

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

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

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AUDITORS' REPORT

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

Report on the Separate Financial Statements

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

Management's Responsibility for the Separate Financial Statements

These separate financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements.

Opinion

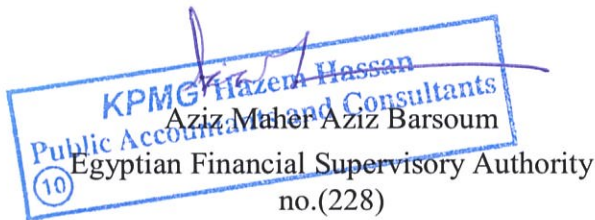
In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of QNB ALAHLI Bank (S.A.E) as of December 31, 2019 and of its financial performance and its separate cash flows for the year then ended, in accordance with the 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 separate financial statements.

Report on Legal and Other Regulatory Requirements

According to the information and explanations given to us during the financial year ended December 31, 2019 no contravention of the central bank, banking and monetary institution law No.88 of 2003 and articles of incorporation were noted.

The Bank maintains proper books of accounts, which include all that is required by law and by the statutes of the Bank, the separate financial statements are in agreement thereto.

The financial information included in the Board of Directors' report which is prepared according to law no. 159 of 1981 and its executive regulations, is in agreement with the books of the Bank insofar as such information is recorded therein.



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
 Separate 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)	12,012,821,372	11,750,943,263
Due from banks	(17)	6,639,128,536	10,545,594,892
Treasury bills	(18)	46,181,998,997	49,360,343,079
Loans and credit facilities to customers	(19)	154,784,013,373	138,249,356,764
Financial derivatives	(20)	83,458,859	3,796,045
Financial Investments:			
- Fair value through other comprehensive income	(21)	2,463,888,129	2,269,997,110
- Amortized cost	(21)	39,973,893,488	36,553,382,720
- Fair value through profit or loss	(21)	61,678,473	45,383,743
Investments in subsidiaries and associates	(22)	542,109,089	292,109,089
Intangible assets	(23)	202,344,647	162,034,757
Other assets	(24)	3,462,925,342	2,957,822,205
Deferred tax assets	(31)	54,901,205	161,419,802
Property and equipment	(25)	2,457,800,483	2,236,150,168
Total assets		268,920,961,993	254,588,333,637
Liabilities and equity:			
Liabilities:			
Due to banks	(26)	16,030,665,382	12,707,779,270
Customer deposits	(27)	209,065,365,497	207,349,945,095
Financial derivatives	(20)	44,711,902	664,669
Other loans	(28)	4,574,732,377	2,586,406,412
Other liabilities	(29)	2,789,354,332	2,517,785,003
Other provisions	(30)	717,548,592	657,934,031
Current income tax payable		1,038,088,421	632,028,488
Defined benefits obligation	(32)	482,288,384	437,821,485
Total liabilities		234,742,754,887	226,890,364,453
Equity:			
Issued and paid-up capital	(33)	9,794,649,850	9,794,649,850
Reserves	(34)	15,629,509,254	10,584,464,481
Profit for the year and retained earnings	(34)	8,754,048,002	7,318,854,853
Total equity		34,178,207,106	27,697,969,184
Total liabilities and equity		268,920,961,993	254,588,333,637




Mohamed Osman El-Dib
 Chairman and Managing Director

The accompanying notes from (1) to (38) are an integral part of these Separate Financial Statements.
 (Auditors' report attached)

QNB ALAHLI S.A.E
 Separate 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)	32,130,794,899	30,308,369,254
Cost of deposits and similar expense	(6)	(18,562,824,914)	(19,397,249,828)
Net interest income		13,567,969,985	10,911,119,426
Fee and commission income	(7)	2,504,801,366	2,361,269,895
Fee and commission expense	(7)	(501,919,591)	(392,329,909)
Net interest, fee and commission income		15,570,851,760	12,880,059,412
Dividend income	(8)	149,707,215	25,477,281
Net trading income	(9)	109,613,390	35,149,579
Gain on financial investments	(21)	6,631,154	63,093,304
Impairment credit losses	(12)	(688,994,875)	(519,779,960)
Administrative expenses	(10)	(3,416,271,433)	(2,905,198,826)
Other operating revenues (expenses)	(11)	(558,813,932)	(148,179,454)
Profit before income tax		11,172,723,279	9,430,621,336
Income tax expense	(13)	(2,851,192,481)	(2,513,117,420)
Net profit for the year		8,321,530,798	6,917,503,916
Earnings per share	(14)	7.63	6.34


 Mohamed Osman El-Dib
 Chairman and Managing Director

The accompanying notes from (1) to (38) are an integral part of these Separate Financial Statements.

	From January 01, 2019 To December 31, 2019	From January 01, 2018 To December 31, 2018
Net profit for the year	8,321,530,798	6,917,503,916
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	(29,707,972)	13,182,976
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	10,288,253	223,530,888
Total comprehensive income for the year, net of tax	8,331,819,051	7,141,034,804

The accompanying notes from (1) to (38) are an integral part of these Separate Financial Statements.

QNB ALAHLI S.A.E
Separate Statement of changes in Equity
For 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	Fair Value Reserve	General Banking Risk Reserve	IFRS 9 Reserve	General Risk Reserve	Retained Earnings	Net Profit for the Year	Total
December 31, 2018												
Balance at 1 January 2018	8,904,227,140	1,023,166,558	7,326,936,116	147,044,179	10,116,810	(902,709,151)	8,974,020	-	-	-	5,291,747,850	21,809,503,522
Transfer to reserves and retained earnings	-	264,581,718	2,094,574,293	-	1,938,155	-	-	1,282,925,633	-	395,158,909	(4,039,178,708)	-
Dividend distributions for year 2017	-	-	-	-	-	-	-	-	-	-	(1,252,569,142)	(1,252,569,142)
Transfer from general reserve to capital increase	890,422,710	-	(890,422,710)	-	-	-	-	-	-	-	-	-
Net change in other comprehensive income	-	-	-	-	-	223,530,888	-	-	-	-	-	223,530,888
Net profit for the year	-	-	-	-	-	-	-	-	-	-	6,917,503,916	6,917,503,916
Transfer from general banking risk reserve	-	-	-	-	-	-	(6,192,028)	-	-	6,192,028	-	-
Balance at 31 December 2018	9,794,649,850	1,287,748,276	8,531,087,699	147,044,179	12,054,965	(679,178,263)	2,781,992	1,282,925,633	-	401,350,937	6,917,503,916	27,697,969,184
December 31, 2019												
Balance at 1 January 2019	9,794,649,850	1,287,748,276	8,531,087,699	147,044,179	12,054,965	(679,178,263)	2,781,992	1,282,925,633	-	401,350,937	6,917,503,916	27,697,969,184
Transfer to general risk reserve	-	-	-	(152,225,804)	-	-	-	(1,282,925,633)	1,435,151,437	-	-	-
Impact of adopting IFRS 9	-	-	-	18,038,291	-	1,193,305,099	-	-	(1,413,697,514)	26,377,283	-	(175,976,841)
Restated balance at 1 January 2019	9,794,649,850	1,287,748,276	8,531,087,699	12,856,666	12,054,965	514,126,836	2,781,992	-	21,453,923	427,728,220	6,917,503,916	27,521,992,343
Transfer to reserves and retained earnings	-	345,553,468	4,886,735,548	-	6,434,554	-	-	-	-	(6,192,028)	(5,232,531,542)	-
Dividend distributions for year 2018	-	-	-	-	-	-	-	-	-	-	(1,684,972,374)	(1,684,972,374)
Net change in other comprehensive income	-	-	-	-	-	19,656,339	-	-	-	-	-	19,656,339
Reclassification of the net change in fair value of equity instruments upon derecognition	-	-	-	-	-	(9,368,086)	-	-	-	9,368,086	-	-
Net profit for the year	-	-	-	-	-	-	-	-	-	-	8,321,530,798	8,321,530,798
Transfer from general banking risk reserve	-	-	-	-	-	-	(1,612,926)	-	-	1,612,926	-	-
Balance at 31 December 2019	9,794,649,850	1,633,301,744	13,417,823,247	12,856,666	18,489,519	524,415,089	1,169,066	-	21,453,923	432,517,204	8,321,530,798	34,178,207,106

The accompanying notes from (1) to (38) are an integral part of these Separate Financial Statements.

