Separate Financial Statements

Together With Limited Review Report

For the Period Ended 30 June 2019

MAZARS MOSTAFA SHAWKI
Public Accountants

PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants

Limited Review Report of Separate Interim Financial Statements

To : The Board of directors of Abu Dhabi Islamic Bank (ADIB) - Egypt "S.A.E."

Introduction

We have performed a limited review for the accompanying separate statement of financial position of Abu Dhabi Islamic Bank (ADIB)– Egypt (S.A.E) as of 30 June 2019 and the related separate interim statements of income, comprehensive income, cash flows, and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with the rules of preparation and presentation of the banks' financial statements issued by the Central bank of Egypt on 16 December 2008 amended by the rules issued on February 26, 2019 and its subsequent interpretive instructions, and with the related requirements of the applicable Egyptian laws and regulations to prepare these separate interim financial statements, our responsibility is to express a conclusion on these separate interim financial statements based on our limited review.

Scope of limited review

We conducted our limited review in accordance with the Egyptian Standard on Limited Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of separate interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the bank, and applying analytical and other limited review procedures. A review is substantially less in scope than an audit conducted in accordance with the Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these separate interim financial statements.

Conclusion

Based on our review, nothing has come to our attention which causes us to believe that the accompanying separate interim financial statements do not present fairly, in all material respects, the separate financial position of Abu Dhabi Islamic Bank (ADIB) – Egypt (S.A.E) as of 30 June 2019, and its separate financial performance, and separate cash flows for the six months then ended in accordance with the rules of preparation and presentation of the banks' financial statements issued by the Central bank of Egypt on 16 December 2008 amended by the rules issued on February 26, 2019 and its subsequent interpretive instructions, and with the related requirements of the applicable Egyptian laws and regulations related to the preparation of these separate interim financial statements.

Board of directors of Abu Dhabi Islamic Bank (ADIB) - Egypt "S.A.E."
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Emphasis of a matter

Without qualifying our report, we draw your attention to:

1- As per the details included in note no (29) to the separate interim financial statements, the banks' management formed a potential claims provisions of EGP 1,369 Million as of 30 June 2019 (31 December 2018: EGP 1,542 Million) which is according to bank's external legal advisor to cover the potential claims from Abu Dhabi Islamic Bank- UAE.

Mohamed Elmoetaz Mahmoud
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Financial Regulatory Authority Register No. (193)
CBE Register No. (151)
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New Cairo 11835, Egypt

Cairo: 1 August 2019

Translation of Financial Statements originally issued in Arabic

Separate Statement of Financial Position as at 30 June 2019

	Note No	30 June 2019 LE 000's	31 December 2018 LE 000's
ASSETS			
Cash and due from CBE	16	4,931,533	2,655,335
Due from banks	17	2,656,595	3,189,510
Financing and facilities to banks (after deducting impairment loss)	1/18	188,383	269,438
Conventional financing and facilities to customers (after deducting impairment loss)	2/18	216,633	223,089
Islamic financing and facilities to customers (after deducting impairment loss)	2/18	28,175,703	24,207,441
Financial investments			
- Fair value through other comprehensive income	1/19	5,232,298	5,938,128
- Amortized cost	2/19	10,917,549	10,879,156
Investments in subsidiaries and associates (Net)	20	262,275	212,275
Intangible assets (after deducting accumulated amortization)	21	-	86
Other assets	22	986,395	1,044,012
Fixed assets (after deducting accumulated depreciation)	23	501,998	533,033
TOTAL ASSETS		**54,069,362**	**49,151,503**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	24	299,268	2,464,132
Customers' deposits	25	46,195,880	39,947,938
Financial Derivatives	26	-	1,572
Subordinated Financings	27	1,280,579	818,508
Other liabilities	28	1,174,931	1,115,137
Other provisions	29	1,516,896	1,661,414
Defined benefits obligations	37	95,698	74,998
Deferred tax liabilities	30	40,913	31,686
TOTAL LIABILITIES		**50,604,165**	**46,115,385**
SHAREHOLDERS' EQUITY			
Paid up Capital	2/31	2,000,000	2,000,000
Paid under capital increase	3/31	1,861,418	1,861,418
Reserves	32	291,718	465,532
Difference between face value and present value for subordinated financing		63,900	69,849
Accumulated Losses	33	(751,839)	(1,360,681)
TOTAL SHAREHOLDERS' EQUITY		**3,465,197**	**3,036,118**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**54,069,362**	**49,151,503**
CONTINGENT LIABILITIES AND COMMITMENTS	1/35	10,665,632	11,410,946

The limited review report is attached

The accompanying notes from (1) to (39) are integral part of these separate financial statements.

Mohamed Ali	Mahmoud El Semien
Chief Executive Officer and Managing Director	Financial Controller

Cairo on July 31, 2019

Translation of Financial Statements originally issued in Arabic

Separate Income Statement For The Period Ended 30 June 2019

	Note No	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Income from Murabaha, Musharaka, Mudaraba and similar income		3,328,898	2,635,913	1,726,165	1,379,972
Cost of deposits and similar expenses		(1,807,067)	(1,463,837)	(921,221)	(779,544)
NET INTEREST INCOME	7	**1,521,831**	**1,172,076**	**804,944**	**600,428**
Fees and commissions income		265,566	273,734	127,037	126,992
Fees and commissions expenses		(42,018)	(34,160)	(22,342)	(18,071)
NET FEES AND COMMISSION INCOME	8	**223,548**	**239,574**	**104,695**	**108,921**
Dividend Income	9	4,229	2,090	4,229	2,090
Net trading income	10	120,503	72,378	61,688	37,115
Administrative expenses	11	(663,592)	(535,237)	(358,867)	(270,101)
Other operating expenses	12	(244,176)	(171,009)	(100,730)	(109,772)
Impairment charge for credit losses	13	(136,433)	(206,107)	(52,928)	(42,221)
Gains (losses) on financial investments	3/19	2,989	3,211	1,851	1,106
NET PROFIT BEFORE INCOME TAX		**828,899**	**576,976**	**464,882**	**327,566**
Income tax expense	14	(227,686)	(208,516)	(113,779)	(110,587)
NET PROFIT FOR THE PERIOD		**601,213**	**368,460**	**351,103**	**216,979**
Basic earning per share in net profit for the period	15	**3.006**	**1.842**	**1.756**	**1.085**

The accompanying notes from (1) to (39) are integral part of these separate financial statements.

Translation of Financial Statements originally issued in Arabic

Separate Statement of Comprehensive Income For Period Ended 30 June 2019

	Note No	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Net profit for the period		601,213	368,460	351,103	216,979
Items that will not be reclassified to the Profits and Losses:					
Change in fair value of investments in equity instruments at fair value through other comprehensive income	5/32	19,049	-	(713)	-
Items reclassified to the profits and losses:					
Change in fair value reserve of investments in debt instruments	5/32	17,487	-	(10,536)	-
Income tax related to items that will be reclassified to the profits and losses	5/32	(3,490)	-	2,592	-
Total other comprehensive income items for the period, net of tax		33,046	-	(8,657)	-
Total comprehensive income for the period, net of tax		634,259	368,460	342,446	216,979

The accompanying notes from (1) to (39) are integral part of these separate financial statements.

Translation of Financial Statements originally issued in Arabic

Separate Statement Of Cash Flows For Period Ended 30 June 2019

	Note No.	30 June 2019 LE 000's	30 June 2018 LE 000's
Cash flows from operating activities			
Profit before tax		828,899	576,976
Adjustments to reconcile profit before tax to cash flows from operating activities:			
Depreciation and Amortization of fixed and intangible assets		42,178	38,183
Charge / (release) impairment loss of financing and facilities to customers	13	123,115	206,107
Used provisions - loans provision	2/18	(14,717)	(25,741)
Charge / (release) other provisions	29	52,603	123,414
Provisions no longer required other than loans' provision	29	(178,311)	(12,812)
Provisions used other than loans' provision	29	(7,225)	(3,327)
Bonds' premium and discount amortization	19	(8,814)	(6,054)
Foreign currency valuation differences of loans' provisions in foreign currencies	2/18	(6,206)	901
Foreign currency valuation differences of provisions in foreign currencies other than Loans' provisions	29	(3,201)	(550)
Foreign currency valuation differences of financial investments at FVPL in foreign currencies		-	(226)
Foreign currency valuation differences of financial investments at FVOCI in foreign currencies	19	2,365	(308)
Valuation differences for financial instruments balances in foreign currencies at AC	19	14,203	(1,945)
Foreign currency valuation differences of subordinated financing - With coupon	27	(40,159)	2,882
Foreign currency valuation differences of subordinated financing - Zero coupon	27	(33,743)	4,249
Foreign currency valuation differences of subordinated financing - Zero coupon - Equity		10,435	-
Charge /(release) impairment loss of due from banks	13	(1)	-
Charge /(release) impairment loss of financial investments at AC	13	13,319	-
Charge /(release) Impairment loss of assets reverted to bank	12	35,930	-
Charge /(release) Impairment Loss of other assets		(44)	(3,130)
Charge /(release) Impairment Loss of fixed assets	12	-	5,871
Gains / (Losses) on sale of debt instruments at FVOCI	3/19	(2,989)	-
Gains / (Losses) on sale of debt instruments at AC	3/19	-	(3,211)
Gain / (Losses) on sale of fixed assets	12	-	(1,118)
Dividends income from equity instruments at FVOCI		(3,135)	(2,090)
Dividends income from investments in subsidiaries and associates		(1,094)	-
Amortization of subordinated loan using EIR method	27	16,384	15,972
Operating profit before changes in assets and liabilities utilized in operational activities		839,792	914,043
Net decrease (increase) in assets & liabilities			
Due from banks	17	608,983	107,603
Treasury bills with maturity more than 90 days		(398,300)	1,710,413
Loans and Islamic facilities to customers and banks	2/18	(4,200,821)	(5,503,642)
Other assets	22	21,694	295,463
Due to banks	24	(2,164,864)	1,409,731
Customers' deposits	25	6,247,943	5,997,744
Derivatives Financial Instruments	26	(1,572)	(1,122)
Other liabilities	28	34,877	118,754
Employees Benefits obligations		20,699	-
Income tax paid		(197,422)	(150,227)
Net Cash flows (Used in) Operating activities		811,009	4,898,760

Translation of Financial Statements originally issued in Arabic

Separate Statement Of Cash Flows For Period Ended 30 June 2019 – continued

	Note No.	30 June 2019 LE 000's	30 June 2018 LE 000's
Cash flows from investing activities			
Payments to purchase of fixed assets & Branches fixtures	23	(11,057)	(57,683)
Proceeds from sale of fixed assets		-	1,127
Payments to purchase of financial investments at FVOCI	19	-	(579)
Proceeds from recovery of financial investments at FVOCI	19	40,111	-
Payments to purchase of financial investments at amortized cost	19	(426,898)	(548,903)
Proceeds from recovery of financial investments at amortized cost	19	518,453	413,216
Payments to purchase of investments in subsidiaries and associates		(50,000)	-
Gain from sale of financial investments at FVOCI		-	3,211
Proceeds from dividends income		4,229	2,090
Net Cash flows resulting from / (Used in) Investing activities		74,838	(187,521)
Cash flows from financing activities			
Proceeds (Paid) from subordinated financing	27	519,588	-
Net cash flows resulting from financing activities		519,588	-
Net (decrease) increase in cash and cash equivalents during the period		1,405,435	4,711,239
Cash and Cash Equivalents at the beginning of the period		7,048,666	5,947,304
Cash and cash equivalents at the end of the period		8,454,101	10,658,543
Cash and cash equivalents are represented in			
Cash and due from CBE	16	4,931,533	3,301,760
Due from banks	17	2,656,625	1,189,637
Treasury bills		9,174,710	9,660,195
Due from banks (with maturity more than 3 months from date of acquisition)		(2,462,313)	(1,018,320)
Treasury bills (with maturity more than 3 months from date of acquisition)		(5,846,454)	(2,474,729)
Cash and cash equivalents at end of the period		**8,454,101**	**10,658,543**

The accompanying notes from (1) to (39) are integral part of these separate financial statements.

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Separate Statement Of Changes In Equity For Period Ended 30 June 2019

All amounts in EGP thousands

	Paid up capital	Paid under capital increase	Legal reserve	General reserve	Special reserve	General banking risk reserve	IFRS 9 risk reserve	General risk reserve	Fair value reserve	Difference between face value and present value for subordinated financing	Accumulated losses	Total
30 June 2018												
Balance at 1 January 2018	2,000,000	1,861,418	22,878	42,522	26,257	115,585	190,095	-	5,525	81,150	(2,138,296)	2,207,134
Transferred to general banking risk reserve	-	-	-	-	-	26,296	-	-	-	-	(26,296)	-
Net Change in Other Comprehensive Income Items	-	-	-	-	-	-	-	-	1,693	-	-	1,693
Amortization of the difference between FV & PV for subordinated financing	-	-	-	-	-	-	-	-	-	(5,553)	15,972	10,419
Net profit for the period	-	-	-	-	-	-	-	-	-	-	368,460	368,460
Balance at 30 June 2018	2,000,000	1,861,418	22,878	42,522	26,257	141,881	190,095	-	7,218	75,597	(1,780,160)	2,587,706
30 June 2019												
Balance at 1 January 2019	2,000,000	1,861,418	22,878	42,522	26,257	174,516	190,095	-	9,264	69,849	(1,360,681)	3,036,118
Impact of IFRS 9 first implementation	-	-	-	-	(9,092)	(174,516)	(190,095)	158,088	(3,423)	-	-	(219,038)
Balance at 1 January 2019 - adjusted	2,000,000	1,861,418	22,878	42,522	17,165	-	-	158,088	5,841	69,849	(1,360,681)	2,817,080
Transferred to general banking risk reserve	-	-	-	-	-	8,755	-	-	-	-	(8,755)	-
Net Change in Other Comprehensive Income Items	-	-	-	-	-	-	-	-	36,469	-	-	36,469
Amortization of the difference between FV & PV for subordinated financing	-	-	-	-	-	-	-	-	-	(5,949)	16,384	10,435
Net profit for the period	-	-	-	-	-	-	-	-	-	-	601,213	601,213
Balance at 30 June 2019	2,000,000	1,861,418	22,878	42,522	17,165	8,755	-	158,088	42,310	63,900	(751,839)	3,465,197

The accompanying notes from (1) to (39) are integral part of these separate financial statements.

1- General information

Abu Dhabi Islamic Bank (ADIB) - Egypt (formerly National Development Bank - a joint stock company) was incorporated as an Egyptian joint stock company under Law No. 43/1974 and its executive regulations in the Arab Republic of Egypt. The main office of the Bank is located at Cairo Governorate, 9 Rustom Street - Garden City, The bank is listed on the Egyptian Stock Exchange.

Abu Dhabi Islamic Bank (ADIB) - Egypt - An Egyptian Joint Stock Company is subject as a financial institution to the supervision and control of the Central Bank of Egypt (CBE), and the bank complies with the provisions of Islamic Sharia'a in products provided to ADIB clients, whether the products are investment deposits, Islamic investment Sukuk or savings accounts. (ADIB) also fulfills the client's various financing needs by offering a variety of options such as Murabaha (Cost-Plus), Musharaka (Joint Venture) and EJara (Leasing), as well as, providing Islamic options for Letter of Guarantee, Letter of Credit and covered cards. (ADIB) has its own Fatwa and Shari'a Supervisory Committee, which is composed of Shari'a jurists, qualified with banking, legal and economic knowledge, in order to issue fatwas and legal rulings on all aspects of existing and new Islamic banking transactions.

(ADIB) was registered in the Commercial Register on April 3, 2013 by changing the bank's name from National Development Bank to Abu Dhabi Islamic Bank (ADIB) - Egypt.

Abu Dhabi Islamic Bank (ADIB) - Egypt - an Egyptian Joint Stock Company provides corporates, retail banking and investment services in the Arab Republic of Egypt through 70 branches, delegates and agencies employing more than 2,289 employees on the date of the interim financial statements.

These interim financial statements for the period ended June 30, 2019 were approved by the Board of Directors on July 31, 2019

Important Definitions

The following terms shall be used in the separate financial statements and their definitions shall be as follows:

Murabaha

It is a contract under which the Bank sells to the customer in kind asset, a commodity or shares owned and held by the Bank (real or judgment) for a selling price consisting of the purchase cost and an agreed profit margin.

Ejara

It is a lease contract thereby the Bank (the lessor) rents a specific in-kind asset or service (owned or leased by the Bank) or entitled for a specified period and in return for fixed rental installments. Ejara may be ended for in-kind asset by ownership of the Leasee for the leased asset under an independent contract to transfer the ownership.

Mudaraba

It is a contract between the Bank and the client whereby one of the two parties (the money owner) shall provide a sum of money to the other party (Mudarib) which invests the sum in a particular project or activity and distributes the profit between the parties according to the agreed shares in the contract. Mudarib shall bear the loss in case of infringement or default and / or violation of any of the terms of the Mudaraba contract; otherwise, the Owner bears such loss.

Wakala

It is a contract between the Bank and the client whereby one of the two parties (the Principle) shall provide for the other party (Agent) a certain amount of money and authorized to invest according to a certain terms and conditions. The Agent's commission shall be limited as per a lump sum that may be added to the amount of a certain percentage of profit expected as incentive profit to the Agent for good performance.

The Agent shall bear the loss in the event of infringement, default or violation of any of the terms and conditions of the Power of Attorney contract, otherwise the Principle bears it.

Sukuk

They are value equivalent documents represent common shares in the ownership of a certain asset (leased, will be leased, whether existing or described in the future) or in the ownership of rights arising from the sale of an existing asset after being owned by the Sukukholders, the ownership arising from the assignment, or the ownership of projects that are managed on /Mudaraba or Company basis. In all such cases, Sukukholders shall be owners of their common share of the leased assets, the rights or goods arising from the assignment or the assets of the Company's projects or the / Mudaraba.

2- Basis of preparation of financial statements

These separate financial statements have been prepared in accordance with the Central Bank of Egypt (CBE) basis of preparation of the bank's separate financial statements and principles of recognition and measurement as approved by its board of directors on December 16th, 2008, pertaining to the issuance of interim financial statements by the Egyptian banks during 2019 according to the rules of preparation and presentation of financial statements of banks, as well as, the recognition and measurement basis issued by the (CBE) dated on that date after being affected by the application of the requirements of IFRS (9) "Financial Instruments" in light of the instructions issued on February 26th, 2019, and in light of the revised Egyptian Accounting Standards (EAS) issued during the year 2015; related amendments and the provisions of local laws and as per of Egyptian laws and regulations related to the preparation of these separate financial statements.

The financial statements of the Bank had been prepared till 31st December 2018 using rules for the preparation and presentation of the financial statements of banks and the recognition and measurement principles issued by (CBE) on 16th December 2008; however, as from 1st January 2019 and based on the instructions issued by the (CBE) relevant to preparation of the financial statements of banks in the accordance with (IFRS 9) "Financial Instruments" as of 26th February 2019, the management has modified certain accounting policies to conform to those instructions. The following note details the changes in accounting policies.

Amendments to the rules of preparation and presentation of the financial statements of (ADIB) issued by the (CBE) on 16th December 2008 under the instructions of (CBE) issued on 26th February 2019

IFRS (9) - Financial Instruments

Effective from 1st January 2019, (ADIB) has adopted IFRS (9) - Financial Instruments formally after being trail applied in 2018, issued by the (CBE) in July 2014. The requirements of this standard differ substantially from the EAS No. (26) "Financial Instruments -

Recognition and Measurement", particularly with regard to the classification, measurement and disclosure of financial assets and certain financial liabilities. The following is a summary of the major changes in ADIB's accounting policies resulting from the application of IFRS (9):

Classification of financial assets and financial liabilities:

On initial recognition, financial assets are classified as either at amortized cost or at fair value through other comprehensive income or fair value through profit or loss.

Financial assets are classified according to the business model in which they are managed and their contractual cash flows.

A financial asset is measured at amortized cost upon fulfilling the following two conditions and not measured at fair value through profit or loss:

- The asset is retained in a business model intended to hold assets to collect contractual cash flows
- The contractual terms of the financial assets result in cash flows on specific dates which shall only be principal payments and interest on the principal amount due.

Debt instruments shall be measured at fair value through other comprehensive income only if the following conditions are fulfilled and are not measured at fair value through profit or loss:

- The asset is retained in a business model whose objective has been achieved through the collection of contractual cash flows and the sale of financial assets
- The contractual terms of the financial assets result in cash flows on specific dates that shall only be principal payments and interest on the principal amount due.

Upon initial recognition of investment in shares not held for trading, ADIB may choose irrevocably to measure subsequent changes in fair value within other comprehensive income. This option is made on each investment separately.

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

In addition, upon initial recognition, ADIB may irrevocably determine a financial asset that fulfills the requirements to be measured at amortized cost or at fair value through other comprehensive income, as being at fair value through profit or loss in case applying such may essentially cancel or reduce the accounting mismatch that may arise otherwise.

Evaluation of business model:

ADIB shall evaluate the objective of the business model in which the asset is held at the portfolio level as this reflects the best way to conduct the business and to provide information to the management.

- the stated policies and objectives of the portfolio and the mechanism of those policies, in particular to determine whether the management strategy focuses on earning contractual interest income, matching the duration of financial assets with the duration of the financial liabilities that finance such assets or realizing of cash flows through the sale of assets;
- How to evaluate performance of the portfolio and submit report to the management of ADIB
- Risks affecting performance of the business model and financial assets held in this business model and how to manage these risks
- The number, volume and timing of sales in previous periods, the reasons for these sales and their expectations of future sales activity. However, information on sales activity shall not be considered separately, but rather shall be as part of a comprehensive assessment of how ADIB's stated objective of managing financial assets and how to achieve cash flows.

Financial assets held for trading or which it's for performance evaluated based on fair value through profit or loss because such assets are not retained for the purpose of collecting contractual cash flows only and are not held to collect contractual cash flows with the sale of financial assets.

Impairment loss of financial assets:

In accordance with the (CBE) instructions issued on 26th February 2019, , IFRS (9) requires replacement of the realized loss model contained in the CBE's instructions issued on 16th December 2008 with the expected credit loss model. The new impairment model shall be applied to all financial assets in addition to certain Loan commitments and financial guarantee contracts.

