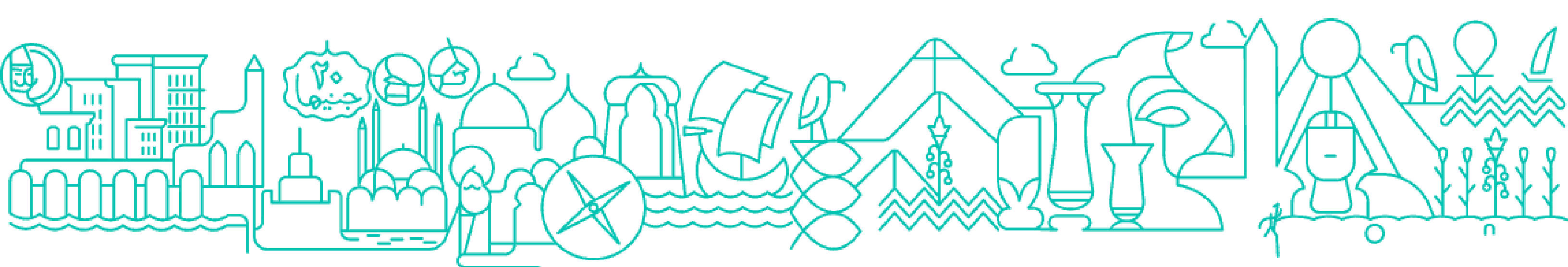
Separate Financial Statements
December 2019

Together With Auditors' Report



Index | Page

Translation of auditor's report
Originally issued in Arabic

AUDITOR'S REPORT

To: The Shareholders of Egyptian Gulf Bank (S.A.E)

Report on the Separate Financial Statements

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

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements referred to above, give a true and fair view, in all material respects, of the separate financial position of Egyptian Gulf Bank (S.A.E) as of 31 December 2019, and of its separate financial performance and its cash flows for the year then ended in accordance with the rules of preparation and presentation of the bank's financial statements issued by the Central Bank of Egypt on 16 December 2008 as amended by the regulations issued on 26 February 2019, and with the requirements of Egyptian laws and regulations.

Report on Other Legal and Regulatory Requirements

According to the information and explanations given to us during the financial year ended 31 December 2019, no contravention of the Central Bank of Egypt, banking and monetary institution law No. 88 of 2003.

The bank maintains proper accounting records that comply with the laws and the bank's articles of association and the financial statements agree with the bank's records.

The financial information included in the Board of Directors' report prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the bank's books of account.

Cairo: 4 February 2020

Auditors

Hesham Gamal Elafandy	**Nabil A. Istanbouli**
FESAA-FEST	**FESAA-FEST**
(CMAR.100)	**(CMAR.71)**
KRESTON HESHAM ELAFANDY & Co	**UHY-United for Auditing, Tax, Advisory & Financial Services**

SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31/12/2019 L.E.	31/12/2018 L.E.
ASSETS			
Cash and balances with the Central bank	(16)	**4,048,855,106**	5,116,737,390
Due from banks	(17)	**5,228,326,878**	9,971,944,024
Loans, advances and morabahat to customers (net)	(18)	**23,318,037,669**	26,081,280,760
Financial investments:			
- Fair value through other comprehensive income	(19)	**25,869,836,568**	11,630,305,585
- Amortized cost	(19)	**6,009,477,461**	6,389,646,202
Investment in subsidiaries and associates	(20)	**199,978,100**	199,978,100
Employee stock ownership plan (ESOP)	(21)	**83,011,999**	62,285,606
Intangible assets	(22)	**19,913,273**	36,601,128
Other assets	(23)	**2,870,267,857**	1,486,933,560
Fixed assets	(24)	**741,115,805**	649,092,016
TOTAL ASSETS		**68,388,820,716**	61,624,804,371
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	(25)	**5,445,609,905**	5,200,469,889
Customers' deposits	(26)	**56,045,841,828**	50,539,540,609
Other loans \ Subordinated deposits	(27)	**1,122,450,286**	1,160,492,286
Other liabilities	(28)	**966,346,987**	976,074,835
Other provisions	(29)	**69,902,411**	123,049,032
TOTAL LIABILITIES		**63,650,151,417**	57,999,626,651
SHAREHOLDERS' EQUITY			
Issued and Paid-in capital	(30)	**3,108,455,538**	2,256,089,600
Retained for capital increase (Stock Dividends)	(30)	**--**	400,000,000
Reserves	(31)	**847,308,984**	289,719,246
Employee stock ownership plan (ESOP) reserve	(21)	**26,603,387**	7,520,280
Net profit and retained Earnings	(31)	**756,301,390**	671,848,594
TOTAL SHAREHOLDERS' EQUITY		**4,738,669,299**	3,625,177,720
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**68,388,820,716**	61,624,804,371

Executive Chairman & managing director — **Chairman**

Nidal El Kassem Assar — **Mohamed Gamal El Din Mohamed Mahmoud**

- Limited review report attached.
- The accompanying notes from (1) to (39) are an integral part of these separate financial statements and are to be read therewith.

SEPARATE STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 L.E.	31 December 2018 L.E.
Interest from loans and similar income	(6)	**7,508,008,596**	7,599,156,702
Interest on deposits and similar expenses	(6)	**(5,558,496,298)**	(5,838,830,965)
Net interest income		**1,949,512,298**	1,760,325,737
Fees and commissions income	(7)	**325,417,920**	297,129,599
Fees and commissions expenses	(7)	**(74,117,738)**	(65,725,694)
Net fees and commission income		**251,300,182**	231,403,905
Dividends income	(8)	**21,236,107**	11,144,175
Net trading income	(9)	**87,497,450**	74,172,325
Gain from sale of financial investments	(19)	**14,591,131**	9,340,611
Impairment (charge) for credit losses	(12)	**(211,653,713)**	(144,395,427)
General and administrative expenses	(10)	**(1,116,058,768)**	(944,349,254)
Other operating income (expenses)	(11)	**23,246,666**	10,447,270
Profit before income tax		**1,019,671,353**	1,008,089,342
Income tax expenses	(13)	**(344,329,311)**	(426,576,471)
Net profit of the period		**675,342,042**	581,512,871
Earnings per share (EGP/ share)	(14)	**1.63**	1.49

Executive Chairman & managing director — **Nidal El Kassem Assar**

Chairman — **Mohamed Gamal El Din Mohamed Mahmoud**

- The accompanying notes from (1) to (39) are an integral part of these separate financial statements and are to be read therewith.

SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019	31 December 2018
		L.E.	L.E.
Net profit for the period		**675,342,042**	581,512,871
Other comprehensive income items that is or may be reclassified to the profit or loss:			
Change in financial assets at fair value through OCI	(31)	**498,834,078**	(329,416,673)
Total OCI items for the period		**498,834,078**	(329,416,673)
Total other comprehensive income for the period		**1,174,176,120**	252,096,198

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 L.E.	31 December 2018 L.E.
Cash flows from Operating Activities			
Net Profits before income tax		**1,019,671,353**	1,008,089,342
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	(22-24)	**110,307,617**	100,919,087
Impairment of assets	(12)	**211,653,713**	144,395,427
Other provisions charged	(11)	**(15,528,490**	36,984,686
Other provisions used, other than provisions for loans	(29)	**(10,679,205)**	(18,475,637)
Revaluation differences for other provision in foreign currencies	(29)	**(1,938,926)**	127,238
Revaluation differences for financial assets in foreign currencies	(19)	**258,250,032**	--
Revaluation differences for financial investment other than trading investments		**--**	(10,316,253)
Amortization of premium / discount for bonds	(19)	**(45,465,905)**	(27,281,465)
(Gain) on sale of fixed assets	(11)	**(612,468)**	(1,943,880)
Dividends income	(8)	**(21,236,107)**	(11,144,175)
Gains from sale of financial investment	(19)	**(15,930,638)**	(9,340,611)
Impairment of non-current assets held for sale		**--**	(7,742,804)
Impairment assets reverted to bank		**--**	1,258,000
Share based payments		**19,083,107**	7,520,280
Operating profit before changes in assets and liabilities provided from operating activities		**1,507,574,083**	1,213,049,235
Net (increase) decrease in assets and liabilities			
Due from banks		**3,147,234,804**	(1,227,573,083)
Treasury bills		**(13,076,805,247)**	(663,469,412)
Loans, advances and morabahat to customers		**2,426,355,896**	(2,463,905,030)
Other assets		**(1,236,570,281)**	(68,867,372)
Due to banks		**245,140,016**	779,713,187
Customers' deposits		**5,506,301,219**	4,073,788,941
Other liabilities		**(354,057,157)**	(296,453,149)
Net cash flows provided from operating activities	**(1)**	**(1,834,826,667)**	1,346,283,317
Cash flows from Investing Activities			
Payments to purchase fixed assets and branches improvement		**(166,192,163)**	(277,148,903)
Proceeds from sale of fixed assets		**629,401**	1,952,584
Proceeds from sale of financial investments other than trading investments		**2,184,039,426**	1,032,932,057
Proceeds from sale of Investment in associates		--	10,424,645
Proceeds from sale of Investment held for sale		--	35,000,000
Payments to purchase financial investment other than trading investments	(19)	**(2,617,864,847)**	(1,919,086,840)
Dividends received	(8)	**1,167,459**	1,145,675
Employee stock ownership plan (ESOP)	(21)	**(20,726,393)**	(36,267,546)
Net cash flows (used in) investing activities	**(2)**	**(618,947,117)**	(1,151,048,328)
Cash flows from Financing Activities			
Change in long long-term loans \ Subordinated deposits		**(38,042,000)**	658,398,000
Dividends paid		**(78,428,141)**	(67,518,164)
Net cash flows (used in) provided from financing activities	**(3)**	**(116,470,141)**	590,879,836
Net change in cash and cash equivalents during the period	**(1+2+3)**	**(2,570,243,925)**	786,114,825
Cash and cash equivalents at beginning of the period		**6,638,303,470**	5,852,188,645
Cash and cash equivalents at the end of the period		**4,068,059,545**	6,638,303,470

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019 – CONTINUED

Cash and cash equivalents are represented in (note 32)			
Cash and balances with the CBE	(16)	**4,048,855,106**	5,116,737,390
Due from banks	(17)	**5,230,029,082**	9,971,944,024
Treasury bills	(19)	**2,957,848,593**	9,479,358,866
Balance with CBE within the limit of statutory reserve		**(5,034,744,371)**	(6,361,961,928)
Due from banks with maturities more than 3 months		**(270,219,000)**	(2,090,535,741)
Treasury bills with maturity more than 3 months		**(2,863,709,865)**	(9,477,239,141)
Cash and cash equivalents at the end of the year		**4,068,059,545**	6,638,303,470

- The accompanying notes from (1) to (39) are an integral part of these separate financial statements and are to be read therewith.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Capital L.E.	Retained for capital increase L.E.	Reserves L.E.	General risk reserve L.E.	ESOP L.E.	Retained Earnings L.E.	Total L.E.
31 December 2018								
Balance as of 1/1/2018		1,786,560,356	469,529,244	577,169,230	--	--	602,404,080	3,435,662,910
Transferred for capital increase		469,529,244	(469,529,244)	--	--	--	--	--
Capital increase (Free shares)		--	400,000,000	--	--	--	(400,000,000)	--
Dividends paid for year 2017 (Employees profit share)		--	--	--	--	--	(50,061,982)	(50,061,982)
Board of directors remuneration		--	--	--	--	--	(17,456,182)	(17,456,182)
Transferred to legal reserves		--	--	50,061,982	--	--	(50,061,982)	--
Net change in other comprehensive income items		--	--	(332,000,177)	--	--	--	(332,000,177)
Transferred to banking risk reserve from retained earnings		--	--	3,445,431	--	--	(3,445,431)	--
Transferred from banking risk reserve to retained earnings		--	--	(10,576,375)	--	--	10,576,375	--
Transferred to capital reserve from retained earnings		--	--	1,619,155	--	--	(1,619,155)	--
Employee stock ownership plan (ESOP)		--	--	--	--	7,520,280	--	7,520,280
Net profit for the period		--	--	--	--	--	581,512,871	581,512,871
Balance as of 31/12/2018		2,256,089,600	400,000,000	289,719,246	--	7,520,280	671,848,594	3,625,177,720
31 December 2019								
Balance as of 1/1/2019		**2,256,089,600**	**400,000,000**	**289,719,246**	**--**	**7,520,280**	**671,848,594**	**3,625,177,720**
Transferred for General risk reserve		**--**	**--**	**(208,750,579)**	**208,750,579**	**--**	**--**	**--**
Transferred for Capital increase		**400,000,000**	**(400,000,000)**	**--**	**--**	**--**	**--**	**--**
Capital increase (Free Shares)		**452,365,938**	**--**	**--**	**--**	**--**	**(452,365,938)**	**--**
Dividends paid		**--**	**--**	**--**	**--**	**--**	**(78,428,141)**	**(78,428,141)**
Transferred to legal reserves		**--**	**--**	**58,151,287**	**--**	**--**	**(58,151,287)**	**--**
Net change in other comprehensive income items	**(32)**	**--**	**--**	**595,870,673**	**--**	**--**	**--**	**595,870,673**
Total impact of reclassification and remesurement		**--**	**--**	**(98,376,102)**	**--**	**--**	**--**	**(98,376,102)**
Transferred to capital reserve from retained earnings		**--**	**--**	**1,943,880**	**--**	**--**	**(1,943,880)**	**--**
Employee stock ownership plan (ESOP)		**--**	**--**	**--**	**--**	**19,083,107**	**--**	**19,083,107**
Net profit for the period		**--**	**--**	**--**	**--**	**--**	**675,342,042**	**675,342,042**
Balance as of 31/12/2019		**3,108,455,538**	**--**	**638,558,405**	**208,750,579**	**26,603,387**	**756,301,390**	**4,738,669,299**

- The accompanying notes from (1) to (39) are an integral part of these separate financial statements and are to be read therewith.