QNB ALAHLI S.A.E
Separate 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		11,172,723,279	9,430,621,336
Adjusted by:			
Property and Equipment depreciation and Intangible assets amortization	(10)	287,647,893	243,819,905
Impairment credit losses	(12)	688,994,875	519,779,960
Loans written off during the year		(233,452,342)	(151,115,669)
Recovery from loans previously written off		25,455,529	44,640,892
Net formed / (reversed) other provisions		(77,765,608)	(7,673,590)
Utilized provisions other than loans provision		(9,327,850)	(70,746,666)
Translation differences of other provisions in foreign currencies		(6,533,904)	782,197
Translation differences resulting from monetary foreign currency investments		290,744,041	(32,313,544)
Amortization of premium / discount for bonds		(71,644,830)	(63,711,096)
(Gain) on sale of Property and Equipment		(2,890,011)	(6,434,554)
Dividend income	(8)	(149,707,215)	(25,477,281)
Gain on financial investments	(21)	(6,631,154)	(63,093,304)
Operating profits before changes in assets and liabilities resulting from operating activities		11,907,612,703	9,819,078,586
Net decrease / increase in assets and liabilities			
Due from banks		(1,222,941,758)	5,688,146,429
Treasury bills		1,209,675,192	(10,853,432,620)
Loans and credit facilities to customers		(18,234,810,164)	(25,647,623,651)
Financial derivatives		(35,615,581)	(8,750,974)
Financial investment recognized at fair value through profit or loss		(16,294,730)	-
Other assets		(414,267,972)	(208,108,465)
Due to banks		3,322,886,112	7,739,133,498
Customer deposits		1,715,420,402	20,673,289,931
Other liabilities		271,569,329	(134,682,651)
Defined benefits obligation		44,466,899	72,418,117
Income tax paid		(2,432,246,552)	(2,254,959,139)
Net cash flows used in / resulting from operating activities (1)		(3,884,546,120)	4,884,509,061
Cash flows from investing activities			
Acquisition of Property and Equipment and Intangible assets		(549,959,590)	(418,720,361)
Proceeds from sale of Property and Equipment		3,241,503	6,830,845
Proceeds from financial investments other than held for trading investments		4,512,851,605	4,276,409,396
Acquisition of financial investments other than held for trading investments		(6,997,299,939)	(8,775,602,764)
Acquisition of Investments in subsidiaries		(250,000,000)	-
Dividends received		49,724,215	25,477,281
Net cash flows used in investing activities (2)		(3,231,442,206)	(4,885,605,603)
Cash flows from financing activities			
Other loans		1,988,325,965	818,297,294
Dividends paid		(1,684,972,374)	(1,252,569,142)
Net cash flows resulting from / used in financing activities (3)		303,353,591	(434,271,848)
Net (decrease) in cash and cash equivalents during the Year (1+2+3)		(6,812,634,735)	(435,368,390)
Cash and cash equivalents at the beginning of the year		18,037,402,227	18,472,770,617
Cash and cash equivalents at the end of the year	(35)	11,224,767,492	18,037,402,227
Cash and cash equivalents at end of the year are represented in :			
Cash and due from Central Bank of Egypt	(16)	12,012,821,372	11,750,943,263
Due from banks	(17)	6,648,253,897	10,545,594,892
Treasury bills		46,196,437,796	48,133,640,018
Balances with Central Bank of Egypt (mandatory reserve)		(8,056,431,357)	(6,940,189,599)
Due from banks with maturities more than 3 months		(106,700,000)	-
Treasury bills with maturity more than 3 months		(45,469,614,216)	(45,452,586,347)
Cash and cash equivalents at end of the year		11,224,767,492	18,037,402,227

The accompanying notes from (1) to (38) are an integral part of these Separate Financial Statements.

QNB ALAHLI S.A.E
Statement of Profit Distribution Proposal
For the Year Ended 31 December 2019

(All amounts are shown in Egyptian Pounds)

	December 31, 2019	December 31, 2018
Net year's profits (from income statement)	8,321,530,798	6,917,503,916
Deduct/Add :		
Profits of sale fixed assets transferred to capital reserve	(2,890,011)	(6,434,554)
Change in General Banking Risk Reserve	1,612,926	6,192,028
Item transferred to retrained earnings	9,368,086	-
Distributable year's net profits	8,329,621,799	6,917,261,390
Add :		
Beginning balance of retained earnings	421,536,192	395,158,909
Total	8,751,157,991	7,312,420,299
To be distributed as follows:		
Statutory reserve	415,932,039	345,553,468
General reserve	2,665,720,403	4,886,735,548
Shareholders' Dividends *	2,154,822,966	979,464,985
Employees' profit share	832,962,180	691,726,139
Remuneration for board members	16,000,000	13,781,250
Retained earnings carried forward	2,665,720,403	395,158,909
Total	8,751,157,991	7,312,420,299

* The proposed distribution is 2 EGP per share, based on the number of shares with a nominal value 10 EGP, taking into account the free shares that had previously been decided upon at one share per ten shares from the Extraordinary General Assembly held on February 28, 2019.

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 6,656 staff at the date of the financial statements. The Bank is listed on the Egyptian Stock Exchange (EGX).

These 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 separate financial statements

These separate 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.

The separate and consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules, the affiliated companies are entirely included in the consolidated financial statements and these companies are the companies that the Bank - directly or indirectly has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of activity, the Bank's consolidated financial statements can be obtained from the Bank's management. The Bank accounts for investments in subsidiaries and associate companies in the separate financial statements at cost minus impairment loss.

The separate financial statements of the Bank should be read with its consolidated financial statements, for the year ended on December 31, 2019 to get complete information on the Bank's financial position, income statements, cash flows and change in shareholders equity.

The financial statements at December 31, 2018 have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors 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 Bank 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 Bank 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 bank 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 Bank 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 Bank'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 bank 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 Bank apply 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 loss are recognised.

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	401,350,937	(679,178,263)
Total reclassification and re-measurement impact:	-	2,686,746	1,193,188,966
ECL impact	(1,413,697,514)	23,690,537	116,133
Total	(1,413,697,514)	26,377,283	1,193,305,099
Adjusted opening balance	21,453,923	427,728,220	514,126,836

2.3 Accounting for Investments in subsidiaries and associates

Investments in subsidiaries and associates are presented in the attached separate financial statements using the cost method which represents the bank's direct share ownership and not according to the business results and the net assets of the investees. And the consolidated financial statements provide a wider understanding for the consolidated financial position, business results and the consolidated cash flows for the bank and its subsidiaries (The Group), including the bank's share in the net assets of its associate companies.

2.3.1 Investments in subsidiaries

Subsidiaries are entities (including Special Purposes Entities / SPEs) which the bank exercises direct or indirect control over its financial and operating policies in order to get benefits from its activities and usually have an ownership share of more than half of its voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the bank has the control over its investees.

2.3.2 Investments in associates

Associates are entities over which the bank exercises significant influence directly or indirectly, but without exercising control or joint control, where the bank holds 20% to 50% of voting rights in the associate.

The purchase method is used to account for the bank's purchases of subsidiaries and associates when they are initially recognized; the acquisition date is the date on which the acquirer obtains control or significant influence of acquiree "subsidiary or associate". According to the purchase method, the investments in subsidiaries and associates are initially recognized at cost (which may be incorporated goodwill). The acquisition cost represents the fair value of the consideration given in addition to the other acquisition related costs.

In business combination achieved in stages, and business combination achieved through more than one transaction, is then dealing with every transaction of such transactions that separately on the basis of the acquisition consideration and fair value information at the date of each transition until the date where the control is achieved.

The investments in subsidiaries and associates are subsequently accounted for using the cost method on the separate financial statements. According to the cost method; investments are recognized at acquisition cost less any impairment losses in value, if any. Dividends are recognized as revenue in the separate income statement when they are declared and the bank's right to collect them has been established.

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 separate financial statements of the bank 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 period 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 period 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 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 revaluation reserve" in Other comprehensive income.

2.6 Financial assets

2.6.1 Financial Policies applied until December 31, 2018:

The Bank classifies its financial assets into the following categories:

Financial assets classified as at fair value through the 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 designated 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:

- Assets which the bank intends to sell immediately or in the short term. In which case, they are classified as assets held for trading or assets classified at inception at fair value through profit or loss;
- Assets classified as available-for-sale at initial recognition;
- Assets for which the bank will not be able to substantially recover the value of its initial investment for reasons other than credit worthiness deterioration.

2.6.1.3 Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable amount and fixed maturity dates that the bank has the positive intent and ability to hold to maturity. The bank should not classify any financial assets as held to maturity if the bank has, during the current financial period or during the two preceding financial years, 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 at 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 recognized in the income statement.
- The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when the bank transfers the financial asset and all the risks and rewards associated with the 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 and financial assets designated 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 shall be recognized directly in equity, until the financial asset is derecognized or impaired, at which time, the cumulative gain or loss previously recognized in equity shall be 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 classified as 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.

2.6.2.2 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 bank 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 instruments, 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 bank 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 bank 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 principle 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.

2.11 Dividends income

Dividend income on investments in equity instruments and similar assets 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 bank 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, the bank assesses 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 Bank 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 collateral;
- Deterioration in the creditworthiness of the borrower.

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 bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant, in that field the below items will be considered:

- If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment based on the historical loss rates.
- 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. An asset that is individually assessed for impairment but for which an impairment loss is not recognized is included in a group of other similar assets.

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 bank'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 Bank ensures that estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the bank 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 reporting 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 Bank reviews all its financial assets except for financial assets that are measured at fair value through profit or loss to assess the extent of impairment as described below.

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 Bank 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 Bank 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 acquirer's 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 bank 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 period 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 Bank'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 bank 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 Bank 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 bank'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 periods 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 bank reviews the carrying amounts of its depreciable property and equipment 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 bank estimates the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

At the end of each year, the bank 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

All lease contracts to which the bank is a party are treated as operating or finance leases as follows:

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 property and equipment 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.

