770,156,843	587,769,500
Variable interest rate balances	116,815,759	12,341,878
Fixed interest rate balances	15,143,692,780	12,107,667,892
Total	16,030,665,382	12,707,779,270
Current balances	16,030,665,382	12,707,779,270
Total	16,030,665,382	12,707,779,270

28- Customer deposits	December 31, 2019	December 31, 2018
Demand deposits	47,848,483,005	49,999,517,143
Time deposits and call accounts	78,796,467,589	83,248,778,736
Term saving certificates	48,669,174,000	43,303,912,000
Saving deposits	25,615,535,989	22,032,580,475
Other deposits*	7,196,927,098	6,700,731,429
Total	208,126,587,681	205,285,519,783
Corporate deposits	104,258,525,351	110,702,686,441
Retail deposits	103,868,062,330	94,582,833,342
Total	208,126,587,681	205,285,519,783
Non-interest bearing balances	30,428,213,104	28,969,531,271
Variable interest rate balances	69,071,815,844	64,689,210,726
Fixed interest rate balances	108,626,558,733	111,626,777,786
Total	208,126,587,681	205,285,519,783
Current balances	164,120,624,876	162,680,503,881
Non-current balances	44,005,962,805	42,605,015,902
Total	208,126,587,681	205,285,519,783

* Other deposits include deposits covering irrevocable letters of credit in the total of EGP 256,308,432 as of December 31, 2019 (December 31, 2018 EGP 296,800,153). The fair value of these deposits approximates its carrying amount.

29- Other loans	December 31, 2019	December 31, 2018
Union National Bank	16,842,376	44,769,744
National Bank of Egypt	10,441,309	202,331,541
Commercial International Bank	110,911,111	120,533,333
European Investment Bank	159,283,761	177,428,601
Egyptian Gulf Bank	1,050,686	4,997,435
Qatar National Bank	882,282,500	1,880,928,000
Audi Bank	-	40,027,861
European Bank for Reconstruction and Development	4,184,973,616	2,254,000,033
Alex Bank	-	25,274,715
Banque Misr	601,616	102,698,111
National Bank of Kuwait	141,130,213	146,200,678
The Micro, Small and Medium Enterprises Development Agency	117,500,000	30,000,000
Suez Canal Bank	-	209,354,976
Total	5,625,017,188	5,238,545,028
Current balances	3,892,151,986	3,254,419,731
Non-current balances	1,732,865,202	1,984,125,297
Total	5,625,017,188	5,238,545,028

30- Other liabilities	December 31, 2019	December 31, 2018
Accrued interest	963,170,789	1,322,347,593
Unearned revenues	129,643,296	111,941,566
Accrued expenses	717,335,584	569,675,874
Due to insurance and re-insurance companies	70,483,639	92,531,690
Sundry credit balances	1,087,458,712	610,476,875
Total	2,968,092,020	2,706,973,598

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31- Other provisions

Description	Balance at the beginning of the year	Impact of adopting IFRS 9	Formed during the year	December 31, 2019			Used during the year	Balance at the end of the year
				Released during the year	Foreign currencies translation differences	+ (-)		
Provision for tax claims	345,874,187	-	316,425	(121,643,613)	-	-	(4,949,776)	219,597,223
Provision for legal claims	12,767,804	-	12,442,787	-	(194,441)	-	(6,303,634)	18,712,516
Provision for contingent liabilities	290,796,573	153,241,923	31,226,615	-	(2,719,618)	-	-	472,545,493
Provision for fidelity	35,918,620	-	-	-	(3,655,758)	-	-	32,262,862
Provision for operational risk	487,587	-	243,437	-	-	-	-	731,024
Total	685,844,771	153,241,923	44,229,264	(121,643,613)	(6,569,817)	-	(11,253,410)	743,849,118

Description	Balance at the beginning of the year	Formed during the year	December 31, 2018			Used during the year	Balance at the end of the year
			Released during the year	Foreign currencies translation differences	+ (-)		
Provision for Tax claims	626,675,112	10,561,187	(13,600,000)	-	-	(277,762,112)	345,874,187
Provision for Legal claims	50,598,500	169,974	(37,243,544)	(186,111)	-	(571,015)	12,767,804
Provision for contingent liabilities	248,352,962	41,836,953	-	606,658	-	-	290,796,573
Provision for fidelity	34,710,188	845,414	-	363,018	-	-	35,918,620
Provision for operational risk	-	487,587	-	-	-	-	487,587
Total	960,336,762	53,901,115	(50,843,544)	783,565	-	(278,333,127)	685,844,771