SEPARATE STATEMENT OF PROPOSED EARNING DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2019

	31/12/2019 L.E.	31/12/2018 L.E.
Net profit of the year (from income statement)	**675,342,042**	581,512,871
Profit selling property, plant and equipment transferred to capital reserve according to the law	**(612,468)**	(1,943,880)
Change in General bank risk reserve	**(2,063,999)**	9,376,375
Available net profit for distribution	**672,665,575**	588,945,366
Retained earnings in the beginning of the financial year	**80,959,348**	80,959,348
Total Balance for distribution	**753,624,923**	669,904,714
To be distributed as follows:		
Legal reserve 10%	**67,534,204**	58,151,287
Dividends to shareholders - first tranche (5% from paid in capital)	**155,422,777**	112,804,480
Employees profit share	**67,534,204**	58,151,287
Board of directors remuneration	**22,304,540**	20,276,854
Dividends to shareholders (second tranche)	**359,869,850**	339,561,458
Retained earnings at the end of the financial year	**80,959,348**	80,959,348
Total	**753,624,923**	669,904,714

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Egyptian Gulf Bank S.A.E was under the minister decree No, 296 at 14 October 1981 according to the Investment Law No, 43 for 1974, That was replaced by investment law No, 230 for the 1989 that was canceled by law No, 8 for 1997 which is concerned for issuance of warranties and bonus of investment and it executives, The Bank is listed in the Egyptian Stock Exchange.

Egyptian Gulf Bank provides corporate, retail banking and investment banking services in various areas of Egypt through its head office 8/10 Ahmed Nessim St., El Orman Plaza Building, Giza and fifty eight branches, and employs over 1861 employees as of the balance sheet date.

Separate financial statements were approved by the Board of Directors on 18 January 2020.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below; these policies have been consistently applied to all the years presented, unless otherwise stated.

2.A Basis of preparation

The separate financial statements have been prepared in accordance with the Central Bank of Egypt regulations approved by the Board of Directors on 16 December 2008, in addition to Egyptian Financial Reporting Standards No.9 “Financial instruments” issued on 26 February 2019 by the Central Bank of Egypt.

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

The separate and consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with the relevant domestic laws and the Egyptian financial reporting standards, 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 31 December 2019 to get complete information on the bank’s financial position, results of operations, cash flows and changes in ownership rights.

2. Summary of significant accounting policies – continued

2.B 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 measured at amortized cost if it is not measured at fair value through profit or loss and the following two conditions met:

- The management intension maintaining the asset in business model to collect contractual cash flow and;
- This contractual conditions of financial assets will build cash flow in certain dates which limited only on payment of principle and interest (SPPI).

The debt instruments measured at fair value through other comprehensive income if it is not measured at fair value through profit or loss and the following two conditions met:

- The management intension maintaining the asset in business model to collect contractual cash flow or selling it and;
- This contractual conditions of financial assets will build cash flow in certain dates which limited only on payment of principle and interest (SPPI).

The Bank may choose without return to measure equity investment which not classified trading investments to be as a fair value through other comprehensive income at initial recognition. And 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 return financial asset that will be measured at amortized cost or fair value through other comprehensive income to measured at fair value through profit or loss in the initial recognition, and in such a case that this reclassification will lead to prevent 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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies – continued

2.B Changes in accounting policies – continued

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 on 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 excepted credit loss (ECL).

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

According to IFRS 9; Expected credit loss will be recognized earlier than being applied by 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, expected credit loss are recognized on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date.

Stage 2: 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 are recognized, but interest is still calculated on the gross carrying amount of the asset.

Lifetime expected credit loss are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime Expected Credit Loss - credit impaired

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies – continued

2.B Changes in accounting policies – continued

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

	General Risk Reserve L.E.	Retained Earnings L.E.	Fair Value Reserve L.E.
Opening balance as of January 01, 2019	208,750,579	90,335,723	(187,278,385)
Total reclassification and remesurment impact	--	--	(98,376,102)
ECL impact	--	--	--
Total	208,750,579	90,335,723	(285,654,487)
Adjusted opening balance	208,750,579	90,335,723	(285,654,487)

2.C Subsidiaries and Associates

2.C.1 Subsidiaries

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

2.C.2 Associates

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

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

2.D Segment reporting

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies – continued

2.E Foreign currency translation

2.E.1 Functional and presentation currency

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

2.E.2 Transactions and balances in foreign currencies

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

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

- Net trading income from held-for-trading assets and liabilities.
- Other operating revenues (expenses) from the remaining assets and liabilities.
- Other comprehensive income items for financial investments at FVTOCI.

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

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

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

2. Summary of significant accounting policies – continued

2.F Financial assets

2.F.1 Financial Policies applied until December 31, 2018

The Bank classifies its financial assets in the following categories: financial assets designated at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial investments. Management determines the classification of its investments at initial recognition.

2.F.1.1. Financial assets held for trading

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

The Bank in all conditions doesn't reclassify any financial instrument moving to programs of financial instruments reclassified with fair value from statement of income or to financial assets program for trading.

2.F.1.2. Loans and advances

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

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

2.F.1.3. Held to maturity financial investments

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

2.F.1.4. Available for sale financial investments

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

The following are applied in respect to all financial assets

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

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

2. Summary of significant accounting policies – continued

2.F Financial assets – continued

2.F.1 Financial Policies applied until December 31, 2018 – continued

2.F.1.4. Available for sale financial investments – continued

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

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

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

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

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

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

- If the Financial asset has fixed maturity, gains or losses are amortized over the remaining life of the investment using the effective interest rate method, In case of subsequent impairment of the financial asset, the previously recognized unrealized gains or losses in equity are recognized directly in the profits and losses.
- In the case of financial asset which has infinite life, any previously recognized profit and loss in equity will remain until the sale of the asset or its disposal, in the case of impairment of the value of the financial asset after the re-classification, any gain or loss previously recognized in equity is recycled to the profits and losses.
- If the bank adjusts its estimates of payments or receipts of a financial asset that in return adjust the carrying amount of the asset to reflect the actual cash inflows, the carrying value is recalculated based on the present value of estimated future cash flows at the effective yield of the instrument and the difference is recognized in profit and loss.
- In all cases, if the bank re-classified financial assets in accordance with the above criteria and increases its estimate of the proceeds of future cash flow, this increase adjusts the effective interest rate of this asset only without affecting the investment book value.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies – continued

2.F Financial assets – continued

2.F.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 buisness 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.F.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 principle 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.F.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.F.2.3. Financial assets classified as fair value through profit or loss

The financial asset is held in other business models including trading, management of financial assets at fair value, maximization of cash flows through sale.

The objective of the business model is not to retain the financial asset for the collection of contractual or retained cash flows for the collection of contractual cash flows and sales.

Collecting contractual cash flows is an incidental event for the objective of the model.

The characteristics of the business model are as follows:

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

2.G Offsetting financial instruments

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

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

2. Summary of significant accounting policies – continued

2.H Interest income and expense

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

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

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

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

2.I 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 receivable cease to be recognized as income and are rather recorded off balance sheet, These are recognized as revenue, on a cash basis, only when interest income on those loans is recognized in profit and loss, at that time, fees and commissions that present an integral part of the effective interest rate of a financial asset, are treated as an adjustment to the effective interest rate of the financial asset.

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

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

Commission and fees arising from negotiation, or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares of other securities and the purchase or sale of properties are recognized upon completion of the underlying transaction in the income statement. Other management advisory and service fees are recognized based on the applicable service contracts, usually on accrual basis, financial planning fees related to investment funds are recognized steadily over the period in which the service is provided the same principle is applied for wealth management; financial planning and custody services that are provided on the long term are recognized on the accrual basis also.

2. Summary of significant accounting policies – continued

2.J Dividend income

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

2.K Sale and repurchase agreements

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

2.L Impairment of financial assets

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.L.1 Financial assets carried at amortized cost

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

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

- Great financial troubles facing the borrower or debtor.
- Violation of the conditions of the loan agreement such as non-payment.
- Initial bankruptcy proceeding.
- Deterioration of the borrower’s competitive position.
- The bank for reasons of economic or legal financial difficult of the borrower by Granting concessions may not agree with the bank granted in normal circumstance.
- Impairment of guarantee.
- Deterioration of credit worthiness.

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

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

2. Summary of significant accounting policies – continued

2.L Impairment of financial assets – continued

2.L.1 Financial assets carried at amortized cost – continued

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

- If the bank determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, It includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment according to historical default ratios.
- If the bank determines that an objective evidence of financial assets impairment exists that is individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.
- If the result of a previous test did not recognize impairment loss, then this asset will be added to the group of financial assets that are collectively evaluated for impairment.

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

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

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

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies – continued

2.L Impairment of financial assets – continued

2.L.2 Available for sale investments

The bank assesses on each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classify under available for sale is impaired, In the case of equity investments classified as available for sale, a significant or a prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

The decrease consider significant when it became 10% from the book value of the financial instrument and the decrease consider to be extended if it continues for period more than 9 months, and if the mentioned evidence become available then any cumulative gains or losses previously recognized in equity are recognized in the income statement, in respect of available for sale equity securities, impairment losses previously recognized in profit and loss are not reversed through the income statement.

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, 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.
- 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. Summary of significant accounting policies – continued

2.L Impairment of financial assets – continued

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.

- **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.

- **Qualitative factors**

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.

Unpayments

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 three stages (1,2,3):

- **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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies – continued

2.M Intangible assets

Software (computer programs)

Expenditures related to the development or maintenance of computer programs, are to be charged on income statement, as incurred, Expenditures connected directly with specific software and which are subject to the Bank's control and expected to produce future economic benefits exceeding their cost for more than one year, are to be recognized as an intangible asset, The expenses include staff cost of the team involved in software upgrading, in addition to a portion of overhead expenses.

The expenditures that lead to the development of computer software beyond their original specifications are recognized as an upgrading cost and are added to the original software cost.

The computer software cost is recognized as an asset that is amortized over the expected useful life time not exceeding four years, except for the main software for the bank that is amortized over 10 years.

2.N Other assets

Non-current Assets held for Sale

Non-current assets are classified as non-current assets held for sale if it is expected to recover their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This includes assets bought for loans settlement, fixed assets which the bank suspends their use to sell it, and the subsidiaries and associates companies which the bank buy for the purpose of selling them.

The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

The asset (or disposal group) that is classified as assets held for sale based on the book value in the classification date, or the fair value deducting the sale costs whichever is less.

If the bank changes the sale plan, the book value of the asset will be modified to the amount by which the asset would have been measured in case it was not classified as an asset held for sale taking into consideration any value decline. As for assets gained against loans settlement, if the bank fails to sell them within the legally set period, the bank should form 10% from the asset value annually as a general bank risk reserve.

The changes in the value of non-current assets held for sale, the profit and loss of sale shall be acknowledged in the item other operating revenues (expenses).

2. Summary of significant accounting policies – continued

2.O Fixed assets

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

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

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

- Buildings	50	Years
- Safes	40	Years
- Office Furniture	10	Years
- Tools and Equipment	8	Years
- Computers and core systems	8	Years
- Fixtures and fitting	8	Years
- Transportation	5	Years
- Computer software	8	Years

During the current period, the Bank's management has reconsidered the estimated useful lives of certain fixed assets.

	Befor		After	
- Buildings	40	Years	50	Years
- Fixtures and fitting	5	Years	8	Years
- Computers and core systems	5	Years	8	Years
- Transportation	4	Years	5	Years

The reconsideration of the estimated useful lives of LE 6 million in the three months was affected by the profit and loss statement.

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Summary of significant accounting policies – continued

2.P Impairment of non-financial assets

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

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

2.Q Cash and cash equivalents

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

2.R Other provisions

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

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

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

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

2.S Employee's benefits

2.S.1 Social insurance

The bank contributes to the social insurance scheme related to the Social Insurance Authority for the benefit of its employees; the income statement is charged with these contributions on an accrual basis and is included in the employee's benefit account.

2.S.2 Profit share

The Bank pay a percentage of the cash profits expected to be distributed as employee's profit share through item "dividends declared" in the owners' equity, and as liability when the its approved by the shareholders general assembly, There is no recorded liability for the employees share in the unpaid dividends portion.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies – continued

2.S Employee's benefits - continued

2.S.3 Other retirement liability

The bank provides healthcare benefits to retirees and usually the benefits are granted under the condition that the retiree has reached the retirement age when employed by the bank and completes the minimum required service period, the expected costs are accrued during the period of services rendered by the employee under the defined benefit plans accounting method.

2.S.4 Employee stock ownership plan (ESOP)

The extraordinary general assembly meeting held on 9 May 2017 approved the establishment of the employee stock ownership plan (ESOP) by granting after amending the bank's article of association according to the decision of the extraordinary general assembly meeting held on 23 March 2016 based on a proposal from the bank's board of directors on 29 February 2016, this plan will be applied on 9 August 2017 which is the date of the approval of the Egyptian Financial Supervisory Authority (EFSA) on this plan in accordance with the law.

