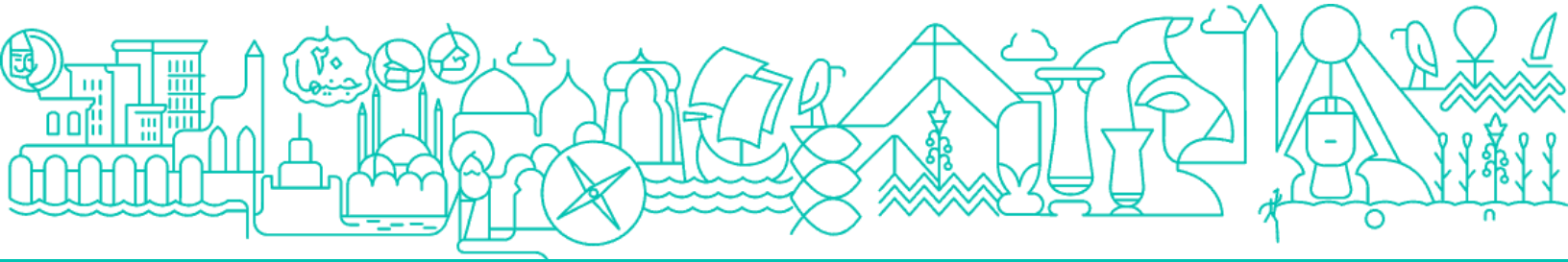
EGBANK
البنك المصري الخليجي

Separate Financial Statements
December 2018

Together With Auditors' Report



Index	Page
Auditors' report	1 - 2
Separate balance sheet	3
Separate statement of income	4
Separate statement of cash flow	5 - 6
Separate statement of changes in equity	7
Notes to the separate financial statements	8 - 61

PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants

McMillan Woods
Public Accountants & Consultants

Translation of financial statements originally issued in Arabic

Independent Auditors' 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.", which comprise the separate balance sheet as at 31 December 2018, and the related separate statements of income, cash flows, and changes in equity for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

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

Auditors' responsibility

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

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

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

PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants

McMillan Woods
Public Accountants & Consultants

Translation of financial statements originally issued in Arabic

To the Shareholders of Egyptian Gulf Bank "S.A.E."
Page 2

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Egyptian Gulf Bank "S.A.E." as of 31 December 2018, and of its separate financial performance and its cash flows for the year then ended in accordance with the Central Bank of Egypt's rules, pertaining to the preparation and presentation of the Banks' financial statements issued on 16 December 2008, and in light of the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on other legal and regulatory requirements

According to the information and explanations given to us during the financial year ended 31 December 2018, no contravention of the Central Bank, Banking Sector and Money Law No. 88 of 2003.

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

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Bank's books of account, within the limit on which such data is recognized in the Bank's books of account.

Auditors

Abdallah Mohamed Mohamed El Adly
Member of Egyptian society for taxation
R.A.A. 6433
F.R.A. "140"
PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants

Hesham Gamal Elafandy
Member of AICPA
F.R.A. "100"
McMillan Woods
Public Accountants & Consultants

10 March 2019
Cairo

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	31/12/2018 L.E.	31/12/2017 L.E.
ASSETS			
Cash and balances with the Central bank of Egypt	(15)	**6,723,641,050**	7,068,067,524
Due from banks	(16)	**8,365,040,364**	5,821,229,458
Treasury bills and other governmental notes	(17)	**9,479,358,866**	9,001,585,978
Loans, advances and morabahat to customers (net)	(18)	**26,081,280,760**	24,152,221,205
Financial investments:			
- Available for sale	(19)	**4,798,281,637**	3,490,339,098
- Held to maturity	(19)	**3,742,311,284**	4,447,072,991
Investment in subsidiaries and associates	(20)	**199,978,100**	210,402,745
Employee stock ownership plan (ESOP)	(21)	**49,184,947**	28,185,908
Intangible assets	(22)	**36,601,128**	34,819,989
Other assets	(23)	**1,486,933,560**	1,487,798,743
Fixed assets	(24)	**649,092,016**	461,650,504
TOTAL ASSETS		**61,611,703,712**	56,203,374,143
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	(25)	**5,200,469,889**	4,420,756,702
Customers' deposits	(26)	**50,539,540,609**	46,465,751,668
Other loans \ Subordinated deposits	(27)	**1,160,492,286**	502,094,286
Other liabilities	(28)	**976,074,835**	1,272,527,984
Other provisions	(29)	**123,049,032**	104,412,745
TOTAL LIABILITIES		**57,999,626,651**	52,765,543,385
SHAREHOLDERS' EQUITY			
Issued and Paid-in capital	(31)	**2,256,089,600**	1,786,560,356
Retained for capital increase	(31)	**400,000,000**	469,529,244
Reserves	(32)	**289,719,246**	577,169,230
Employee stock ownership plan (ESOP) reserve	(21)	**(5,580,379)**	2,167,848
Retained Earnings	(32)	**671,848,594**	602,404,080
TOTAL SHAREHOLDERS' EQUITY		**3,612,077,061**	3,437,830,758
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**61,611,703,712**	56,203,374,143

Executive Chairman & managing director

Nidal El Kassem Assar

Chairman

Mohamed Gamal El Din Mohamed Mahmoud

- Audit report attached.
- The accompanying notes from (1) to (40) 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 2018

	Note	31/12/2018 L.E.	31/12/2017 L.E.
Interest from loans and similar income	(6)	**7,599,156,702**	6,665,450,720
Interest on deposits and similar expenses	(6)	**(5,838,830,965)**	(5,155,330,355)
Net interest income		**1,760,325,737**	1,510,120,365
Fees and commissions income	(7)	**297,129,599**	333,028,157
Fees and commissions expenses	(7)	**(65,725,694)**	(46,657,094)
Net fees and commission income		**231,403,905**	286,371,063
Dividends income	(8)	**11,144,175**	3,774,232
Net trading income	(9)	**74,172,325**	116,186,498
Gain from sale of financial investments	(19)	**9,340,611**	11,621,681
Impairment (charge) for credit losses	(12)	**(144,395,427)**	(232,827,631)
General and administrative expenses	(10)	**(944,349,254)**	(786,810,270)
Other operating income (expenses)	(11)	**10,447,270**	(30,821,984)
Profit before income tax		**1,008,089,342**	877,613,954
Income tax expenses	(13)	**(426,576,471)**	(376,994,134)
Net profit for the year		**581,512,871**	500,619,820
Earnings per share (EGP/ share)	(14)	**1.49**	1.38

Executive Chairman & managing director

Nidal El Kassem Assar

Chairman

Mohamed Gamal El Din Mohamed Mahmoud

- The accompanying notes from (1) to (40) are an integral part of these separate financial statements and are to be read therewith.