Under IFRS (9) credit losses shall be recognized earlier than what is required under the CBE's instructions issued on 16th December 2008. ADIB applies a three-stage approach to measure expected credit losses on financial assets registered with the amortized cost and debt instruments at fair value through other comprehensive income. Assets shall be transferred between the following three stages based on the change in credit quality since initial recognition.

Stage (1): Expected credit loss over 12 months

Stage (1) includes financial assets upon initial recognition without involving a substantial increase in credit risk since initial recognition or involving relatively low credit risk.

For these assets, expected credit losses shall be recognized over (12) months and interest shall be calculated on the total book value of the assets (without deduction of the credit provision). The expected 12-month credit loss shall be the expected credit loss that may result from potential failures within 12 months after the date of financial statements.

Stage (2): Expected credit loss over life - with no impairment credit loss

Stage (2) includes financial assets that have substantially increased credit risk since initial recognition but no objective evidence of impairment value. The expected credit loss on the life of the asset shall be recognized but the interest on the total amount of the asset calculation shall continue to be recognized. The expected credit loss over life shall be the expected credit losses arising from all possible defaults over the life of the financial instrument.

Stage (3): Expected credit loss over life – impairment credit value

Stage (3) includes financial assets that have objective evidence of impairment as of the financial statements date; for these assets, expected credit losses for life shall be recognized.

3- Summary of Accounting Policies

The following are the most significant accounting policies used in the preparation of the financial statements. These policies have been consistently followed for all presented periods, except for re-measurement of financial assets and recognition of profits and losses arising during the comparative period.

(A) Investments in Subsidiaries and Associates Companies

A / 1 – Subsidiaries

Subsidiaries are entities that the bank has the ability to control directly or indirectly its operating and financial policies, usually the bank has ownership that exceeds half of the voting rights, taking into consideration the impact of the future voting rights which could be exercised or converted at the current time when evaluating the bank's ability to control the subsidiaries

A /2 Associates Companies

Associate Companies are all companies in which the bank has significant influence without extension to control, usually the bank owns between 20% and 50% of the voting rights of the associate company.

The purchasing method is used by the bank to accounting for acquisition of companies. Acquisition cost is measured at fair value or consideration transferred by the bank for assets for purchase and/or issued equity instruments and/or liabilities incurred and/or liabilities on behalf of acquired company. And that at the date of exchange plus any costs directly attributable to the acquisition. Net assets including identifiable contingent liabilities are measured at their fair values at the acquisition date. Irrespective to the existence of non-controlling interest, the excess in acquisition cost over the Banks' share of the fair value in the net assets acquired is considered as goodwill if the acquisition cost is less than the fair value of the net assets, the difference is recognized directly in the income statement under the item "Other operating income/ (expenses)".

Associates and subsidiaries at the separate financial statements are accounted for using cost method. Investments are recognized using acquisition cost including any goodwill less any impairment loss in value. The profit distribution is recognized in the income statement when it is approved and the bank has the right to collect it.

B. Operating Sectors

The operating sectors participating in the Bank's business activities shall be reported in line with the internal reports submitted to the management responsible for the Bank's operational decision-making, on the consideration that the management represented in the Board of Directors, the Executive Management and the relevant committees, or what is replaced by the foreign branches is the responsible for making operational decisions and decisions about the resources to be allocated to the operating sectors and assess their performance.

C. Reporting Sectors

An activity sector is a group of assets and processes associated with the provision of products or services that are characterized by risks and benefits and differ from those of other sectors of activity. The geographical sector shall be engaged in the provision of products or services within a single economic environment with risks and benefits that are related to geographical sector operating in a different economic environment.

ADIB is divided into two main sectors: Corporate Banking Services and Retail Banking for Individual. In addition, the Corporate Center shall be a central financing management for the Bank's core business. Other transaction management, investment activity and other non-core activities shall be reported included the Corporate Banking Services.

For the purpose of sectors reporting in accordance with the classification of geographic regions, the Sector's profits, losses, assets and liabilities shall be presented on a basis of branches' locations.

Based on the fact that (ADIB - Egypt) does not have an entity to register abroad, unless otherwise stated in a specific disclosure, these sector reporting present all ADIB investments in equity instruments and debt instruments issued by foreign institutions, as well as, credit facilities granted by ADIB to the foreign parties based on the location of the local branch in which such assets were registered.

D. Translation of foreign currencies

D / 1 Functional and Presentation Currency

The financial statements of ADIB shall be presented using the currency of the primary economic environment in which ADIB exercises its business (the functional currency). The Bank's financial statements shall be presented in Egyptian pounds, which is the Bank's functional and presentation currency.

D/2 Transactions and balances in foreign currencies

The Bank's accounts shall be kept in Egyptian Pounds and transactions in other currencies shall be recorded in the financial year on the basis of the exchange rates prevailing on the date of the transaction. The balances of assets and liabilities of monetary nature in other currencies at the end of the financial year shall be translated at the exchange rate prevailing on that date. The profit and loss resulting from the settlement of such transactions and the differences resulting from translation shall be recognized in the profits and losses statement and shall be included on in the following items:

- Net trading income or net income from financial instruments classified at fair value through profit or loss for trading assets or liabilities or those classified as fair value through profit or loss based on classification of the asset or liability.
- Among other comprehensive income items with equity, in respect of financial derivatives as eligible coverage (fulfilled to conditions) for the cash flows or qualifying coverage of net investment.
- Among other comprehensive income, equity in respect of financial investments from equity instruments at fair value through other comprehensive income.
- Other operating income (expenses) for the remaining items.

Changes in the fair value of financial instruments in foreign currencies classified as investments at fair value through other comprehensive income shall be analyzed between differences arising from changes in the amortized cost of the instrument and differences arising from changes in exchange rates prevailing and differences arising from changes in the fair value of the instrument. The differences in respect of changes in amortized cost shall be recognized in the statement of profit and loss under revenues from financings, related income and difference in exchange rate differences in other operating income (expenses). Differences relating to the change in fair value) Fair value reserve / financial investments at fair value shall be recognized under comprehensive income of equity through other comprehensive income.)

Valuation differences arising on non-monetary items shall include profits and losses arising from changes in fair value such as equity instruments at fair value through profit or loss. The differences in valuation arising from equity instruments classified as financial investments at fair value through other comprehensive income in the statement of income shall be recognized under other comprehensive income.

C. Financial Assets and Financial Liabilities

C / 1 Initial Recognition and Measurement

ADIB shall recognize the financial assets and liabilities on the date that the Bank becomes a party to the contractual terms of the financial instrument.

A financial asset or liability shall be initially measured at fair value. For financial assets or liabilities that are not subsequently measured at fair value through profit or loss, they shall be measured at fair value plus the transaction cost that is directly attributable to the acquisition or issue.

C /2 Classification

Financial assets - applicable policy as from 1st January 2019

- Upon initial recognition, ADIB shall classify financial assets into financial assets at amortized cost, financial assets at fair value through other comprehensive income or at fair value through profit or loss.
- A financial asset shall be measured at amortized cost if fulfilling both of the following conditions and if have not been allocated by ADIB management upon initial recognition at fair value through profit or loss:

    - The financial asset shall be retained in a business model whose objective is only to maintain the financial asset for the collection of the contractual cash flows.
    - The contractual terms of the financial asset at specific dates result in contractual cash flows of the asset that shall only be the principal amount of the financial instrument and the interest.

- The debt instrument shall be measured at fair value through other comprehensive income and shall not be allocated at initial recognition at fair value through profit or loss if both of the following conditions are fulfilled:
  - The financial asset shall be retained in a business model whose objective is to collect contractual cash flows and sell the financial asset.
  - The contractual terms of the financial asset on specific dates result in contractual cash flows of the asset that shall not be the debt base and the revenue.
- Upon initial recognition of an equity instrument that is not held for trading, ADIB may make an irrevocable choice to present subsequent changes in fair value through other comprehensive income. This is a choice for each investment separately.
- Other financial assets shall be classified as financial investments at fair value through profit or loss.
- In addition, at initial recognition, ADIB may allocate a financial asset as measured at fair value through profit or loss, although fulfilling the criteria for classification as a financial asset at cost or at fair value through other comprehensive income, in case performing so prevents or substantially reduces the inconsistency that may arise in accounting measurement.

Evaluation of business model

1. Debt instruments and equity instruments shall be classified and measured as follows:

Financial Instrument	Measurement Method as per the Business Model		
		Fair Value	
	Amortized Cost	Through Comprehensive Income	Through Profits & Loss
Equity Instruments		Once irrevocable option upon initial recognition.	Ordinary transaction for equity instruments.
Debt Instruments	Business model of assets held to collect contractual cash flows.	Business model of assets held for the collection of contractual cash flows and sale.	Business model of assets held for trading.

2. ADIB shall prepare, document and approve the business model (s) in accordance with IFRS (9) reflecting the Bank's consistent strategy for managing financial assets and cash flows thereof as follows:

Financial Asset	Business Model	Basic Characteristics
Financial assets at amortized cost	Business model of Financial assets held to collect contractual cash flows.	▪ Objective of the business model is to retain financial assets for collection of contractual cash flows of the principal amount of investment and interest. ▪ A sale is an incidental event for the purpose of this model and under the terms listed in the criterion of impairment in the creditworthiness of the issuer of the financial instrument. ▪ Fewer sales in terms of turnover and value. ▪ The Bank makes clear and reliable documentation of each sale transaction and its compliance with the requirements of the IFRS (9).
Financial asset at fair value through comprehensive income	Business model of assets held for the collection of contractual cash flows and sale.	▪ Both the collection of contractual cash flows and sales are complementary to achieve objective of the model. ▪ High sales (in terms of turnover and value) as compared to the business model retained for the collection of cash flows
Financial asset at fair value through profits and loss	Other business models include (trading - management of financial assets at fair value - maximizing cash flows by selling)	▪ Objective of the business model is not to retain the financial asset for the collection of contractual cash flows or held to collect contractual cash flows and sales. ▪ Collection of the contractual cash flows is an incidental event for objective of the model. ▪ Management of financial assets at fair value through profit and loss to avoid inconsistency in accounting measurement.

The Bank assesses the objective of the business model at the portfolio level where the financial asset is retained, on the consideration that reflecting the manner in which the business is managed and the manner in which the management is provided with information. The information shall be taken into consideration upon evaluating objective of the business model as follows:

- The documented policies, objectives of the portfolio and the implementation of these policies in practice: in particular, whether the management strategy focuses only on the collection of the contractual cash flows of the asset and maintaining a specific rate of proceeds to fulfill the maturity date of the financial assets with the maturity dates of the liabilities that finance these assets or generate cash flows through the sale of these assets.
- How to evaluate and report on portfolio performance to senior management.
- Risks affecting the performance of the business model, including the nature of the financial assets retained within that model and the manner in which these risks are managed.

- How to determine the performance assessment of business managers (fair value, proceeds on portfolio, or both).
- The periodicity, value and timing of sales in prior periods, the reasons for such transactions, and expectations regarding future selling activities. However, information on sales activities shall not be taken into account separately, but as part of a comprehensive assessment of how the Bank's objective of managing financial assets and how to generate cash flows is achieved.

* Financial assets retained for trading or managed and evaluated on fair value basis are measured at fair value through profit or loss as they shall not be retained to collect contractual cash flows or to collect contractual cash flows and to sell financial assets together

Assess whether the contractual cash flows of the asset represent payments that are limited to the principal amount of the instrument and interest

- For the purpose of this valuation, the Bank determines the original amount of the financial instrument at the fair value of the financial asset at initial recognition. The interest shall be defined as the time value of money and the credit risk associated with the original amount over a specified period of time and other basic lending as risk and costs (such as liquidity risk and administrative costs), as well as, profit margin.
- To assess whether the contractual cash flows of an asset are payments that shall be limited only to the principal of the financial instrument and interest, the Bank shall take into account the contractual terms of the instrument and this shall include assessing whether the financial asset includes contractual terms that may change the timing or amount of contractual cash flows, thereby not fulfilling that requirement. In order to conduct such an assessment, the Bank shall consider the following:
- Potential events that may change the amount and timing of cash flows.
- Leverage characteristics (interest rate, maturity, currency type …).
- Terms of accelerated payment and term extension.
- Conditions that may limit the ability of the Bank to claim cash flows from certain assets.
- Features that may be adjusted against the time value of money (re-setting interest rate periodically).

Financial Liabilities – applied policy as from 1st January 2019

* Upon initial recognition, the Bank shall classify financial liabilities into financial liabilities at amortized cost and financial liabilities at fair value through profit or loss based on the objective of the Bank's business model.
* All financial liabilities shall be initially recognized at fair value on the date on which the Bank becomes a party to the contractual terms of the financial instrument.
* Classified Financial liabilities at amortized cost shall be subsequently measured at amortized cost using effective interest rate method.
* Financial liabilities at fair value through profit or loss shall be subsequently measured at fair value. Changes in the fair value of the change in the Bank's credit rating shall be recognized in other comprehensive income while the remaining amount of the change in fair value shall be recognized in profit or loss.

Reclassification

- Financial assets shall not be reclassified after initial recognition except when - and only when - the Bank changes the business model for managing these assets.
- In all cases, reclassification shall not be conducted between the financial liabilities items at fair value through profit or loss and financial liabilities items at amortized cost.

C / 3 Exclusion

1. **Financial assets**

- A financial asset shall be excluded upon expiry of the contractual right period to receive cash flows from the financial asset or upon the Bank has transferred the right to receive contractual cash flows in a transaction in which the risks and interests of ownership are transferred substantially to the other party.
- When a financial asset is excluded, the difference between the book value of the asset (or the book value of the portion of the excluded asset), as well as, total of the consideration received (including any new asset acquired less any new liability incurred) through statement of profit or loss and any cumulative profits or losses previously recognized in the fair value reserve of financial investments at fair value through other comprehensive income statement.
- As from 1st January 2019, any accumulated profits or loss recognized in other comprehensive income statement related to investment in equity instruments designated as investments at fair value through other comprehensive income statement shall not be recognized in profit or loss upon exclusion of such asset. Any share that is arose or retained from the qualifying asset for exclusion (fulfilling the exclusionary terms) shall be recognized as a separate asset or liability.
- When the Bank enters into transactions by which the bank transfers assets previously recognized in the statement of financial position but retains substantially all or almost of the risks and interests associated with the transferred asset or part thereof. In such circumstances, the transferred asset shall not be excluded.
- For transactions in which the Bank neither substantially retains nor maintains all the risks and interests with the asset ownership but retains control of the asset. The Bank shall continue to recognize the asset within its continuing association with the financial asset. The Bank's continuing recognition with the financial asset within its limits of association with the financial asset. Continuing association by the Bank's shall be determined to the financial assets relevant to exposure to changes in the asset transferred.

  In some transactions, the Bank shall retain the obligation to service the transferred asset against a commission, at which point the transferred asset shall not be recognized if the asset fulfills the exclusion conditions. An asset or liability for the service contract shall be recognized if the service commission is greater than the appropriate amount (of the asset) or less than the appropriate amount (obligation) to perform the service.

2. Financial Liabilities

- The Bank shall exclude the financial liabilities when the contracted term is excluded, canceled or terminated.

C/4 Amendments to financial assets and financial liabilities

1. Financial Assets

- If the conditions of a financial asset are adjusted, the Bank shall assess whether the cash flows of the asset being amended substantially are different. If the cash flows are substantially different, the contractual rights to the cash flows from the original financial asset shall be considered expired and the original financial asset shall be excluded. A new financial asset shall be recognized at fair value and the resulting value shall be recognized as a result of adjustment of the total book value as profit or loss in the profit or loss. If the amendment is resulting from financial difficulties for the borrower, the profits shall be deferred and presented with the accumulated impairment losses while the losses shall be recognized in the statement of profit and loss.
- If the cash flows of an asset recognized at amortized cost are not substantially different, the adjustment shall not result in exclusion of the financial asset.

Applied Policy before 1 January 2019

- If the terms of the financial asset have been adjusted due to financial difficulties of the borrower and the asset has not been excluded, the impairment of the asset shall be measured using the interest rate before adjustment.

2. Financial Liabilities

The Bank shall adjust its financial liability upon its terms of financial liabilities are amended and the cash flows of the modified liability are substantially different. In this case, a new financial liability shall be recognized based on the modified terms at fair value. The difference between the book value of the old financial obligation and the new financial liability shall be recognized under the adjusted terms in profit and loss.

(H) Offsetting between Financial Assets and Financial Liabilities

An offset shall be made between the financial assets and liabilities if there is a legally enforceable right to set-off the recognized amounts along with the intention to settle on a net amount basis or to receive the asset and settle the liabilities simultaneously.

Revenues and expenses shall be offset only if permitted in accordance with the amended EAS or the result of profits or losses on similar groups as a result of trading activity or the result of translation differences of balances of the assets and liabilities in foreign currencies or the profit / loss generated from foreign exchange deals.

I. Fair Value Measurement

The Applied Policy as from 1 January 2019

The Bank shall determine the fair value on the basis that the fair value is the price to sell an asset or to be paid in order to transfer an obligation in an orderly transaction between the market participants on the measurement date, taking into account upon measuring the fair value of the asset or liability the characteristics of the asset and liability in the market participants considered such Characteristics when pricing the asset and / or liability on the measurement date. These characteristics shall include the asset status, location and the restrictions on the sale or use of the asset to the extent that the market participants consider thereof.

- The Bank shall use the market approach to determine the fair value of financial assets and liabilities as this approach uses prices and other relevant information arising from market transactions involving assets, liabilities or a group of assets and liabilities that are identical or comparable. Accordingly, the Bank may therefore use valuation techniques consistent with the market approach, such as market multipliers derived from comparable groups. The choice of the appropriate multiplier of range security shall require the use of personal judgment, taking into account the quantitative and qualitative factors of measurement.
- When the market approach may not be relied upon to determine the fair value of a financial asset or a financial liability, the Bank uses the income method to determine the fair value by which future amounts such as cash flows or income and expenses shall be transferred to a current amount (deducted) as fair value measurement reflects the current market prospects about the future amounts.
- Where the market approach or income approach to determine the fair value of a financial asset or a financial liability may not be relied upon, the Bank shall use a cost approach to determine the fair value to reflect the amount currently being requested for replacement of an asset in its current condition (the current replacement cost) as the fair value reflects the cost incurred by the market participant as a buyer of the acquisition of an alternative asset has a similar benefit since the market participant as a buyer may not pay in the original asset more than the amount paid to the benefit to exchange asset.
- The table below shows the methods of measuring financial assets and liabilities at fair value in the financial statements as at 30 June 2019 within the fair value hierarchy, based on input levels that shall be deemed substantial to measure the fair value as a whole.
    - Level (I) - The inputs of the first level shall represent quoted prices (un-amended) in active markets for identical assets or liabilities that the Bank may access on the measurement date.
    - Level (II) - The inputs of the second level shall represent all inputs other than quoted prices within the first level and these inputs shall be noticed for the asset or liability directly or indirectly.
    - Level (III) - The inputs of the third level are the unobservable inputs of the asset or liability.

The following table shows the change in fair value measurements of financial assets on 30 June 2019 compared to 31st December 2018.

LE 000's

30 June 2019	Level One	Level Two	Level Three	Total
Debt instruments at FVOCI	-	5,145,048	-	**5,145,048**
Mutual funds certificates at FVOCI	14,710	-	-	**14,710**
Equity instruments	-	72,540	-	**72,540**

31 December 2018	Level One	Level Two	Level Three	Total
Debt instruments at FVOCI	-	-	5,872,187	**5,872,187**
Mutual funds certificates at FVOCI	-	-	10,084	**10,084**
Equity instruments	-	55,857	-	**55,857**

(I/1) Financial Instrument at Level (I)

The fair values of trading financial instruments in an active market shall be determined based on the quoted prices at the financial statement date. The market shall be deemed active when the items in the market are similar and the usual buyers and sellers willing to deal at any time normally. The Bank has used the declared quoted price to determine the fair value of this level. Instruments listed in Level (I) shall include investments held for trading on stock exchanges.

(I/2) Financial Instruments at level (II)

The fair values of non-traded financial instruments in an active market shall be determined using valuation techniques. Valuation techniques shall be mainly based on the observed inputs of the asset or liability, whether directly or indirectly. The fair value method shall be listed in the second level if all significant inputs are observable throughout the period of the financial asset or liability. If an important input is not observable, the financial instrument shall be listed in the third level.

The valuation techniques used in determining the fair value of a financial instrument shall include:

- Quoted prices of similar assets or liabilities in active markets.
- Interest rate exchange forward contracts calculating the present value of expected future cash flows based on the observed interest curves.
- The fair value of future contracts for currency exchange rates using the present value of the expected cash flow value using the future exchange rate of the relevant currency.
- Analysis of discounted cash flows upon determining the fair value of other financial instruments.

The Applied Policy before 1st January 2019

The fair value of declared quoted investments in active markets shall be determined on the basis of current bid prices. If there is no active market for the financial asset or current bid prices are not available, the Bank shall determine the fair value using one of the valuation techniques, including the use of recent neutral transactions, discounted cash flow analysis, option pricing models or other valuation techniques commonly used by the market participants. If the Bank is unable to estimate the fair value of equity instruments classified as available for sale, their relevant value shall be measured at cost less any impairment in value.

D) Derivative instruments and hedge accounting

Derivatives shall be recognized at fair value on the date of entering into the derivative contract and shall be subsequently re-measured at their fair value. Fair value shall be obtained from quoted market prices in active markets, recent market transactions or valuation techniques such as discounted cash flow models and option pricing models, as appropriate. All derivatives shall be shown in the asset if their relevant fair value is positive, or shall be shown in the liabilities if their relevant fair value is negative.

Embedded Derivative contracts shall not be separated when the derivative is linked to a financial asset and therefore the embedded derivative contract shall be fully classified with the associated financial asset.

The method of recognition of profits and losses arising from changes in fair value depends on whether the derivative is designated as a hedging instrument and the nature of the hedged item. The Bank shall allocate certain derivatives to be any of the following:

1. Risk hedges for fair value of recognized assets and liabilities or confirmed associations (fair value hedges).
2. Risk hedges for the future cash flows that are highly probable to be attributed to a recognized asset or liability; or attributable to a forecasted transaction (cash flow hedges).