Equity securities of this plan will be granted to the bank's executive members, departments' heads, general managers, first line managers and employees of the bank based on their annual performance and appraisal according to the bank's financial performance and personal performance report based on his functional grade.

2.T Income tax

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

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

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

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

2.U Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

2.V Capital

Dividends

Dividends on ordinary shares and profit sharing are recognized as a charge of equity upon the general assembly approval, Profit sharing include the employee' Profit share and the board of director' remuneration as prescribed by the bank's articles of incorporation and the corporate law.

3. Financial risk management

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

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

Risk management is carried out by risk department under policies approved by the Board of Directors; Bank treasury identifies, evaluates and hedges financial risks in close co-operation with the bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non–derivative financial instruments; In addition, credit risk management is responsible for the independent review of risk management and control environment.

3.A Credit risk

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

3.A.1 Credit risk measurement

Loans and advances to banks and customers

In measuring credit risk of Loans and facilities to banks and customers at counterparty level, the bank reflect three components.

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

These credit risk measurements, which reflect expected loss (expected loss model) are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee), and are embedded in the bank's daily operational management, The operational measurements can be contrasted with impairment allowance required under EAS 26, which are based on losses that have been incurred on the balance sheet data (incurred loss model) rather than expected losses.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.A Credit risk – continued

3.A.1 Credit risk measurement – continued

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

Bank's internal ratings scale

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

The amount of default represent the outstanding balances at the time when a late settlement occurred for example the loans expected amount of default represent its book value, for commitments the default amount represents all actual withdrawals in addition to any withdrawals that occurred till the date of the late payment if any.

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

Debt instruments, treasury bills and other bills

For Debt instruments and bills external rating such as standard and poor's rating or their equivalents are used for managing of the credit risk exposures, and if this rating is not available, then other ways similar to those used with the credit customers are uses, the investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3.A.2 Risk limit and mitigation policies

The bank manages, limit and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

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

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

3. Financial risk management – continued

3.A Credit risk – continued

3.A.2 Risk limit and mitigation policies – continued

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

Some other specific control and mitigation measures are outlined below:

Collaterals

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

- Mortgages over residential properties.
- Mortgages Business assets such as machines and inventory.
- Mortgages financial instruments such as debt securities and equities.

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

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

Master netting arrangements

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

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Guarantees and standby letters of credit carry the same credit risk as loans, documentary and commercial letters of credit - which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and condition - are collateralized by underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.A Credit risk – continued

3.A.3 Impairment and provisioning policies

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

The impairment provision reported in the balance sheet at the end of the period is derived from the four internal rating grades; However, the majority of the impairment provision comes from the last two rating degrees.

The following table illustrates the proportional distribution of loans and advances reported in the balance sheet for each of the four internal credit risk ratings of the bank and their relevant impairment losses:

Bank's rating	Loans and advances		Impairment provision	
	%	%	**%**	%
	31/12/2019	31/12/2018	**31/12/2019**	31/12/2018
Performing loans	**37.28%**	26.54%	**0.84%**	1.46%
Regular watching	**49.58%**	40.05%	**4.68%**	7.67%
Watch list	**9.21%**	31.34%	**38.53%**	47.44%
Non-performing loans	**3.93%**	2.07%	**55.95%**	43.43%
	100%	100%	**100%**	100%

The internal rating tools assists management to determine whether objective evidence of impairment exists under EAS 26, based on the following criteria set out by the bank:

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

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

3. Financial risk management – continued

3.A Credit risk – continued

3.A.4 Pattern of measure the general banking risk

In addition to the four categories of the bank's internal credit rating indicated in note (3.A.1) management classifies loans and advances based on more detailed subgroups in accordance with the CBE regulations, Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position and his repayment track record.

The Bank calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE, In case, the provision required for impairment losses as per CBE credit worthiness rules exceeds the required provision by the application used in balance sheet preparation in accordance with Egyptian Accounting Standards, that excess shall be debited to retained earnings and carried to the "general banking risk reserve" in the equity section, such reserve is always adjusted, on a regular basis, by any increase or decrease so, that reserve shall always be equivalent to the amount of increase between the two provisions, such reserve is not available for distribution, note no. (32.A) represents the movement of general bank risk reserve during the financial year.

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held

	31/12/2019 L.E	31/12/2018 L.E
In balance sheet items exposed to credit risk		
Due from bank	**5,230,029,082**	9,479,358,866
Treasury bills and other government notes	**9,158,573,593**	9,971,944,024
Loans and advances to customers		
Retail loans		
- Overdraft	**312,528,495**	341,933,958
- Credit cards	**66,745,296**	48,775,161
- Personal loans	**4,435,559,851**	3,999,041,109
- Mortgage	**226,008,466**	199,088,508
Corporate loans		
- Overdraft	**4,279,835,050**	5,602,132,144
- Direct loans	**7,277,604,564**	8,704,847,335
- Syndicated loans	**7,844,548,680**	8,196,110,554
Financial investments		
- Debt instruments	**9,096,979,525**	8,517,471,219
Other assets	**2,335,350,135**	970,187,995
Total	**50,263,762,737**	56,030,890,873
Off-balance sheet items exposed to credit risk		
Letters of credit	**371,205,000**	365,493,000
Letters of guarantee	**2,046,121,000**	1,520,841,000
Total	**2,417,326,000**	1,886,334,000

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

Due from banks

	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	5,230,029,082	--	--	**5,230,029,082**
Regular watching	--	--	--	**--**
Watch list	--	--	--	**--**
Non-performing loans	--	--	--	**--**
Total	**5,230,029,082**	**--**	**--**	**5,230,029,082**
Less: Impairment provision	(1,702,204)	--	--	**(1,702,204)**
Book value	**5,228,326,878**	**--**	**--**	**5,228,326,878**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Treasury bills

	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	9,158,573,593	--	--	**9,158,573,593**
Regular watching	--	--	--	**--**
Watch list	--	--	--	**--**
Non-performing loans	--	--	--	**--**
Total	**9,158,573,593**	**--**	**--**	**9,158,573,593**
Less: Impairment provision	(10,018,560)	--	--	**(10,018,560)**
Book value	**9,148,555,033**	**--**	**--**	**9,148,555,033**

Retail loans

	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	2,093,812,428	8,681,613	10,943,205	**2,113,437,246**
Regular watching	2,783,943,443	--	--	**2,783,943,443**
Watch list	--	53,601,538	--	**53,601,538**
Non-performing loans	--	--	89,859,881	**89,859,881**
Total	**4,877,755,871**	**62,283,151**	**100,803,086**	**5,040,842,108**
Less: Impairment provision	(33,433,445)	(11,162,953)	(43,957,409)	**(88,553,807)**
Book value	**4,844,322,426**	**51,120,198**	**56,845,677**	**4,952,288,301**

Corporate loans

	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	6,997,407,226	2,800	287,320	**6,997,697,346**
Regular watching	9,055,045,583	282,977,808	--	**9,338,023,391**
Watch list	1,111,455,557	1,079,261,417	4,372,922	**2,195,089,896**
Non-performing loans	--	--	871,177,661	**871,177,661**
Total	**17,163,908,366**	**1,362,242,025**	**875,837,903**	**19,401,988,294**
Less: Impairment provision	(120,621,912)	(325,876,720)	(587,081,368)	**(1,033,580,000)**
Book value	**17,043,286,454**	**1,036,365,305**	**288,756,535**	**18,368,408,294**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Debt instruments at fair value through other comprehensive income

	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	3,101,009,773	--	--	**3,101,009,773**
Regular watching	--	--	--	**--**
Watch list	--	--	--	**--**
Non-performing loans	--	--	--	**--**
Total	**3,101,009,773**	**--**	**--**	**3,101,009,773**
Less: Impairment provision	(19,084,904)	--	--	**(19,084,904)**
Book value	**3,081,924,869**	**--**	**--**	**3,081,924,869**

Debt instruments at amortized cost

	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	6,019,091,254	--	--	**6,019,091,254**
Regular watching	--	--	--	**--**
Watch list	--	--	--	**--**
Non-performing loans	--	--	--	**--**
Total	**6,019,091,254**	**--**	**--**	**6,019,091,254**
Less: Impairment provision	(9,613,793)	--	--	**(9,613,793)**
Book value	**6,009,477,461**	**--**	**--**	**6,009,477,461**

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

Due from banks

	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Provision for credit losses on 1 January 2019	5,067,712	--	--	**5,067,712**
New financial assets purchased or issued	--	--	--	**--**
Matured or disposed financial assets	(3,066,014)	--	--	**(3,066,014)**
Transferred to stage 1	--	--	--	**--**
Transferred to stage 2	--	--	--	**--**
Transferred to stage 3	--	--	--	**--**
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	**--**
Changes in model assumption and methodology	--	--	--	**--**
Write off during the period	--	--	--	**--**
Foreign currencies translation differences	(299,494)	--	--	**(299,494)**
Ending balance	**1,702,204**	--	--	**1,702,204**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Treasury bills

	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Provision for credit losses on 1 January 2019	**13,204,092**	--	--	**13,204,092**
New financial assets purchased or issued	--	--	--	--
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	(832,741)	--	--	**(832,741)**
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(2,352,791)	--	--	**(2,352,791)**
Ending balance	**10,018,560**	--	--	**10,018,560**

Retail loans

	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Provision for credit losses on 1 January 2019	24,572,027	8,274,179	40,296,417	**73,142,623**
New financial assets purchased or issued	21,927,956	1,559,283	2,012,149	**25,499,388**
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	402,298	(402,298)	--	--
Transferred to stage 2	(527,224)	527,224	--	--
Transferred to stage 3	(125,080)	(423,005)	548,085	--
Changes in the probability of default and loss in case of default and the exposure at default	(12,761,979)	1,627,573	24,357,297	**13,222,891**
Changes in model assumption and methodology	--	--	--	--
Proceeds from bad debts	--	--	2,803,718	**2,803,718**
Write off during the period	--	--	(26,020,085)	**(26,020,085)**
Foreign currencies translation differences	(54,553)	(3)	(40,172)	**(94,728)**
Ending balance	**33,433,445**	**11,162,953**	**43,957,409**	**88,553,807**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Corporate loans

	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Provision for credit losses on 1 January 2019	164,272,280	6,454,323	720,316,906	**891,043,509**
New financial assets purchased or issued	523,720	4,195	283,539	**811,454**
Matured or disposed financial assets	(208,232)	(47,778)	(6,763,683)	**(7,019,693)**
Transferred to stage 1	58,641,031	(58,641,031)	--	**--**
Transferred to stage 2	(20,922,000)	21,198,260	(276,260)	**--**
Transferred to stage 3	(1,801)	(266,390,570)	266,392,371	**--**
Changes in the probability of default and loss in case of default and the exposure at default	(102,460,424)	637,150,992	(357,705,276)	**176,985,292**
Changes in model assumption and methodology	25,000,000	--	--	**25,000,000**
Proceeds from bad debts	--	--	635,489	**635,489**
Transferred from other provisions	--	--	--	**--**
Write off during the period	--	--	--	**--**
Foreign currencies translation differences	(4,222,662)	(13,851,671)	(35,801,718)	**(53,876,051)**
Ending balance	**120,621,912**	**325,876,720**	**587,081,368**	**1,033,580,000**

Debt instruments at fair value through other comprehensive income

	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Provision for credit losses on 1 January 2019	5,537,697	--	--	**5,537,697**
New financial assets purchased or issued	15,377,510	--	--	**15,377,510**
Matured or disposed financial assets	--	--	--	**--**
Transferred to stage 1	--	--	--	**--**
Transferred to stage 2	--	--	--	**--**
Transferred to stage 3	--	--	--	**--**
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	**--**
Changes in model assumption and methodology	--	--	--	**--**
Write off during the period	--	--	--	**--**
Foreign currencies translation differences	(1,830,303)	--	--	**(1,830,303)**
Ending balance	**19,084,904**	--	--	**19,084,904**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Debt instruments at amortized cost

	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Provision for credit losses on 1 January 2019	19,966,326	--	--	**19,966,326**
New financial assets purchased or issued	--	--	--	**--**
Matured or disposed financial assets	(9,324,374)	--	--	**(9,324,374)**
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(1,028,159)	--	--	**(1,028,159)**
Ending balance	**9,613,793**	**--**	**--**	**9,613,793**

The above table represents the maximum limit for credit risk as of 31 December 2019 and 31 December 2018, without taking into considerations any collateral, for on-balance-sheet items, amounts stated depend on net carrying amounts shown in the balance sheet.

