Banque Misr – (S.A.E)

Summarized Separate Financial Statements

For The Financial Year Ended June 30, 2019

Ahmed Mostafa Shawky
MAZARS Mostafa Shawky

Mohamed Hany Fouad Ismael
Accountability State Authority (ASA)

Contents

Translation of Auditor's Report
Originally Issued in Arabic

MAZARS - Mostafa Shawki
Chartered accountants & consultants

Mohamed Hany Fouad Ismaiel
Accountability State Authority (ASA)

Auditors' report
On the Summarized Financial Statements
Of Banque Misr For the Year Ended June 30, 2019

To: The Shareholders' of Banque Misr (S.A.E.)

We have audited, the separate financial statements of Banque Misr (S.A.E) as of June 30, 2019 from which the financial Information set forth in accompanying separate summarized financial statements have been derived. We conducted our audit according to the Egyptian Standards on Auditing and the requirements of applicable Egyptian law and regulations. In our report dated February 19, 2020, we expressed an unqualified opinion on the complete separate financial statements as of 30 June 2019 from which the financial Information set forth in accompanying summarized financial statements have been derived.

In our opinion, the information set forth in the accompanying separate summarized financial statements is fairly stated, in all material respects, in relation to the separate complete financial statements of the bank as of June 30, 2019.

For a complete understanding of the financial position of the bank as of June 30, 2019 and its performance and cash flows of the year then ended, in addition to the scope of our audit, the summarized separate financial statements should be read in conjunction with the bank's separate complete financial statements of the bank as of June 30, 2019 and our audit report thereon.

Cairo : 31 March, 2020

AUDITORS

Dr. Ahmed Mostafa Shawki
MAZARS - Mostafa Shawki

Acc. Mohamed Hany Fouad Ismaiel
M. Hany
Accountability State Authority (ASA)

Summary of Banque Misr separate financial statements

Extracted from Banque Misr financial statements for the year ended June 30,2019

Separate balance sheet as at June 30,2019

Translated from arabic
Amounts in EGP thousands

	Note no	June 30,2019	June 30,2018
Assets			
Cash and balances with central banks		33,518,815	62,484,692
Due from banks		233,361,747	280,288,925
Treasury bills		122,358,445	141,507,908
Financial assets held for trading	5	8,776,365	3,558,755
Loans and advances to banks	6	5,712,186	3,345,476
Loans and advances to customers	7	271,724,106	220,992,425
Financial derivatives		4,540,696	-
Financial investments			
- Available for sale	8	53,333,769	34,572,705
- Held to maturity	8	182,348,357	91,757,978
Investments in subsidiaries and associates		18,041,479	17,614,194
Intangible assets		314,182	299,168
Other assets		29,540,170	25,441,532
Property,Plant,and Equipment		3,725,141	2,203,355
Total assets		**967,295,458**	**884,067,113**
Liabilities and shareholders' equity			
Liabilities			
Due to banks		61,392,000	81,681,324
Customers' deposits	9	745,774,837	669,592,542
Financial derivatives		-	179,120
Other loans	10	70,476,669	46,704,066
Other liabilities		18,332,941	15,917,822
Other provisions	11	1,102,289	913,622
Deferred tax liabilities		882,727	923,240
Post retirement benefits liabilities	12	3,729,848	3,121,363
Total liabilities		**901,691,311**	**819,033,099**
Shareholders' equity			
Paid in capital	13	15,000,000	15,000,000
Reserves	14	42,002,631	45,971,440
Retained earnings		8,601,516	4,062,574
Total shareholders' equity		**65,604,147**	**65,034,014**
Total liabilities and shareholders' equity		**967,295,458**	**884,067,113**
Contingent liabilities and commitments			
Liabilities for letters of guarantee, letters of credit and other commitments.		**64,400,541**	**49,814,659**

The accompanying notes are an integral part of these financial statements

Chief Financial Officer	Vice Chairman	Vice Chairman	Chairman
Mohamed. M. Sherif			
Mohamed Sherif	Hossam El Din Abdel Wahab	Akef El Maghraby	Mohamed Mahmoud Eletreby