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 separate 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 separate 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 Financial guarantees

A financial guarantee contract is a contract issued by the bank as security for loans or overdrafts due from its clients to other entities that requires the bank 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, shall be recognized within other operating income (expenses) in the income statement.

2.20 Employee benefits

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.

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 bank pays defined contributions to an independent entity. The Bank 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, the bank pays contributions to private sector pension scheme under mandatory or voluntary contractual arrangement. The Bank 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.

2.21 Income taxes

Income tax expense on the years'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 Bank'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 separate 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 year.

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.

2.22 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 profit or loss using the effective interest rate method.

2.23 Capital

2.23.1 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.

2.23.2 Dividends

Dividends on equity instruments issued by the bank are recognized when the general assembly of the bank's shareholders approves them. Dividends include the employees' profit share and the board of directors' remuneration as prescribed by the bank's articles of incorporation and the corporate law.

2.24 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 bank's separate financial statements, as they are not assets or income of the bank.

2.25 Comparative figures

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

3. Management of financial risks

The Bank as a result of conducting its activities is exposed to various financial risks. Since financial activities are based on the concept of accepting risks and analyzing and managing individual risks or group of risks altogether, the bank aims at achieving a well-balanced risks and relevant rewards, as appropriate and to reduce the probable adverse effects on the bank'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 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 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;
- 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 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.

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 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, country 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 Bank's 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 policy making 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; and
- 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 to customers 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 Bank'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 Bank 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	90.46%	15.81%	89.75%	13.27%
2- Normal watch-list	5.31%	11.62%	5.81%	11.96%
3- Special watch-list	1.73%	25.91%	2.23%	34.15%
4- Non performing loan	2.50%	46.66%	2.21%	40.62%
	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 Bank 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 (34) 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	46,181,998,997	49,360,343,079
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	64,762,938,685	57,222,676,438
- Direct loans	41,248,664,431	36,788,354,168
- Syndicated Loans and facilities	19,111,959,605	20,219,672,773
- Other loans	3,666,135,060	2,864,259,053
- Segregated interest & unearned discount	(137,461,128)	(191,728,235)
- Financial derivatives	83,458,859	3,796,045
Financial investments		
- Debt instrument	41,609,730,965	38,577,910,406
Other Financial assets	2,545,652,465	2,350,424,034
Total	245,204,854,659	228,541,830,328

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	445,464,192	-	5,523,534,983
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	6,056,441,537	591,812,360	-	6,648,253,897
Allowance for impairment losses	(9,125,361)	-	-	(9,125,361)
Carrying amount	6,047,316,176	591,812,360	-	6,639,128,536
Treasury bills				
Credit rating				
Good debts	-	-	-	-
Normal watch-list	46,196,437,796	-	-	46,196,437,796
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	46,196,437,796	-	-	46,196,437,796
Allowance for impairment losses	(14,438,799)	-	-	(14,438,799)
Carrying amount	46,181,998,997	-	-	46,181,998,997
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

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Corporate loans	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating				
Good debts	121,125,081,837	1,070,390,607	-	122,195,472,444
Normal watch-list	2,396,744,678	4,822,760,827	-	7,219,505,505
Special watch-list	-	2,497,533,088	-	2,497,533,088
Non performing loan	-	-	3,669,238,188	3,669,238,188
	123,521,826,515	8,390,684,522	3,669,238,188	135,581,749,225
Allowance for impairment losses	(1,184,670,265)	(2,507,154,392)	(3,100,226,787)	(6,792,051,444)
Carrying amount	122,337,156,250	5,883,530,130	569,011,401	128,789,697,781

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	39,987,394,104	-	-	39,987,394,104
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	39,987,394,104	-	-	39,987,394,104
Allowance for impairment losses	(13,500,616)	-	-	(13,500,616)
Carrying amount	39,973,893,488	-	-	39,973,893,488

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

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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 year	-	-	(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

Corporate loans	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Allowance for impairment losses at January 01, 2019	1,294,842,414	2,562,255,289	2,531,716,332	6,388,814,035
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	93,682,723	187,463,359	645,139,836	926,285,918
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the year	-	-	(67,406,595)	(67,406,595)
Collections of loans previously written-off	-	18,059,660	-	18,059,660
Foreign exchange translation differences	-	(49,647,786)	(93,695,264)	(143,343,050)
Balance at the end of the year	1,184,670,265	2,507,154,392	3,100,226,787	6,792,051,444

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

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<u>Off balance sheet items exposed to credit risks</u>	December 31, 2019	December 31, 2018
Financial guarantees	357,500	357,500
L/Cs	3,679,975,387	3,318,470,593
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	49,938,852,763	46,138,160,497

Commitments for credit facilities have a carrying amount of EGP 35,961,879,563 at the end of current reporting year against EGP 33,669,773,098 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 bank, 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:

- 96% 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 96% at the end of the prior year.
- 96% of the loan 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 4,053,154,098 . Impairment on these loans and credit facilities represents 83% 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 3,180,620,116 and their impairment represents 73% 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	155,690,924,639	-	138,449,206,947	-
Have arrears but not impaired	2,401,895,185	-	2,478,975,260	-
Impaired	4,053,154,098	-	3,180,620,116	-
Total	162,145,973,922	-	144,108,802,323	-
Less: Allowance for impairment losses	(7,224,499,421)	-	(5,667,717,324)	-
Less: Segregated interest	(5,850,387)	-	(5,985,581)	-
Less: Unearned discount	(131,610,741)	-	(185,742,654)	-
Net	154,784,013,373	-	138,249,356,764	-

Total credit allowance for loans and credit facilities at the end of the current reporting year amounted to EGP 7,224,499,421 (EGP 5,667,717,324 at the end of the prior year) of which EGP 3,371,106,582 represent impairment in stage three (EGP 2,302,499,222 at the end of the prior year) and EGP 3,853,392,839 represent impairment for stage one and stage two in the credit portfolio (EGP 3,365,218,102 at the end of the prior year).

Note (19-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 13% 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	62,745,050,872	36,918,222,424	18,732,595,710	3,652,854,319	122,048,723,325
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	66,004,510,793	42,371,071,629	19,140,911,767	3,689,749,769	131,206,243,958

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	54,856,380,153	32,855,509,879	18,620,116,228	2,872,390,239	109,204,396,499
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	58,348,726,885	36,694,740,652	20,355,418,895	2,927,551,578	118,326,438,010

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	-	-	121,337,753
More than 30 – 60 days	-	39,038,295	-	-	39,038,295
More than 60 – 90 days	-	7,922,114	-	-	7,922,114
More than 90 days	-	-	537,968,917	-	537,968,917
Total	-	168,298,162	537,968,917	-	706,267,079

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	-	-	462,473,143
More than 30 – 60 days	-	34,420,124	130,083,951	-	164,504,075
More than 60 – 90 days	-	76,769,329	-	-	76,769,329
More than 90 days	-	17,809,451	551,922,481	-	569,731,932
Total	-	591,472,047	682,006,432	-	1,273,478,479

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.

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 4,053,154,098 against EGP 3,180,620,116 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					
	Overdrafts	Direct loans	Syndicated Loans and facilities	Other loans	Total
Loans which are individually impaired	378,456,031	3,290,262,295	519,862	-	3,669,238,188
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					
	Overdrafts	Direct loans	Syndicated Loans and facilities	Other loans	Total
Loans which are individually impaired	185,134,989	2,626,199,748	-	384	2,811,335,121
Fair value of collaterals	-	-	-	-	-

Restructured Loans and credit 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 years.

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	46,196,437,796	49,360,343,079
Fair value through other comprehensive income			
US Treasury Bonds	AA+	1,635,837,477	2,024,527,686
Amortized cost			
Egyptian Treasury Bonds	B	39,987,394,104	36,553,382,720
Total		87,819,669,377	87,938,253,485

(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.