As shown in the preceding table 55.47 %of the total maximum limit exposed to credit risk resulted from loans and advances to customers against 49.78% as at 31 December 2018; While 27.36 %represents investments in debt instruments against 33,07%as at 31 December 2018 and the management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from loans and advances, and debt instruments as follows:

- 90.64 % of the loans and advances portfolio are classified at the highest two ratings in the internal rating against 86.45% as at 31 December 2018.
- 90.90% of the loans and advances portfolio has no past due or impairment indicators against 93.04% as at 31 December 2018.
- The bank has applied a more conservative selection plan for the granted loans during the period ended 31 December 2019.
- Investments in debt instruments and treasury bills contain more than 100% against 99.99% as at 31 December 2018 due from the Egyptian government.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances

	31/12/2019 **Loans and advances to customers** **L.E.**	31/12/2018 **Loans and advances to customers** L.E.
Neither past due nor impaired	**22,218,027,397**	25,205,531,571
Past due but not impaired	**1,324,266,422**	1,413,090,948
Individually impaired	**900,536,583**	473,306,250
Gross	**24,442,830,402**	27,091,928,769
less: impairment losses, advances and restricted interests	**(1,124,792,733)**	(1,010,648,009)
Net	**23,318,037,669**	26,081,280,760

- As a result to the economic and political circumstances in Egypt loans and advances portfolios has increased 10% as of 31 December2019 compared to its balance at 31 December 2018.
- Note (18) includes additional information regarding impairment loss on loans and advances to customers.
- The credit quality of the loans and advances portfolio that neither has past due nor subject to impairment is determined by the internal rating of the bank.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Loans and advances to customers (net)

	31/12/2019							
	Retail				Corporate			Total loans and advances to customers
	Overdraft	Credit cards	Personal loans	Mortgage	Overdraft	Direct loans	Syndicated loans	
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Performing	301,523,483	25,615,192	1,777,245,827	--	2,862,575,413	559,655,021	3,575,110,301	9,101,725,237
Regular follow up	28,911	36,339,859	2,527,492,667	195,045,577	409,813,075	5,557,316,906	3,343,453,047	12,069,490,042
Watch list	1,522	711,938	40,604,726	1,193,445	745,675,543	502,930,179	525,206,333	1,816,323,686
Non-performing	187,921	765,516	28,251,857	17,177,044	37,991,107	88,657,045	157,468,214	330,498,704
Total	**301,741,837**	**63,432,505**	**4,373,595,077**	**213,416,066**	**4,056,055,138**	**6,708,559,151**	**7,601,237,895**	**23,318,037,669**

According to the bank's internal rating scale, the loans granted to retail customers are considered regular follow up.

	31/12/2018							
	Retail				Corporate			Total loans and advances to customers
	Overdraft	Credit cards	Personal loans	Mortgage	Overdraft	Direct loans	Syndicated loans	
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Performing	339,000,596	14,162,376	1,279,228,511	--	3,567,090,988	442,120,256	3,113,721,883	8,755,324,610
Regular follow up	2,345,307	30,196,121	2,297,193,826	189,326,155	497,869,039	6,668,069,076	4,106,512,227	13,791,511,751
Watch list	--	1,401,993	289,792,407	--	1,436,107,908	953,022,073	732,968,888	3,413,293,269
Non-performing	--	1,127,765	74,778,767	7,761,498	359,601	37,123,499	--	121,151,130
Total	341,345,903	46,888,255	3,940,993,511	197,087,653	5,501,427,536	8,100,334,904	7,953,202,998	26,081,280,760

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Loans and advances past due but not impaired

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

	31/12/2019			
Retail	**Credit cards**	**Personal loans**	**Mortgage**	**Total**
	L.E.	**L.E.**	**L.E.**	**L.E.**
Past due up to 30 days	**799,719**	**518,038,385**	**39,003**	**518,877,107**
Past due from 30 to 60 days	**635,163**	**68,765,999**	**29,748**	**69,430,910**
Past due from 60 to 90 days	**250,961**	**22,356,830**	**12,081,249**	**34,689,040**
Total	**1,685,843**	**609,161,214**	**12,150,000**	**622,997,057**

	31/12/2019			
Corporate	**Overdraft**	**Direct loans**	**Syndicated loans**	**Total**
	L.E.	**L.E.**	**L.E.**	**L.E.**
Past due up to 30 days	**23,884,889**	**48,381,344**	**301,816,247**	**374,082,480**
Past due from 30 to 60 days	**--**	**95,798,964**	**--**	**95,798,964**
Past due from 60 to 90 days	**9,864,695**	**186,713,785**	**34,809,441**	**231,387,921**
Total	**33,749,584**	**330,894,093**	**336,625,688**	**701,269,365**

	31/12/2018			
Retail	Credit cards	Personal loans	Mortgage	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	1,415,048	406,294,855	146,881	407,856,784
Past due from 30 to 60 days	275,846	60,029,480	7,606,516	67,911,842
Past due from 60 to 90 days	233,848	14,949,121	96,571	15,279,540
Total	1,924,742	481,273,456	7,849,968	491,048,166

	31/12/2018			
Corporate	Overdraft	Direct loans	Syndicated loans	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	4,437,250	33,788,259	46,367,758	84,593,267
Past due from 30 to 60 days	--	--	--	--
Past due from 60 to 90 days	6,348,000	426,648,762	404,452,753	837,449,515
Total	10,785,250	460,437,021	450,820,511	922,042,782

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Individually impaired loans

Loans and advances to customers

Loans and advances subject to individual impairment before taking into consideration cash flows from guarantees in 31 DEcember 2019 amounted to EGP 900,536,583 against EGP 473,306,250 as of 31 December 2018.

The breakdown of the total loans and advances subject to individual impairment including fair value of collateral obtained by the bank against these loans is as follows:

	Individual				Corporate			Total
	Overdraft	Credit card	Personal loans	Mortgage	Overdraft	Direct Loans	Syndicated Loans	
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.		L.E.
Individually impaired loans 31/12/2019	**--**	**1,008,879**	**28,344,987**	**5,057**	**111,243,722**	**439,103,938**	**320,830,000**	**900,536,583**
Individually impaired loans 31/12/2018	**515,529**	**1,728,547**	**38,627,970**	**83,204**	**44,299,000**	**388,052,000**	**--**	**473,306,250**

Loans and advances Restructured

Restructuring activities include renegotiating in terms of payments terms extension, restructure of mandatory management policies, and adjusting ,postponing repayment terms, renegotiating policies depend on indicators or standards in addition to the management personal judgment to show that regular payments are of high probability, these policies are subject to regular review, Long-term loans, especially loans to customers are usually subject to renegotiation, total renegotiated loans reached EGP 1,325,962 thousand against EGP 1,118,808 thousand at 31 December 2018.

	31/12/2019 In thousand EGP	31/12/2018 In thousand EGP
Loans and advances to customers		
Corporate		
- Overdraft	**665,489**	556,641
- Direct Loans	**660,473**	562,167
Total	**1,325,962**	1,118,808

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

The table below shows an analysis of debt instruments, treasury bills and other governmental notes by rating agency designation at end of financial year, based on standard & Poor's and their equivalent.

	Treasury bills	Investments securities	Total
	L.E.	L.E.	L.E.
From A to +AA	**--**	**295,368,687**	**295,368,687**
B	**18,268,138,595**	**--**	**18,268,138,595**
Total	**18,268,138,595**	**295,368,687**	**18,563,507,282**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.B Market risk

The bank is exposed to market risks of the fair value or future cash flow fluctuation resulting from changes in market prices, Market risks arise from open market related to interest rate, currency, and equity products represented in each of which is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices such as interest rates, foreign exchange rates and equity instrument prices, the bank divides its exposure to market risk into trading and non-trading portfolios.

The market risk management department is responsible for managing the market risks arising from trading and non-trading activities which are monitored by two separate teams, regular reports are submitted to the Board of Directors and each business unit head, trading portfolios include transactions where the Bank deals direct with clients or with the market; Non-trading portfolios include positions that primarily arise from the interest rate management of the group's retail and commercial banking assets and liabilities, non-trading portfolios also includes foreign exchange risk and equity instruments risks arising from the bank's held to maturity and available for sale investments.

3.B.1 Market risk measurement techniques

As part of market risk management the bank undertakes various hedging strategies and enters into swaps to match the interest rate risk associated with the fixed-rate long-term loans if the fair value option has been applied, the major measurement techniques used to control market risk are outlined below:

Stress Testing

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances, stress testing is designed to match business using standard analysis for specific scenarios, the stress testing is carried out by the bank treasury and includes risk factor stress testing where sharp movements are applied to each risk category and test emerging market stress, as emerging market are subject to sharp movements, and subject to special stress testing including possible events effect specific positions or regions - for example the stress outcome to a region applying a free currency rate, The results of the stress testing are reviewed by Top Management and the Board of Directors.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.B Market risk – continued

3.B.2 Foreign exchange volatility risk

The bank is exposed to foreign exchange volatility risk in terms of the financial position and cash flows, The Board of Directors set aggregate limits for foreign exchange for each position at the end of the day, and during the day which is controlled on timely basis, the following table summarizes the bank' exposure to foreign exchange volatility risk at the end of the financial year and includes the carrying amounts of the financial instruments in currencies:

Amount to the nearest EGP equivalent

	EGP	USD	GBP	EUR	Other currencies	Total
Financial assets as of 31/12/2019						
Cash and balances with the CBE	**3,926,731,897**	**61,758,283**	**1,965,996**	**28,642,314**	**29,756,616**	**4,048,855,106**
Due from Banks	**3,025,457,587**	**1,753,119,165**	**121,208,883**	**316,529,143**	**12,012,100**	**5,228,326,878**
Treasury bills	**19,438,011,222**	**3,014,661,417**	**--**	**335,239,060**	**--**	**22,787,911,699**
Loans and advances to customers	**15,723,454,944**	**7,568,013,022**	**--**	**26,569,703**	**--**	**23,318,037,669**
Financial investments:						
- Fair value through other omprehensive income	**1,417,960,455**	**1,221,067,550**	**--**	**442,896,864**	**--**	**3,081,924,869**
- Amortized cost	**5,161,212,277**	**848,265,184**	**--**	**--**	**--**	**6,009,477,461**
Total financial assets	**48,693,134,202**	**14,466,884,621**	**123,174,879**	**1,149,877,084**	**41,768,716**	**64,474,533,682**
Financial liabilities 31/12/2019						
Due to banks	**3,960,000,000**	**1,160,269,789**	**624,000**	**324,192,618**	**523,498**	**5,445,609,905**
Customer deposits	**42,848,284,838**	**12,270,290,173**	**123,607,494**	**780,608,334**	**23,050,989**	**56,045,841,828**
Other loans / Subordinated deposits	**801,620,000**	**320,830,286**	**--**	**--**	**--**	**1,122,450,286**
Total financial liabilities	**47,609,904,838**	**13,751,390,248**	**124,231,494**	**1,104,800,952**	**23,574,487**	**62,613,902,019**
Net financial position 31/12/2019	**1,082,923,544**	**715,494,373**	**(1,056,615)**	**45,076,132**	**18,194,229**	**1,860,631,663**
Financial assets as of 31/12/2018						
Total financial assets	40,552,050,814	18,309,175,058	129,740,647	1,626,585,360	162,012,705	60,779,564,584
Total financial liabilities	37,326,748,912	17,753,160,965	130,120,395	1,639,042,677	51,429,835	56,900,502,784
Net financial position 31/12/2018	3,225,301,902	556,014,093	(379,748)	(12,457,317)	110,582,870	3,879,061,800

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.B Market risk – continued

3.B.3 Interest rate risk

The bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Cash flow interest rate risk is the risk of fluctuation in future cash flows of a financial instrument due to changes in market interest rates. Fair value interest rate risk is the risk whereby the value of a financial instrument fluctuates because of changes in market interest rates, Interest margins may increase as a result of such changes but profit may decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken and is monitored daily by Bank Treasury.

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

	Up to one Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Financial assets as of 31/12/2019						
Cash and balances with the CBE	4,436,665,977	--	--	--	--	4,436,665,977
Due from Banks	859,573,873	--	--	--	--	859,573,873
Treasury bills	4,813,700,000	4,449,344,350	23,111,915,910	--	--	32,374,960,260
Bonds and other financial instruments	207,501,052	191,086,476	2,321,191,482	7,481,238,151	3,811,186,466	14,012,203,627
Regular loans and advances to customers	18,888,208,348	1,503,189,485	1,406,264,699	2,549,170,129	488,942,785	24,835,775,446
Regular loans secured by variable intrest rate Real estate	--	--	--	--	113,544,489	113,544,489
Regular loans secured by Fixed intrest rate Real estate	2,873,311	3,090,700	13,486,886	73,185,755	225,297,051	317,933,703
Net Loans and advances to customers	--	--	--	--	237,961,000	237,961,000
Other Assets	--	5,000,000	--	--	--	5,000,000
Total financial assets	29,208,522,561	6,151,711,011	26,852,858,977	10,103,594,035	4,876,931,791	77,193,618,375
Financial liabilities 31/12/2019						
Due to banks	11,649,718,208	--	--	--	--	11,649,718,208
Demand deposits	12,383,144,333	1,574,909,466	4,724,728,398	6,720,652,468	--	25,403,434,665
Saving deposits	554,781,555	104,652,980	313,958,941	522,922,157	--	1,496,315,633
Time and call deposits	10,480,095,504	2,864,913,896	3,572,914,421	4,511,251,309	670,601,678	22,099,776,808
Certificates of deposits	3,235,061,409	674,170,590	700,038,331	3,889,537,801	124,133,259	8,622,941,390
Other loans / Subordinated deposits	1,130,586,952	--	321,341,643	--	--	1,451,928,595
Total financial liabilities	39,433,387,961	5,218,646,932	9,632,981,734	15,644,363,735	794,734,937	70,724,115,299
Re-pricing gap	(10,224,865,400)	933,064,079	17,219,877,243	(5,540,769,700)	4,082,196,854	6,469,503,076
Financial assets as of 31/12/2018						
Total financial assets	25,234,727,323	7,922,825,048	6,539,524,545	5,255,878,955	10,506,076,980	62,266,498,144
Total financial liabilities	13,425,928,912	8,131,519,669	22,905,863,326	7,823,328,750	627,473,966	57,876,577,619
Re-pricing gap	11,808,798,411	(208,694,621)	(16,366,338,781)	(2,567,449,795)	9,878,603,014	4,389,920,525

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.C Liquidity risk

Liquidity risk represents difficulty encountering the bank in meeting its financial commitments when they fall due or to replace funds when they are withdrawn, this may result in failure in fulfilling the bank's obligation to repay to the depositors and fulfilling lending commitments.

