ARAB INTERNATIONAL BANK

ANNUAL REPORT

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2018

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A Letter From The Chairman

Dear Shareholders,

On behalf of the members of the Board of Directors of the Arab International Bank, and on my own behalf, I would like to express my deep feelings of appreciation and gratitude for accepting our invitation to attend the General Assembly Meeting of the Bank. In this regard, I am extremely honored to introduce the new issue of the Annual Report of our Bank for the year 2018, which includes the separate and consolidated financial statements of the Arab International Bank.

First, I shall present a brief report to you that projects the most prominent economic events and developments on the global and domestic levels and their impact on the financial performance of our Bank.

The Global Economy Developments:

Forecasts indicate that global growth will reach 3.7% in 2018-2019, with a decrease of 0.2 percent from the forecast in April 2018, Global growth is also projected to experience a downturn in the medium term (2019-2023).

Global economic activity lost some momentum in the advanced economies during the first half of 2018, after reaching the peak in the second half of 2017. The results came below the expected level in the euro area and the UK, and the growth of global trade and industrial production declined. Core inflation remains largely different across the advanced economies. However, the momentum remains strong in the United States as the fiscal stimulus continues to increase, but the forecasts of 2019 have been reduced following the recent trade measures, including tariffs on goods imported by the United States from China, as such measures represent the commencement of mutually escalating measures detrimental to world trade.

In emerging market economies and developing economies, activity is still gradually improving in energy-exporting countries, but softening in some importing countries. Activity slowed more sharply in Argentina, Brazil and Turkey, under the influence of each country-specific factors as well as a negative transition in investors' sentiment. Inflation has generally risen in emerging market economies and developing economies. Growth is also expected to see some decline in China and a number of Asian economies in 2019, following the recent and previously referred trade measures.

The Host Country:

With optimistic forecasts and strong indicators, Egypt continues to move steadily towards a brighter future. The country's prudent economic reform policy has been the cornerstone of achieving macroeconomic stability and strengthening Egypt's resilience to encounter external shocks, while social protection measures have helped ease the burden of economic reform.

The economic reform policies started to bear fruit and restore the Egyptian economy to its normal situation. The GDP growth rate accelerated to 5.2% during the fiscal year 2017/2018, surpassing the average global growth of 2.2% during the same period and the growth rate of the MENA region of 3.8%. The fiscal data recorded a primary surplus for the first time in 15 years that reached 0.4% of the GDP. The balance of payments recorded an overall surplus of 0.1% of the GDP during the first quarter of the fiscal year 2018/2019. The unemployment rate dropped to about 10% that is considered as the lowest rate since 2011, while the rate of inflation slowed down to reach 12% in December 2018 according to the figures officially declared.

Moody's and Fitch reviewed and confirmed the outlook for the Egyptian economy rating from B2 (Stable) to B3 (Positive) in August 2018. In November 2018, Standard & Poor's also confirmed the outlook for the Egyptian economy's credit rating at a "B (Stable) " level. The IMF expects Egypt to record an essential surplus of 2 % of the GDP for the year 2019.

Arab International Bank:

The Bank is working to achieve remarkable performance and continue to move forward by relying on our branches, customers and products that we have developed over the past few years. The Bank's branches have expanded from seven branches to 15 branches and the branches network is projected to reach 18 branches at the end of 2019. Starting from the year 2018, the separate and consolidated financial statements of the Bank along with its subsidiaries have been prepared and presented in accordance with the rules of preparation and presentation of the financial statements of the banks issued by the Central Bank of Egypt and approved by its Board of Directors on December 16, 2008. Accordingly, some comparative figures that are relevant to all the financial periods presented in the financial statements were amended to be in consistence with the balances included in the separate financial statements issued by the Bank starting from the year 2018. The net profit reached 39.6 million US dollars in 2018 compared to 39.7 million US dollars last year, and customers' deposits increased by 6.6% to become 3.317 billion US dollars in 2018 compared to 3.113 billion US dollars in the previous year. The hedging rate of the provision for impairment of the net portfolio of non-performing loans reached 89% compared to 79% in the previous year. The Bank's capital adequacy ratio calculated in aggregate basis according to the Central Bank of Egypt instructions equals to 15.86 % while the minimum limit of the requirements of the Central Bank of Egypt is 11.875 % including the capital conservation buffer as at 31 December 2018.

It was proposed not to distribute dividends to shareholders this year to support the financial position of the Bank and to comply with applying the international standards.

I would like to extend my sincere feelings of appreciation and gratitude to our shareholders for their support and trust in the Arab International Bank and I would like to thank the members of the Board of Directors for their supportive advice and wise leadership. It is also worth mentioning that the management and employees of the Bank deserve great praise for their genuine and tireless efforts in addition to their constant and devoted contributions to maintain the Bank's path.

In conclusion, we are always looking forward to meeting all the different expectations of stakeholders and even surpassing them in the coming years.

Hisham Ramez Abdel Hafez

Chairman of The Board of Directors & Managing Director

Bank's Background

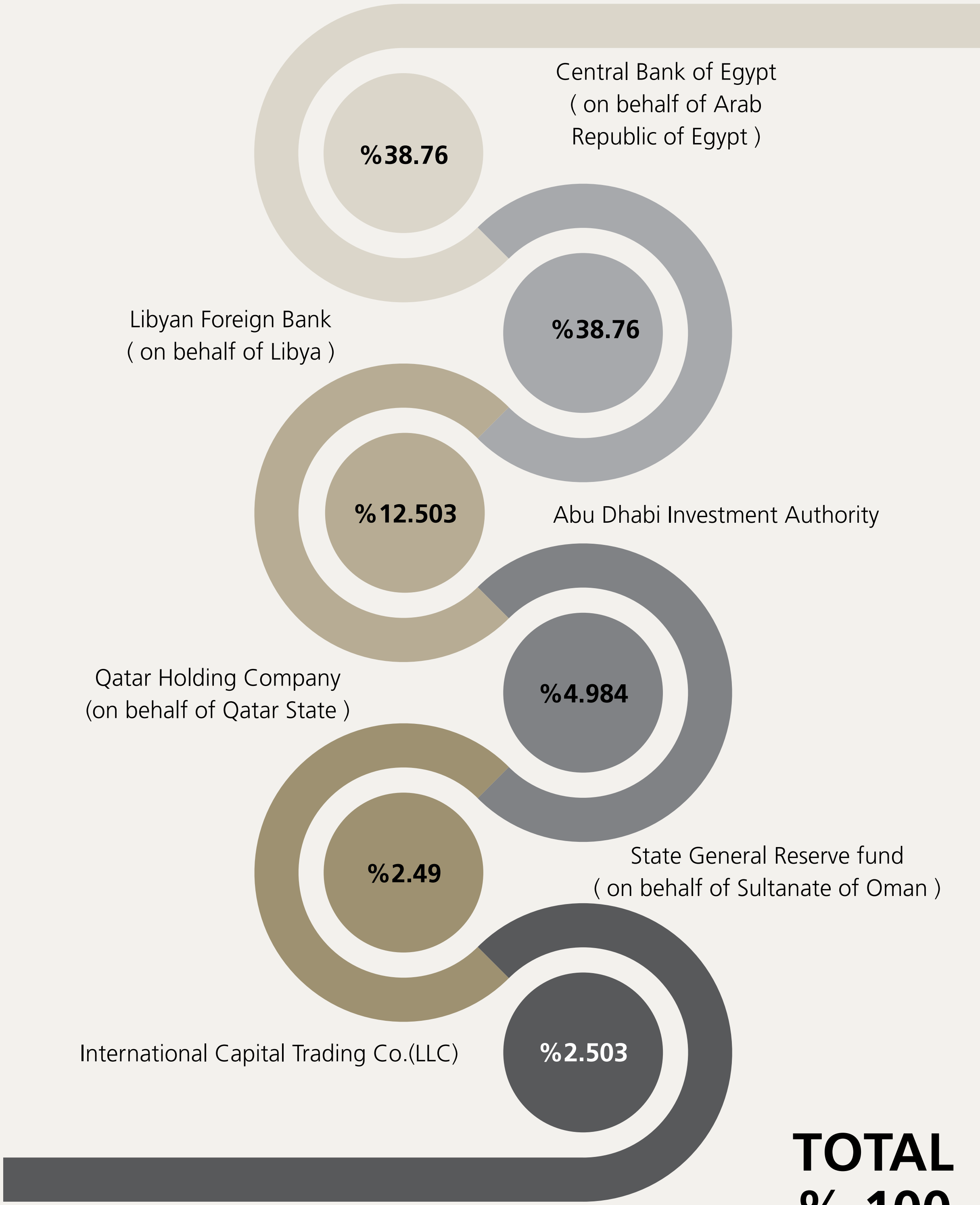
The Arab International Bank was established in 1974 by virtue of an international treaty concluded by the governments of the Arab Republic of Egypt, Libya, Sultanate of Oman, the State of Qatar and the United Arab Emirates. The legal domicile of the Bank is located in Cairo, Egypt. The purpose of this Bank is to carry out all the banking, financial and commercial activities related to the projects of economic development and foreign trade, especially for the interest of the member states, other countries and the Arab countries. The said activities include but not limited to:

- Accepting time deposits or call deposits and opening accounts for the governments of the Arab countries, non-Arab countries, the organizations, institutions, banks, companies and individuals from the Arab countries and non-Arab countries.
- Financing the foreign trade operations of the Arab countries through providing credit facilities for the importers, granting finance to the exporters and providing insurance or securing the facilities required for such operations.
- Organizing the participation in the projects and investment programs that are related to the economic development particularly those of common nature among a number of the Arab countries.
- Providing long- and medium-term loans for the purposes of development.
- Establishing or acquiring companies or participating in any manner with the banks, Arab and foreign companies practicing similar activities and assisting the Bank in achieving its purposes in the Arab or foreign countries. Within the framework of the endeavors exerted by the Bank to expand its activities and the establishment of new branches in addition to providing all the services to its customers in a manner according to which the Bank can carry out transactions in all currencies including the Egyptian pound along with maintaining all the privileges granted by virtue of the Bank Establishment Treaty whether to the shareholders or the bank customers dealing with it, as the Extraordinary General Assembly meeting of the Arab International Bank held on March 22,2012 approved the amendment of some articles of the Bank Establishment Treaty and its statutes, the following are the most significant amendments of which:

- All transactions undertaken by the Bank shall be conducted in all currencies as specified by the Board of Directors.
- The Bank and its branches are not subject to the laws regulating general organizations or organizations of public utility, public sector companies and joint stock companies in Member States where the Bank or its branches operate.
- In a manner that is not in conflict with the above mentioned and with the rest of Bank Establishment Treaty, this Bank is subjected to the supervision of the Central Bank according to the law of Central Bank, the law of Banking and Monetary System in the headquarters hosting country in addition to exercising control by the other central banks over the branches of the Bank of the member states that participated in the Establishment Treaty of the Bank according to the applicable provisions of the laws regulating the banks and credit facilities of the member states .

It has been taken to activate this amendment procedures as of April 2015.

The shareholders



TOTAL
% 100

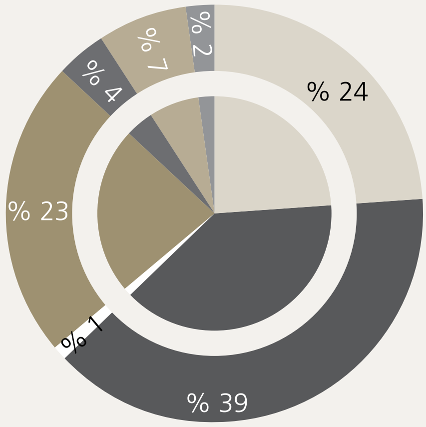
Members of The Board of Directors

Members of The Board of Directors	
Mr. Hisham Ramez Abdel Hafez	Chairman of the Board of Directors & Managing Director
Mr. Mohamed Kamal El-Din Barakat	Deputy-Chairman of the Board of Directors & Managing Director
Mr. Mostafa Kamal Madboly	Member of the Board of Directors
Mr. Gamal Mohamed Negm	Member of the Board of Directors
Mr. Ali Mohamed Salem El Hebry	Member of the Board of Directors
Mr. Ahmed Ali Al Hammady	Member of the Board of Directors
Mr. Hamad Rashed Al Noeimy	Member of the Board of Directors
Mr. Khaled Mohamed Al Khajeh	Member of the Board of Directors
Mr. Mohamed Khalfan Al Dhaheri	Member of the Board of Directors
Mr. Rami Ahmed Aboulnaga	Member of the Board of Directors
Mr. Essam Elddin Salem Allag	Member of the Board of Directors
Mr. Mohamed Hesham Abdelhamid Abomousa	Member of the Board of Directors
Amendments to the Board during 2018 (Termination of Membership)	
Mr. Mohamed Ibrahim Abduljawad	Deputy-Chairman of the Board of Directors & Managing Director – April 2018
Mr. El Taher Amhamad Sarkaz	Member of the Board of Directors - October 2018
Mr. Mohamed Mohamed Ben Youssef	Member of the Board of Directors - October 2018
Mr. Abdulfataha Abdelsalam Elnaami	Member of the Board of Directors - October 2018
Mrs. Mai Aboulnaga	Member of the Board of Directors - Instead of MR. Gamal Mohamed Negm – From February 2019

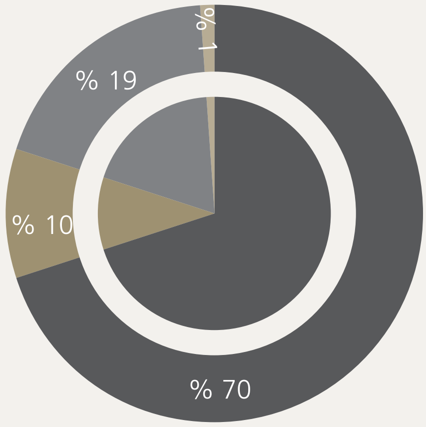
The most significant financial information & indications

	2018	2017 Amended
	(US$ Thousands)	
Income Statement Items		
Total operating income	99 613	128 689
Total operating expenses	(48 311)	(51 162)
Profit before provisions	51 302	77 527
Net profit	39 619	39 763
	(US$ Million)	
Financial Position Items		
Total Assets	4 730	4 789
Cash & Placement with banks	1 132	1 231
Net loans and advances	1 061	1 228
Treasury bills	1 865	1 554
Available for sale investments	25	25
Held to maturity investments	202	308
Investments in subsidiaries & associates	332	338
Customer’s deposits	3 317	3 113
Shareholder’s equity	877	847
Ratio (%)	%	%
Assets Quality		
Total assets growth rate	(1.25)	4.55
Loans provision to gross loans	12.83	10.96
Loans provision to non-performing loans	116.17	104.88
Capital Adequacy		
Total equity growth rate	3.53	3.34
Total equity to total assets	18.54	17.86
Liquidity		
Net loans to total deposits	32	39.46
Net loans to total customer’s deposits	37.90	47.16
Total customer’s deposits to total deposits	86.99	79.87
Liquid assets to total assets ratio	60.47	54.68
Profitability		
Operating income on average assets	0.83	0.85
Return to average equity	4.60	4.77
Return to paid in capital	6.60	6.63

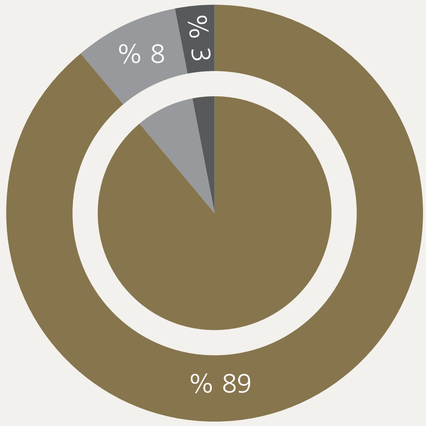
%	Assets Breakdown	2018
% 24	Cash & Cash at Banks	1,131,727
% 39	Treasury Bills	1,864,526
% 1	Available for Sale Investments	24,518
% 23	Loans & Advances	1,061,472
% 4	Held to Maturity	201,585
% 7	Investments in Associates	332,248
% 2	Others	113,500
		4,729,576



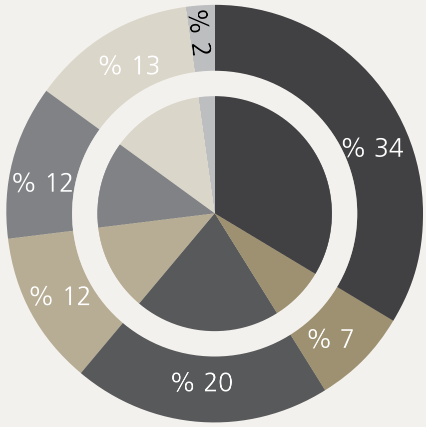
%	Resources Breakdown	2018
% 70	Customers Deposits	3,317,048
% 10	Banks Deposits	495,915
% 19	Shareholders Equity	876,636
% 1	Others	39,977
		4,729,576

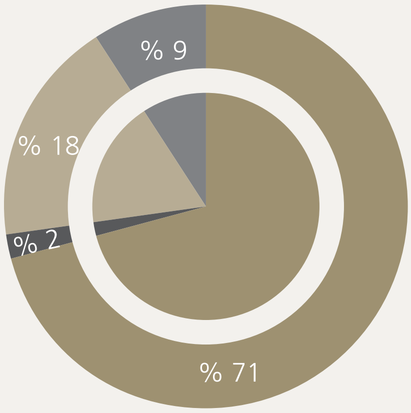


%	Gross Loans & Advances by Type	2018
% 3	Customers	41,667
% 89	Corporate Finance	1,091,061
% 8	Banks	100,000
		1,232,728



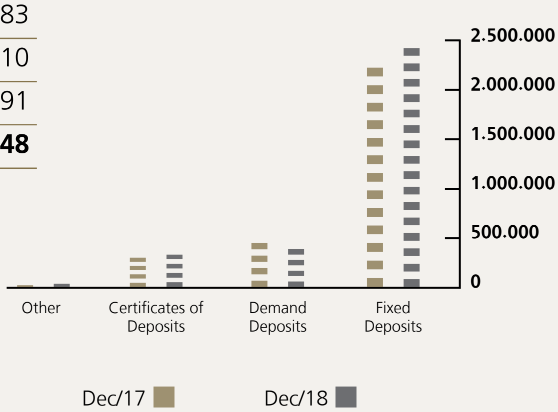
%	Distribution of Net Loans According to Sectors	2018
% 12	Financials	149,013
% 13	Industrial	157,025
% 2	Commercial	22,196
% 34	Petroleum & Gas	418,100
% 7	Electricity	93,082
% 20	Tourism	249,228
% 12	Others	144,084
		1,232,728

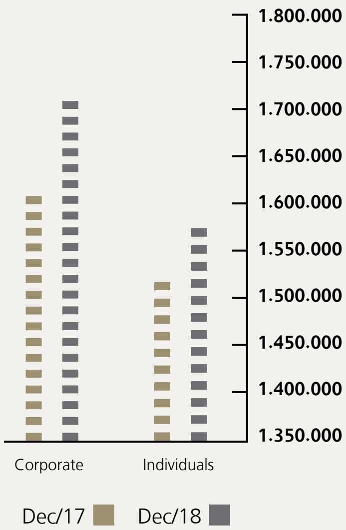




%	Associates by Sectors	2018
% 71	Financial Institutions	234,461
% 2	Tourism	6,800
% 18	Commercials & Industrial	60,000
% 9	Technology & Education	30,987
		332,248

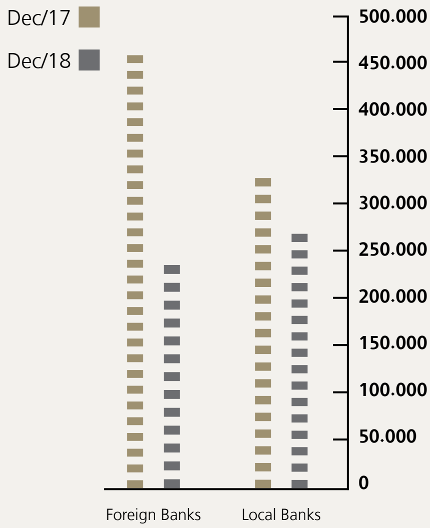
Customers Deposits	Dec/17	Dec/18
Fixed Deposits	2,281,863	2,424,964
Demand Deposits	492,899	478,583
Certificates of Deposits	323,299	376,110
Other	14,812	37,391
	3,112,873	**3,317,048**

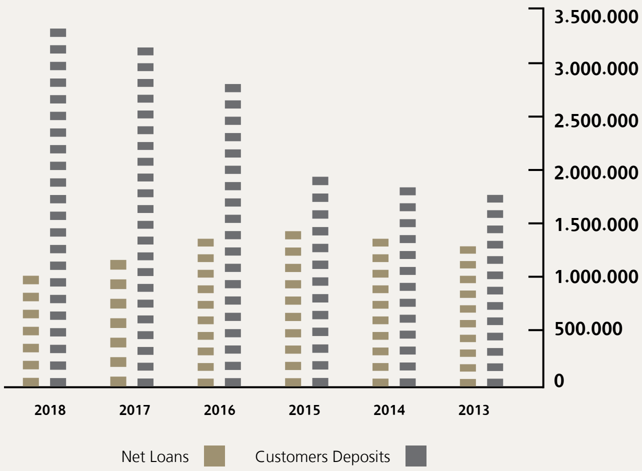




Distribution of Customers Deposits by Client Type	Dec/17	Dec/18
Individuals	1,511,400	1,579,828
Corporate	1,601,473	1,737,220
	3,112,873	**3,317,048**

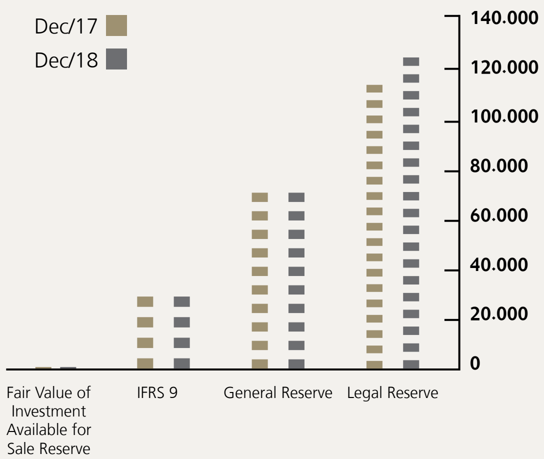
Distribution of Interbanks Deposits by Region	Dec/17	Dec/18
Local Banks	332,928	269,587
Foreign Banks	451,509	226,328
	784,437	**495,915**





Net Loans versus Customers Deposits	Net Loans	Customers Deposits
2013	1,352,450	1,760,051
2014	1,348,606	1,785,901
2015	1,438,551	1,943,896
2016	1,340,876	2,803,912
2017	1,228,470	3,112,873
2018	**1,061,472**	**3,317,048**

Reserves Distribution	Dec / 17	Dec / 18
Legal Reserve	117,134	122,680
General Reserve	73,582	73,582
IFRS 9	26,429	26,429
Fair Value of Investment Available for Sale Reserve	688	716
	217,833	**223,407**



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Board Of Directors' Report

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Board Of Directors' Report On The Activities Of The Bank During The Year 2018

Introduction

As of the beginning of the year 2018 the Bank issued separate financial statements in addition to the consolidated financial statements, hence, some comparative figures of the previous years were amended to be in agreement with the separate and consolidated financial statements.

The separate and consolidated financial statements of the Bank were prepared in conformity with the regulations of preparing and presenting the financial statements of the banks issued by the Central Bank of Egypt (CBE) as at December 16, 2008.

The said separate and consolidated financial statements were audited by external auditors in accordance with the above-mentioned regulations and they issued an unqualified opinion (a clean opinion report) to the effect that the financial statements present fairly, in all material respects, the financial position of Arab International Bank as at December 31, 2018, its financial performance and its cash flows for the year then ended.

The Board of Directors of the Arab International Bank is honored to introduce the results of the bank's activities and its performance according to the separate financial statements for the year ended as at December 31, 2018.

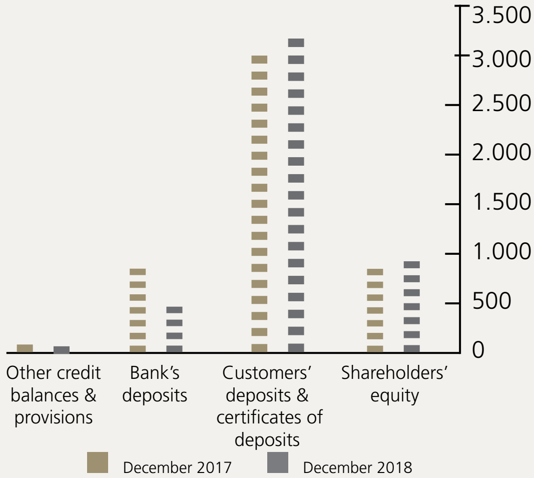
First: Financial Position:

(1) The Resources:

The total amount of resources as at December 31, 2018 amounted to US$ 4 730 million corresponding to US$ 4 789 million as at December 31, 2017 with a decrease of US$ 59 million. The following table shows the sources of such resources:

Per Million US$

Resources	31 December 2018		31 December 2017		Change (-)/ +
	Value	%	Value	%	Value
Shareholders' equity	877	18.6	847	17.7	30
Customers' deposits & certificates of deposits	3 317	70.1	3 113	65.0	204
Bank's deposits	496	10.5	784	16.4	(288)
Other credit balances & provisions	40	0.8	45	0.9	(5)
Total	**4 730**	**100**	**4 789**	**100**	**(59)**



(A) Shareholders' Equity

The total shareholders' equity as at December 31, 2018 amounted to US$ 877 million corresponding to US$ 847 million, as at December 31, 2017 with an increase amounting to US$ 30 million. Hereunder is an analysis of the shareholder's equity items as at December 31, 2018 / 2017:

Per Million US$

Item	31 December 2018	31 December 2017	Change(-) / +
Paid- in capital	600	600	-
Reserves	223	191	32
Fair value reserves of investments available for sale	1	1	-
Retained earnings	14	16	(2)
Net profit of the year	39	39	-
Total	877	847	30

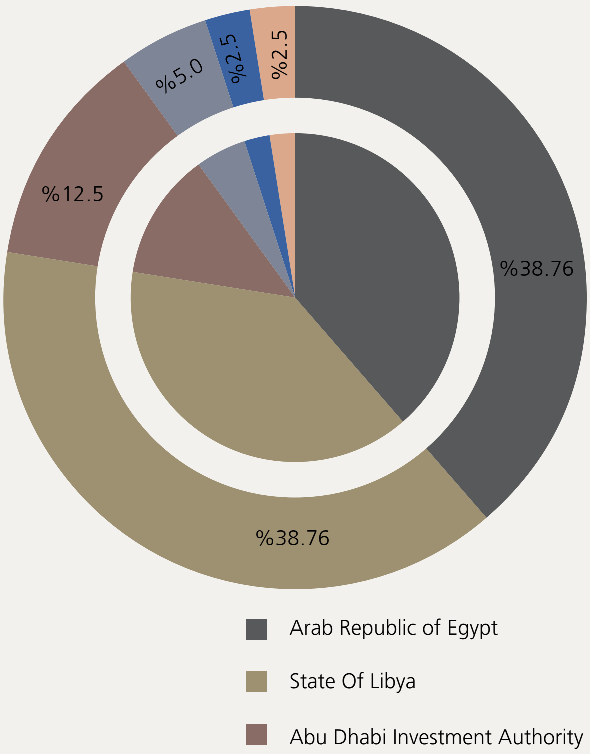
(A/1) Capital

The Ordinary General Assembly meeting of the Bank was held on May 14, 2009 and approved increasing the issued capital from US$ 300 million to US$ 600 million through the issuance of 15 thousand ordinary shares, the value of each is US$ 20 thousand and they were entirely subscribed in. On November 3, 2009, the amount of US$ 150 million of the said increase was called up and paid on November 23, 2009 thus, the paid in capital became US$ 450 million.

On March 6, 2017, the Board of Directors of the Bank resolved to call up the second portion of capital that represents the last one of the issued capital increase portion whose value amounted to US$ 150 million as at June 30, 2016 and thus the issued and paid in capital amounted to US$ 600 million as at December 31, 2016 distributed over 30 000 ordinary shares, the value of each is US$ 20 thousand.

The issued & paid in capital is as follows:

	No. of shares	Value of issued shares (per thousand US$)	%
Arab Republic of Egypt	11 628	232 560	38.76
State Of Libya	11 628	232 560	38.76
Abu Dhabi Investment Authority	3 751	75 020	12.5
State of Qatar	1 495	29 900	5.0
Sultanate of Oman - State General Reserve Fund	747	14 940	2.5
International Capital Trading Company	751	15 020	2.5
Total	**30 000**	**600 000**	**100**



The Bank maintained a strong ratio of capital adequacy as at December 31, 2018 (as a banking group) equals to 15.86 % while the minimum limit of the requirements of the Central Bank of Egypt is 11.875 % including conservation buffer.

(A/2) Fair Value Reserves of Investments Available for Sale

Fair value reserves of investments available for sale are represented in the profits gained from revaluation of outstanding available for sale investments amounting to US$ 1 million as at December 31, 2018.

(A/3) Retained Earnings

The retained earnings amounted to US$ 53 million as at December 31,2018 (before profits appropriation for the year 2018) corresponding to US$ 29 million as at December 31,2017 (after profits appropriation for the year 2017 and the settlements of the associates based on the requirements of the Central Bank of Egypt with respect to the presentation of separate and consolidated financial statements).

(B) Deposits

(B/1) Customers' Deposits & Certificates of Deposits

The customers' deposits & certificates of deposits as at December 31, 2018 amounted to US$ 3 317 million corresponding to US$ 3 113 million as at December 31, 2017 with an increase of US$ 204 million at a rate of increase of 6.6% as the increase rate in financial organizations and institutions deposits reached 8.5 % while the increase in the certificates of deposits reached 16.3 % and the increase in retail deposits reached the rate of 4.5%.

The interest paid in return for customers' deposits as at 31 December 2018 amounted to US$ 233 million corresponding to US$ 193 million as at 31 December 2017 at an average interest rate that reached 7.74 % during the current financial year while corresponding to 6.89 % during the comparative year.

(B/2) Placements from Banks

The Placements from Banks as at December 31, 2018 amounted to US$ 496 million corresponding to US 784 million as at December 31, 2017 with a decrease amounting to US$ 288 million at a rate of decrease of 37 % when compared to last year.

The interest paid on Placements from Banks as at December 31, 2018 amounted to US$ 19 million at an average interest rate amounted to 2.85 % corresponding to US$ 21 million as at December 31, 2017 at an average interest rate of 2.53 %.

(C) Other Liabilities

The Total amount of other credit balances as at December 31, 2018 amounted to US$ 36 million corresponding to US$ 41 million as at December 31,2017 at a decrease amounted to US$ 5 million. The said decrease is attributed to an amount of US$ 3.5 million that represented the decrease in interests due to customers and a decrease in prepaid revenues amounting to US$ 0.6 million in addition to a decrease amounted to US$ 2.1 million in employees' fund increase against an increase of US$ 0.2 million in the balances of the employee's alternative pension scheme (end of service compensation) and an increase that amounted to US$ 1 million in other credit balances.

(D) Other Provisions

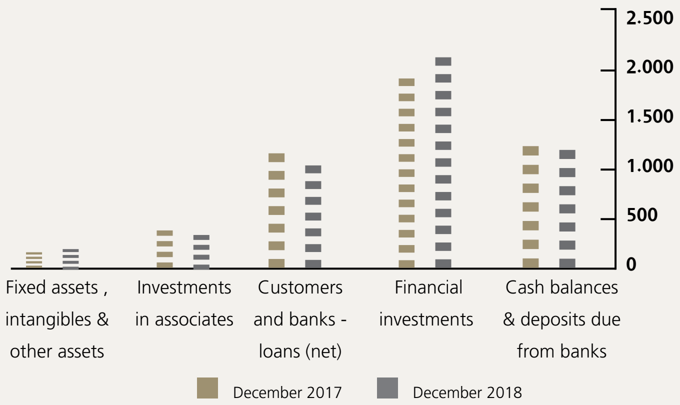
The total other provisions as at December 31, 2018 amounted to US$ 3.9 million corresponding to US$ 4.4 million as at December 31, 2017 with a decrease amounting to US$ 0.5 million. The said decrease is due to the transfer of surplus in the contingent liabilities provision to loans and advances provision with the amount of US$ 0.6 million in addition to an increase in the contingent claims provision with an amount of US$ 0.1 million.

(2) Utilizations

The total utilizations as at December 31, 2018 amounted to US$ 4 730 million corresponding to US$ 4 789 million as at December 31, 2017 at a decrease amounted to US$ 59 million. Such utilizations were distributed as follows:

Per Million US$

Utilizations	31 December 2018		31 December 2017		Change(-)/ +
	Value	%	Value	%	value
Cash balances & deposits due from banks	1 132	23.9	1 231	25.7	(99)
Financial investments	2 091	44.2	1 888	39.4	203
Customers and banks - loans (net)	1 061	22.5	1 228	25.6	(167)
Investments in Subsidiaries and associates	332	7.0	338	7.1	(6)
Fixed assets , intangibles & other assets	114	2.4	104	2.2	10
Total	**4 730**	**100**	**4 789**	**100**	**(59)**



(A) Cash Balances, Balances with The Central Bank of Egypt & Deposits Due from Banks

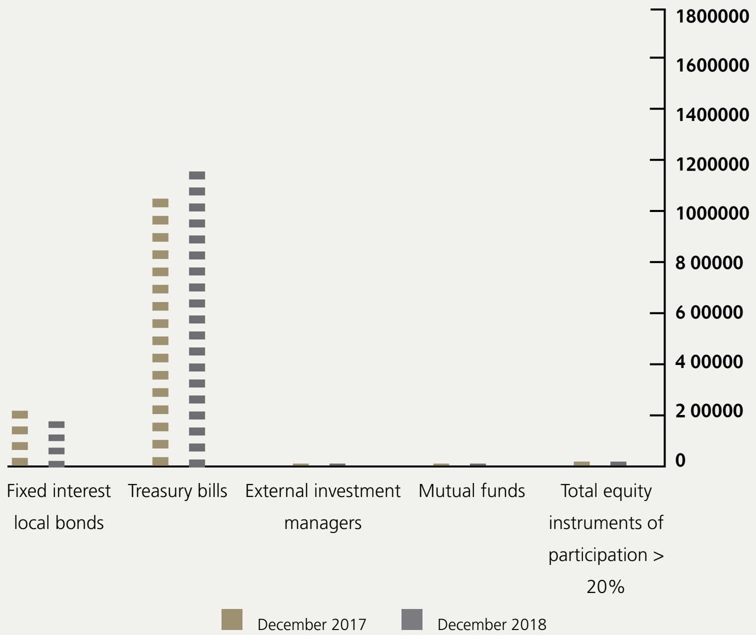
Cash Balances, Balances with the Central Bank of Egypt & Deposits Due From Banks as at December 31, 2018 amounted to US$ 1 132 million corresponding to US$ 1 231 million as at December 31, 2017 with a decrease of US$ 99 million at a decrease rate of 8 % (including an amount equivalent to US$ 30 million that represented balances placed at The Central Bank of Egypt within the percentage of the statutory reserve in EGP) .The percentage of the said balances as at December 31, 2018 amounted to 34 % of the volume of customers' deposits corresponding to 40 % as at December 31, 2017.

(B) Financial Investments

The balances of financial investments available for sale, held to maturity in addition to treasury bills as at December 31, 2018 amounted to US$ 2 091 million corresponding to US$ 1 888 million as at December 31, 2017 with an increase of US$ 203 million. The value of such investments represents 44 % of the total assets as at December 31, 2018 corresponding to 39 % as at December 31, 2017. The following represents the components of the said investments as at December 31, 2018/ 2017:

Per Thousand US$

Description	Percentage of participation	31 December 2018	31 December 2017	Change (-)/ + Value
Financial investments available for sale				
Equity instruments percentage less than 20%				
A-Equity instruments recorded at cost				
Arab International Company for Hotels and Tourism (AICHT)	17.6	16 400	16 400	-
Société D'Etudes Et Dev. Tunisia	10	1 583	1 583	-
Arab Financial Services – Bahrain (AFS CO)	2.3	704	704	-
Egyptian Banks Takaful Insurance Co. (for property and liability insurance)	9.5	1 769	1 769	-
The Egyptian Credit Bureau "I-Score"	3.6	288	288	-
International Co. for Multi Investments	10.8	1 533	1 532	-
Arab Trade Financing Program - ATFP	0.11	860	860	-
Miscellaneous	0	6 509	6 509	
Less: impairment provision		(7 497)	(6 795)	(702)
B-Equity instruments recorded at fair value				
Arab Banking Corporation - Bahrain (Bank ABC)	-	314	223	91
Total equity instruments of participation percentage less than 20%		**22 462**	**23 073**	**(611)**
Mutual funds	-	1 721	1 783	(62)
Total investments available for sale		**24 183**	**24 856**	**(673)**
Financial investments at fair value through profit or loss		335	352	(17)
Total financial investments at fair value through profit or loss		**335**	**352**	**(17)**
Treasury bills	**-**	**1 864 526**	**1 554 341**	**310 185**
Total treasury bills		**1 864 526**	**1 554 341**	**310 185**
Investments held to maturity:				
Fixed interest local bonds	-	201 585	308 390	(106 805)
Total investments held to maturity		**201 585**	**308 390**	**(106 805)**
Total financial investments		**2 090 629**	**1 887 939**	**202 690**



The investments available for sale are valuated at their fair value and the differences of valuations are recorded in equity under the item of reserve for differences of valuations of investments available for sale.

