Translation of financial statements
Originally issued in Arabic

Abu Dhabi Commercial Bank – EGYPT (S.A.E)
(Union National Bank - Egypt formerly)

FINANCIAL STATEMENTS
For the Year Ended 31 December 2020
AND AUDITORS' REPORT

Abu Dhabi Commercial Bank – EGYPT (S.A.E)
(Union National Bank - Egypt formerly)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2020
AND AUDITORS' REPORT

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AUDITORS' REPORT

To the Shareholders of Abu Dhabi Commercial Bank – Egypt (S.A.E)

Report on the financial statements

We have audited the accompanying financial statements of Abu Dhabi Commercial Bank – Egypt (Union National Bank – Formerly) (S.A.E), which comprise the statement of financial position as at 31 December 2020, and the statements of income, other comprehensive income, change in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on December 16, 2008 amended by the regulations issued on February 26, 2019 and in the light of the prevailing Egyptian laws , management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the bank as of December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on December 16, 2008 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

According to the information and explanations given to us during the financial year ended December 31, 2020 no contravention of the Central Bank, Banking Sector Law No. 194 of 2020, taking into consideration the grace period to comply with provision of the law.

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

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

Auditors

Sherin Mourad Noureldin	KPMG Hazem Hassan
Egyptian Financial Authority	Public Accountants & Consultants
Register Number "88"	
Moore Egypt	
Public Accountants & Consultants	

Cairo, February 2, 2021

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ABU DHABI COMMERCIAL BANK– EGYPT ((Union National Bank - Egypt (formerly)) (S.A.E)

Statement of Financial Position As OF December 31, 2020

Translation of financial statements
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In Egyptian Pound	Note	31 December 2020	31 December 2019
Assets			
Cash and due from Central Bank of Egypt	(6)	1 952 423 154	365 086 117
Due from banks	(7)	1 447 203 128	3 827 947 563
Treasury bills at fair value through other comprehensive income	(8)	8 882 279 825	8 717 251 718
Loans and advances to customers	(9)	16 561 013 321	12 552 277 436
Investments :			
– At Amortized Cost	(11)	2 219 313 235	2 641 413 695
– At fair value through other comprehensive income	(12)	2 297 305 057	636 075 327
– At fair value through profit and loss	(13)	1 497 639	1 516 329
Investments in associates	(14)	112 783 071	88 011 218
Intangible assets	(15)	43 341 135	26 536 942
Other assets	(16)	375 190 087	312 683 832
Fixed assets (net of depreciation)	(18)	411 593 032	412 209 898
Total assets		**34 303 942 684**	**29 581 010 075**
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(19)	887 882 799	146 011 658
Customers' deposits	(20)	29 084 409 218	25 576 836 189
Long term loans	(21)	787 560 650	805 877 342
Other liabilities	(22)	434 897 366	345 640 218
Other provisions	(23)	80 943 660	71 838 146
Deferred tax liabilities	(17)	22 999 223	20 499 223
Total liabilities		**31 298 692 916**	**26 966 702 776**
Shareholders' equity			
Paid–in capital	(24)	1 474 814 253	1 474 814 253
Treasury Stocks	(24)	(82 535 470)	–
Reserves	(24)	694 004 745	530 058 684
Retained earnings	(24)	918 966 240	609 434 362
Total shareholders' equity		**3 005 249 768**	**2 614 307 299**
Total liabilities and shareholders' equity		**34 303 942 684**	**29 581 010 075**

- The accompanying notes from (1) to (40) are an integral part of these financial statements.
- Auditors' report attached.

Managing Director & CEO | **Chairman**

Ihab Elsewerky | **Mohamed Dhaen Al Hamli**

ABU DHABI COMMERCIAL BANK– EGYPT ((Union National Bank - Egypt (formerly)) (S.A.E)

INCOME STATEMENT for year ended December 31, 2020

In Egyptian Pound	Note	31 December 2020	31 December 2019
Interest income on loans and similar revenues	(27)	3 245 785 349	3 883 564 627
Interest expense and similar charges	(27)	(1 987 993 517)	(2 832 180 733)
Net interest income		**1 257 791 832**	**1 051 383 894**
Fees and Commissions income		171 327 929	195 147 780
Fees and Commissions expenses		(8 199 860)	(19 753 395)
Net fees and commissions income		**163 128 069**	**175 394 385**
Dividends income	(28)	714 285	2 217 497
Net trading income	(29)	217 999	448 866
Gains from financial investments	(30)	31 938 467	17 946 176
Expected credit losses impairment	(31)	(110 654 816)	(130 909 480)
Administrative expenses	(32)	(619 533 822)	(542 443 592)
Other operating expenses	(33)	5 917 075	51 655 644
Profit for the year before income tax		**729 519 089**	**625 693 390**
Income tax expenses	(17)	(238 953 795)	(196 410 242)
Net profit for the year		**490 565 294**	**429 283 148**
Earnings per share (EGP)	(34)	**1.68**	**1.47**

– The accompanying notes from (1) to (40) are an integral part of these financial statements.

ABU DHABI COMMERCIAL BANK– EGYPT ((Union National Bank - Egypt (formerly)) (S.A.E)

Statement of Other Comprehensive Income for year ended December 31, 2020

In Egyptian Pound	31 December 2020	31 December 2019
Net profit for the year	**490 565 294**	**429 283 148**
Items that are not reclassified to profit or loss		
Net change in the fair value of investments in equity instruments at fair value through other comprehensive income	–	58 735 415
Income tax related to items that are not reclassified to profit or loss	–	(13 215 468)
Items that may be reclassified to profit or loss		
Net change in the fair value of investments at fair value through other comprehensive income	28 748 980	(6 893 273)
Income tax related to items that may be reclassified to profit or loss	(6 468 521)	1 550 986
Expected credit losses on debt instruments at fair value through other comprehensive income	(1 696 878)	6 328 310
Total other comprehensive income for the year, net after tax	**20 583 581**	**46 505 970**
Total comprehensive income for the year, net after tax	**511 148 875**	**475 789 118**

– The accompanying notes from (1) to (40) are an integral part of these financial statements.

ABU DHABI COMMERCIAL BANK– EGYPT ((Union National Bank - Egypt (formerly)) (S.A.E)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For The Year Ended 31 December 2019

In Egyptian Pound	Paid–up capital	Paid under capital increase	Treasury Stock	Reserves	Retained earnings	Total
Year Ended 31 December 2019						
Balance as at January 1, 2019 before distribution	**1 404 585 000**	**70 229 253**		**382 698 552**	**556 779 412**	**2 414 292 217**
Transffered from Retained earnings to ECL at the begaining of Year 2019	–	–	–	–	(28 351 151)	(28 351 151)
Transffered from general risk reserve to ECL at the begaining of Year 2019	–	–	–	(199 841 647)	–	(199 841 647)
Net of change in fair value of financial investments through OCI	–	–	–	109 153 335	–	109 153 335
Transfer to General Risk Reserve	–	–	–	208 918 992	(208 918 992)	–
Net profit for the year ended December 31, 2019	–	–	–	–	429 283 148	429 283 148
Total	**1 404 585 000**	**70 229 253**	–	**500 929 232**	**748 792 417**	**2 724 535 902**
Transfer to legal reserve	–	–	–	26 775 611	(26 775 611)	–
Transfer to capital reserve	–	–	–	2 353 841	(2 353 841)	–
Profit distribution (Staff & BOD members) - 2018	–	–	–	–	(36 487 890)	(36 487 890)
Profit distribution (shareholders) - 2018	–	–	–	–	(73 740 713)	(73 740 713)
Paid under capital increase	70 229 253	(70 229 253)	–	–	–	–
Balance as at December 31 2019	**1 474 814 253**	–	–	**530 058 684**	**609 434 362**	**2 614 307 299**
Year Ended 31 December 2020						
Balance as at January 1, 2020 before distribution	**1 474 814 253**	–	–	**530 058 684**	**609 434 362**	**2 614 307 299**
Transfer to capital reserve	–	–	–	27 052 102	–	27 052 102
Transffered to general risk reserve	–	–	–	42 300 430	(42 300 430)	–
Net profit for the year ended December 31, 2020	–	–	–	–	490 565 294	490 565 294
Total	**1 474 814 253**	–	–	**599 411 216**	**1 057 699 226**	**3 131 924 695**
Transfer to legal reserve	–	–	–	37 053 164	(37 053 164)	–
Transfer to capital reserve	–	–	–	58 751 508	(58 751 508)	–
Profit distribution (Staff) - 2019	–	–	–	–	(42 928 314)	(42 928 314)
The Bank's share in the extraordinary revenues reserve of Orient Takaful	–	–	–	(1 211 143)	–	(1 211 143)
Treasury Stocks	–	–	(82 535 470)	–	–	(82 535 470)
Balance as at December 31, 2020	**1 474 814 253**	–	**(82 535 470)**	**694 004 745**	**918 966 240**	**3 005 249 768**

- The accompanying notes from (1) to (40) are an integral part of these financial statements.

STATEMENT OF CASH FLOWS For The year Ended December 31, 2020

In Egyptian Pound	Note	31 December 2020	31 December 2019
Cash flow from operating activities			
Net profit for the year before tax		729 519 089	625 693 390
Adjustments to reconcile net profit to cash flow from operating activities			
Depreciation and amortization	(18,15)	89 532 748	82 604 756
Reversed charged during the year–other provisions	(23)	(11 145 002)	5 049 107
Reversed charged during the year–due from banks	(7)	53 020	(892 003)
Foreign revaluation differences for other provisions	(23)	139 290	(808 951)
Gain on sale of fixed assets	(33)	(15 052 147)	(58 751 508)
Undistributed profit of associates	(30)	(25 982 996)	(15 535 128)
Dividends payable	(28)	(714 285)	(2 217 497)
Operating profit before changes in assets and liabilities from operating activities		**766 349 717**	**635 142 166**
Cash flow from operating activities			
Change in due from banks	(7)	623 721 697	163 372 397
Change in due from Central Bank of Egypt within reserve percentage	(6)	(1583 845 871)	57 106 926
Change in treasury bills and other governmental notes	(8)	(1071 834 815)	2 037 930 579
Financial Investments through P&L	(13)	18 690	(92 050)
Change in loans and advances to banks	(9)	(4010 540 951)	17 877 184
Change in other assets	(16)	(23 493 620)	61 319 231
Change in due to bank	(19)	741 871 141	(790 410 929)
Change in customers' deposits	(20)	3 507 573 029	(1907 989 512)
Change in used from other provisions	(23)	20 111 226	(30 731 129)
Change in other liabilities	(22)	106 586 417	(134 009 775)
Change in income tax paid		(217 233 758)	(234 207 190)
Net cash flow used in operating activities		**(1 140 717 098)**	**(124 692 102)**

