



المصرية لضمان الصادرات  
EXPORT CREDIT GUARANTEE OF EGYPT  
INSURING DEVELOPMENT

20 19 |  
2020



## ANNUAL REPORT 2019/2020

WE USE INSURANCE TO  
ENABLE DEVELOPMENT

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# 1

## Message from the Chairperson of the Board of Directors





## Mrs. Mervat Zohdy Soltan

Chairperson of the Board of Directors

### In the name of God, the most Gracious and Merciful

Your excellency, Dr. Nevin Gamea - Minister of Trade and Industry of the Arab Republic of Egypt  
President of the General Assembly of Export Credit Guarantee Company of Egypt

Esteemed Shareholders of Export Credit Guarantee Company of Egypt

Peace, mercy, and blessings of God be upon you,

On behalf of the Board of Directors, I am honored to present you the annual report on the activities and the audited financial statements of the Export Credit Guarantee Company of Egypt for the fiscal year 2019/2020.

It has been a challenging year locally and globally due to the Covid-19 pandemic that has imposed a state of instability that extended its effects to the credit guarantee industry. Despite the circumstances, the company was able to fully achieve its strategic objectives set in accordance with the restructuring plan.

The company has also set a comprehensive vision of its objectives in the following period to play a key role in the development of Egypt and achieve the goals of the Egyptian economic reform.

The company focuses extensively on the growth of Egyptian exports. However, the company's scope has evolved to include not only the post-shipment guarantees, but also the export base itself. The company has taken it upon itself to develop credit guarantee products aimed at expanding the industrial base for exports and supporting the exporters to finance the making and execution of export contracts.

The company's interest has also shifted to maximizing net exports ( exports-imports) by launching credit guarantee products that encourage local products and give them all the competitive advantages that make them more attractive than foreign ones.

The company also participated in the country's ambitious plan to increase financial inclusion by offering new products that cover the activities of non-banking financial institutions and provide comprehensive credit risk insurance coverage to encourage the sector to grow steadily to meet the Egyptian economy's needs.



## Mrs. Mervat Zohdy Soltan

Chairperson of the Board of Directors

I am also pleased to announce that the company's technological infrastructure, corporate identity, and internal systems and regulations have been modernized and updated. The company is striving to improve governance and to bring new blood to the executive management of the company to help implement the company's ambitious transformation plan.

Despite the company's preoccupation with inner reform, we achieved a growth rate in total operating returns exceeding 188% where insurance and factoring revenues together reached 25.6 million pounds compared to last year's 10.40 million. However, the decline in the rate of treasury bill returns during the past year has significantly affected the returns: it has decreased by 8 million pounds to reach 67 million pounds making the gross return rate 10% to reach 92.5 million pounds.

In the coming years, the company seeks to continue growing to achieve operational returns beyond the investment returns and to expand and maximize productivity by mechanizing processes and training employees.

Respectfully,

**Mervat Soltan**

Chairperson of the Board of Directors



# 2

## Message from the Managing Director





## Mr. Mohamed Abdelbadie Mohamed Azzam

Managing Director and General Manager

Board Members of Export Credit Guarantee Co. of Egypt,

It is my pleasure to present to you the annual report for the year 2019/2020. It was an exceptional year in terms of the premium growth rate and the changes the company witnessed at all levels.

The company's work environment has witnessed economic and political challenges around the world: from trade wars between the United States of America and many countries in the world like China and geopolitical turmoil in the Arab Gulf and the Southern Mediterranean, to the unprecedented economic collapse resulting from Covid-19. However, by God's grace, the company's team was able to achieve all of its goals including successfully separating factoring operations in a new company.

The restructuring plan was completed during the year. It included developing a new business model that seeks reaching what is known as the critical mass point of the volume of insurance premiums by applying the economics of scope rather than quantity.

The company is transforming into the one stop shop for all types of credit and political risk products in the Republic Arab Egypt by expanding the base of the products offered to automatically expand our customer base.

Therefore, the company needed to implement a new organizational structure that complements the new business model and change the talent model aimed at personnel to fit the new services.

Accordingly, the company took utmost care in training its personnel during the year and bringing new blood with different competencies in all areas. The company is also working on developing its website by following a comprehensive marketing plan to refresh its commercial identity and enhance its digital presence on social networks.

A separate department for risk management and economic research were also established, specializing in thoroughly analyzing world markets and acting as a compass that guides the company in defining the coverage policy for countries and sectors. This is done in addition to comprehensively reviewing reinsurance agreements, developing a new strategy to accommodate new products, and collaborating with a leading global company in the field of insurance software to fully modernize and automate operating systems and operations.

This will allow us to raise productivity levels to those of the global industry, upgrade our service, update the company's technological infrastructure, and move work seamlessly through cloud computing, which has had a positive impact in improving the company's ability to adapt to the working from home in light of the Corona pandemic.



## Mr. Mohamed Abdelbadie Mohamed Azzam

Managing Director and General Manager

I am pleased to convey to you that the company has taken serious and deliberate steps to strengthen the level of governance through the work of independent committees composed of board members. These committees were formed during the year to monitor and develop policies in all aspects and follow up on their compliance with the regulations. I invite you to view the reports prepared by the committees enclosed in this annual report.

As for the company's performance, it has witnessed a surge in the premium growth rate during the year with an increase of more than 170%, achieving a growth rate of 105% of the budget approved by the General Assembly, and the loss ratio (net loss ratio compared to net premiums and fees) remained at a meagre level of 8%. The cost rate, in comparison to net premiums, is still in the negative range despite its improvement from 283% to 123%, which led to the company registering a combined ratio of 109%, lower than last year's amounting to 169%.

The company, with the help of God and through the budget for the next fiscal year, seeks to improve the combined ratio of 80% by achieving a drastic reduction in the expense ratio to 50% and an increase in the loss ratio to 30%.

In the end, I would like to thank all the employees of the company for the effort they made during the year, and I look forward to working with them to continue the journey next year, God willing.

Best Regards

Mohammed Azzam  
Managing Director and General Manager



# 3

## An Overview of the Company's Establishment Law

Export Credit Guarantee co. of Egypt was established under Law No. 21 of 1992, with the primary purpose of encouraging and developing Egyptian exports and assisting in strengthening the agricultural, industrial, commercial and service export sectors by ensuring the export of national goods and services against commercial and non-commercial risks in accordance with the provisions of the guarantee documents approved by the Council company management. The company may direct the aspects of activity that are complementary or related to its primary purpose.

The company may - in order to achieve its objectives - participate in or participate in any way with national or foreign bodies, institutions, or companies that carry out similar, complementary or related activities to the establishment of the company or that would lead to the realization of its objectives, whether inside or outside the country, or that You buy it or contribute to its establishment.

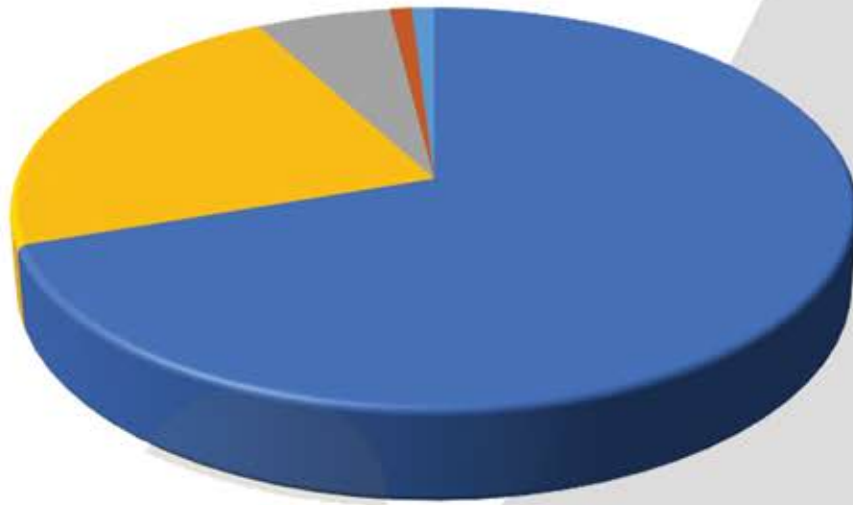
The company may reinsure the guarantee or insurance on its operations, and it may accept re-insurance with it on the operations carried out by the parties of similar activity that would encourage and develop Egyptian exports.

Company Name	Export Credit Guarantee Company of Egypt
Type	A Shareholding Company
Purpose of the Establishment	Encouraging and developing exports and supporting the industrial, agricultural, commercial, and service sectors.
Commercial Registration No.	19476 - South of Cairo
Address	5 Al Nasr Road - Nasr City – Cairo
Issued Capital	250 Million Egyptian Pounds
Authorized Capital	500 Million Egyptian Pounds
Supportive Capital	50 Million Egyptian pounds are National Investment Bank Bonds
Duration of the Company	50 Years



# 4

## Shareholder Structure



Shareholder	Number of Stocks	Percentage of Shares
Export Development Bank of Egypt	1,763,828	70.56%
National Investment Bank	540,160	21.61%
Misr Life Insurance Company	150,232	6%
Al Ahly Capital Holding Company	30,000	1.20%
Private Sector and Others	15,780	0.63%
<b>Total</b>	<b>2,500,000</b>	<b>100%</b>





5

## About the Export Development Bank of Egypt

EBE is an Egyptian Joint-Stock Company established under Law 95 of 1983. It is subject to the regulations of the Central Bank of Egypt (CBE) and the law of financial and banking system, No. 88 for 2003. As an Egyptian Joint-Stock Company, it is also subject to the provisions of Law 159 for 1981, promulgating the law on joint-stock companies, companies limited by shares and limited liability companies, unless otherwise provided in the law establishing EBE, without prejudice to the provisions thereof.

Export Development Bank of Egypt was established in 1983 for the purpose of boosting Egyptian exports and supporting establishments of agricultural, industrial, commercial and services sectors. Soon after, the Bank became the main funding source of exports operations in Egypt. Through its outstanding performance and policy, based on diversified investments, the Bank was able to grow more and more, and achieve efficiency and a strong financial position. This has helped the Bank to attain the confidence of exporters, owners of small and medium-size enterprises and individuals, in addition to the trust of local and international financial institutions.

Over the life of the bank, which more than a quarter of a century has witnessed many of the most important developments include:

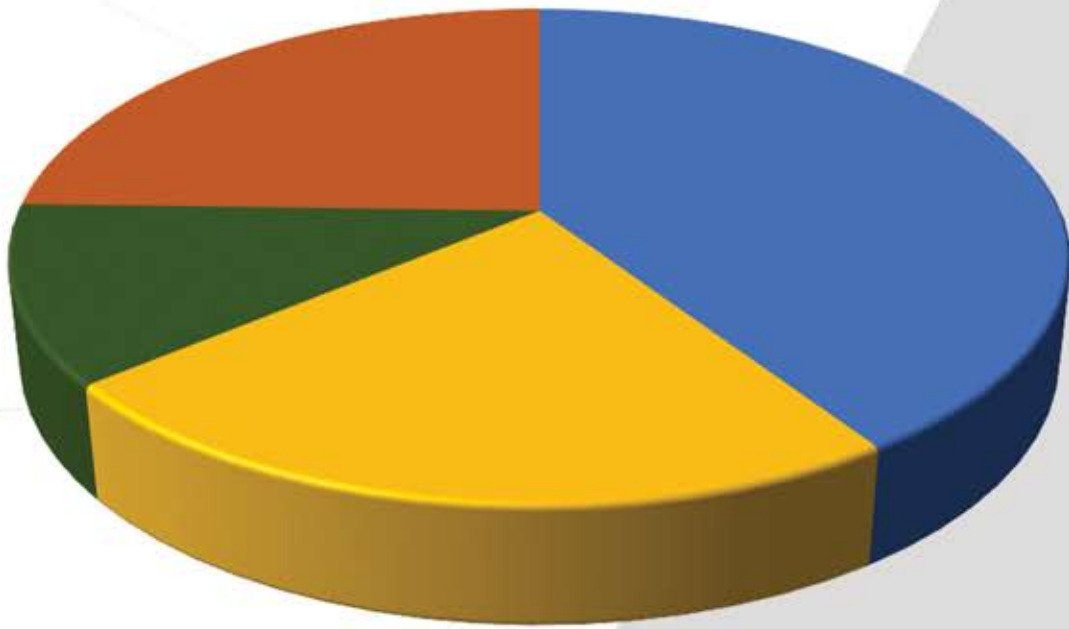
- Property
- Loans, advances, and debits


Company Name	Export Development Bank of Egypt
Type	A Shareholding Company
Purpose of the Establishment	Supporting Egyptian exporters and facilitating the Egyptian product's access to global markets
Address	78 Ninety Street - Fifth Settlement - Cairo
Net Worth	Six Billion Egyptian Pounds



# 6

## Shareholder Structure of Export Development Bank of Egypt



	Shareholder	Percentage of Shares
	National Investment Bank	40.75%
	Bank Misr	23.13%
	National Bank of Egypt	11.57%
	Private Sector and Others	24.55%
	TOTAL	100%

# 7

## Capital Structure



Paid Capital

250,000,000

Legal Reserve

42,728,607

Reserves

38,757,458

Retained Earnings + Earnings of the Year

54,306,432

**TOTAL**

**385,792,488**

Subordinated loan by National Investment Bank

50,000,000

The Total Capital Base after Adding Subordinated Loans

435,792,488

**IN EGYPTIAN POUNDS**

# 8

## Milestones and Achievements

A- Development, Milestones and Achievements

B- Evolution of Exports Covered Volume over the past 13 Years

C- The Evolution of Claims Paid over the past 13 Years

D- Volume of Credit Limits over the past 13 Years

# A

## Development, Milestones and Achievements

1992

### EGE Establishment

Export Credit Guarantee Co. of Egypt (EGE) was founded in 1992 with a mandatory role of facilitating a healthy development of Egypt's foreign trade.