Hedging accounting for derivatives designated for this purpose shall be used if the qualifying conditions for accounting are fulfilled as hedging instruments.

Upon the transaction, the Bank shall document reliably the relationship between hedged items and hedging instruments, as well as, the objectives of risk management and strategy from entering into various hedge transactions. The Bank also shall document, upon the hedge, on an ongoing basis, in order to assess whether the derivatives used in hedge transactions are effective in fulfilling changes in the fair value or cash flows of the hedged item.

D/1 Fair Value Hedges

Changes in the fair value of designated derivatives eligible for fair value hedges are recognized in the statement of profit or loss, with any changes in fair value attributable to the risk of the hedged asset or liability.

The effective changes in the fair value of interest rate exchange contracts and related hedged items shall be recognized under "net interest income from proceeds". The effective changes in the fair value of future currency contracts shall be recognized under "net income from investments at fair value through profit or loss.

The ineffectiveness in all contracts and related hedged items in the preceding paragraph shall be recognized under "net income from financial investments at fair value through profit or loss"

If hedge no longer fulfills the conditions for hedge accounting, the adjustment to the book value of the hedged item that is accounted for in the amortized cost method shall be amortized by referring to profit and loss over the period to maturity. Recognition of equity shall be continued through adjustments to the book value of the hedged equity instrument until exclusion thereof.

D/2 Cash Flow Hedges

In the other comprehensive income statement, the effective portion of changes at the fair value of designated derivatives eligible for cash flow hedges shall be recognized. Profits and losses relating to the ineffective portion of the statement of profit and loss shall be recognized immediately in "net income from financial investments at fair value through profit or loss."

Accumulated amounts in other comprehensive income statement shall be transferred to the statement of profit or loss in the same period in which the hedged item has an impact on profit or loss. Profits or losses relating to the effective portion of currency exchanges and options shall be taken to "net income from financial investments at fair value through profit or loss."

When a hedging instrument is due or sold, or if hedge no longer fulfills the conditions for hedge accounting, profits or losses accumulated in other comprehensive income at that time are recognized in other comprehensive income items and shall be recognized in the statement of profits and loss when the expected transaction shall be recognized. If the transaction is no longer expected to occur, then the gain or loss accumulated in other comprehensive income shall be immediately transferred to the statement of profit or loss.

D/3 Derivatives not eligible to hedge accounting

Profits and losses shall be recognized in the statement of profits or loss in "net income from financial investments at fair value through profit or loss" with changes in the fair value of derivatives that are not eligible for hedge accounting and shall be recognized in profit or loss as "net income from financial instruments at fair value through profit or loss" by profits and loss arising from changes in fair value of derivatives managed in association with the financial assets and liabilities at fair value through profit or loss.

E. Interest Income and Expense

- Interest Income and Expense shall be recognized in the statement of profit or loss under "proceeds from financing and similar income" or "the cost of deposits and similar costs" using the effective interest rate method of all financial instruments bearing interest other than those classified for trading or classified at fair value through profit and losses.
- According to the effective interest rate method, the amortized cost of a financial asset or liability shall be calculated and the interest income or interest expense shall be recognized over the life of the instrument. The effective interest rate shall be the rate used to discount expected future cash flows to be paid or collected during the expected life of a financial instrument or, if appropriate, a shorter period to accurately reach the book value of a financial asset or liability. Upon calculating the effective interest rate, the Bank shall estimate the cash flows taking into account all the terms of the instrument contract (such as early repayment options) but shall not take into account future credit losses*. The calculation method shall include all fees paid or received between the parties to the contract which shall be deemed a part of the effective interest rate shall include the transaction cost and any incentives or deductions.
- Upon the classification of finance or receivables in the impaired financing and debts (phase III), its interest income shall not be recognized and recorded in marginal records outside the financial statements and shall be recognized in the revenues according to the cash basis, as follows:
  - Upon collection, after full arrears have been recovered pertaining to consumer finances and real estate finance for personal housing and micro finance for economic activities.
  - Relevant to the funds granted to the institutions, the cash basis shall also be applied, where the calculated interest which is later calculated according to the terms of the loan scheduling contract until the repayment of 25% of the scheduled installments and at a minimum regularity of one year. If the customer continues to be regularized, the calculated interest shall be credited to the outstanding loan balance (interest on the marginal income to regular scheduling balance) without the marginal balance before scheduling which is not included in the revenues until the full balance of the loan is settled in the balance sheet before the scheduling.

F. Fees and Commission Income

- Due fees for a banking transaction, loan service or facilitation shall be recognized as part of the revenues upon service performance. Revenues of fees and commission relating to the impaired financing or debt shall only be recorded in the marginal records outside the financial statements and shall be recognized in revenues on a cash basis upon recognition of revenue as per item (2- I) for fees that shall be an integral part of the effective interest of the financial asset in general to be accounted for as an adjustment to the effective interest rate.

- Association fees on financing shall be deferred if there is a reasonable probability that these funds will be used on the basis that the Bank's association fees shall be considered as compensation for the continued intervention to acquire the financial instrument; and then adjusting the effective interest rate on the loan shall be recognized. Upon termination of the association period without issuing the loan by the bank, fees shall be recognized in the revenues at the end of the term of the association. If there is no probability that these funds shall be used, the association fees shall be recognized on the basis of the relative time distribution over the period of the association.

- Fees relating to debt instruments that are measured at fair value shall be recognized in the revenue upon initial recognition. The co-financing fees of promotion shall be recognized as revenue when the promotion is completed and the bank does not retain any part of the loan or the bank retains a portion with the effective interest rate available to other participants

- Fees and commissions resulting from the negotiation or participation in the negotiation of a transaction in favor of the third party shall be recognized in the statement of profits or losses, such as the purchase of shares, other financial instruments, the acquisition or sale of the enterprises upon completion of the transaction concerned. Administrative consulting fees and other services shall be usually recognized on a time proportionate basis over the course of service delivery. Fees for managing financial planning and custody services provided over long periods of time shall be recognized throughout the period in which the service is performed.

G. Dividends Income

- Dividends on the Bank's investments in equity instruments and the like upon the right to collect shall be recognized in the statement of profit or loss.

H. REPOs & Reverse REPOs

- Sold financial instruments under repurchase agreements shall be presented with treasury bills and other government securities in the financial position. The difference between the selling price and the repurchase price shall be recognized as proceeds payable over the term of the agreements using the effective interest rate method.

I. Impairment of financial assets

The applied policy as from 1st January 2019

Impairment losses shall be recognized for the expected credit losses of the following financial instruments that are not measured at fair value through profit or loss:

I. Financial assets that represent debt instruments.
II. Due debts.
III. Contracts for financial guarantees.
IV. Financial associations and similar debt instruments associations.

- Impairment value losses on investments in equity instruments shall not be recognized

- **Debt instruments related to retail banking products and Micro, small and medium sized enterprises (SMEs)**

1. The Bank shall consolidate debt instruments related to retail banking products and micro and small enterprises on the basis of groups with similar credit risk based on the type of banking product.
2. The Bank shall classify debt instruments within the retail banking product group or micro and small enterprises into three stages based on the following quantitative and qualitative criteria:

Classifying the financial instrument	Stage (I)		Stage (II)		Stage (III)	
	Main identifier (Quantitative standards)	Additional identifier (Qualitative Standards)	Main identifier (Quantitative standards)	Additional identifier (Qualitative Standards)	Main identifier (Quantitative standards)	Additional identifier (Qualitative Standards)
Low-risk financial instruments	No Past Dues	Concluded under acceptable risks				
Significant increase in credit risk			Delay is more than 30 days from the date of maturity of the contractual installments.	If the borrower encounters one or more of the following events at least: - The borrower submits a request to convert short-term and long-term payments due to negative effects on the borrower's cash flows - Cancellation of a direct facility by the bank due to the high credit risk of the borrower. - Extension of the deadline for repayment at the borrower's request. - Previous repeated arrears over the previous 12 months. - Future/ technological/ legislative / economic changes affecting the future cash flows of the borrower		
Impaired financial instruments					If the borrower delays more than 90 days to pay its contractual installments	N/A

- Debt instruments related to SMEs
    1. The Bank shall consolidate debt instruments relating SME enterprises on the basis of similar credit risk groups depending on borrowing client unit (ORR).
    2. The Bank shall classify customers within each group into three stages based on the following quantitative and qualitative criteria:

Classifying the financial instrument	Stage (I)		Stage (II)		Stage (III)	
	Main identifier (Quantitative standards)	Additional identifier (Qualitative Standards)	Main identifier (Quantitative standards)	Additional identifier (Qualitative Standards)	Main identifier (Quantitative standards)	Additional identifier (Qualitative Standards)
Low-risk financial instruments	No Past Dues	Concluded under acceptable risks				
Financial instruments on which a substantial increase in credit risk occurred			Delay is more than 30 days from the date of maturity of the contractual installments	If the borrower on the follow-up list and / or financial instrument counters one or more of the following events at least: - A significant increase in the interest rate on the financial asset as a result of the increase Credit risk - Significant adverse changes in activity and financial or economic conditions in which the borrower operates. - Request of rescheduling. - Significant negative changes in actual or expected operating results or cash flows. - Future economic negative changes effecting future cash flows on the borrower. - Early signs of cash flow / liquidity problems such as delays in servicing creditors / trade finance.		

Classifying the financial instrument	Stage (I)		Stage (II)		Stage (III)	
	Main identifier (Quantitative standards)	Additional identifier (Qualitative Standards)	Main identifier (Quantitative standards)	Additional identifier (Qualitative Standards)	Main identifier (Quantitative standards)	Additional identifier (Qualitative Standards)
Impaired financial instruments					Delay is more than 90 days from the date of maturity of the contractual installmentss	When the borrower fails to meet one or more of the following criteria, indicating that the borrower is facing significant financial difficulty: - The death or disability of the borrower. - The borrower defaults financially - Initiate scheduling as a result of deterioration of the borrower's creditworthiness. - Non-compliance with financial commitments. - The disappearance of the active market of the financial asset or one financial instruments of the borrower due to financial difficulties.

- Financial assets that are created or acquired by the Bank and include a high rate of credit risk shall be classified as the Bank's low-risk financial assets at the first recognition of the stage (II) directly.

Measurement of expected credit losses

- The Bank shall evaluate the portfolios of debt instruments on a quarterly basis at the portfolio level for all financial assets of individuals, institutions, SMEs, and on an interim basis with respect to the financial assets of institutions classified as a follow-up to monitor the related credit risk thereof. The third party shall review on an interim basis and the criteria used to determine the significant increase in credit risk shall be reviewed and monitored periodically by the credit risk management.

- The Bank shall, at the date of the financial statements, estimate the impairment loss for financial instruments at a value equal to the expected credit losses over the life of the financial instrument except for the following cases where the provision for impairment losses shall be estimated at a value equal to the expected credit losses over the (12) twelve months:

- A debt instrument that has been identified as having a low credit risk at the financial statements date (debt instruments in the stage (I))

- Other financial instruments whose credit risk at the reporting date has not increased significantly since the initial recognition (debt instruments in the stage (I).

- The Bank shall consider the expected credit losses to be a weighted probability estimated of the expected credit losses, which shall be measured as follows:

- The expected credit losses on financial assets shall be measured at the stage (I) based on the present value of the total cash deficit calculated on the basis of the historical probability of default scenarios and adjusted by the average forecasts of macroeconomic indicators for the future (12) twelve months multiplied by the value at default, taking into account the expected recovery rates upon calculating the loss rate for each group of debt instruments with similar credit risk. As expected credit losses shall take into account the amount and timing of payments, the credit losses arise even if the enterprise expects full repayment but later on after the debt becomes payable under contractual terms. The expected credit losses over (12) twelve-month period shall be deemed a part of the losses which are expected to arise over the life of the asset and which result from defaults on a financial instrument within (12) twelve months after the date of the financial statements.

- The expected credit losses on financial assets in the stage (II) shall be measured based on the present value of the total cash deficit calculated based on the historical probability of default scenarios adjusted by the average forecasts of the macroeconomic indicators for the life of the financial asset multiplied by the value at default, taking into account the expected recovery rates upon calculating the average loss for each group of debt instruments with similar credit risk.

- Impaired financial assets at the financial statements date shall be measured as the difference between the book value of the asset and the present value of the expected future cash flows.

- Upon calculating the specific loss rates, the Bank shall calculate the expected recovery rates from the present value of the expected cash flows either from cash and in kind collateral; or historical or expected future payment rates as follows:

  - For debt instruments classified in stage (I), the value of cash collateral and cash equivalents represented in cash and other financial instruments that may be easily converted into cash within a short period of time (3 months or less) and without any change (loss) in value as a result of credit risk after deducting ratio of 10% against the unexpected circumstances.

  - For the debt instruments classified in the stages (II) and (III), only the types of guarantees shall be considered in accordance with the rules issued by the (CBE) dated on 24/5/2005 regarding the determination of the creditworthiness of the customers and formation of the provisions, while the value of such guarantees shall be calculated according to the rules of preparing and presenting the financial statements of the banks, the recognition and measurement bases issued by the (CBE) dated on December 16, 2008, after deducting ratio of 10% and 20% of the cash collateral and present value of the future cash flows of the in-kind collateral, respectively.

  - For debt instruments held by banks operating outside Egypt, the probability rates of default shall be determined on the basis of the credit rating of the head quarter of the bank operating outside of Egypt in no more than the credit rating of the country of the head quarter. The loss rate shall be calculated at 45%.

  - As for the instruments held by the banks operating inside Egypt, the probability of default shall be calculated on the basis of the bank's classification by the external international rating institutions. The branches of the Egyptian banks abroad shall be treated as the head center. The branches of the foreign banks operating in Egypt shall be treated as their headquarters, and the loss rate shall be calculated at ratio of 45%

  - For debt instruments issued by entities otherwise the banks, the probability of default shall be calculated on the basis of the rating of the issuer entity for the financial instrument by the external international rating institutions and no more than the credit rating of the issuing country in the case of external entities and the loss rate shall be calculated at ratio of 45%

  - Impairment provision on financial assets recognized in the financial position statement shall be deducted from the value of the financial asset at the time the statement of financial position is resented, while the impairment provision for financing commitments, financial guarantee contracts and contingent obligations shall be recognized under other provisions of the financial liabilities position.

  - For financial guarantee contracts, the Bank shall estimate the expected credit loss on the basis of the difference between the expected payments to the guarantee holder less any other amounts that the Bank expects to recover.

Upgrading from the Stage (II) to the Stage (I)

- The bank shall not transfer the financial asset from the stage (II) to the stage (I) unless all the quantitative and qualitative elements of the stage (I) have been fulfilled and the total cash receipts from the financial asset shall be equal to or greater than the total amount of the installments due to the financial asset, if any.
- Due proceeds and lapsing of (3) three consecutive months to fulfill the requirements.

Upgrading from the Stage (III) to the Stage (II)

- The bank shall not transfer the financial asset from the (III) to the stage (II) - including the scheduling - only after fulfilling all the following conditions:

  1. Completion of all quantitative and qualitative criteria of the stage (II).
  2. Payment of 25% of the due balances of the financial assets, including the due / reserved interest, as the case may be.
  3. Regularity in paying the principal amount of the financial asset and its due interest for at least 12 continuous months.

Restructured financial assets:

- If the terms of a financial asset are renegotiated or modified; or a new financial asset is replaced by a current financial asset due to the financial difficulties of the borrower, an assessment shall be made as to whether the financial asset shall be recognized and the expected credit losses shall be measured as follows:

▪ If the restructuring shall not result in exclusion of the current asset, the expected cash flows from the adjusted financial asset shall be used upon calculating the cash deficit in the current asset. The expected credit losses shall be calculated on the life of the instrument.

▪ If the restructuring shall result in exclusion of the current asset, the expected fair value of the new asset shall be deemed as final cash flows from the current financial asset upon exclusion. This value shall be used to calculate the cash deficit from the current financial asset, which is deducted from the expected date of the asset exclusion at the balance sheet date using the original effective interest rate of the current financial asset.

Presentation of the Expected Credit Losses Provisions in the Statement of Financial Position

- The provision for credit losses shall be presented in the statement of financial position as follows:
  - Financial assets measured at amortized cost as a deduction from the total book value of the assets.
  - Financial associations and financial guarantee contracts: as a provision in general.
  - When the financial instrument includes both the used and unused permissible limit of the instrument and the Bank may not determine the expected credit losses of the unused portion separately, the Bank shall present a provision for the separate loss of the used and unused portion, and the aggregate amount shall be presented as a deduction from the total book value for the used portion. Any increase in the loss provision shall be presented on the total amount of the used portion as a provision of the unused portion.
  - A provision for impairment of debt instruments at fair value through other comprehensive income shall not be recognized in the statement of financial position because the book value of such assets is their fair value. However, the provision for impairment shall be disclosed and recognized in the fair value reserve.

Debt Write-off

Debt shall be written off (in part or in whole) when there is no realistic possibility of repayment of the debt. Generally, when the Bank determines that the borrower does not have the assets, resources or sources of income that may generate sufficient cash flows to repay the debts to be written off; however, the impaired financial assets may continue to be subject to follow-up in the Bank's procedures to recover the due amounts. The deduction shall be charged to the allowance account for debts written off, whether or not they have provision, and any collections for previously written off debts shall be added to the provision of impairment.

J. Intangible Assets

J/1Computer Programs (Software)

- Expenses associated with the development or maintenance of computer software shall be recognized as an expense in the statement of profit and loss upon incurred and shall be recognized as an intangible asset in the expenses directly related to specific programs under the control of the Bank to be expected to generate economic benefits exceeding a cost of more than one year, as well as, including the direct expenses related with working staff in the program development team, in addition to, an appropriate share of the related general expenses.
- The cost of development as expenses which lead to the increase or expansion of the performance of the computer programs according to the original specification shall be recognized to be added to the cost of the original programs when all the following conditions shall be fulfilled:

- The bank's intention and ability to complete and use those programs; and
- Development-related expenditures may be reliably measured.

- The cost of computer programs recognized as an asset shall be amortized over the period expected to be utilized on the following shift

Asset type	Life span/ deprecation rate
Computer software	3 years

J /2 Other Intangible Assets

- Other intangible assets shall be all other intangible assets other than goodwill and computer software.
- Other intangible assets shall be recognized at the cost of acquisition and shall be amortized using straight line method or on the basis of the economic benefits expected thereof over their estimated productive life. For assets that do not have a specific useful life, they shall not be amortized; however, value of the impairment (if any) shall be tested and the impairment value shall be transferred to the statement of profits and losses.

K. Fixed Assets

- The land and buildings shall be mainly represented in headquarters, branches and offices. All fixed assets shall be presented at historical cost less depreciation and impairment losses. Historical cost shall include expenses directly attributable to the acquisition of fixed assets.

- Subsequent expenditure shall be recognized in the book value of an asset, or as an independent asset, where appropriate, if it is probable that future economic benefits associated with the asset may flow to the Bank and this cost may be reliably measured. Maintenance and repair expenses shall be charged in the period to be charged under other operating expenses.

- Land shall not be depreciated and the depreciation of other fixed assets shall be calculated using straight line method to distribute the cost to reach the residual value over the productive life, as follows:

Asset type	Life span/ deprecation rate
Premises	20 years
Decorations and fittings	20 years
Integrated automation systems and equipment	5 years
Means of transportation	5 years
Furniture and installations	10 years
Other equipment	10 years
Portable devices / Mobiles	1 year

-

- The residual value and useful life of fixed assets shall be reviewed at each date of the financial statements and shall be adjusted, if necessary. Assets that are depreciated shall be reviewed for impairment when events or changes in circumstances indicate that the book value may not be recoverable. Book value of the asset shall be immediately reduced to its recoverable value if the book value exceeds its recoverable value.

- The recoverable value shall represent the net selling value of the asset or value of the used asset, whichever is greater. The profits and losses on exclusion of fixed assets shall be determined by comparing the net proceeds with the book value. The profits (loss) shall be included in other operating revenues (expenses) in the statement of profit and loss.

L. Impairment of Non-Financial Assets

- Assets with an infinite productive life shall not be depreciated and shall be tested for impairment annually. Impairment of assets that are depreciated shall be reviewed whenever there are events or changes in circumstances indicating that the book value may not be wholly or partly recoverable.
- Impairment loss is recognized and deduction of the asset value with the exceeding amount of the book value than the recovery value of the asset shall be reduced. The recovery amount shall represent the net selling value of the asset or used value of the asset, whichever is greater. For the purpose of estimating impairment, the asset shall be linked to the smallest possible cash-generating unit. The non-financial assets that are impaired shall be reviewed for impairment, in order to determine if recovery of impairment to the statement of profit and loss at the date of each financial statement.

M. Lease

- The financial lease shall be accounted for in accordance with Law 95 /1995 concerning the financial lease if the contract grants the leasee the right to purchase the asset on a specified date and at a specified value, if the contract period represents at least 75% of the estimated useful life of the asset at least or if the present value of the total lease payments represents at least 90% of the asset's value. The other leases shall be deemed operating leases contracts.

M /1 leasing

- For finance leasing contracts, the cost of the lease, including the cost of maintenance of the leased assets, shall be recognized as an expense in the statement of profit and loss for the year in which it occurred. If the Bank decides to exercise the right to purchase the leased assets, the cost of the acquisition right shall be capitalized as a fixed asset to be amortized through the remaining useful life of the expected useful life of the asset in the same manner applied on the for similar assets.

- Payments shall be recognized under the operating lease account less any deductions received from the lessor as being part of expenses in the statement of profit and loss on straight line method over the term of the contract.

N. Cash and cash equivalents

- For the purpose of presentation of the statement of cash flows, cash and cash equivalents include balances whose maturity shall not exceed three months as from the date of acquisition and shall include cash and balances with the Central Bank outside the mandatory reserve ratio and balances at banks and other government securities.

P. Other provisions

- Other provisions shall be recognized if there is a present legal or constructive obligation as a result of past events and this is likely to require the use of the Bank's resources to settle these liabilities, with the possibility of making a reliable estimation of the value of such liabilities.

- Where there are similar liabilities, the external cash flow that may be used for settlement shall be determined by taking into account this set of liabilities. The provision shall be recognized even if there is little likelihood of an outflow of cash for an item within that group.

- Provisions that have been wholly or partially eliminated under other operating revenues (expenses).