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31/12/2018 L.E.	31/12/2017 L.E.
Cash flows from Operating Activities			
Net Profits before income tax		**1,008,089,342**	877,613,954
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	(22-24)	**100,919,087**	62,206,841
Impairment charge for credit losses	(12)	**144,395,427**	232,827,631
Proceeds from bad debts	(18)	**2,913,318**	62,363
Other provisions charged	(11)	**36,984,686**	33,273,771
Other provisions (used)	(29)	**(18,475,637)**	(8,692,625)
Revaluation differences for other provision in foreign currencies	(29)	**127,238**	(563,467)
(Gains) from sale of fixed assets		**(1,943,880)**	(1,619,155)
Dividends income	(8)	**(11,144,175)**	(3,774,232)
Amortized cost	(19)	**(27,281,465)**	(60,823,625)
Revaluation of financial investments other than trading investment	(19)	**(10,316,253)**	161,516,529
Gains from sale of financial investment available for sale	(19)	**(9,340,611)**	(11,621,681)
Gains from sale of financial investment held to maturity		**(7,742,804)**	--
Impairment charge for other Assets		**1,258,000**	--
Impairment of non-current assets held for sale		**--**	14,700,000
Operating profit before changes in assets and liabilities provided from operating activities		**1,208,442,273**	1,295,106,304
Net decrease (increase) in assets and liabilities			
Due from banks		**(1,227,573,083)**	(4,542,099,920)
Treasury bills		**(663,469,412)**	(984,001,436)
Loans, advances and morabahat to customers		**(2,459,298,068)**	(5,225,287,579)
Other assets		**(68,867,372)**	(257,520,146)
Due to banks		**779,713,187**	3,420,756,702
Customers' deposits		**4,073,788,941**	5,815,593,979
Other liabilities		**(296,453,149)**	155,067,198
Net cash flows provided from operating activities	**(1)**	**1,346,283,317**	(322,384,898)
Cash flows from Investing Activities			
Payments to purchase fixed assets and branches improvement		**(277,148,903)**	(433,565,944)
Proceeds from sale of fixed assets		**1,952,584**	1,806,370
Proceeds from sale of financial investments other than trading investments		**1,032,932,057**	1,876,176,387
Payments to purchase financial investment other than trading investments		**(1,919,086,840)**	(1,898,872,047)
Proceeds from sale of Investment in held for sale		**35,000,000**	--
Proceeds from sale of Investment in associates		**10,424,645**	--
Dividends received	(8)	**1,145,675**	3,774,232
Employee stock ownership plan (ESOP)	(21)	**(36,267,546)**	(26,018,060)
Net cash flows (used in) investing activities	**(2)**	**(1,151,048,328)**	(476,699,062)
Cash flows from Financing Activities			
Increase in long long-term loans / Subordinated deposits		**658,398,000**	499,454,286
Dividends paid		**(67,518,164)**	(54,150,118)
Capital increase		**--**	469,529,244
Net cash flows provided from financing activities	**(3)**	**590,879,836**	914,833,412
Net change in cash and cash equivalents during the period	**(1+2+3)**	**786,114,825**	115,749,452
Cash and cash equivalents at beginning of the period		**5,653,588,645**	5,537,839,193
Cash and cash equivalents at the end of the period		**6,439,703,470**	5,653,588,645

Cash and cash equivalents are represented in (note 33)		
Cash and balances with the CBE	**6,723,641,050**	7,068,067,524
Due from banks	**8,365,040,364**	5,821,229,458
Treasury bills	**9,479,358,866**	9,001,585,978
Balance with CBE within the limit of statutory reserve	**(6,361,961,928)**	(6,639,910,486)
Due from banks with maturities more than 3 months	**(2,090,535,741)**	(585,014,100)
Treasury bills with maturity more than 3 months	**(9,675,839,141)**	(9,012,369,729)
Cash and cash equivalents at the end of the year	**6,439,703,470**	5,653,588,645

- The accompanying notes from (1) to (40) 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 2018

	Note	Issued and paid-in Capital L.E.	Retained for capital increase L.E.	Reserves L.E.	ESOP L.E.	Retained Earnings L.E.	Total L.E.
31 December 2017							
Balance as of 1/1/2017		1,499,371,317	287,189,039	125,882,737	--	401,501,177	2,313,944,270
Transferred for capital increase		287,189,039	(287,189,039)	--	--	--	--
Capital increase (Cash underwriting)		--	469,529,244	--	--	--	469,529,244
Dividends paid for year 2016 (Employees profit share)		--	--	--	--	(40,150,118)	(40,150,118)
Board of directors remuneration		--	--	--	--	(14,000,000)	(14,000,000)
Transferred to legal reserves		--	--	40,150,118	--	(40,150,118)	--
Transferred to other reserves		--	--	227,937	--	(227,937)	--
Net change in fair value of available for sale investments		--	--	205,719,694	--	--	205,719,694
Transferred to banking risk reserve from retained earnings		--	--	5,497,244	--	(5,497,244)	--
Transferred from banking risk reserve to retained earnings		--	--	(915,750)	--	915,750	--
Employee stock ownership plan (ESOP)		--	--	--	2,167,848	--	2,167,848
Net profit for the year ended		--	--	--	--	500,619,820	500,619,820
Transferred to the IFRS9 risk reserve		--	--	200,607,250	--	(200,607,250)	--
Balance as of 31/12/2017		1,786,560,356	469,529,244	577,169,230	2,167,848	602,404,080	3,437,830,758
31 December 2018							
Balance as of 1/1/2018		**1,786,560,356**	**469,529,244**	**577,169,230**	**2,167,848**	**602,404,080**	**3,437,830,758**
Transferred for capital increase		**469,529,244**	**(469,529,244)**	**--**	**--**	**--**	**--**
Capital increase (Stock Dividends)		**--**	**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 fair value of available for sale investment	**(32)**	**--**	**--**	**(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) reserve	**(21)**	**--**	**--**	**--**	**(15,268,507)**	**--**	**(15,268,507)**
Employee stock ownership plan (ESOP)	**(21)**	**--**	**--**	**--**	**7,520,280**	**--**	**7,520,280**
Net profit for the year		**--**	**--**	**--**	**--**	**581,512,871**	**581,512,871**
Balance as of 31/12/2018		**2,256,089,600**	**400,000,000**	**289,719,246**	**(5,580,379)**	**671,848,594**	**3,612,077,061**

- The accompanying notes from (1) to (40) 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 2018

	31/12/2018 L.E.	31/12/2017 L.E.
Net profit of the year (from income statement)	**581,512,871**	500,619,820
Profit selling property, plant and equipment transferred to capital reserve according to the law	**(1,943,880)**	(1,619,155)
Change in General bank risk reserve	**9,376,375**	(2,245,431)
IFRS 9 risk reserve in accordance with the instructions of the CBE	**--**	(200,607,250)
Available net profit for distribution	**588,945,366**	296,147,984
Retained earnings in the beginning of the financial year	**80,959,348**	302,391,510
Total Balance for distribution	**669,904,714**	598,539,494
To be distributed as follows:		
Legal reserve 10%	**58,151,287**	50,061,982
Dividends to shareholders - first tranche (5% from paid in capital)	**--**	89,328,018
Employees profit share	**58,151,287**	50,061,982
Board of directors remuneration	**20,276,854**	17,456,182
Dividends to shareholders (second tranche)	**--**	310,671,982
Retained of general assembly decision**	**398,413,440**	--
Retained earnings at the end of the financial year	**134,911,846**	80,959,348
Total	**669,904,714**	598,539,494

* The IFRS 9 risk reserve is created 1% of the total weighted credit risk of net profit after tax for 2017.

** Retained for general assembly decision in accordance with what will be considered in the proposal whether cash dividends or free shares, upon completion of the registering procedures for the shares of the previous increase in the Egyptian Stock Exchange and Egypt Clearing Company.

As the registeration of the capital increase for our bank which took its decision in the assembly on 31/03/2018 was not yet completed, which didn't enable us to adopt the model 48 for proceeding with the procedures of increasing the new capital as a start to the General Assembly.

Therefore, we request the Ordinary and Extraordinary General Assembly Meeting to authorize the Board of Directors to take all necessary procedure towards the General Authority for Investment and Free Zones, the Egyptian Financial Supervisory Authority and the Egyptian Stock Exchange, especially those who fall in the validity of the ordinary and extraordinary general assembly from the adoption of Form 48 and the amendment of Articles 6 and 7 of the Articles of Association.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 the amendments thereon, 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 four branches, and employs over 1778 employees as of the balance sheet date.

