2019 ANNUAL REPORT

Bank Audi
EGYPT

Bank Audi

BANK AUDI "S.A.E."

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED **31 December 2019**

ANNUAL REPORT
2019

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01
OVERVIEW

1. Overview

A | The Chairman's Statement

It has been most challenging for me to scribe an appropriate statement about Bank Audi Egypt in 2019 without referencing the current global, regional and local situation in 2020. The impressive achievements of our Bank have to be placed in that context and in many ways are dwarfed by the magnitude and importance of the human turmoil and tragedy caused by an unprecedented and as yet unresolved global pandemic affecting all aspects of our current and foreseeable lives.

Ultimately our Bank is about people, from those who work within it to serve those who partner with us as customers, shareholders, suppliers, regulators or other interested parties such as the Egyptian community at large. I am humbled by the fact that despite everything beyond our control and remit our Bank has managed to sustain more than ever its consciously positive role and contributions to all stakeholders.

I must thank all those whose dedication, spirit and innovation continues to drive us and Egypt forward during this great upheaval and uncertainty. We all admire their fortitude, leadership and management skills and with the unstinting support and stimulation initiatives of both the Central Bank of Egypt and our Government we have been able to steer a course through these unchartered and disturbed waters. The Bank is also grateful to our shareholder representatives who have continued to support and encourage all our endeavours despite the additional tragic and unsettling events in Lebanon.

The Bank's consistent strategy and aligned culture has already created benefits. The pandemic has hastened the growing use and importance of digital technology in helping to reach and serve the ever increasing requirements and range of banking customers in Egypt. Our forefront position and ongoing commitment to this transformation has become one of the bedrocks of sustaining our development alongside sound governance practices and focusing on building lasting and reciprocal relationships with our customers.

Our financial performance in 2019 was exemplary across key measurement indicators of tangible and intangible success. I am delighted to report that so far in 2020 we have maintained that performnce along with continuing our branch expansion and introduction of new products. Our drive and efforts have limited the inevitable financial downsides and placed us in an even stronger position to sustain our development and contribution to the Bank's stakeholders and the Egyptian community at large. Despite COVID 19, glimmers of light exist and the Egyptian economy is still forecast to show positive growth in fiscal 2020 and 2021. Therefore, I remain hopeful that Bank Audi and the Egyptian community that we serve, through the combined actions of working together as one great family, will prove ready, able and willing to reap the benefits of the opportunities that will eventually emerge from the current traumas that we face. I thank you all most sincerely for your continued endeavours.

Mr. Hatem Sadek
Non-Executive Chairman
Bank Audi Egypt

B | CEO and Managing Director Statement

Dear Shareholders, Customers and Colleagues,

The year 2019 marked another round of success and achievements for Bank Audi –Egypt. It was a remarkable year with significant accomplishments on many fronts that indicated Bank's sustainable growth.

Our strategy aims at driving profitable growth by creating value to all stakeholders while providing best-in-class customer experiences based on innovation and operational excellence. As such, the Bank was recognized as **"Best Data-Centric Transformation & Managing Customer Journey in the MENA region for the year 2020"** by "Trusted Advisors". This highlights Bank Audi's uncompromising mission to build lasting relationships with clients who share our aspiration for being partners by mutual choice.

We believe that sustainability was the key element in achieving such positive figures in 2019. Bank Audi has maintained a compounded average growth rate of 17.2% for the last two years despite the challenges and changes in the banking environment in Egypt, and we seek to sustain more growth in the coming years.

With regard to the concept of Financial Inclusion that is being widely endorsed by the Central Bank of Egypt (CBE), the Bank is keen on expanding its execution broadly to support the reduction of physical monetary transactions and help in transforming the Egyptian society into a cashless one. As such, Bank Audi - Egypt has rolled out a series of services and features as to cope with CBE's directives. In 2019, Bank Audi - Egypt has encompassed "Meeza Cards" features on its wide array of credit and debit cards aiming at supporting the development of electronic payment system's in the Egyptian market.

With the Bank's consciousness and adaptability on the latest banking technological trends worldwide, Bank Audi - Egypt has worked on several projects in this arena so as to enhance the digital and electronic channels that will continue through 2021.

We started the Omni - Channels project in order to enrich our internet banking and introduced a new mobile application with the same look and feel and a whole set of new functions and options for the customers. The new Omni-channels will enable our customers to reach the Bank through different digital channels and to start a transaction on one channel with the option to finish it on the other at their own pace. This aligns with the enhancement of "Audi-Online" features as customers soon will be able to pay their bills and utilities through our internet-banking platform easily and safely. The Bank has also enhanced its wallet application "Audi-2-Pay" with new payment options, which resulted in tripling our subscribers on the wallet application. Accordingly and as demonstrated, the Bank has proven throughout the last decade to be a resilient key player in the digital financial technology in Egypt.

On the Branches as part of its enduring strategic plan to further expand in the Egyptian market and service locally the largest number of customers requiring personalized interface, Bank Audi inaugurated seven new branches across Egypt during 2019, in addition to two more branches early 2020, one of them dedicated to our Islamic Clients in addition to the three existing specialist Islamic branches. The new branches offer Bank's clients the best banking products and the highest quality services being a pioneer in providing competitive retail banking products and services in the Egyptian market.

On the Corporate Social Responsibility level, Bank Audi-Egypt has been fostering a number of initiatives as to integrate its social, environmental and economic practices into its core banking operations. This aims at helping improving the society, and ensuring long-term value to all stakeholders (employees, customers, community, shareholders and third parties), and this comes in line with Egypt's commitment to achieve the "Egypt's Vision 2030".

Finally, I would like to thank our shareholders for their continuous support and for constantly believing in us, mirroring their belief in the Egyptian economy and our Bank's strong prospects in the market. Additionally, I would like to express my deepest sincerity to all my colleagues for their professional attitude and for their continued striving towards our values and their exceptional performance. Furthermore, I would like to express our sincerity thanks to our clients for their loyalty and trust over the last few years.

Mr. Mohamed Bedeir
Chief Executive Officer and Managing Director

C | Bank Audi sae Strategic Direction & Values Bank Audi sae

Vision:

To be the Egyptian partner of choice to Bank with, Work for and Invest in.

Mission:

To deliver a superior level of service and provide easy access to innovative and tailored products and services for targeted segments through user appropriate modular channels, and the sharing of our knowledge by highly trained and innovative staff, working in meritocracy, so as to provide sustainable value to our stakeholders and community.

Bank Values:

Transparency
Ensure open communication with all stakeholders to maintain trust, integrity, and accountability.

Human Capital
Promote diversity, provide equal opportunity, reward talent and value teamwork.

Heritage
Enhance the reputation of Bank Audi sae by building on our record of accomplishment and contribution.

Quality
Strive for excellence and professionalism in everything we do.

Civic Role
Be good citizens in the communities in which we live and work.

Innovation
Encourage creativity and continuous development.

D | Overview of Bank Audi Group

Founded in 1830, the Bank was incorporated in its present form in 1962 as a private joint stock company with limited liability (société anonyme libanaise) with a duration of 99 years. The Bank is registered on the Beirut Commercial Registry under number 11347 and on the Lebanese List of Banks under number 56.

The initial shareholders of the Bank were members of the Audi family, together with certain Kuwaiti investors. Since 1983, the shareholder base has expanded and currently is comprised of more than 1,500 holders of Common Shares and Global Depositary Receipts (representing Common Shares). The Global Depositary Receipts evidencing the Common Shares are listed on both the Beirut Stock Exchange and the London Stock Exchange and the Bank's Common Shares are listed on the Beirut Stock Exchange.

The Bank's head office and registered address is Bank Audi Plaza, Omar Daouk Street, Bab Idriss, Beirut 2021 8102, P.O. Box: 11-2560, Beirut, Lebanon.

The Bank is a regional Bank. It operates principally in Lebanon, the MENA region and, Turkey offering a full range of products and services that principally cover commercial, corporate banking, retail, personal banking, and private banking, as well as ancillary activities such as Capital Market activities and factoring. As at end-March 2019, the Bank ranked first among Lebanese banks in terms of total assets (LL 70,004 billion), shareholders' equity (LL 5,979 billion), customers' deposits (LL 47,214 billion), loans and advances (LL 18,758 billion) and net profits in first quarter 2019 (LL 183 billion). In addition to its historic presence in Lebanon, Switzerland and France, the Group currently operates in Jordan, Egypt, Saudi Arabia, Qatar, Abu Dhabi (through a representative office), Monaco, Turkey and Iraq.

As at end-March 2019, the Bank had one of the largest branch networks in Lebanon, with 86 branches (82 operating) covering the Greater Beirut area and other strategic regions in Lebanon, as well as, through its foreign subsidiaries, a network of 112 branches in the MENA region (outside of Lebanon), including 14 branches in Jordan, 50 in Egypt and 53 branches in Turkey. The Bank has two subsidiaries in Lebanon, two subsidiaries in Europe, as well as an asset management company in Monaco, four subsidiaries in the MENA region outside Lebanon and a subsidiary in Turkey.

Since 2005, the Bank has undertaken significant regional expansion and has the fourth largest coverage among the top 15 Arab banking institutions in the MENA region with operations in 10 countries, excluding Lebanon, through a network of branches and subsidiaries developed mainly through green-field operations. As a result of this regional expansion, an increasing percentage of the Bank's assets are contributed by its operations outside Lebanon. Management intends to continue to seek growth opportunities both in Lebanon and abroad over the medium term.

As at end-March 2019, the Bank and its consolidated subsidiaries had 6,248 employees, including 3,122 persons employed in Lebanon, 1,076 persons employed at Odea Bank in Turkey and 1,454 persons employed at Bank Audi Egypt.

E | Key Financial Highlights of Bank Audi sae

Bank Audi Egypt continues to be driven by an uncompromising mission to build lasting relationships with clients who share our aspiration for being partners by mutual choice. We see a key part of our contribution to this affinity partnership being based around our values and the creation of value. We strive for professionalism, innovation, and quality of service. Through the sharing of information and applying our knowledge and capabilities, we try to meet the changing financial service needs of our clients. In this way, the Bank's management and staff aspire to apply our values to make each day better than the day before.
In line with its continued focus on sustainability, the Bank recorded outstanding financial performance ratios in 2019. Net profit recorded EGP 1,4 Billion, which represented a growth of 11%, compared to the previous year. This increase was achieved despite the slowdown in lending business , Net Interest Income increased by 17% (y-o-y) to reach EGP 2.8 Billion at end of December 2019, Foreign Exchange translation losses represented EGP 109,03 Million. Salaries and related costs increased by 14% and other administrative costs by 11% In parallel, consolidated Customers' Deposits reached EGP 65,5 Billion at end of December 2019, rising by 11% compared to 2018, Total assets reached EGP 75 Billion at end of December 2019, recording an increase of 10% compared to 2018. Total equity increased to EGP 7,1 Billion versus EGP 6,7 Billion in 2018 with capital adequacy ratio 24,52%. Earnings per share were 36,58 and leverage increased to 8.30% (versus 8.02%).

The global and regional economy in 2019

The global economy saw a softer activity during the year 2019, with manufacturing and trade displaying signs of weakness. While momentum in the industrial sector across the globe has Weakened to a decade low, accrued trade concerns and geopolitical tensions took a toll on investor confidence and global trade activity. As a matter of fact, ongoing trade tensions resulting in rising tariffs between the United States and China, the world's largest economies, caused heightened policy uncertainty and had adverse spillovers on business confidence and investor sentiment globally while leading to a deceleration in investment activity. This exacerbated the cyclical slowdown of the global economy. Within this context, the International Monetary Fund revised down its real GDP growth estimates for the global economy to 3.0% in 2019, against 3.6% in 2018, thus marking a decade low unseen since the global financial crisis.

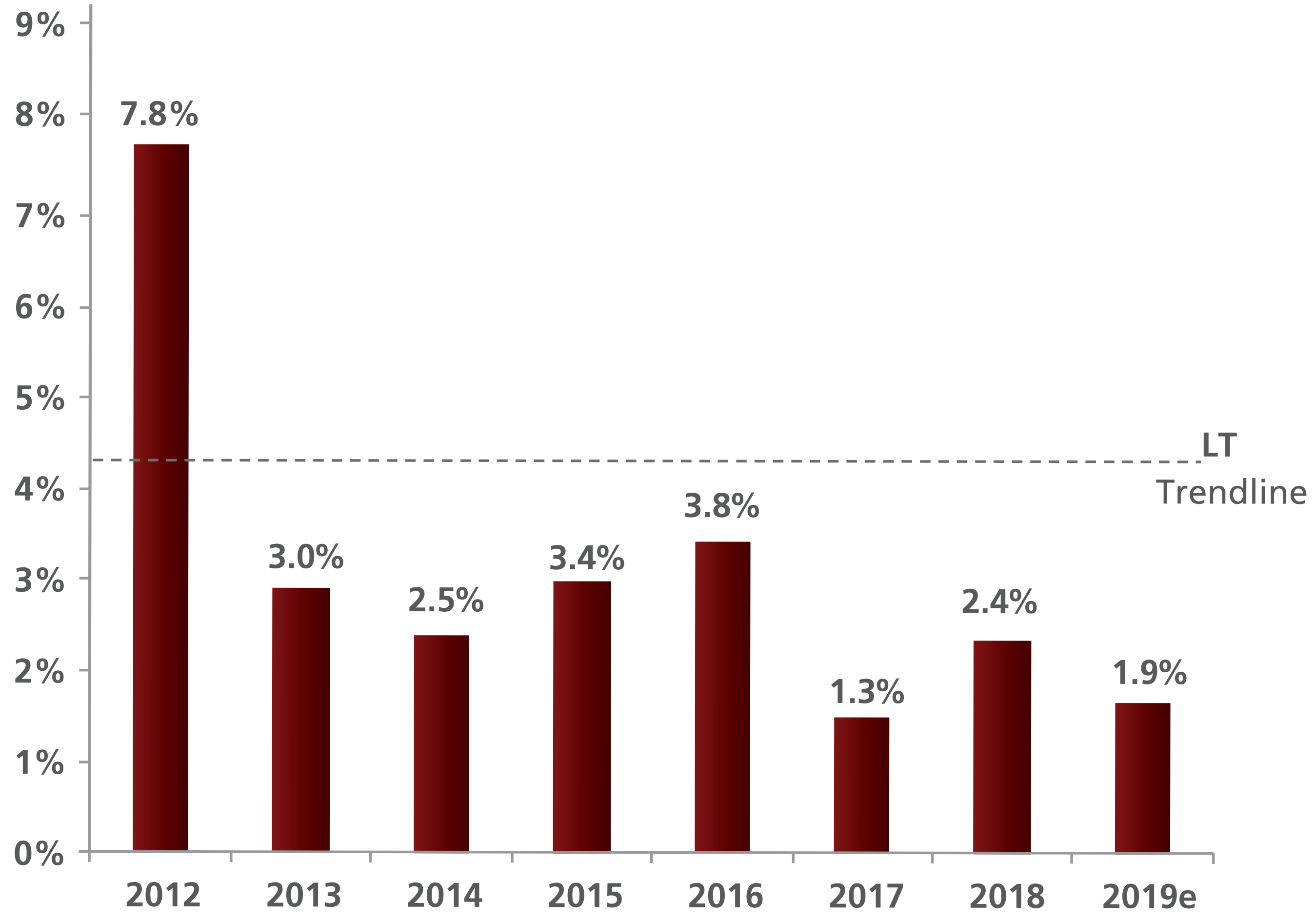
World Economic Indicators

	2014	2015	2016	2017	2018	2019e
Real GDP growth	3.6%	3.4%	3.4%	3.8%	3.6%	3.0%
Average inflation	3.2%	2.8%	2.8%	3.2%	3.6%	3.4%
Current account balance / GDP	0.5%	0.3%	0.3%	0.5%	0.4%	0.3%
Fiscal balance / GDP	-2.8%	-3.2%	-3.4%	-3.1%	-3.0%	-3.6%
Government debt / GDP	78.8%	79.9%	83.0%	81.8%	82.2%	83.0%

Sources:IMF, Bank Audi's Group Research Department

The deteriorating global growth prospects during 2019 coupled with subdued price pressures encouraged monetary authorities across the globe to shift back to an accommodative monetary stance to support the global economy and limit spillovers of ongoing trade tensions and global growth concerns, thus easing global financial conditions after rate hikes/reduced easing in the previous couple of years. The US Federal Reserve cut its policy rate three times in 2019 by a total of 75 basis points, the first rate cuts since the global financial crisis. The ECB reduced the interest rate on its deposit facility by 10 bps in September and restarted net purchases of assets in November. Many other regulators adopted a more accommodative stance, and the IMF said there had been a policy easing in economies representing about 70% of world GDP. All this acted as some sort of counterbalancing force that helped mitigate concerns about the increased downside risks to the global economy.
Amid this global environment, the MENA region witnessed further slowdown in 2019. Geopolitical tensions in the broad region rose, compounding downside risks to economic growth. Within this environment, real GDP growth for the Arab World decelerated to around 1.9% in 2019 from 2.4% in 2018, reflecting growth contractions in the region's largest oil-exporting and oil-importing economies.

MENA Real GDP Growth



Sources: IMF, Bank Audi's Group Research Department

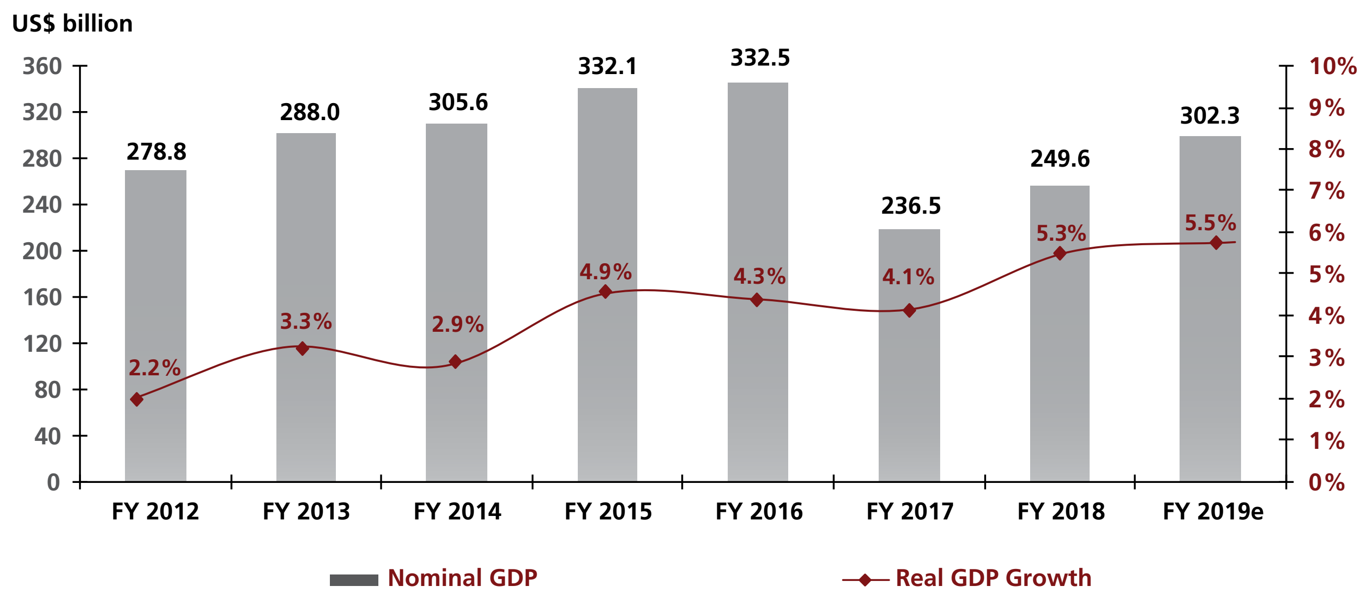
For the region's oil exporters, growth remained subdued, amid volatile oil prices, precarious global growth, elevated fiscal vulnerabilities, and heightened geopolitical tensions at large. In parallel, growth in oil-importing countries of the MENA region remained muted. High public debt levels and associated financing costs are not only held back growth in the region, but also posed a source of acute fiscal stress. In addition, a mix of sustained social tensions, unemployment, and global headwinds left policymakers facing a difficult trade-off between rebuilding fiscal buffers and addressing growth challenges.

The MENA banking sectors remained at the image of macroeconomic developments at large. Measured by the consolidated assets of MENA banks, banking activity reported an annual growth of 7.9% in November 2018 relative to the same month of the previous year. Likewise, deposits registered a growth of 5.2% and loans reported a growth of 4.9% over the same period. Not less importantly, MENA banks' net banking profitability remained under pressure within the context of relatively modest activity growth and tough operating conditions in their respective economies.

Egypt's economy stabilized in 2019 its robust growth performance, the improvement in its public finances, while external accounts are stabilizing at broadly favorable levels. Egypt remained committed to its successful reform program, following completion of its three-year Extended Fund Facility with the IMF in November 2019.

As a matter of fact, real GDP growth reached 5.5 percent in FY 2019, the highest in the MENA region, up from 5.3 percent in FY18. This pickup was driven by net exports, as goods and services exports inched up in tandem with a contraction of oil imports (supported by the increase in natural gas production). Private investment is Also picked up. On the sectoral side, gas extractives, tourism, wholesale and retail trade, real estate and construction were the main drivers of growth. Parallel to the outstanding growth performance, Egypt's unemployment rate reported a 10-year low of 8.6% in FY 2019, against 10.9% in FY 2018. Still, social conditions remained relatively difficult, as the economy recovered from the preceding period of higher cost of living.

Evolution of Egypt Economic Growth



Sources: IMF, Bank Audi's Group Research Department.

At the monetary level, Inflation receded relatively in 2019, paving the way for monetary easing. The Headline Inflation rate reported 7.1% in December 2019, against 12.0% in December 2018. The Central Bank of Egypt slashed the benchmark deposit rate four times in 2019, moving from 16.75% at end-2018 to 12.25% at end-2019. In parallel, international reserves have risen further to US$ 45.4 billion in December and the current account deficit reported 3.1% of GDP, continuing its descent since the Central Bank of Egypt's exchange rate reform in 2016 when the current account deficit was 6.0% of GDP. It is worth mentioning that another component of exchange rate liberalization was achieved in September 2019 with the abolition of the "customs dollar" – a fixed exchange rate applicable to trade transactions. It is also worth mentioning that the Egyptian Pound appreciated by 10.4% relative to the US$ in 2019, mirroring the improved external and fiscal conditions. Having said that, while a stronger Egyptian pound (EGP) is likely to weaken the growth impetus from external demand, further monetary easing by the Central Bank of Egypt (CBE) should support a recovery in private consumption and investment.

At the fiscal level, there was a further improvement in public finances over the past year. Fiscal deficit to GDP decreased from 9.4% in FY 2018 to 7.6% in FY 2019, contracting the debt to GDP ratio from 92.7% to 84.9% respectively. The government's fiscal 2020 budget targets a decline in the deficit to 7.2% of GDP while maintaining a primary surplus of 2.0%. The budget incorporates the achievement of cost recovery in the pricing for most fuel products and ongoing electricity tariff hikes, implementation of the fuel indexation mechanism, alongside a rise in social spending, civil service salaries, and pension payments.

At the capital markets level, equity and fixed income markets were at the mirror image of improving macroeconomic conditions. The Stock Market Price Index expanded by 7.1% in 2019 amid higher turnover and better market liquidity and efficiency. The annual trading value rose by 11.6% year-on-year to reach US$ 25.5 billion in 2019. As to fixed income markets, the 5-year CDS spread, a measure of the market perception of sovereign risks, contracted by 114 bps in 2019 to reach 277 bps at end-year.
At the banking sector level, activity continued to expand at sound levels, with assets, deposits, loans and profits growing by double-digits annually in USD terms amid a supportive macroeconomic environment. Deposits grew by 21.2% in USD term over the year-to-October 2019. Loans grew by 12.0% over the same period, while total assets grew by 19.5%. The aggregate net profits of listed banks rose by 27.9% in the first nine months of 2019 relative to the same period in 2018 within the context of an improving economy supporting operating conditions, loan growth and profitability.

Comparative Banking Sector Indicators in Egypt

	Dec-17	Oct-18	Variation %	Change	Dec-18	Oct-19	Variation %	Change
Bank Assets	271.0	304.9	33.9	12.5%	303.2	362.3	59.1	19.5%
Bank Assets	187.5	205.3	17.8	9.5%	213.1	258.3	45.2	21.2%
Bank Loans	82.4	94.9	12.5	15.2%	101.3	113.4	12.1	12.0%

Sources:IMF, Bank Audi's Group Research Department

02 CORPORATE GOVERNANCE

Innovative Integration

Pioneering through collective strengths, allowing us to plunge forward with action while maintaining a strong, united core.

Board Members & Committees

Members of the Board of Directors serving throughout the year 2019 were elected by a resolution of the Ordinary General Assembly of shareholders held on March 2018 for a three-year term expiring on the date of the annual Ordinary General Assembly meeting (expected to be held in March 2021) that will examine the accounts and activity of the year 2020. The structure of the Board of Directors serving at the date of this report is as follows:

Bank AUDI S.A.E.

Egypt

BOARD OF DIRECTORS

		Member of the Audit Committee	Member of the Risk Committee	Member of the Corporate Governance & Nomination Committee	Member of Remuneration Committee
MR. HATEM A. SADEK	Chairman		*	Chair*	
MR. MOHAMED M. BEDEIR	CEO & Managing Director		*		
MR. SAMIR N. HANNA	Member				*
DR. IMAD I. ITANI	Member	Chair*			
MR. KHALIL ELDEBS	Member	*			
MR. MOUNIR F. ABDELNOUR	Member	*		*	*
MR. TAMER M. GHAZALEH	Member				
MR. AHMED F. IBRAHIM	Secretary of the board				

EXECUTIVE COMMITTEE

MR. MOHAMED M. BEDEIR	CEO & Managing Director
MR. MOHAMED R. LATIF	Chief Institutional & Islamic Banking Officer
MR. MOHAMED A. SHAWKY	Chief Financial Officer
MR. SHERIF M. SABRY	Chief Corporate Banking Officer
MR. KARIM F. HOSNI	Chief Risk Officer
MR. BASSEL E. KELADA	Chief Operating Officer
MR. HESHAM F. RAGAB	Chief Legal Counsel

Biographies of Board Members

Mr. Hatem Sadek

Non-Executive Chairman from March 2017
Chairman & Managing Director
from May 2006 until March 2017

Mr. Hatem Sadek (Non-Executive Chairman from March 2017 Chairman & Managing Director from May 2006 until March 2017)

Mr. Hatem Sadek graduated with a BSc in Economics & Political Science from Cairo University. He started working in 1964 as an assistant to the Chief Executive Officer in the Information Bureau of the President of Egypt. Between 1968 and 1974, Mr. Sadek became Manager of the Research Center for Strategic Studies and editor at Al Ahram newspaper. He then joined the Bureau of the Secretary General of the League of Arab States for one year. Mr. Sadek's banking career started in 1976 when he established Arab Bank PLC regional office and branches in Egypt and held the position of Senior Executive VP & Chief Country Manager; in addition to Chairman of the Strategic Planning Committee for the Arab Bank worldwide between 2000 - 2001.

Mr. Hatem Sadek then moved to Misr International Bank (MIBank) in 2001 where he held the position of Deputy Executive Chairman of MIBank as well as Deputy Chairman, Supervisory Board of MIBank Europe Gmbh, Frankfurt, Germany. From 2003 till 2005, he was MIBank's Executive Chairman where he launched and supervised MIBank's 5-year total restructuring program, until the Bank was acquired by Nationale Société Generale in September 2005.

Mr. Sadek then became Consultant to Banque Misr's Board of Directors for Change and Restructuring Programs before joining Bank Audi sae in 2006 as Chairman & Managing Director. He was also a Board Member of Odeabank A.Ş Turkey, a subsidiary of Bank Audi sal between June 2012 and March 2017.

Mr. Mohamed Bedeir

CEO and Managing Director

Mr. Mohamed M. Bedeir (CEO and Managing Director From August 2019)

The Board of Directors nominated Mr. Bedeir as Acting CEO & Managing Director since April 2019. Mr. Bedeir is a Board Member & Deputy CEO, Managing Director of Bank Audi Egypt since June 2016.
Mr.Bedeir's banking career spans nearly 28 years bringing his expertise in banking and financial industry to his role in Bank Audi – Egypt.

Mr. Bedeir has an extensive experience in all the activities of Corporate Banking, Commercial Banking, Retail Banking, Treasury, Risk Management, Market Risks, Asset & Liability Management, Trade Finance, Finance, Information Technology, MIS, and Financial Planning.

Mr. Bedeir began his career in 1991 where he worked with Misr International Bank in Letter of Guarantees, Import and Export L/Cs, as well as multinational corporate banking field. Thereafter, he held progressively senior positions whereby in 2000 he managed Investment and Private Equity Division, and then served as the Head of Asset & Liability Management in 2002.

In 2005, he moved to National Societe General Bank – Cairo as he was nominated as the Head of Asset & Liability Management. In early 2007, Mohamed Bedeir was appointed as the Head of Market Risk, Asset & Liability Management in Bank Audi – Egypt, while in 2008 he shifted to be the Deputy Chief Financial Officer.

In 2009, Bedeir was nominated to be the Chief Financial Officer at Bank Audi – Egypt. Finally in 2016, he became the Deputy CEO, Managing Director & Executive Board Member overlooking & supervising the Retail Banking, the branches, the Finance, all the operations departments and the IT.

Since joining Bank Audi – Egypt, Bedeir has worked to share Bank Audi's strategy and vision with different stakeholders ensuring the Bank's sustainability.
Mr. Mohamed Bedeir graduated from Sadat Academy for Managerial Science – Faculty of Management, earning his bachelor's degree in Arts: Management, Concentration: [Banking]. Bedeir received his MBA from Arab Academy for Banking & Financial Sciences in 2011.

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Mr. Samir Hanna

Non-Executive Board Member

Samir Hanna (Non-Executive Board Member)

Samir Hanna is the Chairman and Chief Executive Officer of the Bank Audi Group. He joined Bank Audi sal in January 1963 and held several managerial and executive positions across various departments of the Bank. He was appointed General Manager of Bank Audi sal in 1986 and member of its Board of Directors in 1990.

In the early 1990s, he initiated and managed the restructuring and expansion strategy of Bank Audi sal, transforming it into a strong banking powerhouse offering universal banking products and services including Corporate, Commercial, Retail, Investment and Private Banking. He grew the Bank to its current position as the largest bank in Lebanon (and among the top Arab banking groups), with a presence in 10 countries. Mr. Samir Hanna was elected Chairman of the Board of Bank Audi sal, succeeding Mr. Raymond Audi, on 10 April 2017.

As Group Chief Executive Officer, he heads all aspects of the Bank's Executive Management.

Dr. Imad I. Itani

Non-Executive Board Member

Dr. Imad I. Itani (Non-Executive Board Member)

Dr. Imad Itani is the Head of Retail Banking of the Bank Audi Group.He has served as a member of its Board of Directors since 2002 and has been a General Manager since 2004.
Dr. Itani started his banking career at Bank Audi sal in 1997, after having worked for a few years in Corporate Finance for major energy companies in Canada. Dr. Itani formed and headed the team that successfully launched the Bank's Retail business line, today a major pillar of the Bank's innovative and leading position. In 2002, he was appointed Deputy General Manager and Member of the Board of Directors. He was later appointed General Manager – Head of Group Retail Banking. In addition to his responsibilities as Head of Group Retail Banking, Dr. Itani is also Head of Group Islamic Banking.

He is the Chairman of the Board of Audi Investment Bank sal, a fully owned subsidiary of Bank Audi, and the vice-chairman of the Board of Directors (and Chairman of the Audit Committees) of Odea Bank A.Ş., Bank Audi's subsidiary in Turkey.

Dr. Itani holds a PhD in Economics from the University of Chicago and is a former lecturer in Economics and Finance to graduate students at the American University of Beirut.

Mr. Khalil El Debs

Non-Executive Board Member

Khalil Debs (Non-Executive Board Member)

Mr. Khalil El Debs joined Bank Audi sal in 1995. He currently acts as the Group Head of Corporate Banking overseeing the corporate and commercial lending activities of the Bank's entities spanning across several countries in addition to his role as a member of their respective credit committees.

Mr. El Debs actively contributed to the regional expansion policy on which Bank Audi embarked since 2004. He subsequently established in 2008 the Group's syndication and project finance division, which successfully structured and led a number of key transactions in the MENA region. He currently serves as the Chairman of Bank Audi LLC (Qatar) and Solifac (Bank Audi's factoring arm in Lebanon) and is a member of the Board of Directors of Odeabank A.S. (Turkey), Bank Audi France s.a. and Audi Investment Bank sal (Bank Audi's investment arm).