(C) Loans to Customers and Banks (Net):

The net loans and advances portfolio after deducting the specified and general impairment provisions amounted to US$ 1 061 million as at December 31, 2018 corresponding to US$ 1 228 million as at December 31, 2017 with a decrease amounting to US$ 167 million.

Hereunder is a statement of the loans portfolio components as at December 31, 2018/ 2017:

Per Thousand US$

Description	31 December 2018	31 December 2017	Change (-)/ + Value
Loans granted to financial institutions (subordinated loan)	100 000	150 000	(50 000)
Loans to corporates & firms	1 192 787	1 287 126	(94 339)
Personal loans	41 667	37 857	3 810
Total portfolio amount	**1 334 454**	**1 474 983**	**(140 529)**
Less:			
Suspense interests & commissions	(101 726)	(84 846)	(16 880)
Specified & general impairment provision	(171 256)	(161 667)	(9 589)
Total provisions, suspense interests & commissions	**(272 982)**	**(246 513)**	**(26 469)**
Net	**1 061 472**	**1 228 470**	**(166 998)**

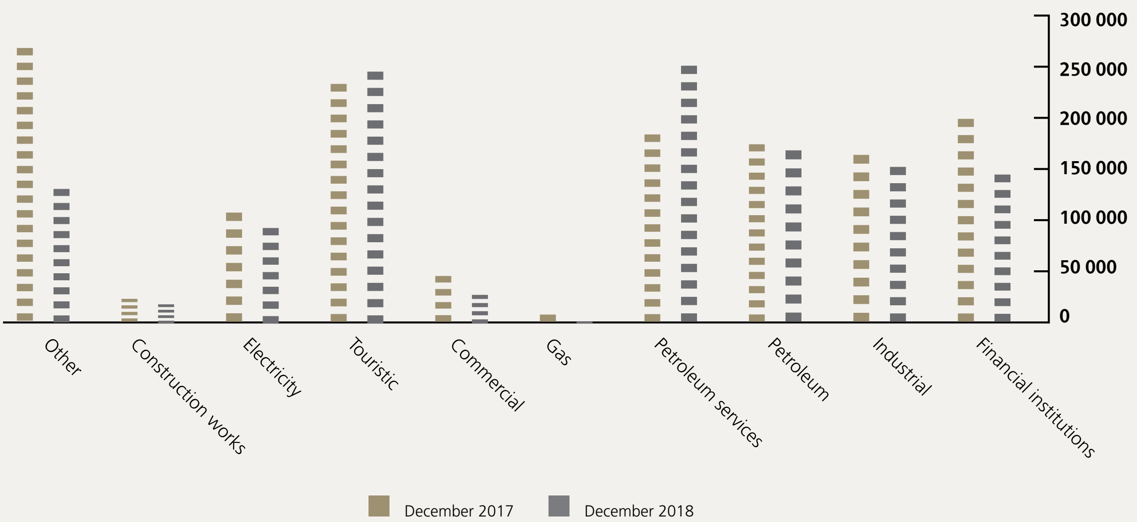
On December 31, 2018, the non-performing loans portfolio net of the suspense interest reached US$ 147 million corresponding to US$ 154 million during the previous year. The coverage ratio of the specified and general loans and advances impairment provisions to the total credit portfolio (excluding the suspense interests) was 13.89% on December 31, 2018 corresponding to 11.63 % on December 31, 2017 while the coverage ratio of the specified impairment provision to the net defaulting loans portfolio was 89.2 % on December 31, 2018 corresponding to 79 % on December 31, 2017.

The total amount of the interest income pertaining to the credit portfolio amounted to US$ 86 million on December 31, 2018 corresponding to US$ 83 million on December 31, 2017 at an average interest rate of 7.42 % on December 31, 2018 corresponding to 6.23 % as at December 31, 2017.

The classification of the loans and advances according to the sectors is as follows (Before the impairment provisions):

Per Thousand US$

Sector	31 December 2018	31 December 2017
Financial institutions	149 013	198 508
Industrial	157 025	166 739
Petroleum	167 962	172 823
Petroleum services	250 138	174 377
Gas	-	6 670
Commercial	22 196	42 988
Touristic	249 228	238 651
Electricity	93 082	113 813
Construction works	7 574	9 500
Other	136 510	266 068
Total	**1 232 728**	**1 390 137**



(D) Investments in Subsidiaries & Associates:

The volume of the direct participations in the capital of the companies and institutions on December 31, 2018 reached the amount of US$ 332 million corresponding to US$ 338 million on December 31, 2017 with a decrease of US$ 6 million. The following is an analytical statement of such participations:

Per Thousand US$

Description	Business activity	Participation percentage	31 December 2018	31 December 2017	Change (-)/+ amount
Investments in subsidiaries & associates Participation percentage 20% and more					
A-Subsidiaries					
Société Arabe Internationale de Banque (SAIB)	Banking	46	79 815	79 815	-
International Finance Arab Company, Luxembourg	Financial Institutions	89	5 108	5 108	-
B-Associates					
World Trade Center Company (WTC)	Housing – Administrative	50	60 000	60 000	-
Suez Canal Bank	Banking	42	149 538	149 538	-
*Suez Canal Company For Technology	Educational Institutions	24	30 987	30 987	-
International Company for Tourist Investments (ICTI)	Housing – Hotels	20	6 800	13 000	(6 200)
Total investments in Subsidiaries and associates (A)			**332 248**	**338 448**	**(6 200)**

* The book value of the Bank's participation in Suez Canal Company for Technology during the years 2016 and 2017 was decreased with a total amount of US$ 41.21 million. The said reduction is represented in the impairment of exchange valuation differences after the liberalization of foreign exchange rates and the impairment of the participation recoverable value due to the fact of having legal risk pertaining to the ownership of 6th October University that represents one of the most important investments of the company. During that time, the existent risk of losing the investment of the company in the university, made it necessary to form a provision with the aforementioned amount.

As a result of the success achieved by the Board of Directors of the Suez Canal Company for Technology in regaining the main investment of the company that is represented in 6th October University and the approval of the Ordinary General Assembly of the company during the extraordinary meeting held on 10/1/2019 to the effect of endorsing the agreement contract of terminating the dispute related to the university' ownership that was signed on 6/12/2018 and by virtue of which, the company has all the rights and authorities of the owner with respect to the university, accordingly, the impairment value previously mentioned and amounted to US$ 41.21 million shall be studied for reversing it (US$ 35.5 million to the retained earnings and US$ 5.71 million to the income statement). However, it is expected that upon the time of wrapping up the estimates relevant to that investment, its value shall be much more than the value of impairment to be reversed. Meanwhile, it is to be taken into consideration that the accounting standards, permit only the reverse of impairment within the limit of the basic cost of investment.

(E) Intangible Assets:

The net intangible assets after depreciation amounted to US$ 662 thousand as at December 31, 2018, are represented in computer software.

(F) Fixed Assets:

The net value of the fixed assets after depreciation as at December 31, 2018 reached the amount of US$ 50.4 million corresponding to US$ 49.2 million as at December 31, 2017 with an increase amounted to US$ 1.2 million.

(G) Debit Balances & Accrued Interests:

The debit balances & accrued interests amounted to US$ 62.4 million as at December 31, 2018 corresponding to US$ 53.4 million as at December 31, 2017 with an increase of US$ 9 million due to the increase in advance expenses payments with an amount of US$ 1 million, advance payments for purchasing fixed assets with an amount of US$ 3.7 million, advance payments under the account of employees' profits appropriations with an amount of US$ 0.5 million, an increase of US$ 8 million that represented taxes under settlement – bonds in addition to a decrease in the value of assets ownership reverted to the bank with an amount of US$ 3.2 million (the sale of the land and factory of falcon).

(H) Contingent Liabilities and Commitments:

The total amount of contingent liabilities and commitments after excluding cash margin as at December 31, 2018 reached US $ 88.7 million corresponding to US$ 94.2 million as at December 31, 2017, whose statement is as follows:

Per Thousand US$

Item	31 December 2018	31 December 2017	Change (-) / + Amount
Documentary credit & Letters of guarantee			
Documentary credit	23 304	13 537	9 767
Letters of guarantee	65 363	79 225	(13 862)
Total (A)	**88 667**	**92 762**	**(4 095)**
Commitments			
Loans and advances	-	1 514	(1 514)
Total (B)	**-**	**1 514**	**(1 514)**
Total (A +B)	**88 667**	**94 276**	**(5 609)**

The total contingent liabilities provision that represents an obligation on the part of the Bank as at December 31, 2018 amounted to US$ 3.1 million corresponding to US$ 3.8 million as at December 31, 2017. (The net revenues gained from fees and commissions of documentary credit & letters of guarantee as at December 31, 2018 amounted to US$ 2.9 million corresponding to US$ 3.7 million as at December 31, 2017) .

Second: The Income Statement:

The Bank achieved net profits this year that amounted to US$ 39.6 million as at December 31, 2018 corresponding to US$ 39.8 million as at December 31, 2017.

The following is a detailed statement of the items of revenues and expenses as at 31 December 2018 & 2017:

Per Thousand US$

Description	31 December 2018	31 December 2017
Operating income	352 045	345 163
Operating expenses	(251 923)	(213 899)
Total operating income	100 122	131 264
Administrative & general expenses	(50 414)	(54 668)
Net profits before provisions	49 708	76 596
Impairment of investments in associates	-	(697)
Impairment charge for credit losses	(10 089)	(36 136)
Net profit	**39 619**	**39 763**

(1) Revenues:

The Bank achieved total operating income as at December 31, 2018 that amounted to US$ 352 million corresponding to US$ 345 million as at December 31, 2017 according to the following:

Per Thousand US$

Description	31 December 2018		31 December 2017	
	Value	%	Value	%
Interest income from loans and similar income	340 870	96.8	325 862	94.4
Net income from fees and commissions	8 700	2.5	9 800	2.8
Dividends income	1 006	0.3	791	0.2
Net trading income	1 246	0.4	3 453	1.0
(Losses) gains from financial investments	(648)	-0.2	1 457	0.4
Other operating income (expenses)	871	0.2	3 800	1.1
Total	**352 045**	**100**	**345 163**	**100**

(A) Interest Income from Loans and Similar Income

The interest income represents 97 % of the total operating revenues as at December 31, 2018 compared to 94 % as at December 31, 2017.

The following is a detailed statement of the collected interests as at December 31, 2018/2017:

Per Thousand US$

Interest income	31 December 2018		31 December 2017	
	Value	%	Value	%
From cash balances and deposits at banks	19 259	6	12 254	4
From loans to customers & banks	85 796	25	82 956	25
From investments portfolio	235 815	69	230 652	71
Total	**340 870**	**100**	**325 862**	**100**

(B) Net Income from Fees and Commissions

The net income from fees and commissions amounted to US$ 8.7 million as at December 31, 2018 corresponding to US$ 9.8 million as at December 31, 2017 as follows:

Per Thousand US$

Description	31 December 2018	31 December 2017
Fees and commissions income	8 799	9 893
Fees and commissions expenses	(99)	(93)
Total	**8 700**	**9 800**

(C) Dividends Income

Dividends income amounted to US$ 1 million as at December 31, 2018 corresponding to US$ 0.8 million as at December 31, 2017 as follows:

Per Thousand US$

Description	31 December 2018		31 December 2017	
	Value	%	Value	%
Associates	611	61	588	74
Investments available for sale	395	39	203	26
Total	**1 006**	**100**	**791**	**100**

(D) Net Trading Income

The net trading income amounted to US$ 1.2 million as at December 31, 2018 corresponding to US$ 3.4 million as at December 31, 2017 as follows:

Per Thousand US$

Description	31 December 2018		31 December 2017	
	Value	%	Value	%
Forex gain	1 235	99	3 430	99
Revaluation of financial investments	11	1	23	1
Total	**1 246**	**100**	**3 453**	**100**

(E) Other Operating Income (Expenses)

Other operating income (expenses) amounted to US$ 0.9 million as at December 31, 2018 corresponding to US$ 3.8 million as at December 31, 2017 as follows:

Per Thousand US$

Description	31 December 2018	31 December 2017
Loss of revaluation of monetary assets and monetary liabilities balances other than those classified for trading or originally classified at fair value through profit and loss	(37)	34
Other income	1 391	2 050
Other provisions charge/reserve	508	2 556
Other expenses	(991)	(840)
Total	**352 045**	**345 163**

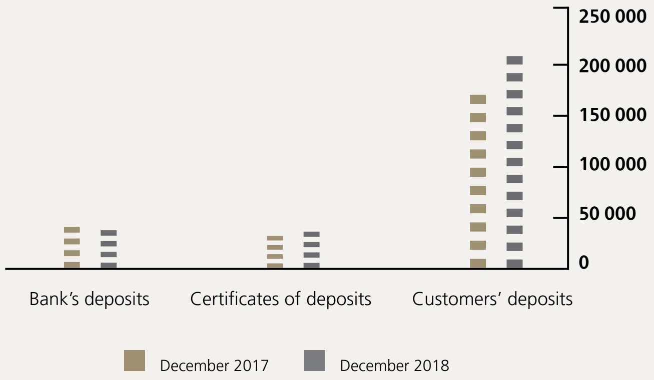
(2) Expenses:

(A) Interests Expenses:

The interests expenses as at December 31, 2018 reached the amount of US$ 251.9 million compared to US$ 213.9 million on December 31, 2017 and the following table presents a detailed description of the paid interests:

Per Thousand US$

The Paid Interests	31 December 2018		31 December 2017	
	Value	%	Value	%
Customers' deposits	207 427	82	176 104	82
Certificates of deposits	25 137	10	17 081	8
Bank's deposits	19 359	8	20 714	10
Total	**251 923**	**100**	**213 899**	**100**



(B) Administrative and General Expenses:

The administrative and general expenses as at December 31, 2018 reached the amount of US$ 50.4 million corresponding to US$ 54.7 million as at December 31, 2017 with a decrease of US$ 4.3 million at a decrease rate of 8 % as follows:

Per Thousand US$

Description	31 December 2018		31 December 2017	
	Value	%	Value	%
Salaries, wages and their equivalents	39 461	78.2	41 024	75.1
Amount paid to the Employees' Fund from the surplus of early retirement plan	-	0.0	4 991	9.1
Other administrative expenses	10 953	21.8	8 653	15.8
Total	**50 414**	**100**	**54 668**	**100**

(C) Impairment Charge for Credit Losses

The impairment provision of loans and advances has been supported with the amount of US$ 10 million as at December 31, 2018 corresponding to US$ 36.1 million as at December 31, 2017.

(3) Applying IFRS 9

On January 28, 2018, the Central Bank of Egypt issued its instructions to get the banks prepared for applying IFRS 9 (International Financial Reporting Standards No 9). For the purpose of supporting the financial positions of the banks to encounter the expected increase in the volume of provisions as a result of adopting the approach of the Expected Credit Losses (ECLs) that takes into consideration the future outlook of the economic conditions, Hence the Central Bank of Egypt obligated the banks to form a risk reserve based on IFRS 9 at a rate of 1% of the total credit risk weighted that is to be taken from the net profit for the year 2017 provided that it shall be included in the core capital item of the capital base and shall not be utilized unless an approval is given by the Central Bank of Egypt. Applying the International Financial Reporting Standard No.9 (Financial Instruments) Classification & Measurement shall require reviewing the accounting policies and regulatory measures while taking into account that such changes of policies and measures are still under development.

The Bank is currently testing and assessing the regulatory measures related to IT Systems and the necessary changes within the recent governance framework.

It is worth mentioning that the new policies, estimates and assumptions relevant to the International Financial Reporting Standard No. 9 (Financial Instruments) Classification & Measurement are still exposed to reconsideration during the year 2019 to enable the Bank to finalize the issuance of the official financial statements in accordance with (IFRS 9) as of January 2019.

Accordingly, the Bank formed a Risk Reserve (based on IFRS9) with an amount of US$ 26 429 thousand at a rate of 1% of the risk-weighted total credit and included in the proposed profits appropriations for the financial year ended as at December 31, 2017. The Bank shall finalize the issuance of the official financial statements in accordance with (IFRS 9) as of January 2019.

Third

Governance

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35 Organizational Structure
36 Board Committees
38 Internal Control Systems

Governance

The Arab International Bank is committed to apply the corporate governance principles issued by Basel Committee on Banking Supervision in addition to the rules and instructions issued by the Central Bank of Egypt that are applied to the Banks working in Egypt and in the light of the establishment treaty of the Bank and its articles of association.

Basic Principles of Governance Applied by the Arab International Bank

- Securing shareholders rights and treating them on equal footing basis.
- Respecting and protecting the interests and rights of the other related parties.
- Determining the duties and responsibilities of the Board of Directors and the executive administrative levels.
- Ensuring the importance of the internal and external audit in addition to the audit committees.
- Complying with the disclosure and transparency standards in addition to the proper professional practices.

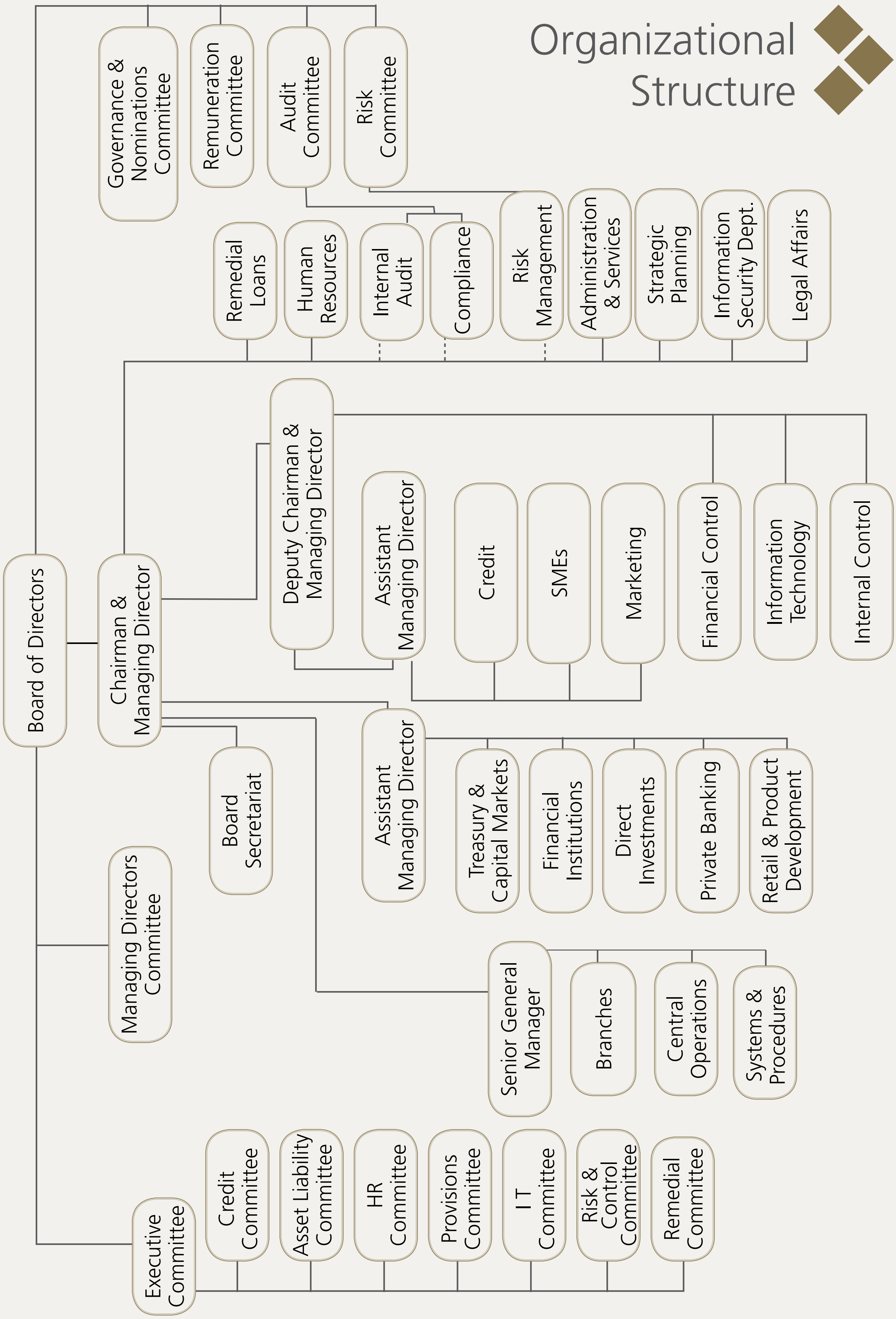
The Board of Directors

The Board of Directors shall have the most extensive authority to manage the Bank except for the matters that are explicitly stated as authorities and powers that can only be exercised by the General Assembly. The Board of Directors shall convene at the head office of the Bank at least once every three months.

The Board of Directors Main Responsibilities

- Ensuring that the interests of the shareholders, depositors and other related parties of interest are fulfilled.
- Laying out the strategic objectives of the Bank.
- Making sure that the Bank is carefully and properly managed within the framework of laws, regulations and the Bank's approved policies.
- Making sure that the internal control systems are competent and efficient

Organizational Structure



Board Committees

Managing Directors Committee:	
Mr. Hisham Ramez Abdel Hafez	Chairman of the Board of Directors & Managing Director
Mr. Mohamed Kamal El-Din Barakat	Deputy-Chairman of the Board of Directors & Managing Director
Governance and Nominations Committee:	
Mr. Gamal Mohamed Negm	Member of the Board of Directors
Mr. Mohamed Khalfan Dhaheri	Member of the Board of Directors
Mr. Mostafa Kamal Madboly	Member of the Board of Directors
Mr. Ali Mohamed Salem El Hebry	Member of the Board of Directors
Audit Committee:	
Mr. Gamal Mohamed Negm	Member of the Board of Directors
Mr. Rami Ahmed Aboulnaga	Member of the Board of Directors
Mr. Essam Elddin Salem Allag	Member of the Board of Directors
The Risk Committee:	
Mr. Mohamed Hesham Abdelhamid Abomousa	Member of the Board of Directors
Mr. Ali Mohamed Salem El Hebry	Member of the Board of Directors
Mr. Hamad Rashed Al Noeimy	Member of the Board of Directors
Mr. Rami Ahmed Aboulnaga	Member of the Board of Directors
Mr. Khaled Mohamed Al Khajeh	Member of the Board of Directors
The Remunerations Committee:	
Mr. Ali Mohamed Salem El Hebry	Member of the Board of Directors
Mr. Ahmed Ali Al Hammady	Member of the Board of Directors
Mr. Rami Ahmed Aboulnaga	Member of the Board of Directors
Mr. Mohamed Hesham Abdelhamid Abomousa	Member of the Board of Directors

Board Committees

The Executive Committee:

Chairman of the Board of Directors & Managing Director	Chairman
Deputy-Chairman of the Board of Directors & Managing Director	
Assistant Managing Director	
Assistant Managing Director	
Senior General Manager	
General Manager – Risk Management	(without voting)
Deputy - General Manager – Risk Management	(without voting)
General Manager – Legal Affairs Administration	(As an Observer)
Deputy General Manager – Legal Affairs Administration	(As an Observer)

Reshaping as of March 24, 2019
Reshaping Audit Committee

Mr. Mai Aboulnaga	Member of the Board of Directors
Mr. Rami Ahmed Aboulnaga	Member of the Board of Directors
Mr. Essam Elddin Salem Allag	Member of the Board of Directors

Reshaping Governance and Nominations Committee

Mr. Ali Mohamed Salem El Hebry	Member of the Board of Directors
Mr. Mostafa Kamal Madboly	Member of the Board of Directors
Mr. Mohamed Khalfan Al Dhaheri	Member of the Board of Directors
Mr. Mai Aboulnaga	Member of the Board of Directors

Internal Control systems

First: Risk Management

The Board of Directors of the Bank applies comprehensive governance controls to implement its policies toward the management of risks that the Bank may be exposed there to through the practice of its various activities and lays down an effective vision to manage the banking risks within a framework of an atmosphere attributed by high standards of integrity.

The policies and risk management systems were laid out in order to assure that the nature of risks the Bank is exposed thereto, does not conflict with its strategic vision, while taking into consideration that the evaluation of the bank's activities is based on balancing between the income and the risks related to achieving it, hence the priority of utilizing the resources and investments of the Bank is determined according to the impact of the risks relevant thereto.

The general framework of risk management is based on awareness of all the employees of the importance of implementing all their responsibilities efficiently and reporting any breaches or barriers that hinder the implementation of the bank's policies.

The said framework is based on an organized approach that is comprised of four phases as follows:

1. Risk Identification.
2. Risk Measurement.
3. Risk Monitoring Limitation.
4. Risk Reporting and Control

The financial risks that the Bank may be exposed to are as follows:

- Credit Risks
- Operational Risks
- Market Risks

The aforementioned risks are managed as follows:

Credit Risk Management:

The credit risks are the most prominent risks that the Bank may be exposed to, as such risks are represented in the lack of ability of one of the parties to fulfill its commitments and liabilities that fall due to the bank, whether to pay a part thereof or the entire due amounts on the date of maturity.

The loans granted to customers, banks, and current account balances, deposits placed at other banks, financial investments and commitments on the part of third parties represent the most significant financial assets that expose to the risks of credit.

In order to secure the funds of the depositors and maintain the strong financial performance of the Bank along with realizing good profitability rates, the Bank management is concerned with providing effective control to be exercised over the credit risks through the sector of risk management that is completely independent from the business activity units and adopting a prudent, vigilant and conservative policy in addition to implementing a series of procedures that leads to mitigating the risks of credit as much as possible.

Operating Risk Management:

The operating risks are those resulting from the incommodity or failure of any of the operations, internal procedures, systems, employees or a failure due to external risks including the legal risks.

The operating risk management policy has been activated throughout the bank to measure and assess operating risks in a manner that mitigates the operating risks intensity and their impact on the operating income of the bank.

The Risk Management Department is working side by side with the other control departments such as, Internal Control Department and Internal Audit Department to accomplish the ideal implementation of all the activities of the bank.

The operating risk department is committed to the standards laid down by "Basel II" Accords and the classification of operating risks that was stated therein and prepares regular reports to be presented to the top management of the Bank in order to determine the extent of exposure to risk and how to encounter it.

Market Risk Management:

It is the risk of loss resulting from the reverse changes in the market prices and the market risk includes the following:

Interest Rate Risk

Equity Risk

Foreign Exchange Risk

Commodity Risk

Financial Assets in Foreign Currencies:

The interest rate is determined based on the floating rate and subsequently the risk of foreign currency interest rate fluctuation and shall mitigate as it goes up and down while taking into consideration hedging the risk of the fixed rates fluctuation through referring to the financial derivatives (IRS Interest Rate Swap). The Bank may also be exposed to the impacts of the fluctuations on the prevailing interest rate level in the market that are represented in the risk of the cash flow of the interest rate, however, the margin of interest may increase as a result of such fluctuations but the profits may decrease in case of having unexpected movements.

The Board of Directors of the Bank determines the limits of variation level with respect to re-pricing the interest rate that can be maintained by the Bank and the said procedure is monitored on daily basis by the market risk department of the Bank.

Liquidity Risk:

It is the possibility that the Bank may be exposed to difficulties in satisfying its commitments that are related to accrued liabilities and the said risk may result in a failure in fulfilling the liabilities related to the payments due to the depositors and the fulfillment of lending commitments. The Treasury Department is responsible for the liquidity management on the short term and providing regular reports on the movement of assets and liabilities in order to determine the requirements of the Bank in regard to liquidity. In addition, the market risk department is competent to monitor the levels of liquidity and implement the approved policy of the liquidity management.

Foreign Exchange Risk:

It is the possibility that the Bank may be exposed to the risk of foreign exchange rate fluctuations that affects the balance sheet and the cash flow. The Board of Directors has laid out limits for the foreign currencies according to the total value of each position of which. Meanwhile, the said limits are immediately monitored by the market risk department of the Bank.

Capital Adequacy Ratio:

The Bank has adopted a conservative policy approach with respect to capital adequacy ratio based on the rule stipulated in Basel (II) accords since 2008 while committing to the instructions and interpretations of the Central bank of Egypt, which is considered more conservative with credit risk concentration of the largest 50 customers.

The capital adequacy ratio policy of the Bank aims at achieving the following:

- Making sure of the capability of the bank to compete on the international level through its compliance with the international standards and rules which regulate the banking activities.
- Maintaining the strong financial position of the bank and the safety of the funds of its customers through maintaining secured levels of capital that are in proportion with the risks which its assets are exposed to.

The capital adequacy ratio is calculated according to the following determinants:

First: The Ownership Rule

- (Tier 1)

The common Equity: Paid in capital, reserves and retained earnings.

The additional going concern: preferred stocks, approved quarterly profits (loss)

- (Tier 2)

Supplementary capital: General loan loss Provision, reserve of change in available for sale investments fair value and long-term subordinated loans (deposits).

Second: Capital Allocated for Assets Risk

- Capital allocated for credit risk and market risk is calculated based on the standardized approach.
- Capital allocated for operating risk is calculated based on the basic indicator approach.

The bank maintained a strong ratio of capital adequacy that amounted to % 15.86 at the end of December 2018 compared to % 14.44 at the end of December 2017 while the minimum limit of the capital adequacy ratio according to the requirements of the Central Bank of Egypt amounted to %11.875 .

Second: Compliance

The Bank is considered among the pioneering banks working in Egypt with respect to establishing an independent sector for compliance since 2002 in order to protect the bank from any noncompliance risks. The activity of the Compliance Sector depends on three essential pivots:

- Making sure that the systems, regulations and business mechanisms of the bank are in conformity with the banking standards and policies and with the laws and instructions issued by the supervisory authorities.
- Anti-money laundering.
- Implementing the principles of governance on sound banking grounds.

A developed policy for compliance was endorsed to agree with the accords of Basel Committee on Banking Supervision in addition to the recommendations of the International Financial Action Task Force-FATF, by virtue of which the Head of Compliance was determined along with the appointment of Branch Compliance Officers in all branches of the bank.

The said policy reflects the bank compliance in regard to carrying out an efficient role in anti-money laundering of illicit gains and working on drying up the resources of finance for terrorism in addition to achieving the objectives of the bank according to the following:

- Participating in crime-fighting in general.
- Maintaining the soundness of the bank's operations and transactions in addition to its professional reputation.
- Performing the legal compliance aspect toward the headquarters hosting country as well as implementing the rules, the principles in practice and the binding international controls.

The aforementioned policy is implemented through work procedure manual mainly based on the following:

1. Establishing a data base to count the customers who are restricted to deal with and those whose names are listed in the UN, OFAC and the Central Bank of Egypt in addition to reviewing the outgoing and incoming transfers in this regard.
2. Applying the principle of "identify your customer" to know the identity of all your customers and their banking transactions according to the guidelines of the controls of opening and operating the accounts issued by the Central Bank of Egypt in addition to the international controls and principles in practice.
3. Updating the data of the customers on a regular and ongoing basis.
4. Carrying out a continuous control over all the customers' transactions with the bank.
5. Applying the rules of Enhanced Due Diligence to all the accounts and transactions that are attributed by high risks.
6. Organizing regular training courses with respect to anti-money laundering.

Third: Internal Audit

The Internal Audit Department is keen to provide "Value Added" to the works of the bank through assuring the efficiency and adequacy of the Internal Control Systems and Governance throughout the bank as well as the Risk and Compliance Departments in order to provide a comprehensive vision to the Audit Committee, Top Management and The Board of Directors thereon. The efficiency and adequacy of the procedures adopted by the Bank's departments in addition to the measures taken when carrying out the Bank's activities are assessed within a framework attributed by Independence and Objectivity when auditing process on the activities of the bank is in place. The internal audit is carried out based on the organizational structure of the Bank and the competencies given to the Internal Control Department.

Fourth

Financial Statements

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Jan
Feb
Mar
Apr
May
Jun
Success
Management

Frist:

Standalone Financial Statements


+0.45
-0.25
+0.20

PricewaterhouseCoopers Ezzeldeen Diab & Co.
Public Accountants

BDO Khaled & Co.
Public Accountants and Consultants

Independent Auditors' Report on the Separate Financial Statements

To The Shareholders of Arab International Bank

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Arab International Bank (the "Bank"), which comprise the separate balance sheet as at 31 December 2018 and the related separate statements of income, changes in equity, and cash flows for the financial year then ended, and a summary of significant accounting policies and other notes.

Management' s Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

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

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

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

To The Shareholders of Arab International Bank

Page (2)

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Arab International Bank as at 3 1 December 2018, and its separate financial performance and separate cash flows for the financial year then ended, in accordance with the rules, pertaining to the preparation and presentation of the banks' financial statements and measurement and recognition bases approved by the Board of Directors of Central Bank of Egypt on 16 December 2008 and the Egyptian laws and regulations related to the preparation of these separate financial statements.

Report on Legal and Other Regulatory Requirements

According to the information and explanations given to us during the financial year ended December 31, 2018, there is no contravention of the central bank, banking and monetary institution law No. 88 of 2003 were noted .

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

The financial information included in the Board of Directors' report is in agreement with the Bank's accounting records, within the limits that such information recorded therein.

Auditors

Dr. Ahmed Salah Rashwan

Fellow of the Egyptian Society of Accountants &Auditors, CPA

Accountants and Auditors Register no 11240
PricewaterhouseCoopers Ezzeldeen. Diab & Co.

Public Accountants

Ahmed Maher Tahoon

Member of the Egyptian Society of Accountants & Auditors

Fellow of the Egyptian Tax Society

Accountants and Auditors Register no 16937

A.S.A Register no1634 BDO Khaled & Co.

Cairo, 24 June 2019

Separate Balance Sheet in December 31, 2018

(All amounts are presented in thousand US$)

	Note No	31/12/2018	Restated as at 31/12/ 2017	Restated as at 1/1/2017
Assets				
Cash and Due from Central Bank	(13)	154 125	192 028	128 020
Due from Banks	(14)	977 602	1 039 004	792 800
Treasury bills & other government notes	(15)	1 864 526	1 554 341	1 623 658
Loans and facilities to Banks	(16)	100 000	150 000	150 000
Loans and facilities to customers	(17)	961 472	1 078 470	1 190 876
Financial investments				
- At fair value through profit or loss	(18)	335	352	633
- Available for sale	(18)	24 183	24 856	34 077
- Held to maturity	(18)	201 585	308 390	234 154
Investments in subsidiaries and associates	(19)	332 248	338 448	339 145
Intangible assets	(20)	662	991	1 198
Other assets	(21)	62 429	53 417	38 144
Fixed assets	(22)	50 409	49 197	48 213
Total Assets		**4 729 576**	**4 789 494**	**4 580 918**
Liabilities & Equity Liabilities				
Due to Banks	(23)	495 915	784 437	913 441
Customer's deposits	(24)	3 317 048	3 112 873	2 801 738
Other liabilities	(25)	36 067	41 008	39 406
Other provisions	(26)	3 910	4 424	6 956
Total Liabilities		**3 852 940**	**3 942 742**	**3 761 541**
Equity				
Paid-up capital	(27/a)	600 000	600 000	600 000
Reserves	(27/b)	223 407	217 833	188 107
Retained Earnings	(27/c)	53 229	28 919	31 270
Total Equity		**876 636**	**846 752**	**819 377**
Total Liabilities and Equity		**4 729 576**	**4 789 494**	**4 580 918**

* The accompanying notes from (8) to (60) are integral part of these financial statements and to be read therewith.