Separate financial statements were approved by the Board of Directors on 20 February 2019.

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 of the Seprate Financial Statements

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

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 period ended on 31 December 2018 to get complete information on the bank’s financial position, results of operations, cash flows and changes in ownership rights.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies – continued

2.B Subsidiaries and Associates

2.B.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.B.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 in other operating income (expenses) if there is an excess of the bank's share of the fair value of the identifiable net assets acquired over the cost of the acquisition.

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

2.C 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 2018

2. Summary of significant accounting policies – continued

2.D Foreign currency translation

2.D.1 Functional and presentation currency

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

2.D.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 through profit and loss from held-for-trading assets and liabilities or through profits and losses by type.
- Other operating revenues (expenses) from the remaining assets and liabilities.

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

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

2.E.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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies – continued

2.E Financial assets – continued

2.E.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.E.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.E.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 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies – continued

2.E Financial assets – continued

2.E.4 Available for sale financial investments – continued

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 [or group of financial assets] to reflect the actual cash inflows, the carrying value is recalculated based on the present value of estimated future cash flows at the effective yield of the financial instrument and the difference are 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.

2.F 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.G 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies – continued

2.G Interest income and expense – continued

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.H 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.I Dividend income

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

2.J 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies – continued

2.K Impairment of financial assets

2.K.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 for the borrower or being involved in a liquidation or restructuring lawsuit.
- 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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies – continued

2.K Impairment of financial assets – continued

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

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.

2.K.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.

2.L 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies – continued

2.M 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.N 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	40	Years
- Safes	40	Years
- Furniture	10	Years
- Machinery	8	Years
- Leasehold Improvement	5	Years
- Computers	5	Years
- Equipment	5	Years
- Vehicles	4	Years

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies – continued

2.O Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized 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.P 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.Q 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.R Employee's benefits

2.R.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.R.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 2018

2. Summary of significant accounting policies – continued

2.R Employee's benefits – continued

2.R.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.R.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.

Equity securities granted to employees are measured by reference to the fair value (market price) at the date on which they are granted. Equity securities are revaluated to the fair value (market price) at each reporting date, together with a corresponding revaluation differences in reserve in equity at the balance sheet.

2.S 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.T Borrowings

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

2.U 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018

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	
	%	%	**%**	%
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
Performing loans	**26.54%**	60.90%	**1.46%**	0.44%
Regular watching	**40.05%**	22.16%	**7.67%**	52.71%
Watch list	**31.34%**	15.90%	**47.44%**	28.33%
Non-performing loans	**2.07%**	1.04%	**43.43%**	18.52%
	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
- It is becoming probable that the borrower will enter bankruptcy or financial re-organization. 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 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 2018

3. Financial risk management – continued

3.A Credit risk – continued

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

	31/12/2018 L.E	31/12/2017 L.E
In balance sheet items exposed to credit risk		
Treasury bills and other government notes	**9,479,358,866**	9,001,585,978
Due from banks	**8,365,040,364**	5,821,229,458
Loans and advances to customers		
Retail loans		
- Overdraft	**341,933,958**	328,733,317
- Credit cards	**48,775,161**	38,629,763
- Personal loans	**3,999,041,109**	3,003,820,528
- Mortgage	**199,088,508**	148,613,879
Corporate loans		
- Overdraft	**5,602,132,144**	5,294,813,500
- Direct loans	**8,704,847,335**	8,434,746,740
- Syndicated loans	**8,196,110,554**	7,827,145,458
Financial investments		
- Debt instruments	**8,517,471,219**	7,914,290,387
Other assets	**970,187,995**	994,674,841
Total	**54,423,987,213**	48,808,283,849
Off-balance sheet items exposed to credit risk		
Letters of credit	**365,493,000**	321,041,000
Letters of guarantee	**1,520,841,000**	1,480,614,000
Total	**1,886,334,000**	1,801,655,000

The above table represents the maximum limit for credit risk as of 31 December 2018 and 31 December 2017, 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 49.78% of the total maximum limit exposed to credit risk resulted from loans and advances to customers against 51.38% as at 31 December 2017; While 33.07% represents investments in debt instruments against 34.66% as at 31 December 2017.

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:

- 86.45% of the loans and advances portfolio are classified at the highest two ratings in the internal rating against 84.21% as at 31 December 2017.
- 93.04% of the loans and advances portfolio has no past due or impairment indicators against 90.57% as at 31 December 2017.
- The bank has applied a more conservative selection plan for the granted loans during the year ended 31 December 2018.
- Investments in debt instruments and treasury bills contain more than 99.99% against 99.94% as at 31 December 2017 due from the Egyptian government.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances

	31/12/2018	31/12/2017
	Loans and advances to customers L.E.	Loans and advances to customers L.E.
Neither past due nor impaired	**25,205,531,571**	22,711,194,760
Past due but not impaired	**1,413,090,948**	2,176,735,013
Individually impaired	**473,306,250**	188,573,412
Gross	**27,091,928,769**	25,076,503,185
less: impairment losses, advances and restricted interests	**(1,010,648,009)**	(924,281,980)
Net	**26,081,280,760**	24,152,221,205

- As a result to the economic and political circumstances in Egypt loans and advances portfolios has increased 8% as of 31 December 2018 compared to its balance at 31 December 2017
- 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 2018

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Loans and advances to customers and banks (net)

	31/12/2018							
	Retail				Corporate			
	Overdraft	Credit cards	Personal loans	Mortgage	Overdraft	Direct loans	Syndicated loans	Total loans and advances to customers and banks
	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

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

	31/12/2017							
	Retail				Corporate			
	Overdraft	Credit cards	Personal loans	Mortgage	Overdraft	Direct loans	Syndicated loans	Total loans and advances to customers and banks
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Performing	328,018,010	8,865,218	834,735,919	--	2,285,019,556	5,420,393,860	6,389,211,431	15,266,243,994
Regular follow up	--	24,887,536	1,784,975,365	142,831,433	651,081,340	2,012,265,795	456,208,930	5,072,250,399
Watch list	--	1,307,828	243,675,302	--	2,247,625,211	560,338,580	672,950,900	3,725,897,821
Non-performing	--	1,539,507	64,520,709	4,238,175	2,150,441	15,380,159	--	87,828,991
Total	328,018,010	36,600,089	2,927,907,295	147,069,608	5,185,876,548	8,008,378,394	7,518,371,261	24,152,221,205

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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:

	31/12/2018			
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 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**

	31/12/2017			
Retail	Credit cards	Personal loans	Mortgage	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	1,315,171	291,937,502	3,658,865	296,911,538
Past due from 30 to 60 days	571,192	38,801,320	595,356	39,967,868
Past due from 60 to 90 days	258,617	24,813,602	5,299	25,077,518
Total	2,144,980	355,552,424	4,259,520	361,956,924

	31/12/2017			
Corporate	Overdraft	Direct loans	Syndicated loans	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	85,363,081	555,038,978	58,733,881	699,135,940
Past due from 30 to 60 days	2,025,232	30,860,856	--	32,886,088
Past due from 60 to 90 days	363,969,422	364,232,639	354,554,000	1,082,756,061
Total	451,357,735	950,132,473	413,287,881	1,814,778,089

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 amounted to EGP **473,306,250** against EGP 188,573,412 as of 31 December 2017.

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 cards	Personal loans	Mortgage	Overdraft	Direct Loans	
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
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**
Individually impaired loans 31/12/2017	715,307	2,216,840	60,537,081	80,184	25,753,000	99,271,000	188,573,412

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 1,118,808 thousand against EGP 996,868 thousand at 31 December 2017.