- The current value of the estimated payments to be made to settle the liabilities specified for payment shall be measured to be paid after one year as from the date of the financial position using an appropriate rate for the settlement of the liability - without being affected by the applicable tax rate - which reflects the time value of the cash and, if the period is less than one year, the estimated value of liability shall be calculated unless their impact is materially calculated at present value.

Q. Commitments of Financing and Financial Guarantee contracts

- Financial guarantees represent contracts in which the bank shall be guarantor or guarantor of current financing or accounts receivable in front of the entities. It requires the bank to make certain payments to compensate the beneficiary for loss incurred due to failure of the debtor when payment is due in accordance with the terms of the debt instrument. These financial guarantees shall be provided to banks, financial institutions and other entities on behalf of the Bank's customers.

- Associations on financing are the associations under which the Bank shall grant credit on determined terms in prior and thus guarantees shall include the unused portions of the credit limits granted within the amounts expected to be used by the Bank in the future. The financial guarantee contracts and associations of granting finance at interest rates below the market price shall be initially recognized in the financial statements at fair value on the date of granting the guarantee. The initially recognized fair value shall be amortized over the life of the guarantee / associations.

- In subsequent measurement, the Bank's obligation under the guarantee / associations shall be measured as follows:
  - As from 1st January 2019: the amortized value or the impairment loss value, which is greater.
  - Before 1st January 2019: on the basis of the first measurement amount, less the calculated amortizing to recognize the insurance fees in the statement of profit and loss on straight line method over the life of the guarantee, or the best estimate of the payments required to settle any financial obligation due to the financial guarantee / associations at the date of the statement of financial position, which is greater. Such estimates shall be determined by experience in similar transactions and historical losses, supporting by management judgment.
- During the period /year, the Bank has not made any associations on finance measured at fair value through profit or loss.

- For other associations on finance:
  - As from 1st January 2019: The Bank shall recognize impairment losses.
  - Before 1st January 2019: The Bank shall recognize provision if such contracts shall be deemed incurring losses.

- Liabilities arising from financial guarantee contracts shall be recognized in the provisions. Any excess of the liability arising from the financial guarantee shall be recognized in the statement of profit and loss under other operating revenues (expenses) on the statement of profit and loss.

- The calculated provision for associations for financing shall be recognized as part of the provision for impairment of financing for each debt, to the extent that it equals the value of the loan. Any increase in the provision for associations over finance shall be recognized in the statement of financial position.

R. Obligations of Retirement Benefits

R / 1 Staff Fund

- On 1st July 2013, the Bank established a special social insurance fund (the Fund) under Law No. 54 /1975, "Special Insurance Funds and its Executive Regulations. The Bank registered the Fund on 14th January 2014 and the Fund's registration number with the Financial Supervisory Authority (884). The Fund's work began on 1st April 2014 and the provisions of this Fund and its amendments shall apply on all employees of the Head quarter of the Bank and its branches in the Arab Republic of Egypt.

- The Bank shall be obliged to pay to the Fund the contributions due for each month calculated in accordance with the regulations of the Fund and its amendments. The Fund shall be financed in general through monthly contributions and some other resources set forth in the regulations of the Fund.

- Payment of insurance benefits in the case of termination of service due to the member's retirement age, death, whole permanent disability or partial permanent disability permanent from the service. In the event that the term of the membership is less than three years, the member of the Fund shall be paid the final balance of his account corresponding to the contributions paid to him by the Fund on the date of termination of service or membership.

R / 2 System of Specific Benefits for the Medical Care of the Senior Staff during the Period of Service and after Retirement

- The Bank shall apply the system of medical participation specified for the senior employees during the service and after retirement. The recognized obligation on the date of the balance sheet in respect of the specified benefit systems shall present value of the benefit obligation specified at the balance sheet date after deduction of the fair value of the assets as per the regulation, the deduction (addition) of unrealized actuarial profit (loss) adjustments and the cost of additional benefits relating to past service periods.

- The estimated benefit systems (expected future cash flows) shall be calculated by an independent actuarial expert using the estimated additional unit method. The current value of the liability system shall be determined by discounting these expected future cash flows using interest rate of the relevant corporate bonds with high quality or interest rate on the governmental bonds in the same currency used for payment of benefits upon maturity of the pension benefits.

- The profit (loss) arising from adjustments and changes in actuarial estimates and assumptions shall be calculated. These profit shall be deducted from (loss shall be added to) the income statement if not exceeding 10% of the value of the assets of the regulation or 10% of the specified benefit obligation, whichever is greater. In case of increasing profits (loss) for this ratio, such increase shall be deducted from (added to) the income statement over the remaining average working years.
- Past service costs shall be recognized directly in the statement of income on administrative expenses, unless the changes to the pension list are conditional on the employees remaining in the service for a specified period of time (Vesting period). In this case, the previous service costs shall be amortized using straight line method over the period of maturity.

S. Borrowing

- The Bank's loans shall be initially recognized at fair value less costs to obtain the loan. The loan shall be subsequently measured at amortized cost. The difference between the net proceeds and the value to be fulfilled over the borrowing period using effective interest method shall be charged on the statement of profits and losses.

T. Comparative Figures

- The financial assets and financial liabilities were reclassified in comparative figures to conform to the presentation method in the separate financial statements for the current period to apply IFRS (9) which was first applied and not re-measured in accordance with the CBE's instructions issued on 26th February 2019.

Y. Income Taxes

- Income tax on profit or loss for the year shall include both current and deferred tax and shall be recognized in the income statement except for income tax relating to other comprehensive income items recognized directly in other comprehensive income statement.

- Income tax shall be recognized on the basis of net taxable profit using the tax rates applicable at the balance sheet date in addition to tax adjustments for previous years.

- Deferred taxes arising from temporary differences between the book value of assets and liabilities shall be recognized in accordance with the accounting principles and their value in accordance with the tax basis. The deferred tax shall be determined based on the expected method of realization or settlement of the values of assets and liabilities using tax rates effective at the balance sheet date.

- Deferred tax assets shall be recognized when there is a reasonable probability that future taxable profits to be realized through which the asset may be utilized. The deferred tax assets shall be reduced by the value of the portion that may not be realized for the expected tax benefit over the following years. However, if the expected tax benefit increases, the deferred tax assets shall be increased within the limits of the previous decrease.

4. Financial Risk Management

- The Bank is exposed to a variety of financial risks, taking into consideration that the risk shall be the basis of financial activity. Some risks or combination of risks shall be analyzed, evaluated and managed together. Therefore, the Bank aims to achieve the appropriate balance between risks and returns to reduce the potential negative impacts on financial performance of the bank. The most important types of financial shall represented in credit risk and market risk. Market risk shall include foreign exchange risk, interest rate risk and other price risk.

- Risk management policies shall be developed to identify and analyze risks to establish and control risk limits, to monitor risks and to adhere to limits through reliable methods and up-to-date information systems. The Bank shall regularly review and adjust risk management policies and systems to reflect changes in markets, products and services and the best of modern applications.

- Risk management shall be managed by both the Risk Committee and the Market Risk and Credit Risk Management, in light of the policies adopted by the Board of Directors. The risk management shall provide written principles for risk management as a whole, as well as, written policies covering specific risk areas such as credit risk, foreign exchange risk, proceeds rate risk, use of derivative instruments, and non-derivative financial instruments. In addition, the Risk Committee shall be responsible for the interim review of risk management and the control environment independently.

- **Risk Management Strategy**

- The Bank shall practice its activities through business lines that generate many risks that may vary in terms of frequency, strength and fluctuation. Therefore, the Bank shall take measures to ensure the effective management of these risks, including increased ability to standardize countering risks and risk identifiers, to develop core risk management competencies, and to implement an efficient and high-quality risk management structure.

The main objectives of the Bank's risk management framework shall be as follows:

- Contribute to the development of the Bank's various lines of business to reach an optimum level of public risk.
- Ensuring the continuity of the Bank through the implementation of a high quality risk management infrastructure.
- In determining the Bank's overall risk appetite, the Bank's management has taken into account various considerations and variables, including:
  - The relative balance between risk and proceeds for the Bank's various activities.
  - The degree of sensitivity of profits to business cycles and credit and economic cycles.
  - Access to achieve a parallel package of good profits flows.

Risk Management Governance and Risk Management Principles

The Bank's risk management governance shall be based as follows:

1. Strong management intervention at all levels of the organization, starting from the Board of Directors to the management of field task forces responsible for operations.
2. An integrated framework for internal procedures and guidelines.
3. Continuous monitoring by business lines and supporting functions, as well as, by an independent Risk Control Body and compliance with rules and procedures.

Risk and audit committees within the Board shall be more specifically responsible for examining the compatibility of the internal framework in order to monitor risks and adherence to the rules.

Risk Categories:

The risks associated with the Bank's banking activities shall include:

4/1 Credit Risk

- Credit risk shall represent potential losses arising from the possibility that the borrowers or counterparties failed to fulfill their obligations under the contractual terms. Credit risk arises mainly from due from bank balances, financing and facilities to banks, individuals, SMEs enterprises, micro-enterprises and associations related to such activities. Credit risk may also arise from supporting financing / credit guarantees such as credit options (Credit Default Swap) financial guarantee contracts, letters of credit and letters of guarantee.

- The Bank shall also be exposed to credit risk from investment activities in debt instruments and positions outstanding from trading and derivative activities.
- Credit risk shall be the most important risk to the Bank's activity and therefore the Bank manages its credit risk exposures carefully. Management and control of the Bank's credit risk shall focus on the retail Credit Risk Management Group and the Risk Management Group, which reports to the Risk Management Committee and Senior Management, Heads of Operation Department and BOD on interim basis.

4/1/1Credit Risk Measurement

Financing and Facilities to Banks and Customers (including Associations and Financial Guarantees)

- The estimated exposure to credit risk for purpose of credit risk management is complex, requiring the use of statistical and electronic models, as credit risk exposure varies with changes in market conditions and other economic aspects in a complex and rapid manner. Exposure of credit risk changes with changes in the level, value, time of expected cash flows and over time. The credit risk assessment of the asset portfolio therefore shall require further estimates of the probability of default and related loss rates. The Bank shall measure the credit risk losses using the un-fulfillment of the contractual obligations probability of default (on the basis of the book value of the financial instrument at the date of the failure (Exposure at Default) and the loss given default.

Categories of Internal Rating of the Bank

Classification	Classification rating
Stage (I)	Good Debts
Stage (II)	Special Follow-up
Stage (III)	Bad Debts

Classification of the Credit Risks

The Bank shall assess the probability of default on each client / association group / credit product, using methods to classify customers in different categories, taking into account the minimum rating in accordance with the CBE's instructions on determining the creditworthiness of customers and the formation of provisions issued during 2005. Accordingly, the Bank shall use a group of models and methods that are internally designed models and valuation methods for the counterparty categories, customers and the nature of the various funds under the available information collected at the date of application of the used model (e.g. income level, spendable income level, guarantees for individual and customers, revenue, industry type, and other financial and non-financial indicators for institutions). The Bank shall complete these indicators with a range of external data such as query reports from CBE, credit rating companies on borrowers and reports of other domestic and foreign credit rating agencies. In addition that the models used by the Bank shall allow the systematic assessment of experts by credit risk officers in the final internal credit rating, thus allowing for the consideration of other matters and indicators that may not have been taken as part of the evaluation models and methods designed internally or through external sources.

Credit rates shall be calibrated so that the risk of failure increases exponentially at each higher risk level. This means that the difference in default rates between (A) degree and (- A) ratings shall be less than the difference in the default rates between the rating (B) and (-B). The following are additional considerations for each type of Credit portfolios held by the Bank to be taken:

- **Individuals, Retail Banking Products and Small and Micro Enterprises**
  After the date of initial recognition, the payment behavior of the borrower shall be monitored on an interim basis to calculate a payment pattern. Any other known information about the borrower identified by the bank may affect the creditworthiness such as unemployment rates and non-payment precedents as they shall be included to measure the repayment pattern, and accordingly, default rates shall be determined for each payment method measurement.

- **Large and Medium Enterprises**

  The rating shall be determined at the borrower / group level with similar credit risk, and any updated or new credit information or assessments shall be included in the credit system on a continuous and interim basis. In addition, information on the creditworthiness of the borrower / groups with similar credit risk shall periodically be updated from other sources such as financial statements and other published financial and non-financial data. This shall determine the degree of internal credit rating updated and failure rates.

- **Debt Instruments issued by the Egyptian Government and CBE Debt instruments, Treasury Bills and Government Bonds**

- The Bank shall use external classifications of institutions that comply with the CBE's instructions to manage the credit risk for debt instruments in the investment portfolio. These ratings shall be regular monitored and updated periodically. The default rates associated with each rating shall be determined on the basis of rates achieved over the previous 12 months as published by the rating agencies. The loss rate for government debt instruments and the central bank in local currency shall equal zero.

- The Bank's rating of creditworthiness of government debt instruments, where the primary measure of each rating category gives a specific range of probability of default, is stable over time. The Bank shall comply with the internal rating categories with the rating categories set by CBE. The rating methods shall be periodically re-calibrated and validated to reflect the most recent projections in all the assumptions observed in fact.

4/1/2 Future Data Used in the Expected Loss Model

- Future data shall be used to determine whether there is a significant increase in the credit risk of financial instruments and the estimated credit losses (ECL). The Bank management shall determine the key economic variables that affect the credit risk and credit losses expected for each credit portfolio by analyzes of historical data. The economic variables and their impact are different on both Probability of Default (PD) and the losses at default (Exposure at Default) (EAD) and Loss Given Default (LGD) depending on the different financial asset. The Bank shall seek expert opinions regarding such assumptions and estimations, if necessary.

- Risk departments and credit departments of the Bank shall make estimates of these economic variables on a quarterly basis and shall identify better estimations for those variables over the next five years. And after five years the bank shall use method of "Mean Reversion Approach" in estimating those variables over the remaining life of each financial asset and thus the long-term variability of these economic variables to the level of the currently estimated averages or estimated growth averages for the current period over a period of 2-5 years.

- In order to define impact of these economic variables on PD "Probability of Default", "Exposure at Default" EAD and "Loss Given Default" LGD, the Bank's management shall analyze the "Regression Analysis" in order to understand the historical effects resulting from those variables on the default rates and the inputs used in calculating EAD and LGD.

- In addition to basic economic scenarios, the Bank's management shall make other possible scenarios, as well as, assumption-specific scenario separately.

- The Bank's management shall conduct these economic scenarios for all important credit products in order to ensure that all non- linarites variables are included. These scenarios, assumptions and their related characteristics shall be reviewed at the balance sheet date.

- Lifetime PD shall be used for both basic and other scenarios where the multiplication of each scenario is found with their respective probabilities, as well as, supporting indicators and qualitative indicators. Based on the results of this study, an estimate shall be made as to whether that financial asset is at the level of the first, second or third stage, on the basis of which the determination of whether the expected credit loss (ECL) shall be calculated on a 12-month basis "month ECL-12 or "Lifetime ECL".

- Expectations and probability of occurrence shall be subjected to highly uncertain degree as known for any economic expectations, so actual results may differ significantly from those expected. The Bank shall conduct the best estimate of these potential projections and shall make an analytical study of the unlinked and non-similar factors for the various credit portfolios in order to arrive at appropriate scenarios for all possible scenarios.

Variable Economic Assumptions

Enterprise Portfolio

- Gross domestic product (GDP)
- Stock Exchange Market Index

Individuals' Portfolio

- Gross domestic product (GDP)
- Private consumption

- Balance capital expenditures as a percentage of GDP.

The basic, upward and downside scenarios were used for all portfolios.

The Bank has not used certain forward-looking statements other than the foregoing, such as the impact of any regulatory, legislative or political changes these variables, which are reviewed and monitored to ensure that ECL is considered to have significant impact, therefore no adjustment has been made to the expected credit losses of and suitability on a quarterly basis

Sensitivity Analysis

The main assumptions affecting the expected credit loss provision (ECL) shall be as follows:

Individuals and Institutions Portfolio

The following shall represent the most important sensitivity analysis used to estimate the expected credit losses as at 30 June 2019:

- At least three scenarios shall be conducted to study future forecasts and to determine their impact on the variables of the expected credit loss measurement model. These scenarios shall represent:

- (Basic Scenario) normal scenario
- (Downside Scenario) - Worst scenario
- (Upside Scenario) - Best scenario

The calculation of the expected credit loss shall reflect, without any bias of the weighted probability value determined by Weighted Scenario, the assessment of a range of expected results from reliance on the best or worst case scenarios.

Classification of loss-related instruments measured on the basis of similar groups

Regarding Expected Credit Losses "ECL", groups are classified on the basis of similar credit risk characteristics, so that bank at risk is homogenous. While executing this classification, it shall be taken into consideration that there is sufficient information to enable the Bank to classify the Bank with statistical credibility. Moreover, in the absence of sufficient information, the Bank takes into account complementary internal / external reference data. The following are examples of those characteristics and any supplementary data that are used to determine the classification:

Retail Financing - Groups are formed as per:

- Loan to asset value ratio (for financing to purchase assets)
- Or credit rating
- Or product type (such as housing / real estate mortgage purchase, overdraft, credit card, car financing)
- Payment type (repayment of asset + yield / yield only) or used ratio of the authorized limit

Corporate financing - Groups are formed as per:

- Industry
- Or type of guarantees
- Or credit rating
- Or geographical area of vulnerability

4/1/3 Credit risk exposure:

A- Maximum credit at risk - Financial instruments subject to impairment

The table below includes an analysis of the maximum limit exposed to credit risk of financial instruments for which the Expected Credit Losses "ECL" has been recognized.

The following table shows the total book value of financial assets below and the maximum limit for credit risk exposure on these financial assets.

LE 000's

30 June 2019	Retail Stage One Month 12	 Stage Two Lifetime	 Stage Three Lifetime	 Total
Creditworthiness according to the classification of the Central Bank				
Good debts *	11,099,892	284,181	1,686	**11,385,759**
Regular follow-up	-	77,094	225,684	**302,778**
Special follow up	-	-	38,416	**38,416**
Bad debts	-	-	251,395	**251,395**
Total	**11,099,892**	**361,275**	**517,181**	**11,978,348**
Impairment losses provision is deducted	(41,739)	(65,032)	(182,690)	**(289,461)**
Interest in suspense is deducted	(2)	(684)	(36,443)	**(37,129)**
Deferred profit is deducted	(4,007,906)	(64,743)	(73,659)	**(4,146,308)**
Book value	**7,050,245**	**230,816**	**224,389**	**7,505,450**

** The second and third stages include some debts that have been organized and have not fulfilled yet all the conditions for promotion of the abovementioned stage.

LE 000's

30 June 2019	Corporate Stage One Month 12	 Stage Two Lifetime	 Stage Three Lifetime	 Total
Creditworthiness according to the classification of the Central Bank				
Good debts	10,903,683	99,411	36	**11,003,130**
Regular follow-up	9,539,668	432,134	686	**9,972,488**
Special follow up	-	282,933	28,996	**311,929**
Bad debts	-	-	1,017,050	**1,017,050**
Total	**20,443,351**	**814,478**	**1,046,768**	**22,304,597**
Impairment losses provision is deducted	(512,104)	(41,769)	(834,916)	**(1,388,789)**
Interest in suspense is deducted	(7)	(2)	(2,567)	**(2,576)**
Deferred profit is deducted	(24,608)	(790)	(948)	**(26,346)**
Book value	**19,906,632**	**771,917**	**208,337**	**20,886,886**

B- Credit guarantees

- The Bank uses a set of policies and practices to reduce credit risk. The most applicable is the acceptance of guarantees for debt instruments and financing commitments. The Bank has internal policies concerning the categories of guarantees that can be accepted to reduce or decrease credit risk.
- The Bank prepares an assessment of the guarantees that have been obtained when financing is established and this assessment is reviewed periodically. The main types of guarantees for financing are:

  - Cash and cash equivalents
  - Real estate mortgages.
  - Margin agreement for derivatives concluded with the Bank as part of major clearing agreements.
  - Commercial mortgages.
  - Financial instruments mortgage such as debt instruments and equity instruments.

- Guarantees held as security for financial assets other than financing and facilities depends on the nature of the instrument; whereas debt securities, non-guaranteed generally government bonds & bills, except for asset-backed securities and similar instruments secured by financial instrument portfolios, and derivatives are often secured.

- The Bank's policies have not changed significantly related to obtaining guarantees during the period / year and there has been no change in the quality of the guarantees held by the Bank as compared to the previous fiscal year.

- The Bank closely controls the guarantees held for financial assets with low credit value, as it is likely that the Bank will retain guarantees to mitigate potential credit losses.

4/1/4 Amendments to the terms of financing and re-scheduling

- The Bank sometimes adjusts the terms of financing submitted to customers due to trade re-negotiation or non-performing loans in order to maximize recovery opportunities. These restructuring activities include arrangements to extend the repayment period, grace periods, exemption from payment or some/or of the interests. Moreover, restructuring policies and practices are based on indicators or criteria that indicate - in management's estimation - that payment will likely continue. These policies remain under constant review.

- The Bank continues to monitor whether there is a significant increase in credit risk with respect to those assets through the use of specific models for the adjusted assets.

4/1/5 Risk minimization or avoidance policies

The Bank manages, limits and controls the concentration of credit risk at the level of the debtor, groups, industries and countries.

It regulates the levels of credit risk it accepts, with limits on the amount of risk to be accepted at the level of each borrower, or group of borrowers, and at the level of economic activities and geographical sectors. These risks are controlled on an ongoing basis and are subject to annual or frequent review if necessary. Limits of credit risk shall be approved at borrower, bank, producer, sector and state levels by the Board of Directors on a quarterly basis.

The credit limits of any borrower, including banks, are subdivided into amounts within and outside the financial position and the daily risk limit for trading items such as forward foreign exchange contracts. Actual amounts are compared with daily limits.

Credit risk is also managed by interim analysis of potential borrowers and potential borrowers to meet their obligations as well as adjusting lending limits where appropriate

Here are some ways to reduce risk:

Guarantees

The Bank sets out many policies and controls to reduce the risk of credit. These include securing guarantees against borrowed cash. The Bank establishes guidelines for specific categories of acceptable guarantees.

Main types of financing and facilities guarantees include:

- Cash and cash equivalents
- Real estate mortgages.
- Commercial mortgages.
- Financial instruments mortgage such as debt instruments and equity instruments.