Gamal Zaghloul
CFO

Mohamed Barakat
Deputy Chairman &
Managing Director

Hisham Ramez
Chairman &
Managing Director

Cairo at 23/6/2019

*For the purpose of presenting the annual report the notes to these financial statments are attached from page no.(53) to page no. (103)

Separate Statement of Income

For The Financial Year Ended December 31, 2018

(All amounts are presented in thousand US$)

	Note No.	31/12/2018	31/12/ 2017
Interest income from loans and similar income	(6)	340 870	325 862
Interest expense on deposits and similar expense	(6)	(251 923)	(213 899)
Net Interest Income		**88 947**	**111 963**
Fees and commissions income	(7)	8 799	9 893
Fees and commissions expenses	(7)	(99)	(93)
Net Income from Fees and Commissions		**8 700**	**9 800**
Dividends income	(8)	1 006	791
Net trading income	(9)	1 246	3 453
(Losses) Gains from financial investments	(18)	(648)	1 457
Impairment of investments in associates		-	(697)
Impairment charge for credit losses	(17)	(10 089)	(36 136)
Administrative expenses	(10)	(50 414)	(54 668)
Other operating income	(11)	871	3 800
Net Profit For The Year		**39 619**	**39 763**
Earning per share (US$/share)	(12)	973,63	1000,00

* The accompanying notes from (8) to (60) are integral part of these financial statements and to be read therewith.

Gamal Zaghloul
CFO

Mohamed Barakat
Deputy Chairman &
Managing Director

Hisham Ramez
Chairman &
Managing Director

Cairo at 23/6/2019

*For the purpose of presenting the annual report the notes to these financial statments are attached from page no.(53) to page no. (103)

Separate Statement of Cash Flow

For The Financial Year Ended December 31, 2018

(All amounts are presented in thousand US$)

	Note No.	31/12/ 2018	31/12/ 2017
Cash flows from operating activities			
Net Profit for the year		39 619	39 763
Adjustments to reconcile net profit to net cash provided from operating activities			
Fixed assets depreciation	(10)	2 129	1 666
Software amortization	(10)	626	565
Impairment charges for credit losses	(17)	10 089	36 136
Impairment charges for available for sale investments		701	-
Revaluation difference from investments at fair value through profit or loss		(11)	(23)
Other provision released during the year	(26)	(508)	(2 556)
Revaluation differences from investments held to maturity		2 633	-
Impairment of associates		-	697
Foreign currencies revaluation from other provisions		(6)	24
Amortization of fair value reserve of investments held to maturity	(18)	316	586
Dividends income		(1 006)	(791)
Operation profits before changes in assets & liabilities from operating activities		54 582	76 067
Net change in assets & liabilities			
Due from the Central Bank within the mandatory reserve percentage		30,005	66,978
Due from Banks		69 003	(68 452)
Treasury bills of over than three months maturity		(198 909)	(251 151)
Loans and facilities to Banks		50 000	-
Loans and facilities to customers		106 909	(79 782)
Other assets		(9 152)	(15 378)
Due to Banks		(288 522)	(129 004)
Customers' deposits		204 175	308 961
Other liabilities		(4 941)	5 931
Net cash flows provided from operating activities (1)		**13 150**	**85 830**
Cash flows from Investing Activities			
Payments to acquire fixed assets and fixtures of branches		(3 341)	(2 650)
Payments to purchase intangible assets	(20)	(297)	(358)
Payments to purchase held to maturity investments		-	(68 852)
Proceeds from investments held to maturity		103 856	-
Proceeds from investments at fair value through profit or loss		28	304
Proceeds from available for sale investments		-	9 909
Decrease in associates' capital		6 200	-
Dividends received		1 146	791
Net cash flows provided from (used in) investing activities (2)		**107 592**	**(60 856)**
Cash flow from Financing Activities			
Dividends paid		(9 763)	(11 798)
Net cash flows used in financing activities (3)		**(9 763)**	**(11 798)**
Net Increase (decrease) in cash & cash equivalents during the year (1+2+3)		**110 979**	**(158 484)**
Cash & cash equivalents at the beginning of the year		932 784	1 091 268
Cash & cash equivalents at the end of the year		**1 043 763**	**932 784**
Cash & cash equivalents represented as :			
Cash and due from Central Bank	(13)	154 125	192 028
Due from Banks	(14)	977 602	1 039 004
Treasury bills	(15)	1 864 526	1 554 341
Due from the Central Bank (other than the mandatory reserve percentage)		(136 265)	(166 270)
Due from Banks of more than three months from acquisition date		(62 975)	(131 978)
Treasury bills of more than three months from acquisition date		(1 753 250)	(1 554 341)
Cash & cash equivalents	(28)	1 043 763	932 784

* The accompanying from (8) to (60) are integral part of these financial statements and to be read therewith.

For the purpose of presenting the annual report the notes to these financial statments are attached from page no.(53) to page no. (103)

Separate Statement Of Changes in Shareholders' Equity

For The Financial Year Ended December 31, 2018

(All amounts are presented in thousand US$)

	Capital	Legal reserve	General reserve	Available for sale fair value reserve	(IFRS)9 reserve	Change in equity for investment in associates	Retained earnings	Total
Balance as at 31 December 2016 before adjustment	600 000	113 248	73 582	1 277	-	52 873	92 626	933 606
Adjustments of prior years (Note. 33)	-	-	-	-	-	(52 873)	(61 356)	(114 229)
Balance as at 31 December 2016 after adjustments	600 000	113 248	73 582	1 277	-	-	31 270	819 377
Dividends paid for the year 2016	-	3 886	-	-	-	-	(15 685)	(11 799)
Change in fair value of the available for sale investments	-	-	-	(589)	-	-	-	(589)
Transferred to (IFRS) 9 reserve	-	-	-	-	-	-	-	-
Net profit of the year and transferred to retained earnings	-	-	-	-	-	-	39 763	39 763
Balance as at 31 December, 2017	600 000	117 134	73 582	688	-	-	55 348	846 752
Balance as at 31 December 2017 before adjustment	600 000	117 134	73 582	688	26 429	57 814	105 976	981 623
Adjustments of prior years (Note. 33)	-	-	-	-	-	(57 814)	(77 057)	(134 871)
Balance as at 31 December 2017 after adjustment	600 000	117 134	73 582	688	26 429	-	28 919	846 752
Dividends paid for the year 2017	-	5 546	-	-	-	-	(15 309)	(9 763)
Change in the fair value of the available for sale investments	-	-	-	28	-	-	-	28
Net profit of the year and transferred to retained earnings	-	-	-	-	-	-	39 619	39 619
Balance as at 31 December 2018	600 000	122 680	73 582	716	26 429	-	53 229	876 636

* The accompanying from (8) to (60) are integral part of these financial statements and to be read therewith.
For the purpose of presenting the annual report the notes to these financial statments are attached from page no.(53) to page no. (103)

Separate Statement of Proposed Dividends

For The Financial Year Ended December 31, 2018

(All amounts are presented in thousand US$)

	Note No.	31/12/2018	31/12/2017
Net profit for the year (as per income statement) *		39 619	39 763
Less: Risk reserve IFRS9 **		-	(26 429)
Add: Retained earnings	**(27-C)**	13 610	15 585
Total		**53 229**	**28 919**
To be distributed as follows:			
Legal Reserve (10%)		3 962	5 546
Shareholders' dividends (primary share doesn't exceed 5% from Paid-up capital) ***		-	-
Board of Directors remunerations ***		345	377
Employees' profit share***		10 065	9 386
Retained earnings at the end of the year		38 857	13 610
Total		**53 229**	**28 919**

* Adjusted Net profit as of December 31, 2017 is to be consistent with The Bank Separate Financial Statements at the start of the year 2018.

** Risk reserve was formed based on (IFRS9) at a rate of 1% of the total credit risks which are weighted by the risk classes and taken from the net profit for the financial year end as of December 31, 2017 Note No. (27)

*** According to the proposal presented by the Board of Directors on 23 June 2019 for the purpose of calculating the remunerations of the BOD members in addition to the employees' bonuses, the first portion of the shareholders' dividends – given at a rate of 2% of the paid–in capital was approved while considering disapproval of cash dividends appropriations. Accordingly, the BOD remunerations shall be within the amount of US$ 2366 thousand at most. Hence, the Board of Directors proposed that the remunerations of each member of the Board to be the same amount as the prior year that is equivalent to US$ 345 thousand and the employees' bonuses should be equivalent to 9 months as of the prior year.

Notes to The Separate Financial Statements

For The Year Ended 31, December 2018
(All amounts in notes are presented in thousand US$ unless otherwise is stated).

1- Background

Arab International Bank ("The Bank") was established in 1974 by virtue of an International Treaty. The registered office of the Bank is located at 35 Abdel Khalek Tharwat Street, Downtown, Cairo, Egypt and the Bank carries out its business activities through its network of branches in the Arab Republic of Egypt (11 Branches) By virtue of the Treaty, the Bank has certain privileges and immunities in the territories of the Member States (shareholders). The following are examples of the most prominent privileges and immunities based on the Establishment Treaty and the resolution taken by the Bank General Assembly meeting that was held on 22 March 2012 and came into force as of 14 April 2015:

- Exemption from laws regulating Banks, credit activities, exchange control, statutory auditing requirements of public institutions, public interest entities, public sector companies or joint stock companies.
- Immunity from all forms of nationalization, seizure or sequestration of the shares of shareholders or their deposits with the Bank.
- The Bank's documents, records and files are inviolable and immune from judicial, administrative or accounting control and inspection rules and laws.
- Confidentiality of customers' accounts with the Bank are not subject to judicial or administrative attachment orders prior to final judgment issuance.
- Exemption from charges, stamps or taxes of any kind on its funds, profits, dividends and all its various activities and transactions.
- Exemption from taxation and any obligations for the payment, withholding or collection of any tax, stamp or duty, which may be imposed on its customers.
- The laws regulating the exercise of control over the public institutions, public interest entities public sector companies and the joint stock companies of the Members States in which the Arab International Bank or its branches. carry out business activities are not applicable to the Bank or its branches.
- In this respect the Bank practices its activities in a manner that is not in conflict with the aforementioned and the rest of the articles included in Establishment Treaty and in this context, the Bank is subjected to the oversight of the Central Bank of Egypt according to the provisions of the applicable law of the Central Bank of Egypt and the law of Banking and Monetary System of the hosting state, in addition, the Bank branches in the other Member States are subjected to the oversight of their own Central Banks in accordance with the provisions of laws governing their Banks and credit facilities .
- All the transactions of the Bank are carried out in all currencies determined by the Board of Directors.
- The necessary actions have been taken to activate these amendments starting from April 1, 2015.

The number of persons employed by the Bank as of December 31, 2018 was 1032 employees and workers, compared with 1005 as at December 31, 2017.

2- Summary of Accounting Policies

The following are the significant accounting policies adopted in the preparation of these separate financial statements, these policies have been consistently applied to all the years presented, unless otherwise is stated.

A- Basis of separate financial statements preparation

The separate financial statements are prepared in accordance with rules issued by the Central Bank of Egypt with respect to the preparation and presentation of the financial statements of banks and approved by its Board of Directors on 16 December 2008, according to the prevailing Egyptian laws and regulations relevant to the preparation of these separate financial statements and on the historical cost convention basis, modified by the revaluation of financial investments available for sale at their fair value.

These separate financial statements are prepared in accordance with of the relevant provisions of the prevailing Egyptian laws and regulations. The separate and consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with the rules issued by the Central Bank of Egypt (CBE) with respect to the preparation and presentation of the financial statements of banks and approved by its Board of Directors on 16 December 2008 while the affiliated companies are entirely included in the consolidated financial statements in accordance with the Egyptian Accounting Standards and these companies are the companies that the Bank - directly or indirectly has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of activity.

The interim separate financial statements of the Bank should be read with its consolidated financial statements, for the year ended on December 31, 2018 to get complete information on the Bank's financial position, income statement, cash flows and change in shareholders' equity.

B - Accounting for investments in subsidiaries and associates

Investments in subsidiaries and associates are presented in the attached separate financial statements using the cost method, which represents the Bank's direct share in ownership and not according to the business results and the net assets of the investees.

B-1 Investments in subsidiaries

Subsidiaries are entities (Including Special Purposes Entities / SPEs) over which the Bank has owned directly or indirectly the power to govern its financial and operating policies and usually have an ownership share of more than half of its voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the bank has the control over its investees

B-2 Investments in associates

Associates are companies in which the Bank has, directly or indirectly, significant influence, but it does not reach to the extent of control, and usually the Bank owns from 20% to 50% of the voting rights.

Accounting for acquisition of companies by the Bank is carried out according to the purchase method. The recognition of acquisition of companies by the Bank is measured at fair value or the value of assets given by the Bank in return for the purchase of companies and / or issued equity instruments and / or any other costs incurred by the Bank and / or any liabilities accepted by the Bank on behalf of the acquired company on the date on which the acquirer obtains control or significant influence of acquire in addition to any costs directly attributed to the acquisition process. In business combination where the control transition over the entity is achieved in stages, and business combination is achieved through more than one exchange transaction, then every transaction of such exchange transactions is separately dealt with on the basis of the acquisition consideration and fair value information on the date of each transition transaction until the date where such control is achieved. The net assets including the acquired determinable contingent liabilities are measured at fair value on the date of acquisition regardless of the existence of any minority interest. If the increase in acquisition cost is above the fair value of the Bank's share in net assets, it shall be considered as goodwill and if the acquisition cost is less than the fair value of aforementioned net assets, the difference is directly recorded in the income statement under the item of other operating revenues (expenses) Accounting for the subsidiaries and associates is recorded in the separate financial statements according to the cost method. According to which, investments is recorded at acquisition cost including any goodwill less any impairment loss in value. The dividends are recorded in the income statement upon the approval of such profits appropriations and the recognition of the Bank's right to collect its share in such dividends.

C- Segment reporting

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

D- Functional currency, presentation, transactions and balances in foreign currencies

The financial statements of the Bank are presented in US Dollar while transactions are recorded in the books during the year according to the currency in which the transactions were carried out. For the purposes of presenting the financial statements of the Bank in US Dollar, all assets and liabilities of monetary nature and recorded at the end of the reporting period in various currencies (other than the Egyptian Pound) are translated into US Dollar based on the prevailing exchange rates on that date- as for the balances in the Egyptian Pound, they are translated into US Dollar based on the official exchange rates declared by the Central Bank of Egypt. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following items:

- Net trading income from assets / liabilities classified as held for trading.

- Other operating revenues (expenses) from the remaining items.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as available-for-sale assets (debt instruments) are analyzed into differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument. Differences resulting from changes in the amortized cost are recognized and reported in the income statement under the item of "Interest on loans and similar income" whereas differences resulting from changes in foreign exchange rates are recognized and reported in "Other operating revenues (expenses)". The remaining differences resulting from changes in fair value are recognized in equity and accumulated in the "Available-for-sale investments revaluation reserve".

-Translation differences of non-monetary items are carried at fair value include gains or losses resulting from changes in foreign currency exchange rates used to translate those items. Fair value changes arising from the measurement of equity instruments classified as fair value through profit or loss are recognized in the income statement, while fair value changes arising from the measurement of equity instruments classified as available-for-sale financial assets are recognized directly in equity in the "Available-for-sale investments revaluation reserve".

E- Treasury bills

Treasury bills are recorded upon purchase at nominal value and the issuance discount that represents unearned interest of the treasury bills is recorded under other liabilities and the treasury bills are presented in the balance sheet less unearned interest that is measured at amortized cost using the effective interest rate.

F- Financial assets

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

F /1 Financial assets at fair value through profit or loss:

This category includes financial assets held for trading, financial assets designated at fair value through profit or loss at initial recognition and financial derivatives.

Financial assets are classified as held for trading if they are acquired or incurred principally for the purpose of selling in the near term or if they represent a part of the financial instruments portfolio that are managed together and there is evidence resulted from recent actual transaction that profit can be recognized.

Derivatives can be classified as held for trading unless they are identified as hedging instruments.

Financials assets designated at fair value through profit or loss are recognized when:

Doing so significantly reduces measurement inconstancies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were valued at amortized cost for loans and facilities to customers or Banks and issued debt securities Equity investments that are managed and evaluated at the fair value basis in accordance with a risk management or investment strategy and preparing reports to top management on that basis are classified as fair value through profit and loss.

Financial instruments such as debt instrument which contain one or more embedded derivatives which may significantly affect the cash flows are classified at fair value through profit and loss.

- Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are recorded in the "net income from financial instruments originally classified at fair value through profit and loss"
- It is not permitted to reclassify any derivative out of the financial instrument valued at fair value through profit or loss category during its holding period. Also, it is not permitted to reclassify any financial instrument valued at fair value through profit or loss category if it is initially recorded by the Bank at fair value through profit or loss.

F/2 Loans and receivables:

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

- The Bank intends to sell immediately or in the short term, and classified as held for trading, or those that the Bank upon initial recognition designated as at fair value through profit or loss.
- The Bank upon initial recognition classified as available for sale.
- For which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

F/3 Held to maturity financial assets:

Held to maturity financial assets are non-derivative assets which carry fixed or determinable payments and where the Bank has the intention and the ability to hold to maturity. Any sale of a significant amount, not close to the date of its maturity, would result in the reclassification of all held to maturity assets as available for sale except in cases of necessity.

F/4 Available for sale financial assets:

Available-for-sale assets are non-derivative financial assets that the Bank's management has intention to hold 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 at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date – the date on which the Bank commits to purchase or sell the asset.

- Financial assets that are not classified at fair value through profit or loss at initial recognition are recognized at fair value plus transaction cost. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement in net income from trading.

- Financial assets are derecognized when the contractual rights to receive cash flows have expired or when the Bank has transferred substantially all the risk and rewards of ownership. Financial liabilities are disposed upon disposal or cancellation or expiration of its contractual term.

- Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently measured at fair value. Held-to-maturity assets, loans and receivables are measured at amortized cost.

- Gains and losses arising from changes in the fair value of assets at fair value through profit or loss are recognized in the income statement in the period it occurs. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.

- Interest income is recognized based on the amortized cost method in the income statement, the foreign currency revaluations differences related to monetary available for sale assets are recognized in the income statement. Dividends from available for sale equity instruments are recognized in the income statement when they declare if there is.

- Fair value of investments obtained from quoted market price in active market (Bid Price), where no active market exists, or quoted price are unobtainable, the fair value is estimated using a variety of valuation techniques – including recent sale prices, discounted cash flow analysis, option pricing models or any other valuation method commonly used by market participants. When the Bank is unable to estimate the fair value of equity available for sale instrument, it is measured at cost less any impairment losses.

- The Bank reclassifies the financial asset classified as an asset included in the category of the financial instruments available for sale which has the definition of loans and debts (debt securities or loans) and transfer it from the category of the financial instruments available for sale to the category of loans and debts or financial assets held to maturity – as the case may be - when the Bank has the intention and ability to hold these financial assets in the near future or to the date of maturity. The reclassification is carried out at fair value on the date of reclassification. Any profits or losses related to such assets that were previously recognized in equity are treated as follows:

1. In case of having reclassified financial assets with fixed and determinable payments and fixed maturity, gains and losses are amortized over the remaining life of the financial asset held to maturity using the effective interest method. The difference between the amortized cost and the maturity value is amortized over the remaining life of the financial asset, using the effective interest method. In case of impairment, the profits or losses that have been previously recognized in equity are recognized immediately in the income statement.

2. In case of financial assets without fixed or determinable maturity, gains and losses are held in equity until the asset is sold or disposed of, then removed from equity and recognized in the income statement. In case of impairment, the profits or losses that have been previously recognized in equity are directly recognized under the item of equity in the income statement.

- If the Bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or a group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument. This adjustment is recognized as either income or expense in the income statement.

- In all cases, if the Bank reclassified financial asset in accordance with what is referred to above and the Bank subsequently increases its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate and not as an adjustment in the book value of the asset on the date of change in estimate.

G- Off setting financial instruments:

Financial assets and liabilities can be offset when, there is a currently enforceable legal right to set-off the recognized amounts and there is an intention to settle on a net basis, or to receipt the asset and settle the liability simultaneously.

Treasury bills, repos and reverse repos agreements are netted, and presented on the balance sheet under the item of treasury bills and other government notes.

H- Interest income and expense

- Interest income and expense related to the financial instruments are recognized under the item of loans interest income and similar income or deposits interest expense and similar charges using the effective interest method for all the financial instruments charged with interest, except for the instruments classified as held for trading assets or financial assets originally classified at fair value through profits and losses where their interests are recorded in changes in their fair value.

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

- When loans or debts are classified as non-performing or impaired, related interest income are not recognized but rather, are carried off balance sheet in statistical records and are recognized as revenues according to cash basis as per the following:

- When collected and after recovery of all arrears for retail loans, personal loans, small and medium business loans., mortgage loans for personal housing and small loans for Economic Activities.

- As for the loans granted to institutions the Cash Basis of Accounting is to be applied also where the interest income that is subsequently calculated according to the terms of the loan scheduling contract is recognized when 25% of the loan installments are paid with a regular performing period of at least one year and in case the customer keeps paying the installments on regular performing basis, the calculated interest income of the outstanding loans balance shall be recorded in revenues (interest income from regular scheduling balance) without the suspense interest before scheduling that is not recorded in revenues unless the entire loan balance is paid in full in the balance sheet prior to scheduling.

I -Fees and commissions income:

- Fees and commissions related to loan and facilities are recognized as income when the service is rendered. Fees and commission income related to non-performing or impaired loans or debts are suspended and are carried off balance sheet in statistical records and are recognized under income according to the cash basis, when interest income is recognized in accordance with note (G) above. As for fees and commissions, which represent a complementary part of the financial asset effective rate are recognized as adjustment to the effective interest rate.

- Commitment fees of loans are deferred as revenue when there is probability that these loans will be used by the customer, as commitment fees represent compensation for the continuing interference to own the financial instrument. Subsequently, they are recognized as adjustments to the effective interest rate of the loan. If the commitment period passed without issuing the loan, commitment fees are recognized as income at the end of the commitment year.

- Fees and commissions related to debt instruments measured at fair value are recognized as income at initial recognition. Fees and commission related to marketing of syndicated loan are recognized as income when the marketing is completed and the loan is fully used or the Bank kept its share of the syndicated loan using the effective interest rate available for the other participants.

- Fees and commissions arising from negotiation, or participating in a negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of entities are recognized as income when the transaction is completed, fees and commissions related to management advisory and other services are recognized as income based on the contract terms, usually on a time-appropriation basis over the financial period. The fees of financial planning and safe custody services provided over a long period of time are recognized over the year in which the service is provided.

J- Dividend income

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

K-Impairment of financial assets

K/1 Financial assets recorded at amortized cost:

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. A financial asset or a portfolio of financial assets is impaired and impairment losses are recognized when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

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

- Significant financial difficulty facing the borrower 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 competitive position of borrower.
- Granting privileges or assignments by the Bank to the borrower, due to economic or legal reasons related to pecuniary difficulties, which are not granted by the Bank in the normal course of business.
- Impairment of guarantee.
- Deterioration of creditworthiness.

An objective evidence for impairment loss of a category of financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition though such decline is not identifiable for each individual asset. For instance, the number of cases of default payment with respect to one of the Banking products.

The Bank estimates the period of confirming the loss that is represented in the period between the occurrence of loss event and identifying the loss for each specific portfolio and for implementation purposes, the period of confirming the loss shall be range between three to twelve months.

The Bank first assesses whether objective evidence of impairment exists individually for each financial asset that is individually significant, while assessing whether objective evidence of impairment exists individually or collectively for financial assets that are not individually significant and in this regard, the Bank shall consider the following:

- In case there is no objective evidence that an impairment loss has been incurred on a financial asset considered individually, being individually significant or not, the Bank includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment based on the rates of historical impairment.
- An individually impairment test is made for a financial asset if there is objective evidence that this asset is impaired. If the impairment occurred then this asset will be excluded from the group of financial assets that are collectively evaluated for impairment.
- If the result of the previously test did not recognize impairment loss, then this asset will be added to the group of financial assets that are collectively evaluated for impairment.
- Impairment loss amount is measured based on the difference between the carrying amount and the present value of the expected future cash flows, excluding future expected credit loss (ECL) that has not been charged yet and discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as "impairment loss" and the book value of the financial asset is reduced by the impairment amount using "impairment loss provision".
- If there is evidence that a loan or financial assets classified as held to maturity carry variable rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred. For practical purposes, the Bank may measure the impairment loss using the fair value of the instrument using the declared market rates. As 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 selling cost.
- For the purposes of a collective evaluation of impairment, financial assets are grouped based on similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for that group of assets as they represent indicators of the debtors' ability to pay all amounts that fell due according to the contract terms for assets representing the subject matter of the study. If historical impairment losses rates method is used for a group of financial assets that are collectively evaluated for impairment, the future contractual cash flows of the group shall be assessed based on the contractual cash flows of the assets in the Bank and the historical loss for a group of assets with similar credit risk characteristics and acquired by the Bank are considered. Historical impairment loss rates are adjusted based on the current declared information to reflect the effects of current circumstances that did not affect the period on which the historical impairment loss rates is estimated to remove the effects of the circumstances existent in the historical periods, and currently no longer exist.
- The Bank ensures that the estimates of changes in future cash flows for a group of financial assets are in consistence with changes in relative reliable data from period to another. The Bank also reviews the

- methods and assumptions used to estimate the future cash flows on regular basis. The book value is directly reduced in impairment losses for all assets measured at amortized cost, except for the customers' balances, where the impairment in value is treated based on forming a provision.

- When the customer's balance turns out to be uncollectable, it shall be written off and charged to the provision account in which the proceeds of debts previously written off are added and the change in provision estimates formed for customers' balances impairment is directly recognized in the income statement without customer's quittance.

K/2 Available for sale assets

At each balance sheet date, the Bank estimates if there is objective evidence that impairment loss for an asset or a group of assets classified as available-for-sale or held to maturity has occurred. For listed equity instruments classified as available for sale investments, impairment is recognized if it is significant or there is a prolonged decline in the fair value of the instrument below its acquisition cost is observed when an assessment of the assets impairment is recognized.

The decline in value is considered significant for the equity instruments if it reaches 10% of the book value of the financial instruments' cost, and it is considered prolonged if it extends for a period of more than 9 months. When the aforementioned objective evidences in the fair value of an available for sale financial asset has been recognized, the accumulated loss in equity shall be directly charged to income statement. Impairment losses value recognized on equity instruments on profit or loss are not subsequently reversed. Impairment losses recognized through profit or loss on debt instruments classified as available for sale are reversed through profit and loss if the price subsequently increased and this increase can be objectively related to an event occurring after the recognition of impairment loss in profit or loss.

L - Investment Property

Investment property is represented in lands and buildings owned by the Bank for obtaining rental income or capital increase and subsequently it does not include the real estate assets in which the Bank practices its business activity or the assets ownership reverted to the bank in settlement of debts. The initial recognition of the investment property is carried out at cost and includes the transaction cost. The accounting of the investment property is implemented in the same manner applied to the accounting of the fixed assets.

M – Intangible assets - Computers software

The expenses related to the development or maintenance of computers are recognized as an expense charged to income statement when incurred and it is recognized as an intangible asset with respect to the expenses directly related to specific software under the control of the Bank when it is expected to generate economic benefits exceeding its cost for more than one year.

The direct expenses include the cost of employees working in the software development team in addition to a reasonable share of the general expenses relevant thereto.

The expenses that lead to the increase or expansion in the performance of the computers software when compared with the original specifications thereof is recognized as development cost and it is added to the original software cost.

The computers software cost recognized as an asset is amortized over the years expected to benefit from them provided that they shall not exceed three years.

N- Fixed assets

They represent land and buildings related to head office, branches and offices. All fixed assets are reported at historical cost less depreciation and impairment losses. The historical cost includes all costs directly related to the acquisition of fixed assets items.

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

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

Buildings	50 years
Furniture	10 years
Computers	5 years
Fixtures and fittings	10 years
Tools & equipment	10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The redeemable value is represented in the net selling value of the asset or the use value of the asset whichever higher. Gains and losses on disposals are determined by comparing proceeds with asset carrying amount. These gain and losses are included in other operating income (expenses) in the income statement.

O- Other assets

- This item includes the other assets that are not classified as defined assets in the balance sheet where accrued revenues, prepaid expenses, advance payments under the account of fixed assets purchase, deferred balance of the first day losses that is not amortized yet, current assets and noncurrent assets that their ownership reverted to the bank in settlement of debts (after impairment deduction), deposits and impressts, gold bullions, commemorative coins, debit suspense accounts and balances that are not classified under any defined asset.

- Most of the elements of other assets are measured at cost. If there is an objective evidence for impairment loss in the value of the assets, then the loss is separately measured for each asset based on the difference between its carrying amount and its net selling value or the present value of the estimated expected future cash flows discounted at the current market rate of similar financial assets, which ever higher.

The book value of the asset is directly reduced and the loss is recognized in the income statement under the item of other operating revenues (expenses). If the impairment loss is reduced in any subsequent period and such reduction can be objectively related to an event that occurred after the recognition of the impairment loss, then the impairment loss previously recognized is reversed to the income statement provided that such cancellation does not establish an asset book value, on the date of reversing the impairment loss, that exceeds the value of the asset which may be reached if the recognition of such impairment loss has not been recognized.

With reference to the assets ownership reverted to the bank in settlement of debts, the following has to be taken into consideration:

- In accordance with the Article No. (60) of the Central Bank Law and the law of Banking and Monetary System of the hosting state No. (88) for the year 2003, it is prohibited for Banks to deal in movables or real estate whether by purchasing, selling or exchange, except for the real estate allocated for running the business of the Bank, used for entertainment purposes of the employees of the Bank, movables or real estate reverted to the bank in settlement of debts due from third parties when the recognition thereof started from the date of conveyance of ownership (the date of debt reduction) and such real state is

- included in assets reverted to the bank in settlement of debts, provided that the Bank shall dispose thereof according to the following:
- Within one year from the date of conveyance of ownership with respect to movables.
- Within five years from the date of conveyance of ownership with respect to real estate.
- The Board of Directors of the Central Bank of Egypt may approve the extension of the period whenever the circumstances deem necessary, in addition, the Board of Directors of the Central Bank of Egypt has the right to exempt some Banks from such restriction based on the Banks' nature of activity.

The assets reverted to the bank in settlement of debts are recorded at the value in which the said assets reverted to the Bank and represented in the value of debts which the Bank's management decided to assign in return for such assets. If there is an objective evidence for impairment loss in the value of the said assets in the subsequent date of conveyance of ownership, then the loss is separately measured for each asset based on the difference between its carrying amount and its net selling value or the present value of the estimated expected future cash flows discounted at the current market rate of similar financial assets, which ever higher. The book value of the asset is reduced through the impairment account and the loss value is recognized in the income statement under the item of other operating revenues (expenses). If the impairment loss is reduced in any subsequent period and such reduction can be objectively related to an event that occurred after the recognition of the impairment loss, then the impairment loss previously recognized is reversed to the income statement provided that such cancellation does not establish an asset book value, on the date of reversing the impairment loss, that exceeds the value of the asset which may be reached if the recognition of such impairment loss has not been recognized.

In the light of the nature of the movables or real estate which their ownership reverted to the bank pursuant to the provisions of the aforementioned article, the movables or real estate are classified in accordance with the plan of the Bank, the nature of expected benefits thereof among the fixed assets, investment property, shares, bonds or other assets available for sale, as the case may be. Accordingly, the bases relevant to the measurement of fixed assets, investment property, shares or bonds are applied to the assets reverted to the bank in settlement of debts and classified under any item of these items. As for the other assets, that are not included in any of these classifications and considered as other assets available for sale, they are measured at cost or fair value defined by the accredited experts of the Bank-less the selling costs –whichever is lower. The differences resulting from the valuation of these assets are recognized in the income statement under the item of other operating revenues (expenses) provided that such assets are to be disposed of within the period prescribed by virtue of law.

If the said assets are not disposed of, within the period prescribed by virtue of law in accordance with the provisions of Article No. (60) of Law No. 88 of 2003, the banking risk reserve is to be supported by the equivalent of 10% of the value of the assets on an annual basis. The net revenues and expenses of assets reverted to the bank in settlement of debts during the period of their acquisition by the Bank are recorded in the income statement under the item of other operating revenues (expenses).

P- The impairment of non-financial assets

The financial assets that have no specific useful life are not depreciated – except for the goodwill – and their impairment is examined on annual basis. The impairment of assets that had been depreciated are to be considered whenever there are events or changes in the circumstances indicating that the book value may not be redeemable.

The impairment loss is to be recognized and the asset value shall be reduced with the amount by which the book value of the asset has been increased above the redeemable value. The redeemable value is represented in the net selling value of the asset or the use value of the asset whichever higher. For assessing the impairment, the asset is to be attached to the smallest possible cash-generating unit. The nonfinancial assets that have impairment are to be reviewed to examine whether there is reverse of impairment to the income statement or not on the date of preparing every financial statement.

Q- Lease Contracts

All lease contracts concluded with the Bank are operating lease contracts.

Q/1 - Lessee

The payments settled under the account of operating lease less any discounts obtained from the less or under the item of expenses are recognized in the income statement based on the straight-line method over the term of contract.

Q/2 - Lessor

The assets leased out on operating lease basis that are included in the fixed assets in the balance sheet and depreciated over the expected useful life of the asset using the same manner applied to the similar assets. The rent income is recorded less any discounts granted to the lessee based on the straight-line method over the term of contract.

R-Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include balances due within three months from date of acquisition, cash and balances due from the Central Banks other than the mandatory reserve, and current accounts with Banks and treasury bills and other government notes.

S-Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not, that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there is 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. A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

Provisions no longer required totally or partially are reversed in other operating income (expense).

Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from balance sheet date using the appropriate rate in accordance with the terms of settlement which reflects the time value of money. If the settlement term is less than one year the provision is booked using the present value unless time consideration has a significant effect.

T- Employees’ Benefits:

- Employees Share in Profits:

The Bank pays a percentage of cash profits expected to be distributed as the employees share in profits and recognizes that share as part of the dividends appropriation in equity and as liabilities when approved by the general assembly of the Bank shareholders and no liabilities shall be recorded in the undistributed employees share in profits.

- Employees’ Pension Fund & End of Service Compensations

The Bank adopted special benefits plan until 17/4/2008. The Bank’s contributory defined pension plan covers the permanent employees’ pensions and other end of service benefits. The Bank’s contribution to this fund is computed at a certain percentage of the employees’ annual salaries, in addition to amounts required to the fund as decided by the Actuary to continue providing its services and maintain the minimum return on its invested funds. As for the employees appointed in the Bank after 17/4/2008, the Bank adopted special benefit plan with respect to the end of service compensation only without pensions and the Bank participates in such compensations by a percentage of the employees’ wages who are working under the umbrella of this benefit plan on annual basis.

U- Dividends

Dividends are recognized and deducted from equity in the period when declared by the General Assembly of shareholders. Those dividends include employees' share in the profits and the Board of Directors' remuneration as prescribed by the articles of association.

V- Comparative figures

The comparative figures shall be re-classified, whenever necessary, to be in conformity with the changes in the presentation used in the current year.

3- Financial Risk Management

The Bank, as a result of the activities it exercises, is exposed to various financial risks; acceptance of risks is a basis in the financial activities. Some risks or group of risks are analyzed, evaluated and managed together. The Bank objective is to balance between the risk and return and to reduce the possible negative effects on the Bank's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency exchange rates, interest rate risk and other pricing risks.

The risk management policies have been set to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated information systems.

The Bank regularly reviews the risk management policies and systems and amends them to reflect the changes in markets, products and services and the best updated applications.

Those Risks are managed by the Risk Management Department in the light of the policies approved by the Board of Directors. Risk Management Department identify, assess, and cover financial risks in close cooperation with other operating units in the Bank. Within framework of the principles of governance and the sound banking practices related to banking risks management, the board of directors provides an integrated supervisory structure of higher committees originated there from. Moreover, The Risk Management Department is in charge of the regular review of risk management and the control environment in an independent manner.

A - Credit risk

The Bank is exposed to credit risk, which is the risk resulting from failure of one party to meet its contractual obligations. Credit risk is considered the most significant risk for the Bank therefore the management is conservative in managing this risk exposure. Credit risks results mainly from lending activities that result in loans and facilities and from investment activities which results in including such debt instruments in the Bank's assets. Credit risk is also included in off balance sheet financial instruments, such as loan commitments. Managing and monitoring process of credit risk is represented in credit risk department reports presented to the Board of Directors, Top Management and Heads of operating units on regular basis.

A/1 -Credit risk measurement

- Loans and facilities to Banks and customers.

To measure credit risk on the loans and facilities to Banks and customers, the Bank considers the following three components as following:

- Probability of default by the client or third parties to fulfill its contractual obligations.
- The current position and its future development from which the Bank concludes the balance exposed to risk. (Exposure at default).
- Loss given default.