Auditors

Dr.Ahmed Mostafa Shawki	Mohamed Hany Fouad Ismael
	M. Hany
MAZARS Mostafa Shawki	Accountability State Authority (ASA)

Banque Misr

Separate income statement

For the financial year ended June 30,2019

Translated From Arabic

Amounts In EGP Thousands

	Note no	June 30,2019	June 30,2018
Interest on loans and similar income		98,789,027	82,831,934
Interest on deposits and similar expense		(81,133,768)	(76,751,695)
Net interest income		**17,655,259**	**6,080,239**
Fee and commission income		4,647,894	4,223,311
Fee and commission expense		(319,656)	(226,301)
Net fee and commission income		**4,328,238**	**3,997,010**
Dividend income		1,771,182	3,437,004
Net trading income		968,076	356,608
Gains from financial investments		1,717,911	3,066,455
Impairment (charge) for credit losses		(864,439)	(1,090,329)
Administrative expenses		(9,722,480)	(6,611,791)
Other operating revenue		1,433,660	1,140,127
Profit before income tax		**17,287,407**	**10,375,323**
Income tax expense		(8,685,891)	(6,312,749)
Net profit for the year		**8,601,516**	**4,062,574**
Earnings per share (EGP/Share)	**15**	**2.59**	**1.16**

Banque Misr

Separate statement of changes in shareholders' equity

for the financial year ended June 30,2019

Translated From Arabic

Amounts in EGP Thousands

	Note no	Paid in capital	Legal reserve	General reserve	Capital reserve	Fair value reserve	Special reserve	Banking risks reserve	Supportive reserve	Differences between nominal value and fair value of subordinated deposits	F.C Translation differences Reserve	Cash flow risk reserve	IFRS 9 risk reserve	Retained earnings	Total
Balance as of July 1, 2017		15,000,000	915,142	675,607	968,122	7,052,731	6,927	1,682,920	3,710,839	25,283,404	1,472,552	-	-	8,176,950	64,945,194
Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	(2,090,757)	(2,090,757)
Transferred to reserves		-	830,441	662,110	(127,458)	-	-	852,863	3,868,237	-	-	-	-	(6,086,193)	-
Net change in fair value of available for sale investments (net of tax)		-	-	-	-	(429,039)	-	-	-	-	-	-	-	-	(429,039)
Foreign currency translation differences		-	-	-	-	-	-	-	-	-	4,050	-	-	-	4,050
Change between nominal value and present value of subordinated deposit		-	-	-	-	-	-	-	-	(1,420,227)	-	-	-	-	(1,420,227)
Change in cash flow		-	-	-	-	-	-	-	-	-	-	(37,781)	-	-	(37,781)
Net profit for the year		-	-	-	-	-	-	-	-	-	-	-	-	4,062,574	4,062,574
Balance as of June 30, 2018	(13,14)	15,000,000	1,745,583	1,337,717	840,664	6,623,692	6,927	2,535,783	7,579,076	23,863,177	1,476,602	(37,781)	-	4,062,574	65,034,014
Balance as of July 1, 2018		15,000,000	1,745,583	1,337,717	840,664	6,623,692	6,927	2,535,783	7,579,076	23,863,177	1,476,602	(37,781)	-	4,062,574	65,034,014
Dividends paid		-	-	-	-		-	-	-	-	-		-	(2,499,943)	(2,499,943)
Transferred to Reserves			397,422	277,772	88,350	-	-	799,087	-	-	-	-		(1,562,631)	-
Transfers		-	-	-	-	-	-	-	(2,905,650)	-	-	-	2,905,650	-	-
Net change in fair value of available for sale investments (net of tax)		-	-	-	-	(3,517,157)	-	-	-	-	-	-		-	(3,517,157)
Foreign currency translation differences		-	-	-	-	-	-	-	-	-	(421,555)	-		-	(421,555)
Change between nominal value and present value of subordinated deposit		-	-	-	-	-	-	-	-	(1,627,814)	-	-		-	(1,627,814)
Change in cash flow		-	-	-	-	-	-	-	-	-	-	35,086		-	35,086
Net profit for the year		-	-	-	-	-	-	-	-	-	-	-		8,601,516	8,601,516
Balance as of June 30, 2019	(13,14)	15,000,000	2,143,005	1,615,489	929,014	3,106,535	6,927	3,334,870	4,673,426	22,235,363	1,055,047	(2,695)	2,905,650	8,601,516	65,604,147