1994

### Member in COFACE

Joined "COFACE" as member of "Credit Alliance" Network under the auspices of COFACE - France

1998

### Signed Governmental Protocol

"EGE" In 1998, the Council of Ministers issued a resolution approving a protocol between the government and the Egyptian Export Guarantee Corporation to support Egyptian exports.

2004

### Member in "Prague Club", "Berne Union" Now

Joined as member of "Prague Club" to support new and maturing export credit agencies and insurers setting up and developing export credit and investment insurance schemes

2006

### Member in FCI

Joined as a member of "FCI", the Global Representative Body for Factoring and Financing of Open Account Domestic and International Trade Receivables.

2007

### Signed the 1st Transaction Under the Governmental Protocol

1st transaction under the government protocol with Kenya.

2008

### Hosting Credit Alliance Annual General Meeting

"EGE" of Egypt hosted Annual Meeting of Credit Alliance and the workshop.

2010

### "EGE" Credit Ratings

"EGE" was given a National Scale Rating "A-" by "MERIS"

2010

### Member in "AMAN Union"

"EGE" Joined as member of "AMAN Union"

2010

### Signed MOU with ATI

"EGE" signed Memorandum of Understanding with The African Trade Insurance (ATI)

2011

### Presidency of "Prague Club"

Nominated as a President by "Prague Club" since Nov. for 3 years

2015

### Signed MOU with EXIAR

"EGE" signed Memorandum of Understanding with The Export Insurance Agency of Russia (EXIAR)

2017

### Signed MOU with SINOSURE

"EGE" signed Memorandum of Understanding with The China Export & Credit Insurance Cooperation (SINASURE)

2018

### Hosting AMAN Union Annual Meeting

"EGE" of Egypt hosted Annual Meeting of AMAN Union and the workshop.

2019

### Signed MOU with SACE

"EGE" signed Memorandum of Understanding with SACE Italy

2018

### Change in "EGE's" Management

The Minister of Trade & Industry elected Mrs. Mervat Sultan to be EGE's Chairperson.

2019

### Hiring New Managing Director

Mrs. Mervat Soltan EGE's Chairperson has hired Mr. Mohamed Azzam as Managing Director

2019

### Signed an MOU with ECI

"EGE" signed Memorandum of Understanding with Etihad Credit Insurance (ECI)

2020

### Signed Tinubu Square Agreement

EGE signed a software service agreement with Tinubu square to upgrade our operations software

2020

### Clyde & Co Letter of Agreement

"EGE" signed a Letter of agreement to offer Collection Services for exporters.

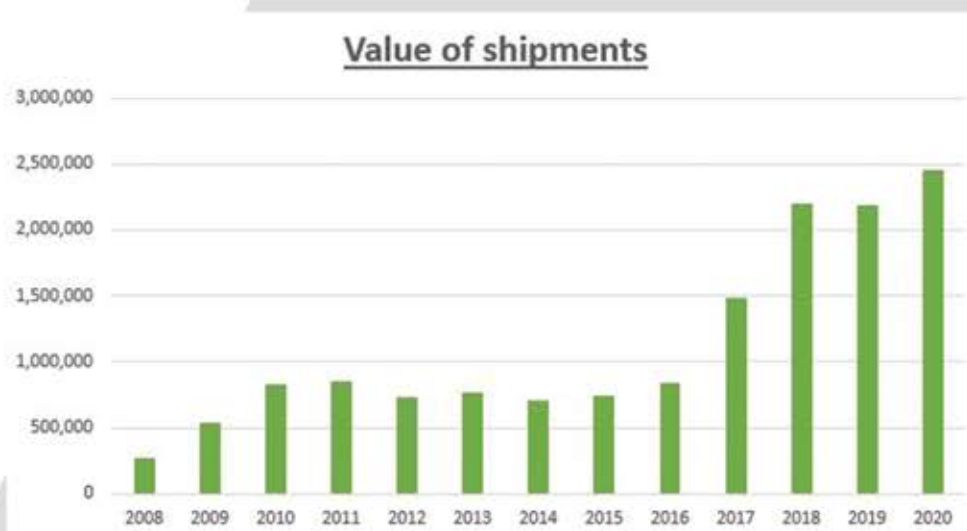


**B**

**Evolution of Exports Covered Volume  
over the past 13 Years**

Year	Value of shipments
2008	269,920
2009	533,287
2010	830,090
2011	847,908
2012	733,096
2013	769,925
2014	707,681
2015	738,347
2016	837,735
2017	1,489,829
2018	2,194,703
2019	2,185,581
2020	2,456,813
<b>Total</b>	<b>14,594,915</b>

**IN THOUSANDS EGP**

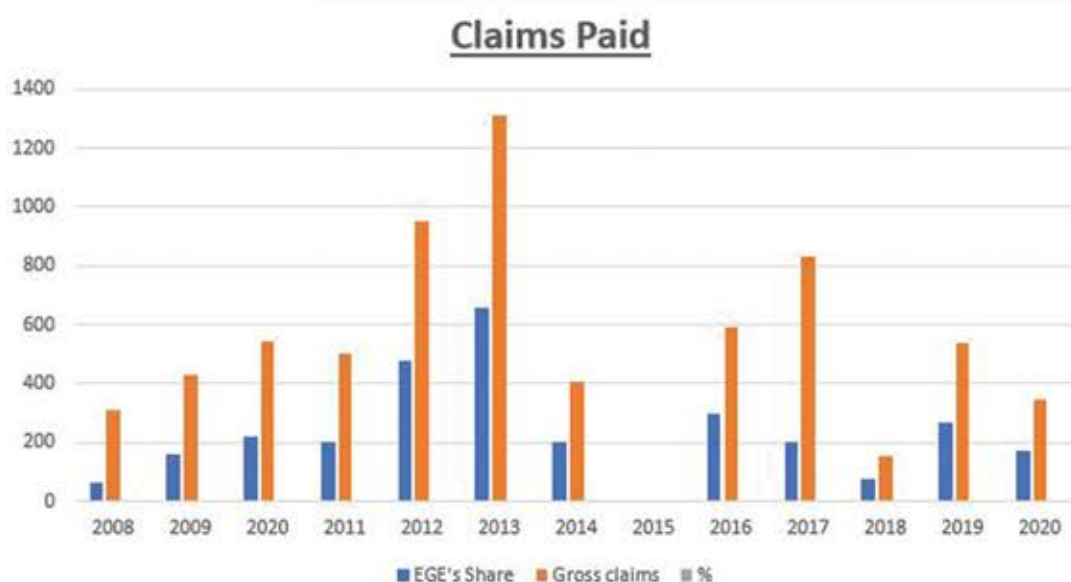


C

## The Evolution of Claims Paid over the past 13 Years

Year	Claims Paid		
	EGE's Share	Gross Claims	Percentage
2008	64	312	20.5%
2009	160	432	37.0%
2010	217	543	40.0%
2011	201	501	40.1%
2012	476	952	50.0%
2013	655	1,310	50.0%
2014	201	403	49.9%
2015	0	0	0.0%
2016	296	592	50.0%
2017	203	831	24.4%
2018	75	151	49.7%
2019	268	536	50.0%
2020	171	343	49.9%
TOTAL	2,987	6,906	43.3%

IN THOUSANDS EGP

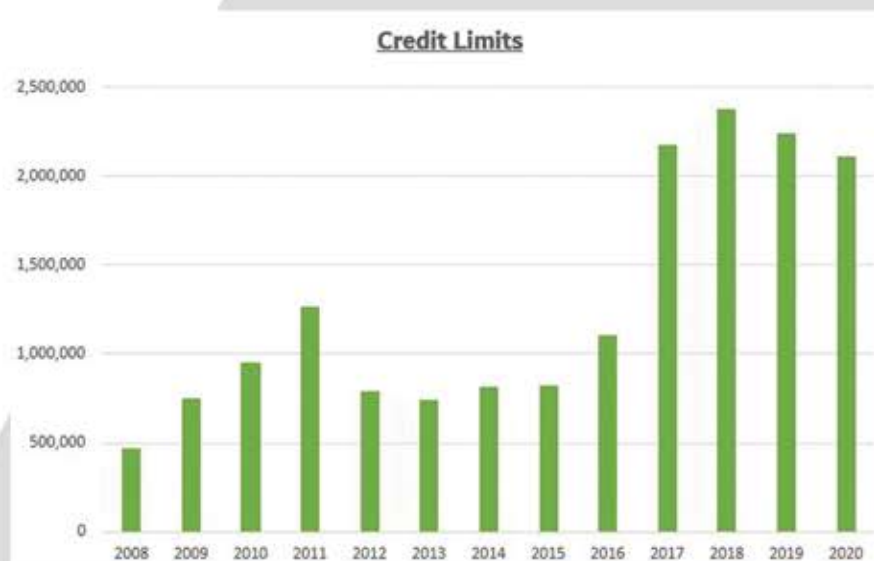


**D**

**Volume of Credit Limits over  
the past 13 Years**

Year	Credit limits
2008	465,822
2009	748,804
2010	953,487
2011	1,264,337
2012	789,301
2013	740,166
2014	817,627
2015	820,677
2016	1,107,630
2017	2,173,908
2018	2,377,067
2019	2,239,731
2020	2,109,000

**IN THOUSANDS EGP**







# 9

## Restructuring Plan

## Main Points:

### Expanding the Product Base:

- Exporters
- Banks
- Non-banking financial institutions



### New Vision and Mission:

- The vision
- The mission



Updating the regulatory environment and governance,  
The 3-way defense line mechanism



### Technological Infrastructure Development:

- Hardware
- Software



### Investing in Human Resources:

- Training
- FTE expansion



### Updating the Risk Management Systems:

- Development of risk rating mechanism
- Capital adequacy model and concentration management
- Renewing reinsurance treaties



# 10

## A- The New Vision and Mission B- Core Values



## A

## The New Vision and Mission

Export Credit Guarantee seeks to provide a more comprehensive model to support development by using insurance and reinsurance tools to provide unconventional solutions to the challenges facing the Egyptian economy, on top of which is the development of Egyptian non-oil exports, in addition to supporting financial inclusion and the small and medium enterprises sector.

### VISION

**To be the one stop shop for the protection against the risks of trade and investments in Egypt and abroad.**

### MISSION

**We use insurance to create solutions for the developmental needs of the Egyptian economy**

**B**

**Core Values**

**1**

**We Are Inclusive**

**2**

**We Want to Be Visible**

**3**

**We Think Outward**

**4**

**We Work Smart**

**5**

**We Are Nimble**

**6**

**We Are a Market Maker**

**7**

**We Are Professional**

**8**

**We Are Agile**

**9**

**We Are Innovative**

**10**

**We Are Financially Sound**

**11**

**We Are a Development Partner**

# 11

## Strategic Objectives

## Strategic Objectives



To support the national interest of Egypt in trade and investment domestically and abroad.