The day to day management of the bank's activity involves measures of credit risk based on the Expected Loss Model required by the Basel Committee on Banking Supervision. Those operational measures could be inconsistent with the impairment loss burden according to EAS 26, which adopts the realized losses model and not the expected losses (Note A / 3) on the date of the financial statements.

The Bank evaluates the default risk for each customer using internal evaluation methods to determine the credit rating for the different customers' categories. These methods were internally improved taking into consideration statistical analysis and the professional judgment of the credit officers to reach the appropriate rating. The customers are classified into four credit ratings. Rating scale (shown in the following table) reflects the possibility of defaults for each rating category, in which the credit positions may transfer from one rating to another depending on the change in the degree of possible risk. The customer's rating and the rating process are reviewed and improved whenever necessary.

The Bank periodically evaluates the performance of the credit rating methods and their ability in expecting the customers' defaults.

Bank's internal ratings scale

Rating description	Rating
Performing loans	1
Regular follow up	2
Watch list	3
Non-performing loans	4

The Position exposed to default depends on the outstanding balances expected at the time when a default occurs, for example, for the loans, where the position is the book value and for commitments, the Bank includes all actual withdrawals in addition to any other expected withdrawals till the date of the late payment if any.

The expected losses or specific losses represent the Bank's expectation of loss as of the date when the settlement is due, which is loan loss percentage that differs according to the type of debtor, claim priority, the availability of guarantees or any other means of credit cover.

Debt instruments, treasury bills and other bills

For debt instruments and bills, the Bank is using the external classifications such as Standard & Poor's or equivalent to manage credit risk, in case such ratings are not available, methods similar to those applied to credit customers are used. Investments in securities and treasury bills are considered a method to obtain a better credit quality such investment also provide an available source to meet the funding requirements.

A/2 Limiting and avoiding risks policies

The Bank manages limits and controls credit risk concentrations on the levels of borrowers, groups, industries and countries.

The Bank manages the credit risk it undertakes by placing limits on the amount of risk accepted in relation to every single borrower, or groups of borrowers, and on the levels of economic activities and geographic segments. Such risks are monitored on regular basis and subjected to annual or more frequent reviews, whenever necessary. The Board of Directors reviews on quarterly basis the levels of credit risk on the levels of the borrower, group of borrowers, product, segment and country.

The lines of credit are divided for any borrower including Banks, into sub limits based on amounts inside and outside balance sheet, the daily limit risk on trading items such as forward foreign exchange contracts where the actual amounts are compared with the limit every day.

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.

The following are other controls used by the Bank to limit the credit risk.

Collaterals

The Bank use different methods to limit its credit risk. One of these methods is accepting collaterals against loans and facilities granted by the Bank. The Bank implements guidelines for certain categories of collaterals to be accepted. The major types of collateral against loans and facilities are:

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

The Bank keen to obtain the appropriate guarantees against corporate entities of long-term finance while individual credit facilities are generally unsecured. In addition, to minimize the credit loss the Bank will seek additional collaterals from all the concerned parties as soon as impairment indicators are noticed for a loan or facility.

The Bank determines the type of collaterals held by the Bank as security for financial assets other than loans and facilities according to the nature of the instrument, generally, debt securities and treasury bills are unsecured, except for Asset-Backed Securities and similar instruments secured by a financial instrument portfolio.

Credit-related commitments

The primary purpose of these commitments is to ensure that funds are available to customer when required. Guarantees and Standby Letters Of Credit contracts are of the same credit risks as loans.

Documentary and commercial letters of credit – which are issued by the Bank on behalf of the customer by which authorizing a third party to draw within a certain limit in accordance to specific terms and conditions and guaranteed by the goods under shipment are of lower risk than a direct loan.

Credit related commitments represent the unused portion of credit limit of loans, guarantees or letters of credit. With respect to credit risk related to credit commitments, the Bank is exposed to probable loss of amount equal to the total unused limit. However, the probable amount of loss is less than the unused limit commitments, as most commitments represent commitments to customers maintaining certain credit standards. The Bank monitors the maturity term of the credit commitments because long-term commitments are usually of high credit risk than short-term commitments.

A /3 Impairment and provisioning policies

The internal rating systems described in Note (3-A/1) focus on the planning of credit-quality to a large extent at the inception of recognizing the lending and investment activities. Otherwise, impairment losses incurred are only recognized on the balance sheet date for financial reporting purposes when losses are based on objective evidences of impairment as will be mentioned in this note.

Due to the different methods applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the estimated amount determined from the expected loss models used in the preparation of the financial statements as at 31December 2018 and in compliance with the rules of the Central Bank of Egypt.

The impairment loss provision appeared in the balance sheet at the end of the year is derived from the four internal rating grades. However, the majority of the impairment provision comes from the last rating. The table below shows the percentage of in-balance sheet items relating to loans, facilities and the related impairment for each rating:

Ratings of The Bank	31 December 2018		31 December 2017	
	Loans & Facilities	Impairment provision	Loans & facilities	Impairment provision
	%	%	%	%
Performing loans	7.21	0.87	21.81	2.72
Regular follow up	45.84	16.26	56.06	20.85
Watch list	32.33	6.05	9.23	1.04
Non-performing loans	14.62	76.82	12.90	75.39
Total	**100**	**100**	**100**	**100**

The internal evaluation instruments assist the management to determine whether there are objective evidences of impairment according to the Egyptian Accounting Standard No. (26) and based on the following indicators as specified by the Bank:

- Significant financial difficulty of the borrower or the debtor.
- Breach of loan agreement such as default of payment.
- Expecting the Bankruptcy of the borrower, entering into liquidation lawsuit or restructuring the finance granted to the borrower.
- Deterioration in 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 normal course.
- Impairment of guarantee value.
- Deterioration of the creditworthiness.

The policies adopted by the Bank require reviewing all the financial assets exceeding specific relative significance at least once a year or more when the circumstances required to do so. The impairment charge shall be determined on the accounts that are evaluated on case by case basis through the evaluation of the loss realized on the date of the balance sheet. Such policies are expected to be implemented on all accounts attributed by relative significance on case by case basis. The valuation usually includes the existing collaterals and the expected collections from those accounts. The impairment losses provision is formed based on a group of assets of similar assets using the historical assets available, professional judgment and statistical methods.

A/4 Banking general risk measurement module

In addition to the four categories of the Bank's internal credit rating indicated in note (3-A/1), management classifies loans and advances based on more detailed sub groups in accordance with the CBE requirements. Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depends on information related to the customer, their activities, financial position and commitment to the payment schedules.

The Bank calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case of having required increment in impairment losses provision according to the rules of the Central Bank of Egypt that exceeds the amount required for the purposes of preparing the financial statements in accordance with the Egyptian Accounting Standards, the general Banking Risk Reserve shall be set aside in the equity and deducted from the retained earnings with an amount equivalent to such increment. The said reserve shall be amended on regular basis as an increase or decrease in a manner that is always equivalent to the amount of increase when comparing the two provisions. This reserve is not distributable.

The following are the categories of credit ratings for the institutions in accordance with the four internal rating grades compared to the bases of the CBE assessment and provisions percentage required for the impairment of assets exposed to credit risk:

CBE Ratings	Rating Indications	Provision Percentage Required %	Internal Ratings	Internal Ratings Granting
1	Low risk	-	1	Performing loans
2	Moderate risk	1	1	Performing loans
3	Satisfactory risk	1	1	Performing loans
4	Appropriate risk	2	1	Performing loans
5	Acceptable risk	2	1	Performing loans
6	Marginally Acceptable risk	3	2	Regular loans
7	Watch list	5	3	Watch list
8	Substandard	20	4	Non-performing loans
9	Doubtful	50	4	Non-performing loans
10	Bad debt	100	4	Non-performing loans

A /5 Maximum limits for credit risk before collaterals:

Balance sheet items exposed to credit risks	**31/12/2018**	**31/12/2017**
Treasury bills and other government securities	2 066 111	1 862 731
Due from Banks	977 602	1 039 004
Loans to banks	100 000	150 000
Loans and facilities to customers:		
Retail loans:		
Debit current accounts	108	293
Credit cards	724	548
Personal loans	40 835	36 921
Corporate loans:		
Debit current accounts	1 459	1 416
Syndicated loans	283 352	314 465
Direct loans	806 250	886 494
Financial investments:		
Other assets	38 627	29 679
Total	4 315 068	4 321 551
Off-balance sheet items exposed to credit risk		
Letters of credit	23 304	13 537
Letters of guarantee	65 363	79 225
Companies loans commitment	-	1 514
Total	88 667	94 276

The above table represents the maximum limit to credit risk on December 31, 2018 – December 31, 2017 without taking into consideration any collateral. For assets recognized on balance sheet, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above 28,56 % of the total maximum exposure is derived from loans and advances to Banks and customers as at December 31, 2018, compared to 32,17% as at December 31, 2017.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk resulting from both its loans and advances portfolio and debt instruments based on the following:

- On December 31, 2018, 56.86% of the loans and advances are concentrated in the top two grades of the internal credit risk rating system compared to 80.26% on December 31, 2017.
- On December 31, 2018, 86.57% of loans and advances portfolio are considered to be neither past due nor impaired compared to 88,50% December 31, 2017.
- Loans and advances assessed individually are valued US$ 165 585 thousand on December 31, 2018 compared to US$ 159 931 thousand on December 31, 2017.
- The Bank has implemented more prudent processes when granting loans and advances during the financial year ended on December 31, 2018.
- On December 31, 2018 and on December 31, 2017, 100% of the investments in debt instruments and treasury bills represent debt instruments of the Egyptian Government.

A/6 Loans and facilities

Loans and facilities status based on credit rating are summarized as follows:

	31/12/2018				31/12/2017			
	Loans & facilities to customers	Loans & facilities to corporate	Total loans & Facilities to customers and Corporate	Loans & facilities to Banks	Loans & facilities to customers	Loans & facilities to corporate	Total loans & Facilities to customers and Corporate	Loans & facilities to Banks
Neither past due nor impaired *	41 174	925 969	967 143	100 000	37 227	1 042 979	1 080 206	150 000
Past due but impaired	493	165 092	165 585	-	535	159 396	159 931	-
Gross	41 667	1 091 061	1 132 728	100 000	37 762	1 202 375	1 240 137	150 000
Less: Impairment loss provision **	(663)	(170 593)	(171 256)	-	(794)	(160 873)	(161 667)	-
Net	41 004	920 468	961 472	100 000	36 968	1 041 502	1 078 470	150 000

* Loans and facilities neither past due nor impaired

The credit quality for the loans and facilities portfolio (neither past due nor impaired) valued upon the internal valuation used by the Bank.

** Impairment loss for loans and facilities reached US$ 171 256 thousand on December 31, 2018 compared to US$ 161 667 thousand on December 31, 2017 that included impairment individually loans valued US$ 131 557 thousand on December 31, 2018 compared to US$ 121 888 thousand on December 31, 2017. The rest of the loans portfolio which is US$ 39 699 thousand represent the impairment burden based on the groups of credit portfolio on December 31, 2018 compared to US$ 39 779 thousand on December 31, 2017.

Loans and facilities status based on internal credit rating are summarized as at 31 December 2018

- Neither past due nor impaired

	Retail Banking			Corporate				
31/12/2018	Current accounts	Credit cards	Personal loans	Current accounts	Direct loans	Syndicated loans	Total Loans to customers	Total Loans to Banks
Performing loans	-	-	16 968	-	8 891	55 858	81 717	100 000
Regular watching	54	689	23 463	301	380 137	114 568	519 212	-
Watch list	-	-	-	419	275 535	90 260	366 214	-
Total	**54**	**689**	**40 431**	**720**	**664 563**	**260 686**	**967 143**	**100 000**

	Retail Banking			Corporate				
31/12/2018	Current accounts	Credit cards	Personal loans	Current accounts	Direct loans	Syndicated loans	Total Loans to customers	Total Loans to Banks
Performing loans	-	-	9 740	136	208 513	52 040	270 429	150 000
Regular watching	224	528	26 735	366	442 636	224 790	695 279	-
Watch list	-	-	-	444	99 865	14 188	114 497	-
Total	**224**	**528**	**36 475**	**946**	**751 014**	**291 018**	**1 080 205**	**150 000**

- Past due loans and facilities and not impaired

They are loans and facilities having past due up to 90 days and not considered impaired, unless there is information to the contrary. There are no loans and facilities having past due and not subject to impairment on December. 31, 2018.

In the initial recognition for the loans & facilities, the collaterals fair value is valued as per the valuation benchmark usually used in valuation of similar assets. In the subsequent periods, the fair value will be adjusted as per the market value or the prices of the similar assets.

- Loans and facilities individually subject to impairment

Loans and facilities individually subject to impairment before taking into consideration cash flows from guarantees amounted to US$ 165 585 thousand on December. 31, 2018 compared to US$ 159 931 thousand as of December. 31, 2017.

The breakdown of the total loans and facilities individually subject to impairment including the fair value of collaterals obtained by the Bank in return for such loans are as follows:

31/12/2018	Retail Banking				Corporates				
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Debit current accounts	Direct loans	Syndicated loans	Other loans	total
Individual loans subject to impairment	54	35	404	-	-	142 426	22 666	-	165 585
Fair value of guarantees	-	35	-	-	-	18 135	-	-	18 170
31/12/2017	Retail Banking				Corporates				
Individual loans subject to impairment	69	20	446	-	-	135 949	23 447	-	159 931
Fair value of guarantees	-	11	-	-	-	5 780	-	-	5 791

A/7 -Debt instruments, treasury bills and other government notes

The table below shows an analysis of debt instruments, treasury bills and other government notes according to the rating agencies at the end of the financial year.

	Treasury bills & government notes	Treasury bonds	Total
Treasury bills & government notes (B-)	1 864 526	201 585	2 066 111
Valuated by Standard & Poor's			
Total	**1 864 526**	**201 585**	**2 066 111**

A/8- Acquisition of Collaterals

The Bank has not acquired assets based on the acquisition of collaterals during the current financial year.

The assets acquired by the Bank are classified under the item of other assets in the balance sheet and these assets are to be sold whenever applicable.

A/9 - Concentration of financial assets risks exposed to credit risk

- Geographical segments

The following table represents an analysis of the most significant credit risk limits of the Bank at book value and their distribution according to the geographical sectors at the end of the current financial year. When we prepared this table, we distributed the risks over the geographical sectors based on the areas related to the customers of the Bank.

	Greater Cairo	Alexandria	Port Said	Total
Treasury bills & other government securities	2 066 111	-	-	2 066 111
Loans & facilities to Banks	100 000	-	-	100 000
Loans & facilities to customers:				
-Loans to individuals:				
- Debit current accounts	107	1	-	108
- Credit cards	692	31	1	724
- Personal loans	36 061	4 032	742	40 835
-Loans to Corporate:				
- Debit current accounts	1 459	-	-	1 459
- Direct loans	803 802	2 448	-	806 250
- Syndicated loans	283 352	-	-	283 352
Total as at 31 December 2018	**3 291 584**	**6 512**	**743**	**3 298 839**
Total as at 31 December 2017	**3 241 743**	**10 265**	**860**	**3 252 868**

- Industry Sectors

The following table represents an analysis of the most significant credit risk limits of the Bank at book value distributed according to the businessactivity practiced by the customers of the Bank

	Financial Institutions	Industrial Institutions	Commercial	Mining &Petroleum Services	Real Estate Activities	Government Sector	Other Activities	Total
Treasury bills & other government securities	-	-	-	-	-	2 066 111	-	2 066 111
Loans & facilities to banks	100 000	-	-	-	-	-	-	100 000
Loans and facilities to customers:								
• **Loans to individuals:**								
- Debit current accounts	-	-	-	-	-	-	108	108
- Credit cards	-	-	-	-	-	-	724	724
- Personal loans	-	-	-	-	-	-	40 835	40 835
• **-Loans to Corporate:**								
- Debit current accounts	-	440	436	-	-	-	583	1 459
- Direct loans	26 347	156 585	21 760	239 494	7 574	93 082	261 408	806 250
- Syndicated loans	22 666	7 963	-	178 606	-	-	74 117	283 352
Total as of 31 December2018	**149 013**	**164 988**	**22 196**	**418 100**	**7 574**	**2 159 193**	**377 775**	**3 298 839**
Total as of 31 December 2017	**226 169**	**166 739**	**42 988**	**641 088**	**9 500**	**1 976 544**	**189 840**	**3 252 868**

B - Market risk

The Bank exposed to market risks which is the risk that the fair value or future cash flow fluctuation resulted from changes in market prices. Market risks arise from open market positions 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.

The bank's risk management is responsible for managing trading and non-trading portfolios is concentrated in the risk department of the Bank and they are followed up by two separate teams. Interim reports on market risk are presented to the Board of Directors and the heads of business activity units on regular basis.

Trading portfolios include transactions where the Bank deals directly with clients or with the market; non-trading portfolios primarily arise from managing assets and liabilities interest rate relating to retail transactions. Non-trading portfolios also include foreign exchange risk and equity instruments risks arising from the Bank's held-to-maturity and available for sale investments portfolios.

B/1 Market risk measurement techniques

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

Value at Risk (VAR)

The Bank applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk of positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board of Directors sets limits for the value of risk that may be accepted by the Bank for trading and non- trading portfolios on separate basis and they are daily monitored by the Risk Management Department in the Bank. Value at Risk (VAR) is a statistic expectation of the current portfolio potential losses resulting from the adverse movements of the market and the maximum loss that may be incurred by the Bank based on using a specific confidence coefficient (98%). Subsequently, there is a statistical probability at a ratio of (2%) that the effective loss is higher than the expected Value at Risk (VAR). VAR model assumes a defined holding period of (ten days) before closing the open positions. It also assumes that the market movements during the defined holding period of (ten days) shall follow the same market movements' model which occurred during the previous ten days. The Bank estimates the previous movements based on the data of the last five years. The Bank also applies such historic changes of ratios, prices and indicators in a direct manner on the current positions - this method is known as historic simulation. The effective outputs are regularly monitored to measure the soundness of assumptions and coefficients used to measure Value at Risk (VAR). However, applying such method does not overcome the loss of such limits in case of having greater movements in the market.

Stress Testing

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

Currently, the Bank has no automated system for calculating the value exposed to risk or stress testing and they are calculated and reviewed manually.

B /2 Foreign exchange volatility risk

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The Board of Directors set aggregate limits for foreign exchange for each position at the end of the day, and during the day which is controlled on timely basis. The following table summarizes the Bank exposure to foreign exchange volatility risk at the end of the financial year.

The table also includes the carrying amounts of the financial instruments in their currencies as follows:

31 December 2018	USD	Euro	GBP	L.E	Other	Total
Financial assets						
Cash and balances with the Central Bank	10 974	2 743	1 300	138 924	184	154 125
Due from Banks	762 204	126 341	65 938	19 710	3 409	977 602
Treasury bills	520 990	78 972	-	1 264 564	-	1 864 526
Loans and facilities to customers	873 158	42 985	-	45 329	-	961 472
Loans and facilities to banks	100 000	-	-	-	-	100 000
Financial investments:						
- At Fair value through profit or loss	335					335
- Available for sale	24 183	-	-	-	-	24 183
- Held to maturity	54 366	-	-	147 219	-	201 585
Investments in subsidiaries and associates	151 723	-	-	180 525	-	332 248
Other assets	23 856	3 338	133	35 102	-	62 429
Total financial assets	**2 521 789**	**254 379**	**67 371**	**1 831 373**	**3 593**	**4 678 505**
Financial liabilities						
Due to Banks	331 538	115 502	3 235	44 882	758	495 915
Customers deposits & certificates of deposits	1 540 326	135 642	63 843	1 574 939	2 298	3 317 048
Other liabilities	28 143	478	414	6 993	39	36 067
Total financial liabilities	**1 900 007**	**251 622**	**67 492**	**1 626 814**	**3 095**	**3 849 030**
Net financial position	**621 782**	**2 757**	**(121)**	**204 559**	**498**	**829 475**

31 December 2017	USD	Euro	GBP	L.E	Other	Total
Financial assets						
Cash and balances with the Central Bank	17 398	2 949	1 475	169 858	348	192 028
Due from Banks	792 148	160 789	82 973	133	2 961	1 039 004
Treasury bills	524 584	136 282	-	893 475	-	1 554 341
Loans and facilities to customers	949 520	54 046	18	74 886	-	1 078 470
Loans and facilities to banks	150 000		-	-	-	150 000
Financial investments:						
- At fair value through profit or loss	352					352
- Available for sale	24 856	-	-	-	-	24 856
- Held to maturity	54 569	-	-	253 821	-	308 390
Investments in subsidiaries and associates	157 923	-	-	180 525	-	338 448
Other assets	41 563	203	7	11 644	-	53 417
Total financial assets	**2 712 913**	**354 269**	**84 473**	**1 584 342**	**3 309**	**4 739 306**
Financial liabilities						
Due to Banks	574 295	195 081	4 170	9 872	1 019	784 437
Customers deposits & certificates of deposits	1 499 776	162 022	79 435	1 369 495	2 145	3 112 873
Other liabilities	39 389	5	2	1 606	6	41 008
Total financial liabilities	**2 113 460**	**357 108**	**83 607**	**1 380 973**	**3 170**	**3 938 318**
Net financial position	**599 453**	**(2 839)**	**866**	**203 369**	**139**	**800 988**

B /3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates 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 Bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may profit decrease in the event that unexpected movements arise. The Board of Directors of the Bank sets limits on the level of mismatch of interest rate re-pricing that may be undertaken by the Bank, the matter that is monitored on daily basis by the Bank`s Fund Management Department.

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

31 December 2018	Up to 1 month	More than 1 month to 3 Months	More than 3 months to 12 Months	More than 1 year to 5 years	Over 5 years	Total
Financial Asset						
Cash and balances with the Central Bank	154 125	-	-	-	-	154 125
Due from Banks	654 659	259 968	62 975	-	-	977 602
Treasury bills & government securities	237 905	604 614	1 022 007	-	-	1 864 526
Loans and facilities to customers	214 891	294 984	94 004	276 425	81 168	961 472
Loans and facilities to banks	-	-	-	100 000	-	100 000
Financial investments:						
- At fair value through profit or loss				335		335
- Available for sale	-	-	-	2 035	22 148	24 183
- Held to maturity	-	4 098	41 146	143 804	12 537	201 585
Investments in subsidiaries and associates	-	-	-	-	332 248	332 248
Other assets		-	62 429	-	-	62 429
Total financial assets	**1 261 580**	**1 163 664**	**1 282 561**	**522 599**	**448 101**	**4 678 505**
Financial liabilities						
Due to Banks	284 780	48 160	162 975	-	-	495 915
Customers' deposits & certificates of deposits	1 920 092	240 018	152 778	1 004 160	-	3 317 048
Other liabilities	-	-	36 067	-	-	36 067
Total financial liabilities	**2 204 872**	**288 178**	**351 820**	**1 004 160**	**-**	**3 849 030**
Interest re-pricing gap	**(943 292)**	**875 486**	**930 741**	**(481 561)**	**448 101**	**829 475**

31 December 2017	Up to 1 month	More than 1 month to 3 Months	More than 3 months to 12 Months	More than 1 year to 5 years	Over 5 years	Total
Total financial assets	1 210 852	1 214 128	1 237 162	608 441	468 723	4 739 306
Total financial liabilities	2 143 889	465 538	454 848	874 043	-	3 938 318
Interest re-pricing gap	(933 037)	748 590	782 314	(265 602)	468 723	800 988

C- Liquidity risk

Liquidity risk represents the bank difficulty in meeting its financial commitments when they fall due and replace funds when they are withdrawn. This may result in failure in fulfilling the Bank obligation to repay the depositors and fulfilling lending commitments.

Liquidity risk management process

The Bank's liquidity risk management process carried out by the Department of Assets and Liabilities Management includes:

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due this includes availability of liquidity as they due or to be lent to customers. To ensure that the Bank reaches its objective the Bank maintains an active presence in global money markets.
- The Bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow

- Monitoring liquidity ratios in relation with internal requirements and the requirements of the Central Bank of Egypt.
- Managing loans concentration and dues.

Monitoring and reporting take the form of cash flow measurement and projections for the next working day, week and month respectively as these are key years for liquidity management. The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.

The Department of Assets and Liabilities Management monitors the mismatch between medium term assets, the level and nature of unused loans commitments, debit current accounts utilizations, and the effect of contingent liabilities such as letters of guarantee and letters of credit.

Funding approach

Sources of liquidity are regularly reviewed by a separate team from the Department of Assets and Liabilities Management of the Bank to maintain a wide diversification by currency, geography, sources, products and terms.

Non-derivative cash flows

The following table represents the cash flows paid by the Bank through the use of non-derivative financial liabilities method that are distributed over the remaining period of the contractual liabilities at the end of the financial period. The amounts included in the table represent the undiscounted contractual cash flows while the Bank manages the liquidity risk based on the expected undiscounted cash flows and not the contractual ones.

31 December 2018	Up to 1 month	More than 1 month to 3 Months	More than 3 months to 12 Months	More than 1 year to 5 years	Over 5 years	Total
Financial liabilities						
Due to Banks	284 780	48 160	162 975	-	-	495 915
Customers' deposits & certificates of deposits	1 920 092	240 018	152 778	1 004 160	-	3 317 048
Other liabilities	-	-	36 067	-	-	36 067
Total financial liabilities as per the contractual maturity date	**2 204 872**	**288 178**	**351 820**	**1 004 160**	**-**	**3 849 030**
Total financial assets as per the contractual maturity date	**1 261 580**	**1 163 664**	**1 282 561**	**522 599**	**448 101**	**4 678 505**

31 December 2018	Up to 1 month	More than 1 month to 3 Months	More than 3 months to 12 Months	More than 1 year to 5 years	Over 5 years	Total
Total financial liabilities as per the contractual maturity date	2 143 889	465 538	454 848	874 043	-	3 938 318
Total financial assets as per the contractual maturity date	**1 210 852**	**1 214 128**	**1 237 162**	**608 441**	**468 723**	**4 739 306**

The previous table does not include the other financial assets and liabilities, due to the lack of the sufficient data required to be distributed based on the remaining periods of the contractual dues on the financial statements date.

The available assets designated to meet all liabilities and covering the commitments related to loans include cash, balances due from Central Banks, balances due from Banks, treasury bills and other government securities, loans and facilities to Banks and customers. The settlement date of a percentage of loans granted to customers and their settlement date falls due within one year is extended through the normal course of business exercised by the Bank. In addition, there is a mortgage on some debt instruments, treasury bills and other government securities to guarantee the settlement of liabilities. The Bank is capable of meeting the unexpected net cash flows by means of selling securities and finding other ways of funding.

D- Operating risk:

The definition of operating risk comprises "the risk of a change in value caused by the fact that actual direct losses and / or indirect losses incurred due to inadequacy or failure of internal processes, systems, human factor or external events including legal risk or any operating events that impact negatively on the reputation of the Bank, the continuity of the business as a going concern and / or the market value of the Bank."

The Framework of the Operating Risk Department

The Operating Risk Department is considered as a significant part that supports the various activities of the Bank with respect to its role in identifying and assessing the relevant risks and the required controls to prevent and mitigate the operating losses in addition to participating in enhancing the competency and efficiency of utilizing the various resources of the Bank.

The policy of the operating risk department aims at laying out a general framework to consolidate its efficiency and providing support to the governance system through enlightenment and spreading the risk culture among all employees, providing complete awareness of the targets of the Operating Risk Department, how to classify risks, the difference between the operating risk and the other kinds of risks, the duties and responsibilities of management and supervision, the methods and approaches used inside the Bank for determination, measurement, reporting and follow up to limit and mitigate the operating risks.

The Operating Risk Department is concentrating its attention on the spreading of risk culture and the awareness of the importance of identifying, reviewing, examining policies, procedures and work systems, making researches to enhance systems and their security methods, the oversight controls to prevent and mitigate the operating risks. Meanwhile, the Operating Risk Department is taking the lead in cooperation with all the departments of the Bank to identify indications that give early warning concerning the events that may expose the Bank to any sort of possible risks.

The Operating Risk Department started working on establishing operating events database along with their classification that is in conformity with the standards laid out by "Basel II" Accords and the classification of operating risks stated therein. The data collection process relies on the internal operating events reports in addition to all relevant external events. The said data is used in analyzing and monitoring the root causes of the operating risks, the frequency of events, evaluating the corrective measures and the controls adopted by the Bank to prevent and mitigate the operating risks.

E- Fair value of financial assets and liabilities

Financial instruments not measured at fair value

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

	31 December 2018		31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Loans and facilities to Banks	100 000	-	150 000	-
Loans and facilities to customers: *				
- Individuals	41 667	-	37 762	-
- Corporate	1 091 061	-	1 202 375	-
Financial investments:				
- Equity instruments available for sale(unquoted)	22 148	-	22 850	-
- Held to maturity	201 585	201 932	308 390	308 488
- Investments in subsidiaries and associates	332 248	-	338 448	-
Financial liabilities Customers deposits:				
- Individuals	1 579 828	1 579 828	1 511 400	1 511 400
- Corporate	1 737 220	1 737 220	1 601 473	1 601 473

* The management did not calculate the fair value of the financial instruments measured at the amortized cost because most of them have short-term maturity and variable interest rate in addition to this, it is not expected to have differences when comparing it to fair value.

F- Capital management

The Bank's objectives behind managing the capital include elements other than equity shown in the balance sheet and they are represented in the following:

- Compliance with the legal requirements of capital in The Arab Republic of Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the Bank.
- Maintaining a strong capital base to enhance growth.

Capital adequacy and uses are reviewed on a monthly basis according to the regulatory authority's requirements (CBE) by the Bank's management through models based on Basel Committee for Banking Control instructions and these data are submitted to CBE on quarterly basis.

CBE requires the following from the Bank:

- Maintaining L.E 500 million as a minimum requirement for the issued and paid up capital.
- Maintaining a ratio between risk-weighted elements of capital, assets, contingent liabilities, market risk and operating risk including the percentage of 11.875 % as a hedging support.

The numerator in capital adequacy comprises the following two tiers:

Tier 1:

It is the primary capital comprising of paid up capital (after deducting the carrying amount of the treasury stocks) if any, retained earnings and reserves resulting from profit appropriations less any goodwill previously recognized, and any carried forward losses.

Tier 2:

It is the supplementary capital (Tier 2 Capital) that is comprised of the equivalent of the general risk provision which is formed based on the Obligor Risk Rating and Provisioning Rules issued by the Central Bank of Egypt in a manner that does not exceed 1.25% of the total risk-weighted assets and contingent liabilities, subordinated loans / deposits of more than five-year-maturity period (while amortizing 20% of their value in each year of the last five years of their maturity period) in addition to 45% of the increase resulting from the difference between the fair value and the carrying value of both financial investments available for sale and held to maturity date as well as investments in associates.

When calculating the total numerator of the capital adequacy ratio, it should be taken into consideration that the supplementary capital does not exceed in any way the primary capital and that subordinated loans (deposits) do not exceed half of the primary capital.

Assets are risk-weighted ranging from zero to 100% classified according to the nature of each asset of the debtor to reflect the credit risk associated with it and taking in consideration the cash collateral. In addition, the same treatment is used for off-balance amounts after adjustments to reflect the contingent nature and the potential loss of those amounts. The Bank has been in compliance with the local capital requirements. The following table summarizes the components of the primary and supplementary capital in addition to the capital adequacy percentages as at 31 December 2018.

	31/12/2018	31/12/2017
Tier 1 Capital (primary capital)		
Paid up capital	600 000	600 000
Reserves	215 163	207 777
Risk reserve (IFRS 9)	37 193	37 193
Retained earnings	92 604	45 469
Profits for the year	47 897	69 336
Non-controlling interest	162 253	172 343
Shareholders' dividends	-	-
Total Primary Capital	1 155 110	1 132 118
Less:		
Investments in financial institutions:		
Amount exceeding 10% of the issued capital of the company for each separate investment (shares)	(52 083)	(44 491)
Amount exceeding 10% of each fund assets for each separate investment	(4 192)	(1 612)
Subordinated loans	-	-
Intangible assets	(684)	(1 015)
Investments in non -financial institutions:		
50% of total equities exceeding 15% of the bank's common equity	-	-
Excluding:		
Balance of available for sale investments reserve at fair value	(12 206)	(116)
Foreign exchange translation difference reserve	(129 370)	(128 615)
Total Tier 1 Capital	956 575	956 269
Tier 2 Capital (primary capital)		
Impairment losses provision for performing loans & facilities	51 251	52 104
45% of the increase in the fair value of book value financial investments in the associates	-	-
45 % of positive balance of fair value reserve for financial investments	-	-
Less:		
50% of total equities exceeding 15% of the bank's common equity	-	-
Total Tier 2 Capital	51 251	52 104
Total Capital Base (1)	1 007 826	1 008 373
Risk-weighted assets & contingent liabilities		
Credit risk of included in and off-balance sheet items	5 789 318	6 289 218
Market risk - exchange rates	169 973	266 361
Operating risk	395 118	428 464
Total risk-weighted assets & contingent liabilities (2)	**6 354 409**	**6 984 043**
Capital adequacy ratio (1) / (2)	**% 15.86**	**% 14.44**

The capital adequacy ratio was applied to the balances of the consolidated financial statements based on the instructions of the Central Bank of Egypt issued on 24 December 2012.

The following table summarizes the financial leverage ratio (as a guiding ratio till the year 2018)

	31/12/2018	31/12/2017
Tier 1 Capital after disposals	956 575	956 269
Cash and Due from Central Bank	359 841	440 731
Balances due from Banks	1 574 067	1 494 134
Treasury bills & other government notes	2 385 677	2 128 362
Available for sale Investments	159 742	72 357
Held to maturity Investments	1 623 279	1 824 530
Investments in subsidiaries & associates	167 695	162 600
Loans & credit facilities granted to customers	2 464 123	2 649 004
Fixed assets (after deducting impairment losses provision and accumulated depreciation)	93 279	94 499
Other assets	142 492	135 100
The amount of exposure deducted (after disposing the first tier of the capital base)	(56 960)	(47 118)
Total exposure of banks' items in the balance sheet (after deducting the disposals of the first tier)	**8 913 235**	**8 954 199**
Letters of credit - imports	11 589	9 489
Letters of credit - exports	23 365	1 214
Letters of guarantee	84 070	80 109
Letters of guarantee upon other Banks' request or by their warranty	18 651	16 450
Bank notes	25 102	24 912
Total contingent liabilities	**162 777**	**132 174**
Total obligations	**98 061**	**84 619**
Total off- balance sheet exposure	**260 838**	**216 793**
Total balance sheet & off- balance sheet exposure (2)	**9 174 073**	**9 170 992**
Financial leverage ratio (1/2)	**% 10.43**	**% 10.43**

4- Significant accounting estimates and assumptions

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and other factors including the expectations of future events that are believed to be reasonable in the light of available circumstances & information.

4/1 -Impairment losses for loans and facilities

The Bank reviews the portfolio of loans and facilities at least quarterly. The Bank uses professional judgment in determining whether it is necessary to recognize impairment loss in the income statement, to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis. This evidence include data indicating negative changes in borrowers' portfolio ability to repay to the Bank, or local or economic circumstances related to default. On rescheduling future cash flows, Management uses the past experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss.

4/2- Impairment of available for sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial situation of the investee or its operating or financing cash flows, industry and sector performance or changes in technology.

4/3- Held-to-maturity investments

The Bank classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value not amortized cost. In addition, the classification of any investments in this item shall be suspended.

In case of suspending the use of investments classification, on the basis that they are held to maturity, the carrying value will be increased or reduced to reach the fair value through recording a contra entry in the fair value reserve included in equity.