32- Insurance policyholders' rights

	December 31, 2019	December 31, 2018
Technical Reserves for Insurance activities	2,507,318,130	1,984,188,857
Provision for outstanding claims	82,162,799	76,803,638
Total	2,589,480,929	2,060,992,495

33- Deferred income tax

Deferred tax has been calculated on all temporary tax differences using the balance sheet method and using the expected tax rate at the time that the bank will recognize a benefit from assets / incurred liabilities at a tax rate of (22.5%) for the current financial year. The Group does not offset deferred tax assets and deferred tax liabilities unless the Bank has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Deferred tax assets and liabilities

Below are the balances and movements of deferred tax assets and liabilities:

Balances of deferred tax assets and liabilities:

	Deferred tax assets		Deferred tax liabilities	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Tax impact on temporary differences arising from:				
Property and equipment	-	-	(91,253,799)	(69,000,892)
Provisions (other than the provision for loan impairment)	327,340,677	274,622,539	-	-
Differences in fair value of financial investments at fair value through other comprehensive income	-	7,139,032	(130,501,782)	-
Others	23,181,211	25,868,285	-	(3,650,069)
Deferred tax assets (liabilities)	350,521,888	307,629,856	(221,755,581)	(72,650,961)
Net balance of DTA (DTL)	128,766,307	234,978,895		

Movement of deferred tax assets and liabilities:

	Deferred tax assets		Deferred tax liabilities	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Beginning balance	307,629,856	284,214,421	(72,650,961)	(58,626,081)
Impact of adopting IFRS 9	41,728,828	-	(135,589,181)	-
DT recognized / utilized during the year	1,163,204	23,415,435	(13,515,439)	(14,024,880)
Closing balance	350,521,888	307,629,856	(221,755,581)	(72,650,961)

Balances of deferred tax assets (liabilities) recognized directly in equity

	December 31, 2019	December 31, 2018
Differences in fair value of financial investments at fair value through other comprehensive income	(130,501,782)	7,139,032
Effect of changes in accounting policies	41,728,828	(3,244,506)

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34- Defined benefits obligation	December 31, 2019	December 31, 2018
Amounts recognized in the statement of financial position:		
Liability for post-retirement medical benefits	482,288,384	437,821,485
Amounts recognized in the income statement:		
Post-retirement medical benefits	66,879,618	93,539,843
Post-retirement medical benefits obligation constitutes of:		
Balances shown in the statement of financial position are represented as follows:		
Present value of unfunded liabilities	414,628,886	342,208,971
Unrecognized actuarial gain	67,659,498	95,612,514
	482,288,384	437,821,485
Liability movements during the year are represented as follows:		
Beginning balance (at the beginning of the current year)	437,821,485	365,403,368
Current service cost	10,874,025	19,530,782
Interest cost	58,712,541	67,742,209
Actuarial losses / gain	(2,706,948)	6,266,852
Benefits paid	(22,412,719)	(21,121,726)
	482,288,384	437,821,485
Amounts recognized in the income statement are shown below:		
Current service cost	10,874,025	19,530,782
Interest cost	58,712,541	67,742,209
Actuarial losses / gain recognized during the year	(2,706,948)	6,266,852
	66,879,618	93,539,843

The main actuarial assumptions used by the Bank are outlined below:

	December 31, 2019	December 31, 2018
Discount rate (two plans):		
A-QNB ALAHLI current employees plan	14.00%	18.10%
B-Ex-MIBank retirees plan	14.00%	18.10%
QNB ALAHLI long term increase in the cost of medical care (on top of inflation)	10.27%	13.28%
Ex-MIBank long term increase in the cost of medical care (on top of inflation)	10.27%	13.28%

Sensitivities to +1% in discount rate (duration of the plan):

	Service cost	DBO
Post-retirement medical benefits	25.71%	18.59%

35- Issued and paid-up capital

(A) Authorized Capital

- The authorized capital amounts to EGP 15 billion.