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(A/9) 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	46,196,437,796	-	-	-	-	-	46,196,437,796	-	46,196,437,796
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	22,509,713,609	11,902,116,052	16,308,591,609	7,941,755,505	5,166,058,084	2,554,731,965	66,382,966,824	-	66,382,966,824
Direct loans	15,676,395,721	4,842,716,832	10,923,553,324	6,539,245,258	5,866,466,556	1,981,254,395	45,829,632,086	-	45,829,632,086
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	2,072,111,577	13,477,084	1,344,291,859	14,512,197	208,461,602	36,895,450	3,689,749,769	-	3,689,749,769
Financial derivatives	-	-	-	-	-	-	-	83,458,859	83,458,859
Financial investments									
Debt instruments	39,987,394,104	-	-	-	-	-	39,987,394,104	1,635,837,477	41,623,231,581
Other financial assets	2,147,029,409	104,745,744	111,203,400	66,629,151	70,231,397	22,818,403	2,522,657,504	27,143,646	2,549,801,150
Total at the end of the current year	143,368,434,162	31,526,829,631	35,147,874,068	18,218,219,447	16,676,697,552	5,914,408,466	250,852,463,326	1,746,439,982	252,598,903,308
Total at the end of the comparative year	132,564,299,816	31,574,544,978	31,143,694,338	16,993,413,908	14,681,795,663	5,379,098,762	232,336,847,465	2,064,428,422	234,401,275,887

(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 entities	Service entities	Governmental sector	Foreign Governments	Other activities	Individuals	Total
Treasury bills	-	-	-	-	46,196,437,796	-	-	-	46,196,437,796
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	25,008,320,406	-	-	-	-	66,382,966,824
Direct loans	1,242,565,221	25,786,172,740	8,204,462,825	10,596,431,300	-	-	-	-	45,829,632,086
Syndicated loans and facilities	-	17,654,043,063	315,115,477	1,710,242,006	-	-	-	-	19,679,400,546
Other loans	-	1,761,062,788	8,119,479	233,014,547	-	-	1,687,552,955	-	3,689,749,769
Financial derivatives	-	-	-	-	-	-	83,458,859	-	83,458,859
Financial investments									
Debt instruments	-	-	-	-	39,987,394,104	1,635,837,477	-	-	41,623,231,581
Other financial assets	9,117,474	351,743,286	95,397,001	177,812,642	1,764,161,388	25,771,609	-	125,797,750	2,549,801,150
Total at the end of current year	1,934,419,135	74,628,013,567	20,240,013,070	37,725,820,901	87,947,993,288	1,661,609,086	1,771,011,814	26,690,022,447	252,598,903,308
Total at the end of the comparative year	1,570,116,857	72,028,846,613	15,596,480,718	32,797,698,909	87,557,062,697	2,060,577,895	991,210,654	21,799,281,544	234,401,275,887

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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, 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 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	98,669,519	-	98,669,519	9,866,952
EUR	13,019,010	-	13,019,010	1,301,901
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	(114,173,099)	(114,173,099)	-	-
Maximum expected loss at December 31, 2019				11,417,312
Maximum expected loss at December 31, 2018				12,378,759

(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	EUR	GBP	Other currencies	Total
Financial assets						
Cash and due from Central Bank of Egypt (CBE)	10,945,749,924	800,416,082	221,549,843	14,852,233	30,253,290	12,012,821,372
Due from banks	1,101,925,988	5,057,103,258	110,820,102	265,220,561	104,058,627	6,639,128,536
Treasury bills	41,696,148,076	4,485,850,921	-	-	-	46,181,998,997
Loans and credit facilities to customers	121,526,593,818	30,400,722,242	2,805,804,464	50,846,037	46,812	154,784,013,373
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	39,229,472,935	744,420,553	-	-	-	39,973,893,488
Fair value through profit or loss	61,678,473	-	-	-	-	61,678,473
Other financial assets	2,485,545,983	56,152,542	3,521,973	56,924	375,043	2,545,652,465
Total financial assets	217,391,435,902	43,746,535,833	3,142,852,430	330,975,755	134,733,772	264,746,533,692
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	171,399,948,357	32,790,304,870	4,264,733,990	461,553,113	148,825,167	209,065,365,497
Financial derivatives	44,711,902	-	-	-	-	44,711,902
Other loans	230,475,000	4,124,629,169	219,628,208	-	-	4,574,732,377
Other financial liabilities	857,017,494	108,842,576	1,667,626	383,143	978	967,911,817
Total financial liabilities	186,455,480,909	38,936,562,128	4,673,521,800	468,995,962	148,826,176	230,683,386,975
Net financial position	30,935,954,993	4,809,973,705	(1,530,669,370)	(138,020,207)	(14,092,404)	34,063,146,717
At the end of the comparative year						
Total financial assets	195,679,320,744	52,654,145,129	2,183,914,783	434,079,114	177,761,880	251,129,221,650
Total financial liabilities	171,765,395,400	45,200,237,489	6,288,749,248	531,941,138	190,349,087	223,976,672,362
Net financial position	23,913,925,344	7,453,907,640	(4,104,834,465)	(97,862,024)	(12,587,207)	27,152,549,288

(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.

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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.

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)	-	-	-	-	-	12,012,821,372	12,012,821,372
Due from banks	2,114,440,858	3,947,636,693	-	-	-	577,050,985	6,639,128,536
Treasury bills	2,825,094,997	8,168,761,000	35,188,143,000	-	-	-	46,181,998,997
Loans and credit facilities to customers	121,292,192,373	7,007,489,000	7,896,596,000	15,719,037,000	2,868,699,000	-	154,784,013,373
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	-	236,557,488	6,484,047,000	23,765,019,000	9,488,270,000	-	39,973,893,488
Fair value through profit or loss	-	-	-	-	-	61,678,473	61,678,473
Other financial assets	-	-	-	-	-	2,545,652,465	2,545,652,465
Total financial assets	126,231,728,228	19,456,903,658	49,655,162,000	39,997,593,000	13,296,434,000	16,108,712,806	264,746,533,692
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	106,639,377,300	25,138,170,000	18,599,530,000	28,090,000,000	140,518,000	30,457,770,197	209,065,365,497
Financial derivatives	-	-	-	-	-	44,711,902	44,711,902
Other loans	2,639,969,377	569,811,000	1,242,093,000	107,859,000	15,000,000	-	4,574,732,377
Other financial liabilities	-	-	-	-	-	967,911,817	967,911,817
Total financial liabilities	124,539,855,216	25,707,981,000	19,841,623,000	28,197,859,000	155,518,000	32,240,550,759	230,683,386,975
IRS (notional amount)	5,055,077,688	-	-	-	-	-	5,055,077,688
Re-pricing gap	(3,363,204,676)	(6,042,538,654)	30,022,079,000	16,437,733,000	13,140,916,000	(16,131,837,953)	34,063,146,717
At the end of the comparative year							
Total financial assets	123,177,446,282	24,309,985,341	40,065,407,052	35,072,317,148	13,621,539,820	14,882,526,007	251,129,221,650
IRS (notional amount)	-	626,976,000	626,976,000	2,136,196,800	100,764,000	-	3,490,912,800
Total financial liabilities	109,609,466,370	29,602,046,201	25,193,291,075	28,439,723,350	190,191,798	30,941,953,568	223,976,672,362
IRS (notional amount)	3,490,912,800	-	-	-	-	-	3,490,912,800
Re-pricing gap	10,077,067,112	(4,665,084,860)	15,499,091,977	8,768,790,598	13,532,112,022	(16,059,427,561)	27,152,549,288

(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.

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 result in failure in fulfilling obligations related to depositors and meeting lending commitments.

December 31, 2019

Contractual maturities	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	Total
Financial liabilities						
Due to banks	16,050,840,383	-	-	-	-	16,050,840,383
Customer deposits	121,228,681,498	25,210,980,000	25,089,002,000	48,806,977,000	174,957,000	220,510,597,498
Other loans	672,599,676	580,953,797	1,726,768,157	1,660,718,770	15,000,156	4,656,040,556
Total financial liabilities	137,952,121,557	25,791,933,797	26,815,770,157	50,467,695,770	189,957,156	241,217,478,437

- 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.

December 31, 2018

Contractual maturities	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	Total
Financial liabilities						
Due to banks	12,734,555,689	-	-	-	-	12,734,555,689
Customer deposits	110,741,333,869	31,896,164,096	30,933,041,031	49,990,075,772	226,626,811	223,787,241,579
Other loans	322,187,872	16,437,165	452,828,123	1,887,913,450	50,700,145	2,730,066,755
Total financial liabilities	123,798,077,430	31,912,601,261	31,385,869,154	51,877,989,222	277,326,956	239,251,864,023

- 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	649,907,775	1,057,615,772	-	-	3,180,683,046
Cash inflows	1,472,146,050	640,968,390	969,969,010	-	-	3,083,083,450

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	824,918,732	617,325,245	-	-	5,847,170,888
Cash inflows	4,417,243,898	815,909,125	579,153,934	-	-	5,812,306,957

Cash flow for Off-balance sheet items

Maturities for off-balance sheet items	December 31, 2019				Total
	Less than one year	More than one year and less than 5 years	More than 5 years		
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, 2019				Total
	Less than one year	More than one year and less than 5 years	More than 5 years		
Commitments for credit facilities	31,566,856,019	4,395,023,422	122		35,961,879,563

Maturities for off-balance sheet items	December 31, 2018				Total
	Less than one year	More than one year and less than 5 years	More than 5 years		
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				Total
	Less than one year	More than one year and less than 5 years	More than 5 years		
Commitments for credit facilities	26,176,618,037	7,419,450,022	73,705,039		33,669,773,098

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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 separate 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 cost or nominal value is the fair value of those investments.

The table below shows the financial assets and liabilities at fair value in the separate 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	61,678,473	-	-	61,678,473
Equity Instruments	97,190,572	-	689,338,400	786,528,972
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	6,639,128,536	10,545,594,892	6,639,128,536	10,545,594,892
Loans and credit facilities to customers	154,784,013,373	138,249,356,764	155,343,483,471	Not Determined
Financial investments at amortized Cost				
Debt instruments	39,973,893,488	36,553,382,720	42,246,131,801	35,318,819,638
Financial liabilities:				
Due to banks	16,030,665,382	12,707,779,270	16,030,665,382	12,707,779,270
Customer deposits	209,065,365,497	207,349,945,095	207,236,575,683	Not Determined
Other loans	4,574,732,377	2,586,406,412	4,574,732,377	2,586,406,412

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 of placements and deposits for one day represents reasonable estimate for its fair value. Fair value expected for due to banks with free interest rate is the current value. Fair value expected for deposits bearing fixed interest rate is the current value for those deposits as its maturity 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.