Prior to joining Bank Audi, he worked with ABN-AMRO Bank N.V. for two years.
Mr. El Debs holds a Master's degree in Business Administration from the Lebanese American University and is a Chartered Financial Analyst (CFA) since 2001.

Mr. Tamer M. Ghazaleh

Non-Executive Board Member

Tamer Ghazaleh (Non-Executive Board Member)

Mr. Tamer Ghazaleh joined Bank Audi Group in 2004 as Chief Financial Officer (CFO) of its Jordan Branches, in charge of the Finance and Administration Departments there. In March 2006, Mr. Tamer Ghazaleh moved to Bank Audi sae (Egypt) where he became Assistant General Manager and CFO, bringing a significant contribution to the expansion of the Bank's activities in Egypt and to the establishment of its strong financial pillars, and then to Deputy Group CFO at Head Office in Beirut in June 2014, and to Group CFO in March 2015. Throughout his career at Bank Audi Group, Mr. Ghazaleh was a key contributor to the development and adaptation of the Bank's financial management to its complex needs and expansion plans, mobilizing adequate human resources for financial management and making use of advanced integrated information technology to align the Bank to international best practice in financial management and reporting, and to abide by the evolving International Financial Reporting Standards. He is currently a member of the Board of Directors of several affiliates of Bank Audi.
Prior to joining Bank Audi Group, Mr. Ghazaleh occupied several positions in international companies, as he worked for three years with Deloitte and Touche M.E. - Jordan and UAE. In 2001, he joined the Standard Chartered Bank in Jordan, to become in 2002 CFO and a member of the Executive, Risk, and ALCO committees until 2004.
Mr. Ghazaleh holds a Bachelor's Degree in Accounting from the University of Jordan (1998) and is a graduate of the Executive Management Program at the Harvard Business School (2009) and Advanced Management Program (AMP) at the Harvard Business School in 2019.

Mr. Mounir Fakhry AbdelNour

Non-Executive Board Member

Mr. Mounir Fakhry AbdelNour (Non-Executive Board Member) Mr. Mounir Fakhry AbdelNour is Chairman & Member of the Board of Directors of several leading industrial and non-bank financial companies in Egypt and acts as Senior Adviser for Rothschild & Co in Paris, one of the world's largest independent financial advisory groups. Mr. AbdelNour was between 2011 and 2015 Minister of Tourism, Minister of Investments and Minister of Trade and Industry in Egypt.

Prior to joining the Egyptian Cabinet, Mr. AbdelNour was founder and Chairman of Hero Middle East and Africa, previously Societe Egypto-Francaise Pour les Industries Agro-Alimentaires (Vitrac), a member of the board of directors of the Arab African International Bank Egypt , Founder and Managing Director of Egyptian Finance Company, Vice President of American Express Bank and representative of Banque de l'Union Europeenne Paris in Egypt and the Middle East. Mr. AbdelNour was a member of the Board of Directors of the Federation of Egyptian Industries, the Egyptian Competition Authority, the Cairo Stock Exchange and the Egyptian Expo and Convention Authority. He was Chairman of the Egyptian Center for Economic Studies.

Mr. AbdelNour earned his undergraduate degree in Statistics from the Faculty of Economics and Political Science, Cairo University and holds a Master's degree in Economics from the American University in Cairo.

Composition of the Board of Directors

Members of the Board of Directors serving throughout the year 2019 were elected by a resolution of the Ordinary General Assembly of shareholders held on March 2018 for a three-year term expiring on the date of the annual Ordinary General Assembly meeting (expected to be held in March 2021) that will examine the accounts and activity of the year 2020.

The structure of the Board of Directors serving at the date of this report is as follows:

Definition of "Director independence" as per the Bank's Governance Guidelines (summary): "In order to be considered an independent non-executive director by the Board, a director should have no relationship with the Bank that would interfere with the exercise of independent judgment in carrying out responsibilities as a director.

- Such a relationship should be assumed to exist when a director: Is him/herself or in conjunction with any of his/her affiliates a significant client of the Bank. A significant client is considered one who is among the top 10 clients of the Bank or any of its affiliated companies, in terms of either total value of credit outstanding, deposits or fees paid during the previous calendar year.
- Is him/herself or in conjunction with any of his/her affiliates a significant supplier of the Bank, having supplied to the bank services or goods worth more than EGP 8MM over the preceding 3 calendar years.
- Has been a consultant to the Bank or a partner or employee in a firm that provides consulting services to the Bank over the year preceding the appointment.
- He/she or his/her affiliates have been over the 3 years preceding his appointment as a partner or an employee of the Bank's external auditor.
- He/she was employed for the Bank or any of its affiliates over the 3 years preceding his/her appointment.
- He/she or his/her affiliates are partners with the Bank in any joint venture or other type of partnership that represents more than 2% of either of the partner's revenues, in terms of the balance sheet value of their respective stakes.
- He/she are an affiliate - up to the fourth degree - of any of the Board members, or the Bank's Senior Management and/or their related parties
- He/she is earning from the Bank any kind of salary or fund other than his/her allowance as a Board member.
- He/she are BoD members for a period exceeded six consecutive years. For the purposes of the present Guidelines an affiliate of a director or member of the Bank's Senior management and/or their related parties, as the case may be, is defined as: (a) any immediate relative up to fourth degree of kinship or spouse or (b) any commercial entity of which a director or its affiliates under (a) are Board members, senior executives or partners or of which they control directly or indirectly more than 10% of its decision making rights."

Frequency of Meetings

In 2019, the Board of Directors held 8 meetings, the Audit Committee held 4 meetings, the Risk Committee held 4 meetings, the Corporate Governance and Nomination Committee held 4 meetings, Remuneration Committee did not hold any meeting and the Executive committee held 6 meetings.

Changes to the Board of Directors during the Year 2019

- The resignation of Mr. Mohamed Fayed as CEO & MD effective 8/4/2019.
- The nomination & CBE approval of Mr. Mohamed Bedeir as MD dated 21/8/2019.
- The resignation of Mr. Aristidis Vourakis as BoD member effective 6/11/2019
- The nomination & CBE approval of Mr. Tamer Ghazaleh as BoD member dated 12/3/2019

Bank Audi sae - Sharia' Supervisory Board

- Dr. Hussein Hamed Hassan (Chairman)
- Sheikh Nizam M. Yaqoobi
- Dr. Khaled El Fakih

Auditors

- PricewaterhouseCoopers (PWC)
- BDO Khaled & Co.

B.Governance

Corporate Governance Statement

Introduction

In line with its long-standing commitment to sound governance, the Board of Directors of Bank Audi sae continued to give significant consideration to the Bank and the Group's Governance practices in 2019. As in previous years, it monitored the genuine implementation of the Governance Guidelines and revisited a number of governance related policies and charters, further articulating some and adopting new ones as necessary to continuously enhance the effectiveness of the framework. Changes introduced to the Governance framework of the Bank during 2019 include the adoption, review and/or update of a number of Governance, Compliance and Risk-related policies. As usual, the Bank also continued to monitor the evolution in Governance related regulations and best practices in order to ensure that the necessary changes are introduced to its own guidelines and processes. Bank Audi's Board is satisfied that the Bank's Governance framework conforms to applicable directives and guidelines and is adapted to the Bank's needs and high expectations of its stakeholders. The Board is also satisfied that, in 2019, it has fully discharged all its responsibilities, as mapped in its yearly rolling agenda, and has acted on the recommendations of its committees that also substantially discharged all of their own responsibilities.

Bank Audi sae's Governance Framework is governed by a Board of Directors consisting of 7 members elected by the General Assembly of shareholders for terms not exceeding 3 years. The responsibility of the Board is to ensure strategic direction, Management supervision and adequate control of the company, with the ultimate goal of increasing the long-term value of the Bank. Bank Audi Group's Governance framework and that of its major banking subsidiaries, such as Bank Audi sae, encompass a number of policies, charters, and terms of reference that shape the Group and Bank's Governance framework over a wide range of issues including risk supervision, compliance, audit, remuneration, evaluation, succession planning, ethics and conduct, budgeting, and capital management. Clear lines of responsibility and accountability are in place throughout the organization. Strategic objectives setting corporate values and promoting high standards of conduct have been established and widely communicated throughout the Bank, providing appropriate incentives to ensure professional behavior.

The Bank's Corporate Governance Guidelines are accessible on the Bank's website at www.bankaudi.com.eg. The Board is supported in carrying out its duties by the Board Audit Committee, the Board Risk Committee, the Board Corporate Governance & Nominations Committee, the Board Remuneration Committee, and the Executive Committee.

- The mission of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in regards to
  (i) the adequacy of accounting and financial reporting policies, internal control and the compliance system;
  (ii) the integrity of the financial statements and the reliability of disclosures;
  (iii) the appointment, remuneration, qualifications, independence and effectiveness of the external auditors;
  (iv) and the independence and effectiveness of the internal audit function.

- The mission of the risk committee is to assist the Board of Directors (BOD) fulfil its risk governance responsibilities. The committee provides a board level forum to oversee the Bank risk culture and review the effectiveness of risk identification and management including the structure, processes and management systems within the overall risk management framework. The mission of the Corporate Governance and Nomination Committee (the Committee) is to assist the Board of Directors of Bank Audi in maintaining an effective institutional and corporate governance framework for the Bank, an optimal board composition, and effective board process and structure.

- The mission of the Remuneration Committee is to assist the Board of Directors of Bank Audi in maintaining a set of values and incentives for Bank executives and employees that are focused on performance, and promote integrity, fairness, loyalty and meritocracy.

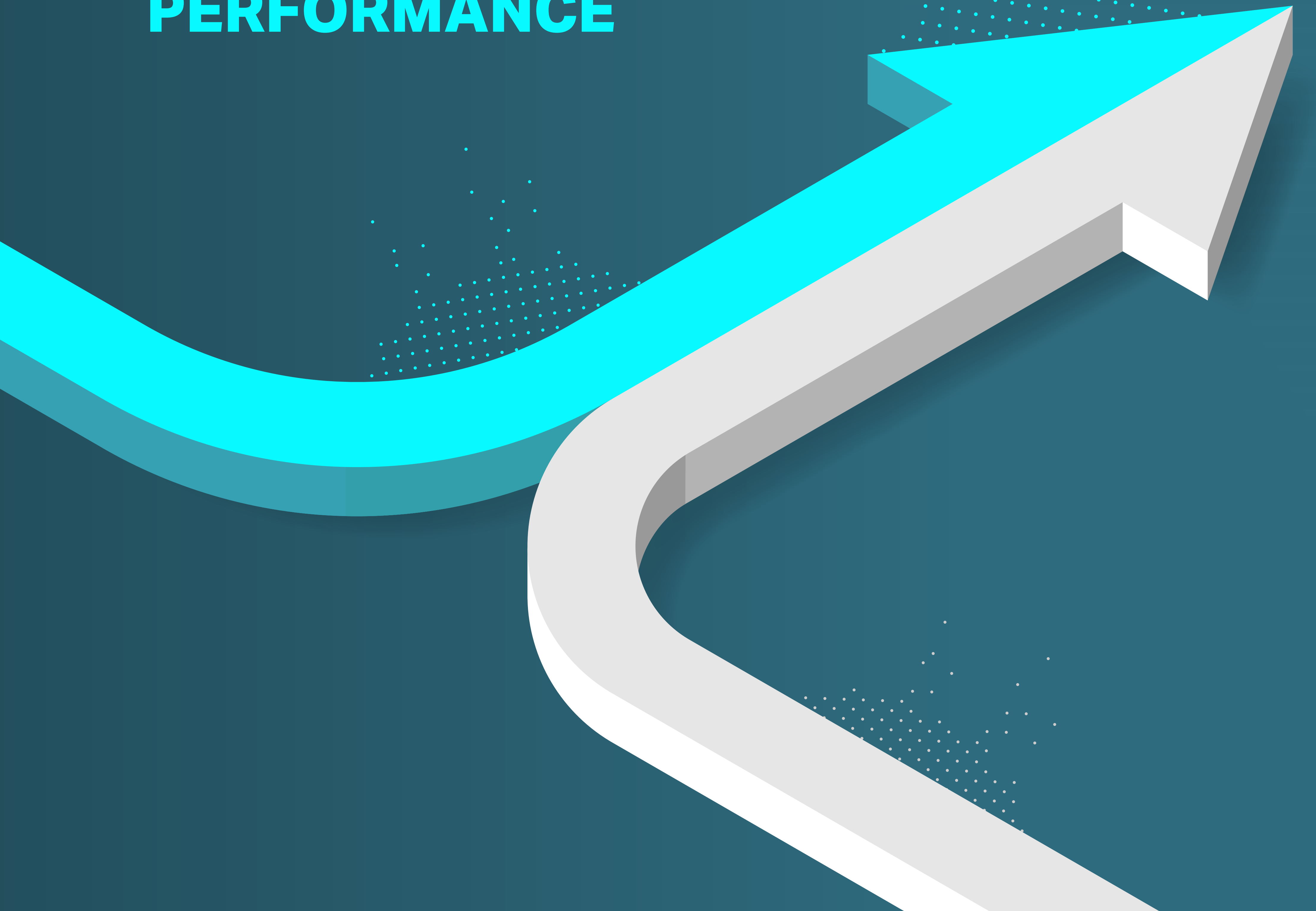
Management framework

The mission of the Executive Committee is to support the Board of Directors in carrying out its duties, and to support the Chief Executive Officer (CEO) & Managing Director (MD) in guiding the Bank and its day - to- day running all in connection with matters relating to the Bank›s organizational and institutional framework, the budget implementation, acquisition or sale of assets, and new credit approvals.

Shareholders

Shareholders	No. of shares	%
Bank Audi sal	34,699,998	%99.999993
Audi Investment Bank sal	1	%0.000003
Audi Private Bank sal	1	%0.000003
Total	34,700,000	%100.00

03
BUSINESS, RISK, SUPPORT & CONTROL PERFORMANCE



Partners in Progress

Providing a solid and meaningful connection from within in order to efficiently assess future goals and carry them through with success.

3. Business, Risk, Support & Control Performance
A. Business Performance

I. I. Corporate Banking & SMEs

The Corporate Business Banking group of Bank Audi Egypt in 2019 took a chance to do repositioning, housekeeping and de-risking within the existing portfolio inorder to widely promote focusing on 360 degree client management to enhance profitability. the matter This led to us exiting major non-relational direct lending with low profit ability causing total corporate portfolio to drop down by more than 30%, whilst, managing to maintain/increase portfolio spreads in both LCY & FCY .

Corporate banking also focused on enhancing and improving services rendered to corporate clients and reducing turnaround time by signing SLAs with supporting functions and partners.

2019 witnessed more concentration on SME in order to achieve CBE target of 20% of total portfolio with corporate
expansion of activities in geographical areas outside Cairo by appointing SME experts on both Detla & Suez Canal Region in addition to designing simplified programs and products with small tickets to traders in order to fasten lending process according to a previously set criteria and scorecard.

II. Retail Banking

Innovation and customer focus continued to be the Retail Banking mainspring in contributing to Bank Audi in 2019. Bank Audi Retail Banking division performed well in 2019, delivering strong results in a challenging economic environment. We welcomed more new customers, and empowered retail customers with new offerings and supported small businesses by lending more. Although the Retail Banking environment is rapidly changing with new regulations coupled with a continuing low-interest rate environment and the changing customer needs, we always take necessary actions to adjust to stay a step ahead.

To us, Bank Audi focus on sustainability means the ability to live up to the expectations of all our stakeholders and to meet our customers' needs, not just today but also in the future. Our strategy resilience and cornerstones rest on encouraging responsible behavior on the part of our employees as well as enhancing Bank Audi positive impact on the economy. Because we believe that earning our customers' trust every day is our priority, we work hard to offer them complete, accessible and relevant solutions to achieve an optimum experience. We adapt constantly to the highly dynamic environment, the changing behavior and expectations of our customers. Our commitment to a meaningful customer relationship as a key strategic objective has led to the development of innovative products that directly reflect the mission and values at the core of our work.

During 2019, Bank Audi provided a vast array of alternative delivery channels and services that reached 168 ATMs, 53 branches and a 24/7 call center. Several projects started in 2019 in order to enhance the digital and electronic channels that will continue through 2021. We started the Omni-channel project to enhance our internet banking and introduced a new mobile application with the same look and feel and a whole set of new functions and options for the customers. The new Omni-channels will enable our customers to reach the bank through different digital channels and to start a transaction on one channel with the option to finish it on the other at their own pace.
In addition to enhancing "Audi Online" features, customers will be able to pay their bills and utilities through our internet-banking platform soon. We have also enhanced our wallet application "Audi 2 Pay" with new payment options All our continuous efforts resulted in tripling our subscribers on "Audi 2 Pay" wallet application.

We succeeded to increase our Liabilities portfolio with 28% incremental growth. 2019 witnessed the launch of our ''Ahalina CD", which is offering very competitive rates catering for the needs of senior citizens and martyr family members. We had as well a very successful Mega campaign, mainly "Who will win the Million" on the current account offering one lucky customer the chance to win 1 Million Egyptian pounds. We rewarded as well 30 winners of our loyal saving account depositors with Gold Bars and Gold coins through another Mega campaign for saving account deposits. Post the successful launch of the Premiere and the Select proposition in 2018, along with the exclusive benefits the two propositions offer, our portfolio of customers in both Segments increased by 15% and 29% respectively. We successfully witnessed the rollout of our Royale Segment in 2019 as well. The Royale proposition offers one-of-a kind benefits to the HNWI to enable us to work with them on growing their wealth. We took the time to understand their investment needs thoroughly before developing their strategy. Our goal is to deliver the most relevant products and services for them to meet their goals.

In credit cards business, we have also enhanced our customers' experience through an enhanced Customer Engagement Strategy. This had been implemented by providing a wide range of Credit Card Products. We have been also focusing on customer usage through seasonal spending campaigns, providing attractive zero interest monthly instalment campaigns and monthly discounted offers in cooperation with several well-known merchants. One of our most recent campaigns that had a massive positive impact on spending were the ''Back to School" and "Audi-Friday" campaigns. Additionally, we upgraded our MasterCard Credit cards to support the contactless technology. We have also launched " World Business" Corporate Credit card to support our Borrowing and Non Borrowing Companies facilitate their day-to-day business needs. Last but not least, we have successfully launched the "3D Secure Service" to ensure safe online purchase transactions for all our cardholders especially with our recent E-commerce Merchant Alliance with Jumia and Fawry.

Bank Audi also offers competitive lending products and programs that meet customers' financing needs by actively monitoring the market requirements and keeping strong relationships with all our business dealers. In 2019 our Retail-lending portfolios showed a significant increase to reach EGP 7.1 Billion as of December 2019 achieving a year over year growth by 21.8%.

We continued to capitalize on the business opportunities in the SME's asset through our unique Very Small Business Loans Program "VSBL" financing companies with annual sales turnover up to EGP50 Million. This helped increase our current portfolio of customers to reach 650 customers with incremental VSBL portfolio growth by 47.75%.
Bank Audi Auto Loans witnessed a significant portfolio growth by 30%. This was achieved through the good relationship we hold with all major Auto dealers in Egypt. Because we understand the nature of Auto Loan need, we made sure to closely monitor the turnaround time to ensure all loans are booked in a timely manner. During 2019, we also kept a close eye on financing our customers' needs through our various Personal Loans Programs while ensuring better portfolio credit performance and decreasing overall delinquency ratios. This helped achieving 21% growth in the Personal loan portfolio.

As Bank Audi Egypt has always been one of the most proactive banks in Retail banking sector, we ranked 6th bank in terms of total Retail Lending as of Q4 2019, 6th in terms of Retail Loans portfolio and 5th in Credit Cards ENR between peer group of private banks as of Q4 2019.

III. Treasury

Bank Audi`s Treasury & Capital Markets division is a strategic business partner across all areas of the business, adding value to the operating divisions of the bank. The Treasury function is important in making sure that the business has sufficient liquidity to meet its obligations, whilst managing payments, receipts and financial risks effectively. Bank Audi`s blend of fresh well-educated traders provide assistance to all of the Bank's business partners in order to spread the knowledge on the various Treasury products it provides, in order to assure a mutual benefit environment.

During 2019, Bank Audi completed the implementation of FX options on MUREX, alternating the manual handling. The automation was achieved through the coordination of Treasury & other concerned parties. The Division is ready to introduce more advanced financial structures in order to cater for a wider spectrum of more sophisticated clientele.

Moving to the macro picture, Egypt's economy has shown sustainable development reflected in GDP growth reaching 5.5% during FY19 coming from 5.3% in FY18. The GDP figure is the highest in the MENA region. The MoF was projecting a GDP expansion by 5.9% for the forthcoming FY20-21 before the global pandemic struck.

Foreign investment in Egypt's Debt securities hit a balance of USD 22Bln by the end of the year, inflows from tourism reached USD 12.5B ln during FY18-19 and foreign exchange reserves increased by 6.74% during FY19 to a record level of USD 45.419Bln. Those figures combined caused the appreciation of the Egyptian pound by around 10.5% during FY19. Bank Audi's Forex Traders capitalized on the move and benefited from the exchange rate volatility in addition to the positive carry trade.

Furthermore, the CBE maintained an expansionary monetary policy shown in interest rates cuts equivalent to 450 Bps throughout the FY19. The easing policy was mainly driven by the low inflationary pressure and the fact the real interest rate is still above 5%; which is extremely competitive compared to peer countries in the emerging countries. The aforementioned reason-along with the political stability led to an increase of foreign investors (including the Bank's shareholders") appetite to inject more inflows in Egypt. The foreign the participation in the local debt securities either in primary or secondary markets, was in collaboration with the Fixed Income team. It was one of the reasons behind boosting the T-bills trading activities positively contributing in the division's budget.

As for the FY20, we expect the Egyptian economy to outperform other emerging market economies enhanced by the strong performance, continuous inflows from foreign investors, subdued inflation, recovery of the tourism sector, increase in FCY remittances from abroad, boosting exports, lower unemployment. Other factors might include the resilient political will for economic reform, subsidy cuts, resumption of the governmental IPO program, specially designed initiatives to encourage the industrial sector, SMEs, etc..

Signs are already showing the Egyptian Pound appreciation of nearly 3% since the beginning of the year. Bank Audi's Treasury & Capital Markets division has a well-built strategy in order to reap all the benefits from the improving economic stance.

However, it is precautionary to draw the attention to multiple challenges that might hinder the economic growth. The fragile Global economic growth is subject to several threats including the risk from the outbreak of COVID-19 and its negative effect on the Chinese & world economies. Another reason for us to be more cautious is the dependency of the local economy on hot funds rather than more stable long term FDIs. This might be shown by the last couple of MPC meetings where benchmark interest rates were put on hold. Regional Geo-political events are also posing threats on the easing cycle and the resumption of the capital inflows.

Capital Markets & Investment LOB Annual Report 2019

Egyptian Capital Markets commentary for 2019:

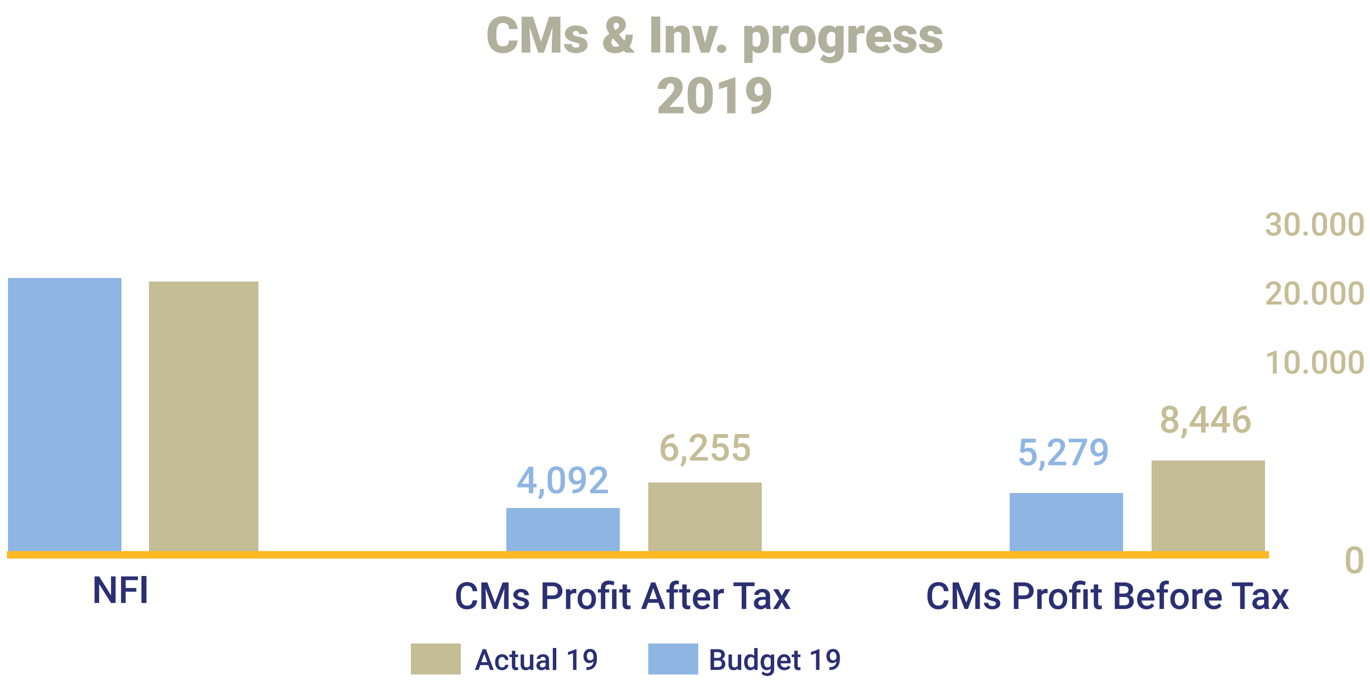
The Egyptian stock exchange (EGX30) closed at 13,961.56 gaining 7.1% in 2019 to slight recover some of its losses recorded in 2018; the index was not able to re-test the 18,400 level recorded in mid-2018. Unfortunately, most of the stocks recorded negative returns in 2019 yet the index was up due to the Commercial International Bank (CIB) positive return. The CIB weight in the EGX30 index is around 37% and its shares soared by 42.46% in 2019.
EGX30 index tumbled in a sideways range of 1000 points thru 2019, underperforming our expectations for the y2019 due to the following:

- US/China trade war outcome vagueness 1st half 2019
- Egypt's constitution amendments 1st half 2019
- Political Events in Egypt Q3 2019
- Regional Geopolitical events in late 2019
- Equity Market fresh liquidity issue yet remains in concern

We still believe that market is not reflecting the Economic growth recorded figures for Egypt, yet we believe that fundamentals always prevails. In addition, that the continuation of the undergoing Economic reform should lead to an upward cycle medium to long terms with the reflection of the growth momentum of the Egyptian Economy in all fronts to the equity market for the following:

- CBE has so far reversed 650 bps of the initial 700bps hike since the EGP floatation in Nov. 2016.
- Egypt remain attractive in terms of debt markets in the region, improving BOP and the deceleration in inflation levels, where foreign holdings of Egyptian debts stood at USD21bn by end of Nov. 2019.
- Egypt's ministry of planning announced the GDP grew by 5.6% in 1Q19/20 compared to 5.3%in the corre sponding quarter of the FY 18/19, where gov. is targeting 6.0% GDP growth for full FY 19/20.
- Credit rating agencies (Fitch/ Moody's/ S&P) Affirms Egypt rating at B+ with stable outlook.
- Unemployment rate dropped to 7.8% in Q3 2019 down from double digits of 10.0% Q3 2018.
- Net international reserves hiked to its lifetime high of USD45.5bn
- Newly long awaited IPOs yet to be in action by 1st half 2020

Despite the turbulent market during 2019, CMs & Inv. LOB managed to outperform the overall budget in terms of profit before tax by +60% & profit after tax by +52.9% for the Y2019, representing almost 100% YOY in terms of Net Financial Income reaching an EGP25MM as follows in the graph below:



Capital Markets & Investment LOB Annual Report 2019

Outlook for 2020:

In 2020, Capital Markets & Investment approach is to focus on activating new business partners' agreements with BAEGY to encounter any future market volatility in all Capital Markets products fronts, in parallel with deepening the relation with BAEGY current partners & facilitate their business as usual transactions.
Introducing & activating new Capital Markets Products such as securitization, settlement bank, Margin Trading T+zero & short selling to enlarge Capital Markets growth shares to BAEGY profitability.

V. Financial Institutions & Correspondent Banking

Bank Audi sae Financial Institutions «BFI» manages relationships with correspondent banks worldwide and acts as Bank Audi first gate for correspondent banks.
BFI covers the Bank's business with local and foreign banks through its dedicated teams; Correspondent Banking team and Programs & Multilaterals Relations team.
During the last five years, the Egyptian banking sector showed the fastest growth in financial position compared to the MENA region, reaching a CAGR of 26.3%. Such strong growth came on the back of the surge in money supply as customer deposits. Egypt's banks used to rely mainly on customer deposits to drive financial position growth with minimal dependency due to bank balances and other borrowing activities.

In 2019, the Egyptian Banking Sector reaped the economic reform program fruits and surpassed the challenges, mainly the exchange rate volatility of the Egyptian Pound primarily impacting Import & Export business; and adopting CBE mandate related to the enhancement of SME lending.

Worth noting that as part of the new banking law, the Central Bank of Egypt requires banks to increase the minimum paid-in capital requirements to EGP 5bn for all Egyptian banks (public and private) which will adversely affect the dividends of banks with small capital, in addition to the IFRS 9 application which will have a slight impact on capital.

In such context during 2019, BFI strategy amidst said challenges was to attract new business, increase profitability, and ensure providing highest quality services to Bank Audi's clients exceeding customer satisfaction; where it manages its business relationships through its wide correspondent banks network supported by Bank AUDI SAL presence in France, Turkey, Qatar , Jordan & Switzerland covering more than 150 countries.

BFI is highly active in enhancing the Bank's relationship with various correspondent banks and provides an array of products and services including trade finance, direct lending, international payments and tailored/structured solutions, positively reflected in providing new business approaches meeting the Bank's clients' needs. A number of factors reinforce BFI role namely; experienced relationship officers, a diverse network of almost 200 global correspondent banks, strong ties with multilateral financial institutions in addition to the strong sponsorship of Bank Audi SAL. The Bank also acts as a participating bank in FI Syndications.

We have tried to capitalize on rating agents positive outlook on Egypt; Standard & Poor's credit rating for Egypt stands at B with stable outlook. Moody's credit rating for Egypt was last set at B2 with stable outlook. Fitch's credit rating for Egypt was last reported at B+ with stable outlook, triggered by progress in implementing economic and fiscal reforms, driving improved macroeconomic stability, fiscal consolidation and stronger external finances.
BFI continued to witness growing global interest in investing in Egypt, offering various funding instruments to support short and long term facilities in various aspects.

Programs & Multilaterals Relations

BFI focuses on sustainable development funds and credit lines provided by government and multilaterals agencies that positively impact our community and environment. The Bank acted as an agent bank for funds and credit lines by providing an array of services & tailored operation mechanisms, promoting funds to potential clients to increase SME accessibility to credit lines. In December 2019, Bank Audi sae signed facility Agreement with AFREXIM Bank for US$ 20 MM to support the Bank's clients' funding as an additional source of foreign currency mainly to satisfy small and medium enterprises' needs. In addition we signed a facility Agreement with Arab Trade Finance Program UAE which supports trade amongst Arab countries.

Bank Audi sae intends to expand its trade finance coverage to satisfy its existing corporate client needs and attract new clients, through signing trade facilitation programs with multilateral financial institutions to support Egyptian exporters' trade transactions with Africa.

BFI Main Objectives:

- Continue to explore and penetrate new markets.
- Focus on supporting Egyptian trade and business.
- Introduce/innovate revenue-generating products and services.
- Attract funds and participate in new developmental programs.
- Increase Bank Audi sae's market share of direct and indirect microfinance lending.