Liquidity risk management

The bank's liquidity management process carried out by the market risk management department includes:

- Daily funding is managed by monitoring future cash flows to ensure that all requirements can be met, this includes availability of liquidity when due or borrowed by customers, to ensure that the Bank reaches its objective it maintains an active presence in global money markets.
- The Bank maintains a portfolio of highly marketable that ,are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow
- Monitoring liquidity ratios are according to internal requirements and Central Bank of Egypt requirements,
- Managing loans concentration and dues.

For monitoring and reporting purposes, the Bank calculates the expected cash flow and liquidity are expected and monitored on the next day, week and month basis, which are the main times to manage liquidity the starting point to calculate these expectations is through analyzing the financial liabilities dues and expected financial assets collections.

The market risk management department monitors the mismatch between medium term assets, the level and nature of unused loans limits, overdraft utilizations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.C Liquidity risk – continued

Funding approach

Sources of liquidity are regularly reviewed by separate team in the bank to maintain a wide diversification according to currency, geographic locations, sources, products and terms.

	Up to one Month L.E.	1-3 Months L.E.	3-12 Months L.E.	1-5 years L.E.	Over 5 year L.E.	Total L.E.
Financial liabilities 31/12/2019						
Due to banks	**5,445,609,905**	**--**	**--**	**--**	**--**	**5,445,609,905**
Customer deposits	**11,558,648,471**	**5,205,220,193**	**12,837,443,936**	**26,444,529,228**	**--**	**56,045,841,828**
Other loans / Subordinated deposits	**--**	**300,000**	**429,000**	**1,121,721,286**		**1,122,450,286**
Total financial liabilities	**17,004,258,376**	**5,205,520,193**	**12,837,872,936**	**27,566,250,514**	**--**	**62,613,902,019**
Total financial assets	**15,139,442,580**	**11,368,863,461**	**22,845,456,715**	**15,120,770,926**	**--**	**64,474,533,682**
Financial liabilities 31/12/2018						
Due to banks	3,894,531,889	1,305,938,000	--	--	--	5,200,469,889
Customer deposits	13,517,785,185	5,665,089,382	22,905,863,326	7,823,328,750	627,473,966	50,539,540,609
Other loans \ Subordinated deposits	--	--	--	--	1,160,492,286	1,160,492,286
Total financial liabilities	17,412,317,074	6,971,027,382	22,905,863,326	7,823,328,750	1,787,966,252	56,900,502,784
Total financial assets	10,281,020,749	13,827,911,302	8,802,277,151	13,283,045,469	14,585,309,913	60,779,564,584

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.D Fair value of financial assets and liabilities

3.D.1 Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values for those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Book value		FMV*	
	31/12/2019	31/12/2018	**31/12/2019**	31/12/2018
	L.E.	L.E.	**L.E.**	L.E.
Financial assets				
Due from banks	**5,228,326,878**	9,971,944,024	**5,228,326,878**	9,971,944,024
Loans and advances to customers				
A- Retail				
- Overdraft	**301,741,837**	341,345,903	*	*
- Credit cards	**63,432,505**	46,888,255	*	*
- Personal loans	**4,373,595,077**	3,940,993,511	*	*
- Mortgage	**213,416,066**	197,087,653	*	*
B- Corporate				
- Overdraft	**4,056,055,138**	5,501,427,536	*	*
- Direct loans	**6,708,559,151**	8,100,334,904	*	*
- Syndicated loans	**7,601,237,895**	7,953,202,998	*	*
Financial investments				
- Fair value through other comprehensive income	**10,621,501**	10,621,701	*	*
- Amortized cost	**6,009,477,461**	6,389,646,202	**5,993,278,895**	6,161,692,179
Financial liabilities				
Due to banks	**5,445,609,905**	5,200,469,889	**5,445,609,905**	5,200,469,889
Customers deposits				
- Corporate	**38,911,609,028**	37,789,862,248	*	*
- Retail	**17,134,232,800**	12,749,678,361	*	*
Other loans / Subordinated deposits	**1,122,450,286**	1,160,492,286	*	*

* Some assets and liabilities were not measured at their FMV 31 December 2019.

Due from banks

Fair value of placements and deposits bearing variable interest rate for one day is its current value, the expected fair value for deposits bearing variable interest is based on the discounted cash flow using rate of similar loans of similar credit risk and due dates.

Loans and advances to banks

Loans and advances to banks are represented in loans other than deposits hold in banks, fair value expected for loans and advances represents the discounted value of future cash flows expected to be collected and cash flows are discounted using the current market interest rate to determine the fair value.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.D Fair value of financial assets and liabilities – continued

3.D.1 Financial instruments not measured at fair value – continued

Loans and advances to customers

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

Financial investments

Financial investments shown in the above schedule includes only held to maturity assets investments; as available for sale investments are measured at fair value except for equity instruments for which the market value can't be reliably determined, Fair value of held-to-maturity investments is based on market prices or broker prices, Fair value is estimated using quoted market prices for securities with similar credit and maturity and yield characteristics where information is not available.

Due to banks and customers

The estimated fair value of deposits of indefinite maturity which includes interest-free deposits is the amount paid on call.

The estimated fair value of fixed interest-bearing deposits and other loans not traded in an active market is based on discounted cash flows using interest rates for new debts of similar maturity dates.

Issued debt instrument

Total Fair value is calculated based on current financial markets' rates. As for securities that have no active market, discounted cash flows model is used in the first time according to the current rate applicable to the remaining period till maturity date.

3.E Capital management

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

- Compliance with the legally imposed capital requirement 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 the use of regulatory capital are monitored on a daily basis by the bank's management. Employing techniques based on the guidelines developed by the Basel committee as implemented by the banking supervision unit in the central bank of Egypt 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.
- Maintaining a minimum level of capital adequacy ratio of 11.875%, calculated as the ratio between total value of the capital elements, and the risk weighted average of the bank's assets and contingent liabilities.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.E Capital management – continued

According to new instructions issued in 18 December 2012:

The numerator of the capital adequacy ratio consists of the following two tiers:

Tier One:

Consists of two parts which are continuous basic paid in capital and additional basic paid in capital.

Tier Two:

Is the supported paid in capital and consist of:

- 45% from positive foreign currencies translation reserve.
- 45% from special reserve.
- 45% from fair value increment over the book value for financial investments. (Positive portion only)
- 45% from fair value reserve balance for financial investment available for sale.
- 45% from fair value increment over the book value for financial investments held for maturity.
- 45% from fair value increment over the book value for financial investments in associates and affiliates.
- Financial instruments with embedded derivative.
- Loans (Supportive deposits with 20% amortization from its value each year from the last five years from its maturity).
- Impairment loss provision for loans, advances and performing contingent liabilities with maximum 1.25% from total weighted assets and weighted contingent liabilities.
- 50% disposals from tier 1 and 2.
- Assets reverted to the bank value in general banking risk reserve.

- When calculating the numerator of capital adequacy ratio, the rules limits the subordinated deposits to no more than 50% of tier1 after exclusion.
- Assets and contingent liabilities are weighted by credit risk, market risk and operational risk.

For denominator of capital adequacy ratio consists of:

- Credit risk
- Market risk
- Operational risk

Assets risk weight scale ranging from zero to 100% is based on the counterparty risk to reflect the related credit risk scheme, taking into consideration the cash collaterals.

Similar criteria are used for off balance sheet items after adjustments to reflect the nature of contingency and the potential loss of those amounts.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. Financial risk management – continued

3.E Capital management – continued

The tables below summarize the capital adequacy ratio according to Basel II for the current and previous years:

	31/12/2019 In thousand EGP	31/12/2018 In thousand EGP
Tier 1 capital		
Issued and paid up capital	**3,108,456**	2,656,090
Legal reserve	**290,482**	232,331
Other reserves	**29,175**	27,231
General risk reserve	**208,750**	200,607
Retained earnings	**95,573**	133,872
Additional capital	**565,671**	420,929
Total other comprehensive income	**310,216**	--
Total deductions from tier 1 capital	**(132,567)**	(328,664)
Total qualifying tier 1 capital	**4,475,756**	3,342,396
Tier 2 capital		
45% of differences from foreign balances translation reserve	**--**	1,208
45% of special reserve	**--**	3,664
45% of the increase in fair value than the book value for AFS investments (if positive)	**--**	5,801
Impairment provision for loans and regular contingent liabilities	**--**	303,033
ECL Stage 1 to Financial Assets and indirect loans	**214,649**	--
Subordinated deposits	**800,000**	800,000
Total qualifying tier 2 capital	**1,014,649**	1,113,706
Total capital 1+2	**5,490,405**	4,456,102
Risk weighted assets and contingent liabilities		
Total Credit risk	**23,331,531**	24,242,644
Total Market risk	**--**	111,799
Total Operation risk	**3,161,820**	2,822,333
Top 50 concentration	**1,848,633**	1,701,482
Total risk weighted assets and contingent liabilities	**28,341,984**	28,878,258
Capital Adequacy Ratio (%)	**%19.372**	%15.431

3.F 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 maintain a minimum level of leverage ratio of 3% to be reported in quarterly basis as following:

- Guidance ratio starting from reporting period September 2015 till 2017.
- Obligatory ratio started from year 2018.

This ratio will be included in Basel requirement tier 1 in order to maintain the Egyptian Banking System strong and safe, as long to keep up with the 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.

3. Financial risk management – continued

3.G Leverage Financial Ratio – continued

Ratio Elements:

A- 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).

B-The denominator elements

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

1- On the balance sheet exposure items after deducting some of tier 1 exclusions for capital base.
2- Financing financial papers operations exposures.
3- Off-balance sheet items (weighted by credit conversion factor).

The table below summarizes the leverage financial ratio:

	31/12/2019 In thousand EGP	31/12/2018 In thousand EGP
Tier 1 capital after exclusions	**4,475,756**	3,342,396
On-balance sheet items, derivatives and financing securities	**68,429,536**	62,059,495
Off-balance sheet items	**1,605,738**	1,261,770
Total exposures	**70,035,274**	63,321,265
Leverage Financial Ratio (%)	**%6.391**	%5.28

Liquidity coverage ratio and net stable fund ratio:

- Liquidity coverage ratio (LCR):

Liquidity coverage ratio aims to ensure that the bank maintains sufficient non-encumbered high quality liquid assets to meet the net outflows within the next 30 days under an unfavorable conditions scenario, and is calculated as follow:

Liquidity coverage ratio (LCR) = High quality liquid assets / Net outflows within 30 days.

This ratio shouldn't be less than 80% in 2017 and to gradually reach 100% by 2019.

For December 2019 LCR ratio record LCY 256.14% FCY 130.73 % and total of 221.70.% .

- Net stable fund ratio (NSFR):

Net stable fund ratio represents the relation between the available stable funding (the numerator) and the required stable funding (the denominator), this ratio seeks to face the mismatch of the long-term financing structure by encouraging banks to use a stable long-term fund sources for at least one year in order to cover assets' investments and any financing claims resulting from off-balance sheet commitments to help the bank to structure its fund sources. This ratio shouldn't be less than 100%, and is calculated as follow:

Net stable fund ratio (NSFR) = Available stable funding / required stable funding ≥ 100%

For December 2019 NSFR ratio record LCY 136.55 ،% FCY 178.13 ،%and total of 143.95%

4. Significant accounting estimates and assumptions

The bank makes subjective estimates and judgments that affect the reported amounts of assets and liabilities for the following financial year consistent estimations and judgments are continually evaluated based on historical experience and other factors including the expectations of future events that are believed to be reasonable.

4.A Impairment losses for loans and advances

The bank reviews the portfolio of loans and advance sat least quarterly to evaluate their impairment, the bank uses discretionary judgment on determining whether it is necessary to record impairment loss in the income statement, the bank has to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis, this evidence includes data indicating negative changes in a borrower's portfolio ability to repay to the bank or local or economic circumstances related to default, on scheduling future cash flows the management uses the past experience to determine the credit impairment loss for assets when there is objective evidence of 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 experience.

4.B Impairment of available for sale equity investments

The bank recognizes impairment loss relating to available for sale equity investments when there is a significant or prolonged decline in the fair value below its cost, a judgment is required to determine that the decline is significant or prolonged, in making this judgment the bank evaluates among other factors the volatility in share price, in addition, impairment loss is recognized when there is evidence of deterioration in the investee, financial position, operating / financing cash flow, industry and sector performance, and technology changes.

4.C Held-to-maturity investments

Non-derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity, this classification requires high degree of judgment; In return the bank tests the intent and ability to hold such investments to maturity, if the bank fails to hold such investments till maturity except for certain circumstances (selling an insignificant amount of held-to-maturity investments near to maturity date) then all held to maturity investment portfolio should be reclassified as available for sale which will be measured at fair value instead of amortized cost, in addition the bank should suspend classifying investments as held to maturity caption.

If classification of investments as held to maturity is suspended the carrying amount shall increase by EGP (16,198,566) to reach its fair value by increasing the valuation reserve available for sale within the equity caption.