In Egyptian Pound	Note	31 December 2020	31 December 2019
Cash flow from investing activities			
Payments to purchase fixed assets and establishments of branches		(143 707 599)	49 500 412
Proceeds from sale of fixed assets		26 138 201	91 163 190
Retrieval of financial investments – Amortized cost	(11)	424 819 487	496 347 097
Purchase of financial investment – Amortized cost, net investment Fair Value through OCI and in associates	(13 12)	(1634 213 475)	(114 092 125)
Reversed charged during the year–provision at fair value through OCI		(1 696 878)	(34 038 452)
Dividends received	(28)	714 285	2 217 497
Net cash flow (used in) provided from investing activities		**(1327 945 979)**	**491 097 619**
Cash flow from financing activities			
Treasury Stocks		(82 535 470)	–
Proceeds from other loans	(21)	(18 316 692)	(94 630 569)
Dividends paid		(42 928 314)	(110 228 603)
Net cash flow (used in) financing activities		**(143 780 476)**	**(204 859 172)**
Net (decrease) increase in cash and cash equivalents during the year		**(2 612 443 553)**	**161 546 345**
Cash and cash equivalents at the beginning of the year		3 833 639 255	3 672 092 910
Cash and cash equivalents at the end of the year		**1 221 195 702**	**3 833 639 255**
For the purpose of preparing the statement of cash flow, the cash and cash equivalent comprise of the following			
Cash and due from Central Bank of Egypt	(6)	1 952 423 154	365 086 117
Due from banks	(7)	1 448 037 321	3 828 728 736
Treasury bills and other governmental notes	(8)	9 308 349 253	9 095 479 438
Due from Central Bank within reserve percentage		(1 721 928 703)	(138 082 832)
Due from banks (over 3 months maturity)		(492 336 070)	(1 116 057 766)
Treasury bills and other governmental notes (over 3 months maturity)		(9 273 349 253)	(8 201 514 438)
Cash and cash equivalents at the end of the year		**1 221 195 702**	**3 833 639 255**

– The accompanying notes from (1) to (40) are an integral part of these financial statements and to be read there with.

ABU DHABI COMMERCIAL BANK– EGYPT ((Union National Bank - Egypt (formerly)) (S.A.E)

Proposed Profits appropriation Statement

For The Year Ended 31 December 2020

In Egyptian Pound	31 December 2020	31 December 2019
Net profit for the year based on the income statement	**490 565 294**	**429 283 148**
Deduct:		
Gain from sale of fixed assets transferred to capitalized reserve according to the statue of law	(15 052 147)	(58 751 508)
General Banking Reserve (Change in Loans and Advances Reserve) *	(45 212 009)	(213 611 929)
Added: Transferred to Retained earnings (Change in Assets Revert to the bank Reserve)	2 911 579	4 692 937
Distributable net profit	**433 212 717**	**161 612 648**
Add: Retained earnings as at beginning of the year	470 701 376	389 070 206
Total	**903 914 093**	**550 682 854**
Distributed as follows:		
Legal reserves	47 551 315	37 053 164
Shareholders 1st Dividend **	73 740 713	–
Employees share	49 056 529	42 928 314
B.O.D. remuneration	13 143 208	–
Shareholders 2nd Dividend **	663 666 414	–
Banking Support and Development Fund ***	4 332 127	–
Retained earnings as at end of the year	52 423 787	470 701 376
Total	**903 914 093**	**550 682 854**

* Fixed Assets Profit was eliminated and transferred to the capital reserve in accordance with the provisions of the law.

** Distributing one bonus shares for every 2 original shares owned by shareholder.

Aligning to CBE Board of Directors Decision in its Meeting held on December 27, 2020 ,not to make cash distributions from the profits of the year or retained earnings that are distributable to shareholders, to support banks' capital base to face the potential risks as a result of continuing crisis of spreading COVID 19 virus, while allowing distributions to be made for employees as well as disbursing the remuneration of the Board of Directors for the fiscal year 2020.

*** Aligning to Central Bank and Banking Sector Law No. 194 year 2020, Article No (178) which includes establishment of a Banking Support and Development Fund, Considering a percentage not exceeding (1%) of the annual net profits as an amount of fund resources.

1- Background

Abu Dhabi Commercial Bank- Egypt provides retail, corporate and investment banking services in Arab Republic of Egypt and abroad through 47 branches and employs 1070 employees as at 31 December 2020.

Abu Dhabi Commercial Bank – Egypt (Union National Bank – Egypt formerly) which acquired (Alexandria Commercial and Maritime Bank formerly) is an Egyptian Joint Stock Company as a commercial Bank established in pursuance of Ministerial Decree no, 262 of 1981, published in the Official Gazette in September 12,1981 and in accordance with the provisions of Investment Law No, 43 for the year 1974 and its amendments, which was superseded by Law No, 230 for the Year 1989, cancelled by the Law No, 8 for the year 1997 concerning Investment Guarantees and Incentives. The Bank provides all banking services related to its activity and operates through its Giza - Head office and 47 branches, the bank is listed on Egyptian stock exchange.

- The extraordinary general assembly dated January 13, 2007 decided to change the bank's name to Union National Bank – Egypt from Alexandria Commercial and Maritime Bank and it was annotated in the Bank's Commercial Register.
- The extraordinary general assembly dated August 24, 2007 decided to change the bank's Head Office to be located in Giza governorate.
- The extraordinary general assembly dated March 13, 2010 decided to change the bank's Head Office to be located in Cairo governorate.
- The extraordinary general assembly dated March 26, 2016 decided to change the bank's Head Office to be located in Giza governorate.
- The extraordinary general assembly dated November 6, 2019 decided to delisting the bank's shares from the Egyptian Stock Exchange voluntarily in accordance with the Article (55) of the rules for the registration and delisting of securities on the Egyptian Stock Exchange and Article (74) of its executive procedures , and On March 25, 2020 the Stock Exchange Registration Committee decided delisting bank's shares from the trading schedules of the Egyptian Stock Exchange, while obliging the bank to purchase the shares of the objecting shareholders and others at a fair value of EGP 9.92 per share for a period of six months ending on August 23, 2020.
- The extraordinary general assembly dated June 1, 2020 decided to change the bank's name to Abu Dhabi Commercial Bank - Egypt instead of Union National Bank - Egypt, and this was indicated in the bank's commercial register on July 26, 2020.
- Board of Directors dated January 31,2021 approved the adoption of the Financial Statements for Year Ended December 31, 2020.

2- Summary of significant accounting policies

The following are the most important accounting policies used in preparing these financial statements. These policies have been consistently followed for all the years presented, unless otherwise disclosed.

A- Basis of preparation

The financial statements are prepared until 31 December 2018 in accordance with Egyptian Accounting Standards issued during 2006 and its amendments and in accordance with Central Bank of Egypt instructions approved by its Board of Directors as at December 16, 2008 As well as the accompanying explanatory instructions issued in April 2009 and in conformity with the mentioned standards, and after releasing the instructions of the Central Bank of Egypt to prepare the financial statements of banks in accordance with the requirements of IFRS 9 “Financial Instruments” issued by the Central Bank of Egypt on 26 February 2019 to be effective from January ,1 2019 , Management has adjusted certain policies to comply with these instructions the following notes details the changes in accounting policies.

These financial statements were prepared according to the related local laws.

B- Changes in accounting policies :

As of 1st January 2019 ,the Bank applying the instructions for the Central Bank of Egypt issued on 26 February 2019 for the preparation of the financial statements of the banks in accordance with the requirements of the International Standard for Financial Reporting 9 " (Financial Instruments): The following is a summary of key changes in the Bank 's accounting policies resulting from the implementation Those instructions .

Classification of financial assets and the financial liabilities:

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

The financial assets are classified in accordance with the business model which is managed these financial assets and its contractual cash flows

A financial asset is measured at amortized cost if it meets the following conditions and is not measured at fair value through profit or loss.

- The asset is retained within a business model that aims to retain assets for contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows on specific dates that are only principal and interest payments on the principal amount payable.

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

- The asset is held within a business model that has been achieved through the collection of contractual cash flows and the sale of financial assets
- The contractual terms of the financial assets give rise to cash flows on specific dates that are only principal and interest payments on the principal amount payable.

When the first recognition of the investment in equity is held by the trading , the Bank may choose irrevocably measure changes in subsequent fair value in other comprehensive income items are made this choice on the basis of each investment separately.

All other financial assets are classified as at fair value through profit and loss.

In addition ,upon initial recognition ,the Bank may irrevocably identify a financial asset that meets the requirements to be measured at amortized cost or at fair value through other comprehensive income ,at fair value through profit or loss ,if doing so would be canceled or reduced in an appropriate manner. Significant accounting mismatches that may otherwise arise.

Business model evaluation:

The Bank conducted assessment of the objective of the business model which the asset is held at the portfolio level because this reflects the best way of business administration and to provide information to management . Information considered includes:

- The stated policies and objectives of the portfolio and the mechanism of operation of these policies in practice ,especially to determine whether the management strategy focuses on earning contractual interest income or matching the duration of financial assets with the duration of financial obligations that finance those assets or achieving cash flows through the sale of assets:
- How to evaluate the performance of the portfolio and report to the management of the bank?
- Risks affecting the performance of the business model and financial assets held by the business model of this and how to manage these risks
- The number of deals, volume and timing of sales in previous periods , the reasons for these sales and their expectations regarding future sales activity .However ,does not consider the information relating to sales activity separately but as mow as upper evaluation of Sha m for

how to achieve the stated goal of the Bank for the management of financial assets and how to achieve cash flows.

Financial assets held for trading or whose performance are valued at fair value are measured at fair value through profit or loss as they are not held to collect only contractual cash flows and are not held to collect contractual cash flows with the sale of financial assets.

Evaluate whether contractual cash flows are payments of principal and interest:

For the purpose of this valuation ,the principal amount is defined as the fair value of the financial asset at initial recognition ,interest is defined as the material consideration for the time value of money and credit risk associated with the principal amount repayable over a period of time and for other underlying lending risks and costs) such as liquidity risk and administrative costs as well as profit margin

In assessing whether contractual cash flows are payments of principal and interest ,the Bank takes into account the contractual terms of the instrument .This includes an assessment of whether the financial asset contains contractual terms that may change the time and amount of contractual cash flows, as this condition will not be met.

Impairment of financial assets:

It replaces the International Standard for Financial Reporting No .9 " in accordance with the instructions of the Central Bank issued on 26 February 2019 " model loss achieved given instructions Bank Central issued December 16, 2008 on the model credit loss expected as a form of decay applies in the new value of all financial assets, as well as some links Loan pledges and financial guarantee contracts.