Banque Misr

Summarized separate statement of cash flows

for the year ended June 30,2019

Translated From Arabic
Amounts In EGP Thousands

	June 30,2019	June 30,2018
Net cash provided from (used in) operating activities	30,109,226	(51,190,041)
Net cash (used in) provided from investing activities	(114,696,646)	12,660,129
Net cash Provided from financing activities	19,644,846	13,330,463
Net (decrease) in cash and cash equivalents during the year	**(64,942,574)**	**(25,199,449)**
Cash and cash equivalents at the beginning of the year	**248,599,272**	**273,798,721**
Cash and cash equivalents at the end of the year	**183,656,698**	**248,599,272**
Cash and cash equivalents are represented in :		
Cash and balances with central banks	33,518,815	62,484,692
Due from banks	233,361,747	280,288,925
Treasury bills	122,358,445	141,507,908
Obligatory reserve balance with CBE	(22,797,613)	(55,054,438)
Due from banks (more than three months maturity)	(63,366,671)	(46,207,498)
Treasury bills (more than three months maturity)	(119,418,025)	(134,420,317)
Cash and cash equivalents	**183,656,698**	**248,599,272**

Banque Misr

Summarized Statement of approved Separate Profit Appropriation

For the Financial year Ended June 30,2019

Translated From Arabic

Amounts in EGP Thousands

	June 30,2019	June 30,2018
Net Profit for the year	**8,601,516**	**4,062,574**
Deduct		
Gains on sale of property,plant,and equipment transferred to capital reserve	(88,000)	(88,350)
General banking risk reserve	(1,517,963)	(799,087)
Net Distributable Profit	**6,995,553**	**3,175,137**
Distributed as follows		
Legal reserve	851,352	397,422
General Reserve	614,420	277,772
Supportive Reserve	2,160,284	-
State share in profits	2,523,709	1,912,400
Employees` share in profit	845,788	587,543
Total Distributable Profit	**6,995,553**	**3,175,137**

BANQUE MISR - S.A.E

Summarized notes to the separate financial statements

For the financial year ended June 30,2019

1. General information

Banque Misr (S.A.E.) was established on April 3, 1920 as a commercial bank in Arab Republic of Egypt. The head office is located at 151, Mohamed Farid Street, Cairo.
The Bank carries out corporate, retail and investment banking in addition to Islamic banking through 652 branches in Arab Republic of Egypt and 5 branches in U.A.E, and one branch in France and representative office in Russia, China and South Korea. The number of employees at the balance sheet date is 18,142 employees.
These financial statements were approved by the general assembly meeting on

2. Summary of accounting policies

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

A- Basis of preparation

These separate financial statements have been prepared in accordance with Egyptian Financial Accounting standards issued in 2006 and its adjustments and in accordance with the Central Bank of Egypt regulations approved by CBE board of directors on December 16, 2008 under the historical cost, as modified by the revaluation of financial assets held for trading and available for sale investments. According to the bank's statute, the financial year begins on the first of July and ends on June 30 and the financial statements are presented close to the nearest thousands of pounds.

B- Foreign currency translation

B/1 Functional and presentation currency

The separate financial statements are presented in Egyptian pound. Items included in the financial statements of each of the bank's foreign branches are measured using their functional currency, being the basic currency of economic environment in which the foreign branch operates.

B/2 Transaction and balances in foreign currencies

Each Branch maintains its accounting records in its Functional currency and transactions in other currencies are recorded during the financial year using the prevailing exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated on the balance sheet date at the prevailing exchange rates. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following items:

- Net Trading Income. (Case of held-for-trading financial assets).