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 & special reserve), 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 summarizes 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).

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 exposure 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 year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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 year.

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 Bank 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 2,258,737,697 to reach the fair value with a corresponding increase in the fair value through other comprehensive income.

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.

Individual :

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.

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

(December 31, 2019)	Corporate	Investments	Individual	Other businesses	Total
Net interest income	5,989,633,789	861,115,590	3,644,514,448	3,072,706,158	13,567,969,985
Net fee and commission income	1,311,493,567	8,273,246	627,674,351	55,440,611	2,002,881,775
Dividend income	-	149,707,215	-	-	149,707,215
Net trading income	292,490,845	-	24,639,937	(207,517,392)	109,613,390
Gain on financial investments	-	6,631,154	-	-	6,631,154
Impairment credit losses	(595,927,394)	7,258,344	(109,551,786)	9,225,961	(688,994,875)
Administrative expenses	(1,409,427,101)	(3,225,291)	(2,069,482,588)	65,863,547	(3,416,271,433)
Other operating revenues (expenses)	(116,495,031)	46,838,956	(188,049,821)	(301,108,036)	(558,813,932)
Profit before income tax	5,471,768,675	1,076,599,214	1,929,744,541	2,694,610,849	11,172,723,279
Income tax expense	(1,228,378,879)	(235,051,031)	(434,396,517)	(953,366,054)	(2,851,192,481)
Net profit for the current year	4,243,389,796	841,548,183	1,495,348,024	1,741,244,795	8,321,530,798

Assets and liabilities according to segmental activities

(December 31, 2019)	Corporate	Investments	Individual	Other businesses	Total
Segment activity assets	128,652,358,841	89,223,568,176	26,131,654,532	14,779,018,752	258,786,600,301
Unclassified assets	-	-	-	-	10,134,361,692
Total assets	128,652,358,841	89,223,568,176	26,131,654,532	14,779,018,752	268,920,961,993
Segment activity liabilities	105,239,218,805	-	103,868,062,330	20,608,194,023	229,715,475,158
Unclassified liabilities	-	-	-	-	5,027,279,729
Total liabilities	105,239,218,805	-	103,868,062,330	20,608,194,023	234,742,754,887

At the end of the comparative year

Income and expenses according to segmental activities

(December 31, 2018)	Corporate	Investments	Individual	Other businesses	Total
Net interest income	5,235,173,743	730,588,297	3,027,992,851	1,917,364,535	10,911,119,426
Net fee and commission income	1,405,704,102	9,732,149	542,836,152	10,667,583	1,968,939,986
Dividend income	-	25,477,281	-	-	25,477,281
Net trading income	251,745,403	-	15,345,295	(231,941,119)	35,149,579
Gain on financial investments	-	63,093,304	-	-	63,093,304
Impairment credit losses	(497,612,684)	-	(22,167,276)	-	(519,779,960)
Administrative expenses	(1,217,454,923)	(2,568,815)	(1,784,861,234)	99,686,146	(2,905,198,826)
Other operating revenues (expenses)	(113,270,748)	19,885,658	(159,317,897)	104,523,533	(148,179,454)
Profit before income tax	5,064,284,893	846,207,874	1,619,827,891	1,900,300,678	9,430,621,336
Income tax expense	(1,137,609,274)	(194,669,373)	(358,896,848)	(821,941,925)	(2,513,117,420)
Net profit for the comparative year	3,926,675,619	651,538,501	1,260,931,043	1,078,358,753	6,917,503,916

At the end of the comparative year

Assets and liabilities according to segmental activities

(December 31, 2018)	Corporate	Investments	Individual	Other businesses	Total
Segment activity assets	116,903,356,385	88,521,215,741	21,346,000,379	17,489,580,536	244,260,153,041
Unclassified assets	-	-	-	-	10,328,180,596
Total assets	116,903,356,385	88,521,215,741	21,346,000,379	17,489,580,536	254,588,333,637
Segment activity liabilities	112,781,703,680	-	94,582,833,342	15,280,258,424	222,644,795,446
Unclassified liabilities	-	-	-	-	4,245,569,007
Total liabilities	112,781,703,680	-	94,582,833,342	15,280,258,424	226,890,364,453

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(All amounts are shown in Egyptian Pounds)

(5/B) Segmental analysis by geographic area

At the end of the 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	2,865,181,050	1,814,929,505	2,191,844,045	1,133,429,744	977,656,850	447,593,973	4,137,334,818	13,567,969,985
Net fee and commission income	480,017,125	265,187,019	408,092,468	173,627,934	172,802,867	95,767,737	407,386,625	2,002,881,775
Dividend income	-	-	-	-	-	-	149,707,215	149,707,215
Net trading income	162,836,613	34,791,887	70,779,279	38,818,590	63,553,047	10,286,016	(271,452,042)	109,613,390
Gain on financial investments	-	-	-	-	-	-	6,631,154	6,631,154
Impairment credit losses	(176,427,085)	(24,140,053)	(136,497,751)	(232,062,411)	(124,742,991)	(11,628,585)	16,504,001	(688,994,875)
Administrative expenses	(922,111,774)	(691,169,212)	(789,220,069)	(433,769,798)	(429,548,965)	(205,816,693)	55,365,078	(3,416,271,433)
Other operating revenues (expenses)	(73,291,231)	(100,064,517)	(39,695,782)	(35,839,314)	(40,824,893)	(34,127,564)	(234,970,631)	(558,813,932)
Profit before income tax	2,336,204,698	1,299,534,629	1,705,302,190	644,204,745	618,895,915	302,074,884	4,266,506,218	11,172,723,279
Income tax expense	(525,780,032)	(292,474,152)	(383,790,426)	(145,069,165)	(139,349,578)	(67,977,368)	(1,296,751,760)	(2,851,192,481)
Net profit for the current year	1,810,424,666	1,007,060,477	1,321,511,764	499,135,580	479,546,337	234,097,516	2,969,754,458	8,321,530,798

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	52,355,901,294	31,523,028,761	35,052,949,910	17,702,947,372	16,056,976,028	5,763,277,378	110,208,635,398	268,663,716,141
Unclassified assets	-	-	-	-	-	-	-	257,245,852
Total assets	52,355,901,294	31,523,028,761	35,052,949,910	17,702,947,372	16,056,976,028	5,763,277,378	110,208,635,398	268,920,961,993
Liabilities of geographical segments	55,521,357,704	59,448,714,617	47,270,907,784	28,086,535,998	14,931,135,008	5,568,749,741	21,677,428,638	232,504,829,490
Unclassified liabilities	-	-	-	-	-	-	-	2,237,925,397
Total liabilities	55,521,357,704	59,448,714,617	47,270,907,784	28,086,535,998	14,931,135,008	5,568,749,741	21,677,428,638	234,742,754,887

At the end of the 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	2,227,165,092	1,751,096,751	1,906,978,567	1,001,050,198	869,155,240	380,092,364	2,775,581,214	10,911,119,426
Net fee and commission income	431,792,607	330,518,780	428,984,440	171,085,818	164,215,891	86,484,609	355,857,841	1,968,939,986
Dividend income	-	-	-	-	-	-	25,477,281	25,477,281
Net trading income	143,362,285	41,185,661	66,061,490	28,023,211	62,669,166	11,658,496	(317,810,730)	35,149,579
Gain on financial investments	-	-	-	-	-	-	63,093,304	63,093,304
Impairment credit losses	(255,566,542)	(22,711,808)	90,218,736	(199,704,020)	(163,554,525)	31,538,199	-	(519,779,960)
Administrative expenses	(729,017,472)	(674,646,473)	(682,551,498)	(399,650,408)	(338,998,858)	(172,484,656)	92,150,539	(2,905,198,826)
Other operating revenues (expenses)	(55,068,893)	(64,800,846)	(75,038,793)	(33,369,797)	(35,534,997)	(8,775,808)	124,409,680	(148,179,454)
Profit before income tax	1,762,667,077	1,360,642,065	1,734,652,942	567,435,002	557,951,917	328,513,204	3,118,759,129	9,430,621,336
Income tax expense	(394,910,723)	(304,189,297)	(388,535,097)	(126,601,393)	(124,658,061)	(73,378,099)	(1,100,844,750)	(2,513,117,420)
Net profit for the comparative year	1,367,756,354	1,056,452,768	1,346,117,845	440,833,609	433,293,856	255,135,105	2,017,914,379	6,917,503,916