Under IFRS 9, credit losses are recognized more early than in accordance with the Central Bank directives of 16 December 2008.

The Bank has a three - stages approach to measure the expected credit losses from financial assets installed at amortized cost and debt instruments at fair value through other comprehensive income are moving assets between the following three phases based on the change in credit quality since the first recognition.

Phase 1 : Expected Credit Loss for 12 months

The first stage includes financial assets at initial recognition that do not involve a significant increase in credit risk since the first recognition or involve relatively low credit risk.

For these assets ,expected credit losses over 12 months are recognized and interest is calculated on the total carrying amount of the assets)excluding provision for credit . (12-month expected credit losses are the expected credit losses that may result from potential failures within 12 months after the reporting date.

Phase II : Lifetime credit loss - no credit impairment
The second phase includes financial assets with a significant increase in credit risk since the initial recognition, but no objective evidence of impairment .Lifetime expected credit losses are recognized for these assets but interest is still charged to the total carrying amount of the asset .Lifetime credit loss is the expected credit loss resulting from all possible failures over the life of the financial instrument

Stage 3 : Lifetime expected credit loss - impairment of credit
The third phase includes financial assets with objective evidence of impairment at the date of the financial statements: For these assets, expected lifetime credit losses are recognized.
According to the instructions of the Central Bank of Egypt on February 26, 2019 ,the IFRS 9 As of 01 January 2019, the Bank has measured the effect of applying the standard as follows in accordance with the above instructions:

Egyptian Pound

Description	**General risk reserve ***	**Retained earnings**	**Fair value reserve**	**Provision for loans and facilities**	**Provision for contingent liabilities**	**Custom rest b We would like assets and liabilities other ****
Opening balance January 1, 2019	**199,841,647**	**417,421,357**	**(23,554,413)**	**788,155,080**	**24,785,653**	**-**
Total impact on expected credit losses	(199,841,647)	(28,351,151)	53,702,603	184,057,445	(12,959,688)	**3,392,438**
Adjusted opening balance	**-**	**389,070,206**	**30,148,190**	**972,212,525**	**11,825,965**	**3,392,438**

*General Risk Reserves: After consolidating the general bank risk reserve, private reserve and reserve IFRS9.
**Provision for bank balances , financial investments, loan commitments and credit facilities.

C- Investments in subsidiaries and associates

- **C-1 Investments in subsidiaries**

Investments in subsidiaries are investments in entities with specific purposes (Special Purpose Entities / SPE's) which the bank has control. Control is presumed to exist when the parent owns, directly or indirectly the ability to influence its financial and operating policies. Usually the bank owns in subsidiaries more than half of the voting power of the investee, taking into consideration future potential voting rights that can be exercised or converted now when evaluating if the bank has the ability to control the company.

- **C-2 Investments in associates**

  - Entities over which Bank exercises significant influence directly or indirectly without exercising control or joint control over that entity. Usually significant influence exists where the bank holds 20% to 50% of voting power in the investee. Purchase method is applied to account for acquisitions of investees by the bank. Acquisition cost is measured at fair value or equivalent assets to buy or issued equity instruments and/or liabilities charged to the bank and/or obligations the bank accepts on behalf of the acquired company, at the date of exchange.

    In addition to any costs directly supports the acquisition transaction, while net assets including contingent liabilities that can be determined at its fair value in at the acquisition date, regardless of any minority rights. The increase of acquisition cost above the fair value to the bank's share represents the goodwill, but if the acquisition cost declines below the fair value for the net assets concerned, therefore the difference of recorded directly in the income statement in other revenues (expenses) caption.

  - Investments in associates measured at owners' equities method in the financial statements of the bank. Dividends proved debited from fair value after credence.

D- Segment reporting

A business segment is a group of assets and operations related to providing products or services subject to risks and returns that differ from those that are related to other business segments and geographical segment which provide products or services within the same economic environment subject to specific risks and benefits that differ from those geographical segments which operate in different economic environments.

E- Foreign currency translation

E-1 Functional Currency

The bank's financial statements are published in Egyptian pound which is the currency used in the bank's transactions and publishing.

E-2 Transactions and balances in foreign currencies

The bank maintains its accounting records in Egyptian pound. Transactions in foreign currencies are translated into Egyptian pound during the accounting period using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of each period at the exchange rates then prevailing. Foreign exchange gains and losses resulting from settlement of such transactions and valuation differences are recognized in the income statement under the following items:

- Net trading income of the assets / liabilities held for trading or net income of financial instruments classified at inception by fair value through profit and loss to assets / liabilities for trading.
- The other comprehensive income property rights for investments in equity instruments by fair value through comprehensive income
- Other operating revenues (expenses) for the remaining assets and liabilities.

Changes in the fair value of investments in debt instrument, which represent monetary financial instruments, denominated in foreign currencies and classified as available for sale assets are analyzed into differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument.

Valuation differences relating to changes in the amortized cost are recognized in the income statement in the return on loans and similar income and differences in exchange rates are changed in other operating income (expenses), Other comprehensive income is recognized in equity as the remaining changes in fair value in the fair value reserve for investments. At fair value through other comprehensive income .

Valuation differences arising on the measurement of non-monetary items at fair value include gains and losses arising from changes in exchange rates used to translate those items and then recognition of the statement of income with total valuation differences arising from the measurement of equity instruments classified at fair value through profit or loss. while the recognition of the total resulting from the valuation differences measured at fair value of equity instruments through other comprehensive income in other comprehensive income items of property rights Ben d reserve the fair value of financial investments at fair value through other comprehensive income .

F- Financial assets

The Bank classify the financial assets between the following groups: financial assets are measured at amortized cost ,financial assets at fair value through other comprehensive income ,financial assets at fair value through profit and loss .The classification is based generally to the business model ,which is managed by financial assets and cash flows and contractual .

F-1 Financial assets at amortized cost:

The financial asset is held within the business model of financial assets held to collect contractual cash flows.

The objective of the business model is to retain financial assets to collect contractual cash flows represented by the principal of the investment amount and returns.

The sale is an exceptional incidental event in relation to the objective of this model and under the conditions of the Standard:

- A deterioration in the credit capacity of the issuer of the financial instrument.
- Less sales in terms of periodicity and value.
- Clear and certified documentation of the justification for each sale and its compliance with the requirements of the standard.

F-2 Financial assets at fair value through other comprehensive income:

The financial asset is held within the business model of financial assets held for collection of contractual cash flows and sales.

Both cash and contract collection and sale complement each other to achieve the objective of the model.

Sales are high in terms of cyclicality and value compared to the business model held to collect contractual cash flows

F-3 Financial assets at fair value through profit and loss:

Retains the financial asset ,among other business models include trading, management of financial assets on the basis of fair value , maximizing cash flows through the sale.

The objective of the business model is not to retain the financial asset to collect the contractual cash flows or retained by the collection of contractual cash flows and sale collection of contractual cash flows occurred sideways for the goal of the model.

The characteristics of the business model are as follows:

- Structuring a set of activities designed to extract specific outputs.
- It represents a complete framework for a specific activity (inputs - activities – output) .
- A single business model can include sub-business models.

G- Treasury bills through other comprehensive income

Treasury bills are recognized at the purchase price at nominal value and the discount for the issue that represents the unearned interest on these balances is shown on credit balances and other liabilities. Treasury bills are shown in the balance sheet excluding the outstanding balance of proceeds measured at amortized cost using the effective yield rate.

H- Loans and Advances

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

- Those that the bank intends to sell immediately or in the short term, which is classified as held for trading, or those that the bank upon initial recognition designates as at fair value through profit or loss.
- Those that the bank upon initial recognition designates as available for sale.
- Those for which the holder may not recover substantially all of its initial investment, for any reason other than credit deterioration.

I- Financial investments at amortized cost

Held to maturity financial investments are non-derivative financial assets which carry fixed or determinable payments, fixed maturity date and where the bank has the intention and the ability to hold to maturity.

J- Financial investments through other comprehensive income

Financial investments through other comprehensive income are non-derivatives financial assets that are intended to be held for unspecified period of time and may be sold to provide liquidity or due to changes in shares prices, foreign exchange currencies, or interest rate, and measured the listed with fair value, and due to Inactive market and low of share percent its measured with cost due to cannot be measured at fair value recognition with the subsequent changes in fair value through other comprehensive income.

K- Financial assets at fair value through profit or loss

This category consists of financial assets held for trading, these financial instruments are classified as held for trading if they are acquired or incurred principally for the purpose of selling in the short term or if it is part of financial instruments portfolio that are managed together and there is evidence resulted from recent actual transaction that profit can be recognized in the short term.

Derivatives are classified as held for trading unless it’s classified as hedging instruments.

Financial assets are classified up on recognition at fair value through profit or loss in the following circumstances:

- This decreases the discrepancy arising if the derivative in concern is recognized as held for trading while its underlying financial instrument is measured at amortized cost for loans and advances, due from banks and issued debt instruments.
- When managing some investments, like investments in equity instruments and measured at fair value according to the investment policy or risk management and conducting reports to the top management on that basis. These investments are then recognized at fair value through profit or loss.
- Financial instruments like debt instruments, including one or more embedded derivatives which materially affects the cash flow, these instruments are recognized at fair value through profit or loss.
- Profit and loss from change in fair value in financial derivatives managed in conjunction with assets/liabilities initially recognized at “fair value through profit and loss” booked in income statement under “net income from financial assets classified upon recognition at fair value through profit of loss”.
- Any financial derivative from the financial instruments measured at fair value through profit or loss is not reclassified during holding it or till validity, as well as any financial instrument are not reclassified transferred from the fair value through profit or loss portfolio if this instrument is designated upon recognition as a fair value instrument through profit or loss.