4.D Income tax

The bank is subject to income tax which requires the use of important estimates to calculate the income tax provision, there are a number of complicated processes and calculations to determine the final income tax, the bank records a liability related to the tax inspection estimated results, according to estimates of probabilities of extra taxes ,when there is a difference between the final result of the actual tax inspection and the amounts previously recorded by the bank such, differences affect the income and deferred tax provision at the year which the differences were noted.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

5. By activity segment

Activity segment include operations and assets used in providing banking services and managing related risks and yields which may differ from other activities, the segmentation analyses of operations according to the banking activities are as follows:

- **Large enterprises medium and small ones**
  Activities include current accounts, deposits, overdrafts, loans, credit facilities and financial derivatives.
- **Investments**
  Include merging companies, purchasing investments, financing company's restructure and financial instruments.
- **Individuals**
  Activities include current accounts, savings, deposits, credit cards, personal loans and mortgage loans.
- **Other activities**
  Include other banking activities such as fund management.

6. Net interest income

	31 December 2019 L.E.	31 December 2018 L.E.
Interest from loans and similar income from:		
Loans and advances to banks	**2,773,892**	400,598
Loans and advances to customers	**3,329,806,887**	3,689,318,154
Treasury bills and treasury bonds	**1,999,680,564**	2,375,027,147
Reverse rebo	**435,965,711**	--
Deposits and current accounts	**1,735,946,084**	1,533,922,712
Investments in debt instruments (OCI)	**3,835,458**	488,091
Total	**7,508,008,596**	7,599,156,702
Interest on Deposits and similar expenses from:		
Deposits and current accounts from banks	**(223,528,043)**	(221,029,406)
Deposits and current accounts from customers	**(5,124,241,433)**	(5,472,702,315)
REPOs	**(91,050,110)**	(3,636,230)
Subordinated deposits	**(119,676,712)**	(141,463,014)
Total	**(5,558,496,298)**	(5,838,830,965)
Net interest income	**1,949,512,298**	1,760,325,737

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

7. Net fees and commission income

	31 December 2019 L.E.	31 December 2018 L.E.
Fees and commission income		
Fees and commissions related to credit banking services	**299,314,889**	272,212,389
Custody fees	**3,693,720**	2,543,291
Other fees	**22,409,311**	22,373,919
Total	**325,417,920**	297,129,599
Fees and commission expenses		
Brokerage fees paid	**(3,839,801)**	(3,315,357)
Other fees paid	**(70,277,937)**	(62,410,337)
Total	**(74,117,738)**	(65,725,694)
Net fees and commission income	**251,300,182**	231,403,905

8. Dividends income

	31 December 2019 L.E.	31 December 2018 L.E.
Investment funds	**420,344**	435,343
Available for sale securities	**818,451**	710,332
Subsidiaries and associates	**19,997,312**	9,998,500
Total	**21,236,107**	11,144,175

9. Net trading income

	31 December 2019 L.E.	31 December 2018 L.E.
Profit from foreign exchange	**85,049,982**	72,977,340
Profit from selling trading equity instruments	**2,235,364**	1,388,877
Revaluation of financial investments held for trading	**212,104**	(193,892)
Total	**87,497,450**	74,172,325

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. General and administrative expenses

	31 December 2019	31 December 2018
	L.E.	L.E.
Staff costs		
Wages and salaries	**(374,356,173)**	(323,493,536)
Social insurance	**(27,344,641)**	(21,281,395)
Other	**(200,860,441)**	(141,366,777)
Pension cost		
Retirement benefits	**(247,600)**	(1,265,362)
Total	**(602,808,855)**	(487,407,070)
Other administrative expenses	**(513,249,913)**	(456,942,184)
Total	**(1,116,058,768)**	(944,349,254)

11. Other operating income (expenses)

	31 December 2019	31 December 2018
	L.E.	L.E.
Profit from selling property and equipment	**612,468**	1,943,881
Release (charges) of other provisions	**15,528,490**	(36,984,686)
Other	**7,105,708**	45,488,075
Total	**23,246,666**	10,447,270

12. Impairment (charge) for credit losses

	31 December 2019	31 December 2018
	L.E.	L.E.
Loans and advances to customers (note 18)	**(209,499,332)**	(144,395,427)
Due to banks	**3,066,014**	--
Treasury bills	**832,741**	--
Fair value through other comprehensive income	**(15,377,510)**	--
Amortized cost	**9,324,374**	--
Total	**(211,653,713)**	(144,395,427)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Income tax expenses

	31 December 2019	31 December 2018
	L.E.	L.E.
Current tax	(344,329,311)	(426,576,471)
Total	(344,329,311)	(426,576,471)

	31 December 2019	31 December 2018
	L.E.	L.E.
Profit before tax	1,019,671,353	1,008,089,342
Income tax calculated at 22.5% tax rate	229,426,054	226,820,102
Non-taxable income	(100,213,517)	(33,567,826)
Non-deductible expenses for tax purposes	82,471,523	55,889,041
Extra payments on interest from treasury bills and treasury bonds	132,645,251	177,435,154
Current tax	344,329,311	426,576,471
Effective tax rate	%33.77	%42.32

14. Earnings per share

	31 December 2019	31 December 2018
	L.E.	L.E.
Profits available for distribution for the year after tax	675,342,042	581,512,871
Less:		
Employees profit share	(67,534,204)	(58,151,287)
Board of directors remuneration	(22,304,540)	(20,276,854)
Dividends to shareholders	585,503,298	503,084,730
Weighted average number of shares	359,513,243	336,993,530
Earnings per share (EGP/ share)	1.63	1.49

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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:

31 December 2019	Amortized cost	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value hrough other comprehensive income	Fair value through profit and loss	Total Carrying amount
Cash and balances with the CBE	4,048,855,106	--	--	--	**4,048,855,106**
Due from banks	5,230,029,082	--	--	--	**5,230,029,082**
Treasury bills	--	22,798,236,079	--	--	**22,798,236,079**
Loans and credit facilities to customers	24,442,830,402	--	--	--	**24,442,830,402**
Fair value through other comprehensive income	3,090,388,271	--	10,621,502	--	**3,101,009,773**
Amortized cost	6,019,091,254	--	--	--	**6,019,091,254**
Other financial assets	968,090,317	--	--	--	**968,090,317**
Total financial assets	**43,799,284,432**	**22,798,236,079**	**10,621,502**	**--**	**66,608,142,013**
Due to banks	5,445,609,905	--	--	--	**5,445,609,905**
Customer deposits	56,045,841,828	--	--	--	**56,045,841,828**
Other loans	1,122,450,286	--	--	--	**1,122,450,286**
Other financial liabilities	301,445,676	**--**	**--**	**--**	**301,445,676**
Total financial liabilities	**62,915,347,695**	--	--	--	**62,915,347,695**

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 to According IFRS 9	Carrying amount according to CBE instruction dated December 16, 2008	Re-classification*	Re-measurement*	Total Carrying amount according to IFRS 9
				Effect of IFRS 9		
Cash and balances with the CBE	Amortized cost	Amortized cost	5,116,737,390	--	--	5,116,737,390
Due from banks	Amortized cost	Amortized cost	9,971,944,024	--	(5,067,712)	9,966,876,312
Treasury bills	Amortized cost	Fair value through OCI	9,479,358,866	--	(13,204,092)	9,466,154,774
Loans and credit facilities to customers	Loans and facilities	Amortized cost	26,081,280,760	--	43,775,827	26,125,056,587
Debt instruments	Held to maturity	Amortized cost	3,729,811,284	2,647,334,918	(19,966,326)	6,357,179,876
Debt instruments	Available-for-sale	Fair value through OCI	4,787,659,935	(2,647,334,918)	(5,537,697)	2,134,787,320
Equity instruments	Available-for-sale	Fair value through OCI	10,621,702	--	--	10,621,702
Investement Funds	Held to maturity	Amortized cost	12,500,000	--	--	12,500,000
Other financial assets	Amortized cost	Amortized cost	573,176,089	--	--	573,176,089
			59,763,090,050	**--**	**--**	**59,763,090,050**
Due to banks	Amortized cost	Amortized cost	5,200,469,889	--	--	5,200,469,889
Customer deposits	Amortized cost	Amortized cost	50,539,540,609	--	--	50,539,540,609
Other loans	Amortized cost	Amortized cost	1,160,492,286	--	--	1,160,492,286
Other financial liabilities	Amortized cost	Amortized cost	355,680,926	--	--	355,680,926
			57,256,183,710	**--**	**--**	**57,256,183,710**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Cash and balances with the Central Bank of Egypt (CBE)

	31/12/2019	31/12/2018
	L.E.	L.E.
Cash	380,012,377	361,679,123
Due from the CBE (within the required limit of statutory reserve percentage)	3,668,842,729	4,755,058,267
Total	4,048,855,106	5,116,737,390
Non-interest bearing balances	4,048,855,106	5,116,737,390
Total	4,048,855,106	5,116,737,390

17. Due from banks

	31/12/2019	31/12/2018
	L.E.	L.E.
Current accounts	78,630,220	203,794,344
Deposits	5,151,398,862	9,768,149,680
Less: Provision for impairment losses	(1,702,204)	--
Total	5,228,326,878	9,971,944,024
Balance with CBE otherwise the required limit of statutory reserve percentage	4,391,501,642	6,236,903,660
Local banks	661,654,357	3,580,159,700
Foreign banks	176,873,083	154,880,664
Less: Provision for impairment losses	(1,702,204)	--
Total	5,228,326,878	9,971,944,024
Non-interest bearing balances	104,230,220	203,794,344
Variable Interest bearing balances	5,125,798,862	9,768,149,680
Less : Provision for impairment losses	(1,702,204)	--
Total	5,228,326,878	9,971,944,024
Current balance	5,230,029,082	9,971,944,024
Less: Provision for impairment losses	(1,702,204)	--
Total	5,228,326,878	9,971,944,024

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

18. Loans, advances and morabahat to customers (net)

	31/12/2019 L.E.	31/12/2018 L.E.
Retail		
Overdraft	312,528,495	341,933,958
Credit cards	66,745,296	48,775,161
Personal loans	4,435,559,851	3,999,041,109
Mortgage	226,008,466	199,088,508
Total (1)	5,040,842,108	4,588,838,736
Corporate		
Overdraft	4,279,835,050	5,602,132,144
Direct loans	7,277,604,564	8,704,847,335
Syndicated loans	7,844,548,680	8,196,110,554
Total (2)	19,401,988,294	22,503,090,033
Total loans and advance to customers (1+2)	24,442,830,402	27,091,928,769
Less:		
Provision for impairment losses	(1,122,133,807)	(1,007,961,958)
Interest in suspense	(2,658,926)	(2,686,051)
Net loans, advances and morabahat to customers	23,318,037,669	26,081,280,760

Provision for impairment losses

Retail	31/12/2019 Overdraft L.E.	Credit cards L.E.	Personal loans L.E.	Mortgage L.E.	Total L.E.
Beginning balance	588,055	1,886,906	57,939,419	2,000,855	62,415,235
Impact of adopting IFRS 9	2	2,947,225	3,856,429	3,923,732	10,727,388
Restated Balance at 1 January 2019	588,057	4,834,131	61,795,848	5,924,587	73,142,623
Impairment losses	10,714,810	(144,243)	21,222,581	6,929,131	38,722,279
Bad debts	(423,455)	(1,702,559)	(23,611,253)	(282,818)	(26,020,085)
Proceeds from bad debts	--	325,462	2,456,756	21,500	2,803,718
Forex revaluation provision	(92,754)	--	(1,974)	--	(94,728)
Ending balance	10,786,658	3,312,791	61,861,958	12,592,400	88,553,807

Corporate	31/12/2019 Overdraft L.E.	Direct loans L.E.	Syndicated loans L.E.	Total L.E.
Beginning balance	100,422,871	602,216,296	242,907,556	945,546,723
Impact of adopting IFRS 9	(5,788,576)	(34,712,958)	(14,001,680)	(54,503,214)
Restated Balance at 1 January 2019	94,634,295	567,503,338	228,905,876	891,043,509
Impairment losses	108,436,828	28,351,163	33,989,062	170,777,053
Proceeds from bad debts	--	635,489	--	635,489
Transferred from other provisions	25,000,000	--	--	25,000,000
Forex revaluation provision	(4,432,972)	(29,858,926)	(19,584,153)	(53,876,051)
Ending balance	223,638,151	566,631,064	243,310,785	1,033,580,000

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

18. Loans, advances and morabahat to customers (net) – continued

Provision for impairment losses

			31/12/2018		
Retail	Overdraft	Credit cards	Personal loans	Mortgage	Total
	L.E.	L.E.	L.E.	L.E.	L.E.
Beginning balance	715,307	2,029,674	75,743,124	1,544,271	80,032,376
Impairment losses	(1,884)	1,118,491	12,254,114	456,584	13,827,305
Bad debit	(127,164)	(1,602,583)	(31,531,813)	--	(33,261,560)
Proceeds from bad debts	--	341,324	1,473,994	--	1,815,318
Forex revaluation provision	1,796	--	--	--	1,796
Ending balance	588,055	1,886,906	57,939,419	2,000,855	62,415,235

		31/12/2018		
Corporate	Overdraft	Direct Loans	Syndicated loans	Total
	L.E.	L.E.	L.E.	L.E.
Beginning balance	108,742,584	423,978,830	308,774,197	841,495,611
Impairment losses	12,639,297	185,412,272	(67,483,447)	130,568,122
Bad debit	(21,336,000)	(9,459,000)	--	(30,795,000)
Proceeds from bad debts	1,098,000	--	--	1,098,000
Forex revaluation provision	(721,010)	2,284,194	1,616,806	3,179,990
Ending balance	100,422,871	602,216,296	242,907,556	945,546,723