At the end of the 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	42,583,469,901	31,799,002,865	31,193,114,939	16,739,607,743	14,421,256,129	5,312,786,892	112,215,640,609	254,264,879,078
Unclassified assets	-	-	-	-	-	-	-	323,454,559
Total assets	42,583,469,901	31,799,002,865	31,193,114,939	16,739,607,743	14,421,256,129	5,312,786,892	112,215,640,609	254,588,333,637
Liabilities of geographical segments	58,865,894,945	56,187,741,077	47,498,284,305	28,176,650,844	13,819,814,569	5,149,284,943	15,464,909,766	225,162,580,449
Unclassified liabilities	-	-	-	-	-	-	-	1,727,784,004
Total liabilities	58,865,894,945	56,187,741,077	47,498,284,305	28,176,650,844	13,819,814,569	5,149,284,943	15,464,909,766	226,890,364,453

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

	December 31, 2019	December 31, 2018
6- Net interest income		
Interest from loans and similar income:		
Loans and credit facilities:		
- Customers	19,666,441,600	17,169,960,848
Total	19,666,441,600	17,169,960,848
Treasury bills and bonds	11,728,215,246	12,343,440,986
Deposits and current accounts	728,668,527	790,743,003
Net interest differential on hedging instruments (IRS contracts)	7,469,526	4,224,417
Total	32,130,794,899	30,308,369,254
Cost of deposits and similar expense :		
Deposits and current accounts:		
- Banks	(365,100,542)	(655,266,567)
- Customers	(18,059,231,348)	(18,566,543,172)
Total	(18,424,331,890)	(19,221,809,739)
Repo arrangements	(51,471,289)	(112,500,521)
Other loans	(87,021,735)	(62,939,568)
Total	(18,562,824,914)	(19,397,249,828)
Net	13,567,969,985	10,911,119,426
7- Net fee and commission income:		
Fee and commission income:		
Credit fees and commission	1,544,790,272	1,561,654,099
Custody fees	29,263,782	31,130,262
Investment commission	18,947,896	13,104,606
Other fees	911,799,416	755,380,928
Total	2,504,801,366	2,361,269,895
Fee and commission expense:		
Brokerage fees	(4,793,139)	(4,108,895)
Other fees	(497,126,452)	(388,221,014)
Total	(501,919,591)	(392,329,909)
Net	2,002,881,775	1,968,939,986
8- Dividend income		
Investment funds	-	500,000
Associates and subsidiaries	100,095,303	-
Equity instruments at fair value through other comprehensive income	49,611,912	24,977,281
Total	149,707,215	25,477,281
9- Net trading income:		
Forex operations:		
Foreign exchange trading gains (loss)	152,527,583	30,223,916
Changes in fair value of currency forward contracts	(31,573,995)	1,292,710
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	109,613,390	35,149,579
10- Administrative expenses		
Staff cost:		
Salaries and wages	1,439,001,901	1,207,998,864
Social insurance	103,402,629	64,212,084
Pension cost:		
Defined contribution scheme	87,676,033	77,635,829
Other retirement benefits (Defined benefit scheme)	66,879,618	93,539,843
Total	1,696,960,181	1,443,386,620
Depreciation and amortization	287,647,893	243,819,905
Other administrative expenses	1,431,663,359	1,217,992,301
Total	3,416,271,433	2,905,198,826
11- Other operating revenues (expenses)		
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	(382,098,408)	38,414,616
Gain on sale of property and equipment	2,890,011	6,434,554
Software cost	(158,613,330)	(137,251,892)
Operating lease rental expense	(118,264,235)	(95,811,954)
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)	77,765,608	7,673,590
Other income (expense)	18,769,674	19,956,871
Total	(558,813,932)	(148,179,454)
12- Impairment credit losses		
Loans and credit facilities to customers	(705,479,180)	(519,779,960)
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	(688,994,875)	(519,779,960)

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13- Income tax expense	December 31, 2019	December 31, 2018
Current tax	(2,840,585,870)	(2,502,918,268)
Deferred tax	(10,606,611)	(10,199,152)
Total	(2,851,192,481)	(2,513,117,420)

Additional data on deferred tax is disclosed in note 31. 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	11,172,723,279	9,430,621,336
Income tax calculated at 22.5 % tax rate	2,513,862,738	2,121,889,801
Tax impact for:		
Non-taxable income	(12,583,799)	(2,121,137)
Non-deductible expenses for tax purposes	328,961,068	372,957,149
Use of deferred tax assets	(23,267,132)	(13,964,837)
Provision and segregated interest	23,671,182	21,676,973
Tax deductible (10% on dividend income)	9,941,813	2,480,319
Effective income tax expense	2,840,585,870	2,502,918,268

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.
Year 2017 is under examination with the tax authority.
Year 2018 the Bank submitted its tax return in the due date and books have not been inspected yet.

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.

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.

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)	12,012,821,372	-	-	-	12,012,821,372
Due from banks	6,648,253,897	-	-	-	6,648,253,897
Treasury bills	46,196,437,796	-	-	-	46,196,437,796
Loans and credit facilities to customers	162,145,973,922	-	-	-	162,145,973,922
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	39,987,394,104	-	-	-	39,987,394,104
Fair value through profit or loss	-	-	-	61,678,473	61,678,473
Other financial assets	2,549,801,150	-	-	-	2,549,801,150
Total financial assets	269,540,682,241	1,635,837,477	828,050,652	145,137,332	272,149,707,702
Due to banks	16,030,665,382	-	-	-	16,030,665,382
Customer deposits	209,065,365,497	-	-	-	209,065,365,497
Financial derivatives	-	-	-	44,711,902	44,711,902
Other loans	4,574,732,377	-	-	-	4,574,732,377
Other financial liabilities	967,911,817	-	-	-	967,911,817
Total financial liabilities	230,638,675,073	-	-	44,711,902	230,683,386,975

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	11,750,943,263	-	-	11,750,943,263
Due from banks	Loans and facilities	Amortized cost	10,545,594,892	-	(19,083,244)	10,526,511,648
Treasury bills	Loans and facilities	Amortized cost	48,133,640,018	1,226,703,061	(30,548,616)	49,329,794,463
Loans and credit facilities to customers	Loans and facilities	Amortized cost	138,249,356,764	-	(1,202,671,188)	137,046,685,576
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	36,553,382,720	705,575,652	(4,619,649)	37,254,338,723
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	45,383,743	-	-	45,383,743
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	2,350,424,034	-	(3,416,761)	2,347,007,273
Total financial assets			249,902,518,589	2,558,167,954	(1,260,339,458)	251,200,347,085
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	207,349,945,095	-	-	207,349,945,095
Financial derivatives	Fair value through profit or loss	Fair value through profit or loss	664,669	-	-	664,669
Other loans	Amortized cost	Amortized cost	2,586,406,412	-	-	2,586,406,412
Other financial liabilities	Amortized cost	Amortized cost	1,331,876,916	-	-	1,331,876,916
Total financial liabilities			222,749,969,301	1,226,703,061	-	223,976,672,362

* 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	3,956,390,015	4,810,753,664
Balances with CBE (mandatory reserve)	8,056,431,357	6,940,189,599
Total	12,012,821,372	11,750,943,263
Interest free balances	12,012,821,372	11,750,943,263
Total	12,012,821,372	11,750,943,263

17- Due from Banks	December 31, 2019	December 31, 2018
Current accounts	706,011,352	768,244,528
Deposits	5,942,242,545	9,777,350,364
Total	6,648,253,897	10,545,594,892
Less: Allowance for impairment losses	(9,125,361)	-
Total	6,639,128,536	10,545,594,892
Balances at CBE other than those under the mandatory reserve	5,078,070,791	4,546,120,181
Local banks	445,464,192	4,798,236,933
Foreign Banks	1,124,718,914	1,201,237,778
Less: Allowance for impairment losses	(9,125,361)	-
Total	6,639,128,536	10,545,594,892
Interest free balances	577,050,985	486,509,498
Balances at floating interest rates	235,660,367	281,735,030
Balances at fixed interest rates	5,835,542,545	9,777,350,364
Less: Allowance for impairment losses	(9,125,361)	-
Total	6,639,128,536	10,545,594,892
Current balances	6,639,128,536	10,545,594,892
Total	6,639,128,536	10,545,594,892

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	43,346,678,100	39,150,438,320
Less: Unearned interest	(2,939,515,304)	(2,670,770,241)
Total	46,196,437,796	49,360,343,079
Less: Allowance for impairment losses	(14,438,799)	-
Total	46,181,998,997	49,360,343,079

19- 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	66,382,966,824	(1,620,028,139)	64,762,938,685	58,533,861,874	(1,311,185,436)	57,222,676,438
Direct loans	45,829,632,086	(4,580,967,655)	41,248,664,431	39,912,412,447	(3,124,058,279)	36,788,354,168
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	3,689,749,769	(23,614,709)	3,666,135,060	2,927,551,962	(63,292,909)	2,864,259,053
Total (2)	135,581,749,225	(6,792,051,444)	128,789,697,781	122,411,251,610	(5,316,289,178)	117,094,962,432
Total loans and credit facilities to customers (1+2)	162,145,973,922	(7,224,499,421)	154,921,474,501	144,108,802,323	(5,667,717,324)	138,441,084,999
Less: Segregated interest			(5,850,387)			(5,985,581)
Less: Unearned discount			(131,610,741)			(185,742,654)
Net Loans and credit facilities to customers distributed as follows:			154,784,013,373			138,249,356,764
Current balances			110,591,928,373			98,948,403,004
Non-current balances			44,192,085,000			39,300,953,760
Net Loans and credit facilities to customers			154,784,013,373			138,249,356,764