VI. Islamic Banking

- Primary focus and attention was paid to seek higher returns from existing Islamic Corporate clients rather than expanding the cliental base. Accordingly, despite a slight drop in the corporate portfolio amounting to 9%, financing income from corporate clients rose by around 8%. Net corporate financing returns were further enhanced by y-o-y reduction in cost of financing amounting to 3%. Islamic corporate will pursue a more expansionary approach during 2020, in most of the economic sectors such as Pharmaceutical, Contracting, Auto Traders, Financial Services, Food & Beverage, etc …
- We launched the first marketing campaign for the Islamic sector since inception (Radio, Digital and SMS) which achieved a high reach and engagement percentage and positive results through creating the awareness of our Islamic products resulted in leads to our branches.
- Developing «Elite CDs» to meet Premier and Royale segment needs.
- Islamic branches showed outstanding performance in 2019 by achieving a net growth in liabilities side of 900MM EGP.
- Islamic sector has provided «Fundamental of Islamic Banking & Finance» certificate that accredited by Chartered Institute of Securities- UK for branches staff where first batch that consist of six staff have passed the certificate exam and got the valuable certificate.

VI. Global Transaction Services (GTS):

"Technical Innovative Solutions" and "Service Excellence" are the main drivers of our GTS department with the aim of becoming the top-notch service provider in both Cash Management and Trade Finance businesses. The role of the GTS department is introducing technology driven initiatives and products; contributing to our society's digital transformation through diverse products and service models.
With continuous efforts to enrich our customers' banking experience, the GTS capitalized on the innovation and development of tailor made products and services to help support companies regardless of their size, line of business or industry.

In 2019, we have set the building blocks for a full range of digital services that are planned to launch in 2020 with very competitive features and interfaces. These solutions will support our clients in their day-to-day banking transactions and non-banking ones through account management, B2B solutions, governmental and bills payments. With this in mind, we have invested in technical innovative platforms that address our customers' needs and goes alongside Egypt's nation-wide approach to digitize payments. Bank Audi has carefully set its milestones for a digital transformation strategy that will competitively place us within the market's digital solutions providers.
Going along with our nation-wide approach to digitize all transactions and shift to a cashless based society, the GTS department in cooperation with E-Finance company successfully launched the NAFEZA payment using E-Pay's generalized portal as the first bank in Egypt to introduce the payment. Since its inception in Q1 2019, Bank Audi branches has processed over EGP 3.2b in payments which was reflected in our bank profitability with EGP 12MM. NAFEZA payment was one of the most important e-payment service offered by Bank Audi and has come hand in hand with the nation-wide approach to facilitate payments for import and export businesses.

GTS Cash Management team also launched the Corporate Deposit Card which aims to support Bank Audi companies to deposit funds to their accounts using our ATMs network. The mentioned service offered convenience and security to our customers with a 24/7 access to the Bank's ATMs.

The GTS Trade Business is also an important arm under the GTS umbrella and a key pillar in the Bank's Trade Finance profitability contribution. Our GTS Trade Finance Relationship Managers provided ongoing support to our branch network team in terms of new-to-bank client acquisition, technical solutions and consultancy. Trade Finance portfolio analysis and reporting indicated that the Bank's Trade Business witnessed noticeable improvements throughout 2019.

In 2019, GTS customer services team "BEST - Business Easy Services & Transactions" expanded their Service Excellence to cover all Corporate Business Banking cliental base. These dedicated customer services officers provide daily customer support for their transactions, inquires , technical assistance, complaint handling, etc. Our operations team "BEST" led an important role in our service level and as we grow our business year on year, we plan to reach higher service level accordingly.

VIII. Branch Network

2019 is the year of excelling in both financial & non-financial scopes The financial out comes of 2019 showed incremental increase on Deposits by 25 % to reach EGP 38,948,542,132

The Branch Network focused on maximizing contacts and relationship development from our customer database and worked on attracting new customers to the Bank.

The Branch Network expanded its geographical distribution during the year to reach 50 branches where 7 branches opened through 2019 in hotspot areas such as Cairo airport, Port said MTS, New Cairo, Shebeen Elkom, Damanhour, Ismailia and Menia. This will serve The Bank's mission in acquiring new business and serving our clients on a wider level. Through the year our Branches worked smartly on decreasing the cost of deposits and succeeded to decrease it by -2.2 % versus 2018.

Aligning with the Bank's strategic objectives to maximize customer satisfaction level, BNR new structure model implementation served in enhancing the service excellence pillars after defined allocation based on competency assessments and level of experience.
This impacted positively the delivery of high quality service within a competitive turnaround time.
A new proposition of new segment "Royale" was launched in the middle of 2019 which empowered our sales force to acquire a new client segment, and enabled effective relationship management that will enrich our portfolio.

B. Risk Performance

Credit Risk

Bank Audi Egypt's Credit Risk function encompasses several departments, namely Credit Risk Assessment, Credit Administration, Credit Investigation and the Loan Remedial department, all of which are geared towards safe and diligent granting of corporate credit facilities for proper utilization and monitoring. The ultimate target of our credit risk management operations is to minimize risk to acceptable levels and reach optimal capital allocation by achieving a balance between risk versus return in our portfolio, guided in our endeavors by international standards and best practices. During the past 14 years, the Bank's Credit Risk function has represented the main safety valve in the Bank's placements of funds with corporate clients; it has participated in our rapid yet safe asset growth and build-up of the healthy portfolio that is evidenced today by a balanced risk profile. On the technical side, the Bank has evolved during the years to move towards automation systems to achieve a more accurate and consistent credit granting process backed by globally renowned systems and institutions. During the years of turbulence that the market has endured, the Bank's Credit Risk has remained vigilant to the factors at play, yet was able to maintain enough vision and flexibility to aid the Bank's business developers to assist their clients in these stressed times. On the internal part, the Bank's Credit Risk management have been with the Bank since its inception and managed to build up a strong team of exceptional calibers around them that have ensured loyalty and commitment to sound credit risk practices whilst facilitating the Bank's ability to grow. Looking forward, we are aware of the increasing challenges and market pressures that face the Banking sector on several fronts. Our aim in these times is to keep a watchful eye on fluid risk profiles of our counterparties in rapidly shifting situations, and remain within regulatory boundaries with ample safety margins while maintaining a balanced risk appetite that will enable the Bank to achieve its goals to remain one of the fastest growing Banks in Egypt.

Market Risk

The Market Risk function works within the Bank's overall Risk Management framework by which the Risk Department currently identifies, analyses and monitors all market risk factors within the Bank. The function also conducts different scenarios, stress testing and correlates its findings to capital adequacy, liquidity and profitability to provide advice to senior management and the Board. The Bank is exposed to market risk, primarily arising from open positions related to currency, of which each position is exposed to market movements and foreign exchange rates. The Bank separates its exposure to market risk into trading and non-trading portfolios. The Bank's Market Risk management division oversees, reports and advises management and its committees, (such as ALCO) and the lines of business on the market risks arising from these trading and non-trading activities. Regular reports are submitted to the Board of Directors and each business unit head. Foreign currency and interest rate risks arise out of the Bank's interest and currency exchange rate sensitive assets and liabilities. The mismatch in the re-pricing dates of these positions creates interest rate risk for the Bank, which is inherent to its Banking activities. The Bank sets appetite, tolerance and limits for its various market risks to ensure that they remain within acceptable bounds.

Retail Credit Risk

Bank Audi retail portfolio has demonstrated its credit health through the consistency and predictability of its performance, attributed to the reliability and robustness of the retail credit platform on which it was built. Retail Credit Risk has successfully partnered with the business to deliver the desired growth rates while preserving asset quality through timely, predictable, and well assessed policy changes enabled by detailed analytics. Leveraging the controls framework and the infrastructure built over the last three years, along with the experienced and highly competent staff, Bank Audi maintained the fast growth of the retail portfolio, mitigating the significant challenges and risks presented by the market and competition, without jeopardizing credit quality. To further cement confidence, the controls environment was proven effective through a series of internal, external, and regulatory audits all reporting satisfactory operating environment.

C. Control & Support Performance

I. Support Functions

Operations

Trade Finance

Bank Audi SAE has signed a contract to implement "Fusion Banking trade innovation" by Q2 – 2020. This is one of the most advanced software applications in Banking trade finance operations with its powerful workflow orchestration. Worth mentioning, it is a SWIFT certified application. This shall positively impact on increasing productivity, reducing cost and improving client retention.

Checks Services, Centralized Cash, SI and Internal Transfer

Operations division successfully initiated a checkbook printing outsource process using latest technology in the market which will then provide a speedy, high quality services presented to our clients and enhance the overall controls of checkbook printing unit, moreover to cope with our business expansion plan to specify checkbook designs for new VIP segments.
Aligning with the Bank's strategic objectives to maximize the level of customer satisfaction, a new Dokki Cash center has been launched to serve Giza and October located customers,. This will impacted positively in reducing related cost and time consumed in cash handling and also will reduce branch cash traffic in Giza zone .

Payments

The team managed to successfully launched ACH Outgoing transfers. Currently they are working on a New Payroll System as well as on a new bulk payments system (CORPAY).

TBO achievements for 2019

The execution of all (FX, MM, Fixed Income) transactions related to Treasury Front Office with the related payments and confirmations were done on a timely manner and with high quality and full control. The team successfully managed the Bank's Foreign Currencies Cash flow management and control. Similarly, the handling of taxation for T-Bond and T-Bills transactions were executed on set due date with full abidance to CBE regulations. Client satisfaction was and will always be their first priority.

Centralized Account Opening

The total number of transactions during 2019 was 537,945 with execution done on a timely manner and with high quality and full control.
As for the Legal Seizures Operations Unit, they managed to execute all legal seizure requests in a timely manner, with high quality and full control which reduced the Bank's different Risks such as reputation and eliminated Financial Losses which might have occurred.

CMO

Bank Audi's Capital Market Dept. (CMO) has been serving the Egyptian Market for over a decade providing multiple services such as Custody and book keeping of stocks, Margin Trading, Bank Audi Egypt's Money Market fund and Ezdhar balanced fund. During 2019, CMO has significantly grown in numbers of performed transactions and revenue generated illustrated by increase in Margin Trading (where Bank Audi Egypt is a market leader

Finance

Finance department always improves methodologies and practices applied to ensure valuable decision making support, increased transparency, and sound compliance to standards and regulations.
Enhancements introduced to managerial reports included new FTP methodology that is applied on account level, a more effective profitability analysis on the level of branch and client, RAROC models, enhanced presentations, and a more effective analysis concerning cost and income per Lines of Business.

Finance also played a major role on the level of implementation of new standards as the introduction of IFRS 9 required comprehensive preparations and coordination between several departments within the entity as well as external auditors.

Information Technology

CIM, DPU, DB Administration and MW Architecture Team all worked on Bank policies and change requirements for cost, time and performance optimization, the team achieved a great job by analyzing the business and Bank requirements.

The team achievements included the following:

1 - In house development utilities such as:

HR Appraisal

Automation of the Appraisal process to paperless solution which traditionally was a time consumption process for printing and reviewing the data , and with the capability of generating multiple reports for serving the HR for gathering the data output.

Go AML

Working with the compliance department to generate the Anti - Money Laundry interface XML for data reporting with the CBE.

E-Finance Reconciliation

An automated tool that help BNS in matching and confirming the Nafeza transactions received in the reconciliation reports from E-Finance with the transactions posted on the core Banking system.

Payroll

Developing a web application where Bank Audi Corporate companies can upload their monthly payroll files and submit them to payments department to proceed with the transactions online with the Core Banking.

E - Statements

Developed an In house program which can send statement to the Bank Customers through Emails.

2 – Workaround solutions on the Core Banking:

Inter Branch Transactions

Working with the Service excellence department for allowing Inter branch transactions which allows serving Bank customers from any branch rather than his own branch such as Check Book request and delivery, Loan Disbursement and closure and Accounts closure.

Dormant Accounts Closure

A technical solution was developed to minimize the account closure process to fulfil CBE recommendations and Senior Management instructions for closing dormant accounts.

IT Applications Team

1- New controls and queries functions have been added on the upgrading Siron AML, KYC & Embargo (Anti Money Landry) applications used by Compliance department to help them for dedicating and discovering the suspicious cases by more accurate and consternate options developed on the new Siron applications version (risk perspective).

2- Enhancement the quality of I-Score reports which sent monthly to I-Score (Retail Credit Bureau) for the consumer loans, SME facilities and Credit Cards, the Bank acceptance ratio have been exceed more than 97.01% in 2019 which reflects the high quality and accuracy of data reported to I-Score and for all Egyptian Banks accordingly (regulatory perspective).

3- New functions have been added on Murex (Treasury Application) new release applied to justify the Treasury Bonds capons and related taxes based on the paper actual maturity to prevent any financial difference between GL accounts (Operation perspective).

4- Upgrading Margin Trading Application to enhance the landing functions against shares and stocks by facilitate the uploading and downloading the stocks and shares pricing and giving the accurate portfolio status for the design maker to help him to take the proper credit decision (Operation perspective).

BTU team main achievements

1- Continued to work under resources and managed to successfully support our Bank in its operations across Bank different systems including AOL, Loan Origination, IFRMS, DocTrac & Core system.
2- On a specific scope BI team completed set of enhance ments/fixes on IFRMS that solved daily cycle issues and improved the system performance and shortened the cycle timing to almost 6 hours.
3- BTU/BI jointly with Central information team also implemented almost 150 Change Request covering new products, reports, advices, and changes on existing interfaces/ ETL.
4- Implementation & launch of VSBL workflows on loan origination system.
5- BTU/BI team also worked on Bank Audi's newly projects implementations mainly (Omni Channels & Customer on Boarding).
6- ERP has been customized to handle the New/Updated procedures related to the Procure to Pay cycle, catering for the Demand Planner Role in the Supply Chain Process.
7- BTU Handled all internal & external Audit observations related to our areas that depended on process and/or systems configurations.

E-channel projects

1- Instant Issuance printing for Debit Cards through Bank Audi Branches
2- Avail I-Score Service (inquiry for Customer Credit Scoring) for Bank Customers using Bank Audi ATM network
3- Issued New Corporate Deposit Card through the debit card management system and used for Account Deposit through Bank Audi ATMs
4- Audi Debit Card used on Governmental institutions

Network and Security Infrastructure Enhancements projects

1. dbox Email and Internal Network) @ HQ and DR which protect the Bank Information Assets against Zero day attacks and Virus Infection through targeted attacks.
2. DNS Security @ HQ and in progress to be implemented @ the DR, which protects the Bank from DNS exfiltration, DNS Tunneling and internal infections if they should occur or to communicate with dangerous websites outside the Bank and to control the Bank's network.
3. Web and E-Mail Security to protect the Bank from in jected malicious infections that can infiltrate the Bank's net work through accessed websites or receiving any Infected Emails, as well as carrying out other security related projects.
4. Applied the Best Practice from Security Vendors to all Security Platforms like Edge Firewalls, End point protection Agents, web and Email Filters, and server protection agents.
5. New implementation of Fiber Technology @ the New Branches to enhance the Connectivity between those branches and HQ to get the maximum Connection Quality and better performance.
6. We adopted a Wireless Connectivity for New Branches over WI-MAX to act as a hot backup Connectivity in case of any Disconnection of the main Connections.
7. New implementation of Wireless Technology @ the New HQ Premises Over (WI-MAX – Microwave) From Different ISP's to have a Hot Backup Connectivity to New HQ Premises in case of any Disconnection of the main Connections.
8. Create a new APN (Access Point Name) Supporting 4G mobile Network to be used for New Offsite ATM's for better Performance.
9. We adopted a new type of Network Devices (Switches + Routers) @ the New Branches. The new devices were used to replace older ones, which enhanced availability and productivity, this had a positive impact over the environment.

Infrastructure System Administration and Support Team achievements

1- Implemented new archiving system for E-mail to replace the old archive and migrate old archiving to archiving system.
2- Implemented and installed new file server archiving system to enhance and consume storage.

3- Implemented and installed new backup system and backup storage platform to enhance backup process.
4- Created and managed infrastructure for new projects (Omni Channels, Customer on Boarding, Siron AML / KYC, Siron Embargo, checkbook system and Trade finance).
5- Created and managed new ticketing system workspace for (Account opening, Collection, Engineering) with automation process to enhance business lines process with Branches.
6- Upgraded CITRIX to enhance performance and protect system with all variability updates to secure users business applications interface.
7- Upgraded CITRIX Xen Mobile to support the new mobile OS and provide variability updates protection with new certificate to provide protect connection between E-Mail mobile service and users endpoint.
8- Upgraded SWIFT system with latest protected version and applied the new security policies as per SWIFT security program.

Human Resources

Human Resources department throughout 2019 sustained its focus of maximizing the value of Human Capital through its alignment with the Bank's strategy and values, as well as through the design and implementation of up-to-date policies, systems and schemes. The Human Resources Team hired 386 staff during 2019 focusing screening efforts on over 2,000 Competency Based Interviews while reducing the recruitment cycle through digital initiatives. 88 employee moves were also managed under the job enrichment and job rotation umbrellas. Furthermore, we undertook a review of the salary structure to ensure competitive positioning in the market. On a different note, 7 new branches were opened and this was followed by structure re-engineering, capacity planning, assessment, allocation and recruitment, and proper job evaluation for some correlative departments. Field visits were conducted to properly enhance communication. The Human Resources team also made sure to enhance the Retail Credit payout as well as the Direct Sales payout and incentive scheme in order to lead the market in the assets sales. It also introduced the

Profit Share Scheme for Branch roles in order to lead the branch sales area in the market. As for Training and Development activities, they totaled up to over 55,347 hours and were comprising 3,023 employee training opportunities including international and specialized programs for high performing and high potential employees, future leaders programs, Professional Certificates in addition to 5352 hours of team building activities.

Last and towards the end of the year same as in 2018, a full fledged Talent Review exercise has been implemented in close collaboration with the concerned Heads of Functions using the 9-box methodology. As a result, Human Resources allocates a special training budget and works on the development of a fast track promotion and special compensation scheme for high performing and high potential employees for better motivation and retention purposes.

Corporate Social Responsibility

For Bank Audi Egypt, Corporate Social Responsibility is the way the Bank integrates social, environmental and economic concerns into its values, culture, decision making, strategy and operations with a view to establishing better practices within the Bank, helping improve society, and ensuring long-term superior value to all stakeholders (employees, customers, community, shareholders and third parties).

In 2019, the Bank continued to positively impact the Egyptian community by maintaining its vital role in advancing the United Nations' Sustainable Development Goals – "SDGs". This comes in line with Egypt's commitment to achieve the SDGs "Egypt's Vision 2030", whereby the country's three-dimensional strategic plan (economic, social and environmental) is based on ten pillars which broadly cover SDGs.

The activities of Bank Audi Egypt during 2019 focused on a number of defined goals including SDG3 "Ensure healthy lives and promote well-being", SDG4 "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all", SDG 8 "Decent Work and Economic Growth", SDG 9 "Industry, Innovation and Infrastructure", and SDG13 "Climate Action". In addition to that, the Bank continued to support the Central Bank of Egypt's initiatives to boost financial inclusion in the country.

Corporate Social Responsibility activities in 2019 included

SDG3 Good Health and Well-being

• Bank Audi Egypt kicked off its annual Ramadan football tournament for the 12th year in a row, confirming once again that sports-related initiatives are at the core of its CSR agenda.
The Bank also launched a wellness program to assure healthy lifestyles to employees by helping them understand how lifestyle affects general health conditions, and how to make positive changes to fuel productivity. Topics covered in the program included meditation, parenting and nutrition.

SDG 4

Ensure Inclusive and Equitable Quality Education and Promote Lifelong Learning Opportunities for All

• In line with its continuous support to education, we took part in the "Step by Step 2019" education fair aiming at attracting a large number of students who wish to pursue studies abroad.

SDG8 Decent Work and Economic Growth:

- Bank Audi Egypt organized rounds of team building events during which 669 employees demonstrated that teams are more efficient and collaborative when they act and operate as one.
- Convinced of the importance of human development and in cooperation with the American University in Cairo, the Bank also launched the Advanced Corporate Banking Credit Program which targets senior corporate Banking professionals..

- In parallel, we designed the Leadership School to develop leadership notions and skills at all managerial levels. Training and development being key elements in developing employees, unifying Management's leadership language and style was one of the main objectives of this school.

- Bank Audi Egypt invited over 1,500 colleagues for its annual Iftar gathering that was attended by the Bank's Board of Directors. The core message of the event is to show the importance of the Human Capital and making the Bank members feel like a family, as employees are one of the most valuable assets.

SDG9 Industry, Innovation and

Infrastructure

- Bank Audi Egypt launched “Nafeza”, a new e-finance payment platform allowing cross-border traders to submit regulatory documents at a single location and/or single entity. This comes in line with the Bank’s efforts to offer the most innovative electronic payment solutions in Egypt and to include the country’s un-Banked population in the formal economy.

- In addition, the Bank launched a new service which allows companies to make all e-finance governmental payments (customs, taxes, “Nafeza” and others to come) online through the eCPS electronic portal, without the need to visit any Bank Audi branch or any other financial institution.

SDG13 Climate Action

- In its efforts to encourage the use of electronic payments to preserve the environment and protect the climate, Bank Audi Egypt sponsored the annual “Kermesse SCG’19” fair that took place at Sacré-Coeur school and during which a branded Bank Audi stand promoted the “Audi2Pay” mobile wallet that helps students know more about new e-payment solutions.

Civic Role and Community Development

- Because Bank Audi Egypt has a strong belief in civic role and community development, which are among its core values, it offered its employees entrance tickets to one of the Egyptian team’s 16th round match in the AFCON 2019 championship.

- The Bank sponsored the Bab Al Qasr tent at the Royal Maxim Palace Kempinski hotel during the holy month of Ramadan. The Bank used an activation designed for that purpose to invite its “Select” affluent segment to a sohour reception during which products targeting this category of clients were promoted.

- In light of its belief to support all vulnerable segments in Egypt. the Bank also donated EGP 10 million to the Martyrs Fund in order to back this segment.

Marketing Department

The year 2019 witnessed a leap in Bank Audi’s marketing presence in the Egyptian Financial Sector on several fronts. Starting the year with a huge branding campaign promoting its different types of products and services where the Bank managed to place itself well amongst major competitors.

The Bank’s aim in 2019 was to increase brand awareness which was a great opportunity to launch 3 new segments, Audi Royale, Audi Premiere and Audi Select through a series of affinity sponsorships and activations along with strong digital budgets on tactical products campaigns and services.
Parallel to that, the Bank continued its adoption to a transparent strategy in communicating with its staff on a regular basis through its Internal Communication Department to keep them updated with the latest news.

Market Research

Market Research Department plays a vital role for all Bank departments including the non-business ones as it helped in:

1. Providing the Bank’s various departments with valuable, accurate and up-to-date information, which helps in decision-making, and new business acquisition.
2. Running different types of structured surveys/studies to measure, assess and analyze the Bank’s lines of business customers’ satisfaction; and benchmark its products and services to the marketplace.
3. Running geo-marketing studies to assess the new locations where the Bank should expand its branches and ATMs network, which helps in deciding the best locations to have new branches and ATMs and reach the fastest return on investment.
4. Helping the various lines of business in building their new business models by running different types of structured surveys/studies to identify the market gap/need and segment the targeted clients.

The Bank values the importance of market research on both directions: launching new product/service, and assessing existing products’ performance. In the case of a new launch, we helped defining, classifying and understanding both market and targeted customers’ needs, defining the available gaps in the market to use it as business opportunities and assessing the peer competitors’ performance which helps in the new Banking products/services development and the way it should be delivered and communicated to the market and targeted customers. In the case of running business, we usually conduct market surveys and scanning for selected peers/ features / edges / customer preferences in order to assess our products versus peers and always be ahead of others with a competitive advantage in order always to be able to satisfy and retain our customers, and the ability to attract new ones.

Service Excellence

Service Excellence Department is mirroring Bank Audi Egypt’s core values and Strategic Business Directions, in which Service Excellence Department paid special attention to aligning its own business plan to the Bank-wide objectives that can be briefly expressed in achieving the organizational efficiency and a delighted customer experience through an efficient journey end-to-end.

As Bank Audi Egypt further grows and focuses on our identity of being a customer-centric organization driven by customer needs and our objective to reach the customer delight, the Service Excellence team are continuing with full devotion to the improvement of customer service as the main driver for business acquisition, customer approach and retention and focusing on service level through all our channels and front liners to be our competitive edge. Service Excellence department played a pivotal role
in ensuring the effective implementation of such service levels on the ground through stating the benchmarks, and Key Quality Indicators in order to always self-assess the performance levels and work on the gaps to be improved, Synergy among all the Bank’s departments is a key success factor that gathers all the Bank staff as one unit with one goal, while providing any kind of service for the customer in a homogeneous environment. The essence of our service excellence approach is based on two main pillars;
1. Continually having effective communication channels with our customers through conducting multiple surveys and satisfaction measurements in order to stand upon our position with our customers. In parallel, conducting surveys for the staff to check their satisfaction about the services provided from other departments in order to check the gaps “if any”.
2. Gathering all these voices and feedbacks to be analyzed and get the trends and gaps then, transforming them into improvement plans to work upon through many tools and approaches in which by the end would get an efficient, synchronized work environment capable of delivering the aspired level of service for our customers and staff equally; and most importantly, having a dynamic environment of continual self-assessment and improvement.

And, as a result of this stated model for service excellence, we have been awarded as the Best Data Centric Approach and Best Customer journey in MENA region from Trusted advisors in January 2020.

II. Control Functions
Legal

Legal Department

During the past years, the Legal Department has been working on different levels to give all possible legal support to the Banks’s business and towards boosting its growth plans:

Human Capital

Building the Legal Department’s human capital has been a key focus throughout the past years; starting from a small team consisting only of 3 lawyers and reaching a team of 17 experienced and young qualified lawyers who enjoy diverse experiences and great understanding of the business, and whose main focus is to provide efficient and timely services to our business lines and clients and to support the Bank’s image and reputation. We have successfully built an institutional structure within the Legal team by creating second and third lines of management to ensure a sustainable level of efficiency and support.

Litigation

- The professional management of the Legal Department of lawsuits resulted in the Bank being awarded favorable judgments in a number of major lawsuits, where the relevant court(s) issued their verdicts obliging the defendant’s to settle unpaid debt’s to the Bank plus accrued interest.

- We participated in negotiation and preparation of rescheduling of debt and amicable settlement arrangements for one corporate client with substantially large exposure of about EGP 175,744,382 and USD 936,401.

Legislative

The Bank’s Senior General Counsel had an interactive role in reviewing and commenting on the draft of the new CBE law.

Products & Services

The Legal Department has always been a key participant in establishing and providing new products and services to the Bank’s clients, working side by side with the business lines to create and develop necessary legal platform and documentation.

We actively supporting all business lines in Egypt to provide efficient legal advice and support striving to find legal solutions to cater for the Clients’ needs and facilitate transactions while safeguarding the Bank’s best interests.

We also provide support to Bank Audi SAL, and to other entities within Audi Group, on matters related to Egyptian law issues.
The Legal Department provides all necessary support to the Bank's business lines for successful execution of numerous loans, syndicated facilities, Islamic finance transaction, structured finance deals, acquisition finance, mortgage finance, real estate and commercial mortgages and various types of securities.

Audit

The Bank's Internal Audit Department consists of a team that believes they have crucial responsibility to reinforce the control environment within the Bank in order to create a solid professional culture whereby risk exposure is properly and timely mitigated within the Bank's risk tolerance. Consequently, the team went the extra mile, reflecting such belief and direction into the department KPIs in 2019, and imposed a positive participation and meaningful contribution, by seeking to add value to the organizations' objectives and strategies.

With this regard, the audit team updated on a regular basis the internal audit charter, policies and procedures, and their related audit work programs across different types of business and Banking operations to assure their quality and consistency and timely reflect the rapid changes occurring inside the Bank and the market.

Throughout fiscal year 2019, the Internal Audit Department successfully accomplished comprehensive risk based audit plans across Bank Audi Egypt's Head Office departments, its operative branches, centralized operations along with IT, so that high-risk areas were all tackled and controls tested. The Internal Audit team then properly applied the latest professional standards, risk based methodologies and best practices in order to achieve the Bank's internal audit KPIs. It is worthy of mention that 2019 witnessed 47 branches audit assignments and several audit missions of the head office departments and the centralized operations in addition to an audit mission on IT modules and systems accomplished in collaboration with Bank Audi SAL's IT Group Audit.

It is also worth mentioning that the structure of the internal audit department has been developed in 2019 to make room for the internal audit staff to achieve their career path in addition to creating two new units that will help in enhancing the internal audit function and its role in the internal control environment, those units are:
- Investigation Unit - Monitoring & Quality Assurance Unit

Compliance

Reference to the increasing importance of the control role inside Banks, the Compliance function of Bank Audi Egypt remained complementary in its role in supporting the Bank's different line of businesses in achieving the Banks' strategy and goals in a safe way. In this regard the Compliance Department performed enhancements on the internal applied policies and procedures to cope with the Group policy which is in turn aligned with the international standards, and in order to standardize and automate manual procedures to easily integrate regulatory requirements and required due diligence within the daily work. On the other hand, and worth mentioning, that the Compliance Department was continuously supporting the different business sectors such as operations, branches, retail, etc. in addition to their significant role in keeping robust and efficient regulatory compliance and corporate governance programs coordinated with the Board of Directors and the Group as well.

• CISBC

- CISBC is part of the Operational Risk Management dept., including Information Security (InfoSec) and Business Continuity Management (BCM) which works closely with business and support units management and staff but is functionally independent of them

- information Security is all about protecting the Bank's total information from Risks to its Confidentiality, Integrity and Availability, hence InfoSec is adopting a dynamic framework to eliminate cyber-threats and protect the Bank's information assets.

- BCM is a holistic management process that Identifies potential threats to the Bank and the impacts to business operations that those threats if realized might cause, and provides a framework for building organizational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand, and value-creating activities

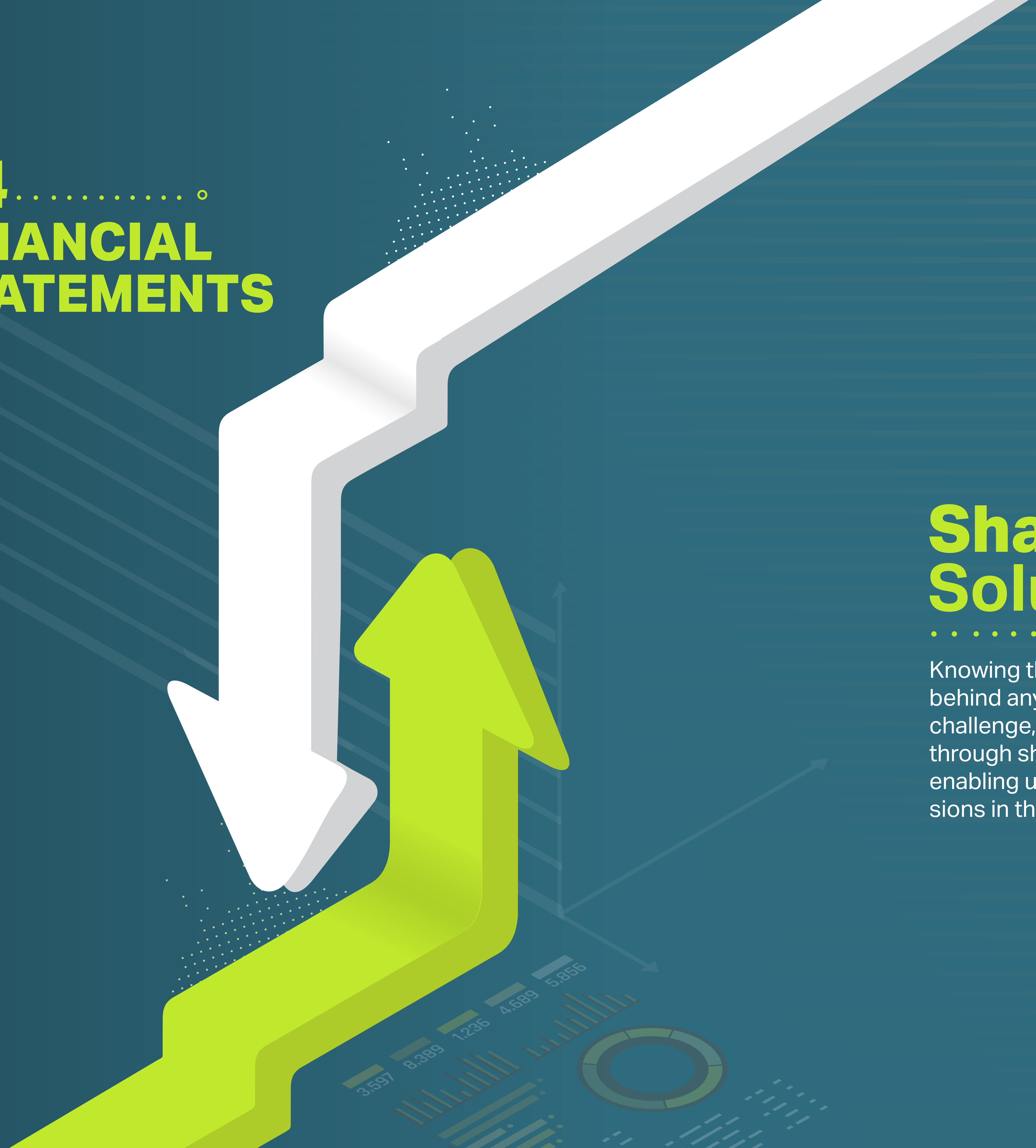
- BCM formulates plans to enable the Bank to recover its critical operations quickly in the event of disruption to normal business, while continually testing the preparedness and robustness of the Business Continuity Centre through a series of exercises across all Bank units.