The following applies to financial assets:

- Purchases or sales of financial assets at fair value through profit and loss, held to maturity financial investments, and available for sale financial investments are recognized at the trade date which is the date the bank is committed to purchase or sell the financial asset,
- Financial assets that are not classified at fair value through profit and loss at initial recognition are recognized at fair value plus transaction cost, while the financial assets classified as at fair value through profit and loss are initially recognized at fair value only and the transaction cost is recognized in the income statement under "net trading income",
- Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when the bank transfer all asset risks and rewards to another party, while a financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired,
- Available for sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair

value, While loans and receivables and held to maturity investments are measured subsequently at amortized cost,

- Gains and losses arising from changes in fair value of financial assets designated at fair value through profit and loss are recorded in income statement during the period it occurred, while gains and losses arising from changes in fair value of available for sale financial investments are recognized in equity until the financial asset is derecognized, or impaired at this time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss,
- Interest income related to monetary assets classified as available for sale is recognized based on the amortized cost method in the income statement, Dividends related to available for sale equity instruments are recognized in the income statement when they are declared,
- The fair values of quoted investments in active markets are based on current bid prices, If there is no active market for a financial asset, the bank establishes fair value using valuation techniques, These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, if the bank could not assess the value of the equity classified as available for sale, these instruments should be valued at cost after deduct any impairment expense,
- It is possible to include instruments issued by the same entity or with the same characteristics within more than one item according to the business model (s) applied by the bank.
- It is possible to perform reclassifications of debt instruments listed in the various items according to the bank's business model (s) provided that the reclassification process takes place in the fiscal year following the fiscal year during which the business model (s) was expedited, and the approval of the bank must be obtained. The Central Bank of Egypt in the cases of reclassification and the accounting effect thereof with the interim or annual financial statements submitted to the Central Bank of Egypt, explaining the reasons for the reclassifications and the amendments made to the business model (s) applied to the bank.
- In case that the equity instruments recognized within the financial assets at fair value through other comprehensive income are disposed of or their recognition is canceled, the balance of the change in fair values is not carried over to profits and losses, but rather they are directly transferred to retained earnings within equity.
- In case that debt instruments recognized in financial assets at fair value through other comprehensive income are disposed or derecognized, the cumulative balance of the change in fair value registered in the other comprehensive income is transferred to the statement of profit and loss.

L- Offsetting of financial instruments

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

Treasury bills, Repos and reverse Repos agreements are netted on the balance sheet and disclosed under treasury bills and other governmental securities.

M-Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value, Fair values are obtained from quoted market prices in active markets, or according to the recent market deals, or the revaluation techniques including discounted cash flow models and options pricing models, as appropriate, Derivatives are recognized as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

N- **The recognition of the first day deferred profit and loss**

For the instruments measured at fair value, the best indicator on the fair value of the instruments at the date of transaction is transaction price (fair value of the return delivered or received) unless the fair value for the instrument at the same date can be known referring to the transaction prices in the published markets or using the valuation models, When the bank enters transactions that some of them are due after long period of time, their fair values are assessed using valuation models their inputs may not always be published market prices or rates, the initial recognition of this financial instrument is made using the transaction price which represent the best indicator of the fair value despite that the value from the valuation model may be different, the different between the transaction price and the value resulted from the model known as " first day profit and loss" is not recognized immediately in the profits and losses and classified as other assets in case of loss or other liabilities in case of profit ,

The timing of recognition of deferred profit and loss is determined separately for every case, and that's by amortizing it over the transaction period or until the fair value of the instrument can be determined using published market inputs, or at the transaction reconciliation and the instrument is valuated later by fair value, the future changes in fair value are recognized immediately in the income statement.

O-Interest income and expense

Interest income and expense of all interest – bearing financial instruments, except these classified at inception at fair value through profit and loss shall be recognized in the income statement under “interest income on loans and similar income” item or “interest expenses on deposits and similar charges” by using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period, The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, a shorter period when appropriate to reach the net carrying amount of the financial asset or liability, When calculating the effective interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument (for example, accelerate - prepayment options) not to consider the future credit losses,

The method of calculation includes all fees paid or received by and between parties of the contract that are an integral part of the effective interest rate, transaction costs include all other premiums or discounts,

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

- When collected and after recovery of all past dues for retail loans, personal loans, small and medium business loans, mortgage loans for personal housing and small loans for businesses,

- For loans granted to corporate, interest income is recognized on cash basis after the bank collects 25 % of the scheduling installments and after the installments continued to be regular for at least one year, If the client continued to be regular the return on the loan balance is classified as revenues (return on regular scheduling instrument balance) before margin return before scheduling that are not classified as revenues unless full payment of the loan balance in the financial position before scheduling,

P- Fees and commission income

Fees and commissions related to loan and advances are recognized as income when the service is rendered, Fees and commission income related to non-performing or impaired loans or debts are suspended and are carried off balance sheet and are recognized under income according to the cash basis when interest income is recognized in accordance with note (2 –H) above, Fees which represent part of the financial asset’s effective rate are recognized as an adjustment to the effective interest rate, Recognition of revenue related to commitment fees is postponed due to a probability that this loan will be withdrawn, as commitment fees represent compensation for the continuing interferes to own the financial asset, subsequently it's recognized as adjustments to the effective interest rate of the loan, If the commitment period passed without issuing the loan, commitment fees is recognized as income at the end of the commitment period,

Fees and commission related to instruments debts measured by fair value is recognized as income at initial recognition, Fees on the promotion of the syndicated loans shall be recognized within revenue when promotion process is completed and the bank does not retain an portion of the loan or if the bank retains a portion for itself earning the actual rate return which is available to other participants as well.

Fees and commissions arising from negotiation, or participating in negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized as income when the transaction is completed,

The administrative consultations fees and other services are normally recognized based on the distribution overtime relative to the service performance period. However, the financial planning management fees and conservation services fees, which are provided for long periods of time, are recognized over the period during which the service is performed.

Q- Dividend income

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

R- Purchase and resale agreements and sale and repurchase agreements

The financial instruments sold under repurchase agreements within the assets of the balances of treasury bills and other governmental notes in the balance sheet. Whereas, the liability (purchase and resale agreements) is deducted from the treasury bills and other governmental notes in the balance sheet. The difference between the sell price and repurchase price is recognized as a return over the period of the agreement by applying the effective interest rate method.

S- Impairment of financial assets

The Bank reviews for all financial assets with the exception of financial assets that are measured at fair value through profit or loss To estimate the extent of the impairment value as described below.

Financial assets at the date of the financial statements are classified into three stages:

-**Phase I :** financial assets that did not witnessed a substantial increase in credit risk since the date of initial recognition , and credit loss is expected to have a 12 - month account.

-**Phase II :** Financial assets that have experienced a significant increase in credit risk since the initial recognition or date of recognition, and the expected credit loss is calculated over the life of the asset.

-**Stage 3 :** Financial assets that have suffered impairment and require the expected credit loss over the life of the asset based on the difference between the carrying amount of the instrument and the present value of expected future cash flows .

The measurement of credit losses and impairment losses in value relating to Ba tools financial as follows:

- A low-risk financial instrument is classified at initial recognition in the first stage and credit risk is monitored on an ongoing basis by the Bank's credit risk department .
- If it is determined that there has been a significant increase in credit risk since the initial recognition ,the financial instrument is transferred to the second stage where it is not yet considered impaired at this stage.
- If there is any indication that the value of a financial instrument will be impaired, it will be transferred to the third stage.
- Financial assets created or acquired by the Bank are classified as having a higher credit risk rate than the Bank's low risk financial assets at the time of initial recognition of the second phase , and therefore the expected credit losses are measured based on the expected credit losses over the life of the asset.
- Substantial increase in the credit risk) :

  The Bank considers that the financial instrument has seen a significant increase in credit risk when one or more of the following quantitative and qualitative criteria ,as well as factors relating to default are met.
- Quantitative standards:

  When the probability of failure during the remaining life of the instrument increases from the date of the financial position compared to the probability of failure during the remaining life expectancy at initial recognition in accordance with the risk structure acceptable to the Bank.

- Qualitative standards:

  Bank retail loans and small and micro businesses

  If the Borrower encounters one or more of the following:
  - The Borrower has applied to convert the short-term to long-term repayments due to the negative effects of the borrower's cash flows .
  - Recurring previous arrears during the previous 12 months.
  - Negative future economic changes that affect the borrower's future cash flows .

  Institutional and Medium Enterprise Loans:

  If the borrower is on the checklist and / or financial instrument and has experienced one or more of the following events:
  - Significant increase in the rate of return on the financial asset as a result of increased credit risk .
  - Significant negative changes in the activity and material or economic conditions in which the borrower operates .
  - Request for scheduling due to difficulties the borrower faces .
  - Significant negative changes in actual or expected operating results or cash flows .
  - Future economic changes affecting the borrower's future cash flows .
  - Early signs of cash flow / liquidity problems such as delays in service of creditors / commercial loans .
  - The cancellation of a direct facility by the Bank due to the high credit risk of the borrower .
- Stop payment:

  The loans and facilities of institutions, medium, small and micro enterprises, and retail banking are included in the second phase if the non-payment period is more than (30) days at most and less than (90) days.

Progression between stages (1,2,3):

Progress between the second stage to the first stage:

The financial asset is not transferred from the second stage to the first stage until all the quantitative and qualitative elements of the first stage have been met and the arrears of the financial asset and the returns have been paid.

Progress from Phase III to Phase II:

The financial asset is not transferred from the third stage to the second stage until all the following conditions are met:

- Completing all quantitative and qualitative elements of the second phase .
- Repayment of 25 % of the due balance of financial assets, including set aside / marginal returns .
- Regular repayment for at least 12 months.

T- Investment property

Investment property represents land and buildings owned by the bank and used to earn rental income or increase capital, Investment property doesn't include properties used by the bank during its normal course of operation or assets reverted to the bank in settlement of debts, The accounting policy for investment property is the same as for fixed assets.

U- Intangible assets

Computer Software

The expenses, related to development or maintenance of computer software, shall be recognized as expense in income statement, when incurred, The expenses connected directly with specific software and which are subject to the bank's control and expected to generate economic benefits exceeding their cost for a period more than one year, shall be recognized as an intangible asset, The direct expenses include staff cost of software development, in addition to an adequate share of related expenses,

The expenses which lead to increase or expansion of computer software beyond their original specifications are recognized as an development cost and shall be added to the original software cost,

The computer software cost recognized as an asset shall be amortized over the expected useful life which is not more than three years.

V- Fixed assets

The land and buildings are mainly represented in all head office, branches and offices. fixed assets shall be disclosed at historical cost net of accumulated depreciation and impairment losses, The historical cost includes the expenses directly attributable to acquisition of fixed asset items,

Subsequent expenditures shall be recognized within the book value of the outstanding asset or as an independent asset, as appropriate, when the generation of future economic benefits to the bank from the concerned asset and the reliable determination of its cost become possible. Any maintenance and fixing expenses, during the period in which they are incurred, shall be carried to other operating expenses.

Land shall not be subject to depreciation, while depreciation of other fixed assets shall be calculated using the straight-line method to spread the cost in a way that makes residual value be distributed over the useful life of the asset as follows:

	Depreciation rate
Buildings and Constructions	2%
Integrated Automated Systems	20%
Vehicles	20%
Tools and Equipments	20%
Furniture	10%
Data Center	33,33%

The branches preparation expenses are depreciated over 5 years or the rent period whichever is lower.

The residual value and useful life of the fixed assets shall be reviewed on each reporting date and shall be adjusted whenever required. Depreciated assets shall be reviewed for purposes of determining the extent of impairment when an event or a change in conditions suggesting that the book value may not be redeemable occurs. Consequently, the book value of the asset shall be reduced immediately to the asset's net realizable value in case of the increase of the book value over the net realizable value.