	31/12/2018	31/12/2017
	In thousand EGP	In thousand EGP
Loans and advances to customers		
Corporate		
- Overdraft	**556,641**	175,167
- Direct Loans	**562,167**	821,701
Total	**1,118,808**	996,868

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.
A	**--**	**1,222,623**	**1,222,623**
B	**18,574,610,076**	**--**	**18,574,610,076**
Total	**18,574,610,076**	**1,222,623**	**18,575,832,699**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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:

Value at Risk

The bank applies a "Value at Risk" methodology (VaR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected under normal market conditions, based upon a number of assumptions for various changes in market conditions. The bank's Board of Directors sets the accepted VaR limits for trading and non-trading portfolios separately and are monitored by market risk management on a daily basis.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose, but only to a certain level of confidence (98%). There is therefore a specified statistical probability (2%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain 'holding period' until positions can be closed (10 Days). It also assumes that the market movements during the 'holding period' would be the same as the movement during the ten days. The bank assesses the historical movements in the market prices based on volatilities and correlations data for the past five years. The bank applies these historical changes in rates, prices and indicators directly on the current situations, this method is known as historical simulation. Actual outputs are monitored regularly to measure the validity for the assumptions and factors used in VaR calculation.

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

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 2018

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 31/12/2018						
Cash and balances with the CBE	**5,003,157,596**	**1,665,689,825**	**688,685**	**17,772,992**	**36,331,952**	**6,723,641,050**
Due from Banks	**5,131,480,471**	**2,036,063,649**	**129,034,205**	**942,789,719**	**125,672,320**	**8,365,040,364**
Treasury bills	**6,212,275,000**	**3,435,828,480**	**--**	**410,258,000**	**--**	**10,058,361,480**
Loans and advances to customers	**17,809,225,378**	**9,268,148,154**	**17,757**	**14,529,047**	**8,433**	**27,091,928,769**
Financial investments:						
- Available for sale	**2,730,098,462**	**1,826,947,573**	**--**	**241,235,602**	**--**	**4,798,281,637**
- Held to maturity	**3,665,813,907**	**76,497,377**	**--**	**--**	**--**	**3,742,311,284**
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**
Financial liabilities 31/12/2018						
Due to banks	**1,815,000,000**	**2,601,098,780**	**1,596,476**	**782,774,633**	**--**	**5,200,469,889**
Customer deposits	**34,709,528,626**	**14,793,790,185**	**128,523,919**	**856,268,044**	**51,429,835**	**50,539,540,609**
Other loans \ Subordinated deposits	**802,220,286**	**358,272,000**	**--**	**--**	**--**	**1,160,492,286**
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**
Financial assets and Liabilities as of 31/12/2017						
Total financial assets	38,395,718,548	16,054,880,482	101,490,040	993,993,529	37,322,107	55,583,404,706
Total financial liabilities	34,838,477,535	15,468,102,142	101,828,224	944,783,803	35,410,952	51,388,602,656
Net financial position 31/12/2017	3,557,241,013	586,778,340	(338,184)	49,209,726	1,911,155	4,194,802,050

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 reprising that may be undertaken and is monitored daily.

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	Non-interest bearing	Total
Financial assets as of 31/12/2018	**L.E.**	**L.E.**	**L.E.**	**L.E.**	**L.E.**	**L.E.**	**L.E.**
Cash and balances with the CBE	--	1,606,903,661	--	--	--	5,116,737,389	6,723,641,050
Due from Banks	6,807,156,280	1,354,089,740	--	--	--	203,794,344	8,365,040,364
Treasury bills	364,300,000	4,445,271,040	5,248,790,440	--	--	--	10,058,361,480
Loans and advances to customers	18,062,048,420	221,716,509	479,424,670	1,537,168,241	6,791,570,929	--	27,091,928,769
Financial investments:							
Available for sale	1,222,623	--	477,498,814	1,873,171,357	2,446,388,843	--	4,798,281,637
Held to maturity	--	294,844,098	333,810,621	1,845,539,357	1,268,117,208	--	3,742,311,284
Other financial assets	--	--	--	--	--	1,486,933,560	1,486,933,560
Total financial assets	25,234,727,323	7,922,825,048	6,539,524,545	5,255,878,955	10,506,076,980	6,807,465,293	62,266,498,144
Financial liabilities 31/12/2018							
Due to banks	3,673,835,780	1,305,938,000	--	--	--	220,696,109	5,200,469,889
Customer deposits	9,752,093,132	5,665,089,383	22,905,863,326	7,823,328,750	627,473,966	3,765,692,052	50,539,540,609
Other loans \ Subordinated deposits	--	1,160,492,286	--	--	--	--	1,160,492,286
Other financial liability	--	--	--	--	--	976,074,835	976,074,835
Total financial liabilities	13,425,928,912	8,131,519,669	22,905,863,326	7,823,328,750	627,473,966	4,962,462,996	57,876,577,619
Net Financial Positions as of 31/12/2018	11,808,798,411	(208,694,621)	(16,366,338,781)	(2,567,449,795)	9,878,603,014	1,845,002,297	4,389,920,525
Financial assets and liabilities as of 31/12/2017							
Total financial assets	22,293,549,864	6,138,514,063	6,568,672,652	4,788,166,705	9,728,844,332	7,545,295,833	57,063,043,449
Total financial liabilities	13,136,373,887	6,852,368,654	19,355,606,494	7,059,895,120	1,042,809,082	5,179,823,046	52,626,876,283
Net Financial Positions as of 31/12/2017	9,157,175,977	(713,854,591)	(12,786,933,842)	(2,271,728,415)	8,686,035,250	2,365,472,787	4,436,167,166

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018

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 31/12/2018						
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**
Financial liabilities 31/12/2017						
Due to banks	3,420,756,702	1,000,000,000	--	--	--	4,420,756,702
Customer deposits	13,657,166,606	5,852,068,654	18,855,126,494	7,058,580,834	1,042,809,080	46,465,751,668
Other loans \ Subordinated deposits	--	300,000	480,000	1,314,286	500,000,000	502,094,286
Total financial liabilities	17,077,923,308	6,852,368,654	18,855,606,494	7,059,895,120	1,542,809,080	51,388,602,656
Total financial assets	8,168,980,814	11,620,556,791	8,384,562,162	12,091,592,769	15,317,712,170	55,583,404,706

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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*	
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
	L.E.	L.E.	**L.E.**	L.E.
Financial assets				
Due from banks	**8,365,040,364**	5,821,229,458	**8,365,040,364**	5,821,229,458
Loans and advances to customers				
A- Retail				
- Overdraft	**341,345,903**	328,018,010	*	*
- Credit cards	**46,888,255**	36,600,089	*	*
- Personal loans	**3,940,993,511**	2,927,907,295	*	*
- Mortgage	**197,087,653**	147,069,608	*	*
B- Corporate				
- Overdraft	**5,501,427,536**	5,185,876,548	*	*
- Direct loans	**8,100,334,904**	8,008,378,394	*	*
- Syndicated loans	**7,953,202,998**	7,518,371,261	*	*
Financial investments				
- Debt instruments available for sale (in cost)	**10,621,701**	10,621,701	*	*
- Held to maturity	**3,742,311,284**	4,447,072,991	**3,514,357,261**	4,362,825,741
Financial liabilities				
Due to banks	**5,200,469,889**	4,420,756,702	**5,200,469,889**	4,420,756,702
Customers deposits				
- Retail	**12,749,678,361**	9,690,480,627	*	*
- Corporate	**37,789,862,248**	36,775,271,041	*	*
Other loans / Subordinated deposits	**1,160,492,286**	502,094,286	*	*

* Some assets and liabilities were not measured at their FMV 31 December 2018.