• Operational Risk Management (ORM)

- Effective management of operational risk is integral to the business of Banking and sound integrated risk management. The Bank's objective is to structure a robust, dynamic and sustainable operational risk management framework (ORMF) for identification, assessment, measurement, monitoring/control and reporting.

- The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business and functional unit.

04
FINANCIAL STATEMENTS



Sharing Solutions

Knowing there lies a solution behind any challenge, communicating ideas through shared discussions, enabling us to make better decisions in the future.

Independent Auditor's Report

To: The Shareholders of Bank Audi "S.A.E."

Report on the financial statements

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

Management's Responsibility for the Financial Statements

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

Auditors' responsibility

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

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

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

To: The Shareholders of Bank Audi "S.A.E."

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank Audi "S.A.E." as of 31 December 2019 and of its financial performance and its cash flows for the year then ended, in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation of the Bank's financial statements, issued on December 16, 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on other legal and regulatory requirements

According to the information and explanations given to us during the financial year ended 31 December 2019, no contravention of the Central Bank, Banking and Monetary Institution law Institution No.88 of 2003 or any of the provisions of the Article of Association.

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

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

Auditors

Tamer Abdel Tawab
Member of Egyptian Society of Accountants & Auditors
Member of American Society of Certified Public Accountants
R.A.A. 17996
PricewaterhouseCoopers Ezz Eldin & Diab & Co.
Legal Accountants

Mohamed El Sayed Mohamed AbdelHakim
Member of the Egyptian Society of Accountants & Auditors
Member of the Egyptian Tax Society
R.A.A. No. 3960
F.R.A.R. No. 46
BDO Khaled & Co.

Cairo on 16 February 2020

Notes to the financial statements - For the year ended 31 December 2019
All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

(All amounts in Egyptian Pounds)	Note	2019	2018
Assets:			
Cash and balances with the Central Bank of Egypt	14	6,877,459,286	2,855,340,245
Bank balances	15	22,215,133,782	12,129,899,041
Loans and facilities to banks	16	143,838,631	-
Loans and facilities to customers	17	25,934,142,440	31,181,937,267
Financial derivative instruments	18	548,676	938,982
Financial investments	19	17,557,780,883	19,895,505,843
Intangible assets	20	270,185,968	262,815,012
Other assets	21	1,505,500,675	1,384,079,214
Fixed assets	22	760,800,742	690,390,302
Total assets		**75,265,391,083**	**68,400,905,906**
Liabilities and shareholders' equity			
Liabilities:			
Due to banks	23	185,597,913	36,564,755
Customers' deposits	24	65,493,554,795	59,149,020,054
Financial derivative instruments	18	965,840	691,854
Other loans	25	1,283,320,000	1,224,096,000
Other liabilities	26	627,828,689	645,741,772
Other provisions	27	244,566,722	175,958,869
Current income tax liabilities	28	100,592,265	175,045,558
Deferred tax liabilities	28	179,742,715	263,613,213
Total liabilities		**68,116,168,939**	**61,670,732,075**
Shareholders' Equity:			
Issued and paid-up capital	29	2,152,447,065	2,152,447,065
Retained earnings	30-2	4,251,380,410	3,916,350,211
Reserves	30-1	745,394,669	661,376,555
Total equity		**7,149,222,144**	**6,730,173,831**
Total liabilities and shareholders' equity		**75,265,391,083**	**68,400,905,906**

Mohamed Bedeir
Managing Director

Hatem Sadek
Chairman

Cairo on 16 February 2020

Notes to the financial statements - For the year ended 31 December 2019
All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

(All amounts in Egyptian Pounds)	**Note**	**2019**	**2018**
Loan interest and similar income	6	8,800,755,352	7,651,822,437
Cost of similar deposits and costs	6	(6,018,447,345)	(5,269,245,867)
Net interest income		**2,782,308,007**	**2,382,576,570**
Fees and commission income	7	581,185,779	566,553,042
Fees and commission expenses	7	(33,232,800)	(22,993,575)
Net income from fees and commissions		**547,952,979**	**543,559,467**
Dividends		68,772	1,142,861
Net trading income	8	54,425,084	74,731,239
Profits from financial investments	19	9,437,556	6,321,279
Impairment charges on credit losses	11	(267,558,696)	(278,618,379)
Administration expenses	9	(1,004,775,646)	(900,777,068)
Other operating expenses	10	(276,936,090)	(127,914,694)
Profit before income tax		**1,844,921,966**	**1,701,021,275**
Income tax expenses	12	(442,017,237)	(433,634,822)
Net profit for the year		**1,402,904,729**	**1,267,386,453**
Net profit for the year per share	13	**36.58**	**33.89**

BANK AUDI ANNUAL REPORT 2019

Notes to the financial statements - For the year ended 31 December 2019
All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

All amounts are shown in Egyptian Pounds

	Issued and paid up capital	Legal reserve	Capital reserve	Special reserve	Fair value reserve- financial Investments transferred to held to maturity	Fair value reserve- financial Investments through other comprehensive income	Bank risks reserve	IFRS9 reserve	Retained earnings	Total
31 December 2018										
Balance at the beginning of the year	2,152,447,065	195,972,487	647,436	81,099,789	(135,210,000)	962,839	156,102,822	336,022,770	2,775,071,087	**5,563,116,289**
Transferred to reserves		51,042,884	20,000				(32,414,184)		(18,648,700)	
Employees' share of profit for 2017									(107,458,630)	**(107,458,630)**
Net profit for the year									1,267,386,453	**1,267,386,453**
Net change in financial investments					49,549,180	(42,419,462)				**7,129,718**
Balance at the end of the year	**2,152,447,065**	**247,015,371**	**667,436**	**81,099,789**	**(85,660,820)**	**(41,456,623)**	**123,688,632**	**336,022,770**	**3,916,350,210**	**6,730,173,830**

	Issued and paid up capital	Legal reserve	General risk reserve	Capital reserve	Special reserve	Fair value reserve for financial Investments through other comprehensive income	Bank risks reserve	IFRS9 reserve	Retained earnings	Total
31 December 2019										
Balance at the beginning of the period	2,152,447,065	247,015,371	-	667,436	81,099,789	(127,117,443)	123,688,632	336,022,770	3,916,350,211	**6,730,173,830**
Impact of first applying IFRS 9			538,223,157		(81,099,789)	70,135,119	(121,100,598)	(336,022,770)		**70,135,119**
Used from the general risk reserve to support Credit loss provisions			(187,647,727)							**(187,647,727)**
Transferred to reserves		63,364,673		93,000			287,560		(63,745,233)	
Employees' share of profit for 2018									(123,634,297)	**(123,634,297)**
Shareholders' share of profit for 2018									(880,495,000)	**(880,495,000)**
Net profit for the period									1,402,904,729	**1,402,904,729**
Net change in fair value of financial investments through other comprehensive income						170,408,458				**170,408,458**
Deferred tax on other comprehensive income						(23,185,413)				**(23,185,413)**
Profits on sale of financial investments at fair value through other comprehensive income						(9,437,556)				**(9,437,556)**
Balance at the end of the year	**2,152,447,065**	**310,380,044**	**350,575,430**	**760,436**	**-**	**80,803,165**	**2,875,594**	**-**	**4,251,380,410**	**7,149,222,144**

Notes to the financial statements - For the year ended 31 December 2019
All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

(All amounts are shown in Egyptian Pounds)	**Note**	**2019**	**2018**
Cash flows from operating activities			
Net profit for the year before tax		1,844,921,966	1,701,021,275
Adjustments to reconcile net income to cash flows for operating activities			
Depreciation and amortisation		113,183,420	106,080,732
Impairment charges on credit losses	11	208,098,725	278,618,379
Impairment charges on due to banks and other loans		(716,060)	–
Impairment charges on financial instruments		60,176,031	–
Net differences of investment revaluation through profit and loss		(16,944,937)	–
Cost of other provisions	10	94,758,174	78,799,894
Provisions utilised excluding loans' provision		(8,125,833)	354,098
Differences of revaluation of balances of other provisions in foreign currencies		(1,008,510)	128,774
Differences of revaluation of balances of other provisions due to banks and other loans		(1,356,402)	–
Net differences of investment revaluation throu other comprehensive income		119,485,692	–
Amortisation of share premium and available-for-sale financial investments revaluation differences		44,833	(10,873,253)
Dividends of investments other than financial assets held for trading		(68,772)	(1,142,861)
Gains on sale of fixed assets		(1,293,992)	(93,000)
Differences of revaluation of other loans' balances		(112,326,000)	12,703,167
Differences of revaluation of loan balances and facilities to banks		–	–
Gains on sale of other financial investments		(9,437,556)	(6,321,279)
Amortisation of fair value reserve for investments reclassified from available-for-sale to held-to-maturity financial investments		496,694	(5,635,534)
Operating profit before changes in assets and liabilities for operating activities		**2,289,887,473**	**2,153,640,392**
Net decrease in assets			
Balances at the Central Bank within the reserve ratio		(4,021,016,363)	829,809,476
Bank Balances		(5,473,045,786)	(978,242,701)
Treasury bills and other government notes (Net).		6,501,342,396	(5,983,287,301)
Financial derivatives (Net)		664,292	(3,213,371)
Loans and advances to banks		(144,129,600)	–
Loans and advances to customers		4,850,236,333	(2,064,268,062)
Other assets		(121,421,461)	(70,943,936)
Due to banks		149,033,158	(308,176,920)
Customers' deposits		6,344,534,741	11,775,633,125
Other liabilities		(17,913,083)	(28,141,026)
Taxes paid		(623,526,441)	(492,409,002)
Net cash generated from operating activities		**9,734,645,659**	**4,830,400,674**
Cash flows from investing activities			
Proceeds from sale of fixed assets		2,121,469	93,000
Payments for purchase of fixed assets and preparation and supplies of branches		(138,992,535)	(65,045,477)
Payments for purchase of intangible assets		(52,799,758)	(37,551,298)

Notes to the financial statements - For the year ended 31 December 2019
All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

Proceeds from Treasury bills with repurchase agreement		21,075,000	-
Payments of financial investments excluding financial assets held for trading		(4,819,469,234)	(1,343,659,389)
Proceeds from sale of financial investments excluding financial assets held for trading		695,190,671	279,344,304
Proceeds on held-to-maturity investments		-	1,628,844,000
Dividends on investments other than financial assets held for trading		68,772	1,142,861
Proceeds on treasury bills sold with re-purchase commitment		-	15,025,000
Net cash flows used in investing activities		**(4,292,805,615)**	**478,193,001**
Cash flows generated from financing activities			
Paid from other loans		(149,290,000)	(29,546,167)
Dividends paid		(1,004,129,297)	(107,458,629)
Proceeds from loans		320,830,000	-
Net cash flows used in financing activities		**(832,579,297)**	**(137,004,796)**
Net change in cash and cash equivalents during the year		4,609,260,747	5,171,588,879
Cash and cash equivalents' balance at the beginning of the year		10,077,752,756	4,906,163,877
Cash and cash equivalents' balance at the end of the year		**14,687,013,503**	**10,077,752,756**
Cash and cash equivalents comprise			
Cash and balance with the Central Bank of Egypt		6,877,459,286	2,855,340,245
Bank balances		22,225,548,533	12,129,899,042
Treasury bills and other government notes		5,756,463,167	12,289,402,651
Balances at the Central Bank within the mandatory reserve ratio		(6,319,373,998)	(2,298,357,635)
Balances at banks with maturities of more than three months from the date of acquisition		(8,098,245,000)	(2,625,199,214)
Treasury bills (net) with maturities of more than three months from the date of acquisition		(5,754,838,485)	(12,273,332,333)
Cash and cash equivalents	31	**14,687,013,503**	**10,077,752,756**

The accompanying notes on pages 8 to 68 form an integral part of these financial statements.

Statement of proposed dividends - for the financial year ended 31 December 2019

(All amounts are shown in Egyptian Pounds)	**2019**	**2018**
Net profit for the year	1,402,904,729	1,267,386,453
Less:		
Gain on sale of fixed assets transferred to capital reserve in accordance with the provisions of the law	3,180,742	(93,000)
General banking risk reserve	(287,560)	32,414,184
IFRS9 risk reserve	-	-
Net distributable profit for the year	**1,405,797,911**	**1,299,707,637**
Add:		
Retained earnings at the beginning of the year	2,848,763,241	2,616,549,574
Total	**4,254,561,152**	**3,916,257,211**
Distributed as follows:		
Legal reserve	70,304,274	63,364,673
Shareholders dividends	-	880,495,000
Retained earnings	4,050,707,514	2,848,763,242
Employees' share	133,549,364	123,634,297
	4,254,561,152	**3,916,257,211**

1 General Information

Bank Audi «S.A.E.» provides corporate and retail banking services and investment in the Arab Republic of Egypt and abroad through 53 branches and employs 1568 employees at the balance sheet date.

The Bank was established as an Egyptian Shareholding Company under Law No. 43 of 1974 and its executive regulations in the Arab Republic of Egypt; the Head office of the Bank is located in in Giza governorate.

These financial statements have been approved for issuance by the Board of Directors on.

2 Summary of accounting policies

The principal accounting policies used in the preparation of these financial statements are set out below. These policies are adopted consistently for the periods presented, unless otherwise stated.

2.1Basis of preparation

The financial statements are prepared in accordance with the rules of preparation and presentation of the Banks' financial statements and basis of recognition and measurement approved by the Board of Directors of the Central Bank of Egypt on 16 December 2008 and on the historical cost basis modified by the revaluation of financial assets and liabilities held for trading, financial assets and liabilities classified at fair value through profit and loss at initial recognition, available for sale investments and all derivative contacts.

The Central Bank of Egypt has decided to compel the banks to prepare the financial statements in accordance with the IFRS9 standard and has also been applied in accordance with the Central Bank letter on 26 February 2019, which will be referred to later as (IFRS9) or International Accounting Standard No. (9) as of 1 January 2019. This standard includes both rating and measurement as well as expected credit losses.

First: Classification and measurement:
The classification and measurement of financial assets and liabilities as well as the coverage of financial derivatives (IFRS 9) includes the scope of the international standard

Second: Expected credit losses:
The IFRS includes the requirements for measuring the expected credit loss of all credit exposures.
(IFRS9) Below is a table showing the balances of assets and financial liabilities outstanding on 31 December 2018 before and after the application of the **IFRS9**.

Basis of preparation (continued)

1-The following table shows the original measurement categories according to the current accounting standard and the new measurement categories according to the IFRS No. 9 of the Bank's financial assets and liabilities.

	The original classification according to the current standard	Book value according to IFRS 9	The original Book value according to the current standard	calculation of Expected credit losses	Reclassification & measurement	Original Book value according to IFRS 9
Assets						
Cash and balances with the Central Bank of Egypt	Amortised cost	Amortised cost	2,855,340,245			2,855,340,245
Cash at banks	Amortised cost	Amortised cost	12,129,899,041	(12,778,182)		12,117,120,859
Loans and facilities to customers	Amortised cost	Amortised cost	31,181,937,267	(189,459,769)		30,992,477,498
Financial derivatives	at fair value through profit or loss	at fair value through profit or loss	938,982			938,982
Financial Investments:						
Debt instruments	available for sale	Financial assets at fair value through other comprehensive income	742,508,207			742,508,207
	available for sale	Financial assets measured at amortised cost.	1,309,105,164	(2,425,761)	19,996,580	1,326,675,983
	held to maturity	Financial assets measured at amortised cost.	5,530,905,815		85,660,827	5,616,566,642
Treasury bills and other government securities	Amortised cost	Financial assets at fair value through other comprehensive income	12,289,402,651		(32,885,106)	12,256,517,545
Equity						
	available for sale	Debt instruments at fair value through profit or loss	5,790,477			5,790,477
	held to maturity	Debt instruments at fair value through profit or loss	10,000,000		12,740,785	22,740,785
	available for sale	Financial assets at fair value through other comprehensive income	7,793,528			7,793,528
Liabilities						
Other provisions	Amortised cost	Amortised cost	175,958,869	(17,015,979)		158,942,890

On the first day of application, both the special reserve - credit, general bank risk reserve and IFRS 9 risk reserve were combined into one reserve in the name of general risk reserve.
This reserve was used to support any increases in the calculation of expected credit losses from the total impairment on the first day of application, so that the balance of the general risk reserve becomes a fixed balance that will not be affected until after returning to the Central Bank of Egypt, and this reserve will be included within the capital base of the bank.
Provisions will continue to be calculated according to the basis of assessment of creditworthiness issued by the Central Bank of Egypt on 6 June 2005 and will be compared with the expected credit losses provisions to form a general bank risk reserve from the distribution of net profit to represent the reserves related to the risks, the increase in the calculation of provisions for the expected credit losses recognised in the financial statements.

Reserves	**Balance at 31 December 2018**	**Impact of applying IFRS 9**	**Balance after first day of applying IFRS9**
Bank risks reserve	123,688,632	(121,100,598)	*2,588,034
Special reserve	81,099,789	(81,099,789)	-
IFRS9 reserve	336,022,770	(336,022,770)	-
General risks reserve	-	538,223,157	538,223,157
Used from the general risk reserve to support Credit loss provisions	-	(187,647,733)	(187,647,733)
Total	**540,811,191**	**(187,647,733)**	**353,163,458**

* Assets reserve that have been transferred to the bank.

Notes to the financial statements - For the year ended 31 December 2019
(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

2.2 Segment reporting

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

2.3 Foreign currency translation

2.3.1Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements are presented in Egyptian pounds, which is the Bank's functional and presentation currency.)

2.3.2 Transaction and balances in foreign currency

The Bank keeps its accounting records in Egyptian pounds. Foreign currency transactions during the financial year are recognised using the exchange rates prevailing at the date of the transaction. Balances of monetary assets and liabilities in foreign currencies are reassessed at the end of the financial year based on the exchange rates then prevailing. Foreign exchange gains and losses resulting from settlement of such transactions and valuation differences are recognised in the statement of income under the following items:

• Net trading income or net income from financial instruments initially recognised at fair value through profit and loss for held-for-trading assets and liabilities of instruments initially recognise at fair value through profit and loss according to its type.
• Other operating income (expenses) for the remaining items.
• Equity of financial derivatives as qualifying hedge for cash flows, or as qualifying hedge for net investment.

Changes in the fair value of monetary financial instruments in foreign currency classified at fair value through comprehensive income (debt instruments) are analysed within revaluation differences from changes in amortised costs of the instrument, differences from changes in the prevailing exchange rates, and differences from changes in the fair value of the instrument. Revaluation differences related to changes in the amortised cost are recognised into interest income from loans and similar revenues, and those related to the changes in the exchange rates in other operating income (expenses) in the statement of income. Differences from changes in the fair value (fair value reserve/ available for sale investments) are recognised within equity. Valuation differences resulting from non-monetary items comprise profit and loss resulting from the change of fair value such as equity instruments held at fair value through profit or loss. Valuation differences resulting from the equity instruments designated as available for sale financial investments are carried within fair value reserve in equity

2.4 Financial assets
2.4.1 Financial policy applied until 31 December 2018

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

2.4.1.1 Financial assets at fair value through profit and loss

This group includes financial assets held for trading and financial assets recognised at fair value through profit or loss as they arise.
• A financial instrument is classified as held for trading if it is acquired principally for the purpose of selling in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are classified as trading unless it is recognised as a hedge instrument.
• Financial assets are recognised initially at fair value through profit or loss when:
• Doing so reduces measurement inconsistencies that would arise if the related derivative was treated as held for trading and the underlying financial instruments were carried at amortised cost for such loans and facilities to banks and customers, and issued debt instruments.
• Certain investments, such as equity investments that are managed and evaluated at fair value in accordance with a risk management or investment strategy, and reported to key management on that basis are recognised at fair value through profit and loss.
• Financial instruments, such as held debt instruments which contain one or more embedded derivatives which significantly affect the cash flows are recognised at fair value through profit or loss.
• Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets and liabilities are initially recorded at fair value through profit and loss in the statement of income under «net income on financial instruments designated initially at fair value through profits and loss».
• Derivatives may not be reclassified out of group of the fair value through profit or loss, at the period they are retained or valid. Further, financial instruments may not be reclassified by transfer from the group of the fair value through profit and loss if it was initially designated by the Bank as an instrument measured at fair value through profit and loss.
• In all cases, the Bank does not re-classify any financial instrument, by transfer to a group of financial instruments at fair value through profit or loss or any group of financial assets held for trading.

2.4.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable amount that are not quoted in an active market, except:
• Assets that the Bank intends to sell immediately or in the short term are classified as held for trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss.
• Assets that the Bank classified upon initial recognition as available-for-sale.
• Assets from which the Bank may not recover substantially its initial investment amount, for reasons other than credit deterioration.

• 4-1-3 Financial investments held-to-maturity
Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable amounts and fixed maturities that the Bank has positive intention and ability to hold till maturity.

If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be re-classified as available for sale, except in emergency cases.

2.4.1.3 Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.
The following applies to financial assets:
• Purchases and sales of financial assets, which are recognised at fair value through profit and loss, held to maturity and available for sale investments, are recognised on trade-date; the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of income in net trading income.
• Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – either, when the obligation is discharged, cancelled or expired.
• Available-for-sale, held–for-trading and financial assets designated as at fair value through profit or loss are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are subsequently measured at amortized cost.
• Gains and losses arising from changes in the fair value of financial assets carried at fair value through profit and loss are included in the statement of income in the year in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial investments are recognised directly in equity until the financial asset is derecognised or impaired. At this time. the cumulative gains and losses previously recognised in equity are recognised in the statement of income
• Interest calculated using the amortised cost and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the statement of income. Dividends from available for sale equity instruments are recognised in the statement of income when the Bank's right to receive the payment is established.
• The fair values of quoted investments in active markets are based on current bid price. If there is no active market or a current bid price for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques, and if the Bank could not assess the fair value of the equity instruments classified as available for sale, these instruments are measured at cost less impairment.
• Profits and losses related to reclassified financial assets with fixed maturity are amortised using the effective interest method over the remaining life of the held to maturity investment. Any difference between the value on the basis of amortised cost and the value on the basis of maturity date is amortised over the remaining life of the financial asset using the effective interest rate method. In case of financial asset's impairment, any profits or losses previously recognised in equity are recognised in profit and loss.

2.4.2 Financial policy applied until 31 December 2019

Starting from 1 January 2019, the Central Bank of Egypt issued its instructions to apply the (IFRS 9), which classifies financial assets according to the business models prepared and that reflect the Bank's strategy in managing financial assets and cash flows as follows:

• Financial assets at amortized cost, which are held to collect contractual cash flows, which are the principal of the investment amount and the returns.
• The objective of the business model when acquiring should not be to dispose of these instruments except to the extent permitted by the standard.
• This classification is not subject to the requirements for measuring fair value. Rather, it is subject to the requirements for measuring expected credit losses.
• The revenue on these instruments is recognised in the statement of profit and loss.
• Financial assets at fair value through other comprehensive income, which are the assets of the business model of which is the collection of contractual cash flows and sales.
o These instruments are measured at fair value, and subsequent changes in fair value are recognised in the statement of other comprehensive income.
• The revenue on these instruments is recognised in the statement of profit and loss.
• In the event that the fair value of one of the debt instruments falls below its cost, this instrument is subject to the calculation of expected credit losses, as expected credit losses are recognised in the statement of profit and loss and the rest of the changes are recognised in the other comprehensive income statement.
• When disposing of these assets or canceling recognition of them, the accumulated balance of the difference in the change in the fair value recognised in the other comprehensive income is transferred to the statement of profits and losses if they are debt instruments, but in the case of Shareholders' equity instruments, the differences in the change in the fair value are transferred to retained earnings directly within shareholders' equity.

• Financial assets at fair value through profit or loss, which are not included in the previous two portfolios.
o Subsequent changes in the fair value are recognised in the statement of profit and loss.
o The revenue on these instruments is recognised in the statement of profit and loss.
• These assets are not subject to a measure of expected credit losses.
• On initial recognition, the enterprise must measure the financial asset at its fair value in any case of classification in addition to transaction costs, except in the case of classification as assets at fair value through profit and loss.

2.5 Financial liabilities

Financial liabilities are generally recognised and measured at amortised cost.
If the objective of the business model is to recognize financial obligations at fair value through profit and loss, then in this case these types of financial obligations are measured at fair value and subsequent changes in fair value are recognised in the statement of profit and losses, as for the changes resulting from the credit risks associated with the same bank with these liabilities, they are recognized in the other comprehensive income and are not carried over back to the statement of profits and losses even if these amounts are realized or these liabilities are eliminated.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Derivative financial instruments

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

• Embedded derivatives in other financial instruments, such as conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, provided that the host contract is not classified as at fair value through profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognized in income statement under net trading income.

• Embedded derivatives are not separated if the Bank chooses to classify the entire complex contract at fair value through profit or loss.

2.8 Fair value hedge

Changes in fair value of financial derivatives that are designated and qualify as hedging instrument at fair value are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributed in the hedged risk. Effective changes in fair value of interest rate swaps and related hedged items are reflected in 'net interest income' and effective changes in fair value of currency future contracts are reflected in 'net trading income'. Any ineffective changed in contracts are related hedged items mentioned in the previous paragraph are recorded in 'net trading income'. If the coverage no longer meets the conditions for coverage accounting, amendment made to the book value of the covered item that is accounted for using the amortized cost method is consumed by charging it to the profit and loss over the period to maturity. Adjustments made to the book value of the hedged equity instrument are included within equity until they are disposed of

2.9 Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the fair value of the hedging instrument initially recognized directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the 'net trading income'. Amounts accumulated in equity are carried to the statement of income in the same periods in which the hedged item has an impact on profit or loss, and gains or losses relating to the effective portion of the currency swaps and options are taken to the "net trading income". When a hedging instrument is mature or sold, or if hedge no longer meets the conditions for hedge accounting, the cumulative gain or loss in equity at that time is retained in equity and recognized in the statement of income when the forecast transaction is finally recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the equity is immediately transferred to the income statement.

2.10 Financial derivatives that do not meet the requirements for hedge accounting

Financial derivatives to which hedge accounting does not apply - are recognized within the financial assets at fair value through profit or loss and subsequent changes in fair value are recognized in the statement of profit and loss in accordance with the requirements of the IFRS.
come statement.

2.11 Interest income and expenses

Interest income and expenses are recognised in the statement of income under "loan interest and similar income" or "deposits cost and similar costs" using the effective interest rate method for all interest-bearing financial instruments except for the held-for-trading instruments or instruments that were classified at fair value through profit and loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant Period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter Period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, in addition to any transaction costs and all other premiums or discounts. When loans or debts are classified as non-performing loans, proceeds are credited to marginally classified loans, ie, they are added to a marginal account outside the financial statements (which do not affect the Bank's income) and are recognized under income according to the cash basis as follows:When collected and after the recovery of all arrears for consumer and real estate loans for personal housing and small loans for economic activities.

• For corporate loans, cash basis is also applied, where the interest subsequently calculated is given in accordance with the loan scheduling contract, until 25% of the scheduling instalments are repaid and with a minimum of one year of regular repayment. In case the customer continues to make payments on a regular basis, the interest calculated on the loan outstanding is recognised in revenues (interest on regular scheduling balance) without marginal interest before scheduling which is not recognised as revenues except after paying all the loan balance in the balance sheet before scheduling.

Fees that are due for a loan service or facilities are recognised as income when the service is rendered. Fees and commissions income related to non-performing loans or debts are suspended and are carried off balance sheet and are recognised under income according to the cash basis

when interest income is recognised in accordance with note (2-12) above.

Fees that represent a complementing part of the financial asset effective rate are recognised as adjustment to the effective interest rate.

The loan commitment fee is deferred when the loan is granted. The extent of the customer's use of the loan is reviewed at agreed intervals with the customer. In the case of the end of the period without the customer's use of the loan or part thereof, the fees are recognized as income

Fees related to debt instruments measured at fair value are recognised as income at initial recognition. Fees related to marketing of a syndicated loan are recognised as income when the marketing process is completed and the loan is fully used or if the Bank kept its share of the syndicated loan using the effective interest rate as used by the other participants.

Commissions and fees arising from negotiation or participating in a negotiation of a transaction in favour of a third party - such as shares or other financial instruments purchase arrangements or acquisition or sale of entities - are recognised in the statement of income when the related transaction is completed. Fees related to management advisory and other services are recognised on a time proportion basis over the period in which the service is provided. Financial planning and custody services fees provided on long periods are recognised over the year in which the service is provided.

2.12 Impairment of financial assets
2.12.1 Financial policy applied until 31 December 2018
2.12.1.1. Financial assets at amortised cost

At each balance sheet date, the Bank assesses whether there is objective evidence that any financial asset or group of financial assets have been impaired. A financial asset or a group of financial assets are considered impaired and the impairment losses are recognised when there is an objective evidence of the impairment as a result of one or more events that occurred after the initial recognition of the asset (loss event), and that loss event affects the future cash flows of the financial asset or the group of financial assets which can be reliably estimated.

The Bank considers the following indicators to determine the existence of objective evidence for impairment losses:

- Significant financial difficulty of the issuer or obligor.
- Breach of the loan agreement such as default.
- Expected bankruptcy of the borrower, entering a liquidation lawsuit, or restructuring the finance granted to the borrower.
- Deterioration of the competitive position of the borrower.
- Granting privileges or exceptions by the Bank to the borrower due to economic or legal reasons, which are not granted by the Bank in the normal course of business.
- Impairment of the guarantee.
- Deterioration of creditworthiness.

An objective proof for impairment loss of a group of financial assets is the existence of clear information indicating a measurable decline in the future cash flows expected from such category since initial recognition, although such decline is not identifiable for each individual asset i.e. the increase in default cases regarding one of the banking products.

The Bank estimates the period between losses occurring and its identification for each specific portfolio. In general, the period varies between one month to twelve months.

Corporate Sector Impairment

- The Bank first assesses whether objective evidence of impairment exists individually for each financial asset, and the Bank then performs an individual assessment to assess the impairment. If the Bank determines that an objective evidence of financial asset impairment exists, identified impairment is calculated based on expected the future cash flows discounted using the original contractual return rate.
- If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, impairment is then measured according to probability of default and loss given default and an unidentified impairment is calculated for such group of assets.

Band retail sector

- Identified Impairment is calculated for all overdue assets (default of one day or more) and this is according to outstanding balance and default rates of each group balances according to the probability of default and loss given default.
- Unidentified impairment is calculated for all assets with no over dues and this is according to aggregate outstanding balance and probability of default for that category and the loss given default.

Impairment losses are measured by the difference between the asset's book value and the present value of expected future cash flows, excluding future expected credit losses not charged yet, discounted at the financial assets' contractual return rate. The book value of the financial asset is reduced by the impairment amount using the 'impairment loss provision', and the impairment is recognised in the statement of income.

If the loan or the investment classified as held-to-maturity carry a variable rate, the discount rate used to measure any impairment losses will be the contractual return rate when there is objective evidence that the asset is impaired. For practical purposes, the Bank may measure the impairment loss using the fair value of the instrument through its market rate. For guaranteed financial assets, the present value for expected future cash flows has to be considered in addition to the proceeds from sale of guarantee after deducting the related expenses.