The recoverable amount is the higher of the asset’s fair value less costs to sell or value in use,

Gains and losses on disposals are determined by comparing proceeds with asset carrying amount, these gain and losses are included in other operating income (expenses) in the income statement.

W- Impairment of non-financial assets

Assets having no fixed useful life except for goodwill shall not be amortized, and their impairment shall be tested at least annually, The impairment of amortized assets is studied to determine if there are events or changes in the circumstances indicating that the book value may not be recoverable,

The impairment loss is recognized by the excess amount of book value over the realizable value, The recoverable value represents net realizable value of the asset or the usage amount whichever is higher, For the purpose of estimating the impairment, the asset is grouped with the smallest cash generating unit, At each balance sheet date, non-financial assets with impairment has to be reviewed to determine if there is impairment reversal made to the income statement.

X- Finance Leases

The accounting treatment for the finance lease is in accordance with law 95 of year 1995 regarding finance leases, if the contract entitles the lessee to purchase the asset at a specified date and amount, and the contract term is more than 75% of the asset's expected useful life, then this lease is considered finance lease, Other than that the lease has to be considered operating lease.

X-1 Leasing

Finance lease contracts recognize rent as expense in the period it occurred, including maintenance cost related to the leased assets, if the bank decides to exercise the rights to purchase the leased assets, the related costs of this right will be capitalized over the fixed asset and depreciated over the assets' remaining expected useful life in accordance with similar assets,

Operating lease payments to the lesser less any discounts granted to lessee are recognized as expenses in the income statement using the straight line method over the contract term,

X-2 Leasing out

Lease assets are accounted for in the fixed assets caption in the balance sheet and are depreciated over the assets expected useful life using the same method applicable to similar assets,
Rent revenues are recognized based on the rate of return of the lease contract in addition to an amount similar to the depreciation cost for the period, the difference between the rent revenue recognized in the income statement and total trade receivables (lease) until the end of the lease contract which is used to perform clearance with the net book value for the leased assets, maintenance and insurance expenses are charged to the income statement when incurred to the extent not endured by the lessee,

When objective evidence is obtained that the bank will not be able to collect all capital leases due balances then these balances will be reduced to the estimated recoverable values,

Operating lease asset are accounted for in the fixed assets caption in the balance sheet and is depreciated over the asset's expected useful life using the same method applicable to similar assets, the lease rent income less any discount granted to the lessee will be recognized to the income statement using the straight line method over the contract term,

Y- Cash and cash equivalents

For the purposes of the cash flow statement presentation, cash and cash equivalents include balances due within three months from date of acquisition, cash and balances due from the Central Bank of Egypt other than the mandatory reserve, and current accounts with banks and treasury bills and other governmental securities,

The bank uses the indirect method in preparing the cash flows statement,

Z- Other provisions

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

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determined, taking into consideration the group of obligations as a whole, A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal,

refund other provisions whose purpose is totally or partially negligible under the item other operating income (expenses).

AA- Employees’ benefits

AA-1 Pension benefits obligations

The bank manages a retirement benefit plan based on a defined contribution plan,

Represents commitments on the bank defined contribution plan, retirement regulations where the bank pays fixed contribution amount to a separate entity and there is no legal or imperative to pay further contribution, if the entity has not established sufficient assets to pay all the employees benefits related to their service whether in current or previous periods.

Regarding the defined contribution plans, the bank pays contributions according to the retirements insurance regulations in the public and private sectors on a contractual basis either mandatory or voluntary and the bank has no further obligations following the payment of contributions, these shall be contributions recognized within the employees’ benefits expenses when maturing.

AA-2 End of service benefits obligation

The bank provides health care benefits to retirees after the end of service term, usually such benefits are given conditional on the employee remains in the service until retirement age, and completes a minimum period of service.

BB- Income tax

The income tax on the year's profit or loss includes both the current and deferred taxes, Income tax is recognized in the income statement except for income taxes related to shareholders' equity items that are recognized directly in the shareholder's equity in the balance sheet,

The income tax shall be recognized on the net taxable income, using the effective tax rate at the balance sheet date, in addition to prior year's tax adjustments,

Deferred tax arising from temporary differences resulting from between book value of assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period which the liability is settled or asset is realized based on tax rates enacted or substantively enacted by the end of the reporting year. Calculated according to the accounting principles and its value according to tax principles.

Deferred tax assets are recognized whenever there is probability to make taxable income at the future can be offset by the deferred tax.

Deferred tax assets to be reduced by the portion which can't be utilized at upcoming years; and in case of increase the expected future benefits deferred tax assets should be increase again within the limit of reduced amount.

CC- Borrowings

Borrowings are initially recognized at the fair value, less cost of acquiring the loan.

After initial recognition, loans and borrowings are subsequently measured at amortized cost. The difference between proceeds and the amount to be paid over the borrowing period using effective interest rate shall be recognized in income statement.

DD- Capital

DD-1 Capital cost

Issuance cost that directly related to the issuance of new shares or the issuance of shares related to acquisition or share options is deducted from shareholders' equity net of tax proceeds.

DD-2 Dividends

Dividends are recognized as a deduction of shareholders' equity when declared by the General Assembly of shareholders, those dividends include employees' share in the profits and the Board of Directors' remuneration as prescribed by the articles of association and law,

EE- Fiduciary activities

The bank practice custody activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans and other institutions. These assets and profits arising thereon are excluded from the bank's financial statements, as they are not assets or profits of the bank.

FF- Comparative figures

The comparative figures shall be reclassified, when necessary, to be in conformity with the changes to presentation used in the current period.

GG- Subsequent Events to the date of the financial statements

The subsequent events to the date of the financial statements are those that occur between the date of the financial statements and the date of approving the issue of the financial statements, whether those events are in the interest of the entity or not. Two types of events may be identified:

- Events provide additional evidence of cases that existed on the date of the financial statements and require an adjustment to those lists.
- Events that refer to cases that arose after the date of the financial statements and do not require an amendment to those lists and may require disclosure.

3- Financial risk management

The bank is exposed to various financial risks, Since the basis of financial activity is to accept risks; some risks or group of risks are analyzed, evaluated and managed all together, Therefore the bank aims to achieve an appropriate balance between the risk and return and to reduce the probable adverse effects on the bank's financial performance,

The most important types of risks are credit risk, market risk, liquidity risk and other operating risks, The market risk comprises foreign currency exchange rates, interest rate risk and other price risks,

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

The bank regularly reviews the risk management policies and systems and amends them in order to reflect the changes in market, products and services and the best updated applications,

Those risks are managed by risk department in the light of policies approved by Board of Directors,

The risk department determines, evaluates and covers the financial risks, in coordination with the bank's various operating units, and the Board of Directors provides written policies for management of risks as a whole, in addition to written policies covering specific risk areas, like credit risk, foreign exchange rate risk, interest rate risk, and using the financial derivative and non–derivative instruments, Moreover, the credit risk department is responsible for periodical independent review of risk management and control environment,

A- Credit risk

The bank is exposed to the credit risk which is the risk resulting from failure of a counterparty to meet its contractual obligations towards the bank, credit risk is considered to be the most significant risks for the bank's operations, the bank's management carefully manages its exposure to credit risk, Credit risks is represented in the lending and investments activities that results in loans and advances granted, and possessing debt instruments among the bank's assets, The credit risk is also found in off balance sheet financial instruments, like loan commitment, The managing and monitoring process on credit risk is centralized at credit risk team management at credit risk department that prepare reports to Board of Directors and Head units on regular basis.

A-1 Credit risk measurement

- **Loans and advances to banks and customers**

  To measure the credit risk related to loans and facilities for banks and customers, the bank considers the following: -

  - Probability of default for customers or others for settling their contractual obligations is based on the historical default rate for each homogeneous group which has similar credit characteristics (related to corporate on industrial basis and related to consumable loans on the product basis), This rate on corporate loans with credit rating is applicable from 1-7 and all consumable loans, Loans related to corporate loans with credit rating from 8-10, the present value for cash flows which are expected to be acquired from these loans is applied.
  - The current position and probable future development are used to predict the exposure at default balance as the bank assumed that the total balance is exposed to default.
  - Loss given default

    Loss given default or severe loss represents the bank's expectations of the extent of the loss at reclaiming the debt, as the bank expects that the loss will be about 100% of the balance.
  - The bank evaluates the probability of delay on customer level using internal policies to classify the credit rating for the different customers' categories, these policies are updated internally taking into consideration financial analysis and statistical analysis for each customer category in addition to the personal judgment of the credit officer to reach the appropriate credit rating, the customers of the bank were divided into four rating grades.

- The following table shows the rating classification which reflects the range of expected defaults or payment delays, by which the credit centers may transfer from one rating to another depending on the change in the expected degree of default, the customer's rating and the rating process are reviewed when necessary, the bank evaluates the rating process and their expectations regarding the customers' defaults.

Bank's internal rating grades

Rating description	**Rating**
Performing loans	1
Regular watching	2
Watch list	3
Non-performing loans	4

- **Debt instruments, treasury bills and other bills**

The same methods used for credit customers are used for debt instruments and treasury bills,
The bank uses external ratings such as Standard and Poor rating, or its equivalent for managing the credit risk and if these measurements weren't available, other methods like those applied on credit customers are used, Investments in securities and bills are considered a way of having better credit quality and an available source to face future finance requirements.

A-2 Limiting and preventing risks policies

The bank manages and controls credit concentrations at the borrowers' level, groups of borrowers' level, industries level and countries level,
The bank manages the credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or a group of borrowers, and to the geographical and industry segments, Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary, The credit limit is approved at loan grade / caption level by the board of directors when it exceeds a certain limit.
Credit limit is classified for every borrower including banks by subsidiary limits including values on and off the financial position and the daily risk limit of trading items as forward foreign exchange contracts, actual values are compared to daily limits, managing the risk of exposure to credit risk is made using the periodical analysis of the existing or potential borrower's ability to face their liabilities and amending the borrowing limit when considered necessary.

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

Collaterals

The bank uses different methods to limit its credit risk, one of these methods is accepting collaterals against loans and advances granted by the bank, the bank formulated specific rules and guidelines for the types of collaterals that can be accepted, the major types of collateral against loans and advances are: -

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

The bank is keen to obtain the appropriate guarantees against corporate entities of long term finance and corporate loans, while individual credit facilities are generally unsecured,

In addition, in order to minimize the credit loss that the bank may incur to minimum, the bank seeks additional collaterals from all counterparties when impairment indicators are noticed for loans or advances.