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 2018

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 2018

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 performing loans, advances and contingent liabilities (should not be more than 1.25% from total performing weighted assets and weighted contingent liabilities, also impairment loss provision for non-performing loans, advances and contingent liabilities should be sufficient to meet liabilities for which the provision was created).
- 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 2018

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:

	31/12/2018 In thousand EGP	31/12/2017 In thousand EGP
Tier 1 capital		
Issued and paid up capital	**2,656,090**	2,256,089
Legal reserve	**232,331**	182,647
Other reserves	**27,231**	77,293
IFRS 9 risk reserve	**200,607**	200,607
Retained earnings	**133,872**	510,605
Additional capital	**420,929**	3,161
Total deductions from tier 1 capital	**(328,664)**	(115,868)
Total qualifying tier 1 capital	**3,342,396**	3,114,534
Tier 2 capital		
45% of differences from Positive foreign balances translation reserve	**1,208**	1,208
45% of special reserve	**3,664**	3,664
45% of the increase in fair value than the book value for AFS investments (if positive)	**5,801**	71,027
Impairment provision for loans and regular contingent liabilities	**303,033**	250,760
Subordinated deposits	**800,000**	500,000
Total qualifying tier 2 capital	**1,113,706**	826,659
Total capital 1+2	**4,456,102**	3,941,193
Risk weighted assets and contingent liabilities		
Total Credit risk	**24,242,644**	20,060,725
Total Market risk	**111,799**	79,420
Total Operation risk	**2,822,333**	2,186,457
Top 50 concentration	**1,701,482**	2,238,776
Total risk weighted assets and contingent liabilities	**28,878,258**	24,565,378
Capital Adequacy Ratio (%)	**%15.431**	16.044%

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 (minimum Capital adequacy Standard) 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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

ratio (After Exclusions) and Banks' 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 (After Exclusions) for capital that is used in capital adequacy ratio 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:

	31/12/2018 In thousand EGP	31/12/2017 In thousand EGP
Tier 1 capital after exclusions	**3,342,396**	3,114,534
On-balance sheet items, derivatives and financing securities	**62,059,495**	56,809,682
Off-balance sheet items	**1,261,770**	1,789,208
Total exposures	**63,321,265**	58,598,890
Leverage Financial Ratio (%)	**%5.28**	5.315%

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 2018 LCR ratio record LCY %332.77 FCY %132.21 and total of .%231.3

- 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 2018 NSFR ratio record LCY %156.58 FCY %167.14 and total of %159.54.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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.

Unrealized losses for available for sale investment amounted to (187,278,385)as a result of reevaluating prices declared in capital markets on 31 December 2018.

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 decrease by EGP (227,954,023) 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 2018

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

	31/12/2018	31/12/2017
	L.E.	L.E.
Interest from loans and similar income from:		
Loans and advances to banks	**400,598**	--
Loans and advances to customers	**3,689,318,154**	3,176,040,952
Treasury bills and treasury bonds	**2,375,027,147**	2,109,208,853
Deposits and current accounts	**1,533,922,712**	1,378,647,139
Investments in debt instruments (available for sale)	**488,091**	1,553,776
Total	**7,599,156,702**	6,665,450,720
Interest on Deposits and similar expenses from:		
Deposits and current accounts from banks	**(221,029,406)**	(390,477,653)
Deposits and current accounts from customers	**(5,472,702,315)**	(4,730,193,152)
REPOs	**(3,636,230)**	(34,659,550)
Subordinated deposits	**(141,463,014)**	--
Total	**(5,838,830,965)**	(5,155,330,355)
Net interest income	**1,760,325,737**	1,510,120,365

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

7. Net fees and commission income

	31/12/2018 L.E.	31/12/2017 L.E.
Fees and commission income		
Fees and commissions related to credit banking services	**272,212,389**	321,961,850
Custody fees	**2,543,291**	1,687,750
Other fees	**22,373,919**	9,378,557
Total	**297,129,599**	333,028,157
Fees and commission expenses		
Brokerage fees paid	**(3,315,357)**	(3,615,403)
Other fees paid	**(62,410,337)**	(43,041,691)
Total	**(65,725,694)**	(46,657,094)
Net fees and commission income	**231,403,905**	286,371,063

8. Dividends income

	31/12/2018 L.E.	31/12/2017 L.E.
Available for sale securities	**710,332**	389,339
Subsidiaries and associates	**9,998,500**	2,999,550
Investment funds	**435,343**	385,343
Total	**11,144,175**	3,774,232

9. Net trading income

	31/12/2018 L.E.	31/12/2017 L.E.
Profit from foreign exchange	**72,977,340**	116,186,498
Revaluation of financial investments held for trading	**(193,892)**	--
Profit from selling trading equity instruments	**1,388,877**	--
Total	**74,172,325**	116,186,498

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. General and administrative expenses

	31/12/2018 L.E.	31/12/2017 L.E.
Staff costs		
Wages and salaries	**(323,493,536)**	(277,284,531)
Social insurance	**(21,281,395)**	(16,107,871)
Other	**(141,366,777)**	(117,192,845)
Pension cost		
Retirement benefits	**(1,265,362)**	(637,965)
Total	**(487,407,070)**	(411,223,212)
Other administrative expenses	**(456,942,184)**	(375,587,058)
Total	**(944,349,254)**	(786,810,270)

11. Other operating income (expenses)

	31/12/2018 L.E.	31/12/2017 L.E.
Profit from selling property and equipment	**1,943,881**	1,619,155
(Charges) of other provisions	**(36,984,686)**	(33,273,771)
Other	**45,488,075**	832,632
Total	**10,447,270**	(30,821,984)

12. Impairment (charge) for credit losses

	31/12/2018 L.E.	31/12/2017 L.E.
Loans and advances to customers (note 18)	**(144,395,427)**	(232,827,631)
Total	**(144,395,427)**	(232,827,631)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Income tax expenses

	31/12/2018 L.E.	31/12/2017 L.E.
Current tax	**(426,576,471)**	(376,994,134)
Total	**(426,576,471)**	(376,994,134)

	31/12/2018 L.E.	31/12/2017 L.E.
Profit before tax	**1,008,089,342**	877,613,954
Income tax calculated at 22.5% tax rate	**226,820,102**	197,463,140
Non-taxable income	**(33,567,826)**	(31,477,457)
Non-deductible expenses for tax purposes	**55,889,041**	47,669,624
Extra payments on interest from treasury bills and treasury bonds	**177,435,154**	163,338,827
Current tax	**426,576,471**	376,994,134
Effective tax rate	**%42.32**	%42.96

14. Earnings per share

	31/12/2018 L.E.	31/12/2017 L.E.
Profits available for distribution for the year after tax	**581,512,871**	500,619,820
Less:		
Staff profit sharing	**(58,151,287)**	(50,061,982)
Board member bonus	**(20,276,854)**	(17,456,182)
Profits shareholders stake	**503,084,730**	433,101,656
Weighted average number of shares	**336,993,530**	314,796,024
Earnings per share (EGP/ share)	**1.49**	1.38

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

	31/12/2018 L.E.	31/12/2017 L.E.
Cash	**361,679,122**	428,157,038
Due from the CBE (within the required limit of statutory reserve percentage)	**6,361,961,928**	6,639,910,486
Total	**6,723,641,050**	7,068,067,524
Non-interest bearing balances	**5,116,737,389**	5,311,961,562
Variable interest bearing balances	**1,606,903,661**	1,756,105,962
Total	**6,723,641,050**	7,068,067,524