For the purpose of an estimation of impairment on the aggregated level, financial assets are grouped on the basis of similar credit risk characteristics according to the Bank classification process taking into consideration the type of asset, industry, geographical location, arrears position, and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for those groups of assets as they are indicators of the debtors' ability to pay all the amounts dues according to its contract terms for assets under study

Upon estimation of impairment of a group of financial assets on the basis of historical default rates, the future contractual cash flows of the group are estimated based on the contractual cash flows of the assets in the Bank and the amount of historical losses of the assets with credit risk characteristics similar to the assets that the Bank owns. The amount of historical losses is adjusted based on the current declared information where it reflects the effect of the current conditions which were not available during the period the historical losses were determined, and to eliminate the effects of the conditions that existed in the historical periods which no longer exist.
The Bank has to ensure that the estimates of changes in future cash flows for a group of assets are consistent with changes in relative data from one period to another, such as changes in unemployment rates, real estate prices, settlement status, or other factors that may indicate changes in the probabilities of loss in the group and its amount. The Bank periodically reviews the method and assumptions used to estimate future flows.

2.12.1.2. Available for sale investments/ investments held to maturity

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

The decline in value is considered significant if it reaches 10% of the book value cost. A decline is considered prolonged if it lasts for a period that exceeds 9 months, and if the mentioned evidences are available the accumulated loss is carried forward from equity and is recognised in the statement of income. Impairment losses recognised in the statement of income with regard to equity instruments are not reversed if an increase subsequently occurred in the fair value; however, if the fair value of available for sale debt instruments increased, and this increase can be objectively related to an event occurring after the recognition of impairment loss in the statement of income, the impairment is reversed through the statement of income.

2.12.2 Financial policy applied on 1 January 2019

Expected credit losses
One of the requirements of IFRS 9 is the calculation of expected credit losses (ECL) within the following framework, except for those measured in the fair value assets through profit and loss:

Borrowings and credit facilities (direct and indirect)

- Debt instruments that are recognised at amortized cost
- Debt instruments recognised at fair value through other comprehensive income
- Financial guarantee contracts
- Borrows commitments
- Loans and credit facilities on banks and financial institutions
- receivables from sales with a pledge to repurchase
- Revenues due on Borrowings and credit facilities and bank balances
- Other receivables that are not measured at fair value
- Enhanced bills of acceptance and import credits included in contingent liabilities
- In order to calculate the expected credit losses, all exposures are classified into one of the following three stages:

Stage 1

- Regular debt instruments
- The expected credit loss for the debt instrument is calculated in the next 12 months.
- The revenue is calculated on the basis of the total value of the asset or financial instrument.

Stage 2

- Regular debt instruments, with a significant increase in credit risk since the initial recognition. However, it did not reach the stage of default
- The expected credit loss is calculated for the entire life of the Borrowings and credit facilities.

Significant Increase in Credit Risk and movement from the first stage to the second stage.

The significant increase in credit risk (SICR) is evaluated at the facilitation level, and the stage rating is applied at the borrower's level (threshold 10%).

Movement from the first stage to the second stage (SICR).

The significant increase in credit risk (SICR) that leads to the borrower's transition from stage 1 to stage 2 is based on qualitative and quantitative criteria. These criteria are defined by a set of indicators / events:

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- The deterioration of the customer's credit rating: This is determined according to an internal matrix of the bank through which the current classification is compared to the classification upon grant

- Default of the payment / arrears: (Days Past Dues/ back-stop) The non-payment period exceeds 60 days, which will gradually decrease by 10 days every year to reach 30 days within 3 years.
- Watch list
- Clients whose facilities have been restructured due to deterioration, resulting in difficulties in meeting their financial obligations Watch List
- Clients whose facilities have been restructured due to deterioration, resulting in difficulties in meeting their financial obligations
- The revenue is calculated on the basis of the total value of the asset or financial instrument.

Stage 3

- Substandard debt clients (eligibility 8), doubtful debt clients (eligibility 9) and bad debt clients (eligibility 10)
- The expected credit loss is calculated for the entire life of the Borrowings and credit facilities.

The revenue is suspended.

- General provisions for calculating provisions for credit losses
- As a general framework, the expected credit losses are calculated as follows:
- Expected credit loss (ECL) = Probability of Default (PD) X default exposure (EAD) X Loss given default (LGD)

Probability of Default:

- The probability of default (Though The Cycle TTC-PD) for each eligibility level is calculated based on historical data for the past three years as follows:
- At the beginning of the year, the number of regular clients, that is, non-performing clients with no defaults more than 90 days, is determined for each level of eligibility (ORR).
- During the year, these clients (regular clients at the beginning of the year are monitored with the exclusion of new facilities during the year i.e. those that were not present at the beginning of the year) and the number of these regular clients who have turned to the required level is excluded "irregular or defaulters of more than 90 day"
- Based on the previous information, the average historical default rates for the three years is calculated (Observed TTC PD) and then the results are statistically processed, provided that the average historical default rates (Estimated TTC PD) agree.
- The Vasicek equation is used to convert the probability of default (Though The Cycle TTC-PD) to (Point in Time PIT-PD)
- The PD is calculated according to 3 scenarios: Basic, Downside and upside (Forward Looking Approach Expected future information scenarios)

Exposure At Default (EAD):

Value at default equals current balance plus unused value of the authorised limits (cancellable and non - cancellable) weighted with Credit Conversion Factor (CCF) according to Basel's instructions plus the amount of accrued interest as per the payment schedule and applicable interest rate.

Significant Increase in Credit Risk

- Reducing the actual or expected internal credit rating of the borrower or credit exposures
- A substantial or actual decrease in the borrower's external credit rating or credit exposures
- Substantial negative changes in the performance and behavior of the borrower
- The need to structure the obligations of the debtor party
- Availability of information for the bank regarding the existence of dues on the debtor party, which affects its ability to pay
- An increase in the rates of revenue of assets as a reflection of the increase in credit risk for the debtor
- Substantial negative changes in actual or expected operating results that affect the borrower's ability to repay
- Change in the bank's credit management methodology of borrows, credit facilities or financial instruments due to the emergence of negative Negative changes in the quality of the guarantees and warranties offered against the credit exposure
- Actual or expected negative changes in the business environment
- In addition to any other factors the bank deems fit when studying the case resulting in significant increase in credit risk.

Transition between stages

Transition from Stage 2 to Stage 1 is only after the following conditions have been met:

- All quantitative and qualitative elements of Stage 2
- Payment of all defaults from financial assets and revenue
- 3 months have passed since the Regularity of payments and the first stage conditions were met

Transition from Stage 3 to Stage 2 is only after the following conditions have been met:
- Fulfilling all quantitative and qualitative elements of Stage 2

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- Repayment of 25% of the balances of the outstanding financial assets, including the set aside/ marginalised due interest, as the case may be.
- Regularity of payment for at least 12 months
- Claims on political entities and central banks, claims on banks and financial institutions, and claims on debt instruments and securities
- The category / stage is determined based on the deterioration in the credit rating, noting that the unrated banks are included in the second stage.
- Loss Given Default: 45%
- The determination of the PD is based on data from the three major rating agencies (Moody, S&P and Fitch). In the case of multiple PD from the three major rating agencies (S&P, Moody's and Fitch), the median is used with a minimum of 0.03%
- Claims of the Egyptian pound against the Egyptian government and the central bank, as well as deposits with banks with a maturity of one month and less, and current accounts are not subject to the calculation of the expected credit loss (ECL)
- The Valuation stages and the method of calculating the expected credit losses

Stage 1

- Includes Borrowings and credit facilities that are less than 60 days.
- The expected credit loss is calculated for the next 12 months.

Stage 2

- Borrowings and credit facilities includes a significant increase in credit risk. Retail Borrowings and bank facilities are included in the second stage if the non-payment period exceeds 60 days and not more than 90 days.
- The expected credit loss is calculated for the entire lifetime of the Borrowing.

Stage 3

- Includes irregular Borrowing and credit facilities over 90 days.
- The expected credit loss is calculated for the entire lifetime of the Borrowing.

Possibility of default

When the risk of failure increases during the remaining life of the financial asset from the date of the financial position compared to the probability of failure during the expected remaining life at initial recognition, according to the structure of risks accepted by the bank

Transition between Credit Rating Stages:
First: Transition from Stage 2 to Stage 1

The financial asset is not transferred from the second stage to the first stage until Fulfilling all quantitative and

- qualitative elements of Stage 1 and the defaults are paid for a period of three consecutive months.

Second: Transition from Stage 3 to Stage 2

- The financial asset is not transferred from the second stage to the first stage until Fulfilling all quantitative and qualitative elements of the stage 2 are met and the defaults are paid for a period of three consecutive months.

The Impact of future looking for economic factors upon Probability of Default Loss Given Default:

The economic indicators that were issued by the dependence on several economic indicators that have historical compatibility with the growth rate of the Arab Republic of Egypt have been relied on. GDP
The effect of these indicators on the probability of default is calculated according to three different scenarios, namely the normal scenario, the optimistic scenario, and the conservative scenario.
The probability of each of these scenarios is taken into consideration, and the effect of each of them on the probability of default by the ratio of each of them.

Second: Financial Assets of Retail Portfolio: probability of default:

- Used the follows:
- The historical transformation ratios of a group of clients from regular to irregular or vice versa at the beginning of the period and compared to the same group of clients at the end of the period.
- Annual conversion ratios of DPD buckets for customers.
- The results of the aforementioned turnover ratios are used for each year and used to search for the effect of the expected change in the retail bank credit portfolio taking into account the expected economic indicators on the future probability of default for each product.

Loss Given Default (LGD):

LGD is calculated based on default data and then aligning the default rates according to each product.

Exposure At Default (EAD):

The value upon failure is equal to the value of the current balance in addition to the unused value from the stated limit weighted by this CCF conversion factor. In addition to the above, the bank calculates the provisions required for the impairment of assets exposed to credit risk.

2.13 Tangible and intangible assets
2.13.1 Fixed assets

The Bank's fixed assets of lands and buildings basically comprise the head office premises and branches and offices. All fixed assets are carried at historical cost net of accumulated depreciation and impairment losses. The historical cost includes the charges directly related to acquisition of fixed assets items.
Subsequent costs are recognised in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost can be measured reliably. Maintenance and repair expenses are charged to other operating expenses during the period in which they are incurred.

Lands are not depreciated. Depreciation of fixed assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and construction	40 - 50 years
Leasehold improvements	10 years or over the lease period if less
Office furniture and safes	4 - 20 years
Vehicles	5 – 7 year
Computers/ integrated systems	4 – 5 year
Typewriters, calculators, and air conditioners	4 – 5 years
Fittings and fixtures	From 5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Depreciable Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An asset's carrying amount is written down immediately to its recoverable value if the asset's carrying amount exceeds its estimated recoverable amount.
The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.
Gains and losses on disposals are determined by comparing the selling proceeds with the asset carrying amount and charged to "other operating expenses" in the income statement.

Computer hardware/ software

Expenditure on upgrade and maintenance of computer programs is recognized as an expense in the income statement in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by the bank and when it is probable that they will generate future economic benefits that exceed its cost within more than one year. Direct costs include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads.
The expenses which lead to the increase or expansion in the performance of computer software beyond their original specifications are recognised as a development cost and are added to the original software cost.
Depreciation is calculated using the straight-line method to allocate the cost to reach the residual value over the useful life of the software from 5 to 10 years.

2.14 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization-except for goodwill- and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.
An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable value represents the higher of the net realisable value of the asset or the value in use. For the purpose of estimating the impairment, the asset is grouped with the smallest cash generating unit. At each financial statement date, non-financial assets with impairment have to be reviewed to determine if there is impairment reversal made to the statement of income.

2.15 Leases

The leases entered into by the Bank are primarily operating leases. Operating lease payments less any discounts granted from the lessor are recognised as expenses in the statement of income using the straight line method over the contract term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.16 cash and cash equivalents

For the purposes of the cash flow statement prepared using the indirect method, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, due from other banks and treasury bills and other governmental notes.

2.17 Other provisions

Provision of restructuring costs and legal claims is recognised when there is a present legal or constructive obligation as a result of past events, and it is probable that the Bank's resources will be required to settle the obligation; and the amount of the obligation can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determined, taking into consideration the group of obligations as a whole. The provision is recognised even if the likelihood of an outflow with respect to an item in the group is minimal.
Provisions no longer required fully or partially are reversed in other operating income (expenses).
The current value of payments to settle the obligations that must be settled after one year from the balance sheet date using an appropriate rate in accordance with the terms of settlement, without being affected by the prevailing tax rate, which reflects the time value of money. If the settlement term is less than one year, the estimated value of the obligation is calculated unless it has a material impact; otherwise, it is calculated at the current value.

2.18 Financial guarantee contracts

The financial guarantees contracts are the contracts that the Bank issues as a guarantee for loans or receivables provided to its customers from other entities, which require the Bank to make certain payments to compensate the beneficiary for a loss incurred due to default of the debtor on the maturity date and in accordance with debt instrument conditions These financial guarantees are presented to banks and other financial institutions instead of the banks' customers.
It is initially recognised in the financial statements at fair value at the date of the granting the guarantee which could reflect the guarantee fees. Subsequently, the Bank's obligation shall be measured under the guarantee by the value initially recognised, less guarantee fees amortisation, which is recognised in the income statement on a straight-line basis over the higher of the guarantee life term or over the best payment estimates required to settle any financial obligation resulting from the financial guarantee at the balance sheet date. These estimates are mainly based on the experience with similar transactions and historical losses, consolidated by the management's judgment.
Any increase in the obligations resulting from the financial guarantee is recognised in the statement of income under the 'other operating income (expenses)' item.

2.19 Employees' benefits
Employees' saving program

The Bank manages its saving program for employees and the Human Resources Department manages this program by identifying participation rates for both the employee and the Bank and determine the percentage of the annual return on investment, and this is an optional program according to the employee's request.
In case of the clearance of the program, the Bank is committed to settle the total savings program balances additional to the accrued interest for each employee who registered on the program at the clearance decision date. All calculated portions and interest are included in liabilities which represents the maximum claims to the Bank at this date.

2.20 Taxation

Income tax on the net income of the year includes current tax (calculated based on the laws and regulations and the instructions related to the subject matter using the applicable tax rate as of the Balance Sheet date and deferred tax). Income tax liability is recognized directly except for income tax relating to items of equity which are recognized directly in equity.

Current tax
- Current tax due on the Bank is calculated according to laws and regulations applicable in Egypt.

- Provision is built for taxes liabilities of previous years af ter conducting the required tax studies in light of the tax claims.

Deferred tax
– Deferred tax is the tax arising from temporary differences resulting from difference in financial year in which some assets and liabilities are recognized based on the various tax rules applied and the accounting rules used for the preparation of the financial statements. Deferred tax is identified based on the expected measurement to settle or achieve the current values for the assets and liabilities referred to above using the tax rates applicable as of the balance sheet date.

– Deferred tax assets are generally recognized as assets for the Bank when it is probable that this asset can be used to reduce the taxes due from the Bank in future years. Deferred tax asset recognised as an asset to the Bank is reduced with the value that will not generate future tax benefits to the Bank in the following years based on the fact that in case that the future expected future tax benefit is increased the deferred tax asset shall is increase within the limit of the previous reduction

2.21 Borrowings
Borrowings are recognised initially at fair value less the cost of obtaining the loan. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.22 Capital cost

Issuance cost directly related to issuing new shares or issuing shares in return for acquisition of an entity or issuing options is charged to shareholders' equity of total proceeds net of tax.

2.23 Dividend distribution

Dividends are recognised in shareholders' equity in the period in which the General Assembly of shareholders declares the dividends. Those dividends include employees' share in the profits and the Board of Directors' remuneration as prescribed by the Articles of Association and Law.

2.24 Dividend income

Dividends are recognised in the statement of income when the Bank's right to receive those dividends is established.

2.25 Purchase and resale agreements and sale and repurchase agreements

Financial instruments purchased under resale agreements are presented as assets and added to the treasury bills balance and other governmental notes' item in the balance sheet. On the other hand, liabilities (purchase and resale agreements) are presented as a deduction from the 'Treasury bills and other governmental notes' line item in the balance sheet. Differences between the sale and repurchase price are recognised as due interest throughout the period of the agreements using the effective interest rate method.

3 Financial risk management

The Bank, as a result of the activities it exercises, is exposed to various financial risks. Since the basis of financial activity is to accept risks, some risks or group of risks are analysed, evaluated and managed altogether. The Bank intends to strike a balance between the risk and return and to reduce the probable adverse effects on the Bank's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. Market risk comprises foreign currency exchange rates, interest rate risk and other pricing risks.
The risk management policies have been laid down to determine and analyse the risks, set limits to the risks and control them through reliable methods and up-to-date IT systems. The Bank regularly reviews the risk management policies and systems and amends them to reflect the changes in the markets, products and services, and the best updated applications.
Risks are managed by the Risk Management Department in light of policies approved by the Board of Directors. The Risk Management determines, evaluates and covers the financial risks, in collaboration with the Bank's various operating units, and the Board provides written principles to manage risks as a whole, in addition to written policies covering specific risk areas like credit risk, foreign exchange rate risk, interest rate risk and using derivative and non-derivative financial instruments. Moreover, the Risk Management is independently responsible for periodic review of risk management and control environment.

3.1. Credit Risk

The Bank is exposed to the credit risk, which is the risk resulting from failure of one party to meet its contractual obligations towards the Bank. The credit risk is considered to be the most significant risk for the Bank and hence, the management sets specific procedures to manage that risk. The credit risk is represented in the lending activities from which loans, facilities, and investment activities arise, which necessitates that the Bank assets must contain debt instruments. The credit risk is also found in off-balance sheet financial instruments such as loan commitment. The managing and monitoring process of credit risk is centralised at the credit risk management team at the risk department, which prepares reports for the Board of Directors, top management, and heads of units on a regular basis.
Exposure at default is based on the amounts the Bank expects to be outstanding at the time of default. For example, as for the loans, this position is the nominal value. As for commitments, the Bank includes all actual withdrawals in addition to any withdrawals expected to occur until the date of the late payment, if any.
Expected losses or severe losses represent the Bank's loss expectations when the settlement is due. This is represented by the loss percentage to the loan that differs according to the type of debtor, the priority of the claim, and the availability of guarantees and any other credit cover.

Debt instruments, treasury bills and other bills
For debt securities and treasury bills external rating such as (Standard & Poor's) rating or their equivalents are used for managing the credit risk exposures. In case such ratings are unavailable, internal rating methods are used that are similar to those used for credit customers. Investments in securities and bills are considered a method to obtain a better credit quality. Such investments also provide an available source to meet the funding requirements.

3.1.2 Risk limit control and mitigation policies
The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties, groups and to industries and countries.
The Bank manages the credit risk it undertakes by placing

All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

limits on the amount of risk accepted in relation to each borrower or groups of borrowers and to the geographical and industry segments. Such risks are monitored on a regular basis and are subject to an annual or more frequent review when necessary. Limits on the level of credit risk by product/ group, industry sector and by country are approved quarterly by the Board of Directors.
The exposure to any borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.
Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to meet their obligations and through changing the lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

Collaterals

The Bank employs a range of policies and practices to mitigate credit risk. One of these methods is accepting collaterals against funds granted by the Bank. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and facilities are:

- Real estate mortgage.
- Business assets mortgage, such as machines and goods.
- Financial instruments mortgage, such as debt and equity instruments.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, to minimise the credit loss, the Bank seeks additional collaterals from the concerned parties as soon as impairment indicators are noticed for any loans or facilities.
The Bank determines the collaterals held to secure assets other than loans and facilities according to the nature of the instrument. Generally, debt instruments and Treasury bills are unsecured except for asset-backed securities and similar instruments that are secured by a financial instruments portfolio.

Derivatives

The Bank maintains prudent control procedures over amounts and terms for the net value of opened derivative positions, i.e. the difference between purchase and sale contracts at both the value and duration levels. In all cases, the amount subject to credit risk is limited to the current fair value of instruments in from which the Bank could gain benefits, i.e. assets that have positive fair value which represent a small value of the contractual amount or the notional value used to express outstanding instruments. The Bank manages this credit risk, which is considered part of the total lending limit granted to customers with expected market changes risk all together. Generally, no collateral is obtained for credit risk related to these instruments, except for marginal deposits required by the Bank from other parties. Settlement risk arises when cash, equity instruments or other securities are used in the settlement process or if there is expectation to receive cash, equity instruments or other securities. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the daily transactions of the Bank .

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with parties that represent a significant volume of transactions. Generally, no netting is made between assets and liabilities at the balance sheet date relating to the master netting arrangements as aggregate settlements are made. However, the credit risk related to contracts in favour of the Bank is reduced by master netting arrangements as netting will be made for all amounts with the counterparty to settle all transactions. The Bank's exposure to credit risk resulting from derivative instruments under the main liquidation agreements during a short period as it is affected by each transaction under these agreements.

Credit-related commitments

The primary purpose of credit-related commitments is to ensure that funds are available to customers when required. Guarantees and standby letters of credit are of the same credit risks as loans. Documentary and commercial letters of credit, which are issued by the Bank on behalf of customers to authorise a third-party to draw within a certain limit in accordance with specific terms and conditions and guaranteed by the goods under shipment, therefore carries a lower risk of the direct loan.

Credit-related commitments represent the unused portion of credit limit authorised to grant loans, guarantees or letters of credit. The Bank is exposed to a possible loss of an amount that equals the total unused commitments as for the credit risk resulting from credit-related commitments. However, the probable amount of loss is less than the unused commitments as most commitments related to granting credit represent contingent liabilities to customers maintaining certain credit standards. The Bank monitors the maturity term of the credit commitments because long-term commitments are of a higher credit risk than short-term commitments.

3.1.3 Expected credit losses

Bank's rating	31 December 2019		31 December 2018	
	Loans and facilities	Provisions for credit losses	Loans and facilities	Provisions for credit losses
Good debts	79%	9%	84%	18%
Standard monitoring	14%	13%	11%	16%
Special monitoring	2%	7%	3%	6%
Non-performing loans	5%	71%	2%	60%
	100%	100%	100%	100%

3.1.4 General banking risk measurement model

In addition to the four credit rating levels (note 3-1-1), management classifies sub-categories that are more detailed so as to agree with the requirements of the Central Bank of Egypt (CBE). Assets subject to credit risk are classified in these categories in accordance with regulations and detailed conditions that largely depend on information related to the client, his/her activity, financial position, and regularity of repayment.
The Bank calculates the required provisions for the impairment of the assets subject to credit risk, including commitments related to credit, on the basis of ratios specified by the Central Bank of Egypt. In case the impairment loss provision required by the Central Bank of Egypt exceeds that required for the purpose of financial statement preparation in accordance with the Egyptian accounting standards, the reserve for general banking risk is charged to equity over retained earnings by that increase. This reserve is periodically adjusted with this increase and decrease so that the amount of the increase between the two provisions is always equal. This reserve is not distributable. Note (31 - b) shows the 'general banking risk reserve' movement during the financial year.
Following is a table of the worthiness levels for institutions in accordance with the internal assessment bases compared to the Central Bank of Egypt and the provision ratios required for the impairment of the assets exposed to credit risk:

CBE Rating Categorisation	Rating description	Provision %	Internal rating	Integral rating description
1	Low risk	–	1	Performing loans
2	Average Risk	1%	1	Performing loans
3	Satisfactory Risk	1%	1	Performing loans
4	Reasonable Risk	2%	1	Performing loans
5	Acceptable Risk	2%	1	Performing loans
6	Marginally Acceptable Risk	3%	2	Regular watch list
7	Risks that require special treatment	5%	3	Special watch list
8	Below levels	20%	4	Non-performing loans
9	Doubtful loans	50%	4	Non-performing loans
10	Bad debt	100%	4	Non-performing loans

3.1.5 Maximum limit for credit risk before collaterals

	2019	2018
Balance sheet items exposed to credit risks		
Balances with the central bank limited to the statutory reserve ratio	6,319,373,998	2,298,357,635
Cash at banks	22,215,133,782	12,129,899,041
Borrowings to banks	143,838,631	-
Loans and facilities to customers		
Retail loans (net):		
Credit cards	636,985,958	616,885,506
Personal loans	5,863,120,199	4,701,572,763
Overdrafts	991,681,394	723,236,505
Real estate loans	177,673,801	212,901,052
Corporates loans (net):		
Overdrafts	9,340,758,695	13,330,929,686
Direct loans	3,844,403,870	4,760,142,310
Syndicated loans	4,867,647,577	6,522,339,006
Other loans	301,184,821	313,930,439
Total loans and facilities to customers	**26,023,456,315**	**31.181.937.267**
Financial investments:		
Debt instruments	17,520,319,700	19,887,712,314
Total	**72,222,122,426**	**65,497,906,257**
Off-balance sheet items exposed to credit risk *		
Loans commitments and other irrecoverable credit commitments		381,829,982
Letters of credit - import	139,903,676	277,547,702
Letters of guarantee	4,322,965,180	4,884,921,769
Letters of guarantee for suppliers facilities	305,388,231	593,928,418
Letters of credit - export	523,485,090	-
Total	**5,291,742,177**	**6,138,227,871**

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- The above table represents the maximum limit for credit risk as of 31 December 2019 and 31 December 2018, without taking any collaterals into consideration. for on-balance-sheet items, amounts stated depend on net carrying amounts shown in the balance sheet. as shown in the preceding table 36% of the total maximum limit exposed to credit risk resulted from loans and facilities to customers and banks at 31 December 2019 against 48% at 31 December 2018, while investments in debt instruments represents 24% against 30% at 31 December 2018.
- The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from the loans and facilities portfolio and debt instruments based on the following:
- 92% of the loans and facilities portfolio is classified at the highest two ratings in the internal rating as at 31 December 2019 against 95% as at 31 December 2018.
- Loans and facilities, which are assessed on individual basis, amounted to EGP 1,416,323,356 at 31 December 2019 against EGP 771,140,552 at 31 December 2018, there are credit losses less than 61% against 77% at 31 December 2018.
- Decrease (increase) in credit losses, which is charged to the statement of income at 31 December 2019 by EGP 197,325,452on an individual basis against an increase of EGP 35,859,090 at 31 December 2018.

Borrowings, facilities and other credit exposure
1- Loans and facilities to customers

Stage 1 - 12 months

Credit score	Credit cards	Personal loans	Overdrafts	Real estate loans	Total
Good debts	608,907,800	5,469,579,229	627,635,805	149,542,665	6,855,665,499
Standard monitoring					
Special monitoring					
Non-performing loans					
Expected credit losses	**(12,134,048)**	**(6,994,874)**		**(1,934,263)**	**(21,063,185)**
Book value	**596,773,752**	**5,462,584,355**	**627,635,805**	**147,608,402**	**6,834,602,314**

Stage 2 - lifetime

Credit score	Credit cards	Personal loans	Overdrafts	Real estate loans	Total
Good debts	35,810,446	332,731,749	366,133,396	10,404,334	745,079,925
Standard monitoring					
Special monitoring					
Non-performing loans					
Expected credit losses	**(4,456,261)**	**(8,816,234)**	**(3,220,670)**	**(397,176)**	**(16,890,341)**
Book value	**31,354,185**	**323,915,515**	**362,912,726**	**10,007,158**	**728,189,584**

Stage 3 - lifetime

Credit score	Credit cards	Personal loans	Overdrafts	Real estate loans	Total
Good debts					
Standard monitoring					
Special monitoring					
Non-performing loans	14,700,828	119,523,567	4,838,653	33,926,460	172,989,508
Expected credit losses	**(5,842,807)**	**(42,903,238)**	**(3,705,790)**	**(13,868,219)**	**(66,320,054)**
Book value	**8,858,021**	**76,620,329**	**1,132,863**	**20,058,241**	**106,669,454**

2- Loans and facilities to institutions

Stage 1 - 12 months

Credit score	Overdrafts	Direct loans	Syndicated loans	Others	Total
Good debts	6,449,663,959	2,048,440,540	4,189,661,243	199,346,681	12,887,112,423
Standard monitoring	1,351,821,601	344,916,710		47,412,724	1,744,151,035
Special monitoring					
Non-performing loans					
Expected credit losses	**(45,588,037)**	**(14,012,710)**	**(40,224,355)**	**(634,350)**	**(100,459,452)**
Book value	**7,755,897,523**	**2,379,344,540**	**4,149,436,888**	**246,125,055**	**14,530,804,006**

Stage 2 - lifetime

Credit score	Overdrafts	Direct loans	Syndicated loans	Others	Total
Good debts	525,114,536	275,580,578			800,695,114
Standard monitoring	690,615,061	540,292,061	779,379,874	40,348,120	2,050,635,116
Special monitoring	376,540,719	270,995,179		15,576,375	663,112,273
Non-performing loans					
Expected credit losses	**(70,893,157)**	**(68,239,192)**	**(61,169,185)**	**(864,729)**	**(201,166,263)**
Book value	**1,521,377,159**	**1,018,628,626**	**718,210,689**	**55,059,766**	**3,313,276,240**

Stage 3 - lifetime

Credit score	Overdrafts	Direct loans	Syndicated loans	Others	Total
Good debts					
Standard monitoring					
Special monitoring					
Non-performing loans	240,020,213	1,064,171,124			1,304,191,337
Expected credit losses	**(176,536,200)**	**(617,740,420)**			**(794,276,620)**
Book value	**63,484,013**	**446,430,704**			**509,914,717**

3- Cash at banks

Credit score	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Good debts	17,897,409,074	2,459,352,453		**20,356,761,527**
Standard monitoring		367,937,486		**367,937,486**
Special monitoring		1,500,849,520		**1,500,849,520**
Non-performing loans				
Expected credit losses	**(9,198,685)**	**(1,216,066)**		**(10,414,751)**
Book value	**17,888,210,389**	**4,326,923,393**		**22,215,133,782**

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4- Loans and facilities to banks

Credit score	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Good debts				
Standard monitoring		144,129,600		**144,129,600**
Special monitoring				
Non-performing loans				
Expected credit losses	-	**(290,969)**	-	**(290,969)**
Book value	-	**143,838,631**	-	**143,838,631**

5- Financial investments - debt instruments at fair value through other comprehensive income

Credit score	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Good debts				
Standard monitoring	8,429,544,051			**8,429,544,051**
Special monitoring				
Non-performing loans				
Expected credit losses	-			-
Book value	**8,429,544,051**			**8,429,544,051**

6- Financial investments - debt instruments at amortized cost

Credit score	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Good debts	568,047,256			**568,047,256**
Standard monitoring	8,440,223,349			**8,440,223,349**
Special monitoring		170,540,683		**170,540,683**
Non-performing loans				
Expected credit losses	**(75,674)**	**(62,009,162)**	-	**(62,084,836)**
Book value	**9,008,346,279**	**108,539,401**	-	**9,116,866,993**

Financial risk management (continued)

Loans and facilities to customers at 31 December 2018

	Individuals				Corporates			
	Credit cards	Personal loans	Receivables	Real estate loans	Direct loans & receivables	Syndicated loans	Other loans	Total
Good	548,614,832	4,063,501,362	737,030,746	171,126,544	14,429,318,132	5,848,071,918	137,883,735	**25,935,547,269**
Standard monitoring	-	–	–	–	2,375,507,864	5,374,080	149,310,342	**2,530,192,286**
Special monitoring	–	–	–	–	455,217,446	268,704,000	–	**723,921,446**
Total	**548,614,832**	**4,063,501,362**	**737,030,746**	**171,126,544**	**17,260,043,442**	**6,122,149,998**	**287,194,077**	**29,189,661,001**

All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

Loans and facilities with past dues but not subject to impairment

Loans and facilities that have past dues until 90 days but are not considered impaired unless there is information that proves otherwise. Loans and facilities having past dues but not impaired, and the fair value of the related collaterals are as follows:

	Retail				Corporate		
31 December 2018	Credit cards	Personal loans	Real estate loans	Direct loans & receivables	Syndicated loans	Other loans	Total
Past dues up to 30 days	41,147,589	417,245,971	24,996,606	80,121,279	-	–	563,511,446
Past dues from 30 to 60 days	17,932,573	142,345,226	17,058,321	429,992,946	-	–	607,329,065
Past dues from 60 to 90 days	9,679,307	54,209,587	-	443,925,321	485,972,995	36,995,510	1,030,782,720
Total	**68,759,469**	**613,800,784**	**42,054,927**	**954,039,546**	**485,972,995**	**36,995,510**	**2,201,623,331**
Fair value of collaterals	**3,231,362**	**123,181,826**	**–**	**142,833,378**	**–**	**–**	**269,246,566**

Loans and facilities to customers individually

	Retail		Corporate	
31 December 2018	Credit cards	Personal loans	Direct loans & receivables	Total
Loans subject to individual impairment	8,712,447	55,009,665	707,418,440	771,140,552
Fair value of collaterals	24,373	585,126	70,802,714	71,412,213

Financial risk management (continued)

Restructured loans and facilities

Restructuring activities include extension of payment terms, execution of mandatory management programs, and amendment and postponement of payment. Application of restructuring policies depend on indicators or standards referring to high probabilities of payment continuation based on the management's judgment. These policies are reviewed regularly. Restructuring is usually applied to long-term loans, especially loans for financing customers. The renegotiated loans amounted to EGP 1,110,969,996 as at 31 December 2019 compared to EGP 1.696.345.451 at 31 December 2018.