The bank determines the type of collaterals held as securities for financial assets with an exception to loans and advances classified according to the nature of the instrument, generally, debt securities and treasury bills are unsecured, except for asset-backed securities and similar instruments are secured by a financial instrument portfolio.

A-3 Impairment and provisioning policies

The internal rating systems described in note (A/1) focus more on credit-quality at the inception of lending and investment activities, Otherwise, impairment provisions recognized at the balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment as will be mentioned below, Due to the different methodologies applied, despite different methods are applied there was no material impact for potential credit loss in the financial statement by the amount of loss estimated using expected loss model used as at 31 December 2020 for the purpose of compliance to the rules of the CBE in note (A/4).

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

Bank's rating	**31/12/2020**		**31/12/2019**	
	Loans advances %	**Impairment loss provision %**	**Loans advances %**	**Impairment loss provision %**
Performing loans	**88.2**	**9.1**	**86.4**	**9.7**
Regular watching	**4.0**	**2.4**	**4.1**	**3.3**
Watch list	**0.4**	**0.9**	**1.2**	**1.2**
Non-performing loans	**7.4**	**87.7**	**8.3**	**85.8**
	100	**100**	**100**	**100**

The bank's internal rating helps management to determine whether objective evidence of impairment exists under EAS 26, based on the following criteria set out by the bank:

- Payment delinquency of debtor or loan beneficiary,
- Breach of loan agreement such as a default in payment,
- Possibility of bankruptcy or entering liquidation procedures or financial restructures of granted credit,
- Deterioration of the borrower's competitive position,
- Due to economical or legal reasons, the bank agrees to grant the borrower additional benefits that would not normally be granted in normal circumstances,
- The impairment of the value of collateral,
- Deterioration of customer credit status.

A-3 Impairment and provisioning policies (continue)

The bank policies require the review of all financial assets that exceed defined relative importance at least annually or more when necessary, the impairment loss is determined on individual basis by assessing the realized loss at the reporting date on each individual case & to be applied individually to all account that have relative importance, Valuation usually includes the outstanding collateral, the related enforcements on these collaterals and the expected collections from those accounts,

Impairment loss provision is formed based on group of similar assets using the historical experience available, personal judgment and statistical methods,

A-4 General module to measure banking general risk

In addition to the four categories of credit rating indicated in note (A/1) the management makes more detailed groups in accordance with the Central Bank of Egypt (CBE) requirements,

Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on information related to the customer, it's activities, financial position and payment performance,

The bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE, In the case, the provision required for impairment losses as per CBE regulations exceeds the provision required for financial statements preparation purposes according to the Egyptian Accounting Standards, this increase shall be debited from the retained earnings to and credited to the "general banking risk reserve" under the equity caption, This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase and decrease in the two provisions, This reserve is not distributable,

The rating categories based on internal evaluation techniques and their comparative figures used by the Central Bank of Egypt and the required provisions percentage for impairment of the assets exposed to credit risk are as follows:-

CBE classification	Description	Required provision percentage	Internal classification	Description
1	Low risk	Zero	1	Performing debts
2	Average risk	1	1	Performing debts
3	Satisfactory risk	1	1	Performing debts
4	Reasonable risk	2	1	Performing debts
5	Acceptable risk	2	1	Performing debts
6	Marginal acceptable risk	3	2	Regular follow up
7	Watch list	5	3	Special follow up
8	Sub standard	20	4	Non performing debts
9	Doubtful	50	4	Non performing debts
10	Bad debt	100	4	Non performing debts

A-5 Maximum limits for credit risk before collaterals

Balance sheet items exposed to credit risks

In Egyptian pound	31 December 2020	31 December 2019
Treasury bills and other governmental securities	9 308 349 253	9 095 479 438
Financial Assets held for trading		
– Debt instruments	1 497 639	1 516 329
Customers loans and advances		
Retail loans:		
Overdraft Accounts	103 110 532	93 119 669
Personal loans	5 793 756 869	4 711 423 507
Real Estate Finance loans	204 399 214	218 089 688
Credit cards	27 407 869	31 573 806
Corporate loans:		
Overdraft Accounts	2 666 483 236	2 225 625 044
Syndicated loans	1 776 100 766	1 947 269 795
Direct loans	6 814 147 340	4 114 448 978
Financial investments:		
Debt instruments at amortized cost	2 219 442 202	2 642 325 988
Debt instruments at fair value through other comprehensive income	2 215 254 355	554 024 525
Total	**31 129 949 275**	**25 634 896 767**
Credit risk exposures of off balance sheet items		
Credit commitments	131 132 000	433 099 000
Letters of guarantees	2 147 803 048	1 571 456 342
Letters of guarantees based on other banks requests	2 232 131 228	2 539 600 176
Letters of credit	758 056 087	1 661 093 004
Other financial liabilities	15 264 139	13 108 920
Total	**5 284 386 502**	**6 218 357 442**

The above table represents the maximum limit for credit risk as of 31 December 2020, without taking into considerations any collateral for balance-sheet items.

As shown in the preceding table, 56 % of the total maximum limit exposed to credit risk resulted from loans and advances to customers and banks, while 44 % represents investments in debt instruments.

A-5-1 Expected credit losses in accordance with the requirements of IFRS9 - IFRS 9

According to the instructions of the Central Bank of Egypt to prepare financial statements for banks in accordance with the requirements of the International Standard for و .Financial Reports (9) "Financial Instruments" issued by the Central Bank of Egypt on February 26, 2019

	31 December 2020			
In Egyptian pound	The first stage	The second stage	The third stage	Total
Due from banks	834 193		-	834 193
Financial investments	18 010 514	-	-	18 010 514
Loans and facilities - corporate	8 616 834	22 089 487	552 013 210	582 719 531
Loans and facilities - retail	63 825 247	12 888 110	87 333 466	164 046 823
Contingent liabilities	2 690 523	1 862 292	6 622 545	11 175 360
Loan commitments and facilities - corporate clients	317 200	1 174 736		1 491 936
Total	**94 294 511**	**38 014 625**	**645 969 221**	**778 278 357**

Impairment provision of loans and contingent liabilities	The provision for impairment is in accordance with the requirements of IFRS9	Provision for impairment in accordance with the basis of creditworthiness	The difference between risk rating and IFRS 9
In Egyptian pound	31 December 2020	31 December 2020	
Loan provision (regular / irregular)	746 766 354	973 145 818	226 379 464
Provision Contingent liabilities	11 175 360	43 619 834	32 444 474
	757 941 714	1 016 765 652	258 823 938

	31 December 2019			
In Egyptian pound	The first stage	The second stage	The third stage	Total
Due from banks	-	781 173	-	781 173
Financial investments	-	19 885 466	-	19 885 466
Loans and facilities - corporate	12 716 441	31 291 943	553 516 052	597 524 436
Loans and facilities - retail	43 940 697	3 261 178	56 614 492	103 816 367
Contingent liabilities	4 825 683	1 097 699	5 279 043	11 202 425
Loan commitments and facilities - corporate clients	499 582	593 251	-	1 092 833
Total	**61 982 403**	**56 910 710**	**615 409 587**	**734 302 700**

Impairment provision of loans and contingent liabilities	The provision for impairment is in accordance with the requirements of IFRS9	Provision for impairment in accordance with the basis of creditworthiness	The difference between risk rating and IFRS 9
In Egyptian pound	31 December 2019	31 December 2019	
Loan provision (regular / irregular)	701 340 801	893 689 542	192 348 741
Provision Contingent liabilities	11 202 425	32 465 613	21 263 188
	712 543 226	926 155 155	213 611 929

A-5-2 Movement of expected credit losses in accordance with the requirements of IFRS9 – IFRS 9

According to the instructions of the Central Bank of Egypt to prepare financial statements for banks in accordance with the requirements of the International Standard for Financial Reports (9) "Financial Instruments" issued by the Central Bank of Egypt on February 26, 2019.

31 December 2020

	Note	Balance at the beginning of the year	Provision for impairment losses	refund of loans previously written off	Amounts written off during the year	Foreign currencies revaluation differences	Balance at the end of the year
Due from banks	(7)	781 173	53 020	–	–	–	834 193
Financial investments at amortized cost	(10)	221 315	(178 074)	–	–	–	43 241
Loans and facilities – corporate clients	(9)	597 524 434	64 806 155	5 839 308	(80 795 658)	(4 654 708)	582 719 531
Loans and facilities – retail clients	(9)	103 816 367	47 670 593	44 597 652	(32 037 789)	–	164 046 823
Total provision for expected credit losses (1)		**702 343 289**	**112 351 694**	**50 436 960**	**(112 833 447)**	**(4 654 708)**	**747 643 788**

	Note	Balance at the beginning of the year	Provision for impairment losses	Balance at the end of the year
Financial investments at fair value through other comprehensive income statement	(23)	19 664 151	(1 696 878)	17 967 273
Total provision for expected credit losses (2)		**19 664 151**	**(1 696 878)**	**17 967 273**

	Note	Balance at the beginning of the year	Provision for impairment losses	refund of loans previously written off	Amounts written off during the year	Foreign currencies revaluation differences	Balance at the end of the year
Contingent liabilities	(22)	11 202 425	(2 220 909)	2 055 353	(799)	139 290	11 175 360
Loan commitments and facilities – corporate clients	(22)	1 092 833	399 103	–	–		1 491 936
Total provision for expected credit losses (3)		**12 295 258**	**(1 821 806)**	**2 055 353**	**(799)**	**139 290**	**12 667 296**
Total expected credit losses (1 + 2 + 3)		**734 302 698**	**108 833 010**	**52 492 313**	**(112 834 246)**	**(4 515 418)**	**778 278 357**

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from the portfolio of loans and advances, and debt instruments as follows:

- 36.9% of the loans and advances portfolio is classified at the highest two ratings in the internal rating.
- 83.1% of the loans and advances portfolio having no past due or impairment indicators.
- Mortgage loans, which represent a significant part of the portfolio, are covered by guarantees.
- Loans and advances that have been evaluated on an individual basis of total amount LE 850 M which represent 4.9% and the provision formed and interest in suspense amount LE 617 M represent 72.6% of it.
- The bank applies a more conservative way in granting loans and advances to customers during the period.

A-6 Loans and advances

Loans and advances are summarized according to their credit rating as follows: -

Loans and advances to customers

In Egyptian Pound	**31/12/2020**	**31/12/2019**
Neither past dues nor impaired	**14,087,816,730**	**11,002,518,187**
Past dues but not impaired	**2,006,782,001**	**1,234,287,635**
Past dues are subjected to impairment	**1,290,807,095**	**1,104,744,665**
Total	**17,385,405,826**	**13,341,550,487**
(Less):		
Unearned revenue and discount	**(6,350,809)**	**(7,153,326)**
Impairment loss provision	**(746,766,354)**	**(701,340,801)**
Interest in suspense	**(71,275,342)**	**(80,778,924)**
Net	**16,561,013,321**	**12,552,277,436**

Note (11) include additional information regarding impairment loss provision on loans and advances to customers and banks.