19-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	December 31, 2019				
	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	63,292,909	5,316,289,178
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	63,292,909	6,388,814,035
Net impairment loss recognized during the year	(257,824,867)	1,119,986,454	(228,262,559)	(37,971,634)	595,927,394
Loans written-off during the year	-	(67,406,595)	-	-	(67,406,595)
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	23,614,709	6,792,051,444
Total					7,224,499,421

Individuals	December 31, 2018				
	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	December 31, 2018				
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Balance at beginning of the year	1,345,030,744	2,944,824,499	543,886,745	86,723,171	4,920,465,159
Net impairment loss recognized during the year	(34,974,750)	282,681,419	273,409,100	(23,503,085)	497,612,684
Loans written-off during the year	-	(136,639,548)	-	-	(136,639,548)
Collection of loans previously written-off	-	30,719,099	-	-	30,719,099
Foreign exchange translation differences	1,129,442	2,472,810	456,709	72,823	4,131,784
Balance at end of the year	1,311,185,436	3,124,058,279	817,752,554	63,292,909	5,316,289,178
Total					5,667,717,324

20- Financial Derivatives

(A) Held for trading	December 31, 2019		
	Notional amount	Assets	Liabilities
- Forward foreign exchange contracts	2,055,051,633	-	47,651,192
- Swap foreign exchange contracts	1,125,631,413	-	(2,939,290)
Total	3,180,683,046	-	44,711,902
(B) Fair value hedge			
- Interest rate swap contracts	5,055,077,688	83,458,859	-
Total	5,055,077,688	83,458,859	-
Total	8,235,760,734	83,458,859	44,711,902

(A) Held for trading	December 31, 2018		
	Notional amount	Assets	Liabilities
- Forward foreign exchange contracts	1,729,988,870	-	16,077,197
- Swap foreign exchange contracts	4,117,182,018	-	(15,412,528)
Total	5,847,170,888	-	664,669
(B) Fair value hedge			
- Interest rate swap contracts	3,490,912,800	3,796,045	-
Total	3,490,912,800	3,796,045	-
Total	9,338,083,688	3,796,045	664,669

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).

21- 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	39,242,973,551	35,689,249,153
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)	39,973,893,488	36,553,382,720
Fair value through profit or loss (FVTPL)		
(A) Mutual funds:		
Unlisted instruments in stock exchange market*	61,678,473	45,383,743
Total equity instruments measured at fair value through profit or loss (3)	61,678,473	45,383,743
Total Financial investments (1+2+3)	42,499,460,090	38,868,763,573
Current balances	6,903,439,965	4,333,866,083
Non-current balances	35,596,020,125	34,534,897,490
Total financial investment	42,499,460,090	38,868,763,573
Fixed interest debt instruments	41,609,730,965	38,577,910,406
Total debt instruments	41,609,730,965	38,577,910,406
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	36,553,382,720
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)	112,479,808
Disposals (sale/redemption)	(301,385,348)	(4,192,747,250)
Translation differences resulting from monetary foreign currency denominated assets	(205,014,247)	(85,729,794)
Changes in fair value reserve	24,457,233	-
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	39,973,893,488
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	2,697,935,760	31,297,090,056
Additions	176,628,565	8,598,974,199
Amortization of premium / discount	(43,783,070)	107,494,166
Disposals (sale/redemption)	(531,758,092)	(3,681,558,000)
Translation differences resulting from monetary foreign currency denominated assets	23,513,298	8,800,246
Changes in fair value reserve	(22,155,608)	237,582,053
Re-classification financial investements	(30,383,743)	(15,000,000)
Balance at the end of the comparative year	2,269,997,110	36,553,382,720
Gain on financial investments		
	December 31, 2019	December 31, 2018
Gain on financial investments at fair value through profit or loss	6,631,154	63,093,304
Total	6,631,154	63,093,304

* 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.

22- Investments in subsidiaries and associates

The following table summarizes the Bank's holdings in its subsidiaries and 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
ONB ALAHLI leasing company (Subsidiary)	Egypt	3,499,721,558	2,998,989,886	462,291,479	96,531,810	144,915,453	99.98%
ONBALAHLI Life Insurance company (Subsidiary)	Egypt	3,465,874,153	2,887,561,475	202,496,131	170,011,264	69,179,676	99.98%
ONB ALAHLI Asset Management Egypt (Subsidiary)	Egypt	12,540,559	643,807	2,018,951	1,110,605	1,176,710	97.48%
ONB ALAHLI Factoring Company (Subsidiary)	Egypt	1,250,064,566	676,683,260	255,400,833	32,774,137	324,990,000	99.997%
Senouhi Company for Construction Materials (Associate)	Egypt	15,704,819	3,539,329	28,320,529	891,433	1,847,250	23.09%
Total		8,243,905,655	6,567,417,757	950,527,923	301,319,249	542,109,089	

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
ONB ALAHLI leasing company (Subsidiary)	Egypt	2,879,131,628	2,468,275,787	975,853,645	66,559,805	144,915,453	99.98%
ONBALAHLI Life Insurance company (Subsidiary)	Egypt	2,751,595,021	2,227,446,279	202,198,390	139,460,399	69,179,676	99.98%
ONB ALAHLI Asset Management Egypt (Subsidiary)	Egypt	11,095,893	299,188	1,676,258	1,157,550	1,176,710	97.48%
ONB ALAHLI Factoring Company (Subsidiary)	Egypt	2,827,480,252	2,528,134,510	389,587,543	75,785,719	74,990,000	99.99%
Senouhi Company for Construction Materials (Associate)	Egypt	14,140,443	3,116,776	17,419,379	(74,447)	1,847,250	23.09%
Total		8,483,443,237	7,227,272,540	1,586,735,215	282,889,026	292,109,089	

23- Intangible assets

	December 31, 2019	December 31, 2018
Software		
Net book value at the beginning of the year	162,034,757	115,919,735
Additions	100,163,588	93,702,773
Amortization	(59,853,698)	(47,587,751)
Net book value at the end of the year	202,344,647	162,034,757

24- Other assets

	December 31, 2019	December 31, 2018
Accrued revenues	2,549,801,150	2,350,424,034
Pre-paid expenses	118,129,026	81,650,360
Advance payments for acquisition of property and equipment	547,060,134	166,948,604
Foreclosed assets reverted to the bank in settlement of debts	13,469,072	7,781,996
Deposits held with others and custody	13,398,304	10,343,122
Advance payments to tax authority	11,921,576	16,712,269
Others	213,294,765	323,961,820
	3,467,074,027	2,957,822,205
Less: Expected credit loss (ECL)	(4,148,685)	-
Total	3,462,925,342	2,957,822,205

25- Property and Equipment

	Lands and buildings	Renovations of leased assets	Machinery & equipment	Others	Total
January 1, 2018					
Cost	2,271,696,616	154,309,897	708,750,479	228,057,386	3,362,814,378
Accumulated depreciation	(552,689,720)	(110,571,762)	(486,198,079)	(105,593,792)	(1,255,053,353)
Net book value	1,719,006,896	43,738,135	222,552,400	122,463,594	2,107,761,025
December 31, 2018					
Net book value at the beginning of the year	1,719,006,896	43,738,135	222,552,400	122,463,594	2,107,761,025
Additions	183,440,842	40,218,505	76,759,625	24,598,616	325,017,588
Disposals from property and equipment	(409,267)	-	(175,901)	-	(585,168)
Disposals from accumulated depreciation	43,738	-	145,139	-	188,877
Depreciation for the year	(93,195,161)	(10,472,906)	(73,668,342)	(18,895,745)	(196,232,154)
Net book value	1,808,887,048	73,483,734	225,612,921	128,166,465	2,236,150,168
January 1, 2019					
Cost	2,454,728,191	194,528,402	785,334,203	252,656,002	3,687,246,798
Accumulated depreciation	(645,841,143)	(121,044,668)	(559,721,282)	(124,489,537)	(1,451,096,630)
Net book value	1,808,887,048	73,483,734	225,612,921	128,166,465	2,236,150,168
December 31, 2019					
Net book value at the beginning of the year	1,808,887,048	73,483,734	225,612,921	128,166,465	2,236,150,168
Additions	154,652,391	61,871,240	208,711,270	24,561,101	449,796,002
Disposals from property and equipment	(856,362)	(139,751)	(18,532,571)	(1,613,603)	(21,142,287)
Disposals from accumulated depreciation	517,386	139,751	18,520,055	1,613,603	20,790,795
Depreciation for the year	(103,250,716)	(12,133,665)	(92,381,412)	(20,028,402)	(227,794,195)
Net book value	1,859,949,747	123,221,309	341,930,263	132,699,164	2,457,800,483
Balances at December 31, 2019					
Cost	2,608,524,220	256,259,891	975,512,902	275,603,500	4,115,900,513
Accumulated depreciation	(748,574,473)	(133,038,582)	(633,582,639)	(142,904,336)	(1,658,100,030)
Net book value	1,859,949,747	123,221,309	341,930,263	132,699,164	2,457,800,483

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

(All amounts are shown in Egyptian Pounds)

26- 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

27- Customer deposits	December 31, 2019	December 31, 2018
Demand deposits	47,873,048,816	50,051,628,356
Time deposits and call accounts	79,710,679,594	85,261,092,835
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	209,065,365,497	207,349,945,095
Corporate deposits	105,197,303,167	112,767,111,753
Retail deposits	103,868,062,330	94,582,833,342
Total	209,065,365,497	207,349,945,095
Non-interest bearing balances	30,457,770,197	29,021,642,483
Variable interest rate balances	69,071,820,825	64,689,231,540
Fixed interest rate balances	109,535,774,475	113,639,071,072
Total	209,065,365,497	207,349,945,095
Current balances	164,765,714,497	164,418,737,947
Non-current balances	44,299,651,000	42,931,207,148
Total	209,065,365,497	207,349,945,095

* 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.