- Other operating revenues (expenses) for 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 are analyzed into valuation differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument.

Valuation differences arising on the measurement of non-monetary items at fair value include gains or losses resulting from changes in foreign currency exchange rates used to translate those items.

Total fair value changes arising on the measurement of equity instruments classified as at fair value through profit or loss are recognized in the income statement, whereas total fair value changes arising on the measurement of equity instruments classified as available-for-sale financial assets are recognized directly in equity in the 'revaluation reserve of available-for-sale investments'.

B/3 Foreign Branches

For the purpose of translation into the Egyptian pound, Assets and liabilities of foreign branches are translated using the closing rate at the balance sheet date while items of income and expense are translated into the Egyptian pound at the rates prevailing at the dates of the transactions or average rates of exchange where these approximate to actual rates. Resulted valuation differences are recognized as (foreign currency valuation differences) under the equity caption.

C- Revenue recognition

C/1 Interest income and expense

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

The calculation includes all fees and points paid or received between parties to the contract that represents an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

C/2 Fee and commission income

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue as the service is provided.

Fees and commissions on non-performing or impaired loans or receivables cease to be recognized as income and are rather recorded off balance sheet. These are recognized as revenue, on a cash basis, only when interest income on those loans is recognized in profit and loss, at that time, fees and commissions that represent an integral part of the effective interest rate of a financial asset, are treated as an adjustment to the effective interest rate of that financial asset.

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

Fees and Commissions resulting from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction in the income statement.

Administrative and other services fees are recognized as income on a time proportionate basis over the lifetime of the service.

Fees charged for custodian services provided over long periods are recognized as income over the period during which the service is rendered.

C/3 Dividends Income

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

D- Treasury bills

Treasury bills are recorded at par value while discount (un-earned interest) is included in Credit Balances and Other Liabilities. Treasury bills are presented on the balance sheet net of unearned interest.

E- Purchase and resale agreements and Sale and repurchase agreements

Securities may be lent or sold subject to a commitment to repurchase (repos) are reclassified in the financial statements and deducted from treasury bills balance. Securities borrowed or purchased subject to a commitment to resell them (reverse repos) are reclassified in the financial statements and added to treasury bills balance. The difference between purchase and resale price is treated as interest and accrued over the life of the agreements using the effective interest method.

F- Loans and advances to banks and customers

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

G- Financial Assets held for trading

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near future or if it is a part of a portfolio of identified financial instruments that are managed together for short-term profit taking. Financial assets held for trading are measured at fair value. Unrealized holding gains and losses are recognized in the income statement.

H- Available for Sale investments

Available for sale investments are non-derivative financial assets that are either designated as available for sale or do not fit into any other category of financial assets. Available for sale investments are measured at fair value. Unrealized holding gains and losses are included in a separate component of equity until the financial asset is sold or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in the income statement.

I-Held to maturity investments

Investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank management has the positive intent and ability to hold to maturity.

Debt investments held to maturity are measured at amortized cost using the effective interest method, which represent the nominal value of bonds plus the premium or deduct the discount. The premium is amortized by deduction on the income statement or the discount is amortized by addition to the income statement on (interest on treasury bills and bonds) item by using the effective interest rate method. Thus, the nominal value and the nominal recoverable value become the same on the maturity date.

Banque Misr mutual funds certificates which the Bank is required by law to hold until fund liquidation are included in held to maturity investments according to Central Bank of Egypt rules and are measured at cost. Any decrease in redemption value below cost is recognized as impairment in the income statement. Impairment loss previously recognized is reversed in case of subsequent increase. The reversal cannot result in a carrying value greater than original cost.