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. Financial investments

	31/12/2019 L.E.	31/12/2018 L.E.
Fair value through other comprehensive income (FVTOCI)		
Debt instruments at FMV (listed)	**3,090,388,271**	2,140,325,017
Treasury Bills	**22,797,930,259**	9,479,358,866
Equity instruments at cost (unlisted)	**10,621,501**	10,621,701
Investment management by other	**1**	1
Total available for sale investments	**25,898,940,032**	11,630,305,585
Less: Provisions for impairment losses	**(29,103,464)**	--
Net Fair value through other comprehensive income (1)	**25,869,836,568**	11,630,305,585
Amortized cost		
Debt instruments (listed)	**6,006,591,254**	6,377,146,202
Egyptian Gulf Bank Mutual fund's CDs	**5,000,000**	5,000,000
Egyptian Gulf Bank Tharaa fund (money market)	**7,500,000**	7,500,000
Total Amortized cost	**6,019,091,254**	6,389,646,202
Less: Provisions for impairment losses	**(9,613,793)**	--
Net Amortized cost (2)	**6,009,477,461**	6,389,646,202
Total financial investments (1+2)	**31,879,314,029**	18,019,951,787

	31/12/2019		
	Fair value through Other comprehensive income L.E.	Amortized cost L.E.	Total L.E.
Beginning balance	2,150,946,719	6,389,646,202	8,540,592,921
Additions	2,532,016,334	85,848,513	2,617,864,847
Disposals	(1,039,740,702)	(1,129,707,593)	(2,169,448,295)
Monetary assets foreign currency differences	(191,462,083)	(67,933,634)	(259,395,717)
(Loss) from change in FMV (note 32)	443,397,468	--	443,397,468
Amortized cost	11,535,924.00	33,929,981	45,465,905
Transferred from OCI to Held colect	(805,683,887)	707,307,785	(98,376,102)
Less: Provisions for impairment losses	(19,084,904)	(9,613,793)	(28,698,697)
Ending balance	**3,081,924,869**	**6,009,477,461**	**9,091,402,330**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. Financial investments – continued

	31/12/2018		
	Fair value through Other comprehensive income	Amortized cost	Total
	L.E.	L.E.	L.E.
Beginning balance	3,490,339,098	4,447,072,991	7,937,412,089
Additions	1,892,600,788	26,486,052	1,919,086,840
Disposals	(281,503,399)	(742,088,047)	(1,023,591,446)
Transferred from OCI to Held colect	(2,647,334,918)	2,647,334,918	--
Monetary assets foreign currency differences	9,775,941	540,312	10,316,253
Gain from change in FMV (note 32)	(329,912,280)	--	(329,912,280)
Amortized cost	16,981,489	10,299,976	27,281,465
Ending balance	2,150,946,719	6,389,646,202	8,540,592,921

***Treasury bills and other governmental notes**

	31/12/2019	31/12/2018
	L.E.	L.E.
Treasury bills 91 days	**94,900,000**	2,175,000.00
Treasury bills 182 days	**1,860,775,000**	108,650,000
Treasury bills 273 days	**2,276,525,000**	2,219,575,000
Treasury bills 365 days	**5,258,315,260**	7,727,961,480
Total	**9,490,515,260**	10,058,361,480
Less/ Add:		
Unearned interest	**(346,671,421)**	(380,402,614)
Changes in fair value reserve	**14,729,754**	--
Provisions for impairment losses	**(10,018,560)**	--
Total (1)	**9,148,555,033**	9,859,761,480
Purchase and resale agreements		
Reverse rebo 91 days	**3,700,606,456**	--
Reverse rebo 182 days	**2,973,265,654**	--
Reverse rebo 273 days	**6,269,528,867**	--
Reverse rebo 365 days	**6,759,310,508**	--
Add:		
Changes in fair value reserve	**137,370,181**	--
Total (2)	**19,840,081,666**	--
Sale and repurchase agreemennts	**(6,200,725,000)**	(198,600,000)
Total (3)	**(6,200,725,000)**	(198,600,000)
Total (1+2+3)	**22,787,911,699**	9,479,358,866

* Treasury bills include EGP 3,012,593,700 (equivalent to USD 187.8million) as in USD Treasury bills and EGP 335,071,560 (equivalent to EUR 18.6 million) as in EUR Treasury bills.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. Financial investments – continued

Profit (losses) from sale of financial investments

	31 December 2019	31 December 2018
	L.E.	L.E.
Gains from sale of financial assets available for sale	14,591,131	9,340,611
Total	**14,591,131**	9,340,611

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

20. Investment in subsidiaries and associates

The banks share of investment in subsidiaries and associates is as follows:

31/12/2019	Country	**Company's assets L.E.**	**Company's liabilities less owners' equity L.E.**	**Company's revenues L.E.**	**Company's profits / (losses) L.E.**	**Book value L.E.**	**Share %**
Subsidiaries							
Egyptian gulf holding	Egypt	**233,834,111**	**31,361,808**	**2,419,030**	**549,862**	**199,970,000**	%99.99
Associates							
First Gas**	Egypt	**44,227,782**	**19,190,209**	**36,927,599**	**1,876,889**	**5,000**	
Prime holding for financial investments**	Egypt	**479,941,225**	**56,695,081**	**7,214,409**	**4,235,582**	**3,100**	
Total		**758,003,118**	**107,247,098**	**46,561,038**	**6,662,333**	**199,978,100**	

31/12/2018	Country	Company's assets L.E.	Company's liabilities less owners' equity L.E.	Company's revenues L.E.	Company's profits / (losses) L.E.	Book value L.E.	Share %
Subsidiaries							
Egyptian gulf holding	Egypt	234,182,227	12,185,571	3,251,843	6,382,822	199,970,000	%99.99
Associates							
First Gas**	Egypt	46,583,943	23,423,259	32,623,460	(2,713,621)	5,000	
Prime holding for financial investments**	Egypt	515,112,126	72,160,125	80,029,547	28,981,044	3,100	
Total		795,878,296	107,768,955	115,904,850	32,650,245	199,978,100	

** First Gas (indirect shareholding 19.99%) and Prime Holding Company (indirect shareholding 10.25%) were included in the investments in associates (through the company Egyptian Gulf Holding for Financial Investments of the Bank), in addition to influential influence represented by Membership of the boards of directors of that company.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

21. Employee stock ownership plan (ESOP)

The extraordinary general assembly meeting held on 9 May 2017 approved the establishment of the employee stock ownership plan (ESOP) by granting after amending the bank's article of association according to the decision of the extraordinary general assembly meeting held on 23 March 2016 based on a proposal from the bank's board of directors on 29 February 2016, this plan will be applied starting from 9 August 2017 which is the date of the approval of the Egyptian Financial Supervisory Authority (EFSA) on this plan in accordance with the law.

Equity securities of this plan will be granted to the bank's executive members, departments' heads, general managers, first line managers and employees of the bank based on their annual performance and appraisal according to the bank's financial performance and personal performance report based on his functional grade.

The balance of the employee stock ownership plan amounted EGP 83,011,999 as at 31 December 2019 according to the fair value of 6,247,194 shares, and amounted EGP 49,184,947 as at 31 December 2018 according to the fair value of 51,109,325 shares, the revaluation differences amounted EGP(25,099,570) for the period ended 31 December 2019.

ESOP movement during the period as follows:

	31/12/2019		31/12/2018	
	Shares	**L.E.**	Shares	L.E.
Beginning balance	**3,921,000**	**62,285,606**	1,696,000	28,185,908
Purchased during the period	**2,326,194**	**20,726,393**	2,225,000	36,267,546
Ending balance	**6,247,194**	**83,011,999**	3,921,000	49,184,947

* Additions during the period of 31 December 2019 include 296,194 shares represented in bonus dividends for the profits of 2017 in accordance with the decision of the General Assembly on 31 March 2018.

ESOP movement in equity during the period as follows:

	31/12/2019	31/12/2018
	L.E.	L.E.
Beginning balance	**7,520,280**	--
Amortization during the period	**19,083,107**	7,520,280
Ending balance	**26,603,387**	7,520,280

22. Intangible assets

Computer software

	31/12/2019	31/12/2018
	L.E.	L.E.
Net book value at the beginning of the period	**36,601,128**	34,819,989
Additions during the period	**9,100,610**	10,230,468
Reclassification	**(24,319,146)**	--
Amortization during the period	**(6,153,845)**	(8,449,329)
Accumulated depreciation of Reclassification assets	**4,684,526**	--
Net book value at the end of the period	**19,913,273**	36,601,128

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

23. Other assets

	31/12/2019	31/12/2018
	L.E.	L.E.
Unearned revenues	968,090,317	573,176,089
Prepaid expenses	146,618,649	108,978,171
Advances to purchase fixed assets	388,299,073	407,767,394
Assets reverted to bank (after deducting the impairment)	194,962,469	48,798,780
Impress & Guarantee	11,348,739	11,262,625
Assets held for sale - investments reverted to the bank*	98,497,888	55,159,826
Other	1,062,450,722	281,790,675
Total	2,870,267,857	1,486,933,560

* Investments reverted to the bank represented "Hamenz Co" amounted to EGP 20,639,987.

* After the CBE board assembly on 8th of September, 2009 the following was stated:

"In the event that a bank that owns shares in a non-financial company with more than 40% of its issued capital, the bank must dispose of any extra ownership within a year of acquiring the shares, Impairment loss of the shares accumulated will then be calculated according to accounting principles so as not to understate the value of these losses relative to any marginal increase above the 40%, Losses should then be reflected in the bank's income statement under investment losses, or as other expenses depending on the circumstances in exchange for a decrease in the book value of share price by the same amount". The bank has calculated impairment account to each of the following: Misr America for medical supplies, and Hamenzfor German technological Industries.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

24. Fixed assets

	Land & Buildings L.E.	Office Furniture L.E.	Equipment & Machinery L.E.	Computers L.E.	Furniture L.E.	Vehicles L.E.	Other L.E.	Total L.E.
Cost, 1/1/2018	279,658,830	104,430,056	20,102,962	109,046,613	21,682,132	14,559,491	73,655,729	623,135,813
Accumulated depreciation	(27,318,438)	(49,136,131)	(6,524,411)	(38,810,305)	(6,646,691)	(6,033,011)	(27,016,322)	(161,485,309)
Net book value	252,340,392	55,293,925	13,578,551	70,236,308	15,035,441	8,526,480	46,639,407	461,650,504
31/12/2018								
Net book value at the beginning of the period	252,340,392	55,293,925	13,578,551	70,236,308	15,035,441	8,526,480	46,639,407	461,650,504
Additions	111,757,686	90,631,105	1,032,886	--	39,298,946	--	37,199,350	279,919,973
Disposals	--	(5,011,693)	--	--	(92,407)	(1,194,801)	(88,105)	(6,387,006)
Depreciation for the period	(8,367,583)	(36,219,449)	(2,330,081)	(19,631,974)	(6,334,295)	(2,950,493)	(16,635,882)	(92,469,757)
Accumulated depreciation of disposal assets	--	5,011,069	--	--	88,858	1,194,800	83,575	6,378,302
Net book value	355,730,495	109,704,957	12,281,356	50,604,334	47,996,543	5,575,986	67,198,345	649,092,016
Cost, **1/1/2019**	**391,416,516**	**190,049,468**	**21,135,848**	**109,046,613**	**60,888,671**	**13,364,690**	**110,766,974**	**896,668,780**
Accumulated depreciation	**(35,686,021)**	**(80,344,511)**	**(8,854,492)**	**(58,442,279)**	**(12,892,128)**	**(7,788,704)**	**(43,568,629)**	**(247,576,764)**
Net book value	**355,730,495**	**109,704,957**	**12,281,356**	**50,604,334**	**47,996,543**	**5,575,986**	**67,198,345**	**649,092,016**
31/12/2019								
Net book value at the beginning of the period	**355,730,495**	**109,704,957**	**12,281,356**	**50,604,334**	**47,996,543**	**5,575,986**	**67,198,345**	**649,092,016**
Additions	**26,560,648**	**111,874,506**	**1,644,212**	**3,386,626**	**1,590,396**	**--**	**31,503,486**	**176,559,874**
Reclassification	**--**	**--**	**--**	**45,184,852**	**--**	**--**	**(20,865,706)**	**24,319,146**
Disposals	**--**	**--**	**(369,943)**	**(12,047)**	**(242,319)**	**(155,450)**	**(1,952,596)**	**(2,732,355)**
Depreciation	**(8,910,191)**	**(46,461,253)**	**(2,391,272)**	**(18,912,752)**	**(5,839,137)**	**(2,316,140)**	**(19,323,027)**	**(104,153,772)**
Accumulated depreciation of Reclassification assets	**--**	**--**	**--**	**(4,684,526)**	**--**	**--**	**--**	**(4,684,526)**
Accumulated depreciation of disposal assets	**--**	**--**	**368,546**	**12,045**	**242,044**	**155,450**	**1,937,337**	**2,715,422**
Net book value	**373,380,952**	**175,118,210**	**11,532,899**	**75,578,532**	**43,747,527**	**3,259,846**	**58,497,839**	**741,115,805**
31/12/2019								
Cost	**417,977,164**	**301,923,974**	**22,410,117**	**157,606,044**	**62,236,748**	**13,209,240**	**119,452,158**	**1,094,815,445**
Accumulated depreciation	**(44,596,212)**	**(126,805,764)**	**(10,877,218)**	**(82,027,512)**	**(18,489,221)**	**(9,949,394)**	**(60,954,319)**	**(353,699,640)**
Net book value	**373,380,952**	**175,118,210**	**11,532,899**	**75,578,532**	**43,747,527**	**3,259,846**	**58,497,839**	**741,115,805**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

25. Due to banks

	31/12/2019	31/12/2018
	L.E.	L.E.
Current accounts	166,130,835	220,696,109
Deposits	5,279,479,070	4,979,773,780
Total	5,445,609,905	5,200,469,889
Local banks	5,281,496,920	5,128,711,908
Foreign banks	164,112,985	71,757,981
Total	5,445,609,905	5,200,469,889
Non-interest bearing balances	166,130,835	220,696,109
Interest bearing balances	5,279,479,070	4,979,773,780
Total	5,445,609,905	5,200,469,889
Current balances	5,445,609,905	5,200,469,889
Total	5,445,609,905	5,200,469,889

26. Customers' deposits

	31/12/2019	31/12/2018
	L.E.	L.E.
Demand deposits	22,798,594,662	23,809,687,345
Time and call deposits	20,785,807,378	19,569,574,947
Certificates of deposits	7,866,768,278	5,427,274,413
Saving deposits	1,477,445,947	1,382,797,322
Other deposits	3,117,225,563	350,206,582
Total	56,045,841,828	50,539,540,609
Corporate deposits	38,911,609,028	37,789,862,248
Retail deposits	17,134,232,800	12,749,678,361
Total	56,045,841,828	50,539,540,609

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

27. Other loans / Subordinated deposits

	31/12/2019	31/12/2018
	L.E.	L.E.
Commercial International Bank loan	**1,620,286**	2,220,286
European Investment Bank	**320,830,000**	358,272,000
Subordinated Deposits*	**800,000,000**	800,000,000
Total	**1,122,450,286**	1,160,492,286

* The bank entered into an agreement with Misr Insurance Company (S.A.E.) on 13 November 2017, whereby the company deposited an amount of EGP 800 million divided into 5 deposits where the last deposit should be made within one month and a half from the date of signing the contract, the term of each deposit will be seven years and six months starting from the date of each deposit separately.