(B) Issued and Paid up Capital

- The issued and paid up capital amounted to EGP 8,904,227,140 on December 31, 2017 representing 890,422,714 shares with a nominal value of EGP 10 each, of which 765,099,714 shares were paid in Egyptian pound and 125,323,000 shares were paid in foreign currency according to the exchange rates prevailing on the payment date.
- The Extraordinary General Assembly held on February 15, 2018 decided to increase the capital from EGP 8,904,227,140 to EGP 9,794,649,850, an increase of EGP 890,422,710 by transferring from the general reserve.
- The issued and paid up capital amounted to EGP 9,794,649,850 on December 31, 2018 representing 979,464,985 shares with a nominal value of EGP 10 each, of which 854,141,985 shares were paid in Egyptian pound and 125,323,000 shares were paid in foreign currency according to the exchange rates prevailing on the payment date.
- The Extraordinary General Assembly held on February 28, 2019 decided to increase the capital from EGP 9,794,649,850 to EGP 10,774,114,830, an increase of EGP 979,464,980 by transferring from the general reserve and approvals being taken on those increases from the official bodies.
- The Extraordinary General Assembly held on February 28, 2019 decided to split the face value of each share of the Bank's capital from EGP 10 to be EGP 5 and approvals being taken from the official bodies.

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36- Reserves and retained earnings

(1) Reserves	December 31, 2019	December 31, 2018
General reserve (a)	13,417,823,247	8,531,087,699
General banking risk reserve (b)	1,169,067	2,781,992
Legal reserve (c)	1,633,301,744	1,287,748,276
Fair value reserve (d)	524,415,090	(679,166,099)
Special reserve (e)	39,494,455	173,681,968
Capital reserve	18,489,519	12,054,965
IFRS 9 reserve	-	1,282,925,633
General risk reserve*	21,453,923	-
Reserve for transactions under common control	4,000,483	4,000,483
Total reserves at the end of the year	15,660,147,528	10,615,114,917

* In accordance with the instructions of the Central Bank of Egypt to apply IFRS 9 as of January 1, 2019, the special reserve - credit and general bank risk reserve - credit and IFRS 9 credit risk are consolidated in one reserve under the name of general risk reserve. The difference between the provisions required under IFRS 9 and the provisions required in accordance with previous instructions will be deducted from the general risk reserve.

Reserve movements are as follows:

(a) General reserve	December 31, 2019	December 31, 2018
Balance at the beginning of the financial year	8,531,087,699	7,326,936,116
Transferred from retained earnings	4,886,735,548	2,094,574,293
Transferred to capital increase	-	(890,422,710)
Balance at the end of the year	13,417,823,247	8,531,087,699

(b) General banking risk reserve	December 31, 2019	December 31, 2018
Balance at the beginning of the year	2,781,992	8,974,023
Transferred to retained earnings	(1,612,925)	(6,192,031)
Balance at the end of the year	1,169,067	2,781,992

In accordance with the instructions of the Central Bank of Egypt, the general banking risk reserve is supported annually by 10% of the value of the assets owned by the Bank in return for debt if these assets are not disposed of within the period specified in the law.

(c) Legal Reserve	December 31, 2019	December 31, 2018
Balance at the beginning of the year	1,287,748,276	1,023,166,558
Transferred from the net profit of the prior year	345,553,468	264,581,718
Balance at the end of the year	1,633,301,744	1,287,748,276

According to the provisions of local laws and the bank's statutes, 5% of net profit of the year shall be transferred to a non-distributable statutory reserve until it reaches 100% of the bank's capital.

(d) Fair Value Reserve	December 31, 2019	December 31, 2018
Balance at the beginning of the year	(679,166,099)	(902,704,456)
Impact of adopting IFRS 9	1,328,882,119	-
Deferred tax recognized as of a result of adopting IFRS 9	(135,589,181)	-
Net change in fair value (Note 22)	24,457,231	215,433,914
Impairment losses on debt instruments at fair value through other comprehensive income	(29,494)	-
Transferred to retained earnings	(12,087,853)	-
Deferred tax recognized during the year (Note 33)	(2,051,633)	8,104,443
Balance at the end of the year	524,415,090	(679,166,099)

(e) Special Reserve

The application of the CBE new basis rules of preparation and presentation of financial statements as well as the modified principles of recognition and measurement requires to restate the comparative figures of the first financial year that have been impacted by this change, including comparative figures in the balance sheet and the income statements for the previous year. as the impact of adjustment is positive, such impact was carried directly to retained earnings then transferred to the special reserve in equity and shall not be used except by approval from CBE. The following is a breakdown of the items that generated the special reserve amount:

	December 31, 2019	December 31, 2018
Allowance for loans and credit facilities to customers	-	112,739,320
Contingent liabilities provision	-	39,486,484
Amortized cost method using EIR for held to maturity investments	253,607	253,607
Amortized cost method using EIR for Available-for-sale investments	393,930	393,930
Applying the equity method on investments in associates	26,637,789	26,637,789
Deferred tax (Tax impact on adjustments)	(4,249,739)	(22,288,030)
Available-for-sale investments (Equity instruments)	16,458,868	16,458,868
Total	39,494,455	173,681,968