J- <u>Investments in subsidiaries and associates</u>

Subsidiaries are entities (including special purpose entities) which Banque Misr exercises direct or indirect control over its financial and operating policies and usually has 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 ability to control the entity. Associates are entities over which Banque Misr exercises significant influence directly or indirectly, but without exercising control, generally the bank owns between 20% and 50% of the voting rights.
The purchase method is used to account for the acquisitions of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets, or/and asset given or/and equity instruments issued and loans assumed at the date of exchange, plus cost directly attributable to the acquisition. Net assets including contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the minority interest. The excess of acquisition cost over the Bank`s share fair value in the net assets acquired is recorded
as goodwill. If the acquisition cost is less than the fair value of the net assets, the difference is recognized directly in the income statement under the item "Other operating income (expenses) ".
Accounting for subsidiaries and associates in these separate financial statements is recorded by using cost method. According to this method, investments recorded at cost of acquisition including goodwill if any and impairment losses are deducted. Dividends are recorded in the separate income statement when they are declared and the bank has the right to collect them.

K- <u>Impairment of financial assets</u>

<u>*K/1 Financial Assets carried at amortized cost*</u>

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

- If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment according to historical default ratios.

- If the bank determines that an objective evidence of financial asset impairment exist that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

- If the bank determines that there is not an impairment loss based on the previous study then, the asset is added to the group.

- The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

K/2 *Available-for-sale Investments*

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classify under available for sale is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. The Decrease Consider significant when it becomes 10% From cost of book value of the financial instrument and the decrease consider to be extended if it continue for period more than 9 months, and if the mentioned evidences become available then the accumulated loss to be post from the equity and disclosed at the income statement, impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

L- Derivative financial instruments and hedge accounting

Derivatives are recognized initially and subsequently, at fair value. fair values of exchange traded derivatives are obtained from quoted market price. Fair value of over – the – counter derivatives are obtained using valuation techniques. Including discounted cash flow models and option pricing models. Derivatives are classified as assets when their fair value is positive and as liabilities when their fair value is negative.

M- Intangible Assets

Intangible Assets represent the cost of acquiring computer software and the licenses of using it. Intangible assets appear with historical cost after deducting accumulated amortization and provision of impairment losses. Intangible Assets are amortized by straight-line method and using amortization rate from 20% to 100% or the duration of licenses for programs, whichever is less.

N- Fixed assets & Depreciation

Fixed assets are recorded at historical cost less depreciation and impairment losses. Depreciation of Fixed assets is calculated using the straight-line method to allocate their residual values over estimated useful lives, as follows:

Asset	30 June 2019
Buildings & constructions	2.5%
Equipment	From 10% To 20%
Furniture	From 10% To 25%
Vehicles	From 20% To 25%
IT equipment	From 14.5% To 25%
Fixtures	From 6.5% To 33.5%
Lease hold improvement	12.5% or lease period whichever is less

O- Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash and balances due from Central Bank of Egypt without CBE obligatory reserve, current accounts with banks, and treasury bills maturing within 3 months from the acquisition date.

P- Post retirement benefits liabilities

Banque Misr granted its employees who work in local branches some benefits after they retired. This benefits considered one of other benefits that have been charged to expenses through employee's years of service and recognized in the liability according to Egyptian Accounting Standards prevailed in 2006 and central bank rules prevailed in 2008.
Liabilities resulting from specified system benefits which employees have obtained at the end of financial year on the base of the present value of expected future cash flows by the actuarial using "projected **unit credit method** "which contains assumptions related to population sciences, employees turn over, interest rate, and inflation rate.

Banque Misr granted for its employees in foreign branches postretirement benefit according to their labor laws in these countries.

Q- Other provisions

Other provisions are recognized when the bank has present legal or constructive obligations as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

In case of similar obligations, the related cash outflow should be determined in order to settle these obligations as a group. The provision is recognized even in case of minor probability that cash outflow will occur for an item of these obligations.
When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income (expenses).
Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from financial statement 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 estimated value of obligation is calculated.

R- Income tax

Income tax on the profit or loss for the year and deferred tax are recognized in the income statement except for income tax relating to unearned gain, which was recognized directly in equity.
Income tax is recognized based on net taxable profit using the tax rates applicable at the date of the balance sheet in addition to tax adjustments for previous years.
Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundations of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable at the date of the balance sheet. Deferred tax assets of the bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset, and is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years, that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

3- Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. And the most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks. Also market risk includes exchange rate risk, rate of return risk and other prices risks.
The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.
Risk management is carried out by a risk department under policies approved by the Board of Directors. Risk department identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. In addition, risk department is responsible for the independent review of risk management and the control environment.