5- Sector analysis

(A) Segmental analysis by activity

31 December 2018

	Corporate	SME'S	Investment	Individual	Other	Total
Revenue and expenses according to segmental activities						
Revenue by activity	78 618	21 610	235 808	13 417	5 368	354 821
Expenses by activity	(22 637)	(805)	-	(227 501)	-	(250 943)
Result of segment activities	55 981	20 805	235 808	(214 084)	5 368	103 878
Unclassified expenses						(64 259)
profit for the year						**39 619**
Assets and liabilities according to segmental activities						
Assets by activity	1 765 658	266 236	2 530 032	41 769	-	4 603 695
Unclassified assets						125 881
Total assets						**4 729 576**
Liabilities by activity	2 191 656	41 492	-	1 579 816	-	3 812 964
Unclassified liabilities						916 612
Total liabilities						**4 729 576**

31 December 2017

	Corporate	SME'S	Investment	Individual	Other	Total
Revenue and expenses according to segmental activities						
Revenue by activity	69 475	19 461	243 951	16 692	5 123	354 702
Expenses by activity	(24 942)	(925)	-	(188 359)	(752)	(214 978)
Result of segment activities	44 533	18 536	243 951	(171 667)	4 371	139 724
Unclassified expenses						(99 961)
profit for the year						39 763
Assets and liabilities according to segmental activities						
Assets by activity	2 157 967	148 083	2 418 640	37 857	-	4 762 547
Unclassified assets						26 947
Total assets						4 789 494
Liabilities by activity	2 333 252	47 729	-	1 511 338	-	3 892 319
Unclassified liabilities						897 175
Total liabilities						4 789 494

5 - Sector Analysis (Continued)

B- Geographical segment Analysis

31 December 2018	Greater Cairo	Alexandria	Port Said	Total
Revenues & expenses according to the geographical sectors				
- Revenues by geographical sector	354 687	1 271	127	356 085
- Expenses by geographical sector	(307 692)	(6 954)	(1 820)	(316 466)
Sector operating income	**46 995**	**(5 683)**	**(1 693)**	**39 619**
Profit (loss) for the year	46 995	(5 683)	(1 693)	39 619
Assets & liabilities according to the geographical sectors				
- Assets by geographical sector	4 713 937	13 130	2 509	4 729 576
Total assets	**4 713 937**	**13 130**	**2 509**	**4 729 576**
- Liabilities by geographical sector	4 552 157	145 167	32 252	4 729 576
Total liabilities	**4 552 157**	**145 167**	**32 252**	**4 729 576**

31 December 2017				
Revenues &expenses according to the geographical sectors				
- Revenues by geographical sector	344 412	1 676	220	346 308
- Expenses by geographical sector	(299 134)	(5 855)	(1 556)	(306 545)
Sector operating income	45 278	(4 179)	(1 336)	39 763
Profit (loss) for the year	45 278	(4 179)	(1 336)	39 763
Assets & liabilities according to the geographical sectors				
- Assets by geographical sector	4 770 824	15 580	3 090	4 789 494
Total assets	4 770 824	15 580	3 090	4 789 494
- Liabilities by geographical sector	4 618 255	134 731	36 508	4 789 494
Total liabilities	4 618 255	134 731	36 508	4 789 494

6 - Net interest income

	31/12/2018	31/12/2017
Interest from loans and similar income:		
Loans and facilities:		
- Banks	5 719	5 546
- Customers	80 077	77 410
	85 796	82 956
Bonds & treasury bills	235 815	230 653
Deposits at Banks	19 259	12 253
Total	340 870	325 862
Cost of Deposits and similar costs:		
Deposits and current accounts:		
- Banks	(19 358)	(20 714)
- Customers	(232 565)	(193 185)
Total	(251 923)	(213 899)
Net	**88 947**	**111 963**

7 - Net fees and commission income

	31/12/2018	31/12/2017
Fees and commission income:		
Fees and commissions related to credit	3 519	4 421
Custody fees	2 898	2 698
Other fees	2 382	2 774
Total	8 799	9 893
Fees and commission expenses:		
Other fees	(99)	(93)
Net	8 700	9 800

8 - Dividends income

	31/12/2018	31/12/2017
Associates	611	588
Available for sale investments	395	203
Total	1 006	791

9 - Net trading income

	31/12/2018	31/12/2017
Forex gain (loss)	1 235	3 430
Revaluation of financial instruments	11	23
Total	**1 246**	**3 453**

10 - Administrative expenses

	31/12/2018	31/12/2017
Staff costs		
Salaries & wages and benefits	35 714	37 301
The Bank's contribution in employees fund	3 747	3 723
The Bank's contribution in employees fund	-	4 991
	39 461	46 015
Fixed assets depreciation	2 129	1 666
Software amortization	626	565
Other	8 198	6 422
Total	**50 414**	**54 668**

The monthly average of the amounts paid to the twenty persons of the highest remunerations and salaries in the Bank has reached the amount of US$ 496 682 for the financial year ended as at 31 December 2018 compared to US$ 628 104 as at 2017.

11 - Other operating income (expenses)

	31/12/2018	31/12/2017
Loss of revaluation of monetary assets &monetary liabilities balances other than those classified for trading or originally classified at fair value through profit & loss	(37)	34
Other income	1 391	2 050
Other provisions / provisions no longer required	508	2 556
Other	(991)	(840)
Total	**871**	**3 800**

12 - Earnings per share

	31/12/2018	31/12/2017
Net profit for the year	39 619	39 763
Board of Directors remunerations *	(345)	(377)
Employee's profit share *	(10 065)	(9 386)
Shareholders' profit share in net profit for the year	29 209	30 000
Issued common shares	30 000	30 000
Earnings per (US$ /share)	973.63	1000.00

* Based on the figures of the proposed profits appropriations, on the condition of approving the amount by the Shareholders Ordinary General Assembly of the Bank.

13 - Cash and Due from Central Bank

	31/12/2018	31/12/2017
Cash	17 860	25 785
Due from central Bank (within the mandatory reserve percentage in EGP)	136 265	166 270
Total	**154 125**	**192 028**
Non-interest bearing balances	154 125	192 028

14 - Due from Banks

	31/12/2018	31/12/2017
Current accounts	50 031	71 735
Deposits	927 571	967 269
Total	977 602	1 039 004
Due from central Bank (other than the mandatory reserve percentage in L.E)	175 244	42 233
Local Banks	297 022	530 919
Foreign Banks	505 336	465 852
Total	977 602	1 039 004
Non- interest bearing balances	20 952	44 067
Fixed interest balances	956 650	994 937
Total	**977 602**	**1 039 004**
Current balances	977 602	1 039 004
Non-current balances	-	-
Total	**977 602**	**1 039 004**

15 - Treasury bills & other government notes

	31/12/2018	31/12/2017
30 days maturity	23 821	-
90 days maturity	88 775	-
180 days maturity	-	14 102
270 days maturity	2 791	286 839
364 days maturity	1 863 106	1 333 040
Total	1 978 493	1 633 981
Less: unearned interest	(113 967)	(79 640)
Total	**1 864 526**	**1 554 341**

16 - Loans and facilities to banks

	31/12/2018	31/12/2017
Subordinated loans	100 000	150 000
Total	**100 000**	**150 000**
Current balances		50 000
Non-current balances	100 000	100 000
Total	100 000	150 000

On December 13, 2012, the Board of Directors of the Bank, approved a subordinated loan amounting to US$ 50 million to support the capital base of tier 2 capital, of Société Arabe Internationale de Banque (SAIB) (one of AIB subsidiaries) upon calculating the percentage of capital adequacy to maintain the percentage required by the Central Bank of Egypt.
The term of this loan is five years, starting from 25 March 2013 to 28 February 2018. The total amount of the loan would be paid at the end of the loan term and it was paid on maturity date.
The annual interest rate of the loan 0.25 % (point twenty five percent) is calculated over six month LIBOR rate and the interest is paid every six months.

On October 1, 2015, the Board of Directors of the Bank, approved a subordinated loan that amounted to US$ 50 million to support the capital base of tier 2 capital, of Société Arabe Internationale de Banque (SAIB) (one of AIB subsidiaries) upon calculating the percentage of capital adequacy to maintain the percentage required by the Central Bank of Egypt.

The term of this loan is five years, starting from November 4, 2015 to November 3, 2020. The total amount of the loan will be paid in full at the end of the loan term.
The annual interest rate of the loan 2.5 % (two-point five percent) is calculated over six month LIBOR rate and the interest is to be paid every six months.

On October 24, 2016, the Board of Directors of the Bank, approved a subordinated loan that amounted to US$ 50 million to support the capital base of tier 2 capital, of Société Arabe Internationale de Banque (SAIB) (one of AIB subsidiaries) upon calculating the percentage of capital adequacy to maintain the percentage required by the Central Bank of Egypt.

The term of this loan is five years, starting from November 2, 2016 to November 1, 2021. The total amount of the loan will be paid in full at the end of the loan term.
The annual interest rate of the loan 4 % (four percent) is calculated over six month LIBOR rate and the interest is to be paid every six months.

17 - Loans and facilities to customers

	31/12/2018	31/12/2017
Individuals		
Personal loans	40 835	36 921
Debit current accounts	108	293
Credit cards	724	548
Total (1)	41 667	37 762
Corporate loans including small loans granted for economic activities:		
Direct loans	806 250	886 494
Syndicated loans	283 352	314 465
Debit current accounts	1 459	1 416
Total (2)	1 091 061	1 202 375
Total loans and facilities to customers & banks (1+2)	1 132 728	1 240 137
Less: provisions for impairment losses	(171 256)	(161 667)
Net	**961 472**	**1 078 470**
Total Loans and Facilities distributed as follows:		
Current balances	872 813	817 575
Non-current balance	259 915	422 562
Total	**1 132 728**	**1 240 137**

Provision for impairment losses

The Provision for impairment losses movement analysis for loans and facilities to customers

	31/12/2018	31/12/2017
Beginning balance	161 667	125 388
Impairment charge during the year	10 089	36 136
Foreign exchange differences	(511)	81
Written off loans during the period	-	(27)
Proceeds from previously written off loans	11	89
Ending balance	**171 256**	**161 667**
Retail	663	794
Corporates	170 593	160 873
Total	171 256	161 667

18 - Financial investments

	31/12/2018	31/12/2017
A- At fair value through profit or loss		
Balance	352	633
Disposals	(28)	(304)
Change in the fair value	11	23
Total financial investments at fair value through profit or loss (A)	335	352
B- Available for sale investments		
Equity instruments measured at fair value:		
Quoted	314	223
Unquoted	22 148	22 850
Mutual funds	1 721	1 783
Total Available for sale investment (B)	24 183	24 856
C- Held to maturity investments		
Equity instrument at amortized cost	201 585	308 390
Total financial investments held to maturity (C)	201 585	308 390
Total Financial investments (A+B+C)	226 103	333 598
- Current balances	6 054	-
- Non-current balances	220 049	333 598
Balance	**226 103**	**333 598**
Fixed interest debt instruments	201 585	308 390
Balance	201 585	308 390

The available for sale investments and held to maturity investments as follows:

	Available for sale	Held to maturity	TOTAL
Balance at 1/1/2018	24 856	308 390	333 246
Impairment loss	(701)	-	(701)
Additions	-	-	-
Disposals	-	(103 856)	(103 856)
Amortized premium/ discount for shares	-	(316)	(316)
Foreign currency revaluation differences	-	(2 633)	(2 633)
Change in fair value (Note 27)	28	-	28
Balance as at 31/12/2018	**24 183**	**201 585**	**225 768**
Balance as at 1/1/2017	34 077	234 154	268 231
Additions	-	68 852	68 852
Disposals	(8 632)	-	(8 632)
Amortized premium/ discount for shares	-	(586)	(586)
Foreign currency revaluation differences	-	5 970	5 970
Change in fair value (Note 27)	(589)	-	(589)
Balance at 31/12/2017	24 856	308 390	333 246

Loss (Gain) from financial investments

	31/12/2018	31/12/2017
Loss (gain) on the sale of available for sale investments	(648)	1457
Balance at the end of the year	(648)	1457

19 - Investments in subsidiaries and associates

Equity participations are represented in associates and subsidiaries as follows:

December 31, 2018

First: Subsidiaries:

Name of Company	Total Assets	Total Liabilities (without equity)	Revenues	Net Profit (loss)	Region	Balance as at 1/1/2018	Balance as at 31/12/2018	Share %
Societe Arab International de Banque (SAIB) *	4 536 988	4 230 179	539 751	(7 508)	A.R. E	**79 815**	**79 815**	**50.435%***
Compagnie Arab De Financement International « CAFI »	9 488	9	34	(57)	Luxembourg	**5 108**	**5 108**	**89.04%**
Total subsidiaries						**84 923**	**84 923**	

Second: Associates:

Name of Company	Total Assets	Total Liabilities (without equity)	Revenues	Net Profit (loss)	Region	Balance as at 1/1/2018	Balance as at 31/12/2018	Share %
Suez Canal Co. For Technology	95 538	27 053	2 188	1 155	A.R. E	**30 987**	**30 987**	**24.08%**
International Company for Tourist Investments (ICTI)	96 573	7 086	17 705	8 806	A.R. E	**13 000**	**6 800**	**20.00%**
World Trade Centre (WTC) **	145 141	12 592	2 047	1 132	A.R. E	**60 000**	**60 000**	**50.00%**
Suez Canal Bank (CSB)	2 646 611	2 485 609	271 265	23 456	A.R. E	**149 538**	**149 538**	**41.50%**
Total associates						**253 525**	**247 325**	

Total subsidiaries & associates						**338 448**	**332 248**	

*The participation of the Bank in the capital of Compagnie Arab De Financement International « CAFI » amounted to 89.043 % and the direct participation of the Bank in the capital of Societe Arab International de Banque (SAIB) amounted to 46.075 % while the indirect participation of the Bank through Compagnie Arab De Financement International « CAFI» in the capital of Societe Arab International de Banque (SAIB) amounted to 4.36% and thus the overall direct and indirect participation of the Bank amounted to 50.435%.

**The Bank participation in the capital of the World Trade Centre (WTC) Company amounted to 50% and the Bank does not have control over the Company, hence, the investment in the World Trade Centre (WTC) is considered as an investment in associates.

December 31, 2017

First: Subsidiaries:

Name of Company	Total Assets	Total Liabilities (without equity)	Revenues	Net Profit (loss)	Region	Balance as at 1/1/2017	Balance as at 31/12/2017	Share %
Societe Arab International de Banque (SAIB)	4 686 640	4 359 491	530 190	36 416	A.R.E	**79 815**	**79 815**	**50.435%***
Compagnie Arab De Financement International « CAFI »	9 684	132	27	(16)	Luxembourg	**5 108**	**5 108**	**89.04%**
Total subsidiaries						**84 923**	**84 923**	

Second: Associates:

Name of Company	Total Assets	Total Liabilities (without equity)	Revenues	Net Profit (loss)	Region	Balance as at 1/1/2017	Balance as at 31/12/2017	Share %
Suez Canal Co. For Technology	98 979	29 763	6 141	2 604	A.R. E	**31 684**	**30 987**	**% 24.08**
International Company for Tourist Investments (ICTI)	120 234	7 149	20 231	8 200	A.R. E	**13 000**	**13 000**	**% 20.00**
World Trade Centre (WTC)	144 555	11 923	2 820	1 832	A.R. E	**60 000**	**60 000**	**% 50.00**
Suez Canal Bank (CSB)	2 253 894	2 117 027	206 928	20 069	A.R. E	**149 538**	**149 538**	**% 41.50**
Total associates						**254 222**	**253 525**	

Total subsidiaries & associates						**339 145**	**338 448**	

20 - Intangible Asset

	31/12/2018	31/12/2017
Net book value at the beginning of the year	991	1 198
Additions	297	358
Amortization cost	(626)	(565)
Net book value at the end of the year	662	991
Cost	2 038	1 741
Accumulated amortization	(1 376)	(750)
Net book value at the end of the year	**662**	**991**

21 - Other Assets

	31/12/2018	31/12/2017
Accrued revenue	21 298	22 171
Accrued dividends	1 170	1 310
Prepaid expenses	3 053	2 000
Prepaid amounts to employees under the account of profits appropriations	7 897	7 369
Advance payments to purchase fixed assets	14 763	10 970
Assets reverted to the Bank in return for customers debts	1 334	4 581
Other balances	24 748	16 850
Total	**74 263**	**65 251**
(Impairment)	(11 834)	(11 834)
Net	**62 429**	**53 417**

22 - Fixed Assets

	_Land	Buildings & Improvements	Furniture Fittings & Office Equipment	Vehicles	Computers	Total
Balance as at 1/1/2018	29 535	16 181	1 639	290	1 552	49 197
Additions	-	506	535	-	2 311	3 352
Disposals	-	(2)	-	-	(9)	(11)
Depreciation during the year	-	(946)	(286)	(89)	(808)	(2 129)
Net Book Value at 31/12/2018	**29 535**	**15 739**	**1 888**	**201**	**3 046**	**50 409**
Net Book Value at 31/12/2017	29 535	16 181	1 639	290	1 552	49 197

	Land	Buildings & Improvements	Furniture Fittings & Office Equipment	Vehicles	Computers	Total
Balance as at 1/1/2017	29 535	15 545	1 547	382	1 204	48 213
Additions	-	1 513	379	2	861	2 755
Disposals	-	(12)	(45)	-	(48)	(105)
Depreciation during the year	-	(865)	(242)	(94)	(465)	(1 666)
Net Book Value at 31/12/2017	29 535	16 181	1 639	290	1 552	49 197
Net Book Value at 31/12/2016	29 535	15 545	1 547	382	1 204	48 213

23 - Due to Banks

	31/12/2018	31/12/2017
Current Accounts	142 441	180 970
Deposits	353 474	603 467
Balance	**495 915**	**784 437**
Local Banks	269 587	332 928
Foreign Banks	226 328	451 509
Balance	**495 915**	**784 437**
Non - Interest Bearing Balances	43 102	51 997
Interest Bearing Balances	452 813	732 440
Balance	**495 915**	**784 437**
Current balance	495 915	652 459
Non – current balance	-	131 978
Total	**495 915**	**784 437**

24 - Customers' deposits

	31/12/2018	31/12/2017
Demand deposits (current accounts)	175 086	182 936
Time and call deposits	2 424 964	2 281 863
Certificates of deposits	376 110	323 299
Saving deposits	303 497	309 963
Other deposits	37 391	14 812
	3 317 048	3 112 873
Corporate deposits	1 737 220	1 601 473
Retail deposits	1 579 828	1 511 400
Balance	3 317 048	3 112 873
Non-interest-bearing balances	109 837	100 012
Fixed interest-bearing balances	3 162 996	2 970 755
Variable interest-bearing balances	44 215	42 106
Balance	3 317 048	3 112 873
Current balances	2 238 954	2 166 091
Non-current balances	1 078 094	946 782
Balance	3 317 048	3 112 873

25 - Other liabilities

	31/12/2018	31/12/2017
Accrued interest	18 095	21 660
Unearned revenues	1 195	1 811
Pension Fund	2 103	4 144
Employees' alternative benefit plan	8 180	7 948
Other credit balance	6 494	5 445
Balance	**36 067**	**41 008**

26 - Other Provisions

31/12/2018

	Beginning of the year balance	Exchange differences	Formed (Released) during the year	Used during the year	Year ending balance
Provision for Claims	669	-	133	-	802
Provision for contingencies	3 755	(6)	(641)	-	3 108
Total	**4 424**	**(6)**	**(508)**	**-**	**3 910**

31/12/2017

	Beginning of the year balance	Exchange differences	Formed (Released) during the year	Used during the year	Year ending balance
Provision for Claims	1 959	-	(1 290)	-	669
Provision for contingencies	4 797	24	(1 066)	-	3 755
Provision for Banking Operation	200	-	(200)	-	-
Total	**6 956**	**24**	**(2 556)**	**-**	**4 424**

27 - Owners' Equity

A- Paid in Capital

The Issued Capital as at December 31, 2015 amounted to US$ 600 Million distributed over 30 000 common shares of US$ 20 000 each and the paid-up capital amounted to US$ 450 Million. On September 6, 2016, the Board of Directors of the Bank decided to call up the second and last portion of the issued capital increase that amounted to US$ 150 million paid as at September 30, 2016.

Thus, the issued and paid in capital of the Bank became US$ 600 million as at December 31, 2018 that is distributed over 30,000 common shares whose value is US$ 20 000 each.

The subscribed share capital is as follows:

	No. Of shares	Nominal value	%	Paid
Arab Republic of Egypt	11 628	232 560	38,76	232 560
Libya	11 628	232 560	38,76	232 560
Abu Dhabi Investment Authority	3 751	75 020	12,503	75 020
State of Qatar	1 495	29 900	4,984	29 900
State General Reserve Fund of Sultanate of Oman	747	14 940	2,49	14 940
International Capital Trading Co.	751	15 020	2,503	15 020
Total	**30 000**	**600 000**	**100**	**600 000**

B- Reserves

	31/12/2018	31/12/2017
Legal Reserve (Analytical Note No. B-1)	122 680	117 134
General Reserve	73 582	73 582
Risk reserve (IFRS 9)*	26 429	26 429
Fair value reserve of investments available for sale (Note No. B-2)	716	688
Total of reserve at the end of the year	**223 407**	**217 833**

*Risk reserve was formed based on (IFRS9) at a rate of 1% of the total credit risks weighted by the risk classes and taken from the net profit for the financial year ended as at December 31, 2017 IN accordance with the instructions of the Central Bank of Egypt issued as at January 28, 2018 and shall not be utilized unless an approval is given by the Central Bank of Egypt.

(B-1) Legal Reserve

	31/12/2018	31/12/2017
Balance at the beginning of the year	117 134	113 248
Transfer from net profit of the year	5 546	3 886
Balance at the end of the year	**122 680**	**117 134**

(B-2) Fair value reserve of investments available for sale

	31/12/2018	31/12/2017
Balance at the beginning of the year	688	1 277
Transfer to income statement from selling of available for sale investmentsç	-	(1 325)
Net (profit) losses of change in investments available for sale fair value (Note No. 18)	28	736
Balance at the end of the year	**716**	**688**

C- Retained earnings

	31/12/2018	31/12/2017
Balance at the beginning of the year	28 919	31 270
Net profit of the year	39 619	39 763
Employees' profit share	(9 386)	(8 700)
Board of Directors remunerations	(377)	(3 099)
Transferred to legal reserve	(5 546)	(3 886)
Transferred to IFRS9 reserve	-	(26 429)
Balance at the end of the year	**53 229**	**28 919**

28 - Cash and cash equivalents

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

	31/12/2018	31/12/2017
Cash on hand	17 860	25 758
Balances with Banks	914 627	907 026
Treasury bills	111 276	-
End of year balance	**1 043 763**	**932 784**

29 - Commitments and contingent liabilities

A- Legal claims

There are lawsuits filed against the Bank as at 31 December 2018, provisions were made for these lawsuits amounting to US$ 802 thousand.

B- Commitments for loans, guarantees and facilities

	31/12/2018	31/12/2017
Letters of guarantee	65 363	79 225
Letters of Credit (export & import)	23 304	13 537
Commitments for corporate loans	-	1 514
Total	**88 667**	**94 276**

30 - Related parties' transactions

Transactions with related parties have been conducted at arm's length in accordance with the norms and the normal course of banking rules in practice. Related parties' transactions and balances at the end of the financial year are as follows:

A- Loans & facilities to related parties

	Associates	
	31/12/2018	31/12/2017
Loans and facilities to customers & banks		
Outstanding loans at the beginning of the year	150 000	154 991
Loans issued during the financial year	4 991	-
Loans paid during the financial year	(50 000)	(4 991)
Outstanding loans at the end of the year	**104 991**	**150 000**

B- Deposits from related parties

	Associates	
	31/12/2018	31/12/2017
Deposits at the beginning of the year	120 919	102 336
Deposits issued during the financial year	10 815	18 605
Deposits refunded during the financial year	(92)	(22)
Deposits at the end of the year	131 642	120 919

C- Other

	31/12/2018	31/12/2017
Balances due from Banks	1 096	9 611
Balances due to Banks	314 659	582 188

31 - Employees' Pension fund

The Bank has a funded defined benefit contributory pension plan covering all full-time employees until 17 April 2008. The benefits provided by the plan are determined by the Board of Directors. The value of the vested benefit liability according to the plan and the adequacy of the reserve are annually determined by an Actuarial scientist. On 8 December 2013, the Board of Directors of the Bank, approved the optional Early Retirement Plan based on the new conditions and benefits instead of the adopted regulations of the end of service compensation, social insurance and pension plan program by disassociation from the Bank and the Employees' Fund (without pension) provided that the proposed benefits shall be granted based on the insurance wage as of 31 December 2013.In addition, the Bank shall finance the Employees' Fund by a subordinated loan amounting about US$ 55 million that represents the difference between the total employees' benefits amounts after being granted the additional benefits of the optional Early Retirement according to the regulations and the actuarial reserve allocated for such age categories. The settlement of the subordinated loan occupies the second priority after the fulfillment of the Fund's obligations that are established upon the actuarial calculations while taking into consideration that the balance of the subordinated loan is included in the assets of the Fund that are allocated for the fulfillment of its obligations. The subordinated loan balance shall be discounted on a monthly basis with an amount equivalent to the surplus resulting from the optional Early Retirement Plan.

The share of the year of the surplus resulting from the implementation of the Voluntarily Early Retirement Plan as at 31 December 2017 was calculated and amounted to US$ 4 991 thousand, hence, the subordinated loan granted to the Employees' Pension Fund was reduced by the same amount of the surplus share for the year 2017. Based on the Actuary's Report issued in 2017, the Bank postponed the payment of the last portion of the subordinated loan paid in 2017 (reverse of amounts previously paid during the year 2017) and reimbursed the amount to the pension reserve fund as of December 31, 2017 provided that the said portion of the subordinated loan shall be settled during the coming years when the pension reserve fund is capable of fulfilling the said obligation as recommended by the actuary.

The employees' pension reserve fund on December 31, 2018 amounted to US$ 97 909 thousand corresponding to US$ 92 158 thousand as at December 31, 2017. The Actuary's Report stated that there is no deficit in the pension reserve fund on December 31, 2017, after the completion of the realized actual investment return difference that amounted to US$ 103 thousand in order to reach the minimum limit that should be achieved at a rate of 6% of the total reserve fund in addition to a deficit that amounted to US$ 4 797 thousand which represents the cost of employees promotions of the years 2017 and 2018, along with the postponement of settlement of the last portion of the subordinated loan, that amounted to US$ 4 991 thousand and adding its value to the pension reserve fund.

The Actuary's Report also stated that in case of an increase in the investment return rate guaranteed by the Bank to 7% instead of 6%, there will be a surplus in the employees fund amounting to US$ 3 141 thousand after covering the realized investment return difference for the year 2018 by the Bank that was previously referred to with an amount of US$ 2 103 thousand. On 23/6/2019, the Board of Directors of the Bank approved the increase of the investment return rate of the employee's fund that is guaranteed by the Bank to become 7% instead of 6%.

It is worth mentioning that Employees' Pension Fund has been supported by US$ 2 103 thousand that represents the investment return difference referred to in the Actuary's Report and deducted from the income statement of this year, along with the postponement of settlement of the last portion of the subordinated loan, that amounted to US$ 4 991 thousand and adding its value to the Employees' Pension reserve fund provided that the said portion will be settled during the following years when the pension reserve fund is quite sufficient to cover such settlement according to the directives of the Actuary Expert referred to above.

32 - Significant events

(IFRS 9) International Financial Reporting Standard No. 9 (financial instruments)

On February 28, 2018, the Central Bank of Egypt issued its instructions to get the banks prepared for applying IFRS 9 (International Financial Reporting Standard No. 9 For the purpose of supporting the financial positions of the banks to encounter the expected increase in the volume of provisions as a result of adopting the approach of the Expected Credit Losses (ECLs) that takes into consideration the future outlook of the economic conditions. Hence, the Central Bank of Egypt obligated the banks to form a Risk Reserve based on IFRS 9 at a rate of 1% of the risk-weighted total credit that is to be taken from the net profit for the year 2017 provided that it shall be included in the core capital item of the capital base and shall not be utilized unless an approval is given by the Central Bank of Egypt.

Accordingly, the Bank formed a Risk Reserve (based on IFRS9) with an amount of US$ 26 429 thousand at a rate of 1% of the risk-weighted total credit and included in the proposed profits appropriations for the financial year ended as at December 31, 2017.

As of January 2019:

Applying the International Financial Reporting Standard No. 9 (Financial Instruments) shall require reviewing the accounting policies and regulatory measures while taking into account that such changes of policies and measures are still under development and have not been completed yet.

The Bank is currently testing and assessing the regulatory measures related to IT Systems and the necessary changes within the recent governance framework.

It is worth mentioning that the new policies, estimates and assumptions relevant to the International Financial Reporting Standard No. 9 (Financial Instruments) are still exposed to reconsideration during the year 2018 to enable the Bank to finalize the issuance of the official financial statements in accordance with (IFRS 9) as of January 2019.

The International Financial Reporting Standard No. 9 (Financial Instruments) includes new classifications and change in the bases of financial assets measurement that reflect the business models according to which such assets shall be managed, and their relevant cash flows characteristics shall be treated.

Expected Credit Losses (ECLs):

The International Financial Reporting Standard No. 9 (Financial Instruments) replaced the concept of loss event by expected loss that include future outlook to estimate the losses prior to their occurrence. This concept requires wider and greater professional judgments based on estimates regarding the impact of the economic conditions on the Expected Credit Losses (ECLs).

Business Models

The Bank determines the business models through which it maintains the financial assets on the portfolio level in a manner that reflects the best approach to manage the portfolio and provide information to the management.

The said information includes the following:

The approved policy for each portfolio in a manner that is in agreement with the management strategy.

The International Financial Reporting Standard No. 9 (Financial Instruments) includes three main classifications for financial assets and they are as follows:

Assets held at amortized cost.

Assets held at fair value through the items of other comprehensive income.

Assets held at fair value through income statement.

However, the International Financial Reporting Standard No. 9 (Financial Instruments) revoked the classifications of financial assets classified as held to maturity, loans and debts available for sale.

33 - Adjustments of previous years

The balances of comparative figures represented in the balances of the financial year ended as at December 31, 2017 were adjusted in addition to the opening balances of the comparative figures to be in compliance with the requirements of the Egyptian Accounting Standard No. (5) "Accounting Policies, Changes in Accounting Estimates and Errors" in order to make the financial statements of the financial year ended as at December 31, 2018 in agreement with the requirements of the Egyptian Accounting Standard No. (17) "Consolidated and Separate Financial Statements".

33/1 Adjustments introduced to opening balances based on comparative figures

Per thousand US$

Item	1/1/2017 Before adjustment	Amount of adjustment	1/1/2017 After adjustment
Assets			
Financial investments in subsidiaries & associates	453 374	(114 229)	339 145
Equity			
Reserve for change of equity in subsidiaries & associates	52 873	(52 873)	-
Retained earnings	92 626	(61 356)	31 270
		(114 229)	

*The adjustments of the opening balances of the comparative figures are represented in the reduction of the investment balances in subsidiaries and associates at the value added upon applying the equity method when accounting for investments in subsidiaries and associates due to the fact that the Arab International Bank did not prepare consolidated financial statements in previous years. As a result of preparing, the consolidated financial statements starting from the financial period ended as at January 2018, all investments in subsidiaries and associates were recorded at cost and all the amounts added to their balances have been derecognized using the equity method of accounting and deducted from the balances of reserve for change in equity ownership of associates and retained earnings.

33/2 Adjustments of Comparative figures

Per thousand US$

Item	31/12/2017 Before adjustment	Amount of adjustment	31/12/2017 After adjustment
Assets			
Financial investments in subsidiaries & associates	473 907	(135 459)	338 448
Debit balances & other assets	52 829	588	53 417
		(134 871)	
Equity			
Reserve for change of equity in associates	57 814	(57 814)	-
Retained earnings	105 976	(77 057)	28 919
		(134 871)	

* The adjustments of the comparative figures are represented in the reduction of the investment balances in subsidiaries and associates at the value added upon applying the equity method when accounting for investments in subsidiaries and associates due to the fact that the Arab International Bank did not prepare consolidated financial statements in previous years. As a result of preparing, the consolidated financial statements starting from the financial period ended as at 31 March 2018, all investments in subsidiaries and associates were recorded at cost and all the amounts added to their balances have been derecognized using the equity method of accounting and deducted from the reserve for change in equity ownership of associates and retained earnings balance.

Second:
Consolidated Financial Statements


+0.45
-0.25
+0.20

PricewaterhouseCoopers Ezzeldeen Diab & Co.
Public Accountants

BDO Khaled & Co.
Public Accountants and Consultants

Independent Auditors' Report on the Consolidated Financial Statements

To The Shareholders of Arab International Bank

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Arab International Bank (the "Group"), which comprise the consolidated balance sheet as at 31 December 2018 and the related consolidated statements of income, changes in equity, and cash flows for the financial year then ended, and a summary of significant accounting policies and other notes.

Management' Responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of Group's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the rules, pertaining to the preparation and presentation of the banks' financial statements and measurement and recognition bases approved by the Board of Directors of Central Bank of Egypt on 16 December 2008 and in the light of the prevailing Egyptian laws. Management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; management 's 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

To The Shareholders of Arab International Bank

Page (2)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arab International Bank as at 31 December 2018, and its consolidated financial performance and consolidated cash flows for the financial year then ended, in accordance with the rules, pertaining to the preparation and presentation of the banks ' financial statements and measurement and recognition bases approved by the Board of Directors of Central Bank of Egypt on 16 December 2008 and the Egyptian laws and regulations related to the preparation of these consolidated financial statements.

Auditors

Dr. Ahmed Salah Rashwan	Ahmed Maher Tahoon
Fellow of the Egyptian Society of Accountants &Auditors, CPA	Member of the Egyptian Society of Accountants & Auditors
Accountants and Auditors Register no 11240	Fellow of the Egyptian Tax Society
PricewaterhouseCoopers Ezzeldeen, Diab & Co.	Accountants and Auditors Register no 16937
Public Accountants	A.S.A Register no1634 BDO Khaled & Co.

Cairo, 24 June 2019

Consolidated Balance Sheet as at December 31, 2018

(All amounts are presented in thousand US$)

	Note No.	31/12/2018	31/12/2017	01/1/2017
Assets				
Cash and due from Central Bank	(12)	359 841	440 731	290 669
Due from banks	(13)	1 538 390	1 445 102	986 595
Treasury bills	(14)	2 385 677	2 128 362	2 232 039
Loans and facilities to banks	(15)	35 677	49 032	-
Loans and facilities to customers	(16)	2 395 488	2 647 808	2 480 437
Financial investments				
- At fair value through profit and loss	(17)	335	352	633
- Available for sale	(17)	159 407	72 005	218 682
- Held to maturity	(17)	1 623 279	1 824 530	1 725 213
Investments in associates	(18)	167 695	162 600	148 198
Intangible assets	(19)	684	1 015	1 223
Other assets	(20)	141 808	134 085	123 452
Fixed assets	(21)	93 279	94 499	86 248
Total assets		**8 901 560**	**9 000 121**	**8 293 389**
Liabilities & Equity				
Liabilities				
Due to Banks	(22)	497 386	920 143	1 063 778
Customers› deposits	(23)	7 170 540	6 852 595	6 139 230
Other loans	(24)	98 017	88 119	11 323
Other liabilities	(25)	104 280	130 366	136 191
Other provisions	(26)	9 037	7 491	19 026
Deferred tax liability	(27)	991	594	438
Total liabilities		7 880 251	7 999 308	7 369 986
Equity				
Paid-up capital	(31 - A)	600 000	600 000	600 000
Reserves	(31 - B)	247 924	242 103	194 276
Foreign exchange translation differences	(31 - C)	(129 369)	(128 438)	(131 486)
Retained earnings	(31 - D)	140 501	114 805	105 593
Total AIB shareholders› equity		859 056	828 470	768 383
Minority interest / Non-controlling interest		162 253	172 343	155 020
Total equity		**1 021 309**	**1 000 813**	**923 403**
Total liabilities and equity		**8 901 560**	**9 000 121**	**8 293 389**

*The accompanying notes from page (7) to (61) are an integral part of these financial statements and to be read therewith .

- Audit report attached

Gamal Zaghloul
CFO

Mohamed Barakat
Deputy Chairman &
Managing Director

Hisham Ramez
Chairman &
Managing Director

Cairo at 23/6/2019

*For the purpose of presenting the annual report the notes to this financial statements are attached from page no. (114) to page no. (160)

Consolidated Income Statement

For the Financial Year ended December 31, 2018

(All amounts are presented in thousand US$)

	Note No.	31/12/2018	31/12/2017
Interest from loans and similar income	(5)	841 288	800 982
Interest on deposits and similar expenses	(5)	(677 024)	(583 244)
Net Interest Income		**164 264**	**217 738**
Fees and commissions income	(6)	39 405	43 067
Fees and commissions expenses	(6)	(1 813)	(1 761)
Net Income from Fees and commissions		**37 592**	**41 306**
Dividends income	(7)	1 875	1 063
Net trading income	(8)	5 778	8 240
Losses from financial investments	(17)	(7 372)	(3 340)
Impairment of credit losses	(16)	(14 012)	(38 023)
Administrative expenses	(9)	(111 952)	(116 263)
Other operating (expenses) revenues	(10)	(2 972)	12 446
Gains from investments in associates		12 096	11 108
Profits before tax		85 297	134 275
Income tax	(11)	(41 130)	(46 891)
Profit For The Year		44 167	87 384
(Minority interest/ Non-controlling interest - Profits losses)		(3 730)	18 048
AIB shareholders› share		47 897	69 336
Profit For The Year		44 167	87 384

*The accompanying notes from page (7) to (61) are an integral part of these financial statements and to be read therewith.