Long-term financing and corporate lending are often secured, while credit facilities for individuals are without guarantee. To reduce credit loss to a minimum, the Bank seeks additional guarantees from the parties concerned and when the indicators of impairment of one of the financing or facilities

Guarantees taken to secure assets other than financing and facilities are determined by the nature of the instrument. Debt instruments and treasury bills are usually unsecured except for asset-backed securities and similar instruments secured by a portfolio of financial instruments

Commitments related to credit

Credit granting commitments represent the part that is used to grant financing, guarantees, or letter of credits. The Bank is exposed to a potential risk of an amount equal to gross unutilized commitments in respect of the credit risk arising from the credit granting commitments. The amount of potential loss actually is less than the unutilized commitments since most of the commitments related to the granting of credit represent potential commitments to customers with specific credit. The Bank monitors the due date of credit commitments because long-term commitments usually carry a higher degree of credit risk than short-term commitments

4/1/6 Impairment and provisions policies

The above-mentioned evaluation systems focus largely on credit quality planning from the beginning of the validation of financing and investment activities. Otherwise, only impairment losses recognized on the date of the financial statements are recognized for financial reporting purpose on the basis of objective evidence indicating the impairment that occurred on the date of the financial statements based on objective evidence indicating impairment as stated in this note. Due to the different methods applied, credit losses charged to the financial statements are usually less than the estimated loss using the expected loss model used for the Central Bank of Egypt rules.

Provisions of impairment losses in the financial statements at the end of the period is derived from the four internal ratings. However, the majority of the provision is produced by the last rating. The following table shows the percentage of items in the financial statements ended 30 June 2019 relating to the related financing and facilities and impairment of each of the Bank's internal rating categories:

	30 June 2019	
Bank's evaluation	Financing and facilities	Impairment losses provision
Stage One	92.06%	33.00%
Stage Two	3.41%	6.36%
Stage Three	4.53%	60.63%
	100.00%	100.00%

Internal evaluation instruments help management in determining whether there is objective evidence that there is impairment in accordance with Egyptian Accounting Standard No. 26 and based on the following indicators identified by the Bank:

- Significant financial difficulties facing the client or the debtor.
- Violation of the terms of the financing agreement such as non-payment.
- The client is expected to be bankrupt or enter into a call to liquidate or restructure the financing given to him.
- The deterioration of the competitive position of the client.
- The Bank, for economic or legal reasons, causes the client financial difficulties by granting him concessions or concessions which the Bank may not agree to grant under normal circumstances.
- Impairment of the value of the guarantee.
- Deteriorating credit situation

The Bank's policies require the review of all financial assets that exceed at least one relative annually or more when circumstances so require. The impairment burden is determined on individually assessed accounts by assessing the loss achieved on the date of the financial statements on a case-by-case basis, on all accounts of relative importance. The evaluation usually includes existing guarantee, including a reassertion of the guarantee performance and expected collections from those accounts.

Charging for impairment losses provision is made on a group basis of homogeneous assets using available historical experience, personal judgment and statistical methods.

4/1/7 General Banking Risk Measurement Model

In addition to the Bank's four internal rating categories described above, the management classifies loans and facilities in the form of more detailed sub-groups in line with the requirements of the Central Bank of Egypt. The assets exposed to credit at risk in these groups are classified according to detailed rules and conditions that rely heavily on information related to customer's business, financial position and regularity of payment.

The Bank calculates the provisions required to offset the impairment of assets exposed to credit risk, including credit-related commitments, on the basis of ratios set by the Central Bank of Egypt. In case of increase in impairment losses provision required in accordance with the credit rating rules of the Central Bank of Egypt for the provision required to use the expected credit losses, the increase in the provision shall be deducted as a general banking risk reserve in equity against retained earnings.

The following is a description of credit rating of the institutions according to the criteria for determining the creditworthiness of the customers in accordance with the instructions of the Central Bank of Egypt in this regard and the percentage of provisions required for the impairment of assets exposed to credit risk:

CBE rating	CBE rating description	Required provision %	Internal rating	Internal rating description
1	Low risk	Zero	1	Good debts
2	Moderate risk	1%	1	Good debts
3	Satisfactory risk	1%	1	Good debts
4	Appropriate risk	2%	1	Good debts
5	Acceptable risk	2%	1	Good debts
6	Marginally acceptable risk	3%	2	Regular Follow up
7	Risk needs special attention	5%	3	Special Follow up
8	Substandard	20%	4	Non performing financing
9	Doubtful debts	50%	4	Non performing financing
10	Bad debts	100%	4	Non performing financing

4/1/8 Maximum limit for credit risk before guarantees

Balance sheet items exposed to credit risk	30 June 2019 LE 000's	31 December 2018 LE 000's
Loans and facilities to banks and customers		
Facilities to banks	188,383	269,438
Retail loans		
Debit current accounts	3,197	2,759
Credit cards	389,833	418,615
Personal financing	7,112,407	6,368,111
Real estate financing	8	10
Corporate loans		
Debit current accounts	5,122,645	4,131,816
Credit cards	132	130
Direct financing	15,271,746	12,922,768
Syndicated financing	492,368	586,321
Financial investments		
Debt instruments are valued at fair value through other comprehensive income	5,145,048	5,872,187
Debt instruments valued at amortized cost	10,917,549	10,879,156
Other assets	-	-
Total	**44,643,316**	**41,451,311**
Off balance sheet items exposed to credit risk		
Letter of credits (Import + confirmed export)	5,386,389	5,821,116
Letter of guarantees	3,501,642	2,270,018
Documentary credit	1,137,446	2,529,298
Bank guarantees	640,155	790,514
Total	**10,665,632**	**11,410,946**

The above table represents the maximum exposure limit as at 30 June 2019, without taking into account any guarantees. For financial position items, Amounts incorporated are based on the net book value presented in the financial position.

As shown in the table above, 64.02% of the maximum limit exposed to credit risk is due to financing and facilities to banks and customers compared to 57.87% at the end of the comparative year. Investments in debt instruments represent 35.98% compared to 40.41% at the end of the comparative year.

Management believes in its ability to continue to control and maintain the minimum credit risk arising from its portfolio of financing, facilities and debt instruments based on:

- 94.78% of the portfolio of financing and facilities is classified in the two highest degrees of internal evaluation compared to 95.48% at the end of the comparative year.

- 91.46% of the portfolio of financing and facilities has no past dues or impairment indicators compared to 82.85% at the end of the comparative year.

- Financing and facilities evaluated on a solo basis amounted to LE 1.563 million compared to LE 1.075 million at the end of the comparative year.

- The Bank has implemented more conservative selection processes when granting financing and facilities during the fiscal year in June 2019

4/1/9 Financing and facilities

The balances of financing and facilities in terms of creditworthiness are as follows:

LE 000's

Financing and facilities	30 June 2019 Financing and facilities to customers	30 June 2019 Financing and facilities to banks	30 June 2019 Total Financing and facilities	31 December 2018 Financing and facilities to customers	31 December 2018 Financing and facilities to banks	31 December 2018 Total Financing and facilities
Neither past due nor impaired	31,543,242	207,087	31,750,329	25,118,728	296,300	25,415,028
Past due and not impaired	1,175,753	-	1,175,753	3,828,918	-	3,828,918
Subject to impairment	1,563,950	-	1,563,950	1,075,273	-	1,075,273
Total	**34,282,945**	**207,087**	**34,490,032**	**30,022,919**	**296,300**	**30,319,219**
Deduct:						
impairment loss provision	(1,678,251)	-	(1,678,251)	(1,355,613)	-	(1,355,613)
Interest in suspense	(39,705)	-	(39,705)	(86,402)	-	(86,402)
Deferred profits	(4,172,653)	(18,704)	(4,191,357)	(4,150,374)	(26,862)	(4,177,236)
Net	**28,392,336**	**188,383**	**28,580,719**	**24,430,530**	**269,438**	**24,699,968**

- Secured financing are not considered to be impaired for the non-regular category, taking into account the viability of such guarantees.

- During the period ended 30 June 2019, the Bank's portfolio of financing and facilities increased by 15.71% (31December 2018, an increase of 40.42%).

Financing and facilities neither past due nor impaired:

LE 000's

30 June 2019	Retail				
	Debit current accounts	Covered cards	Personal financing	Real estate financing	Total
Creditworthiness according to banks internal rating					
Stage One	3,197	2,124,567	8,972,128	-	**11,099,892**
Stage Two	-	43,676	317,599	-	**361,275**
Stage Three	-	16,984	500,157	40	**517,181**
Total	**3,197**	**2,185,227**	**9,789,884**	**40**	**11,978,348**
Impairment loss provision is deducted	-	(45,507)	(243,958)	-	**(289,465)**
Interest in suspense is deducted	-	(1,831)	(35,267)	(32)	**(37,130)**
Deferred profits are deducted	-	(1,748,056)	(2,398,252)	-	**(4,146,308)**
Book value	**3,197**	**389,833**	**7,112,407**	**8**	**7,505,445**

LE 000's

30 June 2019	Corporate				
	Debit current accounts	Covered cards	Direct financings	Syndicated financing	Total
Creditworthiness according to banks internal rating					
Stage One	5,127,236	132	14,815,896	500,085	**20,443,349**
Stage Two	63,470	-	745,651	5,357	**814,478**
Stage Three	2,152	-	1,044,618	-	**1,046,770**
Total	**5,192,858**	**132**	**16,606,165**	**505,442**	**22,304,597**
Impairment loss provision is deducted	(70,213)	-	(1,317,532)	(1,041)	**(1,388,786)**
Interest in suspense is deducted	-	-	(2,575)	-	**(2,575)**
Deferred profits are deducted	-	-	(14,312)	(12,033)	**(26,345)**
Book value	**5,122,645**	**132**	**15,271,746**	**492,368**	**20,886,891**

Fully secured financing has not been considered to be impaired for the third stage, taking into account the liquidation viability of such guarantees.

Financing and facilities are past due and are not impaired

Financing and facilities that are past due and are not impaired, unless other information is available to the contrary. The financing and facilities to customers that are past due and not impaired and the fair value of their guarantees are as follows:

LE 000's

30 June 2019	Retail: Debit current accounts	Covered cards	Personal financing	Real estate financing	Total
Past dues up to 30 days	3,197	2,124,567	8,972,128	-	**11,099,892**
Past dues more than 30 days to 90 days	-	43,676	317,599	-	**361,275**
Total	**3,197**	**2,168,243**	**9,289,727**	**-**	**11,461,167**

LE 000's

30 June 2019	Corporate: Debit current accounts	Covered cards	Direct financings	Syndicated financing	Total
Past dues up to 30 days	5,127,236	132	14,815,896	500,085	**20,443,349**
Past dues more than 30 days to 90 days	63,470	-	745,651	5,357	**814,478**
Total	**5,190,706**	**132**	**15,561,547**	**505,442**	**21,257,827**

Upon initial recognition of financing and facilities, the fair value of the guarantees are evaluated based on valuation techniques commonly used in similar assets. In subsequent periods, fair value is updated at market prices or at similar asset prices.

Finances and facilities in place of impairment solely

- **Financing and facilities for customers**

The analysis of the total value of the financing and facilities in place of impairment solely is as follows:

LE 000's

30 June 2019	Retail: Debit current accounts	Covered cards	Personal financing	Real estate financing	Total
Impaired loans solely	-	16,984	500,157	40	**517,181**

30 June 2019	Corporate: Debit current accounts	Covered cards	Direct financings	Syndicated financing	Total
Impaired loans solely	2,152	-	1,044,618	-	**1,046,770**

4/1/10 Debt instruments, treasury bills and other government securities

The following table shows the analysis of debt instruments, treasury bills and other government securities according to rating agencies at the end of the fiscal year, based on Standard & Poor's valuation and its equivalent.

	30 June 2019		31 December 2018	LE 000's
Debt instruments, treasury bills and other government securities	**Valuation**	**Book Value**	**Valuation**	**Book Value**
Debt instruments at FVOCI				
Egyptian treasury Bonds	B	-	B	36,963
Egyptian treasury bills	B	5,145,048	B	5,835,224
Debt instruments at amortized cost				
Egyptian treasury Bonds	B	6,894,310	B	6,991,109
Egyptian treasury bills	B	4,023,239	B	3,888,047
Total		**16,062,597**		**16,751,343**

4/1/11 Concentration risk of financial assets exposed to credit risk

Geographical sectors

The following table represents an analysis of the Bank's most significant credit risk limits at book value, distributed by geographical segment at the end of the current year. When preparing this table, risk is allocated to the geographical segments according to the regions associated with the Bank's customers

LE 000's

	Arab Republic of Egypt				Other countries	
	Cairo	Alexandria, Delta & Sinai	Southern Side	Total		Total
Debt instruments at FVOCI						
Egyptian treasury Bonds	-	-	-	-	-	-
Egyptian treasury bills	5,145,048	-	-	5,145,048	-	5,145,048
Debt instruments at amortized cost						
Egyptian treasury Bonds	6,894,310	-	-	6,894,310	-	6,894,310
Egyptian treasury bills	4,023,239	-	-	4,023,239	-	4,023,239
Facilities to banks	207,087	-	-	207,087	-	207,087
Retail						
Debit current accounts	1,953	1,074	170	3,197	-	3,197
Covered cards	2,120,050	52,353	12,824	2,185,227	-	2,185,227
Personal financing	6,329,676	2,759,063	701,145	9,789,884	-	9,789,884
Real estate financing	40	-	-	40	-	40
Corporate						
Debit current accounts	5,192,260	577	22	5,192,859	-	5,192,859
Covered cards	129	-	3	132	-	132
Direct financings	16,566,242	39,145	776	16,606,164	-	16,606,164
Syndicated financing	505,442	-	-	505,442	-	505,442
Balance at 30 June 2019	**46,985,476**	**2,852,212**	**714,940**	**50,552,628**	**-**	**50,552,628**
Balance at 31 December 2018	**44,597,181**	**2,491,520**	**608,208**	**47,696,909**	**-**	**47,696,909**

Activity sectors

The following table represents an analysis of the Bank's most significant credit risk limits at book value, distributed by activity practiced by the Bank's customers

LE 000's

	Financial institution	Manufacturing institution	Services	Wholesale and Retail	Governmental sector	Retail	Other Operation	Total
Debt instruments at FVOCI								
Egyptian treasury Bonds	-	-	-	-	-	-	-	**-**
Egyptian treasury bills	-	-	-	-	5,145,048	-	-	**5,145,048**
Debt instruments at amortized cost								
Egyptian treasury Bonds	-	-	-	-	6,894,310	-	-	**6,894,310**
Egyptian treasury bills	-	-	-	-	4,023,239	-	-	**4,023,239**
Facilities to banks	-	-	-	-	207,087	-	-	**207,087**
Retail								
Debit current accounts	-	-	-	-	-	3,197	-	**3,197**
Covered cards	-	-	-	-	-	2,185,227	-	**2,185,227**
Personal financing	-	-	-	-	-	9,789,884	-	**9,789,884**
Real estate financing	-	-	-	-	-	40	-	**40**
Corporate								
Debit current accounts	374	2,005,046	644,118	738,394	1,804,773	-	154	**5,192,859**
Covered cards	-	-	-	-	-	-	132	**132**
Direct financings	441,929	7,800,895	1,765,224	2,883,861	3,620,275	-	93,980	**16,606,164**
Syndicated financing	-	331,496	168,589	-	5,357	-	-	**505,442**
Balance at 30 June 2019	**442,303**	**10,137,437**	**2,577,931**	**3,622,255**	**21,700,089**	**11,978,348**	**94,266**	**50,552,629**
Balance at 31 December 2018	**673,696**	**8,048,088**	**2,097,651**	**3,364,512**	**22,340,455**	**11,069,138**	**103,367**	**47,696,907**

4/2 Market Risk

The Bank is exposed to market risk represented in fluctuations in fair value or future cash flows arising from changes in market prices. The market risk arises from the open positions of the yield rate and the currency, as each is exposed to general and private movements in the market and changes in the level of sensitivity to market rates or prices such as rates of yield and exchange rates. The Bank separates its exposure to market risk to trading or non-trading portfolios.

The management of market risk arising from trading or non-trading activities is concentrated in the Bank's risk management and is monitored by two separate teams. Market risk reports are reported to the Risk Committee of the Board of Directors and heads of operating units on a regular basis.

The portfolios of financial investments at fair value through profit or loss include those positions resulting from the Bank's direct dealing with customers or with the market, while non-trading portfolios arise primarily from managing the yield rate on assets and liabilities. These portfolios include foreign exchange risk and equity instruments arising from financial investments at amortized cost and financial investments at fair value through other comprehensive income.

4/2/1 Methods of measuring market risk

- As part of managing market risk, the Bank has several hedging strategies. As well as entering into interest rate swap contracts to balance the risk associated with debt instruments and long-term fixed-income financing if the fair value option is applied. The following are the most important measurement methods used to control market risk:

Value at Risk

- The Bank applies the "Value at Risk" method for trading and non-trading portfolios to assess the market risk of existing positions and the maximum expected loss based on a number of assumptions for Value at Risk changes in market conditions. The Board of Directors sets Value at Risk limits that can be accepted by the Bank for trading and non-trading separately and are monitored daily by the Bank's Market Risk Management.

- Value at Risk is a statistical expectation of the potential loss of the current portfolio resulting from market movements. They reflect the maximum value that the bank can lose, but using a specific confidence factor (98%) and therefore a statistical probability of (2%) that the actual loss is greater than the expected Value at Risk. The Value at Risk model assumes a specific retention period (10 days) before the open positions can be closed and it is assumed that the market movement during the retention period will follow the same pattern of movement that occurred during the previous 10 days The Bank estimates the previous movement based on data for the previous five years. The Bank applies these historical changes in rates, prices and indicators, directly to existing positions - this method is known as historical simulation. Actual outputs are monitored regularly to measure the safety of assumptions and the factors used to calculate Value at Risk.

- The use of this method shall not prevent the loss of such limits in case of greater market movements.

- Since Value at Risk is an integral part of the Bank's market risk control system, the Asset and Liability Committee regularly sets the Value at Risk limits for both trading and non-trading transactions and is divided into operating units. Actual values exposed to risk are compared to limits set by the Bank and reviewed daily by the Bank's Risk Management. The quality of the Value at Risk model is monitored on an ongoing basis through enhanced Value at Risk tests of the trading portfolio and the results of the tests are reported to the Asset and Liability Committee.

- The quality of the Value at Risk model is monitored on an ongoing basis through enhanced testing of Value at Risk of the trading portfolio. The results of these tests are reported to senior management and the Board of Directors.

Stress Testing

- Stress testing provides an indication of the magnitude of the expected loss that may arise from severe adverse conditions. Stress testing are designed to suit the operation using typical analysis of specific scenarios. Stress testing conducted by the Bank's Risk Management include risk factor stress testing, where a series of sharp moves are applied to each risk category and the market stress of developing markets are examined. The developing markets are subject to sharp movements and stress testing, such as what may result in an area due to devaluation of a currency. The results of the stress testing are reviewed by senior management and the Board of Directors.

- Stress testing related to exchange rate

The following table shows the position of the currencies (surplus or deficit) of the items inside and outside balance sheet:

LE 000's

Currency	Surplus / deficit	Deficit	Surplus	Maximum expected loss 10%
USD	(58,977)	(58,977)	-	(5,898)
Euro	(485)	(485)	-	(49)
Sterling Pound	149	-	149	15
Swiss Franc	(436)	(436)	-	(44)
Japanese Yen	57	-	57	6
Other currencies	(4,148)	(4,148)	-	(415)
Maximum expected loss 30 June 2019				**(6,384)**
Maximum expected loss 31 December 2018				**151,109**

4/2/2 Summary of Value at Risk

Total value at risk according to risk type

LE 000's

	30 June 2019			31 December 2018		
	Average	Higher	Lower	Average	Higher	Lower
Total value at risk according to risk type						
Exchange Rate Risk	2,076	12,372	66	1,536	6,299	47
Interest rate risk	18,926	28,799	16,277	22,315	28,829	16,161
Total value at risk	**21,002**	**41,170**	**16,343**	**23,851**	**35,128**	**16,208**
Value at risk of the trading portfolio according to risk type						
Exchange Rate Risk	2,076	12,372	66	1,536	6,299	47
Interest rate risk	-	-	-	1,325	2,475	490
Total value at risk	**2,076**	**12,372**	**66**	**2,861**	**8,774**	**537**
value at risk of a non-trading portfolio according to risk type						
Interest rate risk	18,926	28,799	16,277	20,990	26,354	15,671
Total value at risk	**18,926**	**28,799**	**16,277**	**20,990**	**26,354**	**15,671**

4/2/3 Risk of fluctuations in foreign exchange rates

- The Bank is exposed to risk of fluctuations in foreign exchange rates on its financial position and cash flows. The Board of Directors has set limits on foreign exchange at the total value of each of the positions at the end of the day as well as during the day. The following table summarizes the Bank's exposure to foreign exchange risk at the end of the financial period. The following table presents the book value of financial instruments distributed in their respective currencies:

LE 000's

30 June 2019	EGP	USD	Euro	Sterling Pound	Japanese Yen	Other currencies	Total
Assets							
Cash and due from CBE	4,836,824	64,790	2,058	10,146	2	17,713	**4,931,533**
Due from banks	199,356	2,219,046	1,571	26,025	4,956	205,670	**2,656,624**
Treasury bills	7,395,309	2,221,858	-	113,876	-	-	**9,731,043**
Financing and facilities to banks	-	188,383	-	-	-	-	**188,383**
Financing and facilities to customers	23,258,239	6,601,890	36,949	213,214	-	-	**30,110,292**
Financial investments at FVOCI	35,200	51,519	-	531	-	-	**87,250**
Financial investments at amortized cost	6,701,675	194,309	-	-	-	-	**6,895,984**
Investments in subsidiaries and associates	262,275	-	-	-	-	-	**262,275**
Other assets	5,955,547	513,318	4,274	6,406	-	11,055	**6,490,600**
Total assets	**48,644,425**	**12,055,113**	**44,852**	**370,198**	**4,958**	**234,438**	**61,353,984**
Liabilities and shareholders' equity							
Due to banks	89,798	154,435	4,710	28,469	-	21,856	**299,268**
Customers' deposits	38,043,299	7,657,474	37,033	316,751	1,594	139,729	**46,195,880**
Subordinated financing	-	1,280,579	-	-	-	-	**1,280,579**
Other liabilities	9,733,467	2,739,260	2,523	24,136	7	76,298	**12,575,691**
Shareholder' equity	919,267	83,299	-	-	-	-	**1,002,566**
Total Liabilities and shareholders' equity	**48,785,831**	**11,915,047**	**44,266**	**369,356**	**1,601**	**237,883**	**61,353,984**
Net financial position	**(141,406)**	**140,066**	**586**	**842**	**3,357**	**(3,445)**	**-**

4/2/4 Interest Rate Risk

- The Bank is exposed to the effects of fluctuations in the prevailing market yield rates, which is the risk of the cash flows of the yield rate of the future cash flows of a financial instrument due to changes in the instrument's yield rate and the risk of the fair value of the rate of yield , which is the risk of fluctuations in the value of the instrument due to changes in market yield rates , The margin of yield may increase as a result of those changes, but profits may fall in the event of unexpected movements. The Asset-Liability Committee (ALCO) sets limits on the level of variation in the re-pricing of the yield that the Bank may hold, and this is monitored daily by the Bank's risks.