28- Other loans	December 31, 2019	December 31, 2018
National Bank of Egypt (Ebab & Eco)	2,063,889	4,444,445
Commercial International Bank	110,911,111	120,533,333
European Investment Bank	159,283,761	177,428,601
European Bank for Reconstruction and Development	4,184,973,616	2,254,000,033
The Micro, Small and Medium Enterprises Development Agency	117,500,000	30,000,000
Total	4,574,732,377	2,586,406,412
Current balances	2,931,099,377	715,089,215
Non-current balances	1,643,633,000	1,871,317,197
Total	4,574,732,377	2,586,406,412

29- Other liabilities	December 31, 2019	December 31, 2018
Accrued interest	967,911,817	1,331,876,916
Unearned revenues	106,639,318	94,783,162
Accrued expenses	693,327,109	543,754,841
Sundry credit balances	1,021,476,088	547,370,084
Total	2,789,354,332	2,517,785,003

30- Other provisions

December 31, 2019							
Description	Balance at the beginning of the year	Impact of adopting IFRS 9	Formed during the year	Released during the year	Foreign currencies translation differences	Used during the year	Balance at the end of the year
					+ (-)		
Provision for tax claims	318,134,789	-	-	(120,700,000)	-	(3,563,966)	193,870,823
Provision for legal claims	12,596,462	-	11,464,339	-	(158,528)	(5,763,884)	18,138,389
Provision for contingent liabilities	290,796,573	153,241,923	31,226,616	-	(2,719,618)	-	472,545,494
Provision for fidelity	35,918,620	-	-	-	(3,655,758)	-	32,262,862
Provision for operational risk	487,587	-	243,437	-	-	-	731,024
Total	657,934,031	153,241,923	42,934,392	(120,700,000)	(6,533,904)	(9,327,850)	717,548,592
December 31, 2018							
Description	Balance at the beginning of the year		Formed during the year	Released during the year	Foreign currencies translation differences	Used during the year	Balance at the end of the year
					+ (-)		
Provision for tax claims	601,345,448	-	-	(13,600,000)	-	(269,610,659)	318,134,789
Provision for legal claims	50,598,500	-	-	(37,243,544)	(187,479)	(571,015)	12,596,462
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	935,007,098		43,169,954	(50,843,544)	782,197	(270,181,674)	657,934,031

31- Deferred income tax

Deferred tax has been calculated on all temporary tax differences using the balance sheet method and using the expected tax rate on a 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 Bank 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:

Tax impact on temporary differences arising from:	Deferred tax assets		Deferred tax liabilities	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Property and equipment	-	-	(91,513,775)	(68,955,153)
Provisions (other than the provision for loan impairment)	253,735,551	201,017,707	-	-
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)	276,916,762	234,025,024	(222,015,557)	(72,605,222)
Net balance of DTA (DTL)	54,901,205	161,419,802		

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	234,025,024	222,128,226	(72,605,222)	(58,613,715)
Impact of adopting IFRS 9	41,728,828	-	(135,589,181)	-
DT recognized / utilized during the year	1,162,910	11,896,798	(13,821,154)	(13,991,507)
Closing balance	276,916,762	234,025,024	(222,015,557)	(72,605,222)

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)

32- 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 period are represented as follows:		
Balance at the beginning of the financial 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%

33- 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.

34- 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)	1,169,066	2,781,992
Legal reserve (c)	1,633,301,744	1,287,748,276
Fair value reserve (d)	524,415,089	(679,178,263)
Special reserve (e)	12,856,666	147,044,179
Capital reserve	18,489,519	12,054,965
IFRS 9 reserve	-	1,282,925,633
General risk reserve*	21,453,923	-
Total reserves at the end of the year	15,629,509,254	10,584,464,481

* 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	8,974,020
Transferred to retained earnings	(1,612,926)	(6,192,028)
Balance at the end of the year	1,169,066	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	(679,178,263)	(902,709,151)
Impact of adopting IFRS 9	1,328,894,280	-
Deferred tax recognized as a result of adopting IFRS 9	(135,589,181)	-
Net change in fair value (Note 21)	24,457,233	215,426,445
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 31)	(2,051,633)	8,104,443
Balance at the end of the year	524,415,089	(679,178,263)

(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
Deferred tax (Tax impact on adjustment)	(4,249,739)	(22,288,030)
Available-for-sale investments (Equity instruments)	16,458,868	16,458,868
Total	12,856,666	147,044,179

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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 the year	7,318,854,853	5,291,747,850
Impact of adopting IFRS 9	26,377,283	-
Net profit of the financial year	8,321,530,798	6,917,503,916
Previous year's profit distribution	(979,464,985)	(712,338,172)
Employees' profit share	(691,726,139)	(528,980,970)
Board of directors' remuneration	(13,781,250)	(11,250,000)
Transferred to capital reserve	(6,434,554)	(1,938,155)
Transferred to general reserve	(4,886,735,548)	(2,094,574,293)
Transferred to 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	1,612,926	6,192,028
Balance at the end of the year	8,754,048,002	7,318,854,853

35- 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	3,956,390,015	4,810,753,664
Due from banks in less than 3 months	6,541,553,897	10,545,594,892
Treasury bills and other governmental notes (91 days)	726,823,580	2,681,053,671
Total	11,224,767,492	18,037,402,227

36- 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	3,474,261,881	2,516,528,260
Export L/Cs	205,713,506	801,942,333
Other contingent liabilities	367,558,187	691,158,344
Total	49,938,852,763	46,138,160,497

(d) Commitments for credit facilities

	December 31, 2019	December 31, 2018
Commitments for credit facilities	35,961,879,563	33,669,773,098

(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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37- 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	5,055,077,688	3,490,912,800

(A) Loans and credit facilities to related parties

	Directors and other key management personnel (and close family members)		Associates and Subsidiaries	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Outstanding loans at the beginning of the financial year	111	111	2,198,875,475	2,695,314,974
Loans issued during the financial year	-	-	1,990,998,553	966,622,657
Loans repayment during the financial year	-	-	(1,687,127,643)	(1,463,062,156)
Loans outstanding at the end of the financial year	111	111	2,502,746,385	2,198,875,475
Interest income on loans	-	-	333,107,782	317,856,237

* 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 and Subsidiaries	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Overdrafts	111	111	32,043	39
Revolving term loan	-	-	2,454,448,264	2,065,268,251
Visa card	-	-	-	10,921
Equipment loans	-	-	48,266,078	133,596,264
Total	111	111	2,502,746,385	2,198,875,475

(B) Deposits from related parties

	Directors and other key management personnel (and close family members)		Associates and Subsidiaries	
	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	2,071,730,814	1,804,510,172
Deposits placed during the year	5,389,712	5,901,750	14,793,914	298,502,492
Deposits repaid during the year	(6,860,418)	(2,251,941)	(1,137,063,662)	(31,281,850)
Deposits outstanding at the end of the financial year	62,923,605	64,394,311	949,461,066	2,071,730,814
Interest expense on deposits	2,474,684	2,529,535	56,973,250	54,745,864

Deposits from related parties can be analyzed below

	Directors and other key management personnel (and close family members)		Associates and Subsidiaries	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Demand Deposits	1,593,925	4,629,582	31,650,741	56,040,635
Saving account	91,994	16,014	-	-
Certificates of deposits	4,000,000	3,100,000	-	-
Time Deposits	57,237,686	56,648,715	917,810,325	2,015,690,179
Total	62,923,605	64,394,311	949,461,066	2,071,730,814

(C) Other transactions with related parties

	Directors and other key management personnel (and close family members)		Associates and Subsidiaries	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Fee and commission income	14,036	11,576	8,474,427	7,072,680
Guarantees issued by the bank	-	-	1,195,753	32,232,330
The above guarantees comprise:				
LGs	-	-	31,802	34,602
LCs	-	-	1,163,951	32,197,728
Total	-	-	1,195,753	32,232,330

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.

38- 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 Bank currently holds 219,311 certificates worth of EGP 79,893,023 of which EGP 18,214,550 classified as fair value through other comprehensive income that represent 5% from the total number of certificates that were initially issued, whereas the remaining value of EGP 61,678,473 which represents 2% of the increase in fund's net asset value since initial subscription are classified as fair value through profit or loss.

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 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 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.