	31 December 2019	31 December 2018
Corporate		
Accounts receivable and direct loans	1,110,969,996	1,696,345,451
Total	**1,110,969,996**	**1,696,345,451**

3.1.7 Debt instruments - treasury bills

The table below shows an analysis of debt instruments, treasury bills and other governmental notes according to the rating agencies Standard & Poor's and similar at 31 December 2019.

	Treasury bills other government notes	Investments in securities	Total
AAA to AA-	-	330,584,956	330,584,956
A- to A+	-	237,381,625	237,381,625
Less than -A	16,843,821,597	-	16,843,821,597
Not rated	-	108,531,522	108,531,522
Total	**16,843,821,597**	**676,498,103**	**17,520,319,700**

Financial risk management (continued)

3.1.8 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table represents a breakdown of the most significant credit risk limits at their carrying amounts distributed according to the geographical segment at 31 December 2019. When this table was prepared, risks have been distributed over the geographical sectors according to the areas related to customers.

	Egypt						
31 December 2019	Greater Cairo	Alexandria Delta and Sinai	**Total**	Arab Gulf Countries	Other countries	**Total**	**Total**
Loans and facilities to banks					144,129,600	**144,129,600**	**144,129,600**
Loans and facilities to customers							
Retail loans							
Credit cards	549,991,202	109,427,872	**659,419,074**				**659,419,074**
Personal loans	4,614,895,642	1,306,938,903	**834,545, 5,921**				**5,921,834,545**
Accounts receivable	542,996,664	455,611,190	**998,607,854**				**998,607,854**
Real estate loans	192,790,617	1,082,842	**193,873,459**				**193,873,459**
Corporate loans							
Overdrafts	8,501,370,276	1,114,474,785	**9,615,845,061**		17,931,028	**17,931,028**	**9,633,776,089**
Direct loans	4,193,576,909	350,819,283	**4,544,396,192**				**4,544,396,192**
Syndicated loans	4,453,088,165		**4,453,088,165**		515,952,952	**515,952,952**	**4,969,041,117**
Other loans	296,848,671	5,835,229	**302,683,900**				**302,683,900**
Financial derivatives	548,676		**548,676**				**548,676**
Financial investments							
Debt investments	16,905,906,433		**16,905,906,433**	409,199,920	267,298,183	**676,498,103**	**17,582,404,536**
Other assets	1,490,686,482	14,615,135	**1,505,301,617**	55,017	144,041	**199,058**	**1,505,500,675**
Total at 31 December 2019	**41,742,699,737**	**3,358,805,239**	**45,101,504,976**	**409,254,937**	**945,455,804**	**1,354,710,741**	**46,456,215,717**
Total at 31 December 2018	**48,454,927,610**	**3,375,542,155**	**51,830,469,765**	**908,886,597**	**695,799,033**	**1,604,685,630**	**53,435,155,395**

All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

Financial risk management (continued)

Industry sectors

The Following table represents analysis of the most important credit risk limit for the bank at book value distributed according to the business segment of bank's customers.

31 December 2019	Financial institutions	Industrial institutions	Real estate activity	Retail trade & wholesale	Government sector	Other activities	Retail	Total
Loans and facilities to banks	144,129,600							**144,129,600**
Loans and facilities to customers								
Retail loans								
Credit cards							659,419,074	**659,419,074**
Personal loans							5,921,834,545	**5,921,834,545**
Overdrafts							998,607,854	**998,607,854**
Real estate loans							193,873,459	**193,873,459**
Corporate loans								
Overdrafts	20,331,552	5,371,945,898	1,015,316,677	2,297,527,550	275,283,595	653,370,817		**9,633,776,089**
Direct loans	133,333,322	1,653,773,013	167,623,535	1,351,279,263	127,192,032	1,111,195,027		**4,544,396,192**
Syndicated loans		1,257,663,815	472,970,557	780,808,502	2,243,514,962	214,083,281		**4,969,041,117**
Other loans		75,279,102	5,343,903	173,129,543	15,576,375	33,354,977		**302,683,900**
Financial derivatives	18,226	530,450						**548,676**
Financial investments								
Debt investments	158,787,941				17,253,393,013	170,223,582		**17,582,404,536**
Other assets	6,565,381	24,144,324	2,183,083	22,080,563	642,967,061	734,023,228	73,537,035	**1,505,500,675**
Total at 31 December 2019	**463,166,022**	**8,383,336,602**	**1,663,437,755**	**4,624,825,421**	**20,557,927,038**	**2,916,250,912**	**7,847,271,967**	**46,456,215,717**
Total at 31 December 2018	**620,078,644**	**11,271,136,877**	**2,307,580,386**	**4,955,106,971**	**22,748,555,922**	**5,161,713,353**	**6,370,983,242**	**53,435,155,395**

3.2.Market risk

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

Management of market risks arising from trading or non-trading activities focuses on risk management in the Bank which is monitored by two separate teams. Regular reports about market risk are submitted to the Board of Directors and each business unit head periodically.

Trading portfolios include positions resulting from the bank dealing directly with customers or with the market, while non-trading portfolios primarily arise from managing assets and liabilities interest price related to retail transactions. Such portfolios include foreign exchange risk and equity instruments risks arising from the Bank's held-to-maturity and available-for-sale investments.

3.2.1.Market risk measurement techniques

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

Value at risk

The Bank applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk on positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board sets separate limits for the value of risk that may be accepted by the Bank for trading and non-trading portfolios and are monitored by the Bank's risk management .

VAR is a statistical estimation of the expected losses on the current portfolio resulting from adverse market movements which represent the 'maximum' amount the Bank expects to lose using a confidence level of (98%). Therefore, there is a statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR model assumes that the holding period is ten days before closing the open positions. It also assumes that market movements during the holding period will be similar to the movement pattern which occurred during the previous ten days. The Bank's assessment of past movements is based on data for the previous five years. The Bank applies these historical changes in rates, prices, indicators, etc., directly to its current positions. This approach is called historical simulation.

Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation. The use of this approach does not prevent losses from exceeding these limits if there are significant market movements.

As VAR is considered a primary part of the Bank's market risk control technique, VAR limits are established by the Board of Directors annually for all trading and non-trading transactions and allocated to business units. Actual Values exposed to market risk are compared to the limits set by the Bank and reviewed daily by the Bank's risk management. The average daily VAR for the Bank during the current for the period was EGP 4,644 against EGP 4,794 at 31 December 2018.

The quality of the VAR model is continuously monitored through examining the VAR results for the trading portfolio, and results are reported to the top management and the Board of Directors

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Stress testing

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances. Stress tests are designed to match the business using standard analysis for specific scenarios. The stress tests carried out by the Bank's risk management include risk factor stress testing where sharp movements are applied to each risk category and emerging markets stress tests, as emerging markets are subject to sharp movements and special stress tests, including possible stress events affecting specific positions or regions, such as what may arise in a certain region due to applying a free rate on a certain currency. The results of the stress testing are reviewed by the top management and the Board of Directors

3.2.2.VAR summary
Total VAR of non-trading portfolio by the type of risk

EGP,000	31 December 2019			31 December 2018		
	Average	High	Low	Average	High	Low
Exchange rate risk	4,644	14,127	143	4,794	13,660	527

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3.2.3.Foreign exchange volatility risk

The Bank is exposed to the effects of volatility in the prevailing foreign currency exchange rates on its balance sheet and cash flows. The Board of Directors sets limits for foreign exchange with the aggregate value for each position at the end of the day as well as during the day, which is controlled on timely basis. The following table summarizes the Bank's exposure to foreign exchange volatility risk at 31 December 2019. The following table includes the carrying amounts of the financial instruments in their currencies:

Financial Assets:	**Egyptian Pounds**	**USD**	**GBP**	**Euro**	**Others**	**Total**
Cash and balance with the Central Bank of Egypt	6,698,891,459	125,288,542	4,766,542	35,854,760	12,657,983	6,877,459,286
Cash at banks	17,263,063,697	4,312,099,773	80,777,721	545,599,160	13,593,431	22,215,133,782
Loans and facilities to banks				143,838,631		143,838,631
Loans and facilities to customers	19,582,364,169	6,018,242,998	21,760	333,423,315	90,198	25,934,142,440
Financial derivatives	548,676					548,676
Financial investments	16,877,593,235	680,187,648				17,557,780,883
Other financial assets	810,158,987	32,908,184	1,044	660,813		843,729,028
Total financial assets	**61,232,620,223**	**11,168,727,145**	**85,567,067**	**1,059,376,679**	**26,341,612**	**73,572,632,726**
Financial liabilities						
Due to banks	3,743,295	19,706,422		162,148,196		185,597,913
Customers' deposits	55,577,142,792	9,071,462,528	79,793,043	744,547,100	20,609,332	65,493,554,795
Other loans		1,283,320,000				1,283,320,000
Financial derivatives	965,840					965,840
Other financial liabilities	501,703,964	54,369,511	54,079	2,039,432	10,714	558,177,700
Total financial liabilities	**56,083,555,891**	**10,428,858,461**	**79,847,122**	**908,734,728**	**20,620,046**	**67,521,616,248**
Net financial position 31 December 2018	**5,149,064,332**	**739,868,684**	**5,719,945**	**150,641,951**	**5,721,566**	**6,051,016,478**
Total financial assets	50,458,530,047	15,069,858,313	90,730,349	1,054,197,823	25,872,001	66,699,188,533
Total Financial liabilities	47,841,223,458	11,950,242,047	93,907,051	1,040,675,756	24,223,219	60,950,271,531
Net financial position	2,617,306,589	3,119,616,266	(3,176,702)	13,522,067	1,648,782	5,748,917,002

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3.2.4. Interest rate risk

The Bank is exposed to the effects of fluctuations in the interest rates prevailing in the market, which is the risk of cash flows of the interest rate represented in fluctuation of future cash flows for a financial instrument due to changes in the interest rate of the instrument. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The interest margin may increase due to these changes; however, revenues may decrease in case unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that the Bank may maintain, which is monitored daily by the Bank's Risk management.
The table below summarises the Bank's exposure to interest rate volatility risk. It includes the financial instruments' carrying amounts categorised by the earlier repricing or maturity dates:

31 December 2019	**Up to one month**	**More than 1 month up to 3 months**	**More than 3 months up to year**	**1 year to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
Cash and balances with the Central Bank of Egypt	-	–	–	–	–	6,877,459,286	**6,877,459,286**
Balances with banks	20,996,516,959	1,212,031,574	17,000,000			(10,414,751)	**22,215,133,782**
Loans and facilities to customers	15,422,174,286	1,691,270,573	3,135,459,875	5,233,747,041	881,237,266	(429,746,601)	**25,934,142,440**
Loans and banks facilities			144,129,600			(290,969)	**143,838,631**
Financial derivatives	72,927	466,378	9,371				**548,676**
Financial investments	144,339,650	679,039,717	8,110,363,506	8,206,012,537	480,110,309	(62,084,836)	**17,557,780,883**
Other financial assets	255,057,734	351,485,712	153,783,974	20,363,597		63,038,011	**843,729,028**
Total financial assets	**36,818,161,556**	**3,934,293,954**	**11,560,746,326**	**13,460,123,175**	**1,361,347,575**	**6,437,960,140**	**73,572,632,726**
Financial liabilities							
Due to banks	167,581,713	18,016,200					**185,597,913**
Customers' deposits	22,482,578,170	6,946,984,025	10,104,296,537	21,572,359,210	7,358,000	4,379,978,853	**65,493,554,795**
Financial derivatives	188,205	445,113	332,522				**965,840**
Other loans		1,283,320,000					**1,283,320,000**
Other financial liabilities	201,379,562	89,284,550	33,120,823	6,429,309	3,080,825	224,882,631	**558,177,700**
Total financial liabilities	**22,851,727,650**	**8,338,049,888**	**10,137,749,882**	**21,578,788,519**	**10,438,825**	**4,604,861,484**	**67,521,616,248**
Re-pricing gap	**13,966,433,906**	**(4,403,755,934)**	**1,442,996,444**	**(8,118,665,344)**	**1,350,908,750**	**1,833,098,656**	**6,051,016,478**
31 December 2018							
Total financial assets	**18,951,077,822**	**20,441,217,726**	**13,425,809,711**	**10,639,790,839**	**918,326,717**	**2,322,965,718**	**66,699,188,533**
Total financial liabilities	**15,661,729,487**	**8,470,456,961**	**16,176,014,435**	**14,566,851,930**	**9,533,029**	**6,065,685,689**	**60,950,271,531**
Re-pricing gap	**3,289,348,335**	**11,970,760,765**	**(2,750,204,724)**	**(3,927,061,091)**	**908,793,688**	**(3,742,719,971)**	**5,748,917,002**

An amount - (EGP 429,746,601) represented in advance revenues received that are consumed over the life of clients loans in addition to the component impairment on a group basis.
** An amount - (EGP 10,414,751), representing the value of the impairment of bank balances.
** An amount - (EGP 62,084,836), representing the value of the impairment of financial investments.
** An amount - (EGP 290,969), representing the value of the impairment of Bank loans and facilities

All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

3.3.Liquidity risk

Liquidity risk is the risk that the bank is unable to meet its obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligation to repay depositors and fulfil commitments to lend.

3.3.1.Liquidity risk management

The Bank's liquidity management process carried out by the Bank's risk management includes:

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes liquidation of funds as they due or when lent to customers. To ensure that the Bank reaches its objective, the Bank maintains an active presence in global money markets.
- Maintaining a portfolio of highly marketable assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flows.
- Monitoring liquidity ratios in comparison with the Bank's internal requirements and CBE requirements.
- Managing loans' concentration and dues.
- For monitoring and reporting purposes, cash flows for the day, week, and the following month are measured and projected. Such periods are the key periods for liquidity management. The starting point of calculating these expectations is analysing the contractual maturities of financial liabilities and expected financial assets collections.
  The risk management monitors the incompatibility between medium-term assets, the level and nature of unused loans commitments, receivables utilisations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

3.3.2.Funding approach

Sources of liquidity are regularly reviewed by a separate team in the Bank's risk management to maintain a wide diversification by currency, geography, provider, product and term
Financial risk management (continued)

3.3.3.Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the date of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows.The Bank manages the liquidity risk based on expected undiscounted and un-contractual cash inflows, and were not disclosed in accordance with contractual cash flows as they did not enable the current automated systems to use these amounts accurately.

31 December 2019 (Local currency)	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to year	1 year to 5 years	More than 5 years	Total
Liabilities						
Due to banks	167,582,814	18,016,200				**185,599,014**
Customers' deposits	19,711,065,772	8,168,758,877	15,163,838,504	26,757,971,924	11,443,284	**69,813,078,361**
Other loans		14,338,579	344,009,968	851,980,107	198,353,148	**1,408,681,802**
Total financial liabilities according to the date of contractual maturity	**19,878,648,586**	**8,201,113,656**	**15,507,848,472**	**27,609,952,031**	**209,796,432**	**71,407,359,177**

31 December 2018 (Local currency)	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to year	1 year to 5 years	More than 5 years	Total
Liabilities						
Due to banks	66,902,000		31,657,000	92,315,000		**190,874,000**
Customers' deposits	31,784,843,000	6,493,171,000	16,199,630,000	8,317,023,000	10,900,000	**62,805,567,000**
Other loans	30,337,000		31,657,000	737,204,000	429,926,000	**1,229,124,000**
Total financial liabilities Total financial liabilities according to the contractual maturity date	**31,882,082,000**	**6,493,171,000**	**16,262,944,000**	**9,146,542,000**	**440,826,000**	**64,225,565,000**

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, due from Central Bank of Egypt and due from banks, treasury and other government notes, loans and facilities to banks and customers. In the normal course of business, proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding source

Derivatives settled in aggregate

The bank's financial derivatives that will be settled in gross basis include:

- Foreign exchange derivatives: Forward forex contracts and interest swap contracts
  The table below analyses the Bank's derivative financial liabilities that will be settled in aggregation based on the remaining period of contractual maturities at the balance sheet date. The amounts disclosed in the table are the undiscounted cash flows.

31 December 2019	Up to one month	More than 1 month up to 3 months	More than 3 months up to year	Total
Derivatives held-for-trade	-	–	–	**–**
Foreign exchange derivatives	-	–	–	**–**
Cash Outflows	112,131,279	15,082,335	126,612,188	**253,825,802**
Cash inflows	112,016,002	15,105,210	126,287,426	**253,408,638**
Total cash outflows	**112,131,279**	**15,082,335**	**126,612,188**	**253,825,802**
Total cash inflows	**112,016,002**	**15,105,210**	**126,287,426**	**253,408,638**

31 December 2018	Up to one month	More than 1 month up to 3 months	More than 3 months up to year	Total
Derivatives held-for-trade	-	–	–	**–**
Foreign exchange derivatives	-	–	–	**–**
Cash Outflows	152,447,616	1,906,192	56,638,563	**210,992,371**
Cash inflows	152,441,888	1,929,278	56,868,333	**211,239,499**
Total cash outflows	**152,447,616**	**1,906,192**	**56,638,563**	**210,992,371**
Total cash inflows	**152,441,888**	**1,929,278**	**56,868,333**	**211,239,499**

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31 December 2019	Not later than 1 year	More than one year and less than five years	More than 5 years	Total
Loans commitments	-	–	–	–
Financial collaterals, accepted bills and other financial facilities	4,750,154,340	539,987,837	1,600,000	**5,291,742,177**
Capital commitments resulting from the acquisition of fixed assets*	47,330,605	–	–	**47,330,605**
Total	**4,797,484,945**	**539,987,837**	**1,600,000**	**5,339,072,782**

31 December 2018	Not later than 1 year	More than one year and less than five years	More than 5 years	Total
Loans commitments	197,348,821	184,481,161	-	**381,829,982**
Financial collaterals, accepted bills and other financial facilities	5,003,238,669	741,414,099	11,745,121	**5,756,397,889**
Capital commitments resulting from the acquisition of fixed assets*	31,382,139	-	–	**31,382,139**
Total	**5,231,969,629**	**925,895,260**	**11,745,121**	**6,169,610,010**

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Financial risk management (continued)
3.3.4. Financial instruments measured at fair value

Financial assets	Level 1	Level 2	Level 3	Total
Treasury bonds and bills Investment fund documents at fair	8,403,598,248			**8,403,598,248**
value through profit or loss	30,098,238			**30,098,238**
shareholders' equity	**7,362,945**	-	-	**7,362,945**

Cash at banks

Fair value of placements and deposits bearing variable interest rate for one day is its current value. The expected fair value for deposits bearing variable interest rate is estimated based on the discounted cash flows using the interest rate prevailing in the financial markets for debts with similar credit risk and due dates

Loans and facilities to customers
Loans and facilities are recognised net of the provision for impairment losses. The expected fair value of loans and facilities represents the discounted value of future cash flows expected to be collected. The cash flows are discounted

using the current market interest rate to determine the fair value Investments in securities

Investments in securities shown in the above table include only held-to-maturity, interest-bearing assets. Available-for-sale assets are evaluated at fair value except for equity instruments which the Bank has been unable to reliably estimate their fair value. Fair value of held-to-maturity financial assets is determined based on market prices or brokers prices. Fair value is estimated using quoted market prices for securities with similar credit, maturity date, and rates characteristics where information is not available.

Due to other banks and customers

The estimated fair value of deposits of indefinite maturity, which includes interest-free deposits, is the amount that will be paid on call.
The fair value of fixed interest-bearing deposits and other loans not traded in an active market is determined based on discounted cash flows using interest rates for new debts of similar maturity dates.
Debt instruments in issue
The aggregate fair value is calculated based on quoted market prices. For those notes whose quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

3.3.5. Capital management

The Bank's objectives behind managing capital include elements in addition to the equity shown in the balance sheet are represented in the following:

- To comply with the legal capital requirements in the Arab Republic of Egypt and other countries in which the Bank's branches operate.
- To protect the Bank's ability to continue as a going concern and enabling it to generate return for shareholders and other parties dealing with the Bank.
- To maintain a strong capital base to enhance business growth.
- Capital adequacy and uses are reviewed according to the regulatory authority's requirements (CBE) by the Bank's management through models based on the instructions of Basel committee for banking supervision. The required data is submitted to CBE on a quarterly basis.

CBE requires the following from the Bank:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-up capital.
- Maintaining a ratio between the capital's elements and the assets and contingent liabilities elements weighted by risk weights at 12,75% or more.

Bank's branches which operate outside the Arab Republic of Egypt are subject to the banking business regulators' supervising rules in countries which they operate. According to Basel II requirements, the nominator of capital adequacy is composed on the following two tiers:

Tier 1 : The basic going concern capital and consists of issued and paid-up capital (after deducting the carrying amount of treasury shares), retained earnings and reserves resulting from the dividends, except for the general banking risk reserve, less any previously recognised goodwill and any carried-forward losses.

Tier 2: It is the subordinate capital which consists of the equivalent of the general risk allocation according to the credit worthiness bases issued by the Central Bank of Egypt not exceeding 1,25% of the total assets and contingent liabilities weighted by risk weights. Subordinate loans/ deposits with terms of more than five years (with amortisation of 20% of their value over each year of the last five years of their terms) and 45% of the increase between the fair value and book value of the available-for-sale and held to maturity financial investments and in subsidiaries and associates. When calculating the total numerator of capital adequacy criterion, cushion capital should not exceed the core capital, and subordinate loans (deposits) should not exceed half the core capital. Assets are weighted by risk weights in a range from 0% to 100% and classified depending on the nature of the debtor at each asset, reflecting the credit risk associated with it. and taking into account the cash collaterals. The same treatment is used for the off-statement of financial position amounts after making relevant adjustments to reflect the contingent nature and the potential loss for these amounts.
The Bank has complied with all local capital requirements and in the countries in which its external branches operate during the past two years. The following table summarises the core and subordinate capital components and the capital adequacy ratios at the end of these two years.

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Paid up capital (000 EGP)	**31 December 2019**	**31 December 2018**
Tier 1 (Basic capital)		
Share capital	2,152,447	2,152,447
Legal reserve	310,380	247,015
Other reserves	351,336	336,690
Retained earnings and earnings	3,937,706	3,638,836
Total disposals from basic capital	(277,280)	(397,816)
Total balance of accumulated other comprehensive income items	**80,803**	-
Total first Tranche after disposals	**6,555,392**	**5,977,172**
Tier 2 after disposals (subordinate capital)		
Provisions of impairment losses of performing loans and facilities, and contingent liabilities	**165,384**	**417,100**
45% of the fair value reserve of available for sale financial investments	–	**5,733**
45% of the increase of fair value over the carrying amount of held to maturity financial investments	–	–
Subordinated loans (deposits).	**962,490**	**1,074,816**
Total subordinated capital	**1,127,874**	**1,497,649**
Total capital	**7,683,266**	**7,474,821**
Total credit risk	**26,900,367**	**33,368,649**
Total market risks	**96,310**	**283,558**
Total operating risk	**4,338,980**	**4,421,945**
Total risk weighted assets and contingent liabilities in order to cover credit, market and operational risks	**31,335,657**	**38,074,152**
Capital adequacy ratio	**24.52%**	**19,63%**

All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

3.3.6. Leverage ratio

The Central Bank of Egypt Board of Directors had approved in its meeting held on 7 July 2015 special supervisory instructions related to leverage ratio of maintaining a minimum level of leverage ratio of (3%) to be reported on a quarterly basis as follows:

- As a guidance ratio starting from the end of September 2015 until 2017.
- As an obligatory ratio starting from the year 2018.

This ratio will be included in Basel requirement Tier 1 in order to maintain the effectiveness of the Egyptian Banking system, as well as keep up with the best international regulatory practices.
The financial leverage reflects the relationship between tier 1 of capital that is used in capital adequacy standard (after disposals) and the Bank's assets (on and off balance sheet) that are not risk weighted assets.

Ratio elements

– The numerator elements:
  The numerator consists of the tier 1 for capital that is used in capital adequacy ratio (after exclusions) in accordance with the requirements of the Central Bank of Egypt.

– The denominator elements
  The denominator consists of all the Bank's assets (on and off-balance sheet items) according to the financial statements, called "Bank Exposures" including the following totals:

1. On Balance Sheet exposure items after deducting Tier 1 exclusions for capital base .
2. Derivatives contracts exposures.
3. Exposures resulting from financing securities.
4. Off-balance sheet exposures "weighted exchange transactions".

The table below summarises the financial leverage ratio at 31 December 2019:

Financial leverage ratio

	31 December 2019	31 December 2018
First: Tier I Capital after disposals	6,555,392	5,977,172
Total exposure within the financial position	74,997,418	69,660,309
Total exposure outside the financial position	3,944,797	4,854,808
Total exposures on & off-balance sheet items	78,942,215	74,515,117
Leverage ratio	**8.30%**	**8.02%**

4 Significant accounting estimates and assumptions

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities disclosed in the next financial period. Estimations and assumptions are continually evaluated on the basis of historical experience and other factors, including the expectations of future events that are believed to be reasonable through the available information and circumstances.

4.1.Impairment losses for loans and facilities

For loans and credit facilities for stage 3 clients, measurement is done on an individual basis, taking into account the present value of the expected net cash flows when calculating the rate of losses upon default. The method and assumptions used to estimate both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and the actual loss based on experience. If the net present value of the estimated cash flows varies by +/- 5% then the estimated credit loss provision It will be higher by EGP 18,171,554 or less by (EGP 18,171,554) from provisions for credit losses component

4.2.Income taxes

The Bank is subject to income tax which requires the use of significant estimates to calculate the total income tax provision. There are a number of processes and calculations of which the final income tax would be hard to determine accurately. The Bank records liabilities related to the tax inspection estimated results based on the estimates that additional taxes may arise. When there is a difference between the final result of the tax and the amounts previously recorded by the Bank, such differences will affect the income tax and the deferred tax provision in the period the difference was determined.

5 Segment analysis

Activity segment analysis
Segment activity involves operating activities; assets used in providing banking services, and risk and return management associated with this activity, which might differ from other activities. Segment analysis for the banking operations involves the following:

Large, medium, and small enterprises
Includes activities of current accounts, deposits, receivables, loans, credit facilities, and financial derivatives.

Investment
Includes activities of merging companies, purchase of investments, financing companies' restructuring, and financial instruments.

Individuals
Includes activities of current accounts, saving accounts, deposits, credit cards, personal loans, and mortgage loans.

Other activities
Includes other banking operations, such as fund management.
Transactions among segments are performed according to the Bank's operating cycle, and include assets and operating liabilities as presented in the Bank's balance sheet.

All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

Revenues and expenses by business segment

31 December 2019:	Large financial institutions	Medium and small corporates	Investment	Retail	Total
Income of segmental activities	3,238,854,981	633,126,019	4,163,773,002	1,391,993,145	**9,427,747,147**
Expenses of segmental activities	(2,795,665,334)	(551,512,437)	(2,946,531,297)	(1,289,116,113)	**(7,582,825,181)**
Results of business segment	**443,189,647**	**81,613,582**	**1,217,241,705**	**102,877,032**	**1,844,921,966**
Taxation	(133,408,582)	(18,363,056)	(264,279,706)	(25,965,893)	**(442,017,237)**
Profit for the year	**309,781,065**	**63,250,526**	**952,961,999**	**76,911,139**	**1,402,904,729**

Assets and liabilities according to segmental activities

	Large financial institutions	Medium and small corporates	Investment	Retail	Total
Assets of segmental activities	15,339,419,086	3,253,565,877	50,072,900,670	6,599,505,450	**75,265,391,083**
Other items of segmental activities					
Depreciation	(33,260,047)	(8,672,019)	(55,737,340)	(15,514,014)	**(113,183,420)**
Impairment and effect of other provisions on the statement of income	(158,869,780)		(59,459,971)	(49,228,945)	**(267,558,696)**

31 December 2018	Large financial institutions	Medium and small corporates	Investment	Retail	Total
Income of segmental activities	3,636,339,290	605,298,427	2,992,748,613	1,099,602,569	**8,333,988,899**
Expenses of segmental activities	(2,958,305,486)	(519,467,163)	(2,196,984,331)	(958,210,644)	**(6,632,967,624)**
Results of business segment	**678,033,804**	**85,831,264**	**795,764,282**	**141,391,925**	**1,701,021,275**
Taxation	(152,557,607)	(19,312,034)	(229,951,998)	(31,813,183)	**(433,634,822)**
Profit for the year	**525,476,197**	**66,519,230**	**565,812,284**	**109,578,742**	**1,267,386,453**

Assets and liabilities according to segmental activities

Assets of segmental activities	Large financial institutions	Medium and small corporates	Investment	Retail	Total
Assets of segmental activities	22,110,404,400	4,472,661,755	37,499,586,831	4,318,252,920	**68,400,905,906**
Other items of segmental activities					
Depreciations	**(30,604,020)**	**(5,007,023)**	**(51,931,145)**	**(18,538,544)**	(106,080,732)
Impairment and effect of other provisions on the statement of income	(278,618,379)	–	–	-	**(278,618,379)**

31 December 2019

Revenues and expenses by geographical segments

	Egypt				L.E.	
	Cairo	Alexandria, Delta and Sinai	Total	Arab Gulf Countries	Other countries	Total
Revenue of geographical segments	8,701,871,728	650,461,298	**9,352,333,026**	35,167,716	40,246,405	**9,427,747,147**
Expenses of geographical segments	(6,783,778,694)	(922,251,634)	**(7,706,030,328)**	(375,410)	(475,063)	**(7,706,880,801)**
Results of business segment	**1,918,093,034**	**(271,790,336)**	**1,646,302,698**	**34,792,306**	**39,771,342**	**1,720,866,346**
Unclassified expenses		–	–	–	–	**124,055,620**
Profit for the year before taxes	**1,918,093,034**	**(271,790,336)**	**1,646,302,698**	**34,792,306**	**39,771,342**	**1,844,921,966**
Taxation		–	–	–	–	**(442,017,237)**
Profit for the year	**1,918,093,034**	**(271,790,336)**	**1,646,302,698**	**34,792,306**	**39,771,342**	**1,402,904,729**

Assets and liabilities by geographical segments

Assets of geographical sectors Unclassified assets	67,840,954,704	3,712,723,543	**71,553,678,247**	**878,600,313**	3,245,482,325	**75,677,760,885**
Unclassified assets		–	–		–	**(412,369,802)**
Total assets	**67,840,954,704**	3,712,723,543	**71,553,678,247**	**878,600,313**	3,245,482,325	**75,265,391,083**
Liabilities of geographical segments	55,683,857,868	10,564,916,269	**66,248,774,137**	408,497,126	1,536,722,051	**68,193,993,314**
Unclassified liabilities		–	–	–	–	**(77,824,375)**
Total liabilities	**55,683,857,868**	**10,564,916,269**	**66,248,774,137**	**408,497,126**	**1,536,722,051**	**68,116,168,939**

Other items of geographical segments

Depreciations	(104,099,143)	(9,084,277)	**(113,183,420)**	–	–	**(113,183,420)**
Impairment and effect of other provisions on the statement of income	(462,986,184)	-	**(462,986,184)**	–	–	**(462,986,184)**

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Segment analysis (continued)

31 December 2018:

Revenues and expenses by geographical segments

	Egypt			EGP		
	Cairo	Alexandria, Delta and Sinai	Total	Arab Gulf Countries	Other countries	Total
Revenue of geographical segments	7,593,424,015	647,881,894	**8,241,305,909**	5,121,619	87,561,371	**8,333,988,899**
Expenses of geographical segments	(5,859,909,498)	(713,561,123)	**(6,573,470,621)**	(173,152)	(56,534,410)	**(6,630,178,183)**
Results of business segments	**1,733,514,517**	**(65,679,229)**	**1,667,835,288**	**4,948,467**	**31,026,961**	**1,703,810,716**
Unclassified expenses	–	–	–	–	–	**(2,789,441)**
Profit for the year before tax	**1,733,514,517**	**(65,679,229)**	**1,667,835,288**	**4,948,467**	**31,026,961**	**1,701,021,275**
Taxation	–	–	–	–	–	**(433,634,822)**
Profit for the period	**1,733,514,517**	**(65,679,229)**	**1,667,835,288**	**4,948,467**	**31,026,961**	**1,267,386,453**