Risk management system for interest rate structure

Risk assessment, limits and corrective actions are undertaken by the Asset-Liability Committee (ALCO) under the chairmanship of the President of the Bank, the membership of the Executive Directors, the CFO, the Director, Commercial Departments, the Branch Network Manager, the Secretary General and the President of the International Transaction Chamber. The International Committee Chamber (ICC) implements the necessary procedures determined by the Asset and Liability Committee to correct the gaps through dealing in financial markets. The Chamber reports on developments in the assets and liabilities unit and the Assets and Liabilities Committee.

Asset-Liability Committee (ALCO) Duties

- Determination of acceptable limits for sensitivity analysis
- Review the assumptions used to identify, measure, validate and approve risks.
- Evaluate, modify and adopt the proposed recommendations for the adjustment of gaps (if any) consistent with previously approved limits.

The banks' objective of managing interest rate risk

The Bank aims to reduce its exposure to the risk structure of the yield rate to the maximum extent possible, taking into account that its residual interest rate risk values are within the sensitivity level approved by the Asset Liability Committee (ALCO)

Translation of Financial Statements originally issued in Arabic

Notes to Separate Financial Statements For The Period Ended 30 June 2019

The following table summarizes the extent to which the Bank is exposed to the risk of fluctuations in the interest rate which includes the book value of the financial instruments distributed at the interest rate or the re-pricing dates or due dates whichever is closer:

LE 000's

30 June 2019	Till one month	More than one month till three months	More than three months till one year	More than one year till three years	More than three years	Without interest	Total
Financial Assets							
Cash and due from CBE	1,955,268	857,420	-	3,199,224	-	-	**6,011,912**
Due from banks	1,652,024	-	-	-	-	-	**1,652,024**
Treasury bills	3,488,992	1,347,800	4,883,367	-	-	-	**9,720,159**
Financing and facilities to banks	-	-	-	-	-	-	**-**
Financing and facilities to customers	4,902,826	5,533,467	11,718,278	5,163,525	1,942,856	-	**29,260,952**
Financial investments:							
Financial investments at FVPL	-	-	-	-	-	-	**-**
Financial investments at FVOCI	531	-	-	20,490	51,519	-	**72,540**
Financial investments at amortized cost	6,895,984	-	-	-	-	-	**6,895,984**
Investments in associates	-	-	-	-	276,985	-	**276,985**
Other financial assets	2,230	-	-	-	1,416,208	-	**1,418,438**
Total financial assets	**18,897,854**	**7,738,688**	**16,601,645**	**8,383,240**	**3,687,568**	**-**	**55,308,993**
Financial Liabilities							
Due to banks	266,152	-	-	-	-	-	**266,152**
Customers' deposits	7,748,798	6,131,378	5,254,066	25,747,430	1,243,113	-	**46,124,785**
Subordinated financing	-	-	-	-	1,288,932	-	**1,288,932**
Other financial liabilities	67,046	-	-	-	7,277,817	-	**7,344,864**
Total financial liabilities	**8,081,996**	**6,131,378**	**5,254,066**	**25,747,430**	**9,809,862**	**-**	**55,024,732**
Interest re-pricing Gap	**10,815,857**	**1,607,310**	**11,347,578**	**(17,364,191)**	**(6,122,294)**	**-**	**284,261**

Interest Rate Sensitivity Analysis

- The following is sensitivity analysis on the increase or decrease in market interest rates assuming that there is no symmetric movement in the yield curves with the stability of the financial position.

Sensitivity of net expected income from yield

LE 000's

Interest rate sensitivity analysis	30 June 2019			31 December 2018		
	Average	Higher	Lower	Average	Higher	Lower
Sensitivity of net income expected from interest						
Increase or decrease 100 basis points	45,243	56,731	29,312	58,006	81,769	39,458
Total value at risk	**45,243**	**56,731**	**29,312**	**58,006**	**81,769**	**39,458**
Sensitivity of equity to changes in interest rates						
Increase or decrease 100 basis points	25,018	72,688	6,069	187,268	260,724	100,326
Total value at risk	**25,018**	**72,688**	**6,069**	**187,268**	**260,724**	**100,326**

- Interest rate changes affect equity in the following ways:
  - Retained earnings: Increase or decrease in net income from interest and fair value of financial derivatives and included in profit and loss.

    Fair value reserve: Increase or decrease in fair value of financial assets at fair value through other comprehensive income (before 1 January 2019: available for sale) recognized directly in other comprehensive income.
  - Coverage reserve: The increase or decrease in fair value of hedging instruments classified as cash flow hedging.

4/3 Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulties in meeting its obligations associated with its financial obligations at due date and the replacement of amounts withdrawn. This could result in failure to meet the repayment obligations of depositors and to meet loan commitments.

- **Liquidity Risk Management**

The liquidity risk management processes applied by the Bank's Risk Management include the following:

- Daily financing is managed by monitoring future cash flows to ensure that all requirements are met. This includes replacing the financing when they mature or when lending them to customers. The Bank is in the international financial markets to ensure that this objective is achieved.
- Maintain a portfolio of high-marketing assets that can be readily liquidated to offset any unexpected cash flow disruptions.
- Monitoring liquidity ratios in relation to the Bank's internal requirements and the requirements of the Central Bank of Egypt.
- Management of concentration and statement of financing entitlements.

For the purpose of monitoring and reporting, cash flows are measured and forecasted for the following day, week and month, which are the key periods for liquidity management. The starting point for those projections is the analysis of the contractual maturities of the financial liabilities and expected collection dates of the financial assets.

The Asset and Liability Committee (ALCO) also monitors the mismatch between medium-term assets, the level and type of unused portion of financing commitments, the extent to which current account facilities are used and the impact of contingent liabilities such as letters of guarantees and letters of credit.

4/4 Capital Management

The objectives of the Bank in managing capital, which includes other elements in addition to the apparent equity in the financial position, are as follows:

- Compliance with the legal requirements of capital in the Arab Republic of Egypt and in the countries in which the Bank's branches operate. .
- To protect the Bank's ability to continue and enable it to continue to generate yield for shareholders and other parties dealing with the Bank. .
- Maintain a strong capital base that supports growth in activity.

Capital adequacy and capital uses are reviewed in accordance with the requirements of the regulatory body (the Central Bank of Egypt in the Arab Republic of Egypt or the supervisory bodies in which the foreign branches of the Bank operate) daily through the Bank's management, through models based on Basel Committee guidelines for banking supervision. The required data are provided to the Central Bank of Egypt on a quarterly basis.

The Central Bank of Egypt requests that the Bank:

- Maintain a minimum of 500 million Egyptian pounds for issued and paid up capital.
- Maintain a ratio between capital elements and elements of assets and contingent liabilities weighted by risk weights equal to or greater than 10%

The capital adequacy standard numerator is composed of the following two sections:

Tier One: is the basic capital. It consists of paid up capital after deducting the book value of treasury shares, retained earnings and reserves resulting from the distribution of profits, except for the general banking risk reserve, and deducting any previously recognized goodwill and any related accumulated losses.

Tier Two: is the subordinated capital, which consists of the equivalent of the general risk provision according to the CBE credit worthiness of no more than 1.25% of the total assets and contingent liabilities weighted by the risk weights and the subordinated financing / deposits with more than five years (with amortization of 20% of their value in each of the last five years of their due date) and 45% of the increase between the fair value and book value of available-for-sale financial investments and held to maturity and in subsidiaries and associates.

When calculating the total numerator of capital adequacy standard, subordinated capital shall not exceed the basic capital and the subordinated financing (deposits) shall not exceed half of the basic capital.

Assets are weighted at risk weights ranging from 0 to 100% classified by the nature of the debtor at each asset to reflect the associated credit risk, taking into account cash guarantee. The same treatment is used for off balance sheet amounts after adjustments are made to reflect the incidental nature and potential losses of those amounts.

The Bank has complied with all local capital requirements and in the countries where its branches have been operating in the past two years.

The following table summarizes the basic and supporting capital components and capital adequacy ratios.

According to Basel II	30 June 2019 LE 000's	31 December 2018 LE 000's
Capital		
Tier 1 Capital		
Going concern capital - Basic		
Capital shares	2,000,000	2,000,000
Paid under capital increase	1,861,418	1,861,418
Reserves	282,563	255,494
Fair value reserve	53,119	(9,304)
Accumulated loss	(1,406,727)	(1,414,556)
Deduct: Deferred tax, intangible assets, Investment in Financial Companies and Insurance Companies	(36,849)	(36,743)
Total Going concern capital - Basic	**2,753,524**	**2,656,309**
Going concern capital - Additional		
Difference between FV and PV for subordinated financing	63,900	69,849
Profit / (loss) for the period / year	602,555	-
Total Going concern capital - Additional	**666,455**	**69,849**
Total Tier 1 Capital	**3,419,979**	**2,726,158**
Tier 2 Capital		
Impairment losses provision for financing, facilities, performing contingent liabilities	-	367,267
Equivalent of required provisions balances against debt instruments / loans and credit facilities incorporated in stage one	390,845	-
Subordinated financing	1,195,121	810,447
45 % of the increase in fair value compared to carrying amount of available for sale investment, investments held to maturity & investments in affiliates and associates	144,114	134,174
45% of special reserve	10,147	10,147
Total Tier 2 Capital	**1,740,227**	**1,322,035**
Capital base (Tier 1 +Tier2)	**5,160,206**	**4,048,193**
Credit risks	31,267,623	29,381,919
The value of overriding the top 50 clients over the prescribed limits is weighted by risk weights	2,863,837	1,161,021
Market risks	48,536	48,676
Operating risks	4,063,803	4,063,803
Total risk weighted assets and contingent liabilities	**38,243,799**	**34,655,419**
Capital Adequacy Ratio	**13.49%**	**11.68%**

4/5 Leverage Ratio

- The Board of Directors of the Central Bank of Egypt (CBE) at its session dated 7 July 2015 issued a resolution approving the supervisory instructions for the financial leverage, with the banks' commitment to the minimum rate of 3% on a quarterly basis as a binding control ratio starting from 2019.

  In preparation for consideration of the first support of the Basel (Minimum Capital Adequacy) in order to preserve the strength and integrity of the Egyptian banking system and to comply with the best international supervisory practices in this regard. The leverage reflects the relationship between the first tier of capital used in the standard Capital adequacy (after exclusions), and bank assets (both within and outside the balance sheet) are not weighted by risk weights.

Components of the ratio:

Numerator components

The ratio of the first section of capital (after exclusions) used to extend the capital adequacy standard currently applied in accordance with the Central Bank of Egypt instructions.

Denominator components

The percentage of context of all the Bank's assets within and outside the budget is based on the financial statements, which is the so-called "Bank's exposures" and includes the following:

1. Item exposures within the budget after subtracting some of the first capital base exclusions.
2. Exposure arising from derivative contracts.
3. Exposure arising from securities financing operations.
4. Exposure outside balance (weighted by conversion transactions).

The following table summarizes the leverage ratio:

	30 June 2019 LE 000's	31 December 2018 LE 000's
Tier 1 capital after exclusions (1)	**3,419,979**	**2,726,158**
Cash and due from CBE	5,979,107	3,700,900
Due from Banks	1,798,715	2,414,227
Treasury bills	9,181,264	9,733,656
Financial assets held for trading	21,871	19,166
Financial investments at FVOCI	95,852	64,459
Financial investments at amortized cost	6,895,984	7,038,156
Investments in subsidiaries and associates	169,215	169,026
Total Loans and credit facilities to customers	28,670,339	24,767,980
Fixed assets (Net of Accumulated depreciation & Impairment loss Provisions)	504,636	535,870
Other assets	1,339,589	1,345,929
Deducted amounts from exposures (some of tier 1 exclusions for capital base)	(36,849)	(36,743)
Total on-balance sheet exposures items after deducting some of tier 1 exclusions for capital base	**54,619,723**	**49,752,626**
Potential future exposures	-	537
Total derivatives contracts exposures	**-**	**537**
Sale of T. Bills with a commitment to repurchase	11,564	3,999
Total financing operation exposure	**11,564**	**3,999**
Total on-balance sheet exposures, Derivatives contracts and financing financial securities	**54,631,287**	**49,757,162**
Import L/Cs	1,075,688	1,164,223
Export L/Cs	1,295	-
L/Gs	1,745,499	1,131,552
L/Gs according to foreign banks	313,718	388,382
Contingent liabilities for general collaterals for financing facilities and similar collaterals	4,696	3,584
Bank acceptance	1,137,100	2,529,298
Total contingent liabilities	**4,277,996**	**5,217,039**
Capital commitments	19,988	4,157
Operating lease commitments	256,501	183,190
Loan commitments to clients /banks (unutilized part) original maturity period	1,240,290	1,199,493
Total commitments	**1,516,779**	**1,386,840**
Total exposures off-balance sheet	**5,794,775**	**6,603,879**
Total exposures on-balance sheet and off-balance sheet (	**60,426,062**	**56,361,041**
Leverage financial ratio (1/2)	**5.66%**	**4.84%**

5. Significant Accounting Estimates and Assumptions

The Bank shall use estimates and assumptions that affect the amounts of assets and liabilities disclosed during the next fiscal year. Estimates and assumptions shall be continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and information available.

A. Estimates:

Information on estimates used in applying accounting policies that have a material impact on the amounts recognized in the financial statements:

- **Classification of financial assets**: Valuation of the business model in which the asset shall be retained and evaluated whether contractual terms of the financial asset shall result in the generating of cash flows in the form of payment of interest and installments on the outstanding balances of those assets.

B. Uncertainty Related with Assumptions and Estimates

Uncertainties related with assumptions and estimates of significant risks that may result in material adjustments in the financial period ended on 30 June 2019 shall be appeared in the following notes:

▪ **Applies beginning from year 2019.**

- **Impairment of financial instruments**: An assessment of whether there has been a significant increase in credit risk on financial assets since the initial recognition, taking into account, the impact of future information upon measuring the expected credit losses.

▪ **Applicable on year 2019, earlier and after**

- **Determination of the fair value of financial instruments**: using unobservable inputs upon measuring.
- **Measurement of defined benefit liabilities**: Key actuarial assumptions.
- **Recognition of deferred tax assets**: the existence of future taxable profits that may be benefited from forward tax losses.

6. Segments analysis

The activity segments shall include the operations, assets used in the provision of banking services, the management of the risks surrounding them, and the interest related with this activity, which may differ from other activities. The segment analysis of operations in accordance with the banking business shall include:

Corporates

Including current account activities, deposits, debit current accounts receivable, finance, credit facilities and financial derivatives.

Investment

Including corporate mergers, investment purchasing, financing of corporate restructuring and financial instruments.

Retail

Including current account activities, savings, deposits, credit cards, personal finance and real estate finance.

Other activities

Including other banking activities as the management of funds and transactions between activity segments in accordance with the normal course of business of the Bank; assets and liabilities shall include operating assets and liabilities as presented in the Bank's financial position.

LE 000's

30 June 2019	Wholesale Banking	Capital Banking	Retail Banking	Other Operation	Total
Revenues and expenses according to activities sector					
Revenues from activity sectors	801,192	184,934	972,021	55,238	**2,013,385**
Expenses of activity sectors	(388,968)	(25,868)	(684,602)	(85,048)	**(1,184,486)**
Profit for the period before tax	412,224	159,066	287,419	(29,810)	**828,899**
Tax	(92,750)	(35,790)	(64,669)	(34,477)	**(227,686)**
Profit for the period	**319,474**	**123,276**	**222,750**	**(64,287)**	**601,213**
Assets and liabilities according to activity sector					
Assets of activity sectors	21,293,530	18,533,006	7,788,639	-	**47,615,175**
Non-Classified assets	-	-	-	6,454,187	**6,454,187**
Total assets	**21,293,530**	**18,533,006**	**7,788,639**	**6,454,187**	**54,069,362**
Liabilities of activity sectors	14,674,596	1,753,719	30,581,981	-	**47,010,296**
Non-classified liabilities	-	-	-	3,593,869	**3,593,869**
Total liabilities	**14,674,596**	**1,753,719**	**30,581,981**	**3,593,869**	**50,604,165**

LE 000's

31 December 2018	Wholesale Banking	Capital Banking	Retail Banking	Other Operation	Total
Revenues and expenses according to activities sector					
Revenues from activity sectors	1,255,050	289,291	1,741,241	(153,845)	**3,131,737**
Expenses of activity sectors	(310,703)	(24,375)	(1,083,135)	(443,277)	**(1,861,490)**
Profit for the period before tax	**944,347**	**264,916**	**658,106**	**(597,122)**	**1,270,247**
Tax	(212,478)	(59,606)	(148,074)	(46,182)	**(466,340)**
Profit for the period	**731,869**	**205,310**	**510,032**	**(643,304)**	**803,907**
Assets and liabilities according to activity sector					
Assets of activity sectors	18,358,508	19,884,715	6,820,765	-	**45,063,988**
Non-Classified assets	-	-	-	4,087,515	**4,087,515**
Total assets	**18,358,508**	**19,884,715**	**6,820,765**	**4,087,515**	**49,151,503**
Liabilities of activity sectors	12,059,910	3,148,184	27,129,685	-	**42,337,779**
Non-classified liabilities	-	-	-	3,777,606	**3,777,606**
Total liabilities	**12,059,910**	**3,148,184**	**27,129,685**	**3,777,606**	**46,115,385**

7. NET INTEREST INCOME

	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Income from Murabaha, Musharaka, Mudaraba and other similar income				
Financing and facilities				
Customers	2,124,537	1,540,953	1,125,347	823,884
Total	**2,124,537**	**1,540,953**	**1,125,347**	**823,884**
Debt instruments at AC and FVOCI	1,154,991	1,059,760	570,537	542,066
Deposits and current accounts	49,370	35,199	30,281	14,021
Total	**3,328,898**	**2,635,912**	**1,726,165**	**1,379,971**
Cost of deposits and similar expenses				
Deposits and current accounts:				
To banks	(94,356)	(139,839)	(32,421)	(92,000)
To customers	(1,712,711)	(1,323,997)	(888,800)	(687,543)
Total	**(1,807,067)**	**(1,463,836)**	**(921,221)**	**(779,543)**
Net interest income	**1,521,831**	**1,172,076**	**804,944**	**600,428**

Net income from interest shall include interest income and interest expense calculated using the actual rate of proceeds that relates to the following items:

	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Financial investments at AC	10,917,549	6,963,922	381,394	60,383
Financial investments at FVOCI	5,232,298	9,747,675	(221,741)	688,014
Financing and facilities to customers	28,580,719	22,159,283	1,800,192	2,579,965
Financial assets are not measured at FVPL	2,656,595	1,189,637	(601,031)	(1,011,227)
Net interest income	**47,387,161**	**40,060,517**	**1,358,814**	**2,317,135**

8. NET FEES AND COMMISSION INCOME

	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Fees and commissions income:				
Fees and commissions related to financing	151,487	161,272	72,716	73,521
Fees related to corporate finance	8,467	14,572	1,466	4,463
Custody fees	-	-	-	-
Other fees	105,612	97,890	52,856	49,008
Total	**265,566**	**273,734**	**127,038**	**126,992**
Fees and commissions expenses:				
Brokerage fees Paid	(131)	(52)	(27)	(16)
Banking Fees Paid	(3,088)	(2,300)	(1,622)	(1,221)
Other Fees Paid	(38,799)	(31,808)	(20,694)	(16,834)
Total	**(42,018)**	**(34,160)**	**(22,343)**	**(18,071)**
Net fees and commission income	**223,548**	**239,574**	**104,695**	**108,921**

9. Dividend income

	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Equity instruments at FVOCI	3,135	2,090	3,135	2,090
Financial investments in subsidiaries and associates	1,094	-	1,094	-
Total	**4,229**	**2,090**	**4,229**	**2,090**

10. NET TRADING INCOME

	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Foreign currencies operations:				
Gains / (Loss) from foreign currencies exchange	120,503	71,065	60,717	35,993
Gain / (Loss) of revaluation of futures exchange contracts	-	1,122	971	1,122
Debt Instruments at FVPL	-	191	-	-
Total	**120,503**	**72,378**	**61,688**	**37,115**

11. ADMINISTRATIVE EXPENSES

	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Employees' cost				
Salaries and wages and benefits	(299,080)	(257,464)	(149,942)	(127,649)
Social insurance	(15,219)	(11,555)	(7,597)	(5,754)
Employees' benefits				
Defined contribution plan	(20,740)	(17,719)	(9,985)	(9,170)
Defined benefit plan	(33,615)	(11,546)	(16,807)	(5,773)
Depreciation and amortization	(42,178)	(38,183)	(21,127)	(19,443)
Other administrative expenses	(252,760)	(198,770)	(153,409)	(102,312)
Total	**(663,592)**	**(535,237)**	**(358,867)**	**(270,101)**

12. OTHER OPERATING EXPENSES

	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Gain / (Loss) from Foreign Currency reval. Of monetary Assets & Liabilities other than measured at FVPL	(195,261)	13,579	(98,983)	31,960
Gain on sale of fixed assets	-	1,118	-	879
Cost Of Programs and Software	(37,257)	(42,054)	(20,107)	(20,633)
Operating lease expense	(35,399)	(24,423)	(18,857)	(12,353)
Early retirement costs	(68,591)	-	(30,800)	-
Impairment Losses For Assets Reverted To The Bank	(35,930)	-	(1,988)	-
Impairment Losses For Fixed Assets	-	(5,871)	-	-
Other provisions (Net)	125,708	(110,602)	70,109	(107,357)
Other Income (Expense)	2,554	(2,756)	(104)	(2,268)
Total	**(244,176)**	**(171,009)**	**(100,730)**	**(109,772)**

13. Impairment charges for credit losses

	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Financing and facilities to customers	(123,115)	(206,107)	(52,515)	(42,221)
Due from banks	1	-	15	-
Financial investments at amortized cost	(13,319)	-	(428)	-
Total	**(136,433)**	**(206,107)**	**(52,928)**	**(42,221)**

14. TAX EXPENSES

	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Current income tax	(221,949)	(209,210)	(109,669)	(110,049)
Deferred tax	(5,737)	694	(4,110)	(538)
Total	**(227,686)**	**(208,516)**	**(113,779)**	**(110,587)**

Note (30) includes additional information on deferred income tax, Taxes on the Bank's profits differ from the value that would result from the application of applicable tax rates as follows:

	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Income before tax	828,899	576,976	464,882	327,566
Current Tax Rate	22.50%	22.50%	22.50%	22.50%
Income tax (expenses) based on applied tax price	186,502	129,820	104,598	73,702
Tax impact on				
Untaxable revenues	(15,290)	(6,142)	(14,703)	(3,407)
undeductible expenses	35,419	42,106	32,303	22,844
Other taxes	21,055	42,732	(8,419)	17,448
Income tax according to effective tax rate	**227,686**	**208,516**	**113,779**	**110,587**
Effective tax rate	**27.47%**	**36.14%**	**24.47%**	**33.76%**

15. Basic Earnings per share

	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Net profit for the period	601,213	368,460	351,103	216,979
Weighted average of shares outstanding during the period	200,000	200,000	200,000	200,000
Earnings Per Share	**3.006**	**1.842**	**1.756**	**1.085**

- For the purpose of presenting earning per share, the bank did not discount board members and staff bonus due to accumulated loss which comply with companies' law no. 159 for 1981 article 194.
- Earnings per share does not change from diluted Earnings per share.