To support the expansion of the Egyptian industrial base to increase net exports.



To support the level of financial inclusion in the Egyptian economy.





# 12

## Expanding the Products Base

In the next phase, the company seeks to focus on achieving scope economics rather than quantity by achieving significant growth in the volume of premiums from multiple products offered by the company in parallel, which will enable the company to achieve buffer of premiums against potential risks without affecting the company's capital. This enables the company to be bolder to accept risks and provide the necessary support to exporters, especially in medium-sized and long-term operations in the African markets, as the company has already begun during the year to practice reinsurance as stated in the purpose of the company.

Export Credit Insurance - Multiple Operations  
Export Credit Insurance - Single Transaction  
Domestic Credit Insurance - Multiple Operations  
Domestic Credit Insurance - Single Transaction  
Import Credit Insurance (Capital Goods & Raw Materials)

**Exporters**

Unconfirmed LC Insurance  
Export Financing Operations Insurance  
Pre-shipment Financing Insurance  
Domestic Trade Finance Operations Insurance  
Investment Risks in Africa Insurance

**Banks**

Factoring Insurance  
Financial Leasing Operations Insurance  
Consumer Financing Operations Insurance

**Non-banking  
Financial  
Institutions**

# 13

## Investing in Capital

During the last period, the company has been developing its internal operations to keep pace with the global development in the credit guarantee industry by promoting the use of the latest information technology systems in this field. In addition, the company realizing that the human element is one of the most important factors for progress and success in any institution, the company has invested in developing the technical and administrative capabilities of staff through their assignment to attend specialized training courses as follows:

### Training Courses

#### Credit

Credit courses at the  
Institute of Banking and  
the American University

#### Marketing

Marketing Course in  
Sales from (Coursera)

#### Insurance Industry

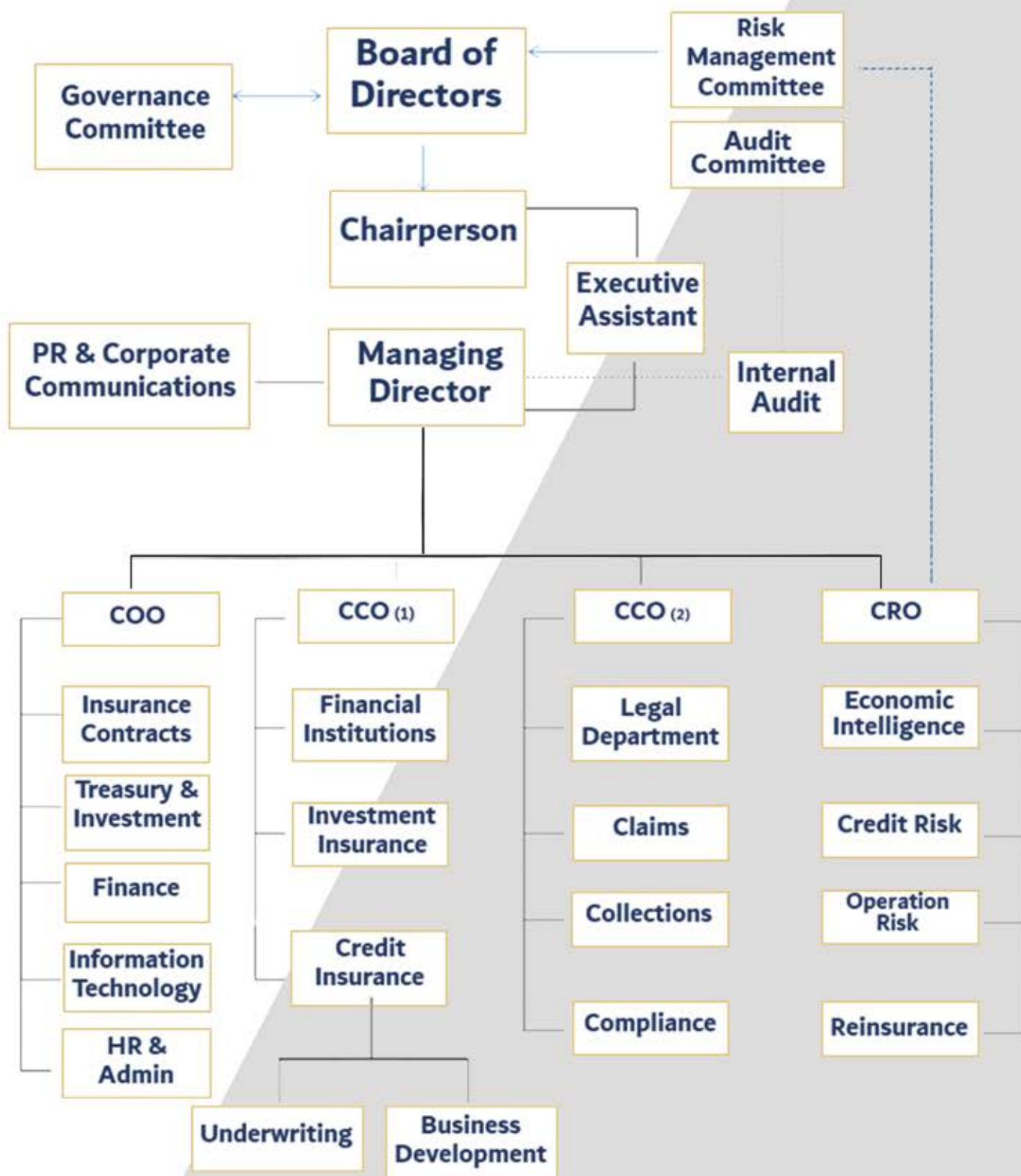
Training seminars  
from industry  
leading companies  
Coface and AMMAN  
UNION



# 14

## The New Organizational Structure

## The New Organizational Structure



(1) Chief Commercial Officer

(2) Chief Compliance Officer

15

## Development of IT Infrastructure

**Export Credit Guarantee Company of Egypt has developed the IT by investing in modern hardware and software**

**Represented in the following:**

- **Changing all computers and contracting to purchase new ones for all employees to complete their work with accuracy, speed and efficiency.**
- **A contract has been made with the French company “Tinubu Square” to provide integrated software solutions through the development of an Enterprise System. Feedback is received and requests are submitted by clients via a portal.**
- **Contracts are underway with information providers to provide information and reports on the market through a database, to support the management in making effective decisions.**



# 16

## Governance

### A- Board of Directors

### B- Audit Committee

- 1- Audit Committee - Objectives and Core Duties
- 2- Audit Committee Report for the Year 2019/2020
- 3- Update the Internal Policies

### C- Governance Committee

- 1- Governance Committee - Objectives and Core Duties
- 2- Governance Committee Report for the Year 2019/2020
- 3- Control Environment and Governance System (Coso)

### D- Risk Committee

- 1- Risk Committee - Objectives and Core Duties
- 2- Report of the Risk Committee for the Year 2019/2020
- 3- Capital Adequacy and Risk Concentration Calculation System
- 4- Update Reinsurance Agreements and Diversify Partners

# A

## Board of Directors

- Chairperson of the Board of Directors, appointed by a decision of the company's General Assembly based on the proposal of the Minister of Trade and Industry.
- One of the Managers working in the company, appointed by a decision of the Minister of Trade and Industry based on the nomination of the Chairperson of the Board of Directors.
- Two senior specialists in legal or economic affairs, appointed by the General Assembly upon nomination by the Minister of Trade and Industry.
- A few members not less than five and not more than seven representing the capital selected by the company's General Assembly.
- The General Assembly is led by the Minister of Trade and Industry or his representative.

Name

As a Representative of



Mrs. Mervat Soltan

Chairperson of Board of Directors



Mr. Mohamed Azzam

Managing Director



Mr. Shehata Hassab Ahmed

Experienced Member



Mrs. Ghada El-Gohary

Experienced Member



Mr. Al Sayed Abu Al-Qumsan

Export Development Bank of Egypt



Mr. Mohamed Fattouh Emam

Export Development Bank of Egypt



Mr. Mohamed Abou El Seoud

Export Development of Bank Egypt



Mr. Ismail Farid Amin

Export Development of Bank Egypt



Mr. Hamid Hassouna

Export Development of Bank Egypt



Mrs. Amal Abdel Hamid

National Investment Bank



Mrs. Ola Al-Jarf

National Investment Bank

## Summary of the Board of Directors' activities for the year 2019/2020

- Mr. Mohamed Fattouh and Mr. Ismail Farid Amin, representatives of the Export Development Bank of Egypt, joined in place of Mr. Ahmed Galal and Mr. Tariq Ghaleb. Mr. Mohamed Azzam joined as one of the Managers working in the company instead of Mr. Alaa Judeh due to his resignation from the Board of Directors .
- During the fiscal year 2019/2020, the Board of Directors met 6 sessions





## Committees Emanating from the Board of Directors

## B

## Audit Committee

### 1

### Audit Committee - Objectives and Core Duties

Name	Position
Mr. Hamed Hassouna	Chairman
Mr. Mohamed Fatouh	Member
Mrs. Ola Al Jarf	Member

#### Objectives of the Audit Committee

The audit committee's objective is to assist the Board of Directors in implementing auditing tasks especially the following:

- Review the company's financial statements and revise external audit reports
- Review internal audit department performance
- Ensure that the company abides by the regulatory laws and legislations, especially those issued by regulatory and audit authorities

#### Audit Committee - Core Duties

- Review the company's budget and presenting recommendations to Board of Directors
- Review financial statement before presenting it to the Board of Directors and issue recommendations
- Discuss external audit report and review company response
- Review internal audit plan and approve it
- Ensure capital adequacy and reserves & provision to cover obligation

## 2

## Audit Committee Report for the Year 2019/2020

### Summary of work in 2019/2020

The no. of committees held during the year	5 Times
Have the committee reports been presented to the Board of Directors?	Yes
Did the committee's reports contain significant notes that should be amended?	Yes
Has the Board of Directors addressed the material notes?	Yes

Issuing recommendations for reviewing the company's annual budget before presenting it to the Board of Directors for approval

Issuing recommendations on the organizational structure to be presented to the Board of Directors for approval

Issuing recommendations regarding quarterly financial statements to be presented to the Board of Directors for approval

Issuing recommendations to the Board of Directors on the human resources policy, purchasing policy & financial policy



### 3 Developing Internal Policies

Believing in the necessity of updating internal policies, the company has fully updated the policies and issued new ones to keep pace with the occurring developments. The following are the new and updated policies:

- **The financial policy has been updated to:**

Believing in the necessity of updating internal policies, the company has fully updated the policies and issued new ones to keep pace with the occurring developments. The following are the new and updated policies:

- **Purchasing Policy:**

The purchasing policy has been updated to keep pace with the changes that happened in purchasing methods and pricing and to delegate authorities to undertake tasks swiftly to fulfill the company's varied needs.

- **Human resources Policy:**

Updating the human resources policy is one of the most important goals: it creates a reliable reference when hiring and appraising employees and defines proper employee conduct to uphold company image. The update also includes setting categories to select talents that will work towards achieving the company's developmental goals and improve personnel proficiency through training and investing in human resources.

- **Risk Policy:**

The risk policy is one of the key policies that have been updated for it answers questions raised about credit guarantee, such as capital efficiency and evidence determining the measures taken after buyer analysis, and questions raised about investment to avoid risky undertakings.

- **Money Laundering Policy: (currently under update in accordance with the FRA's latest resolution)**

The company has issued a money laundering policy that detects client risks based on money laundering risks in accordance with law 83 for the year 2002, the relevant FRA resolutions, and the issuing of the know your client form as one of the most important tools that determine whether or not one should continue working with a client.



## C

## Governance Committee

### 1

### Governance Committee - Objectives and Core Duties

Name	Position
Mr. Al Sayed Abu Al-Qumsan	Chairman
Mr. Ismail Farid Amin	Member
Mr. Shehata Abdel Shafi	Member
Mrs. Amal Abdel Hamid	Member

#### Objectives of the Governance Committee

The objectives of the Governance Committee are to assist the Board of Directors in carrying out the supervisory tasks assigned to it, and in particular the following:

- Assisting the Board of Directors in evaluating the company's corporate governance system

#### Duties of the Governance Committee

- Study the extent of application of corporate governance rules
- Review the report of the Board of Directors
- Study the observations of the supervisory authorities on the implementation of governance

2

Governance Committee Report for the Year 2019/2020

Summary of work in 2019/2020

The no. of committees held during the year

2 Times

Have the committee reports been presented to the Board of Directors?