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. Due from banks

	31/12/2018 L.E.	31/12/2017 L.E.
Current accounts	**203,794,344**	168,681,428
Deposits	**8,161,246,020**	5,652,548,030
Total	**8,365,040,364**	5,821,229,458
Balance with CBE otherwise the required limit of statutory reserve percentage	**4,630,000,000**	4,487,014,100
Local banks	**3,580,159,700**	1,152,831,695
Foreign banks	**154,880,664**	181,383,663
Total	**8,365,040,364**	5,821,229,458
Non-interest bearing balances	**203,794,344**	753,695,528
Variable Interest bearing balances	**8,161,246,020**	5,067,533,930
Total	**8,365,040,364**	5,821,229,458
Current balance	**8,365,040,364**	5,821,229,458
Total	**8,365,040,364**	5,821,229,458

17. Treasury bills and other governmental notes*

	31/12/2018 L.E.	31/12/2017 L.E.
Treasury bills and other governmental notes	**10,058,361,480**	9,680,192,450
Less:		
REPOs	**(198,600,000)**	(142,500,000)
Treasury bills and other governmental notes – net	**9,859,761,480**	9,537,692,450
The treasury bills represented as follows:		
Treasury bills 91 days	**2,175,000**	135,675,000
Treasury bills 182 days	**108,650,000**	161,000,000
Treasury bills 273 days	**2,219,575,000**	1,677,425,000
Treasury bills 365 days	**7,727,961,480**	7,706,092,450
Total	**10,058,361,480**	9,680,192,450
Less:		
Unearned interest	**(380,402,614)**	(536,106,472)
Total	**9,677,958,866**	9,144,085,978
Less:		
REPOs (the initiative of the central bank for real Estate Finance)	**(198,600,000)**	(142,500,000)
Total	**9,479,358,866**	9,001,585,978

* theTreasury bills include EGP 3,435,828,480 (equivalent to USD 191.8million) as in USD Treasury bills and EGP 410,258,000 (equivalent to EUR 20 million) as in EUR Treasury bills.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

	31/12/2018 L.E.	31/12/2017 L.E.
Retail		
Overdraft	**341,933,958**	328,733,317
Credit cards	**48,775,161**	38,629,763
Personal loans	**3,999,041,109**	3,003,820,528
Mortgage	**199,088,508**	148,613,879
Total (1)	**4,588,838,736**	3,519,797,487
Corporate		
Overdraft	**5,602,132,144**	5,294,813,500
Direct loans	**8,704,847,335**	8,434,746,740
Syndicated loans	**8,196,110,554**	7,827,145,458
Total (2)	**22,503,090,033**	21,556,705,698
Total loans and advance to customers (1+2)	**27,091,928,769**	25,076,503,185
Less:		
Provision for impairment losses	**(1,007,961,958)**	(921,527,987)
Interest in suspense	**(2,686,051)**	(2,753,993)
Net loans, advances and morabahat to customers	**26,081,280,760**	24,152,221,205

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 debts	**(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	**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 debts	**(21,336,000)**	**(9,459,000)**	**--**	**(30,795,000)**
Proceeds from bad debts	**1,098,000**	**--**	**--**	**1,098,000**
Forex revaluation	**(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 2018

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

Provision for impairment losses

			31/12/2017		
Retail	Overdraft	Credit cards	Personal loans	Mortgage	Total
	L.E.	L.E.	L.E.	L.E.	L.E.
Beginning balance	105,000	754,751	53,589,159	2,449,674	56,898,584
Impairment losses	608,602	1,212,560	22,153,965	(905,403)	23,069,724
Proceeds from bad debts	--	62,363	--	--	62,363
Forex revaluation	1,705	--	--	--	1,705
Ending balance	715,307	2,029,674	75,743,124	1,544,271	80,032,376

		31/12/2017		
Corporate	Overdraft	Direct Loans	Syndicated loans	Total
	L.E.	L.E.	L.E.	L.E.
Beginning balance	532,822,527	206,367,935	129,192,622	868,383,084
Impairment losses	(212,649,296)	241,348,974	181,058,229	209,757,907
Bad debit	(208,844,000)	(23,605,000)	--	(232,449,000)
Forex revaluation	(2,586,647)	(133,079)	(1,476,654)	(4,196,380)
Ending balance	108,742,584	423,978,830	308,774,197	841,495,611

19. Financial investments

	31/12/2018	31/12/2017
	L.E.	L.E.
Available for sale financial investments		
Debt instruments at FMV (listed)	**4,787,659,935**	3,479,717,396
Equity instruments at cost (unlisted)	**10,621,701**	10,621,701
Investment management by other	**1**	1
Total available for sale investments (1)	**4,798,281,637**	3,490,339,098
Held to maturity financial investments		
Debt instruments (listed)	**3,729,811,284**	4,434,572,991
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 held to maturity financial investments (2)	**3,742,311,284**	4,447,072,991
Total financial investments (1+2)	**8,540,592,921**	7,937,412,089

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

19. Financial investments - continued

	31/12/2018		
	Available for sale	**Held to maturity**	**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)**
Monetary assets foreign currency differences	**9,775,941**	**540,312**	**10,316,253**
(Loss) 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	**4,798,281,637**	**3,742,311,284**	**8,540,592,921**

	31/12/2017		
	Available for sale	Held to maturity	Total
	L.E.	L.E.	L.E.
Beginning balance	1,956,374,866	5,698,570,394	7,654,945,260
Additions	1,857,617,304	41,254,743	1,898,872,047
Disposals	(362,638,546)	(1,349,451,347)	(1,712,089,893)
Monetary assets foreign currency differences	(166,476,245)	4,959,716	(161,516,529)
Gain from change in FMV (note 32)	196,377,579	--	196,377,579
Amortized cost	9,084,140	51,739,485	60,823,625
Ending balance	3,490,339,098	4,447,072,991	7,937,412,089

Profit (losses) from sale of financial investments

	31 December 2018	31 December 2017
	L.E.	L.E.
Gains from sale of financial assets available for sale	**9,340,611**	11,621,681
Total	**9,340,611**	11,621,681

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

20. Investment in subsidiaries and associates

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

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**	

31/12/2017	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	286,282,615	50,355,684	46,531,154	36,674,547	199,970,000	99.99%
Associates							
Alex fish	Egypt	68,112,477	24,826,785	294,396	(452,051)	3,286,430	26.66%
Alex for nutrition production	Egypt	125,824,316	110,479,818	28,031,922	224,679	7,138,215	26.66%
First Gas**	Egypt	48,341,891	21,427,312	23,300,890	(2,795,094)	5,000	
Prime holding for financial investments**	Egypt	505,067,315	80,104,579	56,310,219	18,908,766	3,100	
Total		1,033,628,614	287,194,178	154,468,581	52,560,847	210,402,745	

* Financial statements for the period 31/12/2018 have been inspected and proved to be true.

** Financial statements for the period 30/9/2018 have been inspected and proved to be true.

** First Gas (indirect shareholding 19.99%) and Prime Holding Company (indirect shareholding 9.78%) 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 2018

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.

Equity securities granted to employees are measured by reference to the fair value (market price) at the date on which they are granted. Equity securities are revaluated to the fair value (market price) at each reporting date, together with a corresponding revaluation differences in reserve in equity at the balance sheet.

The balance of the employee stock ownership plan amounted EGP 49,184,947 as at 31 December 2018 according to the fair value of 3,921,000 shares, and amounted EGP 28,185,908 as at 31 December 2017 according to the fair value of 1,696,000 shares, the revaluation differences amounted EGP (15,268,507) for the period ended 31 December 2018.