Capital Management

Capital adequacy and the use of regulatory capital are monitored periodically by the Bank's management through employing techniques based on the guidelines developed by the Basel

Committee for Banking supervision. The required data is submitted to the Central Bank of Egypt on a quarterly basis.

Central bank Of Egypt requires the following:
- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital.
- Maintaining a minimum level of capital adequacy ratio of 11.875%, calculated as the ratio between total value of the capital elements, and the risk-weighted average of the bank's assets and contingent liabilities

Overseas branches are subject to the supervision rules regulating banking business in countries where they operate.

The bank has complied with all local capital requirements and in countries where its oversea branches work during the last two years. The Board of Central Bank of Egypt held on December 18, 2012 decided to approve the instructions of minimum capital adequacy in the context of applying Basel II.The following table summarizes the components of tier one capital, subordinated capital and capital adequacy ratio for the financial statements of banking group as at the end of current year ended June 30, 2019 and comparative year according to CBE regulations issued on Basle II applications :

Amounts in EGP Thousands

	June 30,2019	June 30,2018
Capital		
Tier 1 Capital	49,396,908	42,294,398
Tier 2 Capital	24,815,318	23,848,560
Total Capital	**74,212,226**	**66,142,958**
Total risk weighted assets and contingent liabilities	**509,767,734**	**431,067,703**
Capital Adequacy Ratio	**14.56%**	**15.34%**

The financial leverage ratio according to the financial statements of banking group as of June 30,2019 4.03% against 3.85% in comparative year.

4- Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and available info.

A. Impairment of loans and advances

The bank reviews its loans and *advances* portfolio, at least, on a quarterly basis to assess impairment. The bank uses its discretionary judgment in determining whether it is necessary to recognize impairment loss in the income statement. This requires it to identify any reliable evidence indicating measurable decline in the expected future cash flows from loan portfolio before identifying any decline for each individual loan.

This evidence includes data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default.

On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having similar credit risks. Such experience refers to impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on expertise.

B. 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 a deterioration in the financial health of the investee, operational and financing cash flows, industry and sector performance and changes in technology.

Amounts in EGP Thousands

	30/06/2019	30/06/2018
(5) Financial assets held for trading		
Debt instruments		
other debt securities	8,475,611	3,318,957
Total Debt instruments	**8,475,611**	**3,318,957**
Equity instruments		
Local Shares	291,571	228,847
Mutual fund certificates	9,183	10,951
Total Equity instruments	**300,754**	**239,798**
Total Financial assets held for trading	**8,776,365**	**3,558,755**
(6) Loans and advances to banks		
Term loans	5,732,077	3,367,577
Deduct : provision for loan losses	(19,891)	(22,101)
Total	**5,712,186**	**3,345,476**
(7) Loans and advances to customers		
(1) Retail		
Over draft	1,931,046	1,891,665
Credit card loans	592,175	435,664
Personal loans	30,237,462	21,678,337
Mortgages loans	4,999,440	2,975,857
Total retail (1)	**37,760,123**	**26,981,523**
(2) Corporate loans (including loans to small businesses)		
Over draft	34,291,391	46,546,769
Direct loans	159,067,547	108,137,365
Syndicated loans	45,926,831	46,989,348
Other Loans	739,682	842,916
Total Corporate (2)	**240,025,451**	**202,516,398**
Total loans and advances to customers(1+2)	**277,785,574**	**229,497,921**
Deduct: provision for loan losses	(5,587,937)	(8,104,047)
Deduct: interest in suspense	(331,497)	(324,554)
Deduct: unearned discount	(142,034)	(76,895)
Net loans and advances to customers	**271,724,106**	**220,992,425**
Gross loans distributed to:		
Current	76,634,320	62,812,527
Non-Current	201,151,254	166,685,394
	277,785,574	**229,497,921**