The credit quality of the loans and advances portfolio that are neither having past due nor subject to impairment are evaluated by the internal rating of the bank.

A-6 Loans and advances neither having past due nor subject to impairment

31 December 2020

Valuation	Retail					Corporate				
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Total Corporate	Total
1-Performing loans	103 110 532	19 678 724	5 129 153 735	192 944 656	**5 444 887 647**	2 666 483 236	1 403 215 904	3 808 097 031	**7 877 796 171**	**13 322 683 818**
2-Regular follow up	–	–	–	–	–	–	214 899 168	475 569 555	**690 468 723**	**690 468 723**
3-Watch list	–	–	–	–	–	–	–	74 664 189	**74 664 189**	**74 664 189**
Total	**103 110 532**	**19 678 724**	**5 129 153 735**	**192 944 656**	**5 444 887 647**	**2 666 483 236**	**1 618 115 072**	**4 358 330 775**	**8 642 929 083**	**14 087 816 730**

31 December 2019

Valuation	Retail					Corporate				
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Total Corporate	Total
1-Performing loans	93 119 669	27 951 816	4 287 891 237	195 827 802	**4 604 790 524**	2 225 625 044	1 468 527 071	2 001 513 279	**5 695 665 394**	**10 300 455 918**
2-Regular follow up	–	–	–	–	–	–	260 983 972	283 652 581	**544 636 553**	**544 636 553**
3-Watch list	–	–	–	–	–	–	–	157 425 716	**157 425 716**	**157 425 716**
Total	**93 119 669**	**27 951 816**	**4 287 891 237**	**195 827 802**	**4 604 790 524**	**2 225 625 044**	**1 729 511 043**	**2 442 591 576**	**6 397 727 663**	**11 002 518 187**

The non performing segments of secured loans are not subject to impairment after considering the collectability of the guarantees.

Loans and advances having past due and not subject to impairment

Loans and advances having past due up till 30 days and are not subject to impairment, unless there is information to the contrary. Loans and advances having past due and not subject to impairment are as follows:

31 December 2020

Valuation	Retail					Corporate				
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Total Corporate	Total
Past due less than 30 days	–	–	231 392 812	11 388 533	**242 781 345**	–	–	1 764 000 656	**1 764 000 656**	**2 006 782 001**
Total	–	–	**231 392 812**	**11 388 533**	**242 781 345**	–	–	**1 764 000 656**	**1 764 000 656**	**2 006 782 001**

31 December 2019

Valuation	Retail					Corporate				
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Total Corporate	Total
Past due less than 30 days	–	–	224 021 030	10 741 644	**234 762 674**	–	–	999 524 961	**999 524 961**	**1 234 287 635**
Total	–	–	**224 021 030**	**10 741 644**	**234 762 674**	–	–	**999 524 961**	**999 524 961**	**1 234 287 635**

Loans and advances subject to individual impairment

Loans and advances subject to individual impairment regardless any cash flows from collaterals amounted to LE 1,104,744,665

The breakdown of the total loans and advances subject to individual impairment including fair value of collaterals obtained by the bank in respect of loans granted are as follows:

31 December 2020

Valuation	Retail					Corporate					
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Net loans and advances	Total Corporate	Total
Balance	–	7 729 145	433 210 322	66 025	**441 005 492**	–	157 985 694	691 815 909	–	**849 801 603**	**1 290 807 095**
Fair value of collaterals	–	–	–	–	–		**46 341 465**	**29 928 966**		**76 270 431**	

31 December 2019

Valuation	Retail					Corporate					
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Net loans and advances	Total Corporate	Total
Balance	–	3 621 990	199 511 240	11 520 242	**214 653 472**		217 758 752	672 332 441	–	**890 091 193**	**1 104 744 665**
Fair value of collaterals	–	–	–	–	–		**50 927 592**	**58 047 143**		**108 974 735**	

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

In Egyptian Pound	Treasury bills and other governmental notes	Financial assets held for trading	Other Financial Investments	Total
Less than A- governmental bonds, treasury bills	9 308 349 253	1 497 639	1 547 854 355	**10 857 701 247**
Total	**9 308 349 253**	**1 497 639**	**1 547 854 355**	**10 857 701 247**

A-8 Concentration of risks of financial assets exposed to credit risk

The following table provides a breakdown of the bank's significant credit risk concentration at their carrying amounts, distributed by geographical sector as at the end of the year:

In Egyptian Pound	Cairo	Alexandria, Delta and Canal	Upper Egypt & Red Sea	Total
Treasury bills and other governmental notes	9 308 349 253	–	–	9 308 349 253
Financial assets held for trading				
Debt instruments	1 497 639	–	–	1 497 639
Loans and advances to customers:				
Retail:				
Overdraft Accounts	45 978 226	53 105 358	4 026 948	103 110 532
Personal loans	2 465 654 448	2 756 121 706	571 980 715	5 793 756 869
Real Estate Finance loans	170 449 935	31 604 241	2 345 038	204 399 214
Credit cards	13 369 454	11 676 184	2 362 231	27 407 869
Corporate:				
Overdraft Accounts	1 597 381 047	1 039 539 141	29 563 048	2 666 483 236
Syndicated loans	1 223 814 302	552 286 464	–	1 776 100 766
Direct loans	4 563 405 657	2 206 043 395	44 698 288	6 814 147 340
Other Financial investments				
Debt instruments at amortized cost	2 219 442 202	–	–	2 219 442 202
Debt instruments at fair value through other comprehensive income	2 215 254 355	–	–	2 215 254 355
Total as at 31 December 2019	**23 824 596 518**	**6 650 376 489**	**654 976 268**	**31 129 949 275**

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

The following table provides a breakdown of the most significant credit risk limits at their carrying amounts categorized according to the customer's line of business:

In thousand Egyptian pound	Financial institutions	Manufacturing institutions	Trading activity	Governmental sector/General	Others	Retail	Total
Treasury bills and other governmental notes	–	–	–	9 308 349	–	–	9 308 349
Financial assets held for trading							
Debt instruments	–	–	–	1 498	–	–	1 498
Loans and advances to customers	171 582	5 483 367	2 594 869	2 081 095	925 819	6 128 674	17 385 406
Financial investments							
Debt instruments at amortized cost	–	–	–	2 219 442		–	2 219 442
Debt instruments at fair value through other comprehensive income	–	–	–	1 547 854	667 400	–	2 215 254
Total as at 31 December 2020	**171 582**	**5 483 367**	**2 594 869**	**15 158 238**	**1 593 219**	**6 128 674**	**31 129 949**

B- Market risk

The bank is exposed to market risks that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market prices, Market risks emerges from open markets unsealed to interest rate, currency, and equity instruments; each is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices such as interest rates, foreign exchange rates and equity instrument prices. The bank classifies its exposure to market risk into trading and non-trading portfolios.

The bank market risk department is responsible for managing the market risks arising from trading and non-trading activities.

Trading portfolios include transactions where the bank directly deals with clients or with the market; while non-trading portfolios primarily arise from managing assets and liabilities interest rate related to retail transactions. Non-trading portfolios also includes foreign currency exchange risk and equity instruments risks arising from the available-for-sale investments.

B-1 Market risk measurement techniques

As part of market risk management, the bank undertakes various hedging strategies as well as entering into fixed interest rate swap agreements. The significant measurement techniques used to control market risk are outlined below.

- **Value at Risk**

The bank applies a ‘value at risk’ methodology (VAR) for trading and non-trading portfolios to estimate the market risk of outstanding positions and the maximum expected losses based on a number of scenarios for various changes in market conditions. The board of director sets limits for the value at risk that may be classified separately by the bank as for trading and non-trading portfolios and the process is daily monitored by the risk management department.

Value at risk is a statistical expectation of the expected losses on the current portfolio resulting from adverse market movements. It represents the ‘maximum’ loss the bank is expected to incur. When using a specified confidence level, there is statistical probability that the actual losses exceed the estimated VAR. The VAR module assumes that there is a specified holding period (1 day) before closing the opened position. It also assumes that market movements during the holding period will be consistent with the previous day pattern The bank assesses the past movement based on data from previous periods, and applies these historical changes in rates, prices and indicators directly to its current positions this approach is known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

The quality of the value at risk model is continuously monitored through assurance tests to the VAR results for trading portfolio and results are reported to the top management and board of directors,

- **Stress Testing**

Stress testing provides an indication of the expected losses that may arise from sharp adverse circumstances. Stress testing is designed to match business using standard analysis for specific scenarios. The stress testing carried out by the bank market risk department includes: risk factor stress testing where sharp movements are applied to each risk category, emerging market stress test where emerging market are subject to sharp movements, and special stress test including possible material stress events affecting specific locations or regions, for example the stress outcome to a region applying a free currency rate.

The results of the stress testing are reviewed by top management and board of directors.

B-2 VAR summary

The total value at risk for trading in addition to the active and listed shares for non-trading according to the type of risk as at :

In Egyptian Pounds

31 December 2020

	Average	Maximum	Minimum
Foreign exchange risk	219,663	439,049	60,833
Interest rate risk	29,306,307	31,506,785	26,210,969
Equity instruments risk	-	-	-

31 December 2019

	Average	Maximum	Minimum
Foreign exchange risk	58,189	87,196	32,953
Interest rate risk	18,043,535	19,166,087	16,503,805
Equity instruments risk	-	-	-

The increase in VAR especially the interest rate risk is directly proportional to the increase in market interest rates volatility in the global financial markets.

The above three VAR results are calculated independently from the underlying positions and historical market movements with a simple way without using complex quantitative techniques. The aggregate of the trading and non-trading VAR results does not represent the bank’s value at risk due to correlations between risk types and portfolio types and their various resulted effects.