Yes

Did the committee's reports contain significant notes that should be amended?

Yes

Has the Board of Directors addressed the material notes?

Yes

### 3

## Governance System and Internal Control (COSO)

Since the beginning of the restructuring, the company has relied on the (COSO) system for governance and the regulatory environment that depends on three lines of defense, which the company has improved or established during the first half of the fiscal year as follows:-

### The First Line of Defense:

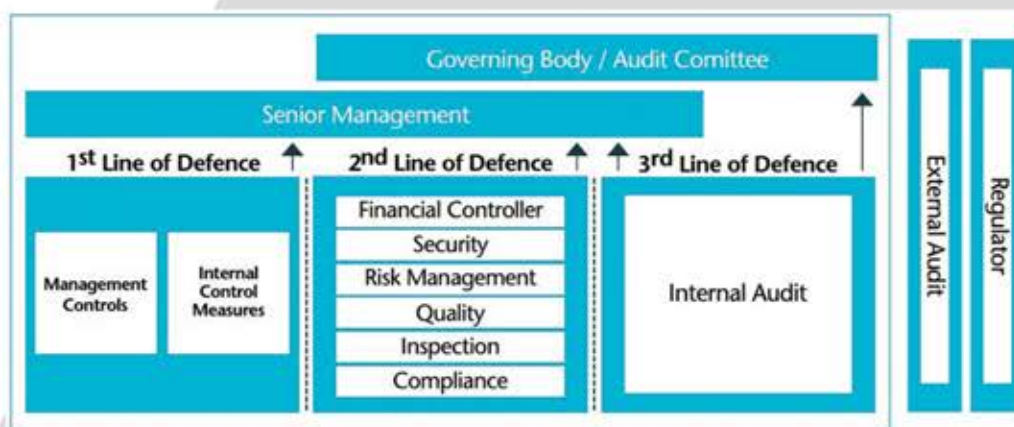
Is self-control at the level of sector heads and department managers and the creation of standards for self-control by amending regulations, defining powers and responsibilities, and developing computer systems.

### The Second Line of Defense

Is financial control, risk management, quality, inspection and compliance, which the company has done to establish a risk sector with the best guarantee cadres and its independence has been strengthened by being the reporting dependency to the risk committee emanating from the Board of Directors and also separating the internal audit department from compliance department and activation of financial control through the polices has been amended.

### The Third Line of Defense:

It is the internal audit department which has been established for more than 10 years and has experience in reviewing the guarantee operations and its independence has been strengthened by being the reporting dependency to the audit committee emanating from the Board of Directors.





## External Auditors:

- Accountability State Authority
- Magdi Hashish Office

## Regulatory Organizations:

- The General Authority for Financial Supervision

## The Objectives of the Company's Internal Control System:

- Ascertaining from the followings:
  - Perform Operations efficiently and effectively.
  - Relying on financial reports.
  - Compliance with laws and regulations
- Ongoing Evaluation of Internal Control Systems based on Five Components:
  - Efficiency of Internal Control Environment
  - Risk Assessment Systems
  - the Supervisory & Regulatory Activities
  - Information/Contact
  - Follow-up
- Evaluating all functional levels



## Governance

Since the start of the restructuring, one of the most important pillars of restructuring is the application of the principles of governance to achieve the best protection and balance between the interests of all parties, where the rules of governance are characterized, for example:

- Protecting the rights of shareholders, employees and dealers with the company, and improving the environment in which the company operates
- Achieving the best possible sustainability rates for the company
- Provide the necessary financing and reduce the cost of capital
- Working to avoid conflicts of interest when dealing with insiders and related parties

Therefore, the company seeks to complete the policies, procedures and all provisions of corporate governance that it has started



## D

## Risk Committee

### 1

### Risk Committee - Objectives and Core Duties

Name	Position
Mr. Mohamed Abou El Seoud	Chairman
Mr. Hamid Hassouna Hassan Haseeb	Member
Mr. Mohamed Fattouh Emam	Member
Mrs. Ghada Ahmed Fouad El-Gohary	Member

#### Objectives of the Risk Committee

The objectives of the Risk Committee are to assist the Board of Directors in carrying out the control tasks assigned to it, in particular, the following:

Assisting the Board of Directors in determining and evaluating the risk level for the company that can be accepted

#### Core Duties of the Risk Committee

- Establishing the executive frameworks, procedures and rules that the Board of Directors adopts, which are necessary to deal with all types of risks facing the company
- Assisting the Board of Directors in determining and evaluating the level of risk that the company can accept
- Supervising and verifying the effectiveness of the company's risk management in implementing the tasks assigned to it

2

## Report of the Risk Committee for the Year 2019/2020

### Summary of work in 2019/2020

The no. of committees held during the year

2 Times

Have the committee reports been presented to the Board of Directors?

Yes

Did the committee's reports contain significant notes that should be amended?

Yes

Has the Board of Directors addressed the material notes?

Yes

### 3 Capital Adequacy Model and Risk Concentration Management System

During the first half of the fiscal year 2019-2020, the company adopted a new system for calculating capital adequacy in accordance with international best practices in the field of credit insurance, which depends on knowing the size of the risks related to investments as well as the risks related to insurance underwriting and compensation, as the components of the account have become the risk component that must be avoided from the capital account and subordinated loans, as follows:

- Risk of Failure (Investments)
- The Risk of Fluctuations in Investments
- The Risk of Concentration
- Underwriting Risk
- Risk Reserve Compensation
- Volume Coefficient Risk
- Asset Management Risk
- The Risk of Long-Term Insurance Operations
- Risk of off-Balance Sheet Items (Such as Derivative Contracts)

This form is prepared on a quarterly basis to determine periodically the adequacy of capital and the total amount of risk that the company may be exposed to, as well as how to distribute investments according to the size of the risk.



## 4 Update Reinsurance Agreements and Diversify Partners

Due to the company's desire to contribute to providing more support and facilitation for the growth of Egyptian trade at the local and global levels, the company has tended to diversify its products to keep pace with the needs of Egyptian companies that enable them to compete in the global and local markets by urging them to increase the volume of its future sales while providing protection for those sales in different markets against the risks of non-payment and for this purpose, the company has developed reinsurance agreements to include the following:

- Covering local market risks with a proportional agreement with a share of 50% with a reinsurer in Ireland with an excellent rating of A, with total coverage of \$ 50 million, which can be rotated more than once during the year, instead of \$ 12 million in the previous coverage. This is in addition to continuing to cover global risks with a 50% share agreement as well.
- Signing an optional reinsurance agreement with the Islamic Corporation for Insurance of Investments and Export Credit (ICIEC) to cover documentary credits that support Egyptian banks and companies by providing a guarantee for credits issued by banks in high-risk countries.
- Signing an optional import reinsurance agreement with a leading Swiss company in the field of insurance in order to guarantee the General Petroleum Authority in Egypt, which contributes to assisting the Authority in managing its needs from foreign markets without the need for a guarantee from the Ministry of Finance or payment in advance.
- The company also has excellent strategic relationships with insurance brokers in the London market, "Lloyd's", enabling it to optionally outsource operations with long terms or in high risk countries on very good terms.



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## Spinning off Factoring Operations

It should be noted that Export Credit Guarantee has been engaged in factoring activity since 2005, but because of the issuance of Law 176 of 2018 regarding the regulation of factoring and financial leasing, which imposed Export Credit Guarantee to separate the factoring activity through a separate company.

On this basis, the company invited its Shareholders to participate in establishing the new factoring company (EBE Factors) to be the company's financing arm.

The shareholder structure will be as follows:

Shareholder	Percentage of Shares
Export Development Bank of Egypt	60%
Export Credit Guarantee Co. of Egypt	15%
National Investment Bank	15%
National Bank of Egypt	10%
Total	100%

The establishment has already been completed and the company obtained the final license to practice factoring on 30 June 2020.

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## Brief on the Global Economy



## Brief on the Global Economy

Up until the beginning of 2020, the International Monetary Fund (IMF) expected the global gross product to grow by approximately 3.6%, taking into consideration that global trade only grew by a meek 0.1% for the year 2019, which is much less than the World Trade Organization's (WTO) expectation of a 1.2% growth rate. The service sector witnessed moderate growth in the period preceding the pandemic outbreak, which somewhat compensated the drop witnessed by the commodities sector. Commercial services had the lion's share in growth rates amongst the growth experienced by the services sector.

The difference in growth rates between the commodities and services sector represents the continuation of a near decade long trend. This trend is natural example of the shift from an economy that almost entirely depends on heavy industries, and even more fundamentally depending on the global demand of different commodities to an economy that has become saturated with material goods. This demand saturation resulted in a shift of demand towards services which are to be used for the improvement of the overall standard of living and overall global trade levels.

The WTO projected that world trade would grow by around 2.7% for the year 2020, but the pandemic ad naturally severely affected global trade routes. The agricultural sector and its subsectors witnessed severe disturbances in the wake of the outbreak, whereas the distribution and computer industries witnessed a marked improvement also in the wake of the pandemic. This goes back to the stringent lockdown policies implemented by states worldwide which led to a direct increase in demand for household-bound consumption i.e. online services and goods delivery.

On a larger scale, the global economy witnessed a notable shrinkage between 1/7/2019-30/6/2020 as a result of the COVID-19 outbreak. Growth rates registered 2.6% and 2.4% for Q3 and Q4 of 2019, respectively. The global economy then experienced a shrinkage of -2.2% and -8.3% for Q1 and Q2 2020 respectively, with an average decrease of around -2.4%.

This shrinkage has also negatively impacted world trade movement. Work trade had experienced a 1.5% and 0.9% growth over Q3 and Q4 of 2019, followed by a -3.7% and -15.7% fallback in Q1 and Q2 of 2020 respectively with an average rate of -4.3%. this global slowdown had intense effects on oil prices; after averaging about USD 62/bbl, oil prices plummeted to USD 50.4/bbl and USD 29.4/bbl for Q1 and Q2 of 2020, respectively. This is not to mention the historic below-zero dip experienced by futures contracts of WTI oil.

This global economic slowdown was the result of the precautionary measures adopted by governments worldwide, which translated into stringent lockdown policies that aimed at mitigating the rapid spread and exponentially increasing incidence rates of the virus. These policies have consequently hit global demand and caused it to plummet in its own accord.



## Brief on the Global Economy

On another end, global supply of different products and commodities also witnessed a sharp decline as an almost direct result of the same lockdown policies; global trade routes grinded to an almost complete halt and domestic production worldwide stopped under lockdown. According to Berne Union intelligence, short-term credit insurance constituted the largest percentage of export credit insurance in the world in 2019.

Short-term credit insurance covers industries such as: agri-food, vehicles & transportation, medicinal and sanitary industries, among others. Commercial operations faltered for medium- and long-term credit insurance by a rate of 15% also since 2019, which resulted in an overall drop in long-term lines of business operations.

Political risk insurance had not significantly moved as demand for this specific product remained largely stable, reflecting a stable long-term outlook on the general expectations regarding global political stability.

On another end, medium- and long-run credit risk insurance grew for African and Middle Eastern states on the back of large-scale infrastructure projects spearheaded by the governments.



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## Brief on the Egyptian Economy



## A Brief on the Egyptian Economy

The Egyptian economy had witnessed a notable improvement as a result of the structural reforms that were undertaken under the auspices of the Egyptian government. These reforms aimed at improving the Egyptian structural base to enable long-term prospects of growth. The reforms manifested in several key fiscal and monetary policies that aimed to target and treat several underlying problems faced by the Egyptian economy.

In a statement by the Egyptian Minister of Finance, the positive outcome of the reforms was reflected in the economic indicators for the last financial year, compared to the year 2014/2015 -just before the reforms were formally adopted by Egypt in line with the IMF's Extended Fund Facility regulations. Economic indicators further picked up in the first year of the current financial year, thus better positioning the Egyptian economy to handle the catastrophic effects of the COVID-19 outbreak. This favorable position was reflected in the financial results for the financial year 2019/2020 and in the confidence of global institutions in Egypt's ability to handle the repercussions of the global pandemic proactively.