ESOP movement during the period as follows:

	31/12/2018		31/12/2017	
	Shares	**L.E.**	Shares	L.E.
Beginning balance	**1,696,000**	**28,185,908**	--	--
Purchased during the period	**2,225,000**	**36,267,546**	1,696,000	26,018,060
ESOP shares revaluation	**--**	**(15,268,507)**	--	2,167,848
Ending balance	**3,921,000**	**49,184,947**	1,696,000	28,185,908

ESOP movement in equity during the period as follows:

	31/12/2018	31/12/2017
	L.E.	L.E.
Beginning balance	**2,167,848**	--
ESOP shares revaluation	**(15,268,507)**	2,167,848
Amortization during the period	**7,520,280**	--
Ending balance	**(5,580,379)**	2,167,848

22. Intangible assets

Computer software

	31/12/2018	31/12/2017
	L.E.	L.E.
Net book value at the beginning of the period	**34,819,989**	30,843,461
Additions during the period	**10,230,468**	10,876,201
Amortization during the period	**(8,449,329)**	(6,899,673)
Net book value at the end of the period	**36,601,128**	34,819,989

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

23. Other assets

	31/12/2018 L.E.	31/12/2017 L.E.
Unearned revenues	**573,176,089**	630,123,557
Prepaid expenses	**108,978,171**	72,354,969
Advances to purchase fixed assets	**407,767,394**	420,768,933
Assets reverted to bank (after deducting the impairment)	**48,798,780**	78,272,600
Impress & Guarantee	**11,262,625**	11,028,274
Assets held for sale - investments reverted to the bank*	**55,159,826**	38,690,937
Other	**281,790,675**	236,559,473
Total	**1,486,933,560**	1,487,798,743

* other Assets include Assets Held for sale to the bank represented “Hamenz Co” amounted to EGP 12,000,000.

* 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.

* Due to the inability to sell an asset during the period specified by law, a general banking risk reserve of 10% of the value of the asset annually in accordance with the instructions of the Central Bank of Egypt.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

24. Fixed assets

	Land & Buildings	Office Furniture	Equipment & Machinery	Computers	Furniture	Vehicles	Other	Total
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
1/1/2017								
Cost	163,126,437	36,382,728	18,226,183	67,633,022	6,541,681	11,603,042	49,324,429	352,837,522
Accumulated depreciation	(22,794,078)	(31,507,948)	(4,909,235)	(22,700,083)	(4,336,407)	(5,250,077)	(21,731,207)	(113,229,035)
Net book value	140,332,359	4,874,780	13,316,948	44,932,939	2,205,274	6,352,965	27,593,222	239,608,487
31/12/2017								
Net book value at the beginning of the period	140,332,359	4,874,780	13,316,948	44,932,939	2,205,274	6,352,965	27,593,222	239,608,487
Additions	119,185,143	68,047,328	2,426,117	41,413,694	15,140,668	4,611,600	29,364,601	280,189,151
Disposals	--	--	(549,338)	(103)	(217)	(1,655,151)	(5,033,301)	(7,238,110)
Depreciation for the period	(4,524,360)	(17,628,183)	(2,164,455)	(16,110,222)	(2,310,284)	(2,252,217)	(10,317,447)	(55,307,168)
Accumulated depreciation of disposal assets	--	--	549,279	--	--	1,469,283	5,032,332	7,050,894
Reclassification	(2,652,750)	--	--	--	--	--	--	(2,652,750)
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
1/1/2018								
Cost	**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**
31/12/2018								
Cost	**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**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

25. Due to banks

	31/12/2018 L.E.	31/12/2017 L.E.
Current accounts	**220,696,109**	260,756,702
Deposits	**4,979,773,780**	4,160,000,000
Total	**5,200,469,889**	4,420,756,702
Local banks	**5,128,711,908**	4,160,000,000
Foreign banks	**71,757,981**	260,756,702
Total	**5,200,469,889**	4,420,756,702
Non-interest bearing balances	**220,696,109**	260,756,702
Variable Interest bearing balances	**4,979,773,780**	4,160,000,000
Total	**5,200,469,889**	4,420,756,702
Current balances	**5,200,469,889**	4,420,756,702
Total	**5,200,469,889**	4,420,756,702

26. Customers' deposits

	31/12/2018 L.E.	31/12/2017 L.E.
Demand deposits	**23,809,687,345**	19,227,125,654
Time and call deposits	**19,569,574,947**	21,403,988,008
Certificates of deposits	**5,427,274,413**	3,672,303,074
Saving deposits	**1,382,797,322**	1,298,001,840
Other deposits	**350,206,582**	864,333,092
Total	**50,539,540,609**	46,465,751,668
Corporate deposits	**37,789,862,248**	36,775,271,041
Retail deposits	**12,749,678,361**	9,690,480,627
Total	**50,539,540,609**	46,465,751,668
Non-interest bearing balances	**3,765,692,052**	3,680,792,719
Variable interest bearing balances	**42,869,745,849**	39,125,377,376
Fixed interest bearing balances	**3,904,102,708**	3,659,581,574
Total	**50,539,540,609**	46,465,751,668

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

27. Other loans \ Subordinated deposits

	31/12/2018 L.E.	31/12/2017 L.E.
Commercial International Bank loan	**2,220,286**	2,094,286
European Investment Bank loan	**358,272,000**	--
Subordinated Deposits*	**800,000,000**	500,000,000
Total	**1,160,492,286**	502,094,286

* 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 or incentives to be recoverable before the due date.

28. Other liabilities

	31/12/2018 L.E.	31/12/2017 L.E.
Accrued interest	**355,680,926**	463,117,165
Unearned revenue	**7,371,726**	57,769,616
Accrued expenses	**218,860,367**	191,409,735
Creditors	**289,042,295**	235,820,371
Other credit balances	**105,119,521**	324,411,097
Total	**976,074,835**	1,272,527,984

29. Other Provisions

	31/12/2018 L.E.	31/12/2017 L.E.
Beginning balance	**104,412,745**	80,395,066
Foreign currencies revaluation	**127,238**	(563,467)
Charged during the period to statement of income	**36,984,686**	33,273,771
Used during the period	**(18,475,637)**	(8,692,625)
Ending balance	**123,049,032**	104,412,745

	31/12/2018 L.E.	31/12/2017 L.E.
Provision for legal claims	**11,410,346**	8,552,339
Provision for other claim	**50,112,505**	39,154,627
Provision for tax claims	**2,576,098**	17,576,098
Provision for contingent liabilities	**58,950,083**	39,129,681
Ending balance	**123,049,032**	104,412,745

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. Deferred income tax

	Deferred tax assets		Deferred tax liabilities	
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
	L.E.	L.E.	**L.E.**	L.E.
Fixed assets	**--**	--	**14.201.537**	16,169,613
Provisions (excluded loans impairment losses)	**27.106.410**	19,538,246	**--**	--
Total tax	**27.106.410**	19,538,246	**14.201.537**	16,169,613
Net tax derived from asset	**12.904.873**	3,368,633	**--**	--

Movement of deferred Assets and Liabilities

	31/12/2018	31/12/2017
	L.E.	L.E.
Beginning balance	**3,368,633**	1,434,273
Additions during the period	**9,536,240**	5,403,978
Disposal during the period	**--**	(3,469,618)
Ending balance	**12,904,873**	3,368,633

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 2018 as well as the financial year ended 31 December 2017.

31. 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 342,801,588 (equivalent to EGP 2,256,089,600) represented in 342,801,588 shares at par value of USD 1 each.