Impairment from loans provision for customers

• **Movement analysis of the Impairment provision of loans and advances for customers during the year :-**

Amounts in EGP Thousands

Item	30/06/2019			30/06/2018		
	Non Performing Loans	Performing Loans	Total	Non Performing Loans	Performing Loans	Total
Balance at beginning of the year	4,856,608	3,247,439	8,104,047	5,945,277	1,812,283	7,757,560
Transfers	(9,009)	-	(9,009)	76	5,991	6,067
Charge (Release)of Impairment during the year	1,099,596	(407,612)	691,984	(193,143)	1,423,015	1,229,872
Recoveries of loans previously written off	1,113,307	-	1,113,307	494,889	-	494,889
Foreign currency revaluation differences	(314,988)	(121,735)	(436,723)	(48,049)	6,150	(41,899)
Write off during the year	(3,873,308)	(2 361)	(3,875,669)	(1,342,442)	-	(1,342,442)
Balance at the End of the year	**2,872,206**	**2,715,731**	**5,587,937**	**4,856,608**	**3,247,439**	**8,104,047**

Analysis of the Impairment provision of loans and advances for individual :-

Item	Individual				
	Overdrafts	Credit cards	Personal loans	Mortgages	Total
30/06/2019	38,972	7,664	451,947	115,544	614,127
30/06/2018	50,099	10,029	365,470	74,339	499,937

Analysis of the Impairment provision of loans and advances for corporate :-

Item	Corporate				
	Overdrafts	Direct loans	Syndicated loans	Others Loans	Total
30/06/2019	2,549,859	683,474	1,730,194	10,283	4,973,810
30/06/2018	2,072,280	1,744,534	3,566,317	220,979	7,604,110

	Amounts in EGP Thousands	
	30/06/2019	**30/06/2018**

(8) Financial investments

(A) Available for sale Investments

Debt instruments - Listed	26,066,419	1,882,982
Equity instruments - Listed	6,438,844	10,505,960
Debt instruments - Unlisted	15,035,130	16,099,020
Equity instruments - Unlisted	5,793,376	6,084,743
Total available for sale investments (1)	**53,333,769**	**34,572,705**

(B) Held to maturity Investment

Debt instruments - Listed	165,899,818	75,403,133
Debt instruments - Unlisted	16,071,384	16,071,384
Equity instruments - Unlisted	377,155	283,461
Total held to maturity investments (2)	**182,348,357**	**91,757,978**
Total financial Investments (1+2)	**235,682,126**	**126,330,683**

The following table analyzes movements on financial investments during the year:	**Available for sale investments**	**Held to maturity investments**
Beginning balance on 01/07/2018	**34,572,705**	**91,757,978**
Additions	27,814,805	107,770,143
Deductions	(3,815,317)	(17,313,726)
Transfers	(123,962)	133,962
Revaluation differences resulting from monetary foreign currency assets	(1,482,436)	-
Gains (losses) from fair value difference	(3,557,670)	-
Impairment charges	(74,356)	-
Balance at end of year 30/06/2019	**53,333,769**	**182,348,357**
Beginning balance on 01/07/2017	**37,163,514**	**99,041,285**
Addition	3,914,402	3,633,059
Deduction	(5,720,756)	(11,072,545)
Transfers	(181,273)	156,179
Revaluation differences resulting from monetary foreign currency assets	(247,311)	-
Gains (losses) from fair value difference	(303,953)	-
Impairment Release (charge)	(51,918)	-
Balance at end of year 30/06/2018	**34,572,705**	**91,757,978**

	30/06/2019	30/06/2018
	Amounts in EGP Thousands	

(9) Customers' Deposits

	30/06/2019	30/06/2018
Demand deposits	90,854,778	63,801,364
Call and time deposits	87,734,518	117,869,439
Saving certificates	362,545,660	311,684,403
Saving deposits	196,554,597	168,105,421
Other deposits	8,085,284	8,131,915
Total	**745,774,837**	**669,592,542**
Corporate deposits	153,368,769	162,094,425
Retail deposits	592,406,068	507,498,117
Total	**745,774,837**	**669,592,542**
Non-interest bearing balances	84,166,199	54,715,183
Variable interest rate balances	346,132,016	321,441,563
Fixed interest rate balances	315,476,622	293,435,796
Total	**745,774,837**	**669,592,542**