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(2) Profit for the year and retained earnings	December 31, 2019	December 31, 2018
Movements on retained earnings:		
Balance at the beginning of year	8,243,667,987	5,957,977,053
Impact of adopting IFRS 9	26,389,444	-
Net profit of the financial year	8,522,091,359	7,200,541,436
Previous year's profit distribution	(979,464,985)	(712,338,172)
Employees' profit share	(721,808,017)	(552,434,562)
Board of directors' remuneration	(14,941,250)	(12,250,000)
Transferred to capital reserve	(6,434,554)	(1,938,155)
Transferred to general reserve	(4,886,735,548)	(2,094,574,293)
Transferred to the legal reserve	(345,553,468)	(264,581,718)
Transferred from fair value reserve, net of tax	9,368,086	-
Transferred to IFRS 9 reserve	-	(1,282,925,633)
Transferred from general banking risk reserve	1,612,925	6,192,031
Balance at the end year	9,848,191,979	8,243,667,987

37- Cash and cash equivalents

For the purpose of presenting the cash flow statement, cash and cash equivalents include the following balances maturing within less than 3 months from placement or acquisition date.

	December 31, 2019	December 31, 2018
Cash and balances with central banks	3,956,404,795	4,810,763,221
Due from banks in less than 3 months	6,603,156,520	10,552,654,240
Treasury bills and other governmental notes (91 days)	726,823,580	2,681,053,671
Total	11,286,384,895	18,044,471,132

38- Contingent liabilities and other commitments

(a) Legal claims (litigation)

Several lawsuits were brought against the Bank and are still outstanding as of December 31, 2019. No provision has been formed since it is not probable that the Bank will incur losses in regard of these lawsuits.

(b) Capital commitments:

The Bank is a party to contracts for capital commitments amounting to EGP 956,533,263 as of December 31, 2019 (EGP 373,156,102 on December 31, 2018). These represent commitments by the Bank for the purchases of buildings and equipment. Management is sufficiently confident that net profit shall be realized and finance shall be made available to cover these commitments.

(c) Commitments for guarantees

The Bank's commitments for loans, guarantees and facilities are set out below:

	December 31, 2019	December 31, 2018
Financial guarantees	357,500	357,500
Accepted papers	3,300,687,075	2,249,112,360
L/Gs	42,590,274,614	39,879,061,700
Import L/Cs	3,473,097,930	2,484,330,532
Export L/Cs	205,713,506	801,942,333
Other contingent liabilities	367,558,187	691,158,344
Total	49,937,688,812	46,105,962,769

(d) Commitments for credit facilities

	December 31, 2019	December 31, 2018
Commitments for credit facilities	36,638,991,924	33,702,421,721

(e) Commitments under operating lease contracts

Total minimum rental payments for the irrevocable operating lease contracts are as follows:

	December 31, 2019	December 31, 2018
Not more than one year	95,093,222	84,797,020
More than one year and less than 5 years	275,023,904	194,655,635
More than 5 years	66,162,524	42,142,805
Total	436,279,650	321,595,460

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39- Related-party transactions

Qatar National Bank (Q.P.S.C.) is the ultimate parent and controlling party as at the end of the reporting year which owns 94.97% of the bank's ordinary shares whereas the remaining 5.03% are held by other shareholders.

A number of transactions have been conducted during the reporting year with related parties within the Bank's normal course of business. These include loans, deposits, and foreign currency transactions.

Related party transactions with the parent company other than the payment of dividends on ordinary shares:

QNB Group	December 31, 2019	December 31, 2018
Due from banks	5,237,534	1,867,831
Due to banks	168,693,443	81,271,323
Export LC	6,483,525	-
LGs for banks	9,015,950,648	8,222,151,499
Foreign exchange derivative	989,007,803	3,883,412,316
Interest rate swap contracts	5,055,077,688	3,490,912,800
Other loans	882,282,500	1,880,928,000

A- Loans and credit facilities to related parties

	Directors and other key management personnel (and close family members)		Associates	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Outstanding loans at the beginning of the financial year	111	111	38	134
Loans issued during the financial year	-	-	1,081	29
Loans repayment during the financial year	-	-	-	(125)
Loans outstanding at the end of the financial year	111	111	1,119	38
Interest income on loans	-	-	80	17,074

* No provisions have been recognized in respect of loan provided to related parties.