Egypt had been able to register a net foreign currency reserve of around USD 45.5bn, it's highest value to date. The pandemic resulted in an almost USD 10bn outflow of currency, in the wake of an investment exodus from foreign portfolios estimated at around USD 17bn as of June 2020- i.e. the height of the first wave.

The vibrant tourism sector had also completely stopped for a period of time, which is why the Central Bank of Egypt (CBE) immediately boosted its coverage of essential commodities to sustain the nation's requirements during the height of the pandemic, and to settle external dues, all of which resulted in a severe drop in foreign currency reserves.

Egypt's foreign currency reserve has begun to pick up the pace again more recently as remittances jumped considerably since economies were slowly opening back up. Foreign holdings of Egyptian sovereign debt had also picked up its pace.

The Ministry of Planning and Economic Development (MoPED) a report which included an analysis of the development of some of the economic and social indicators during the third and fourth quarters of the financial year ended 2019/2020. The report provided an analysis of the key indicators, which are involved with the real rate of economic growth and the rate of government investments growth.

The Egyptian economy was expected to grow by around 5.9% for the financial year 2019/2020 but the COVID-19 situation massively obstructed such an increase as it had widespread effects on several essential economic activities. This led to the Egyptian economy recording growth rates of around 2.7% for the period. Sectors whose activities were severely constrained by the outbreak, either directly or indirectly, include: tourism, manufacturing and wholesale & retail trade.

That being said, several other sectors had managed to somewhat maintain their scope of operations if not even mildly benefit from the global impact of the pandemic. such industries include the pharma and healthcare industries, agricultural products and certain operators in the textile sector. This is alongside the fact that government investments have witnessed a staggering 23% increase in volume over the financial year 2019/2020, according to the report produced by MoPED.

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## Performance Reports

- 1- Company's profitability
- 2- Loss ratio
- 3- Performance indicators

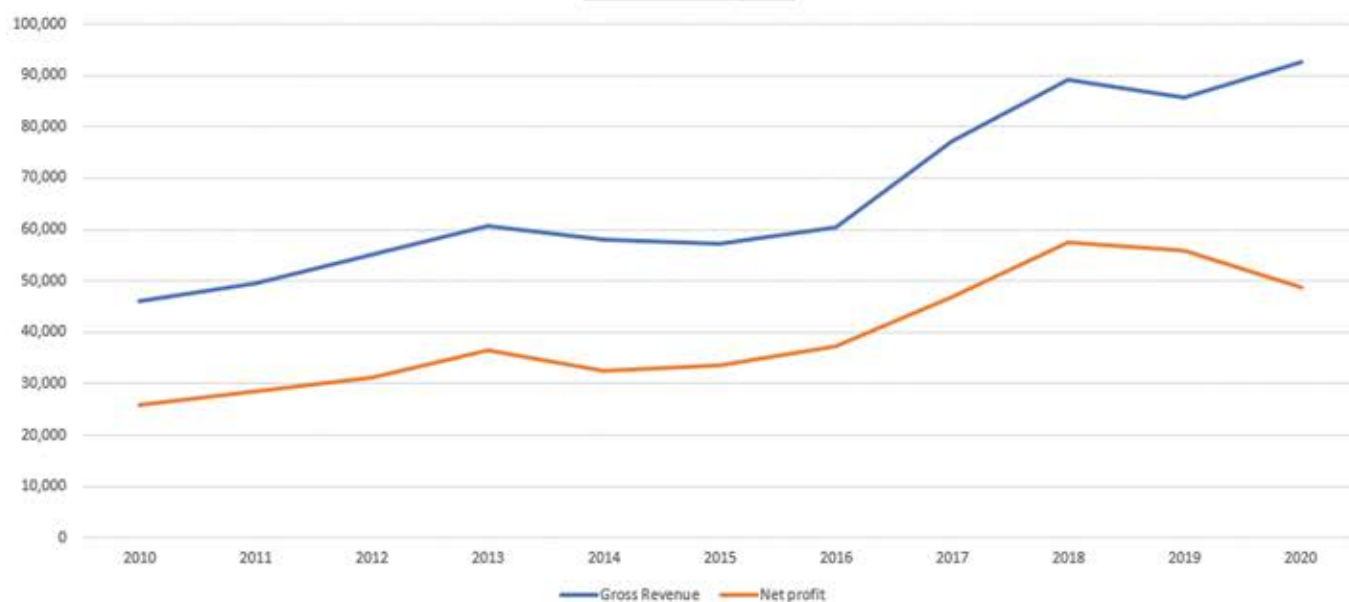


1

The Company's Profitability for the Last Ten Years

Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total revenue from insurance activities	8,305	6,197	5,316	6,870	5,900	6,058	7,204	8,700	7,060	7,674	20,505
Total revenue from factoring activities	1,651	3,200	2,811	3,245	2,533	1,713	1,792	3,460	2,858	1,370	5,173
Investment revenue	36,013	40,122	46,919	50,594	49,544	49,324	51,509	64,999	79,214	75,154	66,960
Gross profit	45,969	49,519	55,046	60,709	57,977	57,095	60,505	77,159	89,132	84,198	92,686
Net profit	25,807	28,506	31,139	36,466	32,538	33,516	37,219	46,731	57,548	56,011	48,741

Revenue and profits



IN THOUSANDS EGP

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loss Ratio

Item	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total revenue from insurance activities	8,305	6,197	5,316	6,870	5,900	6,058	7,204	8,700	7,060	7,674	20,505
Claims recovered	0	0	0	514	0	0	0	-	0	250	0
Claims paid (company share)	69	43	476	655	201	296	-	416	75	268	171
Provision for outstanding claims	108	673	-	203	189	229	421	3,607	77	(454)	1,185
Loss Ratio	2.1%	11.5%	8.9%	5%	6.6%	8.6%	5.8%	46.2%	2.25%	0%	6.6%

IN THOUSANDS EGP

### 3 Performance Indicators

	2020	2019	Coface	Atradius	EH
Net Combined Ratio	109%	169%	77.70%	73.40%	79.60%

- The company aims to reach the combined ratio of expenses and claims to net premiums to be in accordance with the level of the global insurance industry, which is 80% and is achieved through tight control over expenses and claims in exchange for premiums, commissions and insurance fees. It is evident from the table above the company's improvement in its combined ratio and the trend towards achieving the percentage of the global insurance industry, where the percentage decreased from 169 % to 109 % in 2020. The company hopes to achieve global ratios during the next financial year by controlling and reducing expenses to reach 50% of net premiums and compensation to 30% of net premiums.

	2020	2019	Coface	Atradius	EH
Number of Staff	38	31	4273	3531	5800
Productivity	0.67	0.29	6.2	10.2	9

- The company achieved an increase in per capita productivity from 290 thousand pounds to 690 thousand pounds. Nevertheless, this percentage is still far from the global per capita values, which are estimated at 6.2 million, 9 million, 10.2 million for Coface, Euler Hermes and Atradius respectively. Therefore, the company seeks to improve its efficiency by increasing the size of premiums and the use of automation.

	2020	2019	Coface	Atradius	EH
Exposure	71.7 MIL	66.6 MIL	569 BIL	673 BIL	950 BIL
Equity	23.25	23.19	1.9 BIL	2 BIL	2.8 BIL
Leverage E/E	3.084	2.87	300X	336X	339X
Turnover / Equity	7%	2%	77%	100%	100%

- The company was more bullish on the market by increasing its exposure from 66.6 Million Dollars in 2019 to 71.7 Million Dollars in 2020. With regards to underwriting leverage, it was found that the total exposure/equity capital in 2019 was 2.87x compared to 3.08x in 2020. However, it is worth noting that this percentage is still quite far from global ratios, as the estimated figures for Coface, Atradius and Euler Hermes are 300x, 336x, 339x respectively in 2019, hence the company will continue pursuing a more open policy to the market in order to achieve the target rates during the coming years.



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## Social Responsibility



## Corporate Social Responsibilities

Export Credit Guarantee company of Egypt believes in its obligatory social role in supporting the individuals who are in need in the fields of education and health, which are the two most important aspects of social life.

### Education

Export Credit Guarantee company of Egypt has signed a cooperation protocol with the Misr El-Kheir Foundation to provide material support estimated at 250,000 Pounds to two schools in Assiut Governorate, as the company believes in the importance of education and it's basis for the progress and development of any society.



### Health

Export Credit Guarantee company of Egypt has signed a cooperation protocol with the Al-Joud Foundation, Al-Nas Hospital, to provide material support estimated at 250,000 Pounds to equip and establish two nurseries for newborns, as the company believes that the children of Egypt are the future of this country.





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## Annual Financial Statements



RSM Egypt - Chartered Accountants  
Magdy Hashish & Partners

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## **AUDITOR'S REPORT**

TO: The Shareholders  
Export Credit Guarantee Company of Egypt (Join Stock Company)

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Export Credit Guarantee Company of Egypt (Join Stock Company), which comprise the statement of financial position as of 30 June 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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



#### Opinion

The financial statements referred to above present fairly, in all material respects, the financial position of Export Credit Guarantee Company of Egypt as of 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

#### Report on Other Legal and Regulatory Requirements

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company; the financial statements are in agreement thereto.

The financial information included in the Board of Directors' report, has been prepared in accordance with Law No. 159 of 1981 and its executive regulations, and in agreement with the Company's books in accordance with the proper norms.

Cairo 16 September 2020




RSM Egypt - Chartered Accountants  
Tarek Hashish & Partners

Egyptian Financial Supervisory Authority Register No. (118)  
RSM Egypt- Chartered Accountants  
Magdy Hashish & Partners





EGE المصرية لضمان الصادرات  
INSURING DEVELOPMENT

**Export Credit Guarantee Company of Egypt (EGE)**  
**Financial Statement as of 30 June 2020**  
(Amounts Expressed in Egyptian Pound)

Translation of Financial Statements  
Originally Issued in Arabic

**Statement of financial position**

	Note	30/06/2020 EGP	30/06/2019 EGP
<b>Assets:</b>			
Cash on hand and at banks	(5)	130,203	663,082
Time deposits at banks	(6)	30,957,544	16,420,674
Treasury bills	(7)	431,585,314	410,860,897
Financial assets at fair value through profit or loss	(8)	4,213,251	2,662,069
Held to maturity investments	(9)	--	45,000,000
Investments in associates & subsidiaries	(10)	7,500,000	--
<b>Total Investments</b>		<b>474,386,312</b>	<b>475,606,722</b>
Factoring debit balances	(11)	1,212,859	3,491,866
Debtors and other debit balances	(12)	24,857,587	14,642,967
Property plant & equipment	(13)	9,908,607	7,943,189
Intangible assets ( net )	(14)	26,806	46
<b>Total Assets</b>		<b>510,392,171</b>	<b>501,684,790</b>
<b>Liabilities and Shareholders' Equity</b>			
Technical provisions policy holder's rights	(15)	35,748,676	31,724,916
<b>Total policy holders ' rights</b>		<b>35,748,676</b>	<b>31,724,916</b>
<b>Other Liabilities</b>			
Insurance and reinsurance companies		11,874,670	6,256,045
Factoring credit balances		121,295	349,529
Insurance creditors		1,365,800	367,152
Creditors and other credit balances	(16)	23,592,654	26,360,313
Banks- Credit facilities	(17)	1,088,327	1,050,199
Deferred tax liabilities	(18)	808,261	579,724
Export guarantee bonds	(19)	50,000,000	50,000,000
<b>Total other Liabilities</b>		<b>88,851,007</b>	<b>84,962,962</b>
Paid up capital	(20)	250,000,000	250,000,000
Legal reserve		42,728,607	37,127,480
General reserve		35,432,678	32,432,678
Special reserve	(21)	3,324,780	3,785,156
Retained Earnings		5,565,551	5,640,333
Profit for theyear		48,740,872	56,011,265
<b>Total Equity</b>		<b>385,792,488</b>	<b>384,996,912</b>
<b>Total Liabilities and Shareholders ' Equity</b>		<b>510,392,171</b>	<b>501,684,790</b>

- The accompanying notes from (1) to (28) are an integral part of these financial statements.
- Auditor report "attached".