Gamal Zaghloul
CFO
Cairo at 23/6/2019

Mohamed Barakat
Deputy Chairman &
Managing Director

Hisham Ramez
Chairman &
Managing Director

*For the purpose of presenting the annual report the notes to this financial statements are attached from page no. (114) to page no. (160)

Consolidated Statement Of Cash Flows

For the Financial Year ended December 31, 2018

(All amounts are presented in thousand US$)

	Note No.	31/12/2018	31/12/2017
Cash flows from operating activities			
Net Profit for the year		85 297	134 275
Adjustments to reconcile net profit to net cash provided from operating activities			
Depreciation & ammortization		10 415	8 365
Impairment of credit losses		14 012	38 023
Other provisions formed (released)		2 506	(11 672)
Dividends received		(1 875)	(1 063)
Foreign currencies revaluation of other provisions		(43)	137
Foreign currencies revaluation of financial investments		17 951	(55 168)
Profits from sale of fixed assets		(133)	(8)
Change in fair value of financial investments at fair value through profit and loss		(11)	(23)
Reverse of impairment loss of financial investments held to maturity		-	(164)
Impairment of financial investments		701	358
Profits from sale of investments available for sale		7 361	3 504
Bonds premium from available for sale and held to maturity investments		5	(213)
Bonds discount from available for sale and held to maturity investments		(5 614)	(5 244)
Provisions used during the year		(917)	
Translation difference		(1 104)	3 876
Profits from investments in associates		(12 096)	(11 108)
Operating profits before changes in assets & liabilities provided from operating activities		116 455	103 875
Net change in assets & liabilities			
Due from Banks		108 035	(332 960)
Treasury bills of more than three months maturity		42 089	(301 209)
Loans and facilities to Banks and customer's		251 663	(254 426)
Other assets		(7 723)	(10 633)
Due to Banks		(422 757)	(143 635)
Customer's deposits		317 945	713 365
Other liabilities		(26 086)	(5 825)
Income tax paid		(40 732)	(46 737)
Net cash flows provided from (used in) operating activities (1)		**338 889**	**(278 185)**
Cash flows from Investing Activities			
Payments to acquire fixed assets and fixtures of branches		(8 875)	(16 512)
(Payments) /proceeds from financial investments available for sale		(100 879)	154 815
Proceeds /(payments) from financial investments held to maturity		189 019	(40 391)
Proceeds from financial investments at fair value through profit and loss		28	304
Proceeds from fixed assets sale		144	113
Dividends received		1 875	1 063
Proceeds from associates		7 001	(3 294)
Net cash flows provided from investing activities (2)		**88 313**	**96 098**
Cash flow from Financing Activities			
Collected from other loans		9 898	76 796
Dividends paid		(17 263)	(23 986)
Net cash flows (used in) provided from financing activities (3)		(7 365)	52 810
Net Increase (decrease) in cash & cash equivalents during the year (1)+(2)+(3)		**419 837**	**(129 277)**
Cash & cash equivalents at the beginning of the year		**1 894 348**	**2 023 625**
Cash & cash equivalents at the end of the year		**2 314 185**	**1 894 348**
Cash & cash equivalents are represented as:			
Cash and due from the Central Bank	(12)	359 841	440 731
Due from Banks	(13)	1 538 390	1 445 102
Treasury bills	(14)	2 385 677	2 128 362
Due from the Central Bank (within the mandatory reserve percentage)		(300 205)	(371 437)
Due from Banks of more than three months maturity		(272 975)	(309 778)
Treasury bills of more than three months maturity		(1 396 543)	(1 438 632)
Cash & cash equivalents	**(28)**	**2 314 185**	**1 894 348**

*The accompanying notes from page (7) to (61) are an integral part of these financial statements and to be read therewith.

*For the purpose of presenting the annual report the notes to this financial statements are attached from page no. (114) to page no. (160)

Consolidated Statement of Changes in Shareholders' Equity

For the Financial Year ended December 31, 2018

	Paid in Capital	Legal reserve	General reserve	Capital reserve	Special reserve
Balance as at 31 December, 2016	**600 000**	**113 293**	**86 569**	**567**	**1 683**
Transferred to legal reserve	_	6 333	_	_	_
Transferred to general reserve	_	_	1 009	_	_
Transferred to capital reserve	_	_	_	6	_
Transferred to General banking risk reserve	_	_	_	_	_
Net change in fair value of available for sale investments	_	_	_	_	_
Amortization of fair value reserve for bonds reclassified from available for sale investments into investments held to maturity	_	_	_	_	_
(IFRS 9) reserve	_	_	_	_	_
Dividends for 2016	_	_	_	_	_
Foreign exchange translation differences	_	_	_	_	_
Net profit of the year	_	_	_	_	_
Balance as at 31 December, 2017	**600 000**	**119 626**	**87 578**	**573**	**1 683**
Balance as at 31 December, 2017	600 000	119 626	87 578	573	1 683
Transferred to legal reserve	_	7 382	_	_	_
Transferred to General banking risk reserve	_	_	_	_	_
Dividends for 2017	_	_	_	_	_
Transferred to capital reserve	_	_	_	4	_
Net change in fair value of available for sale investments	_	_	_	_	_
Amortization of fair value reserve for bonds reclassified from financial investments	_	_	_	_	_
Foreign exchange translation differences	_	_	_	_	_
Net profit of the year	_	_	_	_	_
Balance as at 31 December, 2018	**600 000**	**127 008**	**87 578**	**577**	**1 683**

*The accompanying notes from page (7) to (61) are an integral part of these financial statements and to be read therewith.

*For the purpose of presenting the annual report the notes to this financial statements are attached from page no. (114) to page no. (160)

(All amounts are presented in thousand US$)

	Investments available for sale fair value reserve	General banking risk reserve	(IFRS 9) reserve	Foreign Exchange reserve	Retained earnings	Total Shareholders' Equity	Minority interest / non-con-trolling interest	Total
	(13 072)	**5 236**	_	**(131 486)**	**105 593**	**768 383**	**155 020**	**923 403**
	_	_	_	_	(6 333)	_	_	-
	_	_	_	_	(1 009)	_	_	-
	_	_	_	_	(6)	_	_	-
	_	(1 534)	_	_	1 534	_	_	-
	665	_	_	_	_	665	1 232	1 897
	4 155	_	_	_	_	4 155	4 084	8 239
	_	_	37 193	_	(37 193)	_	_	-
	_	_	_	_	(17 945)	(17 945)	(6 041)	(23 986)
	_	_	_	3 048	828	3 876	_	3 876
	_	_	_	_	69 336	69 336	18 048	87 384
	(8 252)	**3 702**	**37 193**	**(128 438)**	**114 805**	**828 470**	**172 343**	**1 000 813**
	(8 252)	3 702	37 193	(128 438)	114 805	828 470	172 343	1 000 813
	_	_	_	_	(7 382)	_	_	-
	_	1 096	_	_	(1 096)	_	_	-
	_	_	_	_	(13 546)	(13 546)	(3 717)	(17 263)
	_	_	_	_	(4)	_	_	-
	(6 084)	_	_	_	_	(6 084)	(6 007)	(12 091)
	3 423	_	_	_	_	3 423	3 364	6 787
	_	_	_	(931)	(173)	(1 104)	_	(1 104)
	_	_	_	_	47 897	47 897	(3 730)	44 167
	(10 913)	**4 798**	**37 193**	**(129 369)**	**140 501**	**859 056**	**162 253**	**1 021 309**

Notes to The Consolidated Financial Statements

For The Year Ended 31, December 2018
(All amounts in notes are presented in thousand US$ unless otherwise is stated).

1- Background

Arab International Bank ("The Bank") was established in 1974 by virtue of an International Treaty. The registered office of the Bank is located at 35 Abdel Khalek Tharwat Street, Downtown, Cairo, Egypt and the Bank carries out its business activities through its network of branches in the Arab Republic of Egypt (11 Branches). By virtue of the Treaty, the Bank has certain privileges and immunities in the territories of the Member States (shareholders). The following are examples of the most prominent privileges and immunities based on the Establishment Treaty and the resolution taken by the Bank General Assembly meeting that was held on 22 March 2012 and came into force as of 14 April 2015:

- Exemption from laws regulating Banks, credit activities, exchange control, statutory auditing requirements of public institutions, public interest entities, public sector companies or joint stock companies.
- Immunity from all forms of nationalization, seizure or sequestration of the shares of shareholders or their deposits with the Bank.
- The Bank's documents, records and files are inviolable and immune from judicial, administrative or accounting control and inspection rules and laws.
- Confidentiality of customers' accounts with the Bank are not subject to judicial or administrative attachment orders prior to final judgment issuance.
- Exemption from charges, stamps or taxes of any kind on its funds, profits, dividends and all its various activities and transactions.
- The Arab International Bank (The parent company) is exempted from taxation and any obligations for the payment, withholding or collection of any tax, stamp or duty, which may be imposed on its customers.
- The laws regulating the exercise of control over the public institutions, public interest entities public sector companies and the joint stock companies of the Members States in which the Arab International Bank or its branches carry out business activities are not applicable to the Bank or its branches.
- In this respect the Bank practices its activities in a manner that is not in conflict with the aforementioned and the rest of the articles included in Establishment Treaty and in this context, the Bank is subjected to the oversight and supervision of the Central Bank of Egypt according to the provisions of the applicable law of the Central Bank of Egypt and the law of Banking and Monetary System of the hosting state, in addition, the Bank branches in the other Member States are subjected to the oversight of their own Central Banks in accordance with the provisions of laws governing their Banks and credit facilities.
- All the transactions of the Bank are carried out in all currencies determined by the Board of Directors.

2- Summary of Accounting Policies

The following are the significant accounting policies adopted in the preparation of these consolidated financial statements, these policies have been consistently applied to all the years presented, unless otherwise is stated.

A- Basis of Consolidated financial statements preparation

The consolidated financial statements are prepared in accordance with rules issued by the Central Bank of Egypt with respect to the preparation and presentation of the financial statements of banks and approved by its Board of Directors on 16 December 2008, according to the prevailing Egyptian laws and regulations relevant to the preparation of these Consolidated financial statements and on the historical cost convention basis, modified by the revaluation of financial investments available for sale at their fair value. The subsidiary companies are entirely included in the consolidated financial statements by using the full consolidation method and these companies are the companies that the Bank - directly or indirectly has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of activity. In addition, the separate financial statements can be obtained from the Bank management.

B- Basis of consolidation

B-1 Investments in subsidiaries

Subsidiaries are entities (Including Special Purposes Entities / SPEs) over which the bank has owned directly or indirectly the power to govern its financial and operating policies and usually have an ownership share of more than half of its voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the bank has the control over its investees.

Upon consolidation, transaction, balances and unrealized profits resulting from Intra-group transactions shall be eliminated and the unrealized losses shall be eliminated when there is an evidence of impairment in the value of the transferred asset. The accounting policies of subsidiaries are changed whenever necessary to ensure the implementation of unified accounting policies within the companies of the group.

Accounting for acquisition of companies by the Bank is carried out according to the purchase method. The recognition of acquisition of companies by the Bank is measured at fair value or the value of assets given by the Bank in return for the purchase of companies and / or issued equity instruments and / or any other costs incurred by the Bank and / or any liabilities accepted by the Bank on behalf of the acquired company on the date on which the acquirer obtains control of acquired company in addition to any costs directly attributed to the acquisition process. The net assets including the acquired determinable contingent liabilities are measured at fair value on the date of acquisition regardless of the existence of any non-controlling interest. If the increase in acquisition cost is above the fair value of the Bank's share in net assets, it shall be considered as goodwill and if the acquisition cost is less than the fair value of aforementioned net assets, the difference is directly recorded in the income statement under the item of other operating revenues (expenses).

Since the Bank has control over its subsidiaries, the full consolidation method is the adopted basis of preparing the consolidated financial statements of the purposes of the Bank. The group financial statements are represented in the financial statements of:

- Société Arab International de Banque (SAIB) with a participation percentage of 50.435 %
- Compagnie Arab De Financement International « CAFI » with a participation percentage of 89.043 %

The participation of the Bank in the capital of Compagnie Arab De Financement International « CAFI » amounted to 89.043 % and the direct participation of the Bank in the capital of Société Arab International de Banque (SAIB) amounted to 46.075 % while the indirect participation of the Bank through Compagnie Arab De Financement International « CAFI» in the capital of Société Arab International de Banque (SAIB) amounted to 4.36% and thus the overall participation of the Bank amounted to 50.435%.

The control is realized based on the ability of the Bank to control the financial and operating policies of the investees to obtain benefits from their activities.

The bases of consolidation include the following:
- Eliminating all the balances and transaction exchanged between the Bank and the company in addition to the unrealized profits resulting therefrom.
- The non-controlling interest is represented in the other shareholders' equity who have no control in subsidiaries.

Transactions with non-controlling interest:

- The group considers the transactions with non-controlling interest as transactions with third parties outside the group. The profits or losses resulting from sale to non-controlling interest are recognized in the income statement. The purchase transactions of non-controlling interest result in a goodwill that represents the difference between the amount paid in return for the acquired shares and the book value of the subsidiary's net assets.

- If the share of the non-controlling interest in carried forward losses of a subsidiary is more than its equity in that subsidiary, such increase of share in carried forward losses shall be charged to the equity of the parent company except for the losses where the non-controlling interest has an obligation to incur on the condition of establishing additional investments to cover the losses. In case the subsidiary realizes profits in the future, such profits shall be added to the equity of the parent company to the extent of covering the losses previously incurred by majority interest on behalf of non-controlling interest.

B-2 Investments in associates

Associates are companies in which the Bank has, directly or indirectly, significant influence, but it does not reach the extent of control, and usually the Bank owns from 20% to 50% of the voting rights.

Accounting for the associates is recorded first in the consolidated financial statements according to the cost method and then according to the equity method when subsequent to the date of initial recognition. According to which, investments are recorded at acquisition cost including any goodwill less any impairment loss in value. The share of the Bank in associates' profits and losses resulting after acquisition is recorded in the income statement. The share of the Bank in the movement occurring in associates' equity prior to acquisition is recognized in equity. The book value of the associate is adjusted in accordance with the accumulated movement subsequent to acquisition. If the Bank's share in associate's losses is equivalent to or more than its participation in the associate, including any unsecured debit balances, the Bank shall not record any other losses unless the Bank has a commitment to do so or incurred payments on behalf of the associate.

The unrealized profits from transactions with associates are eliminated within the limits of the Bank's share in associates. The unrealized losses are eliminated provided that the transaction provides an evidence of impairment in value of the exchanged asset. The accounting policies of subsidiaries are changed whenever necessary to ensure that the Bank is implementing a unified accounting policy.

The profits and losses resulting from a change in the ownership structure of associates are recognized in the income statement.

C- Segment reporting

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

D- Functional currency, presentation, transactions and balances in foreign currencies

The financial statements of the Bank are presented in US Dollar according to the establishing law of the Bank and its articles of association, while transactions are recorded in the books during the year according to the currency in which the transactions were carried out. For the purposes of presenting the financial statements of the Bank in US Dollar, all assets and liabilities of monetary nature in various currencies (other than the Egyptian Pound) are translated into US Dollar at the end of the reporting period based on the prevailing exchange rates on that date- as for the balances in the Egyptian Pound, they are translated into US Dollar based on the official exchange rates declared by the Central Bank of Egypt. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following items:

- Net trading income from assets and liabilities classified as held for trading.

- Other operating revenues (expenses) from the remaining items.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as available-for-sale assets (debt instruments) are analyzed into differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument. Differences resulting from changes in the amortized cost are recognized and reported in the income statement under the item of "Interest on loans and similar income" whereas differences resulting from changes in foreign exchange rates are recognized and reported in "Other operating revenues (expenses)". The remaining differences resulting from changes in fair value are recognized in equity and accumulated in the "Available-for-sale investments revaluation reserve".

Translation differences of non-monetary items are carried at fair value include gains or losses resulting from changes in foreign currency exchange rates used to translate those items. Fair value changes arising from the measurement of equity instruments classified as fair value through profit or loss are recognized in the income statement, while fair value changes arising from the measurement of equity instruments classified as available-for-sale financial assets are recognized directly in equity in the "Available-for-sale investments revaluation reserve".

E- Treasury bills

Treasury bills are recorded upon purchase at nominal value. The issuance discount that represents unearned interest of the treasury bills is recorded under other liabilities. The treasury bills are presented in the balance sheet less unearned interest that is measured at amortized cost using the effective interest rate.

F- Financial assets

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

F-1 Financial assets at fair value through profit or loss:

This category includes financial assets held for trading, financial assets designated at fair value through profit or loss at initial recognition and financial derivatives.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term or if they represent a part of the financial instruments portfolio that are managed together and there is evidence resulted from a recent actual transaction that profits can be recognized.

Derivatives can be classified as held for trading unless they are identified as hedging instruments.

Financials assets designated at fair value through profit or loss are recognized when:

Doing so significantly reduces measurement inconstancies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were valued at amortized cost for loans and facilities to banks and customers and issued debt securities.

Equity investments that are managed and evaluated at the fair value basis in accordance with a risk management or investment strategy and preparing reports to top management on that basis are classified as fair value through profit and loss.

Financial instruments such as debt instrument which contain one or more embedded derivatives which may significantly affect the cash flows are classified at fair value through profit and loss.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are recorded in the "net income from financial instruments originally classified at fair value through profit and loss"

It is not permitted to reclassify any derivative out of the financial instrument valued at fair value through profit or loss category during its holding period. Also, it is not permitted to reclassify any financial instrument valued at fair value through profit or loss category if it is initially recorded by the Bank at fair value through profit or loss.

F-2 Loans and receivables:

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

The Group intends to sell immediately or in the short term, and classified as held for trading, or those that the Bank upon initial recognition designated as at fair value through profit or loss.

The Group upon initial recognition classified as available for sale.

For which Group may not recover substantially all of its initial investment, other than because of credit deterioration.

F-3 Held to maturity financial assets:

Held to maturity financial assets are non-derivative assets which carry fixed or determinable payments and where the Group has the intention and the ability to hold to maturity. Any sale of a significant amount, not close to the date of its maturity, would result in the reclassification of all held to maturity assets as available for sale except in cases of necessity.

F-4 Available for sale financial assets:

Available-for-sale assets are non-derivative financial assets that the Bank's management has intention to hold 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 at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date – the date on which the Group commits to purchase or sell the asset.

- Financial assets that are not classified at fair value through profit or loss at initial recognition are recognized at fair value plus transaction cost. Financial assets originally classified at fair value through profit and loss are initially recognized at fair value only, and transaction costs are expensed in the income statement in net income from trading.

- Financial assets are derecognized when the contractual rights to receive cash flows have expired or when the Group has transferred substantially all the risk and rewards of ownership. Financial liabilities are disposed upon disposal or cancellation or expiration of its contractual term.

- Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently measured at fair value. Held-to-maturity assets, loans and receivables are measured at amortized cost.

- Gains and losses arising from changes in the fair value of assets at fair value through profit or loss are recognized in the income statement in the period it occurs. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.

- Interest income is recognized based on the amortized cost method in the income statement, the foreign currency revaluations differences related to available for sale assets of monetary nature are recognized in the income statement. Dividends from available for sale equity instruments are recognized in the income statement when they declare if there is.

- Fair value of investments obtained from quoted market price in active market (Bid Price), where no active market exists, or quoted price are unobtainable, the fair value is estimated using a variety of valuation techniques – including recent sale prices, discounted cash flow analysis, option pricing models or any other valuation method commonly used by market participants. When the Group is unable to estimate the fair value of equity available for sale instrument, it is measured at cost less any impairment losses.

- The Group reclassifies the financial asset classified as an asset included in the category of the financial instruments available for sale which has the definition of loans and debts (debt securities or loans) and transfer it from the category of the financial instruments available for sale to the category of loans and debts or financial assets held to maturity – as the case may be - when the Group has the intention and ability to hold these financial assets in the near future or to the date of maturity. The reclassification is carried out at fair value on the date of reclassification. Any profits or losses related to such assets that were previously recognized in equity are treated as follows:

1. In case of having reclassified financial assets with fixed and determinable payments and fixed maturity, gains and losses are amortized over the remaining life of the financial asset held to maturity using the effective interest method. The difference between the amortized cost and the maturity value is amortized over the remaining life of the financial asset, using the effective interest method. In case of impairment, the profits or losses that have been previously recognized in equity are recognized immediately in the income statement.

2. In case of financial assets without fixed or determinable maturity, gains and losses are held in equity until the asset is sold or disposed of, then removed from equity and recognized in the income statement. In case of impairment, the profits or losses that have been previously recognized in equity are directly recognized in the income statement.

- If the Group changes its estimates regarding payments or proceeds, the book value of a financial asset (or a group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument. This adjustment is recognized as either income or expense in the income statement.

- In all cases, if the Group reclassified financial asset in accordance with what is referred to above and the Group subsequently increases its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate and not as an adjustment in the book value of the asset on the date of change in estimate.

G- Off setting financial instruments:

Financial assets and liabilities can be offset when, there is a currently enforceable legal right to set-off the recognized amounts and there is an intention to settle on a net basis, or to receipt the asset and settle the liability simultaneously.

Treasury bills, repos and reverse repos agreements are netted, and presented on the balance sheet under the item of treasury bills and other government notes.

H- Interest income and expense

Interest income and expense related to the financial instruments are recognized under the item of "loans interest income and similar income" or "deposits interest expense and similar expenses" using the effective interest method for all the financial instruments charged with interest, except for the instruments classified as held for trading assets or financial assets originally classified at fair value through profits and losses where their interests are recorded in changes in their fair value.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the related instrument. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, a shorter period when appropriate to reach the precise net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, early payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties of the contract that is considered part of the effective interest rate and the transaction costs shall include any other premiums or discounts.

When loans or debts are classified as non-performing or impaired, related interest income are not recognized but rather, are carried off balance sheet in statistical records and are recognized as revenues according to cash basis as per the following:

- When collected and after recovery of all arrears for retail loans, personal loans, small and medium business loans., mortgage loans for personal housing and small loans for businesses.
- As for the loans given to institutions the Cash Basis of Accounting is to be applied also where the interest income that is subsequently calculated according to the terms of the loan scheduling contract is recognized when 25% of the loan installments are paid with a regular performing period of at least one year and in case the customer keeps paying the installments on regular performing basis, the calculated interest income of the outstanding loans balance shall be recorded in revenues (interest income from regular scheduling balance) without the suspense interest before scheduling that is not recorded in revenues unless the entire loan balance is paid in full in the balance sheet prior to scheduling.

I- Fees and commissions income:

Fees and commissions related to loan and facilities are recognized as income when the service is rendered. Fees and commission income related to non-performing or impaired loans or debts are suspended and are carried off balance sheet in statistical records and are recognized under income according to the cash basis, when interest income is recognized in accordance with note (2-G) above. As for fees and commissions, which represent a complementary part of the financial asset effective rate are recognized as adjustment to the effective interest rate.

Commitment fees of loans are deferred as revenue when there is probability that these loans will be used by the customer, as commitment fees represent compensation for the continuing interference to own the financial instrument. Subsequently, they are recognized as adjustments to the effective interest rate of the loan. If the commitment period passed without issuing the loan, commitment fees are recognized as income at the end of the commitment year.

Fees and commissions related to debt instruments measured at fair value are recognized as income at initial recognition. Fees and commission related to marketing of syndicated loan are recognized as income when the marketing is completed and the loan is fully used or the Group kept its share of the syndicated loan using the effective interest rate available for the other participants.

Fees and commissions arising from negotiation, or participating in a negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of entities are recognized as income when the transaction is completed, fees and commissions related to management advisory and other services are recognized as income based on the contract terms, usually on a time-appropriation basis over the financial period. The fees of financial planning and safe custody services provided over a long period of time are recognized over the year in which the service is provided.

J- Dividend income

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

K- Impairment of financial assets

K-1 Financial assets recorded at amortized cost:

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. A financial asset or a portfolio of financial assets is impaired and impairment losses are recognized when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

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

- Significant financial difficulty facing the borrower 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 competitive position of borrower.
- Giving privileges or assignments by the Group to the borrower, due to economic or legal reasons related to pecuniary difficulties, which are not given by the Group in the normal course of business.
- Impairment of collateral.
- Deterioration of creditworthiness.

An objective evidence for impairment loss of a category of financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition though such decline is not identifiable for each individual asset. For instance, the number of cases of default payment with respect to one of the Banking products.

The Group estimates the period of confirming the loss that is represented in the period between identifying the loss event and identifying the loss for each specific portfolio and for implementation purposes, the period of confirming the loss shall be range between 3 to 12 months.

The Group first assesses whether objective evidence of impairment exists individually for each financial asset that is individually significant, while assessing whether objective evidence of impairment exists individually or collectively for financial assets that are not individually significant and, in this regard, the Bank shall consider the following:

- In case there is no objective evidence that an impairment loss has been incurred on a financial asset considered individually, being individually significant or not, the Group includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment based on the rates of historical impairment.
- An individually impairment test is made for a financial asset if there is objective evidence that this asset is impaired. If the impairment occurred, then this asset will be excluded from the group of financial assets that are collectively evaluated for impairment.
- If the result of the previously test did not recognize impairment loss, then this asset will be added to the group of financial assets that are collectively evaluated for impairment.

Impairment loss provision amount is measured based on the difference between the carrying amount and the present value of the expected future cash flows, excluding future expected credit loss (ECL) that has not been charged yet and discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as "impairment loss" and the book value of the financial asset is reduced by the impairment amount using "impairment loss provision".

If there is evidence that a loan or financial investment classified as held to maturity carry variable rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred. For practical purposes, the Group may measure the impairment loss using the fair value of the instrument based on the quoted rates. As for guaranteed financial assets, the present value for expected future cash flows has to be considered in addition to the cash flows that may result from the execution and sale of Collateral after deducting the relevant selling cost.

For the purposes of a collective evaluation of impairment, financial assets are grouped based on similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for that group of assets as they represent indicators of the debtors' ability to pay all amounts that fell due according to the contract terms for assets representing the subject matter of the study. If historical impairment losses rates method is used for a group of financial assets that are collectively evaluated for impairment, the future contractual cash flows of the group shall be assessed based on the contractual cash flows of the assets in the Group and the historical loss for a group of assets with similar credit risk characteristics and acquired by the Group are considered. Historical impairment loss rates are adjusted based on the current declared information to reflect the effects of current circumstances that did not affect the period on which the historical impairment loss rates is estimated to remove the effects of the circumstances existent in the historical periods, and currently no longer exist.

The Group ensures that the estimates of changes in future cash flows for a group of financial assets are in consistence with changes in relative reliable data from year to year. The Bank also reviews the methods and assumptions used to estimate the future cash flows on regular basis. The book value is directly reduced in impairment losses for all assets measured at amortized cost, except for the customers' balances, where the impairment in value is treated based on forming a provision.

When the customer's balance turns out to be uncollectable, it shall be written off and charged to the provision account in which the proceeds of debts previously written off are added and the change in provision estimates formed for customers' balances impairment is directly recognized in the income statement without customer's quittance.

K-2 Available for sale assets

At each balance sheet date, the Group estimates if there is objective evidence that impairment loss for an asset or a group of assets classified as available-for-sale has occurred. For listed equity instruments classified as available for sale investments, impairment is recognized if it is significant or there is a prolonged decline in the fair value of the instrument below its acquisition cost is observed when an assessment of the assets impairment is recognized. The decline in value is considered significant for the equity instruments if it reaches 10% of the book value of the financial instruments' cost, and it is considered prolonged if it extends for a period of more than 9 months. When the aforementioned objective evidences in the fair value of an available for sale financial asset has been recognized, the accumulated loss in equity shall be directly charged to income statement. Impairment losses value recognized on equity instruments on profit or loss are not subsequently reversed. Impairment losses recognized through profit or loss on debt instruments classified as available for sale are reversed through profit and loss if the price subsequently increased and this increase can be objectively related to an event occurring after the recognition of impairment loss in profit or loss.

L - Investment Property

Investment property is represented in lands and buildings owned by the Bank for obtaining rental income or capital increase and subsequently it does not include the real estate assets in which the Group practices its business activity or the assets ownership reverted to the bank in settlement of debts. The initial recognition of the investment property is carried out at cost and includes the transaction cost. The accounting of the investment property is implemented in the same manner applied to the accounting of the fixed assets.

M- Intangible assets (Computers software)

The expenses related to the development or maintenance of computers are recognized as an expense charged to income statement when incurred and it is recognized as an intangible asset with respect to the expenses directly related to specific software under the control of the Group when it is expected to generate economic benefits exceeding its cost for more than one year.

The direct expenses include the cost of employees working in the software development team in addition to a reasonable share of the general expenses relevant thereto.

The expenses that lead to the increase or expansion in the performance of the computers software when compared with the original specifications thereof is recognized as development cost and it is added to the original software cost.

The computers software cost recognized as an asset is amortized over the years expected to benefit from them provided that they shall not exceed three years.

N- Fixed assets

They represent land and buildings related to head office, branches and offices. All fixed assets are reported at historical cost less depreciation and impairment losses. The historical cost includes all costs directly related to the acquisition of fixed assets items.

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

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

Buildings	from 20 to 50 years
Furniture	From 5 to 10 years
Computers	5 years
Fixtures and fittings	from 5 to 10 years
Tools & equipment	from 5 to 10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The redeemable value is represented in the net selling value of the asset or the use value of the asset whichever higher. Gains and losses on disposals are determined by comparing proceeds with asset carrying amount. These gain and losses are included in other operating income (expenses) in the income statement.

O- Other assets

This item includes the other assets that are not classified as defined assets in the balance sheet where accrued revenues, prepaid expenses, advance payments under the account of fixed assets purchase, deferred balance of the first day losses that is not amortized yet, current assets and noncurrent assets that their ownership reverted to the bank in settlement of debts (after impairment deduction), deposits, gold bullions, commemorative coins, debit suspense accounts and balances that are not classified under any defined asset.

Most of the elements of other assets are measured at cost. If there is an objective evidence for impairment loss in the value of the assets, then the loss is separately measured for each asset based on the difference between its carrying amount and its net selling value or the present value of the estimated expected future cash flows discounted at the current market rate of similar financial assets, which ever higher.

The book value of the asset is directly reduced and the loss is recognized in the income statement under the item of other operating revenues (expenses). If the impairment loss is reduced in any subsequent period and such reduction can be objectively related to an event that occurred after the recognition of the impairment loss, then the impairment loss previously recognized is reversed to the income statement provided that such cancellation does not establish an asset book value, on the date of reversing the impairment loss, that exceeds the value of the asset which may be reached if the recognition of such impairment loss has not been recognized.

With reference to the assets ownership reverted to the bank in settlement of debts, the following has to be taken into consideration:

In accordance with the provisions of Article No. (60) of the Central Bank Law and the law of Banking and Monetary System of the hosting state No. (88) for the year 2003, it is prohibited for Banks to deal in movables or real estate whether by purchasing, selling or exchange, except for the real estate allocated for running the business of the Group, used for entertainment purposes of the employees of the Group, movables or real estate reverted to the group in settlement of debts due from third parties when the recognition thereof started from the date of conveyance of ownership (the date of debt reduction) and such real state is included in assets reverted to the bank in settlement of debts, provided that the Group shall dispose thereof according to the following:

- Within one year from the date of conveyance of ownership with respect to movables.
- Within five years from the date of conveyance of ownership with respect to real estate.
- The Board of Directors of the Central Bank of Egypt may approve the extension of the period whenever the circumstances deem necessary, in addition, the Board of Directors of the Central Bank of Egypt has the right to exempt some Banks from such restriction based on the Banks' nature of activity.
- The assets reverted to the bank in settlement of debts are recorded at the value in which the said assets reverted to the Group and represented in the value of debts which the Bank's management decided to assign in return for such assets. If there is an objective evidence for impairment loss in the value of the said assets in the subsequent date of conveyance of ownership, then the loss is separately measured for each asset based on the difference between its carrying amount and its net selling value or the present value of the estimated expected future cash flows discounted at the current market rate of similar financial assets, which ever higher. The book value of the asset is reduced through the impairment account and the loss

value is recognized in the income statement under the item of other operating revenues (expenses). If the impairment loss is reduced in any subsequent period and such reduction can be objectively related to an event that occurred after the recognition of the impairment loss, then the impairment loss previously recognized is reversed to the income statement provided that such cancellation does not establish an asset book value, on the date of reversing the impairment loss, that exceeds the value of the asset which may be reached if the recognition of such impairment loss has not been recognized.

In the light of the nature of the movables or real estate which their ownership reverted to the bank pursuant to the provisions of the aforementioned article, the movables or real estate are classified in accordance with the plan of the Group, the nature of expected benefits thereof among the fixed assets, investment property, shares, bonds or other assets available for sale, as the case may be. Accordingly, the bases relevant to the measurement of fixed assets, investment property, shares or bonds are applied to the assets reverted to the bank in settlement of debts and classified under any item of these items. As for the other assets, that are not included in any of these classifications and considered as other assets available for sale, they are measured at cost or fair value defined by the accredited experts of the Group-less the selling costs –whichever is lower. The differences resulting from the valuation of these assets are recognized in the income statement under the item of other operating revenues (expenses) provided that such assets are to be disposed of within the period prescribed by virtue of law.

If the assets are not disposed of, within the period prescribed by virtue of law in accordance with the provisions of Article No. (60) of Law No. 88 of 2003, the banking risk reserve is to be supported by the equivalent of 10% of the value of the assets on an annual basis. The net revenues and expenses of assets reverted to the bank in settlement of debts during the period of their acquisition by the Group are recorded in the income statement under the item of other operating revenues (expenses).

P- The impairment of non-financial assets

The financial assets that have no specific useful life are not depreciated – except for the goodwill – and their impairment is examined on annual basis. The impairment of assets that had been depreciated are to be considered whenever there are events or changes in the circumstances indicating that the book value may not be redeemable.

The impairment loss is to be recognized and the asset value shall be reduced with the amount by which the book value of the asset has been increased above the redeemable value. The redeemable value is represented in the net selling value of the asset or the use value of the asset whichever higher. For assessing the impairment, the asset is to be attached to the smallest possible cash-generating unit. The nonfinancial assets that have impairment are to be reviewed to examine whether there is reverse of impairment to the income statement or not on the date of preparing every financial statement.

Q- Lease Contracts

All lease contracts concluded with the Group are operating lease contracts.

Q-1 Lessee

The payments settled under the account of operating lease less any discounts obtained from the less or under the item of expenses are recognized in the income statement based on the straight-line method over the term of contract.

Q-2 Lessor

The assets leased out on operating lease basis that are included in the fixed assets in the balance sheet and depreciated over the expected useful life of the asset using the same manner applied to the similar assets. The rent income is recorded less any discounts granted to the lessee based on the straight-line method over the term of contract.

R- Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include balances due within three months from date of acquisition, cash and balances due from the Central Banks other than the mandatory reserve, and current accounts with Banks and treasury bills and other government notes.

S- Other provisions

Provisions for restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not, that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.
Where there is 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. A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal. Provisions no longer required totally or partially are reversed in other operating income (expense).
Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from balance sheet date using the appropriate rate in accordance with the terms of settlement which reflects the time value of money. If the settlement term is less than one year the provision is booked using the present value unless time consideration has a significant effect.

T- Employees' Benefits:

- Employees Share in Profits:

The Bank pays a percentage of cash profits expected to be distributed as the employees share in profits and recognizes that share as part of the dividends appropriation in equity and as liabilities when approved by the general assembly of the Bank shareholders and no liabilities shall be recorded in the undistributed employees share in profits.

- Employees' Pension Fund & End of Service Compensations

The Bank adopted special benefits plan until 17/4/2008. The Bank's contributory defined pension plan covers the permanent employees' pensions and other end of service benefits. The Bank's contribution to this fund is computed at a certain percentage of the employees' annual salaries, in addition to amounts required to the fund as decided by the Actuary to continue providing its services and maintain the minimum return on its invested funds. As for the employees appointed in the Bank after 17/4/2008, the Bank adopted special benefit plan with respect to the end of service compensation only without pensions and the Bank participates in such compensations by a percentage of the employees' wages who are working under the umbrella of this benefit plan on annual basis.

U- Dividends

Dividends are recognized and deducted from equity in the period when declared by the General Assembly of shareholders. Those dividends include employees' share in the profits and the Board of Directors' remuneration as prescribed by the articles of association.

3- Financial Risk Management

The Group, as a result of the activities it exercises, is exposed to various financial risks; acceptance of risks is a basis in the financial activities. Some risks or group of risks are analyzed, evaluated and managed together. The Group objective is to balance between the risk and return and to reduce the possible negative effects on the Group's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency exchange rates, interest rate risk and other pricing risks.