Assets and liabilities by geographical segments

	Cairo	Alexandria, Delta and Sinai	Total	Arab Gulf Countries	Other countries	Total
Assets of geographical sectors	60,814,824,687	3,723,343,303	**64,538,167,990**	1,692,907,709	2,557,597,141	**68,788,672,840**
Unclassified assets	–	–	–		–	**(387,766,934)**
Total assets	60,814,824,687	3,723,343,303	**64,538,167,990**	**1,692,907,709**	2,557,597,141	**68,400,905,906**
Liabilities of geographical segments	51,897,656,064	8,400,828,142	**60,298,484,206**	38,385,382	1,278,892,967	**61,615,762,555**
Unclassified liabilities	–	–	–	–	–	**54,969,520**
Total liabilities	**51,897,656,064**	**8,400,828,142**	**60,298,484,206**	**38,385,382**	**1,278,892,967**	**61,670,732,075**

Other items of geographical segments

	Cairo	Alexandria, Delta and Sinai	Total	Arab Gulf Countries	Other countries	Total
Depreciations	(97,284,435)	(8,796,297)	**(106,080,732)**	-	–	**(106,080,732)**
Impairment and effect of other provisions on the statement of income	10,674,230	-	**10,674,230**	-	–	**10,674,230**

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6 Net interest income

Interest income on loans and similar income:

Loans and advances:

	2019	2018
- To banks	1,960,251	
- To customers	4,194,708,966	4,855,095,601
	4,196,669,217	**4,855,095,601**
Financial investments	2,734,114,238	2,135,574,786
Deposits and current accounts with bank	1,824,001,298	622,526,819
Investments in debt instruments held to maturity and available for sale	44,812,411	38,625,231
Others	1,158,188	–
Total	**8,800,755,352**	**7,651,822,437**

Deposits' cost and similar costs:

Deposits and current accounts:

	2019	2018
- To banks	(12,190,087)	(11,870,800)
- To customers	(5,949,048,332)	(5,192,563,087)
	(5,961,238,419)	**(5,204,433,887)**
Other loans	(57,208,926)	(64,795,854)
Others		(16,126)
Total	**(6,018,447,345)**	**(5,269,245,867)**
Net	**2,782,308,007**	**2,382,576,570**

7 Net fees and commission income

Fees and commission income	2019	20187
Fees and commissions related to credit	**329,071,243**	**349,372,756**
Fees related to corporate financing services	40,844,540	39,900,927
Custody fees	6,442,538	8,716,570
Other fees	204,827,458	168,562,789
Total	**581,185,779**	**566,553,042**
Fees and commission expenses		
Brokerage fees paid	(1,842,744)	(1,892,179)
Other fees paid	(31,390,056)	(21,101,396)
Total	**(33,232,800)**	**(22,993,575)**
Net income from fees and commissions	**547,952,979**	**543,559,467**

All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

8 Net trading income

	2019	2018
Gain on sale of financial investment at fair value through P&L	1,546,700	
Income from evaluation of financial investments at fair value through P&L	16,944,937	
Profit of selling debt instruments held for trading		1,285,382
Gain on FX trading	35,933,447	73,445,857
	54,425,084	**74,731,239**

9. Administrative expenses

	2019	2018
Staff cost		
Salaries and wages	(427,311,380)	(378,126,679)
Social insurance	(19,978,434)	(15,346,681)
Total staff costs	**(447,289,814)**	**(393,473,360)**
Depreciation and amortisation	(113,183,420)	(106,080,732)
Other administrative expenses	(444,302,412)	(401,222,976)
Total	**(1,004,775,646)**	**(900,777,068)**

10 Other operating (expenses) income

	2019	2018
Gain / loss on evaluation of monetary assets and liabilities denominated in foreign currencies other than those held for trading or initially designated at fair value through profit or loss	(109,033,364)	12,879,599
Profit on sale of property and equipment	1,293,992	93,000
Loss on sale other assets	(4,474,734)	
Rentals	(69,570,129)	(63,099,503)
Other provisions charge (Note 27)	(94,758,174)	(78,799,894)
Other income	(393,681)	1,012,104
	(276,936,090)	**(127,914,694)**

11. Impairment charges on credit losses

	2019	2018
Loans and advances to customers	(208,098,725)	(278,618,379)
Loans and advances to Banks	(290,319)	
Due from Banks	1,006,379	
Financial investments	(60,176,031)	
	(267,558,696)	**(278,618,379)**

12. Income taxes expenses

	2019	2018
Current tax	549,073,148	425,902,181
Deferred tax	(107,055,911)	7,732,641
Total	**442,017,237**	**433,634,822**

Note 28 shows additional information about deferred income tax. Income tax on the Bank's profits differs from the value that will result from applying the applicable tax rates as follows:

	2019	2018
Accounting profit before tax	1,844,921,966	1,701,021,275
Income tax calculated at 22,5%	415,107,442	382,729,787
Non deductible expenses	8,123,899	27,357,548
Non-taxable income	(23,633,739)	(4,010,508)
Increase in tax calculated on interest of treasury bills and bonds	24,800,855	27,448,647
Tax on dividends and capital profits	17,618,780	109,348
Total tax	**442,017,237**	**433,634,822**
Actual tax rate	**23.96%**	**25,49%**

13 Earnings per share

	2019	2018
Basic earnings per share		
Net profits for the year after deducting general banking risk reserve	1,402,904,729	1,299,707,639
Employees' share of profit	(133,549,364)	(123,634,297)
Weighted average number of shares	34,700,000	34,700,000
Net earnings per share for the year	**36.58**	**33,89**

14. Cash and balances with the Central Bank of Egypt

	2019	2018
Cash	558,085,288	556,982,610
Balances with CBE within the mandatory reserve ratio	6,319,373,998	2,298,357,635
Total	**6,877,459,286**	**2,855,340,245**
Non-interest bearing balances	6,877,459,286	2,855,340,245
Total	**6,877,459,286**	**2,855,340,245**

15. Due from banks

	2019	2018
Current accounts	402,162,769	335,667,602
Deposits	21,823,385,764	11,794,231,439
Total	**22,225,548,533**	**12,129,899,041**
Less: Provisions for credit losses	(10,414,751)	
Total	**22,215,133,782**	**12,129,899,041**
Balances at the Central Bank other than those under mandatory reserve ratio	17,888,210,389	8,819,667,939
Local banks	874,577,562	668,578,092
Foreign banks	3,452,345,831	2,641,653,010
Total	**22,215,133,782**	**12,129,899,041**
Non-interest bearing balances	(10,414,751)	10,136,526
Fixed interest balances	22,225,548,533	12,119,762,515
Total	**22,215,133,782**	**12,129,899,041**
Current balances	21,254,139,459	10,877,756,315
Non-current balances	960,994,323	1,252,142,726
Total	**22,215,133,782**	**12,129,899,041**

Movement analysis for credit losses allowance	**2019**
Balance at 31/12/2018	
Changes resulting from the initial application of IFRS9	**12,778,182**
Create credit losses	(1,006,379)
Differences from valuation of monetary assets in foreign currencies	(1,357,052)
Balance at 31 December 2019	**10,414,751**

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16 Loans and facilities to banks

	2019
Term loans	144,129,600
Less: Provision for impairment losses	(290,969)
Total other loans	**143,838,631**
Non-current balances	**143,838,631**

Movement analysis for credit losses provision	**2019**
Balance at 31 December 2018	
Impairment charges during the year	**290,319**
Differences from valuation of monetary assets in foreign currencies	**650**
Balance at 31 December 2019	**290,969**

17 Loans and facilities to customers

	2019	2018
Retail	**2019**	**2018**
Credit cards	659,419,074	626,086,848
Personal loans	5,921,834,545	4,743,717,503
Accounts receivable	998,607,854	737,031,658
Real estate loans	193,873,459	213,181,471
Total	**7,773,734,932**	**6,320,017,840**
Corporates, including small loans to economic activities:		
Accounts receivable	9,633,776,089	13,653,986,868
Direct loans	4,544,396,192	5,298,137,580
Syndicated loans	4,969,041,117	6,608,122,993
Other loans	302,683,900	380,497,505
Total	**19,449,897,298**	**25,940,744,946**
Total loans and facilities to customers	**27,223,632,230**	**32,260,762,426**
Less: Unearned revenues	(89,313,875)	(98,337,542)
Less: Credit loss provision	**(1,200,175,915)**	**(980,487,617)**
	25,934,142,440	31,181,937,267
Net balance, distributed as follows:		
Current balances	16,157,392,685	19,707,902,566
Non-current balances	9,776,749,755	11,474,034,701
	25,934,142,440	31,181,937,267

Loans and facilities to customers (continued)
Provisions for credit losses

During the financial year ended 31 December 2019, the Bank accepted current securities with a fair value of EGP 212,260,523 compared to EGP 1,382,273.909 at the comparative date as collateral to commercial loans.

The provision for credit losses movement for loans and facilities to customers classified according to their types is as follows:

	31 December 2019				
Retail	**Credit cards**	**Personal loans**	**Overdrafts**	**Real estate loans**	**Total**
Balance at 1 January 2019	9,201,341	30,738,138	13,795,153	280,419	**54,015,051**
IFRS9 Adjustments	15,648,800	15,535,950	(631,785)	507,410	**31,060,375**
Impairment charges during the year	5,143,602	30,096,545	(1,420,030)	15,411,829	**49,231,946**
Amounts written-off during the year	(17,333,413)	(25,688,546)	(5,104,816)		**(48,126,775)**
Recoveries during year	9,772,786	8,032,259			**17,805,045**
Foreign exchange translation differ-ences			287,938		**287,938**
Balance at 31 December 2019	**22,433,116**	**58,714,346**	**6,926,460**	**16,199,658**	**104,273,580**

Corporate	**Overdrafts**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total**
Balance at January 1, 2019	323,057,182	507,372,240	85,783,987	10,259,157	**926,472,566**
IFRS Adjustments	(78,742,904)	(7,833,002)	251,806,161	(6,830,861)	**158,399,394**
charges (reverse) of credit losses during the year	59,842,849	331,194,212	(230,241,065)	(1,929,217)	**158,866,779**
Amounts written-off during the year	(6,835,873)	(117,215,528)			**(124,051,401)**
Recoveries during the year		3000			**3000**
Differences from valuation of monetary assets in foreign currencies	(4,303,860)	(13,528,600)	(5,955,543)		**(23,788,003)**
Balance at 31 December 2019	**293,017,394**	**699,992,322**	**101,393,540**	**1,499,079**	**1,095,902,335**

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	31 December 2018				
Retail	**Credit cards**	**Personal loans**	**Overdrafts**	**Real estate loans**	**Total**
Balance at January 1, 2018	**5,829,256**	**30,906,226**	**6,736,682**	**153,200**	**43,625,364**
Impairment charges during the year	12,935,292	25,261,955	7,055,937	127,219	**45,380,403**
Amounts written-off during the year	(18,904,709)	(32,456,318)	-	–	**(51,361,027)**
Recoveries during year	9,341,502	7,026,275	-	–	**16,367,777**
Foreign exchange valuation differ-ences	–	–	2,534	-	**2,534**
Balance at 31 December 2018	**9,201,341**	**30,738,138**	**13,795,153**	**280,419**	**54,015,051**

	31 December 2018				
Corporate	**Overdrafts**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total**
Balance at January 1, 2018	203,661,637	383,023,951	128,752,874	6,873,687	**722,312,149**
(Reversal of) impairment charges during the year	118,418,169	125,459,632	(14,025,295)	3,385,470	**233,237,976**
Recoveries during year	3,065,563	-	–	–	**3,065,563**
Amounts written-off during the year	(2,026,257)	(1,058,155)	(28,756,091)	-	**(31,840,503)**
Foreign exchange valuation differences	(61,930)	(53,188)	(187,501)	-	**(302,619)**
Balance at 31 December 2018	**323,057,182**	**507,372,240**	**85,783,987**	**10,259,157**	**926,472,566**

All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

18 Financial derivatives instruments

The Bank uses the following derivative instruments for hedging and non-hedging purposes:
Currency forwards contract represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Future foreign currency exchange contracts and/or interest rates are contractual obligations to receive or pay a net amount based on changes in currency rates, interest rates and/or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an active financial market.
Credit risk at the Bank is considered low. Future interest rate agreements represent future exchange rate contracts negotiated on a case-by-case basis. These agreements require financial settlements on a future date for the difference between the contractual interest rate and the interest rate prevailing in the market on the basis of an agreed contractual amount/ nominal value.
Currency and/or interest rate swap contracts are commitments to exchange one set of cash flows for another. These contracts result in the exchange of currencies or interest rates (i.e. fixed rate for floating rate) or a combination of all these (i.e. Interest and currency swap contracts). Actual exchange of contractual amounts is not done unless in some currency swap contracts. The Bank's credit risk is represented in the potential cost to replace the swap contracts if counterparties fail to fulfil their obligations. This risk is monitored on an ongoing basis by comparison with the fair value a percentage of the contractual amount. To control an existing credit risk, the Bank assesses counterparties using the same techniques used for lending activities.
Foreign currency/ interest rates option contracts represent contractual arrangements in which the seller (issuer) grants the buyer (holder), the right not the obligation, either to buy (buy option) or to sell (sell option) at a certain date or within a certain year by a certain amount of foreign currency or a financial instrument at a predefined price. The vendor receives a commission from the buyer in return for accepting the risk of the foreign currency or the interest rate. Option contracts are either traded in the market or negotiable between the Bank and one of its customers. The Bank is exposed to credit risk for the purchased option contracts only within its book value which represents its fair value.
The contractual amounts of certain types of financial instruments are used as a basis for comparison with financial instruments recognised in the financial position but do not necessarily indicate the amounts of future cash flows or the current fair value of the instruments and therefore, do not indicate the Bank's exposure to credit or price risks.
Derivatives in favour of the Bank become (assets), otherwise they become (liabilities) as a result of fluctuations in foreign exchange rates or interest rates related to them. The aggregate contractual or notional amounts of the existing financial derivative instruments, the duration to which the instruments are favourable or unfavourable to the Bank, and the aggregate fair value of financial assets and liabilities from financial derivatives can fluctuate significantly from time to time. The table below represents the fair values of held financial derivatives:

	2019			2018		
Total derivatives held for trading (over the counter)	Contractual/ default amount of assets (liabilities)	Assets	(Liabilities)	Contractual/ default amount of assets (liabilities)	Assets	(Liabilities)
Forward foreign exchange contracts	253,408,638	548,676	965,840	210,992,371	938,982	691,854
Total derivatives (over the counter)	253,408,638	548,676	965,840	210,992,371	938,982	691,854
Current balances	**253,408,638**	**548,676**	**965,840**	**210,992,371**	**938,982**	**691,854**

19 Financial investments

At 31 December 2019

Financial investments listed in the market	At fair value through comprehensive income	At amortised cost	At fair value through profit or loss	Total
Government bonds	2,647,135,081	8,440,223,349		**11,087,358,430**
Other bonds		738,582,939		**738,582,939**
shareholders' equity	7,362,945			**7,362,945**
Treasury bills and other government securities	5,756,463,167			**5,756,463,167**
Financial investments not listed in the market				
Monetary funds			30,098,238	**30,098,238**
Total	**8,410,961,193**	**9,178,806,288**	**30,098,238**	**17,619,865,719**
Expected Credit Loss		**(62,084,836)**		**(62,084,836)**
Total	**8,410,961,193**	**9,116,721,452**	**30,098,238**	**17,557,780,883**

At 31 December 2018

Financial investments listed in the market	Financial investments available for sale	Financial Investments held to maturity	Total
Government bonds	742,508,207	5,530,905,815	**6,273,414,022**
Other bonds	1,309,105,164		**1,309,105,164**
shareholders' equity	7,793,528		**7,793,528**
Treasury bills and other government securities	12,289,402,652		**12,289,402,652**
Financial investments not listed in the market			
Monetary funds	5,790,477	10,000,000	**15,790,477**
Total	**14,354,600,028**	**5,540,905,815**	**19,895,505,843**

All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

The movement of the financial investments is as follows:

At 31 December 2019	At fair value through comprehensive income	At amortised cost	Listed at fair value through profit and loss	Total
Balance at the beginning of the year	14,354,600,028	5,540,905,815		**19,895,505,843**
Impact of applying IFRS 9 - reclassification	(1,314,895,641)	1,299,105,164	15,790,477	
Impact of applying IFRS 9 - re-measurement	(32,885,106)	103,231,646	12,740,785	**83,087,325**
Additions	9,396,817,503	3,039,053,381		**12,435,870,884**
Disposals (sale/redemption)	(15,586,442,905)	(685,753,116)		**(16,272,196,021)**
Differences from valuation of monetary assets in foreign currencies	(336,979)	(119,148,713)		**(119,485,692)**
Profits from change in fair value (Note 30-D)	160,970,901		1,566,976	**162,537,877**
credit losses		(60,176,031)		**(60,176,031)**
Amortization cost	1,433,133,392	(496,694)		**1,432,636,698**
Balance at the end of the year	**8,410,961,193**	**9,116,721,452**	**30,098,238**	**17,557,780,883**

31 December 2018	Financial investments available for sale	Financial Investments held to maturity	Total
Balance at the beginning of the year	1,026,107,220	7,114,565,102	**8,140,672,322**
Additions	1,343,659,388	-	**1,343,659,388**
Disposals (sale/ redemption)	(273,023,025)	(1,628,844,000)	**(1,901,867,025)**
Differences from valuation of monetary assets in foreign currencies	11,086,025	-	**11,086,025**
Profits from change in fair value	**(42,419,460)**	-	**(42,419,460)**
Amortisation of fair value reserve of financial investments held to maturity	-	49,549,180	**49,549,180**
Amortization cost	**(212,772)**	**5,635,533**	**5,422,761**
Ending balance	**2,065,197,376**	**5,540,905,815**	**7,606,103,191**

	2019	2018
Gain on financial investments		-
gains on sale of available-for-sale financial investments	1,596,212	-
Gains (losses) on sale of available for sale equity instruments	-	-
Gains on sale of treasury bills	7,841,344	6,321,279
Total	**9,437,556**	**6,321,279**

20. Intangible assets

Computer software	2019	2018
Net book value at the beginning of the period/ year	262,815,012	265,186,339
Additions	52,799,758	37,551,298
Amortisation	(45,428,802)	(39,922,625)
Net book value at the end of the period/ year	**270,185,968**	**262,815,012**

21. Other assets

	2019	2018
Accrued revenues	774,228,810	560,178,978
Prepaid expenses	63,704,137	53,911,245
Advance payments for purchase of fixed assets	587,762,268	686,686,562
Insurance and custody	7,429,642	5,038,652
Assets reverted to the Bank in settlement of debts	2,875,600	2,875,600
Others	69,500,218	75,388,177
Total	**1,505,500,675**	**1,384,079,214**

22 Fixed assets

	Land and buildings	Leased assets' improvements	Machineries and equipment	Other assets	Total
Cost at January 1, 2018	519,751,903	45,118,111	82,663,309	383,435,373	**1,030,968,696**
Accumulated depreciation	(63,747,517)	(31,923,991)	(44,561,125)	(199,233,131)	**(339,465,764)**
Net book value at 1 Jan 2019	**456,004,386**	**13,194,120**	**38,102,184**	**184,202,242**	**691,502,932**
Additions during the year	24,697,740	-	5,750,218	34,598,670	**65,046,628**
Disposal during the year	–	–	–	(22,731)	**(22,731)**
Adjustment	–	(1,151)	-		**(1,151)**
Depreciation during the year	(13,193,368)	(4,326,718)	(8,456,178)	(40,181,843)	**(66,158,107)**
Accumulated depreciation for the disposals during the year				22,731	**22,731**
Net book value at 31 December 2018	**467,508,758**	**8,866,251**	**35,396,224**	**178,619,069**	**690,390,302**
Cost at January 2018 ,1	544,449,643	45,116,960	88,413,527	418,011,312	**1,095,991,442**
Accumulated depreciation	(76,940,885)	(36,250,709)	(53,017,303)	(239,392,243)	**(405,601,140)**
Net book value at 1 Jan 2019	**467,508,758**	**8,866,251**	**35,396,224**	**178,619,069**	**690,390,302**
Additions during the year	75,065,437	12,943,054	12,510,581	38,473,463	**138,992,535**
Disposals			(13,954,183)	(10,365,828)	**(24,320,011)**
Depreciations during the year	(13,790,474)	(2,328,622)	(8,725,282)	(42,910,240)	**(67,754,618)**
Total accumulated depreciation of disposals during the year			13,639,114	9,853,420	**23,492,534**
Net book value at 31 December 2019	**528,783,721**	**19,480,682**	**38,866,454**	**173,669,885**	**760,800,742**
Cost at 31 December 2019	619,515,080	58,060,013	86,969,925	446,118,948	**1,210,663,966**
Accumulated depreciation	(90,731,359)	(38,579,331)	(48,103,471)	(272,449,063)	**(449,863,224)**
Net book value at 31 December 2019	528,783,721	19,480,682	38,866,454	173,669,885	**760,800,742**

Fixed assets (after depreciation) include EGP 144,70 million at 31 December 2019 (compared to EGP 156 million at 31 December 2018), which represents the assets that have not been registered in the Bank's name yet. Legal procedures are currently being undertaken to register those assets.

Notes to the financial statements - For the year ended 31 December 2019
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23 Due to banks

	2019	2018
Current accounts	23,452,113	36,564,755
Deposits	162,145,800	-
Total	**185,597,913**	**36,564,755**
Local banks	167,830,897	-
Foreign banks	17,767,016	36,564,755
Total	**185,597,913**	**36,564,755**
Non-interest bearing balances		36,564,755
Fixed interest balances	185,597,913	-
Current balances	185,597,913	36,564,755
Non-current balances		–
Total	**185,597,913**	**36,564,755**

24 Customers' deposits

	2019	2018
Demand deposits	20,485,540,693	17,814,302,493
Time and call deposits	26,509,131,642	26,334,639,101
Certificates of saving and deposit	14,424,970,661	10,422,423,941
Saving Deposits	3,180,744,260	3,167,563,874
Other Deposits	893,167,539	1,410,090,645
Total	**65,493,554,795**	**59,149,020,054**
Corporate deposits	38,050,546,857	35,246,658,970
Retail deposits	27,443,007,938	23,902,361,084
Total	**65,493,554,795**	**59,149,020,054**
Non-interest bearing balances	4,379,978,853	5,832,808,299
Variable interest bearing balances	20,179,473,640	17,522,277,713
Fixed interest balances	40,934,102,302	35,793,934,042
Total	**65,493,554,795**	**59,149,020,054**
Current balances	53,697,803,701	51,884,659,185
Non-current balances	11,795,751,094	7,264,360,869
Total	**65,493,554,795**	**59,149,020,054**

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25 Other loans

	Interest rate	2019	2018
Short term borrowing African import and export Bank	LIBOR 3 months + 1.4%	320,830,000	
Subordinate loan of Bank Audi Lebanon (S.A.L) for an amount of USD 60 million matures in December 2025.	LIBOR 3 months + 3%	962,490,000	1,074,816,000
European Bank loan (USD 10 million)	LIBOR 6 months + 3%		**149,280,000**
Total other loans		**1,283,320,000**	**1,224,096,000**
Current balances		**320,830,000**	
Non-current balances		**962,490,000**	**1,224,096,000**

26 Other liabilities

	2019	2018
Accrued interest	349,080,962	318,470,364
Advance revenue	29,097,589	43,904,823
Accrued expenses	40,553,400	61,938,081
Other Credit Balances	209,096,738	221,428,504
Total	**627,828,689**	**645,741,772**

27 Other provisions

31 December 2019

	Provision for Possible claims	Provision for legal claims	Provision for contingent liabilities	Total
Balance at the beginning of the year	91,604,315	549,282	83,805,273	**175,958,870**
Changes resulting from the initial application of IFRS9			(17,015,979)	**(17,015,979)**
Provided during the year (Note 10)	40,710,741	483,611	53,563,822	**94,758,174**
Used during the year	(7,927,427)	(198,406)		**(8,125,833)**
Currency valuation differences	(1,980)		(1,006,530)	**(1,008,510)**
Balance at the end of the year	**124,385,649**	**834,487**	**119,346,586**	**244,566,722**

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31 December 2018

	Provision for Possible claims	Provision for legal claims	Provision for contingent liabilities	Total
Balance at the beginning of the year	50,977,703	831,978	44,866,422	**96,676,103**
Formed during the year	39,876,407	219,617	38,810,281	**78.906,305**
Reversed (utilised) during the year	750,000	(395,902)	-	**354,098**
Provisions no longer required	–	(106,411)	-	**(106,411)**
Currency valuation differences	204	-	128,570	**128,774**
Balance at the end of the year	**91,604,314**	**549,282**	**83,805,273**	**175,958,869**

28 Current income tax liabilities

	31 December 2019	31 December 2018
Balance at January 1	175,045,558	241.552.379
Payments during the year	(623,526,441)	(492,409,002)
Tax for the year	549,073,148	425,902,181
	100,592,265	**175,045,558**

Deferred tax has been calculated on all temporary tax differences using the liabilities method and using the effective tax rate 22.5% for the **current** financial year.
Deferred tax assets resulting from carried forward tax losses are not recognized unless it is probable that there are future tax profits to utilize the forward carried tax losses.
Offset between deferred tax assets and deferred tax liabilities is done if there is a legal reason to offset the current assets tax and against the current liabilities tax, and when the deferred income taxes belong to the same tax department.
Deferred tax assets and liabilities
Below is the movement of deferred tax assets and liabilities:
<u>Deferred tax assets and liabilities balances:</u>

	Deferred tax assets		Deferred tax liabilities	
	2019	**2018**	**2019**	**2018**
Fixed assets	-	–	(89,429,011)	**(80,522,676)**
Provisions (excluding provision for loans impairment)	48,281,438	23,125,338	–	–
Capital valuation differences	-	–	(115,409,729)	**(206,215,875)**
Tax recognised in other comprehensive income	-	–	(23,185,413)	-
Total tax arising from an asset (liability)	**48,281,438**	**23,125,338**	**(228,024,153)**	**(286,738,551)**
Net tax resulting in an obligation		**–**	**(179,742,715)**	**(263,613,213)**

All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

Movement of deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
	2019	2018	2019	2018
Balance at beginning of the year	23,125,338	13,390,689	(286,738,551)	(269,271,260)
Tax as at recognised in the statement of income	25,156,100	9,734,649	81,899,811	(17,467,291)
Tax recognised in other comprehensive income			(23,185,413)	
Balance at the end of year	**48,281,438**	**23,125,338**	**(228,024,153)**	**(286,738,551)**

29 Share capital

The authorised, issued and paid-up capital at October 23, 2012 amounted to USD 235 million equivalent to the amount of EGP 1,337,024,865, divided among 23,500,000 shares, the value of each share is USD 10 and all the issued shares were paid in full.
On April 23, 2013, the Extraordinary General Assembly approved to increase the authorised and issued capital by an amount of USD 30 million equivalent to the amount EGP 206,334,000. Shareholders paid such increase in cash, so the authorised and issued capital amounted USD 265 million, equivalent to the amount of EGP 1,543, 358,865, divided among 26,500,000 shares, the value of each share is USD 10 and all the issued shares were paid in full. On 21 November 2013, the capital increase was registered in the commercial register.
On March 20, 2014, the Extraordinary General Assembly approved to increase the authorised and issued capital by an amount of USD 42 million equivalent to the amount EGP 299,884,200, which was from the Shareholders' share of dividends for the year 2013 amounting to EGP 317 million. The authorised and issued capital amounted USD 307 million, equivalent to the amount of EGP 1,843,243,065 divided among 30,700,000 shares, the value of each share is USD 10 and all the issued shares were paid in full. On 25 September 2014, the capital increase was registered in the commercial register.
On 14 December 2015, the Bank's Extraordinary General Assembly approved to increase the authorised and issued capital by an amount of USD 40 million that is paid directly by the shareholders. The authorised and issued capital amounted USD 347 million, divided among 34,700,000 shares; the value of each share is USD 10 equivalent to LE 2,152,447,065. On May 30 2016, the capital increase was registered in the commercial register.

The shareholders' structure is as follows:

Name of shareholder	Number of Shares	Nominal value in USD	Payment currency
Bank Audi "S.A.L." Lebanon	34,699,998	346,999,980	USD
Bank Audi “S.A.L.” - Private Services-Lebanon	1	10	USD
Bank Audi “S.A.L”. -Businesses- Lebanon	1	10	USD
Total	**34,700,000**	**347,000,000**	**USD**

30 Reserves and retained earnings

A) Reserve	2019	2018
General risks reserve	350,575,450	-
Special reserve		81,099,789
General banking risk reserve	2,875,594	123,688,632
Legal reserve	310,380,044	247,015,371
Capital reserve	760,436	667,436
Fair value reserve - through other comprehensive income	80,803,165	(127,117,443)
IFRS9 reserve		336.022.770
Total reserves at the end of the year	**745,394,669**	**661,376,555**

Reserves movements are as follows:

B) Special reserve	31 December 2019	31 December 2018
Balance at the beginning of the year	81,099,789	81.099.789
Impact of first applying IFRS 9	(81,099,789)	-
Balance at the end of the year	**-**	**81.099.789**

On the first day of application and according to the requirements of IFRS 9, both the special reserve - credit, general bank risk reserve and IFRS 9 risk reserve were combined into one reserve in the name of general risk reserve.
This reserve was used to support any increases in the calculation of expected credit losses from the total impairment on the first day of application, so that the balance of the general risk reserve becomes a fixed balance that will not be affected until after returning to the Central Bank of Egypt, and this reserve will be included within the capital base of the bank.
Provisions will continue to be calculated according to the basis of assessment of creditworthiness issued by the Central Bank of Egypt on 6 June 2005 and will be compared with the expected credit losses provisions to form a general bank risk reserve from the distribution of net profit to represent the reserves related to the risks, the increase in the calculation of provisions for the expected credit losses recognised in the financial statements.

C) General banking risk reserve	2019	2018
Balance at the beginning of the year	123,688,632	156,102,816
Impact of first applying IFRS 9	(121,100,598)	-
Transfer to/ from retained earnings	287,560	(32,414,184)
Balance at the end of the year	**2,875,594**	**123,688,632**

D) Legal reserve	2019	2018
Balance at the beginning of the year	247,015,371	195,972,487
Formed from the profit of the year	63,364,673	51,042,884
Balance at the end of the year	**310,380,044**	**247,015,371**

All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

According to the provisions of local laws, 5% of net annual profit of the year shall be transferred to a non-distributable statutory reserve until it reaches 50% of the Bank's issued capital.

D) Capital reserve	**2019**	**2018**
Balance at the beginning of the year	667,436	647,436
Formed from the profit of the year	93,000	20,000
Balance at the end of the year	**760,436**	**667,436**

In accordance with the requirements and instructions of the Central Bank, the capital reserve is made from the capital profits realised from sale of fixed assets before the distribution of dividends.

E) Fair value reserve for financial Investments through other comprehensive income	**2019**	**2018**
Balance at the beginning of the year	(127,117,443)	(134,247,161)
Impact of first applying IFRS 9	70,135,119	(42,419,462)
Net change in fair value of financial investments through other comprehensive income	170,408,458	-
Gains on sale of financial investments at fair value through other comprehensive income	(9,437,556)	-
Deferred tax	(23,185,413)	49,549,180
Balance at the end of the year	**80,803,165**	**(127,117,443)**

F) General risk reserve	**2019**	**2018**
Balance at the beginning of the year	538,223,157	-
Used from the general risk reserve to support Credit loss provisions	(187,647,727)	-
Balance at the end of the year	**350,575,430**	**-**

G) E- IFRS9 reserve	**2019**	**2018**
Balance at the beginning of the year	336,022,770	336,022,770
Impact of first applying IFRS 9	(336,022,770)	-
Balance at the end of the year	**-**	**336,022,770**

B) Retained earnings	**2019**	**2018**
Balance at the beginning of the year	3,916,350,211	2,775,071,087
Net profit for the year	1,402,904,729	1,267,386,453
Shareholders' share of profit for 2018	(880,495,000)	-
Transferred to capital reserve	(93,000)	(20,000)
Employees' share of profit for 2018	(123,634,297)	(107,458,629)
Transfer to general banking risks reserve	(287,560)	32,414,184
Transfer to statuary reserve	(63,364,673)	(51,042,884)
Balance at the end of the year	**4,251,380,410**	**3,916,350,211**

31 Cash and cash equivalents

For the purpose of presenting the statement of cash flows, cash and cash equivalents include the following balances of maturity dates not exceeding three months from the date of acquisition.