16. Cash and due from CBE

	30 June 2019 LE 000's	31 December 2018 LE 000's
Cash	1,732,309	672,786
Due from central bank mandatory reserve requirements	3,199,224	1,982,549
Total	**4,931,533**	**2,655,335**
Non-Profit bearing balances	4,931,533	2,655,335
Total	**4,931,533**	**2,655,335**

17. Due from banks

	30 June 2019 LE 000's	31 December 2018 LE 000's
Current accounts	194,312	118,214
Deposits	2,462,312	3,071,296
	2,656,624	**3,189,510**
(Deduct) Impairment loss provision	(29)	-
Total	**2,656,595**	**3,189,510**
Due from central bank except mandatory reserve requirements	1,047,420	1,045,356
Local banks	1,110,776	1,681,505
Foreign Banks	498,428	462,649
(Deduct) Impairment loss provision	(29)	-
Total	**2,656,595**	**3,189,510**
Non-Profit bearing balances	194,312	118,214
Variable profit bearing balances	1,414,892	2,025,940
Fixed profit bearing balances	1,047,420	1,045,356
(Deduct) Impairment loss provision	(29)	-
Total	**2,656,595**	**3,189,510**
Due from banks' impairment loss provision analysis		
Balance at beginning of the year	-	-
Impact of IFRS 9 first implementation	33	-
Adjusted balance as of Jan 1, 2019	**33**	**-**
Net impairment loss during the period	(1)	-
Foreign exchange translation differences	(3)	-
Total	**29**	**-**

18. LOANS AND FACILITIES TO BANKS

	30 June 2019 LE 000's	31 December 2018 LE 000's
Overdraft	127	136
Syndicated financing	206,960	296,163
Total	**207,087**	**296,299**
Deduct:		
Profit in suspense	(18,704)	(26,861)
Total	**(18,704)**	**(26,861)**
Net	**188,383**	**269,438**

18. LOANS AND FACILITIES TO CUSTOMERS

	30 June 2019 LE 000's	31 December 2018 LE 000's
Retail		
Overdraft	3,197	2,759
Covered cards	2,185,227	2,352,900
Personal financing	9,789,884	8,713,439
Real estate Financing	40	40
Total	**11,978,348**	**11,069,138**
Corporate (including SMEs)		
Overdraft	5,192,859	4,173,456
Direct financing	16,606,164	14,168,793
Syndicated financing	505,442	611,402
Covered cards	132	130
Total	**22,304,597**	**18,953,781**
Total financing and facilities	**34,282,945**	**30,022,919**
Deduct:		
Impairment loss provision	(1,678,251)	(1,355,613)
Interest in suspense*	(39,705)	(86,402)
Deferred profit	(4,172,653)	(4,150,374)
Total	**(5,890,609)**	**(5,592,389)**
Net	**28,392,336**	**24,430,530**
Classified in balance sheet as follow		
Conventional loans to customers after deducting impairment loss provision	**216,633**	**223,089**
Financing to customers after deducting impairment loss provision	**28,175,703**	**24,207,441**
Net	**28,392,336**	**24,430,530**

18. LOANS AND FACILITIES TO CUSTOMERS (continued)

Impairment loss provision

Analysis the movement of impairment loss provision for the customers' finances and facilities

	30 June 2019 LE 000's	31 December 2018 LE 000's
Balance at beginning of the year	**1,355,613**	**1,103,619**
Impact of IFRS 9 first implementation	217,878	-
Adjusted balance as of Jan 1, 2019	**1,573,491**	**1,103,619**
Net impairment loss during the period	123,115	236,259
Recoveries from previously written-off financings	2,568	51,323
Used from provision during the period	(14,717)	(36,487)
Foreign exchange translation differences	(6,206)	899
Total	**1,678,251**	**1,355,613**

TOTAL LOANS AND FACILITIES TO CUSTOMERS (Net of Deferred profit)

	30 June 2019 LE 000's	31 December 2018 LE 000's
Retail		
Overdraft	3,197	2,759
Covered cards	437,171	420,661
Personal financing	7,391,631	6,527,291
Real estate Financing	40	40
Total	**7,832,039**	**6,950,751**
Corporate (including SMEs)		
Overdraft	5,192,859	4,173,456
Direct financing	16,591,853	14,153,882
Syndicated financing	493,409	594,326
Covered cards	132	130
Total	**22,278,253**	**18,921,794**
Total financing and facilities to customers	**30,110,292**	**25,872,545**
Deduct:		
Impairment loss provision	(1,678,251)	(1,355,613)
Interest in suspense	(39,705)	(86,402)
Total	**(1,717,956)**	**(1,442,015)**
Net	**28,392,336**	**24,430,530**
Classified in balance sheet as follow		
Conventional financing (after deducting impairment loss provision)	216,633	223,089
Islamic financing (after deducting impairment loss provision)	28,175,703	24,207,441
Net	**28,392,336**	**24,430,530**

*the retained proceeds that are formed in previously in accordance with the creditworthiness principles issued by CBE

18. LOANS AND FACILITIES TO CUSTOMERS (continued)

Impairment loss provision

Analysis of the movement of impairment loss provision for the customers' financing and facilities based on types:

LE 000's

	Retail				
30 June 2019	**Overdrafts**	**Covered Cards**	**Personal financing**	**Real estate Financing**	**Total**
Balance at beginning of the year	**-**	**2,046**	**159,180**	**-**	**161,226**
Impact of IFRS 9 first implementation	**-**	**30,350**	**43,007**	**-**	**73,357**
Adjusted balance as of Jan 1, 2019	**-**	**32,396**	**202,187**	**-**	**234,583**
Net impairment loss during the period	-	18,398	43,241	-	**61,639**
Recoveries from previously written-off financings	-	1,066	27	-	**1,093**
Used from provision during the period	-	(6,353)	(1,497)	-	**(7,850)**
Balance at 30 June 2019	**-**	**45,507**	**243,958**	**-**	**289,465**

	Corporate				
30 June 2019	**Overdrafts**	**Direct financing**	**Syndicated financing**	**Other financings**	**Total**
Balance at beginning of the year	**41,640**	**1,144,742**	**8,005**	**-**	**1,194,387**
Impact of IFRS 9 first implementation	**2,116**	**142,956**	**(551)**	**-**	**144,521**
Adjusted balance as of Jan 1, 2019	**43,756**	**1,287,698**	**7,454**	**-**	**1,338,908**
Net impairment loss during the period	26,471	35,212	(206)	-	**61,477**
Recoveries from previously written-off financings	-	1,476	-	-	**1,476**
Used from provision during the period	(14)	(6,854)	-	-	**(6,868)**
Foreign exchange translation differences	-	-	(6,207)	-	**(6,207)**
Balance at 30 June 2019	**70,213**	**1,317,532**	**1,041**	**-**	**1,388,786**

LE 000's

	Retail				
31 December 2018	**Overdrafts**	**Covered Cards**	**Personal financing**	**Real estate Financing**	**Total**
Balance at beginning of the year	-	2,649	129,772	-	132,421
Net impairment loss during the period	-	11,083	34,157	-	45,240
Recoveries from previously written-off financings	-	1,933	26	-	1,959
Used from provision during the period	-	(13,619)	(4,775)	-	(18,394)
31 December 2018	**-**	**2,046**	**159,180**	**-**	**161,226**

	Corporate				
31 December 2018	**Overdrafts**	**Direct financing**	**Syndicated financing**	**Other financings**	**Total**
Balance at beginning of the year	25,786	933,813	11,599	-	971,198
Net impairment loss during the period	15,854	178,759	(3,594)	-	191,019
Recoveries from previously written-off financings	-	49,364	-	-	49,364
Used from provision during the period	-	(18,093)	-	-	(18,093)
Foreign exchange translation differences	-	899	-	-	899
31 December 2018	**41,640**	**1,144,742**	**8,005**	**-**	**1,194,387**

19. Financial Investments

19/1 Financial investments at FVOCI	30 June 2019 LE 000's	31 December 2018 LE 000's
A) Treasury bonds - at FV		
Listed in stock market exchange	-	36,963
Total Treasury bonds	**-**	**36,963**
B) Treasury bills - at FV		
Un-Listed in stock market exchange	5,145,048	5,835,224
Total Governmental Treasury bills	**5,145,048**	**5,835,224**
Detailed T-bills maturities as the following:		
Treasury bills with maturity within 91 days	136,225	479,850
Treasury bills with maturity within 182 days	109,725	422,500
Treasury bills with maturity within 273 days	2,012,200	2,549,725
Treasury bills with maturity within 364 days	3,160,000	2,891,450
Total	**5,418,150**	**6,343,525**
Unearned revenues	(283,986)	(508,301)
Fair value changes of treasury bills at FV	10,884	-
Net	**5,145,048**	**5,835,224**
C) Equity instruments at FV		
Un-Listed in stock market exchange	72,540	55,857
Total equity instruments	**72,540**	**55,857**
D) Mutual funds certificates at FV		
Un-Listed in stock market exchange	14,710	10,084
Total mutual funds certificates	**14,710**	**10,084**
Total financial investments at FVOCI (1)	**5,232,298**	**5,938,128**

19. Financial Investments (continued)

19/2 Financial investments at AC	30 June 2019 LE 000's	31 December 2018 LE 000's
A) Treasury bonds		
Listed in stock market exchange	6,701,675	6,770,214
Un-Listed in stock market exchange	194,309	220,895
Deduct: Impairment loss provision	(1,674)	-
Total Governmental Treasury bonds	**6,894,310**	**6,991,109**
B) Governmental Treasury bills		
Un-Listed in stock market exchange	4,127,553	3,943,171
Deduct: Impairment loss provision	(17,306)	-
Total Governmental Treasury bills	**4,110,247**	**3,943,171**
Detailed T-bills maturities as the following:		
Treasury bills with maturity within 90 days	260,000	-
Treasury bills with maturity within 182 days	405,000	-
Treasury bills with maturity within 273 days	905,000	503,600
Treasury bills with maturity within 364 days	2,732,009	3,502,494
Total	**4,302,009**	**4,006,094**
Unearned revenues	(174,456)	(62,923)
Deduct: Impairment loss provision	(17,306)	-
Net (1)	**4,110,247**	**3,943,171**
REPOs		
Sale of treasury bills with a commitment to repurchase	(86,353)	(54,820)
Total	**(86,353)**	**(54,820)**
Unearned revenues	(655)	(304)
Net (2)	**(87,008)**	**(55,124)**
Net (1+2)	**4,023,239**	**3,888,047**
Total financial investments at AC (2)	**10,917,549**	**10,879,156**
Total financial investments (1+2)	**16,149,847**	**16,817,284**
Current balances - Non-profit bearing	87,250	65,941
Current balances - Variable-profit bearing	16,062,597	16,751,343
Total financial investments	**16,149,847**	**16,817,284**

19. Financial Investments (continued)

- Mutual Funds

*** Sanabel Islamic Mutual Fund**

The financial investments held to maturity shall include the Bank's contribution to the Sanabel Investment Fund between the Bank and the Arab International Banking Company HC in order to manage Investment Funds.

The total number of certificates invested by the Bank number 25 thousand certificate by 2.5% with a nominal value of the certificate 100 EGP and the market value of the certificate amount 143.83 EGP dated on 30 June 2019 (31st March 2019: 152.94 EGP) with acquisition cost amounted 2.454 thousand EGP.

****Abu Dhabi Islamic Bank (El-Naharda) Mutual Fund**

The Bank has established Abu Dhabi Islamic Bank (El-Naharda) Mutual Fund (compatible with the principles of Islamic Sharia law, the fund is managed by Beltone management of investment funds.

The total number of certificates invested by the bank amounted to 67.420 thousand certificate by 2% with a nominal value of the certificate of 100 EGP for 50 thousand certificate in addition to 17,420 thousand certificate with a nominal value 148.32 and a market value 164.85 on 30 June 2019 (31st March 2019: 159.69 EGP)

A summary of the financial investment movement as follows:

LE 000's

30 June 2019	FVOCI	Amortized cost	Total
Balance at beginning of the year	**5,938,128**	**10,879,156**	**16,817,284**
Impact of IFRS 9 first implementation	(4,417)	-	**(4,417)**
Additions	2,717,077	4,295,598	**7,012,675**
Premium / discount Amortization	512,809	132,244	**645,053**
Disposals (Sale / Recovery)	(3,967,909)	(4,233,618)	**(8,201,527)**
Foreign monetary investment revaluation difference	(2,365)	(138,829)	**(141,194)**
Changes in fair value reserves	38,975	1,978	**40,953**
Deduct: Impairment loss provision	-	(18,980)	**(18,980)**
Balance at 30 June 2019	**5,232,298**	**10,917,549**	**16,149,847**

31 December 2018	FVOCI	Amortized cost	Total
Balance at beginning of the year	**54,823**	**6,850,312**	**6,905,135**
Additions	579	798,154	**798,733**
Premium / discount Amortization	-	15,486	**15,486**
Disposals (Sale / Recovery)	-	(634,282)	**(634,282)**
Foreign monetary investment revaluation difference	352	4,850	**5,202**
Changes in fair value reserves	103	3,636	**3,739**
Financial investments re-classification	5,882,271	3,841,000	**9,723,271**
Balance at 31 December 2018	**5,938,128**	**10,879,156**	**16,817,284**

19. Financial Investments (continued)

19.3 Gains / (losses) from financial investments

	Six Months Ended 30 June 2019 LE 000's	Six Months Ended 30 June 2018 LE 000's	Three Months Ended 30 June 2019 LE 000's	Three Months Ended 30 June 2018 LE 000's
Gains (Losses) from sale of debt instruments at FVOCI	2,989	3,211	1,851	1,106
Total	**2,989**	**3,211**	**1,851**	**1,106**

20. Investments in subsidiaries and associates (Net)

	30 June 2019 LE 000's	31 December 2018 LE 000's
Contribution in subsidiaries		
National Company for Crystal and Glass	585	585
Cairo National Company for Investment	76,797	76,797
National Company for Trading and Development (Entad)	19,207	19,207
Assuit Islamic National for Trading and Development	23,477	23,477
ADI Capital	11,575	11,575
ADI Properties	13	13
ADIB Investment	4,900	4,900
Cairo National Company for Brokerage and Securities	1,413	1,413
Alexandria National Company for Financial Investments	2,181	2,181
ADI Lease for Financial Lease	102,127	52,127
Total	**242,275**	**192,275**
Investments in associates		
Orient Takaful Insurance Company	20,000	20,000
Total	**20,000**	**20,000**
Net Financial Investments in subsidiaries and associates	**262,275**	**212,275**

As per ADIB board of directors decision on 9/2015 and CBE approval on 11/2015 incorporation procedures of ADIB Investment Company was completed and the bank has established the company on 3/2016 and there is no call for the constituent assembly up till now.

Financial investments in subsidiaries have been determined based on study made by the bank to determine which companies that the bank has the ability to control its financial and operating policies direct or indirect.

20. Investments in subsidiaries and associates (Net) – continued

The bank's contribution percentage in associates and subsidiaries is as follow:

LE 000's

30 June 2019	Country	Total assets	Total liabilities	Total Revenues	(loss)Net profit/	% Ownership
Contribution in subsidiaries						
National Company for Crystal and Glass	Egypt	249,769	468,433	112,172	(6,064)	5%
Cairo National Company for Investment	Egypt	92,193	280	1,434	(1,584)	65%
National Company for Trading and Development (Entad)	Egypt	72,408	9,663	2,548	(1,549)	40%
Assuit Islamic National for Trading and Development	Egypt	97,790	21,627	6,865	3,414	40%
ADI holding company	Egypt	9,199	205,032	-	(8,550)	100%
ADI Capital	Egypt	24,941	6,300	9,571	767	93%
ADI Properties	Egypt	49,344	102,270	809	(3,713)	5%
ADIB Investment	Egypt	6,233	45	196	196	98%
Cairo National Company for Brokerage and Securities	Egypt	5,370	2,206	1,215	(247)	46%
Alexandria National Company for Financial Investments	Egypt	14,281	96	344	(236)	9%
ADI Lease for Financial Lease	Egypt	451,762	362,707	97,062	(16,273)	98%
Investments in associates						
Orient Takaful Insurance Company	Egypt	1,155,646	809,644	182,151	89,324	20%
Total		**2,228,936**	**1,988,303**	**414,367**	**55,485**	

31 December 2018	Country	Total assets	Total liabilities	Total Revenues	(loss)Net profit/	% Ownership
Contribution in subsidiaries						
National Company for Crystal and Glass	Egypt	246,136	452,337	204,953	(39,271)	5%
Cairo National Company for Investment	Egypt	93,592	94	4,896	(5,320)	65%
National Company for Trading and Development (Entad)	Egypt	75,431	11,409	8,447	5,346	40%
Assuit Islamic National for Trading and Development	Egypt	94,225	11,769	11,996	5,051	40%
ADI holding company	Egypt	9,199	196,482	738	(82,682)	100%
ADI Capital	Egypt	24,736	6,862	56,214	14,743	93%
ADI Properties	Egypt	60,527	109,741	9,534	(3,821)	5%
ADIB Investment	Egypt	6,037	45	897	897	98%
Cairo National Company for Brokerage and Securities	Egypt	6,127	2,629	2,555	61	46%
Alexandria National Company for Financial Investments	Egypt	14,743	256	1,109	87	9%
ADI Lease for Financial Lease	Egypt	361,167	305,840	158,286	1,997	96%
Investments in associates						
Orient Takaful Insurance Company	Egypt	1,155,646	809,644	182,151	89,324	20%
Total		**2,147,566**	**1,907,108**	**641,776**	**(13,588)**	

- **According to last signed financial statements.**

21. Intangible Assets (After deducting accumulated amortization)

	30 June 2019 LE 000's	31 December 2018 LE 000's
Net book value at the beginning of the year	86	404
Amortization for the period	(86)	(318)
Net book value ate the end of the period	**-**	**86**

22. Other Assets

	30 June 2019 LE 000's	31 December 2018 LE 000's
Accrued revenues	501,058	547,900
prepaid expenses	214,973	198,618
Down payments under purchase fixed assets	122,578	49,384
Assets reverted to the bank in settlement of debts (Net of impairment)	54,620	90,550
Deposits and custodies	4,588	3,898
Due from Related Parties	461	199
Accounts under settlement with correspondents	67,772	116,372
Other debit balances	23,619	40,409
Total	**989,669**	**1,047,330**
Impairment of other assets	(3,274)	(3,318)
Net Other Assets	**986,395**	**1,044,012**

23. Fixed Assets

LE 000's

31 December 2018	Lands & Premises	Machinery & Equipment	Other assets	Total
Cost	159,999	6,084	863,926	**1,030,009**
Accumulated Depreciation	(36,675)	(4,094)	(456,207)	**(496,976)**
Net Book Value	**123,324**	**1,990**	**407,719**	**533,033**
Net Book Value at the beginning of the year	131,862	2,049	388,089	**522,000**
Additions	-	401	97,857	**98,258**
Disposals	(8,035)	(257)	(7,367)	**(15,659)**
Fixed Assets Impairment	-	-	(6,060)	**(6,060)**
Depreciation for the period	(5,538)	(460)	(72,347)	**(78,345)**
Disposals' Accumulated Depreciation	5,035	257	7,547	**12,839**
Net Book Value	**123,324**	**1,990**	**407,719**	**533,033**

30 June 2019	Lands & Premises	& Machinery Equipment	Other assets	Total
Cost	159,999	6,138	874,929	**1,041,066**
Accumulated Depreciation	(39,195)	(4,289)	(495,584)	**(539,068)**
Net Book Value	**120,804**	**1,849**	**379,345**	**501,998**
Net Book Value at the beginning of the year	123,324	1,990	407,719	**533,033**
Additions	-	54	11,003	**11,057**
Disposals' Accumulated Depreciation	(2,520)	(195)	(39,377)	**(42,092)**
Net Book Value	**120,804**	**1,849**	**379,345**	**501,998**

- Fixed assets on 30 June 2019 shall include an amount of EGP 23 million (31st December 2018: EGP 23 million) representing the cost of assets not yet registered in the name of the Bank. The required legal procedures to register these assets are being taken.