The risk management policies have been set to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated information systems. The Group regularly reviews the risk management policies and systems and amends them to reflect the changes in markets, products and services and the best updated applications.

These risks are managed by the Risk Management Department in the light of the policies approved by the Board of Directors. Risk Management Department identify, assess, and cover financial risks in close cooperation with other operating units in the Group. Within framework of the principles of governance and the sound banking practices related to banking risks management, the board of directors provides an integrated supervisory structure of higher committees originated there from. Moreover, The Risk Management Department is in charge of the regular review of risk management and the control environment in an independent manner.

A- Credit risk

The Group is exposed to credit risk, which is the risk resulting from failure of one party to meet its contractual obligations. Credit risk is considered the most significant risk for the Bank therefore the management is conservative in managing this risk exposure. Credit risks results mainly from lending activities that result in loans and facilities and from investment activities which results in including such debt instruments in the Group's assets. Credit risk is also included in off balance sheet financial instruments, such as loan commitments. Managing and monitoring process of credit risk is represented in credit risk department reports presented to the Board of Directors, Top Management and Heads of operating units on regular basis.

A-1 Credit risk measurement

Loans and facilities to Banks and customers.

To measure credit risk on the loans and facilities to Banks and customers, the group considers the following three components:

- Probability of default by the client or third parties to fulfill its contractual obligations.
- The current position and its future development from which the Group concludes the balance exposed to risk. (Exposure at default).
- Loss given default.

The daily activities of the Group's management involve measures of credit risk based on the Expected Loss Model required by the Basel Committee on Banking Supervision. Those operational measures could be inconsistent with the impairment loss burden according to EAS 26, which adopts the (realized losses model) and not the expected losses (Note 3-A/3) on the date of the financial statements.

The Group evaluates the default risk for each customer using internal evaluation methods to determine the credit rating for the different customers' categories. These methods were internally improved taking into consideration statistical analysis and the professional judgment of the credit officers to reach the appropriate rating. The customers are classified into four credit ratings. Rating scale (shown in the following table) reflects the possibility of defaults for each rating category, in which the credit positions may transfer from one rating to another depending on the change in the degree of possible risk. The customer's rating and the rating process are reviewed and improved whenever necessary.

The Group periodically evaluates the performance of the credit rating methods and their ability in expecting the customers' defaults.

Group's internal ratings scale

Rating description	Rating
Performing loans	1
Regular follow up	2
Watch list	3
Non-performing loans	4

The Position exposed to default depends on the outstanding balances expected at the time when a default occurs, for example, for the loans, where the position is the book value and for commitments, the group includes all actual withdrawals in addition to any other expected withdrawals till the date of the late payment if any.

The expected losses or specific losses represent the Group's expectation of loss as of the date when the settlement is due, which is loan loss percentage that differs according to the type of debtor, claim priority, the availability of Collaterals or any other means of credit cover.

Debt instruments, treasury bills and other bills

For debt instruments and bills, the Group is using the external classifications such as Standard & Poor's or equivalent to manage credit risk, in case such ratings are not available, methods similar to those applied to credit customers are used. Investments in securities and treasury bills are considered a method to obtain a better credit quality, such investment also provides an available source to meet the funding requirements.

A-2 Limiting and avoiding risks policies

The Group manages limits and controls credit risk concentrations on the levels of borrowers, groups, industries and countries.

The Group manages the credit risk it undertakes by placing limits on the amount of risk accepted in relation to every single borrower, or groups of borrowers, and on the levels of economic activities and geographic segments. Such risks are monitored on regular basis and subjected to annual or more frequent reviews, whenever necessary. The Board of Directors reviews on quarterly basis the levels of credit risk on the levels of the borrower, group of borrowers, product, segment and country.

The lines of credit are divided for any borrower including Banks, into sub limits based on amounts inside and outside balance sheet, the daily limit risk on trading items such as forward foreign exchange contracts where the actual amounts are compared with the limit every day.

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.

The following are other controls used by the Group to limit the credit risk:

Collaterals

The Group use different methods to limit its credit risk. One of these methods is accepting collaterals against loans and facilities given by the Group. The Group implements guidelines for certain categories of collaterals to be accepted. The major types of collateral against loans and facilities are:

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

The Group keen to obtain the appropriate collaterals against corporate entities of long-term finance while individual credit facilities are generally unsecured. In addition, to minimize the credit loss the Group will seek additional collaterals from all the concerned parties as soon as impairment indicators are noticed for a loan or facility.

The Group determines the type of collaterals held by the Group as security for financial assets other than loans and facilities according to the nature of the instrument, generally, debt securities and treasury bills are unsecured, except for Asset-Backed Securities and similar instruments secured by a financial instrument portfolio.

Credit-related commitments

The primary purpose of these commitments is to ensure that funds are available to customer when required. Guarantees and Standby Letters of Credit contracts are of the same credit risks as loans. Documentary and commercial letters of credit – which are issued by the Group on behalf of the customer by which authorizing a third party to draw within a certain limit in accordance to specific terms and conditions and guaranteed by the goods under shipment are of lower risk than a direct loan. Credit related commitments represent the unused portion of credit limit of loans, guarantees or letters of credit. With respect to credit risk related to credit commitments,

The Group is exposed to probable loss of amount equal to the total unused limit. However, the probable amount of loss is less than the unused limit commitments, as most commitments represent commitments to customers maintaining certain credit standards. The Group monitors the maturity term of the credit commitments because long-term commitments are usually of high credit risk than short-term commitments.

A-3 Impairment and provisioning policies

The internal rating systems described in Note (Note 3-A/1) focus on the planning of credit-quality to a large extent at the inception of recognizing the lending and investment activities. Otherwise, impairment losses incurred are only recognized on the balance sheet date for financial reporting purposes when losses are based on objective evidences of impairment as will be mentioned in this note. Due to the different methods applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the estimated amount determined from the expected loss models used in the preparation of the financial statements as at 31December 2018 and in compliance with the rules of the Central Bank of Egypt.

The impairment loss provision appeared in the balance sheet at the end of the year is derived from the four internal rating grades. However, the majority of the impairment provision comes from the last rating. The table below shows the percentage of in-balance sheet items relating to loans, facilities and the related impairment for each rating:

	31 December 2018		31 December 2017	
Group's rating	Loans & facilities to customers and banks	Impairment losses provision	Loans & facilities to customers and banks	Impairment losses provision
	%	%	%	%
Performing loans	46.15	7.58	51.43	9.16
Regular follow up	31.33	19.25	37.26	19.8
Watch list	15.53	1.17	5.16	1.18
Non-performing loans	6.99	72.00	6.15	69.86
Total	**100**	**100**	**100**	**100**

The internal evaluation instruments assist the management to determine whether there are objective evidences of impairment according to the Egyptian Accounting Standard No. (26) and based on the following indicators as specified by the Group:

- Significant financial difficulty of the borrower or the debtor.
- Breach of loan agreement such as default of payment.
- Expecting the Bankruptcy of the borrower, entering into liquidation case or restructuring the finance given to the borrower.
- Deterioration in 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 normal course.
- Impairment of collateral value.
- Deterioration of the creditworthiness.

The policies adopted by the Group require reviewing all the financial assets exceeding specific relative significance at least once a year or more when the circumstances required to do so. The impairment charge shall be determined on the accounts that are evaluated on case by case basis through the evaluation of the loss realized on the date of the balance sheet. Such policies are expected to be implemented on all accounts attributed by relative significance on case by case basis. The valuation usually includes the existing collaterals and the expected collections from those accounts. The impairment losses provision is formed based on a group of assets of similar assets using the historical experience available, professional judgment and statistical methods.

A-4 Banking general risk measurement model

In addition to the four categories of the Group's internal credit rating indicated in note (Note 3-A/1), management classifies loans and advances based on more detailed subgroups in accordance with the CBE requirements. Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depends on information related to the customer, their activities, financial position and commitment to the payment schedules.

The Group calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case of having required increment in impairment losses provision according to the rules of the Central Bank of Egypt that exceeds the amount required for the purposes of preparing the financial statements in accordance with the Egyptian Accounting Standards, the general Banking Risk Reserve shall be set aside in the equity and deducted from the retained earnings with an amount equivalent to such increment. The reserve shall be amended on regular basis as an increase or decrease in a manner that is always equivalent to the amount of increase when comparing the two provisions. This reserve is not distributable.

The following are the categories of credit ratings for the institutions in accordance with the four internal rating grades compared to the bases of the CBE assessment and provisions percentage required for the impairment of assets exposed to credit risk:

CBE Ratings	Rating Indications	Provision Percentage Required %	Internal Ratings	Internal Ratings
1	Low risk	-	1	Performing loans
2	Moderate risk	1	1	Performing loans
3	Satisfactory risk	1	1	Performing loans
4	Appropriate risk	2	1	Performing loans
5	Acceptable risk	2	1	Performing loans
6	Marginally Acceptable risk	3	2	Regular loans
7	Watch list	5	3	Watch list
8	Substandard	20	4	Non-performing loans
9	Doubtful	50	4	Non-performing loans
10	Bad debt	100	4	Non-performing loans

A-5 Maximum limits for credit risk before collaterals (Continued):

	31/12/2018	31/12/2017
Balance sheet items exposed to credit risks		
Due from banks	1.538.390	1.445.102
Treasury bills and other government securities	2.587.262	2.436.752
Loans & facilities to banks	35.677	49.032
Loans and facilities to customers:		
Retail loans:		
Debit current accounts	67.619	98.305
Credit cards	5.681	6.545
Personal loans	85.459	78.430
Real Estate loans	31.280	18.301
Corporate loans:		
Debit current accounts	309.738	398.836
Syndicated loans	1.037.336	1.119.940
Direct loans	1.057.625	1.114.992
Other loans	11.480	5.540
Financial investments:		
Debt instruments	1.549.524	1.555.817
Other assets	118.312	110.346
Total	**8.435.383**	**8.437.938**
Off-balance sheet items exposed to credit risk		
Letters of credit	175.110	57.205
Letters of guarantee	206.324	194.042
Loans commitments & irrevocable other liabilities related to credit	17.244	24.625
Total	**398.678**	**275.872**

The above table represents the maximum limit to credit risk on December 31, 2018 – December 31, 2017 without taking into consideration any collateral. As for the items of the balance sheet, the amounts of exposures set out above are based on net carrying amounts as reported in the balance sheet. As shown above 31.32 % of the total maximum exposure is derived from loans and advances to Banks and customers as at December 31, 2018, compared to 34.25% as at December 31, 2017 while investments in debt instruments represent 18.37% as at December 31, 2018, compared to 18.44% as at December 31, 2017.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk resulting from both its loans and advances portfolio and debt instruments based on the following:

On December 31, 2018, 76.9% of the loans and facilities portfolio are concentrated in the top two grades of the internal credit risk rating system compared to 88.86% on December 31, 2017.

On December 31, 2018, 92.31% of loans and facilities portfolio are considered to be neither past due nor impaired compared to 92.21% December 31, 2017.

Loans and facilities assessed individually are valued at US$ 180 881 thousand on December 31, 2018 compared to US$ 171 338 thousand on December 31, 2017.

The group has implemented more prudent processes when giving loans and facilities during the financial year ended on December 31, 2018.

On December 31, 2018 and on December 31, 2017, more than 99.5 % of the investments in debt instruments and treasury bills represent debt instruments of the Egyptian Government.

A-6 Loans and facilities

Loans and facilities status based on credit rating are summarized as follows:

	December 31, 2018		December 31, 2017	
	Loans & facilities		Loans & facilities	
	to customers	to banks	to customers	to banks
Neither past due nor impaired *	2.405.877	38.132	2.615.728	50.711
Past due but not impaired	19.459	-	53.821	-
Past due but impaired	180.881	-	171.338	-
Total	**2.606.217**	**38.132**	**2.840.887**	**50.711**
Less: impairment loss provision **	(189.529)	-	(175.844)	-
Less: suspense interest	(1.009)	-	(1.195)	-
Prepaid interest	(20.191)	-	(16.040)	-
Unearned discount of discounted commercial papers	-	(2.455)	-	(1.679)
Net	2.395.488	35.677	2.647.808	49.032

* Loans and facilities neither past due nor impaired

The credit quality for the loans and facilities portfolio (neither past due nor impaired) is valued upon the internal valuation used by the Group.

** Impairment loss for loans and facilities reached US$ 189 529 thousand on December 31, 2018 compared to US$ 175 844 thousand on December 31, 2017 Note No. (16) includes additional information with respect to the impairment loss provision for loans and facilities to customers.

Loans and facilities status based on internal credit rating are summarized as at 31 December 2018 as follows:

Neither past due nor impaired

31/12/2018	Retail				Corporate				
	Debit current accounts	Credit cards	Personal loans	Real Estate loans	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total loans and facilities
1-Performing loans	-	-	16.968	21.861	207.690	215.876	731.458	49	1.193.902
2- Regular watching	67.552	5.470	62.967	5.591	89.786	414.929	162.744	1.323	810.362
3- Watch list	-	-	-	-	6.071	275.535	120.007	-	401.613
Total	**67.552**	**5.470**	**79.935**	**27.452**	**303.547**	**906.340**	**1.014.209**	**1.372**	**2.405.877**

31/12/2017	Retail				Corporate				
	Debit current accounts	Credit cards	Personal loans	Real Estate loans	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total loans and facilities
1- Performing loans	-	-	9.740	7.790	277.998	378.596	759.215	-	1.433.339
2- Regular watching	98.212	5.358	65.459	7.079	111.014	473.755	276.193	1.372	1.038.442
3- Watch list	-	-	-	-	1.453	100.645	41.849	-	143.947
Total	**98.212**	**5.358**	**75.199**	**14.869**	**390.465**	**952.996**	**1.077.257**	**1.372**	**2.615.728**

The non-performing secured loans are not considered subject to impairment as their collaterals are collectable.

Past due loans and facilities and not impaired

They are loans and facilities having past due up to 90 days and not considered impaired, unless there is information to the contrary.

Upon the initial recognition of the loans & facilities, the collaterals fair value is valued as per the valuation benchmark usually used in valuation of similar assets. In the subsequent periods, the fair value will be adjusted as per the market value or the prices of the similar assets.

Loans and facilities individually subject to impairment

Loans and facilities to customers

The balance of loans and facilities individually subject to impairment before taking into consideration cash flows from collaterals, amounted to US$ 180 881 thousand on December. 31, 2018 compared to US$ 171 338 thousand as of December. 31, 2017.

The breakdown of the total loans and facilities individually subject to impairment including the fair value of collaterals obtained by the Group in return for such loans are as follows:

31/12/2018	Individuals	Corporate	Total
Individual loans subject to impairment	3.073	177.808	180.881

31/12/2017	Individuals	Corporate	Total
Individual loans subject to impairment	3.330	168.008	171.338

There are not any restructured significant loans.

A-7 Debt instruments, treasury bills and other government notes

The table below shows an analysis of debt instruments, treasury bills and other government notes according to the rating agencies at the end of the financial year:

	Treasury bills & other government notes	Investments in securities	Total
Treasury bills & bonds (AA+)	-	7.148	7.148
Treasury bills & bonds from A - to A+	-	1.961	1.961
Treasury bills & bonds (A-)	2.587.262	1.540.415	4.127.677
Total	2.587.262	1.549.524	4.136.786

A-8 Acquisition of Collaterals

- The Group has not acquired assets based on the acquisition of collaterals during the current financial year.

- The assets acquired by the Group are classified under the item of other assets in the balance sheet and these assets are to be sold whenever applicable.

A-9 Concentration of financial assets risks exposed to credit risk

Geographical segments

The following table represents an analysis of the most significant credit risk limits of the Bank at book value and their distribution according to the geographical sectors at the end of the current financial year. When we prepared this table, we distributed the risks over the geographical sectors based on the areas related to the customers of the group.

	Greater Cairo	Alexandria, Delta and Sinai	Upper Egypt	Other	Total
Treasury bills & other government securities	2.587.262	-	-	-	2.587.262
Loans & facilities to Banks	-	-	-	38.132	38.132
Loans and facilities to customers:					
- Loans to individuals:					
- Debit current accounts	54.887	12.300	298	134	67.619
- Credit cards	4.390	1.132	79	80	5.681
- Personal loans	65.640	16.636	2.421	762	85.459
- Real estate loans	18.426	11.568	1.286	-	31.280
- Loans to Corporate:					
- Debit current accounts	232.819	72.231	4.688	-	309.738
- Direct loans	1.001.225	35.006	4.772	16.622	1.057.625
- Syndicated loans	955.502	46.834	-	35.000	1.037.336
- Other loans	10.890	561	29	-	11.480
Financial investments:					
Debt instruments	1.385.106	-	-	164.418	1.549.524
Total as at 31 December 2018	**6.316.147**	**196.268**	**13.573**	**255.148**	**6.781.136**
Total as at 31 December 2017	**6.526.568**	**216.331**	**9.709**	**131.560**	**6.884.168**

Industry Sectors

	Financial Institutions	Industrial Institutions	Commercial	Real Estate Activities	Government Sector	Other Activities	Total
Treasury bills & other government securities	-	-	-	-	2.587.262	-	2.587.262
Loans & facilities to banks	38.132	-	-	-	-	-	38.132
Loans and facilities to customers:							
Loans to individuals:							
Debit current accounts	-	-	-	-	-	67.619	67.619
Credit cards	-	-	-	-	-	5.681	5.681
Personal loans	-	-	-	-	-	85.459	85.459
Real estate loans	-	-	-	-	-	31.280	31.280
Loans to Corporate:							
Debit current accounts	17.986	136.654	60.753	1.630	-	92.715	309.738
Direct loans	105.913	206.095	32.332	24.740	93.082	595.463	1.057.625
Syndicated loans	22.666	102.939	14.499	-	-	897.232	1.037.336
Other loans	1.714	978	4.616	1.323	-	2.849	11.480
Financial investments:							
Debt instruments	9.109	-	-	-	1.540.415	-	1.549.524
Total as of 31 December 2018	**195.520**	**446.666**	**112.200**	**27.693**	**4.220.759**	**1.778.298**	**6.781.136**
Total as of 31 December 2017	**239.932**	**476.888**	**186.685**	**33.476**	**4.100.831**	**1.846.356**	**6.884.168**

B- Market risk

The Group exposed to market risks which is the risk that the fair value or future cash flow fluctuation resulted from changes in market prices. Market risks arise from open market positions 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 instruments prices. The Group divides its exposure to market risk into trading and non-trading portfolios.

The bank's risk management is responsible for managing trading and non-trading portfolios is concentrated in the Risk Department of the Bank and followed up by two separate teams. Interim reports on market risk are presented to the Board of Directors and the heads of business activity units on regular basis.

Trading portfolios include transactions where the Group deals directly with clients or with the market; non-trading portfolios primarily arise from managing assets and liabilities interest rate related to retail transactions. Non-trading portfolios also include foreign exchange risk, equity instruments risks arising from the Bank's held-to-maturity and available for sale investments.

B-1 Market risk measurement techniques

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

Value at Risk (VaR)

The Bank applies a 'value at risk' methodology (VaR) for trading and non-trading portfolios to estimate the market risk of the outstanding positions and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board of Directors sets limits for the value at risk that may be accepted by the Bank for trading and non- trading portfolios on separate basis and they are daily monitored by the Market Risk Department in the Bank. Value at Risk (VaR) is a statistic expectation of the current portfolio potential losses resulting from the adverse movements of the market and the maximum loss that may be incurred by the Bank based on using a specific confidence coefficient (98%). Subsequently, there is a statistical probability at a ratio of (2%) that the effective loss is higher than the expected Value at Risk (VaR). VaR model assumes a defined holding period of (ten days) before closing the open positions. It also assumes that the market movements during the defined holding period of (ten days) shall follow the same market movements model, which occurred during the previous ten days. The Bank estimates the previous movements based on the data of the last five years. The Bank also applies such historic changes of ratios, prices and indicators in a direct manner on the current positions - this method is known as historic simulation. The effective outputs are regularly monitored to measure the soundness of assumptions and coefficients used to measure Value at Risk (VaR). However, applying such method does not overcome the loss of such limits in case of having greater movements in the market.

Stress Testing

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances. Stress testing is designed to match business using standard analysis for specific scenarios.

The stress testing carried out by the Risk Management Department of the Bank include: risk factor stress testing where sharp movements are applied to each risk category and test of emerging market stress, as emerging market are subject to sharp movements; and subject to special stress test including possible stress events to specific positions or regions - for example the stress outcome to a region applying a free currency rate. The results of the stress testing are reviewed by the Top Management and the Board of Directors.

B-1 Foreign exchange volatility risk

The Group is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The Board of Directors set aggregate limits for foreign exchange for each position at the end of the day, and during the day which is controlled on timely basis. The following table summarizes the Group exposure to foreign exchange volatility risk as at 31 December 2018. The table also includes the carrying amounts of the financial instruments in their currencies as follows:

31 December 2018	USD	Euro	GBP	EGP	Other	Total
Financial assets						
Cash and balances with the Central Bank	25.262	6.443	1.651	325.922	563	359.841
Due from Banks	1.112.427	150.580	73.378	193.898	8.107	1.538.390
Treasury bills	935.751	154.812	-	1.295.114	-	2.385.677
Loans and facilities to customers	1.398.372	43.248	-	953.868	-	2.395.488
Loans and facilities to banks	35.677	-	-	-	-	35.677
Financial investments:						
- At fair value through profit and loss	335	-	-	-	-	335
- Available for sale	144.802	-	-	14.605	-	159.407
- Held to maturity	98.793	-	-	1.524.486	-	1.623.279
Investments in subsidiaries and associates	84.173	-	-	83.522	-	167.695
Other assets	29.615	3.405	134	108.654	-	141.808
Total financial assets	**3.865.207**	**358.488**	**75.163**	**4.500.069**	**8.670**	**8.807.597**
Financial liabilities						
Due to Banks	326.921	121.550	3.244	44.909	762	497.386
Customers deposits & certificates of deposits	2.603.444	233.608	71.491	4.254.317	7.680	7.170.540
Other loans	70.000	-	-	28.017	-	98.017
Other liabilities	39.501	1.093	421	63.215	50	104.280
Total financial liabilities	**3.039.866**	**356.251**	**75.156**	**4.390.458**	**8.492**	**7.870.223**
Net financial position	**825.341**	**2.237**	**7**	**109.611**	**178**	**937.374**

31 December 2018	USD	Euro	GBP	EGP	Other	Total
Total financial assets	3.838.833	466.207	93.677	4.500.857	5.033	8.904.607
Total financial liabilities	3.034.240	466.972	92.789	4.392.016	5.206	7.991.223
Net financial position	804.593	(765)	888	108.841	(173)	913.384

B-3 Interest rate risk

The Group is exposed to the effect of fluctuations in the prevailing levels of market interest rates. The interest rate risk is the cash flow interest rate risk that is represented in the fluctuation of the future cash flows of a financial instrument due to the changes in market interest rates 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. Interest margins may increase as a result of such changes but the profit may decrease if unexpected movements arise. The Board of Directors of the Group sets limits on the level of mismatch of interest rate re-pricing that may be undertaken by the Group, the matter that is monitored on daily basis by the Group`s Risk Management Department.

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

31 December 2018	Up to 1 month	More than 1 month to 3 Months	More than 3 months to 12 Months	More than 1 year to 5 years	Over 5 years	Non-interest bearing	Total
Financial Asset							
Cash and balances with the Central Bank	154.125	-	-	-	-	205.716	359.841
Due from Banks	891.302	366.211	272.975	-	-	7.902	1.538.390
Treasury bills & government securities	238.240	750.894	1.396.543	-	-	-	2.385.677
Loans and facilities to customers	733.226	910.363	172.020	417.506	162.373	-	2.395.488
Loans and facilities to banks	-	-	21.919	13.758	-	-	35.677
Financial investments:							
- At fair value through profit and loss	-	-	-	335	-	-	335
- Available for sale	-	-	87	51.150	102.045	6.125	159.407
- Held to maturity	-	83.027	129.156	1.127.440	282.386	1.270	1.623.279
Investments in subsidiaries and associates	-	-	-	-	167.695	-	167.695
Other assets	-	-	62.125	-	-	79.683	141.808
Total financial assets	**2.016.893**	**2.110.495**	**2.054.825**	**1.610.189**	**714.499**	**300.696**	**8.807.597**
Financial liabilities							
Due to Banks	276.803	48.160	162.975	-	-	9.448	497.386
Customers' deposits & certificates of deposits	3.292.704	773.701	898.402	1.846.591	10.742	348.400	7.170.540
Other loans	-	40.000	30.000	28.017	-	-	98.017
Other liabilities	-	-	36.067	-	-	68.213	104.280
Total financial liabilities	3.569.507	861.861	1.127.444	1.874.608	10.742	426.061	7.870.223
Interest re-pricing gap	(1.552.614)	1.248.634	927.381	(264.419)	703.757	(125.365)	937.374

31 December 2017	Up to 1 month	More than 1 month to 3 Months	More than 3 months to 12 Months	More than 1 year to 5 years	Over 5 years	Non-interest bearing	Total
Total financial assets	1.394.156	2.861.096	1.833.766	1.635.588	838.861	341.140	8.904.607
Total financial liabilities	3.049.809	1.002.835	1.826.395	1.691.161	8.822	412.201	7.991.223
Interest re-pricing gap	(1.655.653)	1.858.261	7.371	(55.573)	830.039	(71.061)	913.384

C- Liquidity risk

Liquidity risk represents the bank difficulty in meeting its financial commitments when they fall due and replace funds when they are withdrawn. This may result in failure in fulfilling the group obligation to repay the depositors and fulfilling lending commitments.

Liquidity risk management process

The Group's liquidity risk management control process carried out by the Department of Risk Management of the Group includes:

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

Monitoring and reporting take the form of cash flow measurement and projections for the next working day, week and month respectively as these are key years for liquidity management .The starting point to calculate these expectations is analyzing the contractual dues of the financial liabilities and expected dates of the financial assets' collections.

The Department of Assets and Liabilities Management monitors the mismatch between medium term assets, the level and nature of unused loans commitments, debit current accounts utilizations extent, and the effect of contingent liabilities such as letters of guarantee and letters of credit.

Funding approach

Sources of liquidity are regularly reviewed by a separate team from the Department of Risk Management of the Group to maintain a wide diversification of currencies, geographical sectors, sources, products and terms.

D- Operating risk:

The definition of operating risk comprises "the risk of a change in value caused by the fact that actual direct losses and / or indirect losses incurred due to inadequacy or failure of internal processes, systems, human factor or external events including legal risk or any operating events that impact negatively on the reputation of the group, the continuity of the business as a going concern and / or the market value of the Group."

The Framework of the Operating Risk Department

The Operating Risk Department is considered as a significant part that supports the various activities of the Bank with respect to its role in identifying and assessing the relevant risks and the required controls to prevent and mitigate the operating losses in addition to participating in enhancing the competency and efficiency of utilizing the various resources of the Group.

The policy of the Operating Risk Department aims at laying out a general framework to consolidate its efficiency and providing support to the governance system through enlightenment and spreading the risk culture among all employees, providing complete awareness of the targets of the Operating Risk Department, how to classify risks, the difference between the operating risk and the other kinds of risks, the duties and responsibilities of management and supervision, the methods and approaches used inside the Bank for determination, measurement, reporting and follow up to limit and mitigate the operating risks.

The Operating Risk Department is concentrating its attention on the spreading of risk culture and the awareness of the importance of identifying, reviewing, examining policies, procedures and work systems, making researches to enhance systems and their security methods, the efficiency of the oversight controls to prevent and mitigate the operating risks.

Meanwhile, the Operating Risk Department is taking the lead in cooperation with all the departments of the Group to identify indications that give early warning concerning the events that may expose the Group to any sort of possible risks.

The Operating Risk Department started working on establishing operating events database along with their classification that is in conformity with the standards laid out by "Basel II" Accords and the classification of operating risks stated therein. The data collection process relies on the internal operating events reports in addition to all relevant external events. The said data are used in analyzing and monitoring the root causes of the operating risks, the frequency of events, evaluating the corrective measures and the controls adopted by the Bank to prevent and mitigate the operating risks.

E- Fair value of financial assets and liabilities

Due from banks

The fair value of overnight variable interest deposits represents their current value. The expected fair value of variable interest deposits is assessed based on the discounted cash flows through the use of the prevailing rate in the financial markets for the debts attributed by credit risk and similar maturity date.

Loans and facilities to customers

Loans and facilities are recorded at net after deducting the impairment losses. The expected fair value of loans and facilities represent the value the discounted future cash flows expected to be collected. The cash flows are discounted based on the market current interest rate to determine the fair value.

Securities investment

Available for sale assets are valued at fair value, except for the equity instruments that the Bank could not estimate their fair value in a reliable manner while the fair value of the financial assets held to maturity is determined based on the market prices or the prices provided by the brokers. In case the said information is not available, the fair value shall be estimated based on the financial markets of the floating securities that are attributed by similar credit profile, maturity dates and rates of interest.

Due to other banks and customers

The fair value of deposits with unspecified date of maturity which include non-bearing interest deposits represents the amount that shall be paid on demand.

The fair value of the fixed interest deposits and other non-current loans in an active market is determined based on the discounted cash flows through the use of the interest rate on new debts attributed by similar maturity date.

F- Capital management

The Group's objectives behind managing the capital include elements other than equity shown in the balance sheet and they are represented in the following:

- Compliance with the legal requirements of capital in The Arab Republic of Egypt.
- Protecting the Group's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the Bank.
- Maintaining a strong capital base to enhance growth.
- Capital adequacy and uses are reviewed on a monthly basis according to the regulatory authority's requirements (CBE) by the Group's management through models based on Basel Committee for Banking Control instructions and these data are submitted to CBE on 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 risk-weighted elements of capital, assets, contingent liabilities, market risk and operating risk including the percentage of 11.875 % as a hedging support.

The numerator in capital adequacy comprises the following two tiers:

Tier 1:

It is the primary capital comprising of paid up capital (after deducting the carrying amount of the treasury stocks) if any, retained earnings and reserves resulting from profit appropriations less any goodwill previously recognized, and any carried forward losses.

Tier 2:

It is the supplementary capital (Tier 2 Capital) that is comprised of the equivalent of the general risk provision which is formed based on the Obligor Risk Rating and Provisioning Rules issued by the Central Bank of Egypt in a manner that does not exceed 1.25% of the total risk-weighted assets and contingent liabilities, subordinated loans / deposits of more than five-year-maturity period (while amortizing 20% of their value in each year of the last five years of their maturity period) in addition to 45% of the increase resulting from the difference between the fair value and the carrying value of both financial investments available for sale and held to maturity date as well as investments in subsidiaries and associates.

When calculating the total numerator of the capital adequacy ratio, it should be taken into consideration that the supplementary capital does not exceed in any way the primary capital and that subordinated loans (deposits) do not exceed half of the primary capital.

Assets are risk-weighted ranging from zero to 100% classified according to the nature of each asset of the debtor to reflect the credit risk associated with it and taking in consideration the cash collaterals. In addition, the same treatment is used for off-balance amounts after adjustments to reflect the contingent nature and the potential loss of those amounts. The Group has been in compliance with the local capital requirements. The following table summarizes the components of the primary and supplementary capital in addition to the capital adequacy percentages as at 31 December 2018.

	31/12/2018	31/12/2017
Tier 1 Capital (primary capital)		
Paid up capital	600.000	600.000
Reserves	215.163	207.777
Risk reserve (IFRS 9)	37.193	37.193
Retained earnings	92.604	45.469
Profits for the year	47.897	69.336
Non controlling interest	162.253	172.343
Total Primary Capital	**1.155.110**	**1.132.118**
Less:		
Investments in financial institutions:		
Amount exceeding 10% of the issued capital of the company for each separate investment (shares)	(52.083)	(44.491)
Amount exceeding 10% of each fund assets for each separate investment	(4.192)	(1.612)
Intangible assets	(684)	(1.015)
Excluding:		
Balance of available for sale investments reserve at fair value	(12.206)	(116)
Foreign exchange translation difference reserve	(129.370)	(128.615)
Total Tier 1 Capital	**956.575**	**956.269**
Tier 2 Capital (primary capital)		
Impairment losses provision for performing loans, facilities & contingent liabilities	51.251	52.104
Total Tier 2 Capital	**51.251**	**52.104**
Total Capital Base (1)	**1.007.826**	**1.008.373**
Risk-weighted assets & contingent liabilities		
Credit risk of included in and off-balance sheet items	5.789.318	6.289.218
Market risk - exchange rates	169.973	266.361
Operating risk	395.118	428.464
Total risk-weighted assets & contingent liabilities (2)	**6.354.409**	**6.984.043**
Capital adequacy ratio (1) / (2)	**% 15.86**	**% 14.44**

The capital adequacy ratio was applied to the balances of the consolidated financial statements based on the instructions of the Central Bank of Egypt issued on 24 December 2012.

The following table summarizes the financial leverage ratio:

	31/12/2018	31/12/2017
Tier 1 Capital after disposals	956.575	956.269
Cash and Due from Central Bank	359.841	440.731
Balances due from Banks	1.574.067	1.494.134
Treasury bills & other government notes	2.385.677	2.128.362
Available for sale Investments	159.742	72.357
Held to maturity Investments	1.623.279	1.824.530
Investments in subsidiaries & associates	167.695	162.600
Loans & credit facilities given to customers	2.464.123	2.649.004
Fixed assets (after deducting impairment losses provision and accumulated depreciation)	93.279	94.499
Other assets	142.492	135.100
The amount of exposure deducted (after disposing the first tier of the capital base)	(56.960)	(47.118)
Total exposure of banks' items in the balance sheet (after deducting the disposals of the first tier)	**8.913.235**	**8.954.199**
Letters of credit - imports	11.589	9.489
Letters of credit - exports	23.365	1.214
Letters of guarantee	84.070	80.109
Letters of guarantee upon other Banks' request or by their warranty	18.651	16.450
Bank notes	25.102	24.912
Total contingent liabilities	**162.777**	**132.174**
Total obligations	**98.061**	**84.619**
Total off- balance sheet exposure	**260.838**	**216.793**
Total balance sheet & off- balance sheet exposure (2)	**9.174.073**	**9.170.992**
Financial leverage ratio (1/2)	**% 10.43**	**% 10.43**

4- Significant accounting estimates and assumptions

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities disclosed during the next financial year. Estimates and assumptions are continually evaluated based on historical experience and other factors including the expectations of future events that are believed to be reasonable in the light of circumstances & available information.

4-A Impairment losses for loans and facilities

The group reviews the portfolio of loans and facilities at least quarterly. The group uses the relevant mechanisms adopted in the work system to determine whether it is necessary to recognize impairment burden in the income statement, to identify if there is objective evidence indicating a decline that can be measured in the expected future cash flows from loans portfolio before identifying any decline on individual basis. These evidences include data indicating negative changes in borrowers' portfolio ability to repay to the Bank, or local or economic circumstances related to default in group's assets. On rescheduling future cash flows, Management uses the past experience to determine impairment loss for assets of credit nature when there is objective evidence of impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss.

4-B Impairment of available for sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires personal judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial situation of the investee or its operating or financing cash flows, industry and sector performance or changes in technology.

4-C Held-to-maturity investments

The Bank classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the group evaluates its intention and ability to hold such investments to maturity. If the group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value not amortized cost. In addition, the classification of any investments in this item shall be suspended.

In case the use of investments classification is suspended on the basis that they are held to maturity, the carrying value will be increased with the amount of US$ 347 thousand as 31 December 2018 and US$ 98 thousand as at 31 December 2017 to reach the fair value through recording a contra entry in the fair value reserve included in equity.