According to the Extraordinary General Assembly Meeting decision on 31 March 2018, increase issued and paid up capital by amount USD 22,563,558 (equivalent to EGP 400,000,000) by issuing 22,563,558 shares (free shares).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

32. Reserves and retained earnings

32.A Reserves during the period as follows

	31/12/2018 L.E.	31/12/2017 L.E.
Legal reserve	**232,330,537**	182,268,555
Differences from foreign balances translation	**2,684,997**	2,684,997
Fair value reserve-investments available for sale	**(187,278,385)**	144,721,792
General reserve	**17,529,143**	17,529,143
Special Reserve	**8,143,329**	8,143,329
General bank risk reserve	**6,000,000**	13,130,944
Capital reserve	**9,702,375**	8,083,220
IFRS 9 risk reserve*	**200,607,250**	200,607,250
Ending balance	**289,719,246**	577,169,230

* 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.

32.A.1 General bank risk reserve

	31/12/2018 L.E.	31/12/2017 L.E.
Beginning balance	**13,130,944**	8,549,450
Transferred from retained earnings	**3,445,431**	5,497,244
Transferred to retained earnings*	**(10,576,375)**	(915,750)
Ending balance	**6,000,000**	13,130,944

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 915,750 was reversed during 2017 due to selling an asset reverted to the bank.
* An amount of EGP 10,576,375 was reversed during 2018 due to selling an asset held for sale.

32.A.2 Legal reserve

	31/12/2018 L.E.	31/12/2017 L.E.
Beginning balance	**182,268,555**	142,118,437
Transferred from 2017 Net profit	**50,061,982**	40,150,118
Ending balance	**232,330,537**	182,268,555

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 2018

32. Reserves and retained earnings – continued

32.A.3 Fair value reserve-investments available for sale

	31/12/2018	31/12/2017
	L.E.	L.E.
Beginning balance	**144,721,792**	(60,997,902)
(Losses) / Gain from changes in FMV (note 19)	**(329,912,279)**	196,377,579
Net (losses) gains transferred to the statement of income resulted from disposal	**(2,583,504)**	9,545,082
Change in revaluation of forex	**495,606**	(202,967)
Ending balance	**(187,278,385)**	144,721,792

32.A.4 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.

32.B Retained earnings

Retained earnings movement

	31/12/2018	31/12/2017
	L.E.	L.E.
Beginning balance	**602,404,080**	401,501,177
Net profit for the year	**581,512,871**	500,619,820
Retained for capital increase (Free shares)	**(400,000,000)**	--
Employees profit share	**(50,061,982)**	(40,150,118)
Board of directors remuneration	**(17,456,182)**	(14,000,000)
Transferred to general banking risk reserve	**7,130,944**	(4,581,494)
Transferred to legal reserve	**(50,061,982)**	(40,150,118)
Transferred to other reserves	**(1,619,155)**	(227,937)
Transferred To IFRS 9 risk reserve	**--**	(200,607,250)
Ending balance	**671,848,594**	602,404,080

33. 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

	31/12/2018	31/12/2017
	L.E.	L.E.
Cash and due from CBE(15)	**6,723,641,050**	7,068,067,524
Due from banks(Note 16)	**8,365,040,364**	5,821,229,458
Treasury bills(Note 17)	**9,479,358,866**	9,001,585,978
Balance with CBE within the limit of statutory reserve	**(6,361,961,928)**	(6,639,910,486)
Due from banks with maturities more than 3 months	**(2,090,535,741)**	(585,014,100)
Treasury bills maturity more than 3 months	**(9,675,839,141)**	(9,012,369,729)
Cash and cash equivalent at the end of the year	**6,439,703,470**	5,653,588,645

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

34. Commitment and contingent liabilities

34.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 91,003,641 which has not been finished as at 31 December 2018.

34.B Commitments for loans, guarantees and facilities

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

	31/12/2018	31/12/2017
	L.E.	L.E.
Letter of credit (import & export)	**365,493,000**	321,041,000
Letter of guarantee	**1,520,841,000**	1,480,614,000
Total	**1,886,334,000**	1,801,655,000

35. Salaries & Bonus of top management

	31/12/2018	31/12/2017
	L.E.	L.E.
Short term salaries & bonuses	**46,985,723**	44,545,624
Total	**46,985,723**	44,545,624

The top twenty salaries and bonuses in the bank reached EGP **46,985,723** and the monthly average is EGP 3,915,477for the period ended 31 December 2018.

36. 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:

36.A Loans and advances to related parties

	Top Management		Subsidiaries and associates	
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
	L.E.	L.E.	**L.E.**	L.E.
Existing loans at the beginning of the period	**35,354,575**	61,107,373	**9,769,000**	14,521,000
Loans issued during the period	**2,722,231**	7,304,445	**--**	1,831,000
Loans collected during the period	**(11,176,518)**	(33,057,243)	**(5,878,000)**	(6,583,000)
Existing loans at the end of the period	**26,900,288**	35,354,575	**3,891,000**	9,769,000

36.B Deposits from related parties

	Top Management	
	31/12/2018	31/12/2017
	L.E.	L.E.
Deposits at the beginning of the period	**21,704,125**	19,756,325
Deposit received during the period	**42,694,436**	46,141,768
Deposit redeemed during the period	**(31,065,698)**	(44,193,968)
Existing deposits at the end of the period	**33,332,863**	21,704,125

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

36. Related parties transactions – continued

36.B Deposits from related parties – continued

	31/12/2018 EGP	31/12/2017 EGP
Call deposits	**13,318,891**	4,765,213
Saving accounts	**7,047,954**	5,333,862
Saving and deposit certificates	**10,524,470**	8,442,795
Time and call deposits	**2,441,548**	3,162,255
Ending balance	**33,332,863**	21,704,125

36.C Transactions with Subsidaries

The bank's entire contribution in both Alex Fish and Alex for nutrition production companies amounted to 26,66% for both was sold to Egyptian gulf Holding Company

Company	Number of Shares	Selling value EGP
Alex Fish	**12,413**	**3,286,430**
Alex for nutrition production	**12,441**	**7,138,215**
Total		**10,424,645**

37. 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 1 million Investments Certificates amounted to 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 2018 was EGP 262.56 and the number of the Fund's certificates on the same date amounted to 128,701.

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 713,359 certificates (amounting to EGP 7,5 million) were designated to the fund operation.

The recoverable amount of each certificate as of 31 December 2018 amounted EGP 17.1901 and the Fund's certificates on the same date were numbered to 21,642,416.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 in the Legal period.

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

39. Important events

IFRS 9: Financial Instruments

The IASB issued IFRS 9 'Financial Instruments' in its final form in July 2014 and Central Bank of Egypt ("CBE") issued a circular in January 28, 2018 instructing Banks to implement the standard starting from January 1, 2019.

IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and impairment of financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

A- Classification and measurement :

The adoption of this standard will have an effect on the classification and measurement of Bank's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The classification and measurement of financial assets will depend on how these are managed (the entity's business-model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortized cost, fair value through statement of income or fair value through other comprehensive income. The standard eliminates the existing IAS 39 categories (Held to maturity, Loans and receivables and Available-for-sale).

B- Impairment of financial assets :

The impairment requirements apply to financial assets measured at amortized cost, fair value through other comprehensive income, certain loan commitments and financial guarantee contracts. At initial recognition, allowance is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument lifetime (ECL).

Financial assets where 12-month ECL is recognized are considered to be (stage 1); financial assets which are considered to have experienced a significant increase in credit risk are in (stage 2); and financial assets for which there is objective evidence of impairment are considered to be in default or credit impaired are in (stage 3).

At each reporting period, The bank assess whether credit risk has increased significantly since initial recognition.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39.

According to the Central Bank of Egypt instructions dated January 28, 2018, the bank set up the IFRS 9 risk reserve at 1% from credit risk weighted assets deducted from net profit after tax for year ended December 31, 2017 amounted to EGP 200,607,250 (through statement of change in equity) included in the capital (Tier 1) in the capital adequacy and it is not used unless obtaining the approval of the Central Bank of Egypt.

40. Comparative figures

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