Translation of Financial Statements originally issued in Arabic

Notes to Separate Financial Statements For The Period Ended 30 June 2019

24. Due To Banks

	30 June 2019 LE 000's	31 December 2018 LE 000's
Current Accounts	139,709	129,778
Deposits	159,559	2,334,354
Total	**299,268**	**2,464,132**
Local Banks	82,325	2,281,710
Foreign Banks	216,943	182,422
Total	**299,268**	**2,464,132**
Non-profit bearing balances	139,709	129,778
Variable profit bearing balances	159,559	2,334,354
Fixed profit bearing balances	-	-
Total	**299,268**	**2,464,132**

25. Customers' Deposits

	30 June 2019 LE 000's	31 December 2018 LE 000's
Demand Deposits	13,739,950	9,996,220
Time deposits and call accounts	13,245,662	11,619,809
Term Saving Certificates	9,992,971	9,494,689
Saving Deposits	8,702,552	7,884,628
Other Deposits	514,745	952,592
Total	**46,195,880**	**39,947,938**
Corporate deposits	17,054,204	14,244,192
Retail deposits	29,141,676	25,703,746
Total	**46,195,880**	**39,947,938**
Non-profit bearing balances	5,633,683	3,860,741
Variable profit bearing balances	17,880,974	15,239,068
Fixed profit bearing balances	22,681,223	20,848,129
Total	**46,195,880**	**39,947,938**

26. Financial Derivatives

Forward currency contracts shall represent associations to purchase foreign and local currencies, including the portion of unimplemented of immediate transactions. Future currency contracts and / or rates of return shall represent contractual obligations to receive or pay an amount on the basis of changes in rates of proceeds or rate of exchange, and / or for the purchase or sale of a foreign currency or financial instrument at a return date at a specified contractual price in an active financial market.

The Bank's credit risk shall be deemed minimal; moreover, the forward rate agreements shall represent future rate price contracts negotiated on a case-by-case basis. These agreements shall require a cash settlement at a future date for the difference between the contract rate of proceeds and the current market rate of proceeds on an agreed contractual / default nominal value basis.

LE 000's

	30 June 2019		
	Contractual amount	Assets	Liabilities
Forward exchange contracts	53,460	-	-
Total	**53,460**	**-**	**-**

	31 December 2018		
	Contractual amount	Assets	Liabilities
Forward exchange contracts	53,460	-	1,572
Total	**53,460**	**-**	**1,572**

27. Other Financings

	30 June 2019 LE 000's	31 December 2018 LE 000's
Subordinated Financing without coupon*	478,705	496,064
Subordinated Financing with coupon**	801,874	322,444
Total	**1,280,579**	**818,508**
Subordinated Financing without coupon*		
Balance at the beginning of the financial period - Face value of subordinated financing	496,064	458,483
Cost of subordinated loan using EIR	16,384	32,642
Foreign exchange differences	(33,743)	4,939
Total	**478,705**	**496,064**

* Subordinated financing represents amount of USD 39 Million granted from Abu Dhabi Islamic Bank- UAE under Wakala investment agreement for 6 years starting from 27 December 2012 with a profit rate equals to 0.125% from the investment amount and the expected profit equals to (LIBOR USD) on any extension period after those 6 years. On 27 March 2016, a supplementary agreement for the subordinated financing has been made to increase the tenor period for 3 tranches of the agreement ending 27 December 2023 instead of 27 December 2018 by an amount of USD 29,250 Thousands, subsequently, at 27 December 2016 a supplementary agreement for the Subordinated financing has been made to increase the tenor period for fourth tranche of the agreement ending 27 December 2023 instead of 27 December 2018 by an amount of USD 9,750 Thousands. The bank has recorded the mentioned first three tranches by using discount rate 7.51% and the fourth one with rate 5.88% which affected the Shareholder's equity by a net amount of LE 78,398 Thousands, which is represents the difference between the face value and the present value of the subordinated financing as of subordinated financing extension agreement date.

** On 29 September 2016 the bank was granted an additional subordinated financing of USD 9mn from Abu Dhabi Islamic Bank-UAE under Wakala investment agreement for 7 years starting from 29 September 2016 with a profit rate equals to 6.50% from the investment amount, which is not significantly different from the market discount rate.

**On 29 December 2016 the bank was granted an additional subordinated financing of USD 9mn from Abu Dhabi Islamic Bank-UAE under Wakala investment agreement for 7 years starting from 29 December 2016 with a profit rate equals to 5.88% from the investment amount, which is not significantly different from the market discount rate.

**On 28 March 2019, the bank was granted an additional subordinated financing of USD 30mn from Abu Dhabi Islamic Bank-UAE under Wakala investment agreement for 7 years starting from 28 March 2019 with a profit rate equals 9.88% from the investment amount, which is not significantly different from the market discount rate.

28. Other Liabilities

	30 June 2019 LE 000's	31 December 2018 LE 000's
Accrued revenues	244,050	195,302
Unearned revenues from sale & leaseback	-	-
Accrued expenses	427,338	349,722
Due to related parties	-	-
Other Credit Balances	503,543	570,113
Total	**1,174,931**	**1,115,137**

29. Other Provisions

LE 000's

30 June 2019	Provisions for Contingent Claims*	Tax Provision	Provision for Contingent Liabilities	Total
Balance at beginning of the year	**1,556,897**	**26,866**	**77,651**	**1,661,414**
Impact of IFRS 9 first implementation	-	-	(8,384)	**(8,384)**
Impairment charged during the period	1,251	2,600	48,752	**52,603**
Used from provision during the period	(201)	(7,024)	-	**(7,225)**
Amounts written-off during the period	(173,084)	-	(5,227)	**(178,311)**
Foreign exchange translation differences	-	-	(3,201)	**(3,201)**
Balance at 30 June 2019	**1,384,863**	**22,442**	**109,591**	**1,516,896**

31 December 2018	Provisions for Contingent Claims*	Tax Provision	Provision for Contingent Liabilities	Total
Balance at beginning of the year	**1,532,368**	**52,149**	**51,007**	**1,635,524**
Impairment charged during the period	346,820	6,472	43,359	**396,651**
Used from provision during the period	(309,179)	(31,755)	-	**(340,934)**
Provisions no longer required	(13,112)	-	(16,057)	**(29,169)**
Foreign exchange translation differences	-	-	(658)	**(658)**
Balance at 31 December 2018	**1,556,897**	**26,866**	**77,651**	**1,661,414**

In reference to what was stated in the minutes of the Ordinary General Assembly of the Bank dated on 18th October 2015, different opinions were expressed on the basis of calculation of the USD paid amounts under the Capital Increase Account by ADIB - UAE as amounts in Egyptian Pounds, which results a potential claim from ADIB – UAE. Based on the estimation of the external legal advisor of ADIB - Egypt for the possible loss resulting from change in the exchange rate, the Bank has prepared a provision for potential claims in amount of EGP 1,369 million, resulting from the movement of exchange rates dated on 31st December 2014 till 30 June 2019.

30. Deferred Income Tax

Deferred income tax has been calculated in full on temporary tax differences in accordance with the liability method using the actual tax rate for the current fiscal year.

A deferred tax asset and liability shall be offset if there is a legal justification to offset the current tax on the assets against the current tax on the liability and also when the deferred income tax belongs to the same Tax Department

Balances of Deferred Tax Assets and Liabilities

	Deferred Tax Assets		Deferred Tax Liabilities	
	30 June 2019 LE 000's	31 December 2018 LE 000's	30 June 2019 LE 000's	31 December 2018 LE 000's
Fixed Assets Depreciation	-	-	(53,022)	(54,560)
Provisions (other than loans' impairment loss provision)	6,666	3,433	-	-
Changes in fair value for financial investments at FVOCI	994	-	(4,484)	-
Interest in suspense	8,933	19,441	-	-
Other	-	-	-	-
Total Deferred Tax Assets / (Liabilities)	**16,593**	**22,874**	**(57,506)**	**(54,560)**
Net Deferred Tax Assets / (Liabilities)	**(40,913)**	**(31,686)**		

Movement of deferred tax assets and liabilities:

	Deferred Tax Assets		Deferred Tax Liabilities	
	30 June 2019 LE 000's	31 December 2018 LE 000's	30 June 2019 LE 000's	31 December 2018 LE 000's
Balance at the beginning of the year	22,874	15,451	(54,560)	(47,700)
Impact of IFRS 9 first implementation	994	-	-	-
Additions	3,233	7,890	(4,484)	(6,860)
Disposals	(10,508)	(467)	1,538	-
Total balance at the end of the period	**16,593**	**22,874**	**(57,506)**	**(54,560)**

Deferred tax liabilities directly incorporated in share holder's equity

	30 June 2019 LE 000's	31 December 2018 LE 000's
Changes in fair value for financial investments at FVOCI	(3,490)	-
Impact of changes in accounting policies	-	-
Total Reserves at the end of the period	**(3,490)**	**-**

- Deferred tax assets resulting from tax losses shall not be recognized only if there is likely to be a future tax profit from which the short-term tax losses may be utilized.

31. Capital

a) The Authorized Capital

The authorized capital amounted to (EGP 4) billion (31st December 2018: EGP 4 billion)

b) Issued and Paid Up Capital

The total issued and paid-up capital amounted (EGP2) billion (31st December 2018: EGP 2 billion) represented in number of 200 shares with a nominal value of EGP 10 per a share).

34. Amounts Paid under the Capital Increase Account

Until 2012, ADIB - UAE deposited an amount of EGP 1,662 million under the capital increase account. On 31st December 2011, ADIB – UAE has approved the transfer of the Bank's total amount the supporting finance granted to the Bank in amount of EGP 199 million to the capital increase account, reaching the total amount paid under the capital increase account to EGP 1,861 million on 30 June 2019 (31st December 2018: EGP 1,861 million)

32. Reserves

	30 June 2019 LE 000's	31 December 2018 LE 000's
Legal Reserve	22,878	22,878
General Reserve	42,522	42,522
Special Reserve	17,165	26,257
General Banking Risk Reserve	8,755	174,516
IFRS9 risk reserve	-	190,095
General Risk Reserve	158,088	-
Fair value reserve	42,310	9,264
Total reserves at the end of the period	**291,718**	**465,532**

Reserves movement are as follows:

32.1 Special Reserve

	30 June 2019 LE 000's	31 December 2018 LE 000's
Adjustments resulted from changes in measurement policy of AFS financial investments for previous years	17,165	17,165
Adjustments resulted from changes in measurement policy of financing and facilities impairment for previous years	-	9,092
Total	**17,165**	**26,257**
Balance at the beginning of the year	26,257	26,257
Impact of IFRS 9 first implementation	(9,092)	-
Transferred from (to) accumulated losses	-	-
Total	**17,165**	**26,257**

Distribution of this reserve shall not be permitted without the approval of the Central Bank of Egypt.

32. Reserves – continued

32.2 General Banking Risk Reserve

	30 June 2019 LE 000's	31 December 2018 LE 000's
Balance at the beginning of the year	174,516	115,585
Impact of IFRS 9 first implementation	(174,516)	-
Transferred from (to) accumulated losses	8,755	58,931
Total	**8,755**	**174,516**

32.3 IFRS 9 risk reserve

	30 June 2019 LE 000's	31 December 2018 LE 000's
Balance at the beginning of the year	190,095	190,095
Impact of IFRS 9 first implementation	(190,095)	-
Total	**-**	**190,095**

32.4 General Risk Reserve

	30 June 2019 LE 000's	31 December 2018 LE 000's
Transferred from Special Reserve - Credit	9,092	-
Transferred from General Banking Risk Reserve	174,516	-
Transferred from IFRS9 risk reserve	190,095	-
Impact of IFRS 9 first implementation	(215,615)	-
Total	**158,088**	**-**

- Distribution of this reserve is prohibited unless it's approved from CBE.

32. Reserves – continued

32.5 Fair Value Reserve

	30 June 2019 LE 000's	31 December 2018 LE 000's
Balance at the beginning of the year	9,264	5,525
Impact of IFRS 9 first implementation	(4,417)	-
Impact of IFRS 9 first implementation for deferred tax	994	-
Net change in fair value of equity instruments during the period	19,049	103
Net change in fair value of debt instruments during the period	21,904	3,636
Deferred tax recognized during the period	(4,484)	-
Total	**42,310**	**9,264**

33. Accumulated Losses

	30 June 2019 LE 000's	31 December 2018 LE 000's
Balance at the beginning of the year	(1,360,681)	(2,138,299)
Net profit for the period / year	601,213	803,907
Transferred from general banking risk reserve	(8,755)	(58,931)
Amortization of subordinated financing using EIR method	16,384	32,642
Total	**(751,839)**	**(1,360,681)**

34. Cash and Cash Equivalent

For purposes of presenting the cash flow statement, cash and cash equivalents shall conclude the following balances whose maturity dates do not exceed three months from the date of acquisition:

	30 June 2019 LE 000's	31 March 2018 LE 000's
Cash and Due from CBE	4,931,533	3,301,760
Due from banks (with maturity less than 3 months)	194,312	171,317
Treasury bills (91 days maturities)	3,328,256	7,185,466
Total	**8,454,101**	**10,658,543**

35. Contingent Liabilities and Commitments

35.1 - LGs, LCs and other commitments' Liabilities

	30 June 2019 LE 000's	31 December 2018 LE 000's
Import / Export Letter of Credit	5,386,389	5,821,116
Letter of Guarantees	3,501,642	2,270,018
Documentary Credit	1,137,446	2,529,298
Financial guarantees	640,155	790,514
Total	**10,665,632**	**11,410,946**

35.2 - Commitments for operating lease Contracts

LE 000's

30 June 2019	Up to (1) year	More than (1) year & less than (5) years	More than (5) years	Total
Operating lease commitments	45,897	177,977	32,627	**256,501**
Capital commitments resulting from purchase of fixed assets	19,988	-	-	**19,988**

31 December 2018	Up to (1) year	More than (1) year & less than (5) years	More than (5) years	Total
Operating lease commitments	41,002	125,448	16,741	**183,191**
Capital commitments resulting from purchase of fixed assets	4,157	-	-	**4,157**

36. Related Parties Transactions

36.1 The related parties balances included in balance sheet are as follows:

	Subsidiaries & Associates		Major shareholders	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Assets	LE 000's	LE 000's	LE 000's	LE 000's
Financing and facilities to customers	792,187	735,183	-	-
Due from banks	-	-	156,587	180,510
Other assets	4,566	8,052	5	-
Total assets at the end of the period	**796,753**	**743,235**	**156,592**	**180,510**

	Subsidiaries & Associates		Major shareholders	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Liabilities	LE 000's	LE 000's	LE 000's	LE 000's
Due to banks	-	-	11,199	23,294
Customers' deposits	143,909	69,815	-	-
Other liabilities	-	-	8,353	4,478
Subordinated financing	-	-	1,280,579	818,508
Paid under capital increase	-	-	1,861,418	1,861,418
Difference between face value and present value of subordinated financing	-	-	63,900	69,849
Total liabilities at the end of the period	**143,909**	**69,815**	**3,225,449**	**2,777,547**

36.2 Transactions with related parties are represented during the year as follows:

	Subsidiaries & Associates		Major shareholders	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	LE 000's	LE 000's	LE 000's	LE 000's
Income from Murabaha, Musharaka, Mudaraba and similar income	20,393	8,748	(1,125)	429
Cost of deposits and similar expenses	(2,748)	(740)	-	(934)
Fees and commissions income	3,556	-	-	-
Fees and commissions expenses	(2,359)	(1,671)	-	-
Other operating income	401	-	-	-
Cost of subordinated financing without coupon using EIR	-	-	(22,449)	(7,862)
Cost of subordinated financing with coupon	-	-	(16,384)	(4,989)

The salaries, wages and in-kind benefits on 30 June 2019 shall include an amount of EGP 17.110 Thousand, which shall represent the total number of the twenty reward and salaries holders in the bank together.

Translation of Financial Statements originally issued in Arabic

Notes to Separate Financial Statements For The Period Ended 30 June 2019

37. Defined benefits obligations

Liabilities recognized in statement of financial position:	30 June 2019 LE 000's	31 December 2018 LE 000's
Medical benefits postretirement	95,698	74,998
Total	**95,698**	**74,998**
Existing balances in balance sheet represented in		
Present value for non financed liabilities	184,619	180,898
Actuarial losses not recognized	(88,921)	(105,900)
Liabilities in balance sheet	**95,698**	**74,998**
Movement in liabilities during the period		
Estimated obligation at the beginning of year	180,898	162,029
Cost of current service	916	1,604
cost of income	15,720	28,045
Benefits paid	(12,915)	(10,780)
Estimated obligations at the end of period	**184,619**	**180,898**
Balance sheet settlement		
Liabilities (Assets) in balance sheet	74,998	47,787
Calculation of recognized pension in profit or loss in the financial year	33,615	37,992
Paid benefit from company side through financial year	(12,915)	(10,781)
Liabilities (assets) in balance sheet the end of period	**95,698**	**74,998**

Amounts recognized in income statements	30 June 2019 LE 000's	30 June 2018 LE 000's
Medical benefits postretirement	(33,615)	(11,546)
Total	**(33,615)**	**(11,546)**
Amounts recognized in income statements represented in:		
Cost of current service	33,615	11,546
Cost of early retirement recognized in profit or loss	**33,615**	**11,546**

The actuarial losses shall be amortized over the remaining average years of business. The year's amortization amounted to EGP 10,350 thousand.

The main actuarial assumptions used by the bank are as follows:

	30 June 2019 LE 000's	31 December 2018 LE 000's
Average assumptions for defining benefits obligations		
Discount on medical benefits post retirement rate	18%	18%
Increase of compensation rate	13%	13%
Inflation rate	12%	12%

37. Defined benefits obligations (continued)

37.1 Savings Insurance Fund for Employees

On 1st July 2013, the Bank established a Private Social Security Fund (the Fund) under Law No. 54 /1975, concerning "The Private Insurance Funds Law and its Executive Regulations. The Bank registered the Fund on 14th January 2014 under registration number with the Financial Regulatory Authority (FRA) (884). The Fund started as of 1st April 2014. The provisions of this Fund and its amendments shall apply to all employees of the main office of the Bank and its branches in the Arab Republic of Egypt.

The Bank shall be obliged to pay the due contributions to the Fund for each month as calculated in accordance with the Fund's Regulations and its Amendments. The Fund shall be generally financed through monthly contributions and some other resources specified in the Fund's Regulations.

Insurance benefits shall be paid in the case of termination of service due to the member reaching the age of retirement, death, permanent disability or permanent partial disability causing ending of service. In the event that the term of membership is less than (3) three years, the member of the Fund shall be paid the final balance of the employee's account corresponding to the contributions paid to the employee by the Fund on the date of termination of service or membership.

The approval of FRA shall be taken to start investing the monthly contributions due to the employees and deposit thereof in the investment account of the Fund Director.

37/2 System of defined benefits for the medical care of the senior Employees during the period of service and after retirement

The Bank has a defined benefit system for medical care for senior employees during the period of service and after retirement. The Bank has assigned an independent actuarial expert to estimate the liabilities arising from the above mentioned medical care system using the estimated unit credit method.

The most important assumptions used by the actuarial expert as follows:

- Mortality Rate Based on British table ULT25-A49
- The rate of inflation of medical care costs 1.5%
- Interest rate used as a basis for deduction 18%
- (Projected Unit Credit Method) is used in the calculation of liabilities.

38. IFRS 9 implementation Differences

38.1 Recognition Impact of Expected Credit Losses

	1-Jan-19 LE 000's
Recognition Impact of Expected Credit Losses	
Provisions charged according to CBE instructions in 16 December 2008	
Impairment losses provision for financing & facilities to customers	1,355,613
Provisions for contingent liabilities	77,651
Total	**1,433,264**
Expected Credit Losses according to IFRS 9	
Credit losses provision for financing & facilities to customers	1,573,491
Expected credit losses provision for contingent liabilities	69,267
Expected credit losses provision for due from banks	33
Expected credit losses provision for financial investments at amortized cost	6,088
Total	**1,648,879**
IFRS 9 implementation Differences	**215,615**

38.2 Classification and Measurement of the Financial Assets and Financial Liabilities

LE 000's

	31 December 2018			1-Jan-19			
	Classification	Measurement	Book Value	Amortized Cost	FVOCI	Impact of IFRS 9 first implementation	Investments' Book Value Through OCI
Treasury bills	Treasury bills & Other governmental securities	Amortized Cost	9,723,271	3,888,047	5,835,224	(11,891)	5,823,333
Treasury bonds	Held To Maturity	Amortized Cost	7,028,072	6,991,109	36,963	3,619	40,582
Mutual funds certificates	Held To Maturity	Historical Cost	10,084	-	10,084	3,855	13,939
Total			16,761,427	10,879,156	5,882,271	(4,417)	5,877,854

39. Tax Position

Tax on Corporate Profits

Years until 2017

- All taxes due for that period have been reviewed and paid.

Years until 2018

- Tax return has been submitted on the specified legal dates.

Tax on Proceeds of Treasury Bills and Bonds

Years from 2009 /2012

- The decision of the appeal committee was issued for that period and was appealed. A case was filed and the first hearing was not set up to date. All taxes due for that period were settled and paid in accordance with the decision of the appeal committee after benefiting from the law for exceeding fines.

Years 2013- 2017

- All taxes due for bills and bonds for that period were paid and had been objected on and the dispute is being referred to the appeal committee.

Salaries Tax

- Years 2013/ 2014 were examined and an internal committee has been constituted, the examination result has been approved and the examination differences have been paid.
- The Tax Department was not notified of the examination related with 2015- 2016 years
- The bank shall pay the monthly salaries according to the specified legal dates.

Stamp duty

Years till 2015

- The examination was completed for that period and all taxes due for that period were settled and paid and the result of examination was objected the dispute is being resolved by the internal committee.

Years 2016-2017-2018

- The Bank has not yet been notified of examination thereof.

- Tax Position - Continued

Sales Taxes

- The sales tax examination, base and payment were completed from the beginning of registration until 2015
- Years 2016/2017 has not any examination thereof.

Real Estate Tax

- Real estate tax on buildings owned by the bank is paid each year periodically and all due taxes were paid till 2018.