**Financial Manager**  
Ali Elaioty



**Managing Director**  
Mohamed Azzam

**28** Years Serving  
Egyptian Trade

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MEMBER OF EXPORT DEVELOPMENT BANK OF EGYPT GROUP



**Export Credit Guarantee Company of Egypt (EGE)**  
**Financial Statement as of 30 June 2020**  
(Amounts Expressed in Egyptian Pound)

Translation of Financial Statements  
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**Income Statement**

	Note	30/06/2020	30/06/2019
		EGP	EGP
Surplus of insurance activities		6,536,080	3,481,656
Surplus of factoring activities		1,171,318	1,523,195
(Net) Investment income undesignated	{22}	60,270,626	68,094,928
Other income		46,000	3,000
<b>Total Revenues</b>		<b>68,024,024</b>	<b>73,102,779</b>
General and administrative expenses		756,997	239,162
Property plant & equipment depreciation		414,851	331,046
Intangible assets amortization		1,127	3,538
Interest expense of bonds		2,500,000	2,500,000
<b>Total Expense</b>		<b>3,672,975</b>	<b>3,073,746</b>
<b>Net Profit Before Tax</b>		<b>64,351,049</b>	<b>70,029,033</b>
Deducting			
Income tax for the year		(15,381,640)	(13,963,758)
Deferred tax		(228,537)	(54,010)
<b>Net Profit After Tax</b>		<b>48,740,872</b>	<b>56,011,265</b>
<b>Earning per share</b>		<b>19.50</b>	<b>22.40</b>

- The accompanying notes from (1) to (28) are an integral part of these financial statements.
- Auditor report "attached".

*A. Elaioty*

*Ali Elaioty*

**Financial Manager**

Ali Elaioty

*M. Azzam*

**Managing Director**

Mohamed Azzam



**Export Credit Guarantee Company of Egypt (EGE)**  
**Financial Statement as of 30 June 2020**  
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**Statement of Revenues & Expenses for Insurance Activity**

	Note	30/06/2020 EGP	30/06/2019 EGP
<b>Revenues</b>			
Gross premiums	(23)	25,497,765	9,012,453
Outward reinsurance premiums		(8,489,705)	(4,505,326)
<b>Net premiums</b>		<b>17,008,060</b>	<b>4,507,127</b>
<b>Changes in the provision of unearned premiums</b>			
Provision for unearned premiums at beginning of the year		1,281,690	1,389,243
Provision for unearned premiums at end of the year		(4,120,130)	(1,281,690)
		<b>(2,838,440)</b>	<b>107,553</b>
<b>Earned premiums</b>		<b>14,169,620</b>	<b>4,614,680</b>
Outward reinsurance commission income		3,108,263	1,689,055
Claims recovery		--	250,358
Other operating income		3,228,012	1,120,541
		<b>20,505,895</b>	<b>7,674,634</b>
Designated investment income		6,689,548	7,055,834
<b>Total Revenue</b>		<b>27,195,443</b>	<b>14,730,468</b>
<b>Expenses</b>			
Insurance activity expenses	(24)	17,273,921	11,435,105
Inward reinsurance commissions and production costs		2,028,678	--
Claims paid		171,444	268,037
<b>Change in the provision for outstanding claims</b>			
Provision for outstanding claims at the end of the year		4,983,417	3,798,097
Provision for outstanding claims at the beginning of the year		(3,798,097)	(4,252,427)
		<b>1,185,320</b>	<b>(454,330)</b>
<b>Incurred Claims</b>		<b>1,356,764</b>	<b>(186,293)</b>
<b>Change in the provision for retrograde fluctuations</b>			
Provision for retrograde fluctuations at end of the Year		26,645,129	26,645,129
Provision for retrograde fluctuations at beginning of the Year		(26,645,129)	(26,645,129)
		<b>--</b>	<b>--</b>
<b>Total Expenses</b>		<b>20,659,363</b>	<b>11,248,812</b>
<b>Surplus From Insurance Activity</b>		<b>6,536,080</b>	<b>3,481,656</b>

- The accompanying notes from (1) to (28) are an integral part of these financial statements.

Agonae

Financial Manager

Ali Elaioty

Managing Director

Mohamed Azzam





**Export Credit Guarantee Company of Egypt (EGE)**  
**Financial Statement as of 30 June 2020**  
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**Statement of Comprehensive Income**

	Note	30/06/2020	30/06/2019
		EGP	EGP
Net profit after tax		48,740,872	56,011,265
<u>Other comprehensive income</u>			
Foreign exchange rate differences		(460,376)	--
Income tax related to items of comprehensive income		103,585	--
<b>Other comprehensive income net of tax</b>		<b>(356,791)</b>	<b>--</b>
<b>Total comprehensive income</b>		<b>48,384,081</b>	<b>56,011,265</b>

- The accompanying notes from (1) to (28) are an integral part of these financial statements.

A. Elaioty

**Financial Manager**

Ali Elaioty

**Managing Director**

Mohamed Azzam





**Export Credit Guarantee Company of Egypt (EGE)**  
**Financial Statement as of June 30, 2020**  
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**Statement of Cash Flows**

Note	30/06/2020 EGP	30/06/2019 EGP
<b>Cash Flow From Operating Activities</b>		
Net profit (loss) before income tax	64,351,049	70,029,033
<b>Adjustments to reconcile net profit to cash flows from operating activities:-</b>		
Depreciation , amortization and reversal of impairment	415,978	334,584
Technical provisions	4,023,760	(1,916,033)
Unrealized (gains) of financial assets at fair value through profit or loss	(299,682)	(639,337)
Gains from other financial investments	(65,551,456)	(74,206,574)
Losses (gains) of sale of fixed assets	--	(2,981)
Decrease in receivables from insurance and factoring activities	3,049,421	5,815,496
Increase in other insurance and reinsurance companies - debit balances	(190,890)	--
Increase in other assets	(10,978,552)	(207,106)
Increase in insurance and reinsurance companies - credit balances	2,791,037	(544,548)
Increase in creditors and other credit balances	36,969	416,582
Foreign exchange differences	(460,376)	555,362
Income Tax Paid	(588,497)	(1,038,361)
<b>Net Cash Flows From (Used In) Operating Activities</b>	<b>(3,401,239)</b>	<b>(1,403,883)</b>
<b>Cash Flow From Investment Activities</b>		
Decrease (increase) in treasury bills and other deductible governmental securities due more than three months	43,462,698	62,529,181
Tax for treasury bills	(14,217,265)	(13,015,554)
Collected from sale of other investments	(1,213,925)	1,596,911
Collected from sale of fixed assets	--	3,000
Collected from Suez Canal Certificates	46,743,750	6,975,000
Payments for investment in associates and subsidiaries	(7,500,000)	--
Payments for purchase of fixed and intangible assets	(2,408,156)	(69,839)
<b>Net Cash from (Used In) Investment Activities</b>	<b>64,867,102</b>	<b>58,018,699</b>
<b>Cash Flow From Financing Activities</b>		
Loans repayments	38,128	(3,497,167)
Paid dividends	(47,500,000)	(45,316,861)
<b>Net Cash from (Used In) Financing Activities</b>	<b>(47,461,872)</b>	<b>(48,814,028)</b>
Effect of change in exchange rate	--	(555,362)
Net Increase (Decrease) In Cash And Cash Equivalent	14,003,991	7,800,788
Cash And Cash Equivalent At The Beginning Of The Period	17,083,756	9,838,330
<b>Cash And Cash Equivalent At The End Of The Period</b>	<b>31,087,747</b>	<b>17,083,756</b>
Cash on hand and at banks	130,203	663,082
Treasury bills and other deductible securities	431,585,314	410,860,897
Time deposits at banks	30,957,544	16,420,674
Treasury bills ( due more than three months )	(431,585,314)	(410,860,897)
<b>Cash And Cash Equivalents</b>	<b>31,087,747</b>	<b>17,083,756</b>

*Signature*

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Statement of Shareholder's Equity

	Paid up Capital	Legal Reserve	General Reserve	Special Reserve	Retained Earnings	Net profit for the period	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP
<b>Previous year</b>							
Balance as of 1 July 2018	250,000,000	31,372,658	29,432,678	3,785,156	2,088,845	57,548,216	374,227,553
Dividends of 2018	--	--	--	--	(2,088,845)	(42,311,155)	(44,400,000)
Transferred to retained earnings and reserves	--	5,754,822	3,000,000	--	6,482,239	(15,237,061)	--
Adjustments to retained earnings	--	--	--	--	(841,906)	--	(841,906)
Net profit for the year	--	--	--	--	56,011,265	--	56,011,265
<b>Balance as of 30 June 2019</b>	<b>250,000,000</b>	<b>37,127,480</b>	<b>32,432,678</b>	<b>3,785,156</b>	<b>5,640,333</b>	<b>56,011,265</b>	<b>384,996,912</b>
<b>current year</b>							
Balance as of 1 July 2019	250,000,000	37,127,480	32,432,678	3,785,156	5,640,333	56,011,265	384,996,912
Dividends of 2019	--	--	--	--	(5,640,333)	(56,011,265)	(61,651,598)
Transferred to retained earnings and reserves	--	5,601,127	3,000,000	--	5,550,471	--	14,151,598
Adjustments to retained earnings	--	--	--	--	15,080	--	15,080
Net profit for the period	--	--	--	--	--	48,740,872	48,740,872
Change in foreign exchange reserve	--	--	--	(460,376)	--	--	(460,376)
<b>Balance as of 30 June 2020</b>	<b>250,000,000</b>	<b>42,728,607</b>	<b>35,432,678</b>	<b>3,324,780</b>	<b>5,565,551</b>	<b>48,740,872</b>	<b>385,792,488</b>

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## Explanatory Notes of the Financial Statements

### 1. General Information

#### A. Legal Entity and Activity

Export Credit Guarantee Company of Egypt (S.A.E) has been established according to Law no. 21 of 1992 and it has been subjected to Law of the Control and Supervision of Insurance no.10 of 1981, its amendments and executive regulations and also subject to Law no.159 of 1981 where no text is not mentioned in this regard. The company has been registered in the commercial register under no.19476 –on 16 September 1992.

#### B. Company's Objectives

- To encourage, develop the Egyptian export and assisting in supporting the agricultural, industrial, commercial and service export sector by guaranteeing the export of national goods and services from commercial and non- commercial risks that are set in the guarantee policies authorized by the board of directors. The company may work in the complementary or related activities to the main activity and reinsure or re-guarantee its operations and accept the re-guarantee on the operations performed by the similar entities that would encourage and develop the Egyptian exports.
- On 14 December 2003, the decision of the prime minister has been issued to include the factoring activity and on 19 November 2013, the company has been registered in the factoring register of Financial Regulatory Authority.

#### C. Company's Duration

50 years of the date of registering the company in the commercial register.

### 2. Bases of Preparation of the Financial Statements

The financial statements have been prepared according to the Egyptian accounting standards and in the light of rules that are set by the Egyptian Insurance Supervisory Authority.

In the light of issuance of the accounting standards based on the ministerial decree no.110 of 2015, the company changed the classification and evaluation policy of the financial investment. The investments are classified to three categories: Investments at fair value through profit or loss, financial assets available for sale and financial investments held to maturity.

The preparation of the financial statements according to the Egyptian accounting standards requires accounting estimates and choosing the estimates of accounting policies. Note no. 3 shows the items and accounts that are subject to significant accounting estimates.

- The financial statements have been prepared on a historical cost basis modifies by the evaluation Of financial assets, except the financial investments held to maturity and financial liabilities that have been measured at fair value.
- In the light of applying the Egyptian accounting standards modified by the ministerial decree no.110 Of 2015 and application guide issued by the Financial Regulatory Authority on 9 July 2015 the changes are as follows:
  1. A new statement has been added "Statement of Comprehensive Income.
  2. "The Balance sheet has been changed to "the statement of financial position".
  3. Disclosing the information related to the management of the financial risks of the financial instruments.



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**3. Significant Accounting Policies**

The significant applied accounting policies are as follows:

**3.1. Translation of Foreign Currency Balances**

The company maintains its accounts in Egyptian pound. Transactions in foreign currencies are recorded using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are revalued using the exchange rate prevailing at the date of financial position. All differences arising from the transactions during the year and revaluation are recognized in the income statement included in the other income / other expenses or the other comprehensive income and owners' equity as the case may be according to the guide of the Egyptian accounting standards to the insurance sector issued under no. 70 of 2016, its appendices and amendments.