	2019	**2018**
Cash and balances with the CBE other than mandatory reserve ratio	558,085,288	556,982,610
Cash at banks	14,127,303,533	9,504,699,828
Treasury bills and other government securities	1,624,682	16,070,318
Total	**14,687,013,503**	**10,077,752,756**

32 Contingent liabilities and commitments

A) Legal claims

There is a number of outstanding lawsuits filed against the Bank at 31 December 2019. Provision for lawsuits amounted to EGP 834,487.

B) Capital Commitments:

The Bank's contracts for capital commitments amounted to EGP 47 million at 31 December 2019 compared to EGP 31 million in the comparative date, represented in purchases of fixed assets. The management has sufficient confidence of realising net revenues and availability of funds to cover those commitments.

C) The Bank's commitments related to loans, guarantees, and facilities are represented in the following:

	2019	**2018**
Commitments for loans and other irrevocable liabilities related to credit		381,829,982
Letters of acceptances	305,388,231	593,928,418
Letters of guarantee	4,322,965,180	4,884,921,769
Letters of credit - import	139,903,676	277,547,702
Letters of credit - export	523,485,090	-
Total	**5,291,742,177**	**6,138,227,871**

33 Related parties transactions

The Parent Company is Bank Audi "SAL" (Lebanon) which owns %99.99999 of the ordinary shares. The remaining ratio (%0.00001) is owned by other shareholders. Transactions and balances of related parties at the end of the financial year ended 31 December 2019 are as follows:

Loans and facilities from related parties	2019 000' EGP	2018 000' EGP
Outstanding loans at the beginning of the year	1,074,816	1,063,662
Currency valuation differences	(112,326)	11,154
Outstanding loans at the end of the year	**962,490**	**1,074,816**

Loans and facilities granted from the parent company are non-secured, with floating interest rate as they are recoverable at the end of contract.

Loans and facilities to key management	2019 000' EGP	2018 000' EGP
Outstanding loans at the beginning of the year	26,376	19,006
Loans issued during the year	13,184	16,097
Loans paid during the year	(12,381)	(8,727)
Outstanding loans at the end of the year	**27,179**	**26,376**

Deposits for Key management	2019 000' EGP	2018 000' EGP
at the beginning of the year	24,881	19,096
Deposits placed during the year	8,861	18,484
Deposits recovered during the year	(19,776)	(12,678)
Currency valuation differences	747	(21)
deposits at the end of the year	**14,713**	**24,881**
Deposits cost and similar costs	**915**	**2,264**

Other transaction with related parties	2019 000' EGP	2018 000' EGP
Bank balances	10,696	238,117
Due to banks	4,190	36,045
Accepted documents	718,477	921,410
Letters of credit - export		-

Notes to the financial statements - For the year ended 31 December 2019
All amounts in the notes are shown in Egyptian Pounds unless otherwise stated

Benefits to the Board and senior management	2019 000' EGP	2018 000' EGP
Salaries and short- term benefits	4,495	4,630

34 Tax position

- **Corporate Income tax:**
  Final the Bank asked to refer the file to the internal committee, and waiting for the date of the appointment.
- 2016 is still under inspection, and analyses and documents of 2017 are being prepared.

- **Tax on earnings**
  Final settlement was made up to 2012.
- 2013 was inspected and objection to the results was filed. The Bank asked to refer the file to the internal committee.
- 2014 is under inspection.

- **Stamp duty tax**
  Final settlement was made up to 2015.
- 2016 is being inspected.

35 Monetary funds

The mutual fund is one of the licensed activities of the Bank by the virtue of the provisions of Capital Market law no.95 for the year 1992 and its executive regulations.

(a) Bank Audi Monetary fund in EGP (with Daily Cumulative Interest)

The Fund is managed by EFG -Hermes for the management of mutual funds. The Fund's number of investment certificates reached 110 million certificates worth of EGP 1100 million, of which 500 thousand certificates were allocated to the Bank (the nominal value of which is EGP 5 million) to undertake the Fund's activities.
The Bank has purchased 500 thousand certificates amounting to EGP 5 million, with a redeemable value of EGP 21,155,863 at 31 December 2019, and the redeemable value of the certificate is EGP 29.12 at 31 December 2019. The Fund's outstanding certificates at the same date reached 11,280,513 certificates.
The CBE approved on 15 July 2014 to increase the Fund's size to 110 million certificates worth of EGP 1,100 million, and increase the Bank's contribution amount in the Fund to be EGP 22 million according to Article No. (150) of the Executive Regulations of Capital Market Authority No. 95 for the year 1992, which stipulates that «the maximum limit of money invested in the Fund shall not exceed fifty times its capital, which must not be less than EGP five million, paid in cash». The Bank's contribution at 31 December 2019 was 6.44% of the total certificates issued on that date.
In accordance with the fund's management contract and the subscription prospectus, Bank Audi receives fees and commissions against its supervision of the Fund and other administrative services it performs. The total commissions amounted to EGP 1,196,273 For the year ended 31 December 2019 included in fees and commissions/ other fees in the statement of income.

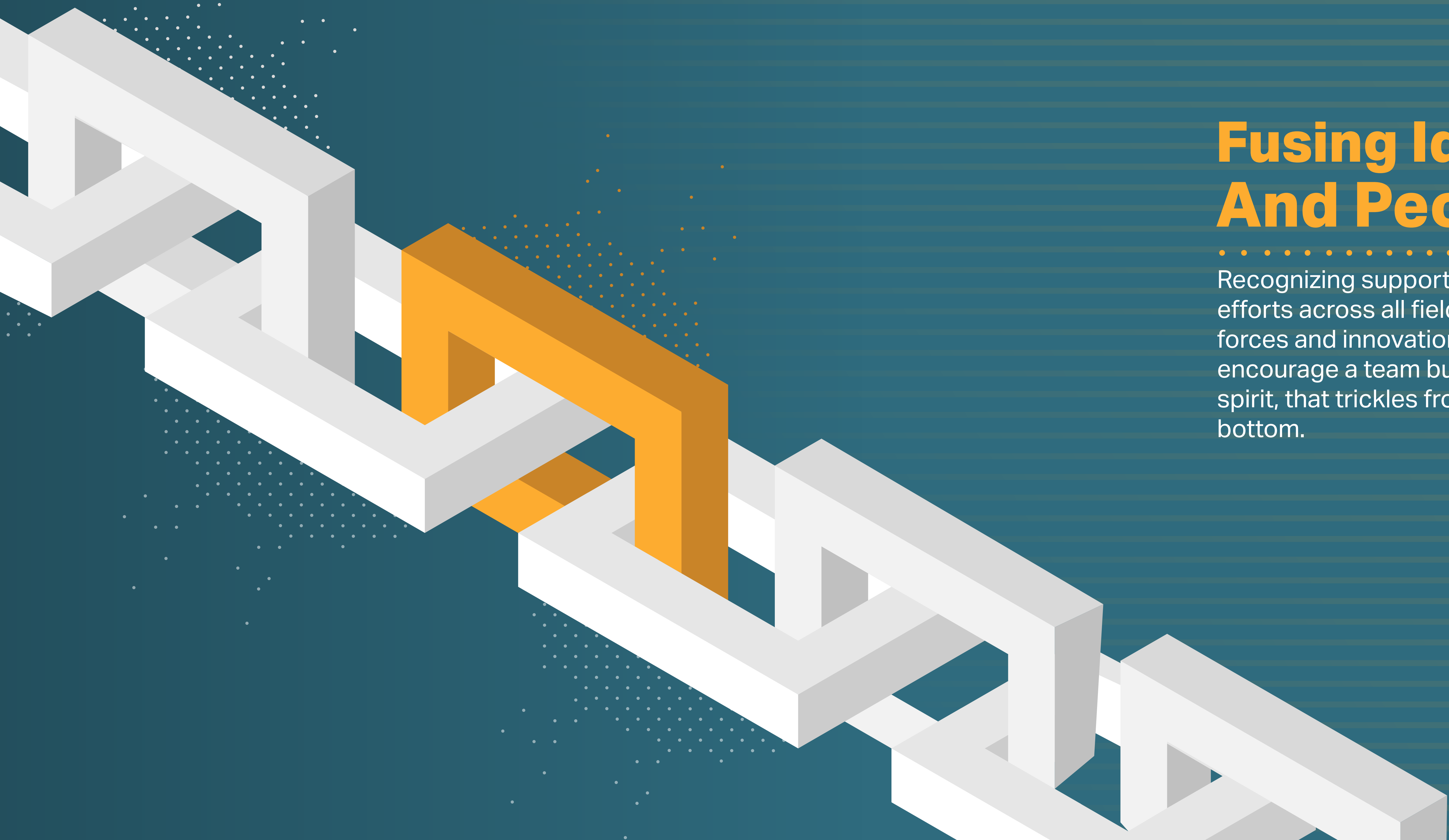
(b) Bank Audi Mutual Balanced Fund "Ezdehar" with cumulative dividends and variable periodic dividends in EGP

EGP 25 million, 50 thousand documents were allocated to the bank (with a nominal value of 5 million Egyptian pounds) to carry out the activities of the fund.
The Bank has purchased 50 thousand certificates amounting to EGP 5 million, with a redeemable value of EGP 8,942,375at 31 December 2019, and the redeemable value of the certificate is EGP 178.8475 at 31 December 2019. The Fund's outstanding certificates at the same date reached 103,365 certificates. In accordance with the fund's management contract and the subscription prospectus, Bank Audi receives fees and commissions against its supervision of the Fund and other administrative services it performs. The total commissions amounted to EGP 100,722 For the year ended 31 December 2019 included in fees and commissions/ other fees in the statement of income.

36 Subsequent events :

Bank Audi Group received some offers from parties interested in acquiring its external entity in Egypt , and currently an exclusive due diligence process is in place for First Abu Dhabi Bank (FAB) and still a final agreement has not been reached yet. This process has to be done according to the requirements of regulatory and supervisory authorities in Egypt and will only be completed with their approvals ,and most important is the approval of Central Bank of Egypt about the whole transaction.

05
MANAGEMENT



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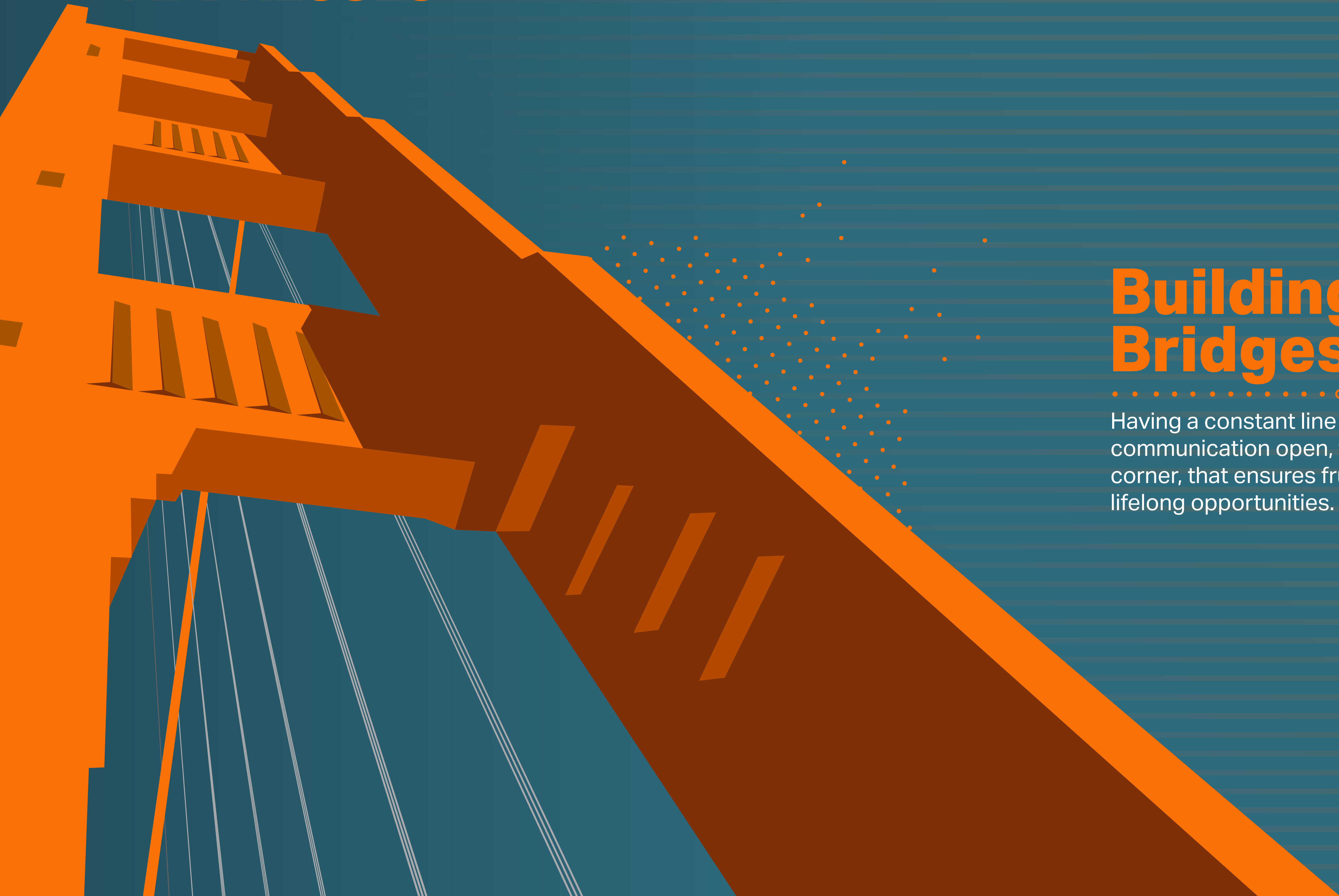
06
ADDRESSES



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EGYPT

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Tel: (20-86) 2338882, 2338901-2-3-4-5-6-7-8-9-2338910.

ASSUIT

Assuit
Chamber of Commerce Bldg., Mahmoud Fahmy Al Noqrashi Street.
Tel: (20-88) 2286120-4-6, 2286130-3-4-6-7-8, 2286140.

DAMIETTA

Damietta
49 Nile Corniche Street, Ezbat Al Lahm.
Tel: (20-57) 2367030, 2367040, 2367060, 2367070, 2367080, 2367090, 2368060.

PORT SAID

Port Said
27 A, July 23rd Street, El-Sharq Division.
Tel: (20-66) 3239930-1-2-3-4-5-6.

BEHIRA

Damanhour
Street 26 from Abd El Salam El Shazly- El Madina El Monawara Building- Damanhour
Tel: (20-45) 3190552-3-4, 3190557-8, 3190571- 3190572-3-4, 3190576

MONOFIA

Shebeen El Kom
Marsellia Building- Gamal Abd El Naser St.Shebeen ElKoom
Tel: (20-48) 2312468, 2312694, 2312764, 2312768
2313129, 2315857 , 2315914, 2315962, 2318024
2318286

ISMALIA

Ismalia
7 Garden City Street-Ismalia.
Tel: (20-64) 3108941- 2-3-4-5-6-7-8, 3108950, 3108951

Kafr El Sheikh

Kafr El Sheikh
Hakr El Dababsha, Abu Dhabi Mall, Kafr El Sheikh.
01068822173 - 01068822185 - 01068822187 - 01068822182

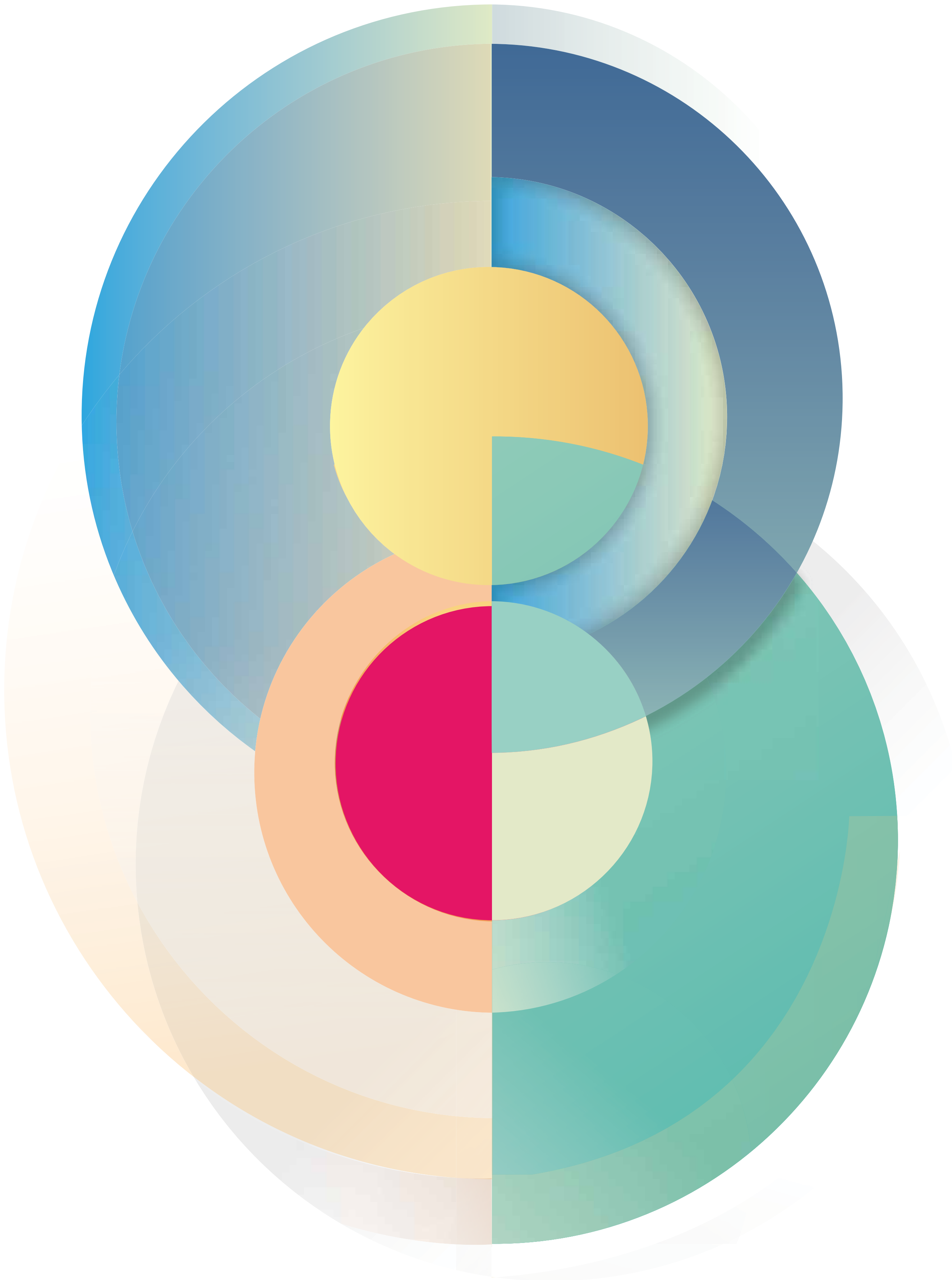
ATMs' Locations by Governorate

Cairo Governorate	
Carrefour - Helwan	41 Rayeel Street,Helwan Cairo, Egypt
Al Ahram Newspaper	Al-Ahram Building: El-Galaa Street, Cairo
Spinneys - Maxim Mall	Piece 23 - El-Tagamoa El-Khames - Maxim Mall
Mansour Group	Zahraa El Maadi Industrial Area Mansour Group Management
Mokattam Branch	Plot # 6034, Street 9, Mukattam, Cairo
Wady Degla Club	Wadi Degla Club - Maadi
Spinneys - Mokattam	361 street No.9 - Al-Mokattam
Abd-kader Hospital	4 street, hassan aflton nasr city
Makram Ebeid Branch 1	1 Makram Ebeid Street, Nasr City, Cairo
Makram Ebeid Branch 2	1 Makram Ebeid Street, Nasr City, Cairo
On The Run Al Tagamoaa Al Khames	Behind complex of court - El-Tagamoa El-Khames , New Cairo
Swan Lake Compound	Swan Lake - El-Tagamoa El-Khames (Club House)
Carrefour - El-Baroun Mall	Baroun Mall - Ring road - Maadi
Beirut Branch	54 Demeshk Street, Heliopolis, Cairo
Kheir Zaman Takaa	Plot no. 14, block 6, Area 11, Nasr City
On The Run Roxy	72 El-Khalifa El-Maamoun Street, Heliopolis, Cairo
Fawary Down town	sherif street down town
fawary nasr city	10th District Nasr City Beside Sun Mall
Fawry_Hadeeq helwan	khaid ibn elwalid street Hadeeq Helwan
Shoubra Branch	128 Shoubra Street, Shoubra, Cairo
Nady El Shams Branch	17 Abdel Hamid Badawy Street, Heliopolis, Cairo
Masaken Sheraton Branch	11 Khaled Ibn El-Waleed Street, Masaken Sheraton, Cairo
On The Run Rehab City	Gate 13 - El-Rehab City
Mobil FBI	Autostrad street
Mobil Way To Go Maadi	4street 151 Maadi behind Sadat academy
Degla Branch	1-B, 256 Street, Degla, Maadi, Cairo
Total Autostrad	Autostrad Road – Maadi Degla entrance
ExxonMobil Hassan El-Maamoun	6th Hassan EL Sherif (Hassan El Maamoun) Street. - Nasr City, Cairo
Khair zaman magles el-shaab	1 Street Magls el dawla Downtown
Abbassia Branch	109 Abbassia Street, Cairo
General Company for Silos and Storage (Sawameh)	1 Sowah Square, Saray El Koba, Cairo
Exxon Mobil – Gesr El Suze	19 Beginning of Cairo-Ismailia Road in front of El-Herafieen City
Triumph Branch	No.8, plot 740, othman ibn affan street with Mohamed Adly Kafafi, heliopolis
On The Run Al-Nozha	66 El-Nozha Street, Almaza, Cairo
Mobil El-naregs	Fifth Settlement next to the Kuwaiti mosque
Manial Branch	90 El Manial Street, Cairo
On the Run El Manial	59 El-Manial Street, Cairo
Cairo Festival City Mall	Cairo Festival City Mall - El-Tagamoa El-Khames
Tharwat Branch	42 Abdel Khalek Tharwat Br. , Cairo
Salah Salem Branch	15 salah salem street
Garden City Branch	1 Aisha El-Taymoria Street, Garden City – Cairo
New Maadi Branch	Nasr Street infront of Moamen
Total El-Lasilky	22 El Lasilki street – New Maadi – beside Metro supermarket
Abass El-Akad Br.	Abass El-Akad - Nasr City

Zamalek Branch	Hasan Sabry street, Zamalek
Merghany Branch	100 merghay street Heliopolis
Tayaran Branch2	40 tyran Street nasr city
Water Way 2 Branch	Water Way Compound - Tagamoa
Water Way Branch	Water Way Compound - Tagamoa
Madenty Branch	Banks area – Piece no.6 - Madenty
Metro Roxy	17 El ahram street,Helioplies
Cairo airport Branch	airport - Village of goods
Platinum club	New Cairo - Platinum club
Mobil 90	Near 90th street new Cairo 5th settlement - El-Tagamoaa, New Cairo
Hadid El Masryen Tagamou	Egyptian Iron Company - Teseen Street
Fawry Ain Shams	Shop 2 and 3 store number 15 Ahmed Essmat Street - Nasia Ali Hassan Street - Ain Shams El Sharqia - Ain Shams - Cairo
Fawry Al-Salam	Shop 1 - Store number 13 Gamal Abdel Nasser St. - Gesr El Suez - El Herafeyin City - Plot 157 El Sadat - El Salam - Cairo
Tagamou HQ	84- sector one - city center- Fifth Settlement
Tagamou HQ -2	84- sector one - city center- Fifth Settlement
Mokkatam Branch 2	Plot # 6034, Street 9, Mukattam, Cairo
Total el mearag	Total Station Merag- Zahraa El Maadi - Beside Carrfour market
Circle K Mehwar El Shaheed Tagamou	chill - out Station - Mehwar El Shahid 1 - Market Circle K
Giza Governorate	
Royal Language School	6th of October City – El-Hay 4 Megawra 3 behind elMadina trade center
Haram Branch	42 Haram Street
Spinneys - Haram	46 Al-Haram street, - Galaxy - Mariotia - Haram
Mosaddak Islamic Branch 1	56 Mosaddak Street, Dokki, Giza, Cairo
Dokki (Main Branch)	104 El Nile Street, Dokki, Giza, Cairo.
ExxonMobil On the Run Dokki	50 Giza Street, in front of Magles El-Dawla, Giza
Nile City Mall	Nile City Mall - Bolak - Cairo
Saudi Beverly Hills	Kilo 38 cairo alex desert road - Saudi Market Beverly Hills - El-Sheikh Zayed
Lebanon Branch 2	Lebanon Tower, 60 Lebanon Street, Lebanon Square, Mohandessin, Cairo
Lebanon Branch 1	Lebanon Tower, 60 Lebanon Street, Lebanon Square, Mohandessin, Cairo
Samcrete	8 El Mansouria Road, El Haram, next to Koki Park
EFG Hermes	Smart Village
Bashayer market	mehwar el-libiny haram
EL-Batal Ahmed Abd Alaziz Branch	44 El-Batal Ahmed Abdel-Aziz Street, Mohandessin, Cairo
On the Run J.W.Marriot	Ring road - El-Nour Station
Spinneys - Zayed	Mazar Mall - El-Hay 16 - El Sheikh Zayed
Zamzam Mall	Building 71 - El-Hay 7 - October
Fawry_Feisal	1 street fesial
Fawry_Warrek	saad el-bbanan st. Warraq Al-Arab Warraq giza
Tahrir Branch	94 Tahrir street, Dokki, Giza
ExxonMobil On the Run Gamet Al-Dawel	63 Gamheet Al-Dowal Street, Mohandeseen, Giza
Union Air 5	6 October 3rd industrial zone
Union Air 1	6 October 3rd industrial zone piece no.609
Union Air 2	6 October 3rd industrial zone piece no.609
Union Air 3	6 October 3rd industrial zone piece no.609
6 October Branch	Plot # 2/23 - central district - 6 October City

Union Air4	6 October 3rd industrial zone piece no.609
Dar El Mona	Cairo - Alexandria Desert Road, KM 15
Hyper One	Extend of Mehwar 26th of July, El-Sheikh Zayed City
Hyper One2	Hyper One second Floor
Seoudi Market	In front of Hadaye elmohandessin compound gate 9 - Sheikh Zayed
Arkan Mall	Arkan Mall - El-Sheikh Zayed
Seasons Country Club	Cairo - Alexandria Desert Road, KM 17
Spinneys - City Scape	6 October after El Hossary
Pyramids Heights 1	Cairo - Alexandria Desert Road, KM 22.
Pyramids Heights 2	Cairo - Alexandria Desert Road, KM 22.
Hazem Hassan	Cairo - Alexandria Desert Road, KM 22.
Spinneys - Mall of Arabia	Mall of Arabia 6 October
Total Mariotia	Al Kom AL Akhdar Giza
Shooting Club Branch	Shooting Club street, - Dokki
Khair Zaman Hadeek Al-Ahram	hadeek Al-Ahram
Zayed Branch	Capital Business Park - El-Sheikh Zayed
Mini Metro Master	Kilo 106 - Cairo alex desert Road
Golden Inn	Golden Inn hotel -Sphinx square- El-Mohandseen
Pegasus dream land club	Pegasus dreamland club - October
Haram 2 Branch	42 Haram Street
Mall of Arabia	Mall of Arabia 6 October- Entrance 15
Master Wahaat	Watnya Station- market master - October wahat
Alexandria Governorate	
New Sultan Husein Branch	45 Sultan Hussein Street, Alexandria
Old Sultan Husein	33 Sultan Hussein Street, Alexandria
Smouha Branch	35 Victor Ammanouil Square, Alexandria
Miami 2 Branch	4 street 489 - montazah division - Alexandria
Miami Branch	4 street 489 - montazah division - Alexandria
Carrefour - Green Plaza	Green Plaza Mall - Alexandria
Spinneys - Smouha	Street 364 - Victor Amanuel square, - Smouha - Alexandria
Carrefour - Royal Plaza	Malik Hefni kebly Street next to Misr T'ameer tower's - El Montazah - Alexandria
La Passage - Alexandria	52 El-Horya Road - El-Atareen - Alexandria
ExxonMobil Merghem	Merghem, Alexandria - Cairo Desert Road
Metro Roshdy - Alexandria	33B Serya street, - Roshdy - Alexandria
San Stefano Branch	San Stefano - Alexandria
Gleem Branch	1 Mostafa Fahmy Street, Gleem
Metro Loran	25 & 27 sarhank pasha Street , loran , el raml awal
Downtown Alexandria Branch	Downtown - Alexandria
Fawry Alexandria - Camp Shizar	portsaid street - Camp Caesar - Alexandria
Alex wengat	44 Mohamed Farid Street El Duha Tower Ground Floor Shop No. 4 - Sidi Gaber
Daqahlia Governorate	
Carrefour - Mansoura	Street no. 20, El Mansoura - Dakahlia, Egypt
Mansoura Branch	26 saad zaghloul Street.toreil, El Mansoura
Kheir Zaman Mansoura	Suez Canal Street, El Nour Building, El Mansoura
Gharbia Governorate	
Tanta Branch	Intersection of El-Gueish & El-Nahda Streets, City Tanta
Metro Tanta	32 Said Street., - Couchner Square - Tanta
Tanta Branch-2	Intersection of El-Gueish & El-Nahda Streets, City TANTA
Mall Tanta	Mall Tanta - Entrance 5

Red Sea Governorate	
Gouna Branch	Service Area # Fba-12e, El-Balad District, Gouna, Hurghada
Bustan El Gouna ATM	El-Gouna Hurghada
Spinneys - Senzo Mall	Senzo Mall - Hurghada
Spinneys - Hurghada - El-Dahar	El-Nasr Street., - El-Dahar - Hurghada
Sheraton Road Branch	Sheraton Road - Hurghada
South Sinai Governorate	
Carrefour - Sharm	Sun Terra mall - 200 el soor road - Sharm El Sheikh
Neama Bay Branch	207 rabwet khaleeg neama – Sharm El Sheikh
Sharkiya Governorate	
El Nassagoun El Sharkeyoun 1	Oriental Weaver Factory (10th of Ramadan)
El-Nassagoun El Sharkyoun 2	Oriental Weaver Factory (10th of Ramadan)
Zagazig Branch	95 Saad Zaghlol Street. Zagazig, Sharkia
Menoufia Governorate	
IPI	4th Industrial Zone-Sadat City, Menoufia
Almatex	Factory 1st. industrial zone Sadat City (new)
Egyptian Spinning Company - Sadat	Factory 1st. industrial zone Sadat City (new)
Horizon Prima	El Sadat City 7th industrial zone
Shebin El-Kom Branch	Gamal abdel naser Street in front of Governor Resthouse -Shebin el Kom
Beni Suef Governorate	
Fawry_Beni Swaif	Safia Zaghlol Street. Beni Suef
Hadid El-Masryeen	Al-Koraymat road - haveu ind. Zone - Hadid El-Masryeen factory - Beni Suef
Port Said Governorate	
Port Said Branch	Beside Port Said Governorate Building
Port Said Harbour Branch	Portsaid harbour
Qalioubia Governorate	
Carrefour - Obour City	Golf city mall, Obour city
El Obour City Branch	Golf City , Obour City , Shops 43,44,45
Petromin Obour City	Obour City
Total El-Obour	Ismailia - Cairo Desert Road after exit of obour city
Master Shoubra	Chil out station - Shobra banha 2 - master market road Shobra Banha
Assiut Governorate	
Assuit Branch	Chamber of Commerce building - Mahmoud Fahmy El-Nokrashy Street., - Assuit
Suez Governorate	
Egy steel Skhona	Ain skhona
Circle K wahet Mohamed 2 Skhona	Chillout Station- Wahet Mohamed (2) – mid way of El Sokhna / Cairo Road
Damietta Governorate	
Damietta Branc	49 Kornish El-Nile Street., - Ezbet El-Lahm - Damietta
El Alamein Governorate	
Total Marina 5	In front of Marina 5 Total station
El Behira Governorate	
Damanhour Branch	Street 26 from Abd El Salam El Shazly- El Madina El Monawara Building - Damanhour
El Ismailia Governorate	
Ismailia Branch	7 Garden City Street-Ismailia
Kafr El Sheikh Governorate	
Kafr El Sheikh Branch	Kafr El Sheikh - Qism kafr El Sheikh
El Menia Governorate	
Menia Branch	193 El Hawty tower, 17 horya Street - kornish el nile Al-Menia



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