(10) Other Loans

Items	Interest Rate	Matured Through Current Year	Balance as at 30/06/2019	Balance as at 30/06/2018
			Amounts in EGP Thousands	
Subordinated Deposit	Nil	-	12,764,637	11,136,823
Social fund loans-Bright future	8.50%	-	-	8,438
Long – term loans -Egyptian Company for refinancing	10.25%	1,333	12,111	13,444
Social fund loans- Enterprise Development Project	8.50%	-	-	10,000
Social fund loans- agriculture projects support	8.50%	11,000	11,000	33,000
Social fund loans- bedaia SMEs Loan	8.50%	3,750	3,750	11,250
Social fund loans- bedayti (1)	7.75%	80,000	200,000	260,000
Social fund loans- bedayti (2)	9.50%	106,800	400,000	240,000
Long -term loans from foreign banks	with interest	113 839	29,627,643	18,022,674
Short-term loans from foreign banks	with interest	27,457,528	27,457,528	16,968,437
Total Other Loans			**70,476,669**	**46,704,066**

Current	27,774,250	21,570,992
Non current	42,702,419	25,133,074
Total Other Loans	**70,476,669**	**46,704,066**

(11) Other Provisions

	Amounts in EGP Thousands 30/06/2019	30/06/2018
Provision for legal claims and taxes	352,382	274,507
Provision for contingent liabilities	738,613	627,992
Other	11,294	11,123
Total	**1,102,289**	**913,622**

(12) Post retirement benefits liabilities

Amounts recognized in the Balance sheet

	Amounts in EGP Thousands 30/06/2019	30/06/2018
Post retirement medical benefits	3,078,832	2,478,404
End of service benefits	651,016	642,959
Total	**3,729,848**	**3,121,363**

Amounts recognized in the income statement

	30/06/2019	30/06/2018
Liabilities for post retirement medical benefits	786,000	327,024
Liabilities for end of service benefits	108,579	138,970
Balances at the end of the year	**894,579**	**465,994**

(13) Paid in capital and reserves

A. Authorized capital

Based on the extraordinary general assembly meeting on March 22 , 2015 The authorized capital has been increased from EGP 15 000 million to EGP 30 000 million.

B. Issued and paid-in capital

The Issued and paid-in capital reached EGP 15000 million divided into 3000 million shares of EGP 5 per share wholly owned by ministry of finance of Egypt.

(14) Reserves

Amounts in EGP Thousands

Reserves	30/06/2019	30/06/2018
Legal reserve*	2,143,005	1,745,583
General reserve	1,615,489	1,337,717
Capital reserve	929,014	840,664
Supportive reserve	4,673,426	7,579,076
Fair value reserve	3,106,535	6,623,692
Special Reserve**	6,927	6,927
General Banking risk reserve	3,334,870	2,535,783
Cash flow risk reserve	(2 695)	(37 781)
Financial statements translation differences	1,055,047	1,476,602
Differences between nominal value and fair value of subordinated Deposits	22,235,363	23,863,177
IFRS 9 reserve	2,905,650	-
Total reserves	**42,002,631**	**45,971,440**

* According to the bank status 10% of net profit is to increase legal reserve until it reaches 100% of paid in capital

** According to the central bank rules , it is not allowed to use special reserve balance unless getting its approval

(15) Earnings per share

Earnings per share are calculated by dividing net profit attributable to shareholders of the bank by the weighted average of shares outstanding during the year.

Shareholders` share from net profit of the year (1)	**7,755,728**	**3,475,031**
Divided by weighted average number of shares (2)	**3,000,000**	**3,000,000**
Earnings per share (1:2)	**2.59**	**1.16**

(16) Comparative figures

Comparative figures were reclassified for the year ended June 30, 2018 to be consistent with current year presentation.