**3.2. Cash and Cash Equivalents**

For the purpose of preparing the cash flows statement, the cash and cash equivalents include cash on hand, time deposits with three months of maturity date or less, treasury bills and any other discounted governmental securities with a maturity date during three months after the acquisition.

**3.3. Investments**

**3.3.1 Treasury Bills and other Government of securities**

Treasury bills and other government securities are recognized at face value and recognized in the financial statements net after deducting the unearned discount. And they are measured by fixed mortised cost.

**3.3.2 Financial Investments at Fair Value Through profit or Loss**

Securities and portfolios managed by the others and certificates of investments funds are recognized at fair value (market / realizable) at the date of financial statements,

A gain or loss arising from revaluation shall be recognized in the statement revenue and expenses or income statement as the case may be.

**3.3.3 Financial Investments Available for Sale**

The listed available for sale investments are recognized at fair value (market value) for each investment at the end of each financial period and the revaluation gains or losses are recognized at the comprehensive income.

Gains / losses of the sale of securities are calculated based on the difference between the book value at the date of sale and the sales value deducting the sales expenses. The gains and losses are recognized at the net investment income in the income statement or statement of revenue and expenses as the case may be.

**3.3.4 Financial Investments Held to Maturity**

The bond are initially recognized at amortized cost represents the face value in addition to the premium or discount as the case may be. The premium/ discount is recognized using the effective interest rate and the amortization amount is recognized at the interest expenses at the statement of revenue and expenses or the income statement as the case may be.

The same method is use for the bonds purchased from the stock exchange with an amount more or less than the face value and reducing the cost by the proceeds.

Investment certificates with the current yield are recognized at the face value at the date of financial statements.





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3. Significant Accounting Policies (Continued)

3.3.5 Investments in Associates

Associate are companies that the company has significant influence over, but not to the extend to control when the company holds 20 % to 50 % of voting rights .if the percentage is less than 20% the significant influence may be presumed through representation in the board of directors or participating in setting the policies or significant transaction between the investor and investee.

3.4. Provision of Factoring Debtors (Under Collection)

In the context of factoring activity by which the company purchases the short term cash rights that arise to the exporter from the export to accepted importers by the company. A provision should be charged by 100 % of the factoring under collection debts that are due and after two months of maturity date and not paid till the date of financial position to cover the risk of not collecting the due amount paid to the exporters.

3.5. Property Plant & Equipment's

Fixed assets are recognized at historical cost. The depreciation is calculated using straight line method over the estimated useful life of each asset as follows:

<u>Item Asset Description</u>	<u>Depreciation rate</u>
Equipment	10 %
Buildings	2.5 %
Electric	12.5%
devices and tools	20% and 50%
Vehicles	20%
constructions	5 and 25%

3.6. Intangible Assets

Computer software, licenses, etc are valued at cost including all related expenses capitalized without exceeding the fair value of assets Intangible assets with definite useful lives are cost and presented in the Financial Position net of accumulated depreciation and impairment These assets are amortized using the straight-line method over the estimated useful life of each asset as follows:

<u>Asset Description</u>	<u>Amortization rate</u>
Software and licenses	25 %

3.7. Insurance and Reinsurance Companies (Debit Balance)

The insurance and reinsurance companies are recorded at amortized cost which represents the carrying amount after deducting the impairment loss.

3.8. Insurance and Reinsurance Companies (Credit Balance)

Insurance and reinsurance companies are recognized at fair value. Such balances are represented in balances of current accounts of insurance and reinsurance companies, credit balances of the reinsurance agreements and provisions retained from the reinsurers at the date of Financial Statements.

3.9. Technical Provisions

3.9.1 Provision for Unearned Premiums

The provision for unearned premiums is charged by a percentage of issued premiums during the current period according to Law of the Control and Supervision of Insurance no.10 of 1981 and the board of directors determined this percentage to be 40 % of the unpaid premiums of the current operations at the date of the financial statements. A provision is charged for the long term policies by 100 % of net installments balance.



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**3. Significant Accounting Policies (Continued)**

**3.9. Technical Provisions (Continued)**

**3.9.2 Provision for Outstanding Claims**

- The company share to cover the indemnities that have been notified before the end of the year.
- A percentage of provision to cover the accidents that are occurred and have not been notified at the date of financial statements.

**3.9.3 Provision of Retrograde Fluctuations**

The provision of retrograde fluctuations is calculated to cover the unexpected losses especially the losses arise from the natural disasters and risks of riot and vandalism. The provision shall be charged according to the second clause, paragraph (D) of article no.37 of the law of the Control and Supervision of Insurance no.10 of 1981, its amendments and executive regulation. The charging of this provision has been stopped since 2003.

**3.10. Other Provisions**

Other provision are recognized in the financial position when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation amount can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate to take such effect into consideration. Provisions are reviewed at each financial position date and adjusted, if required, to reflect the best current estimate.

**3.11. Revenue / Expense Recognition**

The revenue is recognized according to the accrual basis and premium for long term insurance policies is recorded in the revenues and expenses statements and provision for unearned premium is provided for following financial years. Cash dividends are recorded when declared by the general assembly of the investee companies and interest on investments is recorded according to the period related to this interest. Revenues of the investment funds' policies are recorded upon announcing them.

**3.12. Net income investment**

Net income from investments is allocated as follows: Net income related to designated investments, which is recorded in the statements of revenues and expenses of insurance line of business. The share of each insurance line of business is determined based on an average of the proportion of technical provisions of each line of business to the total average gross premiums of the technical provisions of insurance lines of business. Net income related to undesignated investments, which is recorded in the income statement.

**3.13. Fair Value Measurement**

The fair value is measured based on the market value at the date of financial statements taking into consideration to reduce the market value by the cost completion of sale.

**3.14. Employees Benefits**

The company pays its employees' social insurance according to law no. 79 of 1975 and its amendments, and charges the company's share to salaries and wages in the income statement on accrual basis.

The company contributes in life insurance system and medical care system for the employees and charges the company share as an expense in the financial statements.





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**3. Significant Accounting Policies (Continued)**

**3.15. Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Income tax is recognized on the basis of the net taxable income using the tax rates applicable at the balance sheet preparation date. Deferred taxes arising from temporary time differences between the book value of the assets and liabilities are recognized according to the Accounting basis and their value in accordance with the tax basis. Deferred tax value is determined based on the expected method of realizing or Adjusting the values of assets and liabilities using tax rates applicable on the balance sheet preparation date. Deferred tax assets of the company are recognized when there is a high probability to achieve taxable profits in the future that turn this asset Eligible to be used. The deferred tax assets are reduced by the value of the part which will not achieve the predictable tax benefit through the Upcoming years. However, if the predictable tax benefit increases, the deferred tax assets will be increased within the limits of what was previously Decreased

**3.16. contingent liabilities and commitments**

Contingent liabilities, where the company is a party therein, in addition to other commitments, shall be recognized off the financial position as deemed not to be actual assets or liabilities on the reporting date.

**3.17. cash flows statement**

The cash flows statement is prepared according to the indirect method in preparing the cash flows statement, for the purpose of preparing the cash flows statement the cash item and its equivalents include the cash balances, the current account balances and bank deposits as well as the treasury bills, deductible government bonds and other securities that mature within three months of the issuing date (if any).

**3.18. Borrowing costs**

Borrowing costs, directly attributed to acquisition, construction or production of the qualifying asset requiring a considerable period of time to be prepared in order to be used for the specified purposes thereof or to be sold, are capitalized as part of the asset cost. Other borrowing costs are charged as an expense during the period in which they are incurred. Other borrowing costs are recognized as an expense in the period within such costs are realized. Borrowing costs are reflected in interests and other costs incurred by the company to borrow money.

**3.19. Risk Management**

**3.19.1. Management of Insurance Activity Risks**

The risk of insurance agreements is the possibility that the insured incident occurs that results in a financial claim based on the agreements. The risks that the company faces are the occurrence of the insured incident and the recorded claim.

To reduce the insurance risks, the company sets the subscription policies, retention and limits of powers that determines who is assigned and responsible for carrying out insurance agreements. The implementation of these instructions is reviewed periodically and follows up the changes in the market is reviewed precisely and the necessary actions are taken to be reflected in the instructions of subscription if required, and the company also uses reinsurance to manage the insurance risks by entering into proportional agreements with other parties.



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**3. Significant Accounting Policies (Continued)**

**3.19. Risk Management (Continued)**

**3.19.2. Managing the Risks of Reinsurance Activity**

As is usual in the other insurance companies and to reduce the possibility of exposure to the risk of loss arising from large insurance claims, the company enters into reinsurance agreements with other parties. The reinsurance arrangements provide a greater diversity in the business, ensure to the management a control against the exposure to losses due to the large risks and provides additional capability for the growth, but this procedure does not exempt the company from its commitment to its insurers and the company is still responsible for the policy holders for the insured proportion of the outstanding claims if the insurers don't fulfill their commitments according to the reinsurance agreement.

To reduce the exposure to large losses, the company deals with the insurers who have good credit rating according to the Financial Regulatory Authority to be authorized to deal with.

**3.19.3. Factoring Risk Management**

The risk of factoring agreements is the possibility that the importer fails to pay the due amount since the factoring activity is defined as the purchase of short term notes receivable where the seller sells the invoice amount of goods to the buyer and waives of such amount in favor of the company while the company pays an agreed percentage of the invoices after deducting the commissions that gives the company the right to collect the invoices amount into its account regarding specific buyers approved by the company and covered by the guarantee through an external agent "importer factor" in a buyer country. This agent must be a member of Factors Chain International (FCI) that its members are subject to the international factoring rules that the executive regulation of the factoring activity issued by the Financial Regulatory Authority required to work with.

To reduce those risks, the company sets factoring policies and powers assigned to the personnel responsible for those agreements, performs bank enquiry for the exporters when issuing the factoring agreement, follows up and updates the limits granted to the exporters to renew the agreement annually and choose the best importers to deal with through the international chains that are authorized by the Financial Regulatory Authority.





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**4. Financial Instruments and Related Risk Management**

**4.1. Financial Instruments**

The financial instruments of the company consist of financial assets and liabilities. The financial assets include cash balances, current accounts, Bank deposits, financial investments, outstanding premiums balances under collection and reinsurers. The financial liabilities include both policyholders' Entitlements and loans from third parties. The financial instruments include the rights and obligations to third parties that are recorded off the Financial position.

Previous Note No. (3) Of the notes accompanying the financial statements include the applicable accounting policies concerning the basis of recognizing and measuring the significant financial instruments and their revenues and expenses.

**4.2. The management of the financial instruments risks**

**4.2.1. Credit Risk Management**

Represented in the inability or unwillingness of external parties to comply with the provisions of the contractual relation with the company and, accordingly, the inability or unwillingness to pay part of or all dues from such parties on due dates. Credit risk arises from financial investments and other activities carried out by the company

The company monitors the accounts receivable continuously to ensure that there is not credit risk more than the acceptable level and deals with the financial institutions which have high credit worthiness.

The company is committed to the instructions of the Financial Regulatory Authority regarding controlling different activities.

**4.2.2. Market Risk Management**

Market risk are those risk that the fluctuation of fair value or future cash flows of financial instrument resulting from changes in market prices. The market risk including following:

**Interest Rate Risk**

The company's revenue and cash flows are susceptible to fluctuation of interest rates prevailing in the market. The company aims at reducing the expected reverse effect resulting from the interest rates fluctuations on the net company's income.

**Foreign Currency Risk**

The company faces Exchange Rate Risks mainly in US dollar and EURO exchange rates. For the purpose of reducing this risk to its minimum level, The company takes into consideration the balance in foreign exchange centers to the extent necessary for carrying out the businesses thereof.

**Liquidity Risk**

To face the liquidity risk, the company keeps sufficient level of cash and investment funds exchanged in the market taking into consideration the law no.10 of 1981, amendments and its executive regulation regarding the allocated amounts to fulfill the entitlements of policy holders.