5- Net interest income

Interest from loans and similar income:

	31/12/2018	31/12/2017
Loans and facilities:		
- Banks	7.174	6.496
- Customers	301.589	280.027
	308.763	**286.523**
Financial investments	481.747	493.745
Deposits at Banks	50.778	20.714
Total	**841.288**	**800.982**

Interest on deposits and similar expenses:

	31/12/2018	31/12/2017
Deposits and current accounts:		
- Banks	(33.413)	(52.625)
- Customers	(636.854)	(523.601)
- Other loans	(6.757)	(7.018)
Total	**(677.024)**	**(583.244)**
Net	**164.264**	**217.738**

6- Net fees and commission income

Fees and commission income:

	31/12/2018	31/12/2017
Fees and commissions related to credit	30.539	33.813
Custody fees	2.898	2.698
Custody and bookkeeping activities fees	178	145
Other fees	5.790	6.411
Total	**39.405**	**43.067**
Fees and commission expenses:		
Other fees	(1.813)	(1.761)
Net	**37.592**	**41.306**

7- Dividends income

	31/12/2018	31/12/2017
Associates	611	-
Available for sale investments	1.264	1.063
Total	1.875	1.063

8- Net trading income

	31/12/2018	31/12/2017
Forex gain (loss)	5.778	8.240
Total	5.778	8.240

9- Administrative expenses

	31/12/2018	31/12/2017
Staff costs		
Salaries & wages and benefits	(70.755)	(70.600)
Amortization of subordinated loan for the pension fund	-	(4.991)
The Bank’s contribution in employees fund	(3.747)	(3.723)
Social insurance	(746)	(604)
	(75.248)	**(79.918)**
Amortization & depreciation	(10.415)	(8.364)
Other	(26.289)	(27.981)
Total	**(111.952)**	**(116.263)**

10- Other operating income (expenses)

	31/12/2018	31/12/2017
(Losses) gains of revaluation of monetary assets &monetary liabilities balances other than those classified for trading or originally classified at their issuance at fair value through profit and loss	(37)	34
Other income	1.391	2.050
Finance lease	(260)	(305)
Operating lease	(246)	(195)
Other provisions (formed) released	(2.506)	11.697
Other (expenses)	(996)	(858)
Gains from fixed assets sale	133	8
Other	(451)	15
Total	**(2.972)**	**12.446**

11- Income tax expense

	31/12/2018	31/12/2017
Current tax *	40.733	46.735
Deferred tax (Note 27)	397	156
Total	**41.130**	**46.891**

* The current tax is represented in the value of tax that fell due on treasury bills and bonds interest income in addition to the dividends appropriations for the financial year then ended of SAIB Bank with the amount of US$ 40.676 thousand and the tax for the year of CAFI Company with an amount of US$ 57 thousand.

12- Cash and Due from Central Bank

	31/12/2018	31/12/2017
Cash	59.636	69.294
Due from central Bank (within the mandatory reserve percentage in EGP)	300.205	371.437
Total	**359.841**	**440.731**
Non-interest bearing balances	**359.841**	**440.731**

13- Due from Banks

	31/12/2018	31/12/2017
Current accounts	66.855	92.942
Deposits	1.471.535	1.352.160
Total	**1.538.390**	**1.445.102**
Due from central Bank (other than the mandatory reserve percentage in EGP)	532.212	339.489
Local Banks	472.523	592.219
Foreign Banks	533.655	513.394
Total	**1.538.390**	**1.445.102**
Non- interest bearing balances	28.854	48.365
Variable interest balances	41.962	46.239
Fixed interest balances	1.467.574	1.350.498
Total	**1.538.390**	**1.445.102**
Current balances	1.538.390	1.445.102

14- Treasury bills & other government notes

	31/12/2018	31/12/2017
30 days maturity	23.821	-
90 days maturity	88.775	-
180 days maturity	-	14.102
266 days maturity	-	12.534
270 days maturity	2.791	286.839
273 days maturity	-	1.523
352 days maturity	2.791	-
357 days maturity	14.584	-
358 days maturity	2.680	668
362 days maturity	1.786	-
364 days maturity	2.374.389	1.907.187
Total	**2.511.617**	**2.222.853**
Less: unearned interest	(125.940)	(94.491)
Net	**2.385.677**	**2.128.362**

15- Loans and facilities to banks

	31/12/2018	31/12/2017
Discounted notes	38.132	50.711
Less: unearned portion of discounted notes	(2.455)	(1.679)
	35.677	**49.032**
Current balances	21.919	28.173
Non-current balances	13.758	20.859
Total	**35.677**	**49.032**

16- Loans and facilities to customers

Individuals:	31/12/2018	31/12/2017
Personal loans	85.459	78.430
Debit current accounts	67.619	98.305
Credit cards	5.681	6.545
Real estate loans	31.280	18.301
Total (1)	**190.039**	**201.581**
Corporate loans including small loans granted for economic activities:		
Direct loans	1.057.625	1.114.992
Syndicated loans	1.037.336	1.119.940
Debit current accounts	309.738	398.836
Other loans	11.480	5.540
Total (2)	**2.416.179**	**2.639.308**
Total loans and facilities to customers (1+2)	**2.606.218**	**2.840.889**
Less: Accumulated impairment of loans	(189.529)	(175.844)
Less: suspense interest	(1.009)	(1.196)
Undue interest	(20.192)	(16.041)
Net	**2.395.488**	**2.647.808**

Accumulated impairment losses

The movement analysis of accumulated impairment for loans and facilities to customers is as follows:

	31/12/2018	31/12/2017
Beginning balance	175.844	137.334
Impairment formed during the year	14.012	38.023
Foreign exchange differences	(627)	386
Written off loans during the period	(173)	(53)
Proceeds from previously written off loans	11	89
Amounts reimbursed during the year	462	65
Ending balance	**189.529**	**175.844**

17- Financial investments

	31/12/2018	31/12/2017
A- At fair value through profit and loss		
Balance	352	633
Disposals	(28)	(304)
Change in the fair value	11	23
Total financial investments at fair value through profit and loss (1)	335	352
B- Available for sale investments		
Debt instruments at fair value	129.099	40.960
Equity instruments measured at fair value:		
Quoted	2.584	2.516
Unquoted	26.003	26.746
Mutual funds	1.721	1.783
Total Available for sale investment (2)	159 407	72 005
C- Held to maturity investments		
Quoted	1.622.009	1.823.247
Unquoted	1.270	1.283
Total financial investments held to maturity (3)	1.623.279	1.824.530
Total Financial investments (1+2+3)	1.783.021	1.896.887
- Current balances	299.017	132.679
- Non-current balances	1.484.004	1.764.208
Total	**1.783.021**	**1.896.887**
Variable interest debt instruments	1.751.108	1.864.207
	1.751.108	1.864.207

Gains (Losses) from financial investments

	31/12/2018	31/12/2017
Gain (loss) from the sale of available for sale investments	(624)	4.613
Impairment losses of equity instruments available for sale	-	(358)
Profits from the sale of equity instruments held to maturity	-	645
Profits from the sale of treasury bills	38	-
Amortization of the fair value reserve allocated for bonds reclassified from investments available for sale into financial investments held to maturity	(6.786)	(8.240)
Total	**(7.372)**	**(3.340)**

The financial investments movement is represented in the following table:

December 31, 2018	Available for sale	Held to maturity	Total
Balance as at 1/1/2018	72.005	1.824.530	1.896.535
Additions	103.863	-	103.863
Disposals	(3.560)	(189.019)	(192.579)
Amortized premium/ discount for shares	(5)	5.614	5.609
Foreign currency revaluation differences	(104)	(17.846)	(17.950)
Change in fair value	(12.091)	-	(12.091)
Impairment of investment value	(701)	-	(701)
Balance as at 31/12/2018	**159.407**	**1.623.279**	**1.782.686**

December 31, 2017	Available for sale	Held to maturity	Total
Balance as at 1/1/2017	218.682	1.725.213	1.943.895
Additions	17.051	77.420	94.471
Disposals	(167.130)	(37.029)	(204.159)
Amortized premium/ discount for shares	213	5.244	5.457
Foreign currency revaluation differences	1.650	53.518	55.168
Change in fair value	1.897	-	1.897
Impairment (formed) released	(358)	164	(194)
Balance at 31/12/2017	**72.005**	**1.824.530**	**1.896.535**

18- Investments in associates

Equity participations where the Bank holds 20% or more than its capital shares are as follows:

Name of Company	Assets	Liabilities (without equity)	Revenues	Net Profit (loss)	Country of company's premises	Date of the last financial statements issued	Balance as at 1/1/2018	Balance as at 31/12/2018	Share %
Suez Canal Co. For Technology	95.538	27.053	2.188	1.155	A.R.E	30/11/2018	16.911	16.491	24.08%
International Company for Tourist Investments (ICTI)	96.573	7.086	17.705	8.806	A.R.E	Primary financial statements 31/12/2018	22.529	17.897	20%
World Trade Centre (WTC)	145.141	12.592	2.047	1.132	A.R.E	31/12/2018	66.177	66.276	50%
Suez Canal Bank (SCB)	2.646.611	2.485.609	271.265	23.456	A.R.E	31/12/2018	56.801	66.868	41.50%
Cairo National Company for Brokerage and Securities	342	147	106	2	A.R.E	30/9/2018	60	62	32%
Cairo Factoring Company	5.347	5.095	1.157	(47)	A.R.E	31/12/2017	122	101	40%
Total associates							**162.600**	**167.695**	

The Bank participation in the capital of the World Trade Centre (WTC) Company amounted to 50% and the Bank does not have control over the Company, hence, the investment in the World Trade Centre (WTC) is considered as an investment in associates.

19- Intangible Assets

	31/12/2018	31/12/2017
Net book value at the beginning of the year	1.015	1.224
Additions	297	358
Amortization during the year	(628)	(567)
Net book value at the end of the year	**684**	**1.015**

20- Other Assets

	31/12/2018	31/12/2017
Accrued revenue	95.196	96.243
Accrued dividends	1.170	1.310
Prepaid expenses	3.713	2.620
Prepaid amounts to employees under the account of profits appropriations	7.897	7.369
Advance payments to purchase fixed assets	17.339	15.936
Assets reverted to the Bank in return for customers debts (after deducting the impairment)	1.433	4.682
Deposits and imprests	318	64
Other balances (after deducting the impairment)	14.742	5.861
Total	**141.808**	**134.085**

21- Fixed Assets

Description	Land	Buildings & Improvements	Furniture Fittings & Office Equipment	Vehicles	Computers	Total
Balance as at 1/1/2017	**29.944**	**36.676**	**11.815**	**383**	**7.430**	**86.248**
Additions	-	6.138	4.690	5	5.321	16.154
Disposals	-	(12)	(45)	-	(48)	(105)
Depreciation during the year	-	(2.238)	(3.344)	(94)	(2.122)	(7.798)
Net Book Value as at 31/12/2017	**29.944**	**40.564**	**13.116**	**294**	**10.581**	**94.499**
Additions	-	1.151	1.861	-	5.566	8.578
Disposals	-	(2)	-	-	(9)	(11)
Depreciation during the year	-	(2.498)	(3.985)	(90)	(3.214)	(9.787)
Net Book Value at 31/12/2018	**29.944**	**39.215**	**10.992**	**204**	**12.924**	**93.279**

22- Due to Banks

	31/12/2018	31/12/2017
Current Accounts	151.912	194.778
Deposits	345.474	725.365
Total	497.386	920.143
Local Banks	202.701	388.412
Foreign Banks	294.685	531.731
Total	497.386	920.143
Non - Interest Bearing Balances	52.549	65.550
Interest Bearing Balances	-	164
Fixed interest bearing balances	444.837	854.429
Total	497.386	920.143
Current balance	497.386	788.165
Non – current balance	-	131.978
Total	497.386	920.143

23- Customers' deposits

	31/12/2018	31/12/2017
Demand deposits (current accounts)	926.197	592.058
Time and call deposits	4.109.836	4.093.083
Certificates of deposits	1.506.397	1.612.599
Saving deposits	438.278	411.782
Other deposits	189.832	143.073
Total	7.170.540	6.852.595
Corporate deposits	4.038.090	3.864.681
Retail deposits	3.132.450	2.987.914
Total	7.170.540	6.852.595
Non-interest-bearing balances	458.237	409.905
Fixed interest-bearing balances	4.911.324	4.542.978
Variable interest-bearing balances	1.800.979	1.899.712
Total	7.170.540	6.852.595
Current balances	4.962.158	4.616.513
Non-current balances	2.208.382	2.236.082
Total	7.170.540	6.852.595

24- Other loans

	31/12/2018	31/12/2017
Social Fund for Development loan - development of small enterprises (new & existing)	5.384	8.588
Environmental compliance projects loan- (the leading bank / NBE)	19	78
Agricultural development loan – (the leading bank / CIB)	2.175	2.477
(CBE) Mortgage finance initiative to low income individuals	10.612	3.502
Arab Fund for Economic and Social Development loan	30.000	30.000
Performing SMEs financing initiative to fund new machinery, equipment and production lines for industrial and agricultural purposes (CBE)	9.827	3.474
China Development Bank (CDB) loan	40.000	40.000
Total other loans	**98.017**	**88.119**

25- Other liabilities

	31/12/2018	31/12/2017
Accrued interest	55.206	77.686
Unearned revenues	3.319	3.255
Employees' fund	2.103	4.144
Alternative employees benefit plan	8.180	7.948
Accrued expenses	423	775
Dividends payable	24	24
Other credit balances	35.025	36.534
Total	**104.280**	**130.366**

26- Other Provisions

	31/12/2018					31/12/2017				
	Beginning of the year balance	Exchange differences	Formed (Released) during the year	Used during the year	Year ending balance	Beginning of the year balance	Exchange differences	Formed (Released) during the year	Used during the year	Year ending balance
Provision for potential Claims	1.817	(11)	2.698	(917)	3.587	12.770	81	(11.034)	-	1.817
Provision for Contingencies	5.620	(31)	(192)	-	5.397	6.004	54	(438)	-	5.620
Provision for banking operations	-	-	-	-	-	200	-	(200)	-	-
Provision for legal claims	54	(1)	-	-	53	52	2	-	-	54
Total	7.491	(43)	2.506	(917)	9.037	19.026	137	(11.672)	-	7.491

27- Deferred tax liabilities

	31/12/2018	31/12/2017
Balance at the beginning of the year	594	438
Formed during the year	397	156
Balance at the end of the year	**991**	**594**

28- Cash and cash equivalents

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

	31/12/2018	31/12/2017
Cash & due from the Central Bank of Egypt	59.636	69.294
Due from Banks	1.265.415	1.135.324
- Treasury bills	989.134	689.730
Balance at the end of the year	**2.314.185**	**1.894.348**

29- Commitments for loans, guarantees and facilities

	31/12/2018	31/12/2017
Letters of guarantee	206.324	194.042
Letters of Credit (export & import)	175.110	57.205
Commitments for corporate loans	824.876	757.609
Accepted and endorsed bank notes	24.759	21.218
Total	**1.231.069**	**1.030.074**

30- Related parties' transactions

Transactions with related parties have been conducted by the Group are at the same norm by which the Group can conduct with any third parties Related parties' transactions and balances on the balance sheet date are as follows:

	Associates	
	31/12/2018	31/12/2017
Loans & facilities to customers and banks	8.674	4.722
Customers' deposits	249.409	280.759
Due from banks	8.821	25.814
Due to banks	320.725	595.422
Other balances	224	308

31- Owners' Equity

A- Paid up Capital

The Issued Capital as at December 31, 2015 amounted to US$ 600 Million distributed over 30 000 common shares of US$ 20 000 each and the paid-up capital amounted to US$ 450 Million.

On March 6, 2016, the Board of Directors of the Bank decided to call up the second and last portion of the issued capital increase that amounted to US$ 150 million paid as at September 30, 2016.

Thus, the fully paid issued and paid in capital of the Bank became US$ 600 million as at December 31, 2018 that is distributed over 30,000 common shares whose value is US$ 20 000 each.

The issued and subscribed share capital is as follows:

	No. Of shares	Normal value	%	Paid
Arab Republic of Egypt	11 628	232.560	38.76	232.560
Libya	11 628	232.560	38.76	232.560
Abu Dhabi Investment Authority	3 751	75.020	12.503	75.020
State of Qatar	1 495	29.900	4.984	29.900
General Reserve Fund of Sultanate of Oman	747	14.940	2.49	14.940
International Capital Trading Co.	751	15.020	2.503	15.020
Total	**30 000**	**600.000**	**100**	**600.000**

B- Reserves

	31/12/2018	31/12/2017
Legal Reserve (Analytical Note No. B-1)	127.008	119.626
General Reserve	87.578	87.578
Capital reserve	577	573
Special reserve	1.683	1.683
Fair value reserve of investments available for sale (Note No. B-2)	(10.913)	(8.252)
General banking reserve (Analytical Note No. B- 3)	4.798	3.702
Risk reserve (IFRS 9) *	37.193	37.193
Total of reserve at the end of the year	**247.924**	**242.103**

* A Risk Reserve based on IFRS 9 was formed at a rate of 1% of the risk-weighted total credit that is to be taken from the net profit for the year 2017 according to the instructions of the Central Bank of Egypt issued on 28 January 2018 provided that it shall not be utilized unless an approval is given by the Central Bank of Egypt.

B-1 Legal Reserve

	31/12/2018	31/12/2017
Balance at the beginning of the year	119.626	113.293
Transferred from net profit of the year	7.382	6.333
Balance at the end of the year	**127.008**	**119.626**

B-2 Fair value reserve of investments available for sale

	31/12/2018	31/12/2017
Balance at the beginning of the year	(8.252)	(13.072)
Net change in the fair value of the investments available for sale	(6.084)	665
Amortization of the fair value reserve allocated for bonds reclassified from investments available for sale into financial investments held to maturity	3.423	4.155
Balance at the end of the year	**(10.913)**	**(8.252)**

B-3 General banking risks reserve

	31/12/2018	31/12/2017
Balance at the beginning of the year	3.702	5.236
Transferred to/from retained earnings	1.096	(1.534)
Balance at the end of the year	**4.798**	**3.702**

C- Foreign exchange translation differences

	31/12/2018	31/12/2017
Balance at the beginning of the year	(128.438)	(131.486)
Foreign exchange difference	(931)	3.048
Balance at the end of the year	**(129.369)**	**(128.438)**

D- Retained earnings

	31/12/2018	31/12/2017
Balance at the beginning of the year	114.805	105.593
Net profit of the year	47.897	69.336
Dividends	(13.546)	(17.945)
Transferred to legal reserve	(7.382)	(6.333)
Transferred to general reserve	-	(1.009)
Transferred to capital reserve	(4)	(6)
Transferred to banking risk reserve	(1.096)	1.534
Transferred to (IFRS9) reserve	-	(37.193)
Foreign exchange translation differences	(173)	828
Balance at the end of the year	**140.501**	**114.805**

32- Investment Funds

SAIB Fund 1 - accumulated income fund:

- SAIB Fund 1 is one of the banking activities authorized to be practiced by the Bank by virtue of the Capital Market Company (S.A.E.)
- The Bank has established Fund 1 by virtue of the license issued by the Egyptian Financial Supervisory Authority (currently known as the Financial Regulatory Authority) No. (133) dated 28 February 1996 at a nominal value of EGP 500 per certificate. ON 13 March 2007, the Capital Market Authority approved splitting the value of the certificate at a percentage of 1:5 and thus the nominal value of the certificate became EGP 100 instead of EGP 500, accordingly, article No. (6) of the prospectus of Fund 1 was amended as at 29 March 2007.
- The number of investment certificates of this fund reached 185 863 certificates and their nominal value amounted to US$ 1 053 401. The Bank allocated 73 075 certificates with a nominal value of US$ 414.161 to carry out the activity of the fund.
- The redemption value per certificate on the financial position date amounted to EGP 242,98 that represents the equivalent of US$ 13,77
- Law no. 95 of 1992 and its executive regulations and it is managed by Prime Investments Asset Management

SAIB Fund 2 - accumulated income fund with recurring revenue and bonus certificates:

- SAIB Fund 2 is one of the banking activities authorized to be practiced by the Bank by virtue of the Capital Market Law no. 95 of 1992 and its executive regulations and it is managed by Prime Investments Asset Management Company (S.A.E.)

- The Bank has established Fund 2 by virtue of the license issued by the Egyptian Financial Supervisory Authority (currently known as the Financial Regulatory Authority) No. (178) dated 4 September 1997 at a nominal value of EGP 100 per certificate.
- The number of investment certificates of this fund reached 44 740 certificates and their nominal value amounted to US$ 253.569. The Bank allocated 20 235 certificates with a nominal value of US$ 114.684 to carry out the activity of the fund.
- The redemption value per certificate on the financial position date amounted to EGP 821,19 that represents the equivalent of US$ 46,83

SAIB Fund 3 - El Rabah Fund - fund with recurring revenue:

The fund is one of the banking activities authorized to be practiced by the Bank by virtue of the Capital Market Law no. 95 of 1992 and its executive regulations and it is managed by EFG Hermes Asset Management instead of Prime Investments Asset Management Company (S.A.E.) due to the termination of the management contract as at 4 November 2013.

The Bank has established Fund 3 by virtue of the license issued by the Egyptian Financial Supervisory Authority (currently known as the Financial Regulatory Authority) No. (248) dated 31 December 1998 at a nominal value of EGP 100 per certificate.

The name of the fund was changed into El Rabah Fund based on the approval of the Egyptian Financial Supervisory Authority (currently known as the Financial Regulatory Authority) dated 22 April 2007.

The number of investment certificates of this fund reached 229 869 certificates and their nominal value amounted to US$ 1.302.810. The Bank allocated 50 000 certificates with a nominal value of US$ 283.381 to carry out the activity of the fund.

The redemption value per certificate on the financial position date amounted to EGP 153,20 that represents the equivalent of US$ 8,68

SAIB Fund 4 - Sanabil Islamic Fund - accumulated income fund with recurring revenue:

- The fund is one of the banking activities authorized to be practiced by the Bank by virtue of the Capital Market Law no. 95 of 1992 and its executive regulations and as of 21 December 2011, the fund turned out to be managed by HC Securities & Investment instead of Prime Investments Asset Management Company (S.A.E.), due to the termination of the management contract as at 20 December 2011.
- The Bank has established Sanabil Islamic Fund based on the provisions of the Islamic law (sharia) in cooperation with Abu Dhabi Islamic Bank (ADIB) –Egypt (formerly The National Bank for Development –NBD) by virtue of the license issued by the Capital Market Authority No. (377) dated 20 December 2006 at a nominal value of EGP 100 per certificate.
- The number of investment certificates of this fund reached 215 180 certificates and their nominal value amounted to US$ 1.219.558. The Bank allocated 25 000 certificates with a nominal value of US$ 141.691 to carry out the activity of the fund.

SAIB Fund 5 - Youmy Fund - accumulated daily income fund:

- The fund is one of the banking activities authorized to be practiced by the Bank by virtue of the Capital Market Law no. 95 of 1992 and its executive regulations and it is managed by Beltone Asset Management Company.
- The Bank has established the daily cash fund (Youmy Fund) by virtue of the license issued by the Egyptian Financial Supervisory Authority (currently known as the Financial Regulatory Authority) No. (691) dated 4 September 2014 at a nominal value of EGP 10 per certificate.

- The number of investment certificates of this fund reached 3.404.413 certificates and their nominal value amounted to US$ 1.929.492 The Bank allocated 500 000 certificates with a nominal value of US$ 283.381 to carry out the activity of the fund.
- The redemption value per certificate on the financial position date amounted to EGP 14.52 that represents the equivalent of US$ 0.82.

33- Employees' Pension fund

The Bank has a funded defined benefit contributory pension plan covering all full-time employees till April 17, 2008. The benefits provided by the plan are determined by the Board of Directors. The value of the vested benefit liability according to the plan and the sufficiency of the reserve are determined annually by an Actuarial scientist.

On December 8, 2013, the Board of Directors of the Bank, approved the optional Early Retirement Plan based on the new conditions and benefits instead of the adopted regulations of the end of service compensation, social insurance and pension plan program by disassociation from the Bank and the Employees' Pension Fund (without pension) provided that the proposed benefits shall be granted based on to the insurance wage as of December 31, 2013. In addition, the Bank shall finance the Employees' Fund by a subordinated loan amounting about US$ 55 million that represents the difference between the total employees' benefits amounts after being granted the additional benefits of the optional Early Retirement according to the regulations and the actuarial reserve allocated for such age categories. The settlement of the subordinated loan occupies the second priority after the fulfillment of the Fund's obligations that are established upon the actuarial calculations while taking into consideration that the balance of the subordinated loan is included in the assets of the Fund that are allocated for the fulfillment of its obligations and the subordinated loan balance is monthly reduced by the amount of savings resulting from the early retirement system.

The share of the year of the surplus resulting from the implementation of the Voluntarily Early Retirement Plan as at December 31, 2017 was calculated and amounted to US$ 4.991 thousand, hence, the subordinated loan granted to the Employees' Pension Fund was reduced by the same amount of the surplus share for the year. Based on the Actuary's Report issued in 2017, the Bank postponed the payment of the last portion of the subordinated loan paid in 2017 (reverse of amounts previously paid during the year 2017) and reimbursed the amount to the pension reserve fund as of December 31, 2017 provided that the said portion of the subordinated loan shall be settled during the coming years when the pension reserve fund is capable of fulfilling the said obligation as recommended by the actuary.

The employees' pension reserve fund on December 31, 2018 amounted to US$ 97.909 thousand corresponding to US$ 92.158 thousand as at December 31, 2017. The Actuary's Report stated that there is no deficit in the pension reserve fund on December 31, 2017, after the completion of the realized actual investment return difference that amounted to US$ 103 thousand in order to reach the minimum limit that should be achieved at a rate of 6% of the total reserve fund in addition to a deficit that amounted to US$ 4.797 thousand which represents the cost of employees promotions of the years 2017 and 2018, along with the postponement of settlement of the last portion of the subordinated loan, that amounted to US$ 4.991 thousand and adding its value to the pension reserve fund.

The Actuary's Report also stated that in case of an increase in the investment return rate guaranteed by the Bank to 7% instead of 6%, there will be a surplus in the employees fund amounting to US$ 3 141 thousand after covering the realized investment return difference for the year 2018 by the Bank that was previously referred to with an amount of US$ 2 103 thousand. On 23/6/2019, the Board of Directors of the Bank approved the increase of the investment return rate of the employee's fund that is guaranteed by the Bank to become 7% instead of 6%.

It is worth mentioning that Employees' Pension Fund has been supported by US$ 2 103 thousand that represents the investment return difference referred to in the Actuary's Report and deducted from the income statement of this year, along with the postponement of settlement of the last portion of the subordinated loan, that amounted to US$ 4 991 thousand provided that the said portion will be settled during the following years when the pension reserve fund is quite sufficient to cover such settlement according to the directives of the Actuary Expert referred to above.

34- Significant events

(IFRS 9) International Financial Reporting Standard No. 9 Classification & Measurement

On January 28, 2018, the Central Bank of Egypt issued its instructions to get the banks prepared for applying IFRS 9 (International Financial Reporting Standard No. 9 Classification & Measurement). For the purpose of supporting the financial positions of the banks to encounter the expected increase in the volume of provisions as a result of adopting the approach of the Expected Credit Losses (ECLs) that takes into consideration the future outlook of the economic conditions.

Hence, the Central Bank of Egypt obligated the banks to form a Risk Reserve based on IFRS 9 at a rate of 1% of the risk-weighted total credit that is to be taken from the net profit for the year 2017 provided that it shall be included in the core capital item of the capital base and shall not be utilized unless an approval is given by the Central Bank of Egypt.

Accordingly, the Bank formed a Risk Reserve (based on IFRS9) with an amount of US$ 37 193 thousand at a rate of 1% of the risk-weighted total credit and included in the proposed profits appropriations for the financial year ended as at December 31, 2017.

As of January 2019:

Applying the International Financial Reporting Standard No. 9 (Financial Instruments) Classification & Measurement, (IFRS 9) shall require reviewing the accounting policies and regulatory measures while taking into account that such changes of policies and measures are still under development and have not been completed yet.

The Bank is currently testing and assessing the regulatory measures related to IT Systems and the necessary changes within the recent governance framework.

It is worth mentioning that the new policies, estimates and assumptions relevant to the International Financial Reporting Standard No. 9 (Financial Instruments) Classification & Measurement are still exposed to reconsideration during the year 2018 to enable the Bank to finalize the issuance of the official financial statements in accordance with (IFRS 9) as of January 2019.

The International Financial Reporting Standard No. 9 (Financial Instruments) Classification & Measurement includes new classifications and change in the bases of financial assets measurement that reflect the business models according to which such assets shall be managed and their relevant cash flows characteristics shall be treated.

Expected Credit Losses (ECLs):

The International Financial Reporting Standard No. 9 (Financial Instruments) Classification & Measurement replaced the concept of loss event by expected loss that include future outlook to estimate the losses prior to their occurrence.

This concept requires wider and greater professional judgments based on estimates regarding the impact of the economic conditions on the Expected Credit Losses (ECLs).

Business Models

The Bank determines the business models through which it maintains the financial assets on the portfolio level in a manner that reflects the best approach to manage the portfolio and provide information to the management.

The said information includes the following:

The approved policy for each portfolio in a manner that is in agreement with the management strategy.
The International Financial Reporting Standard No. 9 (Financial Instruments) Classification & Measurement includes three main classifications for financial assets and they are as follows:

- Assets held at amortized cost.
- Assets held at fair value through the items of other comprehensive income.
- Assets held at fair value through income statement.
- However, the International Financial Reporting Standard No. 9 (Financial Instruments) Classification & Measurement revoked the classifications of financial assets classified as held to maturity, loans and debts available for sale.

Fifth

Interconnection with the Bank

164 Assistant Managing Directors and General Managers
165 Branches’ Managers
166 Addresses of the Bank Branches

Assistant Managing Directors

Name	Functionality	Fax
Amr Bahaa	Assistant Managing Director	23963378
Sherin Mohamed Hamed	Assistant Managing Director - Credit	---

General Managers

Name	Functionality	Fax
Aziz Abdel-Mohsen El Gebaly	Senior General Manager	23955346
Adel Salah Eldin Amin Ezzat	General Manager – Direct Investment	23907715
Gamal Ahmed Saad Zaghloul	General Manager – Financial Control	23916275
Ahmed Bahaa Eldin Youssef Mohamed	General Manager - Compliance	23940237
Assem Kamel Awwad Hussein	General Manager – Risk Management	35706478
Inas Mohamed Hassan Ali Tantawy	General Manager - Human Resources	23919302
Mohamed Mahmoud Medhat Mahmoud Tammam	General Manager – Financial Institutions	35706681
Khaled Shaker Salama Metwali Fouda	General Manager – Administration & Services	23927794
Osama Ibrahim Ramadan Elziadi	General Manager - Internal Audit	25931358
Amr Mohamed Mansur Mohamed	Head of information security systems	27479351
Khadiga Ahmed Shawky El Meteny	Head of Branches	23916391
Rashad Helmy Abou El Hassan Ahmed	Head of Internal Control	23913304
Shahinaz Ahmed Ramzy Hussein Ramzy	Head of Private Banking	35706342
Mahmuod Mohamed Mahmuod Mohamed Labib	Head of Treasury	Swift: ARIBEGCXMOK
Magda Fouda	Advisor of Systems Management and Business Process	35706209

Branches' Managers

Name	Functionality	Fax
Tarek Lofty Megahed Mesbah	Manager – Cairo Main Branch	23916233 23912319
Mohamed Ali Gamal El Din Abd El Maksoud	Manager – Heliopolis Branch	22900261 22902491
Essam said Ahmed Algohary	Manager – Tahrir Branch	35695541
Nevine Youssef Ahmed Fawzi	Manager – Alexandria Branch	03 – 4873230
Asser Mahmoud Saleh Sherif	Manager – Mohandessin Branch	33029651
Mohamed Hussein Safwat Mohamed Hassan	Manager – Nasr City Branch	24034904
Wael Shamel Ismail Mahmoud Attia	Manager – 6 of October Branch	38362148
Maged Mohamed Mohamed Yehia Rashdan	Manager – El Sheikh Zaid Branch	38517124
Ayman Ahmed Hossam Eldin Marzuk Younes	Manager – El Maadi Branch	25178353
Hesham Mohamed Essam Eldin Saaed El Kholy	Manager – Stella Branch	25308129
Adel El Sayed Thabet Hassanin Saleh	Acting Director – Port Said Branch	066 – 3227623 066 – 3225908
Shady Osama Mohamed Mohamed Abd El aal	Manager – Sharm El Sheikh Branch	069 – 3710828 069 – 3710827
Amr Yousry Aly El Gayar	Manager – Zamalek Branch	27369615
Heba Ismail Hamed	Assistant Operations Manager – Ammar bin Yasir branch	26227429
Sally Ali Mohamed Soliman	Manager – Kafr Abdo Branch (From 14 April 2019)	

Branches

The main role of branches as marketing units, to attract and expand customer base providing a high level of customer service. Branches implement Bank's plan to increase its share in banking sector and its competitive ability through geographical spread reaching current and future customers by opening new branches in distinct locations carefully chosen to build a stable deposit base by providing innovative and competitive banking services that suit different segments of society to achieve the principle of financial inclusion in order to achieve financial stability, accordingly AIB aim to open new branches during the year 2019 , branches will reach twenty branches by the end of 2019.

Addresses of the Bank Branches

Head Office
35 Abd El-Khalik Tharwat, Cairo, Arab Republic of Egypt.
Fax:23916233 – 23912319
Telephone:23918794 – 23916391 - 23916492 – 23916120
Swift Code: ARIBEGCX 001

Cairo Main Branch
35 Abd El-Khalik Tharwat, Cairo, Arab Republic of Egypt.
Fax:23916233 – 23912319
Telephone:23918794 – 23916391 - 23916492 – 23916120
Swift Code: ARIBEGCX 007

El Tahrir Branch
5 Weisa Wasef Street, El Riyadh Tower, Giza, Arab Republic of Egypt.
Fax:35695541 - 35695542
Telephone:35695532 - 35695525
Swift Code: ARIBEGCX 003

El-Sheikh Zayed Branch
Americana Plaza Mall, First Floor, El-Sheikh Zayed, Giza, Arab Republic of Egypt.
Fax:38517124
Telephone:38517127 – 38517126
Swift Code: ARIBEGCX 010

Mohandessin Branch
60 Gueziret El Arab Street, Giza, Arab Republic of Egypt.
Fax:33029651
Telephone:33029647 – 33029648 – 33029649
Swift Code: ARIBEGCX 008

Heliopolis Branch
95 A Merghani Street, Heliopolis, Cairo, Arab Republic of Egypt.
Fax:24173524
Telephone:22902491 -22902069 – 22907592
Swift Code: ARIBEGCX 005

Nasr City Branch
77 B Nasr Road, Nasr City, Cairo, Arab Republic of Egypt.
Fax:22606321
Telephone:22605914 – 22606359
Swift Code: ARIBEGCX 004

Maadi Branch
2 Amr street of El Nasr street - El Maadi, Cairo, Arab Republic of Egypt.
Fax:25178353
Telephone:25178352 – 25178353 – 25178356
Swift Code: ARIBEGCX 011

Alexandria Branch

2 El-Horeya Rd, Al Mesallah Sharq, Qesm Al Attarin, Alexandria, Arab Republic of Egypt.

Fax:03-4873230

Telephone:03 – 4869681 – 4806432

Swift Code: ARIBEGCX 002

Sharm El-Sheikh Branch

Rixos Hotel and Resort Gate, Sharm El-Sheikh, Arab Republic of Egypt.

Fax:069 – 93710827

Telephone:069 – 93710828

Swift Code: ARIBEGCX012

Port Said Branch

23 July & Salah El Din Street, Port Said, Arab Republic of Egypt.

Fax:066 – 3225908

Telephone:066 – 3223739 – 3336653

Swift Code: ARIBEGCX 006

6 Oct University Branch

6 October city - Central Axis - Part 1/1 Mall Building - Second Floor, Giza, Arab Republic of Egypt.

Fax:38362148

Telephone:38362148

Swift Code: ARIBEGCX 009

Zamalek Branch

55 Mohammed Mazhar St., Zamalek, Giza, Arab Republic of Egypt.

Fax:27369615

Telephone:27369616 – 27369617 – 27369618

Swift Code: ARIBEGCX 017

Ammar Ibn Yasser Branch

2 Mostafa Mokhtar St. off Ammar Ibn Yasser St., Heliopolis, Cairo, Arab Republic of Egypt.

Fax:26227429

Telephone:26227432- 26227433

Swift Code: ARIBEGCX 014

Hot Line: 19604

Stella Branch

Stella Compound, first settlement, 9 Mohamed Naguib Axis, next to The Waterway, Cairo, Arab Republic of Egypt.

Fax:25308129

Telephone:02-25308116

Swift Code: ARIBEGCX 013

Kafr Abdo Branch

26 Ismailia street, Kafr Abdo, Alexandria, Arab Republic of Egypt.

Fax:03 – 5464676

Telephone:03 – 5463898

Swift Code: ARIBEGCX 015

International Markets Capital

Fax: 23902084

Telephone: 23955068 - 23925736

Money Markets

Telephone: 23917893 – 23927794 - 23934416

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Reuter Dealing Code: AICE

Central Operations

77 B, Nasr Road, Nasr City, Cairo, A.R.E

- Central Swift
- Credit Card Center
- Foreign Trade
- Credit Operations

Fax: 22606321

Telephone: 22605914 – 22605958

Swift: ARIBEGCX 004

AIB المصرف العربي الدولي
ARAB INTERNATIONAL BANK

45 YEAR

of banking services