Loans and credit facilities to related parties can be analyzed below	Directors and other key management personnel (and close family members)		Associates	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Overdrafts	111	111	1,119	38
Total	111	111	1,119	38

B- Deposits from related parties

	Directors and other key management personnel (and close family members)		Associates	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Deposits outstanding at the beginning of the financial year	64,394,311	60,744,502	7,305,502	4,759,186
Deposits placed during the year	5,389,712	5,901,750	3,382,738	3,330,534
Deposits repaid during the year	(6,860,418)	(2,251,941)	(4,992)	(784,218)
Deposits outstanding at the end of the financial year	62,923,605	64,394,311	10,683,248	7,305,502
Interest expense on deposits	2,474,684	2,529,535	304,022	381,293
Deposits from related parties can be analyzed below				
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Demand deposits	1,593,925	4,629,582	7,084,929	3,929,422
Saving accounts	91,994	16,014	-	-
Certificates of deposits	4,000,000	3,100,000	-	-
Time deposits	57,237,686	56,648,715	3,598,319	3,376,080
Total	62,923,605	64,394,311	10,683,248	7,305,502

C- Other transactions with related parties

	Directors and other key management personnel (and close family members)		Associates	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Fee and commission income	14,036	11,576	157,243	32,403
Guarantees issued by the bank	-	-	31,799	34,599
The above guarantees comprise:				
LGs	-	-	31,799	34,599
Total	-	-	31,799	34,599

The pricing for related parties' transactions are the same for other parties.

In accordance with the instructions of the Central Bank of Egypt (CBE) rules in 23 August 2011. The monthly average of net salaries and benefits for top 20 employees with the largest salaries and benefits reached EGP 8,362,777 during the current year.

40- Money Market and balanced Funds

A- QNB ALAHLI First Fund with cumulative daily return (THEMAR Money Market Fund)

The Bank has set up an investment fund under the name of "THEMAR" with daily accumulated interest as one of the banking activities authorized in accordance with the provisions of the Capital Market Law 95 of 1992.

THEMAR initial offering was for one million certificates at nominal value of EGP 100 million, of which 50,000 certificates worth of EGP 5 million were subscribed by the bank at that time. EFG HERMES is managing this fund.

Total number of the outstanding certificates at December 31, 2019 reached 10,965,542 at a total value of EGP 3,994,648,261. The Group currently holds 450,769 certificates worth of EGP 164,211,089 of which EGP 18,214,550 million are classified as fair value through other comprehensive income and represent 5% from the total number of certificates that were initially issued, whereas the remaining value of EGP 61,694,866 are classified as fair value through profit or loss and EGP 84,301,673 are classified as trading investments.

According to the management agreement and the fund's prospectus, the Bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 18,682,074 have been reported in the "fees and commission income" line item in the consolidated income statement.

B- QNB ALAHLI Second Fund with periodically / cumulative return (Tawazon Balanced Fund)

The Bank has set up an investment fund under the name of Tawazon Fund with periodic income as one of the banking activities authorized in accordance with the provisions of the Capital Market Law 95 of 1992.

Tawazon initial offering was for two hundred and fifty thousand certificates amounting to EGP 25 million, of which 50,000 certificates worth of EGP 5 million were subscribed by the bank at that time. Beltone Asset Management is managing this fund.

Total number of the outstanding certificates at December 31, 2019 reached 56,784 at a total value of EGP 12,343,587. The Bank currently holds 50,000 certificates worth of EGP 10,868,895 that are classified as fair value through other comprehensive income and represent 20% of the total number of certificates that were initially issued.

According to the management agreement and the fund's prospectus, the Bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 87,117 have been reported in the "fees and commission income" line item in the consolidated income statement.

C- QNB ALAHLI Third Fund with periodically / cumulative return (Tadawol Equity Fund)

The Bank has set up an investment fund under the name of Tadawol Fund with periodic accumulated income as one of the banking activities authorized in accordance with the provisions of the Capital Market Law 95 of 1992.

Tadawol certificates were offered in a public offering amounting to EGP 25 million distributed over two hundred and fifty thousand certificates with a nominal value of EGP 100 each, subscriptions have only covered a number of one hundred and twenty five thousand certificates amounting to EGP 12.5 million, of which 50,000 certificates worth of EGP 5 million were subscribed at by the bank at that time. HC Fund Manager Asset Management is managing this fund.

Total number of the outstanding certificates at December 31, 2019 reached 76,892 at a total value of EGP 19,128,017. The Bank currently holds 50,000 certificates worth of EGP 12,438,235 that are classified as fair value through other comprehensive income and represent 40% from the total number of certificates that were initially issued.

According to the management agreement and the fund's prospectus, the Bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current year amounting to EGP 178,706 have been reported in the "fees and commission income" line item in the income statement.