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5. Cash on Hand and at Banks

	30/06/2020	30/06/2019
	EGP	EGP
Cash at banks	130,203	663,082
	<u>130,203</u>	<u>663,082</u>

6. Time Deposits at Banks

	30/06/2020	30/06/2019
	EGP	EGP
Bank deposits	30,957,544	16,420,674
	<u>30,957,544</u>	<u>16,420,674</u>

7. Treasury Bills

	30/06/2020	30/06/2019
	EGP	EGP
Treasury Bills - mature less than 91 Days	--	--
Treasury Bills - mature more than 91 Days	456,525,000	434,850,000
<u>Deducting</u>		
Unearned discount	(24,939,686)	(23,989,103)
<u>Net</u>	<u>431,585,314</u>	<u>410,860,897</u>

8. Financial Assets at fair value through profit or loss

	30/06/2020	30/06/2019
	EGP	EGP
Securities :		
Mutual Fund Certificates	4,213,251	2,662,069
	<u>4,213,251</u>	<u>2,662,069</u>

9. Financial Investments held to maturity

	30/06/2020	30/06/2019
	EGP	EGP
New Suez Canal certificates due 09/2019	--	45,000,000
	<u>--</u>	<u>45,000,000</u>



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10. Investments in Associates & Subsidiaries

	Percentage of ownership	30/06/2020	30/06/2019
		EGP	EGP
EBE Factoring company	15%	7,500,000	--
		<b>7,500,000</b>	<b>--</b>

11. Factored Receivables ( net )

	30/06/2020	30/06/2019
	EGP	EGP
Factored receivables balances	1,212,859	3,491,866
	<b>1,212,859</b>	<b>3,491,866</b>

12. Debtors & Other Debit Balances

	30/06/2020	30/06/2019
	EGP	EGP
Accrued interests	23,989	435,548
Other debit balances	4,872,273	832,158
Checks at the safe	475,000	--
Reinsurers debit balances	190,890	--
Withholding tax	12,837,423	13,375,261
Minimum insurance coverage debtors	6,458,012	--
	<b>24,857,587</b>	<b>14,642,967</b>

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**13. Property, plant & equipment**

	Land	Buildings & Constructions	Equipment & Electric devices and tools	Vehicles	Total	Comparative figures
	EGP	EGP	EGP	EGP	EGP	
Cost as of 01/07/2019	817,776	9,434,812	2,288,612	736,800	13,278,000	13,329,284
Additions during the year	--	77,170	998,099	1,305,000	2,380,269	69,839
Disposals during the year	--	--	--	--	--	(121,123)
<b>Cost as of 30/6/2020</b>	<b>817,776</b>	<b>9,511,982</b>	<b>3,286,711</b>	<b>2,041,800</b>	<b>15,658,269</b>	<b>13,278,000</b>
<b>Accumulated Depreciation</b>						
Accumulated Depreciation as beginning of the year	--	2,506,769	2,212,614	615,428	5,334,811	5,124,869
Depreciation of the year	--	232,631	121,357	60,863	414,851	331,046
Accumulated Depreciation of disposals	--	--	--	--	--	(121,104)
<b>Accumulated Depreciation as end of the year</b>	<b>--</b>	<b>2,739,400</b>	<b>2,333,971</b>	<b>676,291</b>	<b>5,749,662</b>	<b>5,334,811</b>
<b>Net Book Value as of 30/6/2020</b>	<b>817,776</b>	<b>6,772,582</b>	<b>952,740</b>	<b>1,365,509</b>	<b>9,908,607</b>	<b>7,943,189</b>





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**14. Intangible Assets**

	30/06/2020	30/06/2019
	EGP	EGP
Cost as of 1 /07/ 2019	194,352	194,352
Additions during the year	27,887	--
<b>Cost as of 30/6/2020</b>	<b>222,239</b>	<b>194,352</b>
<b>Accumulated Depreciation</b>		
Accumulated Amortization at the beginning of the year	194,306	190,768
Amortization of the year	1,127	3,538
<b>Accumulated Amortization at the end of the year</b>	<b>195,433</b>	<b>194,306</b>
<b>Net Book Value as of 30/6/2020</b>	<b>26,806</b>	<b>46</b>

**15. Technical provisions for properties and liabilities insurance**

	Opening Balance	Evaluation difference	Provided during the year	Used/ Reversed	No longer required
Provision for unearned premiums	1,281,690	56,057	7,062,530	--	(4,280,147)
Provision for outstanding claims	3,798,097	(148,368)	3,209,129	(171,444)	(1,703,997)
Provision for retrograde fluctuations	26,645,129	--	--	--	--
<b>Total</b>	<b>31,724,916</b>	<b>(92,311)</b>	<b>10,271,659</b>	<b>(171,444)</b>	<b>(5,984,144)</b>

**16. Creditors and Other Credit Balances**

	30/06/2020	30/06/2019
	EGP	EGP
Interest Payable	1,702,740	1,702,740
Other credit balances	2,047,184	2,030,738
Dividends payable	200,000	200,000
Treasury bills tax	4,255,647	8,463,077
Current year corporate tax	15,381,640	13,963,758
Deferred revenue - local factoring activity	5,443	--
<b>Total</b>	<b>23,592,654</b>	<b>26,360,313</b>

**17. Credit Facilities and banks**

	30/06/2020	30/06/2019
	EGP	EGP
Credit facilities - Export Development Bank of Egypt	1,088,327	1,050,199
<b>Total</b>	<b>1,088,327</b>	<b>1,050,199</b>



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**18. Deferred Tax Liabilities**

	30/06/2020	30/06/2019
	EGP	EGP
Balance at the beginning of the year	579,724	525,714
Formed during the year	228,537	54,010
balance at the end of the year	808,261	579,724

**19. Export Guarantee Bonds**

Export Credit Guarantee Company of Egypt has issued bonds amounted to (fifty-million Egyptian pounds) and National Investment Bank fully subscribed to these bonds upon incorporation with 5% annual yield . These bonds are amortised at the end of the company after fulfilling its obligations.

**20. Share holders' equity**

The issued capital is (250 ) two hundred and fifty million Egyptian pounds divided into two million and five hundred thousand shares .The Par value of each share is (100) one hundred Egyptian poundsThe shareholders subscribed for issued capital in full and the capital structure in as follows :

Num	name	Nationality	Number of shares	Par value of each share	Par value	Percentage of ownership
1	Export Development Bank of Egypt	Egyptian	1,763,828	100	176,382,800	%70.55
2	National Investment Bank	Egyptian	540,160	100	54,016,000	%21.61
3	Misr life Insurance Company	Egyptian	150,232	100	15,023,200	%6.01
4	AL Ahly Capital Holding Company	Egyptian	30,000	100	3,000,000	%1.20
5	AL Mohandes Insurance Company	Egyptian	15,000	100	1,500,000	%0.60
6	Other Shareholders	Egyptian	780	100	78,000	%0.03
Total			2,500,000		250,000,000	%100

**21. Special Reserve (Exchange rate)**

The Central Bank of Egypt has liberalized the foreign exchange rate on 3 November 2016, Accordingly, foreign as exchange differences have been arisen in the insurance sector foreign as exchange balances constitute a significant and crucial portion of its monetary assets and liabilities resulting in the need to issue special accounting treatment to enable handling the effects of foreign exchange liberalization on the financial statements of the insurance companies , Accordingly, Appendix No. 1 of the guide for applying Egyptian accounting standards for the insurance sector has been issued. The Financial Regulatory Authority boards resolution no. 75 of 2019 issued on 20 June 2019, allowed to use the reserve without prejudice to the Egyptian accounting standards. Therefore, the reserve has been decreased by EGP 460,376 which represents the foreign exchange differences for that year.



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22. Investment Income

	30/06/2020	30/06/2019
	EGP	EGP
Deposits Income	1,109,036	304,851
Treasury Bills Income	57,497,567	59,820,470
Gains From the sale of investment at fair value through profit & loss	37,575	355,270
Suez Canal Certificates Income	1,326,766	6,975,000
Revaluation Gains From investment at fair value through profit & loss	299,682	639,337
<b>Total</b>	<b>60,270,626</b>	<b>68,094,928</b>

23. Gross Premiums

	30/06/2020	30/06/2019
	EGP	EGP
Short-term Insurance premiums	7,853,754	9,012,453
Minimum Coverage Of Premiums	7,797,540	--
Allocated Operations Premiums	8,944,783	--
Received Insurance premiums	901,688	--
<b>Total</b>	<b>25,497,765</b>	<b>9,012,453</b>

The amount is because the company's executive management has activated "the minimum coverage" in the insurance policy, which state that "clients should pay a down payment of the Premiums during the policy life" using one of the following two ways:

(1) [Dividing the largest credit limit granted to the client /30]

This transaction shall be recognized in the client's account and amortized by deducting the premiums of implemented shipments from the paid minimum coverage during the policy life, and it may be also paid in installments to facilitate.

(2) [Dividing the largest credit limit granted to the client / 30\*20 %] from the largest credit limit given to the client, paid only one time and shall be recognized as "other insurance revenue" and the accrued premium shall be reduced by the same ratio for each shipment insured by the company.

According to insurance accounting & the accrual basis, the calculated minimum amount related to a policy is recognized in the insurance premiums account as a revenue once the policy is signed and the down payment is paid in full or the first Premium of the policy, as the case may be.

24. Comparative figures

According to the Egyptian accounting standards for the insurance sector, the comparative figures of the general and administrative expenses in the Income statement have been adjusted, as well as the expenses related to the activity (Factoring and Insurance) to conform to the classification of the financial statements of the current year and for the comparison to be straightforward.





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24. Comparative figures (Continued)

The expenses have been allocated to the activities as follows:-

- Charging the list of insurance activities with all general and administrative expenses except for the direct
- costs of factoring activity, real estate tax, social responsibility, and fees imposed by the state such as Solidarity Health Insurance Contribution according to the health insurance law.
- Charging the income statement only with real estate tax, social responsibility and Solidarity Health Insurance Contribution.
- Factoring activity has been charged with direct costs (salaries-subscriptions-training).

		Before reclassification 30/06/2020 EGP	After reclassification 30/06/2019 EGP
General and administrative expenses	Income Statement	7,413,777	239,162
Insurance activity expenses	Statement of Revenues & Expenses For Insurance Activity	4,123,051	11,435,105
Factoring activity expenses	Statement of Revenues & Expenses For Factoring Activity	1,220,870	1,083,431
<b>Total</b>		<b>12,757,698</b>	<b>12,757,698</b>





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**25. The judicial position of the company**

**First: - Lawsuits filed by the company against others:-**

- A lawsuit against the Tax Authority regarding the tax for the years 94/1995 to 98/1999.

**Second: - Lawsuits filed by others against the company:-**

- Four lawsuits from company's clients
- A lawsuit from an importer

**26. Tax Position**

- The inspection and the payment of payroll tax have been done for the years 2010 and 2011
- The inspection and the payment of stamp tax have been done till 2006
- The inspection and the payment of Corporate Tax have been done till 2011
- The real estate tax has been assessed till 31/12/2019 and a decision was issued in the appeal submitted by the company to reduce the rental value, that resulted in a debit balance in favor of the company with the tax authority amounted to EGP 23,173. This balance will be amortized and settled with the real estate tax authority
- The company submitted and paid the tax return for 2018/2019 in October 2019
- Regarding the years from 1994/1995 to 1998/1999 a sentence regarding the appeal has been issued in favor of the company on 15/3 /2009 and an assessment from the Tax Authority has been issued based on the appeal sentence and the due tax has been paid.

**27. Transactions with the related parties**

Many transactions with the related parties have been done during the financial period ended at 30/06 /2020 as follows:

	Opening Balance	DR	CR	Closing Balance
<b>Export Development Bank Of Egypt:</b>				
Cash At Banks	662,728	955,881,249	956,413,774	130,203
Bank Deposits	16,420,674	172,859,831	156,322,961	30,957,544
Securities for trading	2,662,069	6,188,577	4,637,395	4,213,251
Treasury Bills	434,850,000	624,825,000	603,150,000	456,525,000
<b>National Investment Bank:</b>				
Bonds	50,000,000	--	--	50,000,000
<b>EBE Factor:-</b>				
Ownership of factoring company	--	--	--	7,500,000

**28. Significant Events**

- One of the significant events is the spreading of Coronavirus (Covid19) around the world as an international pandemic that dramatically affected some companies and economic activities but the management cannot determine the risk according to the uncertainty.
- Social Insurance has been issued and the effect has been effective since January 2020.



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