This deposit is subject to the terms and conditions of the Central Bank of Egypt and the bank can use this deposit in all areas that deem appropriate for investment.

As this deposit is subject to the conditions of the Central Bank of Egypt and meets the requirements to be included in tier (2) of the capital base as it is not designated for specific activity or to meet specific assets and is issued and fully paid, this deposit follows the rights of the depositors and creditors at liquidation and is not guaranteed from the issuer and not subject to any legal or economic arrangements and does not include conditions to be recoverable before the due date.

28. Other liabilities

	31/12/2019	31/12/2018
	L.E.	L.E.
Accrued interest	**301,445,676**	355,680,926
Unearned revenue	**16,826,352**	7,371,726
Accrued expenses	**267,034,163**	218,860,367
Creditors	**269,843,359**	289,042,295
Other credit balances	**111,197,437**	105,119,521
Total	**966,346,987**	976,074,835

29. Other Provisions

	31/12/2019	31/12/2018
	L.E.	L.E.
Beginning balance	**123,049,032**	104,412,745
Foreign currencies revaluation	**(1,938,926)**	127,238
Charged during the period to statement of income	**(15,528,490)**	36,984,686
Used during the period	**(10,679,205)**	(18,475,637)
Transfer to other provisions	**(25,000,000)**	--
Ending balance	**69,902,411**	123,049,032

	31/12/2019	31/12/2018
	L.E.	L.E.
Provision for legal claims	**8,710,241**	11,410,346
Provision for other claim	**22,433,299**	50,112,505
Provision for tax claims	**2,576,098**	2,576,098
Provision for contingent liabilities	**36,182,773**	58,950,083
Ending balance	**69,902,411**	123,049,032

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

30. Capital

Authorized capital

The authorized capital amounted to USD 500,000,000, or its equivalent in EGP.

Issued and paid up capital

The issued and paid up capital amounted to USD 390,617,799 (equivalent to EGP 3,108,455,538) represented in 390,617,799 shares at par value of USD 1 each.

31. Reserves and retained earnings

31.A Reserves during the period as follows

	31/12/2019 L.E.	31/12/2018 L.E.
Legal reserve	**290,481,824**	232,330,537
Differences from foreign balances translation	**2,684,997**	2,684,997
Fair value reserve	**310,216,186**	(187,278,385)
General reserve	**17,529,143**	17,529,143
Special Reserve	**--**	8,143,329
General bank risk reserve	**6,000,000**	6,000,000
Capital reserve	**11,646,255**	9,702,375
IFRS 9 risk reserve*	**--**	200,607,250
General risk reserve	**208,750,579**	--
Ending balance	**847,308,984**	289,719,246

* The IFRS 9 risk reserve is created 1% of the total weighted credit risk of net profit after tax for 2017 in accordance with the Central Bank of Egypt regulations issued on 28 January 2018 and can't be used but with the approval of Central Bank of Egypt.

31.A.1 General bank risk reserve

	31/12/2019 L.E.	31/12/2018 L.E.
Beginning balance	**6,000,000**	13,130,944
Transferred from retained earnings	**--**	3,445,431
Transferred to retained earnings*	**--**	(10,576,375)
Ending balance	**6,000,000**	6,000,000

In accordance with the Central Bank of Egypt instructions general bank risk reserve is formed to meet unexpected risks; and this reserve is un-distributable except after obtaining the approval of the Central Bank of Egypt.

* An amount of EGP 10,576,375 was reversed during 2018 due to selling an asset held for sale.

31.A.2 Legal reserve

	31/12/2019 L.E.	31/12/2018 L.E.
Beginning balance	**232,330,537**	182,268,555
Transferred from retained earnings 2018	**58,151,287**	50,061,982
Ending balance	**290,481,824**	232,330,537

In accordance with local laws, 10% of the net year's profit is transferred to reserve not available for distribution until this reserve reaches 100% of the capital.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

31. Reserves and retained earnings – continued

31.A.1 Reserve for financial assets at fair value through OCI

	31/12/2019	31/12/2018
	L.E.	L.E.
Beginning balance	**(187,278,385)**	144,721,792
(Losses) / Gain from changes in FMV (note 19)	**595,497,403**	(329,912,279)
Total reclassification and remesurment impact	**(98,376,102)**	--
Net (losses) gains transferred to the statement of income resulted from disposal	**(1,339,507)**	(2,583,504)
Change in revaluation of forex	**1,712,777**	495,606
Ending balance	**310,216,186**	(187,278,385)

31.A.2 Special reserve

Special reserve was formed in accordance with Central Bank of Egypt instruction issued on 16 December 2008 and can't be used but with the approval of Central Bank of Egypt.

31.B Retained earnings

Retained earnings movement

	31/12/2019	31/12/2018
	L.E.	L.E.
Beginning balance	**671,848,594**	602,404,080
Net profit for the period / year	**675,342,042**	581,512,871
Retained for capital increase (Free shares)	**(452,365,938)**	(400,000,000)
Employees profit share	**(58,151,287)**	(50,061,982)
Board of directors remuneration	**(20,276,854)**	(17,456,182)
Transferred to general banking risk reserve	**--**	7,130,944
Transferred to legal reserve	**(58,151,287)**	(50,061,982)
Transferred to other reserves	**(1,943,880)**	(1,619,155)
Ending balance	**756,301,390**	671,848,594

32. Cash and cash equivalents

For the purpose of preparing the statement of cash flow, the cash and cash equivalent includes the following balance of maturity dates within less than three months from the date of acquisition

	31/12/2019	31/12/2018
	L.E.	L.E.
Cash and due from CBE	**4,048,855,106**	5,116,737,390
Due from banks	**5,230,029,082**	9,971,944,024
Treasury bills	**2,957,848,593**	9,479,358,866
Balance with CBE within the limit of statutory reserve	**(5,034,744,371)**	(6,361,961,928)
Due from banks with maturities more than 3 months	**(270,219,000)**	(2,090,535,741)
Treasury bills maturity more than 3 months	**(2,863,709,865)**	(9,477,239,141)
Cash and cash equivalent at the end of the year	**4,068,059,545**	6,638,303,470

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

33. Commitment and contingent liabilities

35.A Capital Commitment

The Bank's total capital commitments related to building and completing new branches and purchase of assets and equipment amounted to EGP 135,699,538 which has not been finished as at 31 December 2019.

35.B Commitments for loans, guarantees and facilities

Bank commitments for loans guarantees and facilities are represented as follows:

	31/12/2019	31/12/2018
	L.E.	L.E.
Letter of credit (import & export)	371,205,000	365,493,000
Letter of guarantee	2,046,121,000	1,520,841,000
Total	**2,417,326,000**	1,886,334,000

34. Salaries & Bonus of top management

	31/12/2019	31/12/2018
	L.E.	L.E.
Short term salaries & bonuses	82,427,460	46,985,723
Total	**82,427,460**	46,985,723

The top twenty salaries and bonuses in the bank reached EGP 892,427,460 and the monthly average is EGP 6,868955 for the period ended 31 December 2019.

35. Related parties transactions

Number of transactions with related parties has been conducted in the normal course of business including loans and deposits. Related parties transactions and balances at the end of the period are as follows:

35.A Loans and advances to related parties

	Top Management		Subsidiaries and associates	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	L.E.	L.E.	L.E.	L.E.
Existing loans at the beginning of the period	26,900,288	35,354,575	3,891,000	9,769,000
Loans issued during the period	30,755,381	2,722,231	--	--
Loans collected during the period	(16,315,969)	(11,176,518)	(3,510,000)	(5,878,000)
Existing loans at the end of the period	**41,339,700**	26,900,288	**381,000**	3,891,000

35.B Deposits from related parties

	Top Management	
	31/12/2019	31/12/2018
	L.E.	L.E.
Deposits at the beginning of the period	33,332,863	21,704,125
Deposit received during the period	33,150,061	42,694,436
Deposit redeemed during the period	(36,458,162)	(31,065,698)
Existing deposits at the end of the period	**30,024,762**	33,332,863

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

35. Related parties transactions – continued

35.B Deposits from related parties - continued

	31/12/2019 EGP	31/12/2018 EGP
Call deposits	**16,240,193**	13,318,891
Saving accounts	**5,111,625**	7,047,954
Saving and deposit certificates	**6,693,431**	10,524,470
Time and call deposits	**1,979,513**	2,441,548
Ending balance	**30,024,762**	33,332,863

36. Mutual funds

Mutual fund established by the bank - Egyptian Gulf Bank

The Fund is one of the licensed banking activities of the Bank under the Capital Market Law No. 95 of 1992 and its Executive Regulations. The Fund is managed by Hermes Investment Fund Management Company. The Fund has a total investment of 100 million Egyptian pounds. Assigned 50,000 certificates (amounting to Five million Egyptian pounds) to start the activity of the Fund.
The recoverable amount of the certificates as at 31 December 2019 was EGP 267.19 and the Fund's certificates on the same date were 120029 certificates.

The Thraa Fund cash

The Fund is one of the licensed banking activities of the Bank under the Capital Market Law no.95 for 1992 and its Executive Regulations. The fund is managed by Prime Company for mutual fund management, The number of certificates at the initial offering was 34,944,491 million certificates with a total amount of EGP 375 million of which 713359 certificates (amounting to EGP 7,5 million) were designated to the fund operation.
The recoverable amount of each certificate as of 31 December 2019 amounted EGP 19.1071 and the Fund's certificates on the same date were 19502251 certificates.

37. Deferred income tax

	Deferred tax assets		Deferred tax liabilities	
	31/12/2019 L.E.	31/12/2018 L.E.	**31/12/2019 L.E.**	31/12/2018 L.E.
Fixed assets	**--**	--	**6,013,545**	14.201.537
Provisions (excluded loans impairment losses)	**15,148,420**	27.106.410	**--**	--
Total tax	**15,148,420**	27.106.410	**6,013,545**	14.201.537
Net tax derived from asset	**9,134,875**	12.904.873	**--**	--

Movement of deferred Assets and Liabilities

	31/12/2019 L.E.	31/12/2018 L.E.
Beginning balance	**12,904,873**	3,368,633
Additions during the period	**--**	9,536,240
Disposal during the period	**(3,769,998)**	--
Ending balance	**9,134,875**	12,904,873

In accordance with the Central Bank of Egypt instructions and Egyptian Accounting Standards No. (24) “income taxes” deferred tax assets are not recognized if no future benefits are expected and/or the existence of deferred tax liabilities at the same time. Accordingly, tax assets were not recognized during the financial year ended 31 December 2019 as well as the financial year ended 31 December 2018.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

38. Tax situation

Corporate income tax

Years 2005 to 2007:
Tax inspection was performed for this period and all disputes have been finalized.

Years 2008 and 2009:
Tax inspection was performed for this period and all disputes have been finalized in the internal committee.

Years 2010 and 2011:
Tax inspection and assessment was performed for this period and a part of the tax liability was paid and all disputes will be transferred to appealing committee.

Year 2012:
Tax inspection was performed for this year and there was no tax liability resulted.

Years 2013 and 2014:
Tax inspection was performed for this period and all disputes have been finalized.

Years 2015 to 2016 to 2017:
Tax returns were provided and there was no tax liability resulted.

Payroll tax

From inception till 2004:
Tax inspection was performed and paid for this period.

Years 2005 and 2006:
Tax inspection was performed in accordance with the new law and there were no tax differences.

Years 2007 to 2012:
Tax inspection was performed and paid for this period and there were no tax differences.

Years 2013 to 2015:
Taxes deducted from the bank's employees were paid.

Year 2016:
Taxes deducted from the bank's employees were paid.

Year 2017:
Taxes deducted from the bank's employees were paid.

39. Comparative figures

Comparative figures have been reclassified to conform to changes in presentation used in the current period.