B-3 The risk of fluctuation in foreign exchange rates

The bank is exposed to the risk of fluctuations in foreign exchange rates on the financial position and cash flows, and the Board of Directors has set limits for foreign currencies by the total value of each of the centers at the end of the day as well as during the day that is monitored at the moment. The following table summarizes the extent of the bank's exposure to the risk of fluctuations in the foreign exchange rate At the end of the financial position, the following table includes the book value of the financial instruments distributed in the currencies that make up them:

In thousand Egyptian pound	EGP	USD	Euro	GBP	Other currencies	Total
Financial assets						
Cash and due from central banks	1 883 146	58 991	8 576	984	726	1 952 423
Due from banks	265 511	1 047 693	120 590	9 711	3 698	1 447 203
Treasury bills and other governmental notes	6 096 241	2 728 607	57 432	–	–	8 882 280
Loans and advances to customers	14 403 748	2 130 517	26 625	71	52	16 561 013
Financial investments						
– Amortized cost	2 203 710	15 603	–	–	–	2 219 313
– At fair value through other comprehensive income	2 095 871	201 434	–	–	–	2 297 305
– At fair value through profit and loss	1 498	–	–	–	–	1 498
Investments in subsidiaries and associates	112 783	–	–	–	–	112 783
Fixed and intangible assets	43 342	–	–	–	–	43 342
Other financial assets	771 984	14 656	143	–	–	786 783
Total financial assets	**27 877 834**	**6 197 501**	**213 366**	**10 766**	**4 476**	**34 303 943**
Financial liabilities						
Due to banks	837	769 200	117 846	–	–	887 883
Customer's deposits	24 352 120	4 623 891	93 363	11 029	4 006	29 084 409
Long term loans	1 744	785 817	–	–	–	787 561
Other financial liabilities	456 594	1 302	–	–	–	457 896
Other provisions	74 404	3 458	3 082	–	–	80 944
Total share holder's equity	3 005 250	–	–	–	–	3 005 250
Total financial liabilities	**27 890 949**	**6 183 668**	**214 291**	**11 029**	**4 006**	**34 303 943**
Net financial position	**(13 115)**	**13 833**	**(925)**	**(263)**	**470**	–
Purchasing						
Selling	–	–	–	–	–	–
Net financial position	**(13 115)**	**13 833**	**(925)**	**(263)**	**470**	–
Loan Commitments – Irrevocable	131 132	–	–	–	–	131 132
Letters of credit	4 207	80 882	24 282	–	463	109 834
Letters of guarantees	1 843 155	191 647	31 032	–	–	2 065 834
Other financial liabilities	15 264	–	–	–	–	15 264
Total	**1 993 758**	**272 529**	**55 314**	–	**463**	**2 322 064**

B-4 Interest rate risk

The bank is exposed to the impact of the fluctuation in interest rate prevailing in the market; this risk is defined as "cash flows interest rate risk" which is the risk of fluctuation in the future cash flows of a financial instrument due to changes in interest rates of the instrument. Fair value interest rate risk is the risk of fluctuation in the fair market value of a financial instrument due to changes in market interest rates. Yield margins may increase as a result of such changes but it may cause profits to decrease when unexpected movements occur. The table below summarizes the bank's exposure to interest rate risks including the financial instruments at carrying amounts classified according to its maturities

In thousand Egyptian pound	Up to one month	1-3 months	3-12 months	1-5 years	Financial Non-interest bearing	Total
Financial assets						
Cash and due from central banks	-	-	-	-	1 952 423	1 952 423
Due from banks	880 653	492 336	-	-	74 215	1 447 204
Treasury bills and other governmental notes	807 300	1 282 024	6 792 955	-	-	8 882 279
Loans and advances to customers	4 335 512	2 099 466	3 938 800	6 089 930	97 305	16 561 013
Financial investments						
- Amortized cost	-	285 320	1 293 818	640 175	-	2 219 313
- At fair value through other comprehensive income		56 121	85 264	2 073 867	82 053	2 297 305
- At fair value through profit and loss	-	-	1 498	-	-	1 498
Investments in associates	-		-	-	112 783	112 783
Intangible assets	-	-	-	-	43 342	43 342
Other financial assets	-	-	-	-	375 190	375 190
Fixed assets	-	-	-	-	411 593	411 593
Total financial assets	**6 023 465**	**4 215 267**	**12 112 335**	**8 803 972**	**3 148 904**	**34 303 943**
Financial liabilities						
Due to banks	100 459	725 332	-	-	62 092	887 883
Customer's deposits	2 208 887	9 298 551	2 969 750	12 062 728	2 544 493	29 084 409
Long term loans	-	-	-	787 561	-	787 561
Share holder's equity	-	-	-	-	3 005 250	3 005 250
Other financial liabilities	-	-	-	-	538 840	538 840
Total financial liabilities	**2 309 346**	**10 023 883**	**2 969 750**	**12 850 289**	**6 150 675**	**34 303 943**
Interest re-pricing gap	**3 714 119**	**(5 808 616)**	**9 142 585**	**(4 046 317)**	**(3 001 771)**	-

C- Liquidity risk

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

- **Liquidity risk management process**

  The bank`s liquidity risk monitoring process carried out by the bank's assets and liabilities management includes:

  - Daily funding are managed by monitoring future cash expenditure to ensure that all requirements can be met when due. This includes availability of liquidity as they become due or to be lent to customers. The bank maintains an active presence in global money markets to ensure achievement of such objective.

  - The bank maintains a portfolio of highly marketable securities that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flows.

  - Monitoring liquidity ratios in relation with internal requirements and Central Bank of Egypt requirements.

  - Managing loans concentration and maturities.

    For monitoring and reporting purposes, the bank calculates the expected cash flows for the next day, week and month which are the primary periods for liquidity management, the starting point to calculate these projections is analyzing the financial liabilities maturities and expected financial assets collections.

    Assets and liabilities management monitors the mismatch between medium term assets, the value and nature of the unutilized portion of loans commitments, overdraft utilizations, and the impact of contingent liabilities such as letters of guarantees and letters of credit.

- **Funding approach**

  Liquidity Sources are regularly reviewed by independent team in the bank Assets and liabilities management for the purpose of maintaining a wide diversification by currency geography source of products and maturities.

D- Fair value of financial assets and liabilities

D-1 Financial instruments not measured at fair value

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

	31/12/2020		31/12/2019	
In thousand Egyptian pound	Book value	Book value	Book value	Fair value
Financial assets				
Loans and advances to customers				
-Retail	6,128,674	6,128,674	5,054,207	5,054,207
-Corporate	11,256,731	11,256,731	8,287,343	8,287,343
Held to maturity investment	2,219,312	2,219,312	2,641,414	2,641,414
Financial liabilities				
Due to banks	887,919	887,919	146,012	146,012
Customer's deposits				
-Retail	8,558,474	8,558,474	7,319,054	7,319,054
-Corporate	20,525,941	20,525,941	18,257,782	18,257,782

E- Capital management

The bank's objectives behind capital management, which include items in addition to equity section reported in the balance sheet, are represented in the following:

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

Capital adequacy and uses are reviewed daily in accordance with the regulatory authority's requirements (Central Bank of Egypt) by the bank's management through models based on Basel Committee on Banking Supervision; these data are submitted to the Central Bank of Egypt on quarterly basis.

CBE requires the following from the bank:

- Maintaining LE 500 million as a minimum requirement for the issued and paid up capital.
- Maintaining a percentage of 12.75 % or more between capital elements and risk-weighted asset and contingent liability elements.

The Bank is recognized as a single group that includes the Bank in all its branches at home and abroad and all other financial companies in which owned its or related parties hold more than 50% of the shareholders' equity or any percentage that enables it to control.

F- Capital management (continue)

The numerator of the capital adequacy comprises the following 2 tiers:

Tier 1:

Core capital: it is the basic capital which comprises paid up capital (after deducting the carrying amount of the treasury stocks) and retained earnings and reserves resulting from dividends except the general banking risks reserve, any previously recognized goodwill and any accumulated deficit are to be deducted.

Additional capital: it is carried forward profit & loss and minority rights and difference between nominal value and fair value for subordinated loan.

Tier 2:

It is the subordinated capital which comprises the equivalent of the general risks provision in accordance with the CBE credit rating bases issued by CBE provided that not exceeding 1.25% of the total risk-weighted average of assets and contingent liabilities, subordinated loans/deposits with more than 5 years maturity (20% amortization of its value each year of the last five years of their maturity) and 45 % of the excess in the fair value above carrying amount of the available for sale investments, held to maturity investments and investments in subsidiaries and associates.

When calculating the total numerator of capital adequacy, continued capital after deductions should not be less than 4.5 % from total credit risk, operating risk and market risk. And tier I capital should not be less than 8.75 % from total credit risk, operating risk and market risk; and subordinated loan should not exceed 50% of tier 1.

The bank has complied with all local capital requirements during the last two years. The following schedule summarizes the components of Tier I capital, Tier II capital and capital adequacy ratio as of 31 December 2019.

Capital adequacy ratio as per Basel II requirements

In thousand Egyptian pound	31 December 2020	31 December 2019
Capital		
Tier I Capital		
Core capital after deductions		
Share capital (net of treasury stocks)	1 474 814	1 474 814
Reserves	(82 535)	–
IFRS9 risk reserve	301 909	301 909
Retained earnings	101 730	96 231
Total cumulative other comprehensive income after control adjustments	428 401	461 522
Additional Going Concern		
Quarterly interim profit / (losses)	490 565	–
Deduct from Common Equity		
(–) Deduct 100% from 10% excess standalone investment in case of the investment is 10% or more from the investee capital	(56 392)	(44 006)
(–) Deduct 100% from net of Intangible assets(Other than goodwill)	(43 341)	(26 537)
80 % من الاصول الضريبية المؤجلة	(9 229)	(9 229)
(–) Deduct total the fair value for investment FVOCI Which have been reclassified to Amortized cost investments	(2 875)	(5 249)
Total core capital after deductions	2 603 047	2 249 455
Total Tier I	**2 603 047**	**2 249 455**
Tier 2 Capital (subordinated capital)		
45% from special reserve	–	
Provision for performing loans, facilities & Off BS within 1.25% of total credit risk for assets and weighted average potential liabilities when applying standardize approach amount for financial investments (FVOCI, Amortized cost and in subsidiaries and associates)	94 295	61 982
Subordinated loans	786 605	802 075
Total Tier 2 capital	**880 900**	**864 057**
Total capital based after deductions	**3 483 947**	**3 113 512**
Total Assets and potential liabilities weighted by credit risk	18 914 378	14 938 439
Capital requirements for market risk	1 573	1 753
Capital requirements for operating risk	1 941 541	1 754 320
Total Assets and potential liabilities weighted by credit, market and operating risk	**20 857 492**	**16 694 512**
Capital adequacy ratio (%)	**16.7%**	**18.6%**

Leverage Ratio

	In Thousand Egyptian Pounds	31 December 2020	31 December 2019
First	**Tier 1 capital after Exclusions**	**2 603 047**	**2 249 455**
Second	**On–Off balance sheet exposures items**		
1	**Exposures on–balance sheet and financial derivatives and securities finance**		
	Cash and due from Central Bank of Egypt (CBE)	2 694 760	2 481 144
	Due from Banks	705 701	1 712 670
	Treasury bills and other Government securities	8 949 471	8 789 618
	REPO	(66 403)	(72 366)
	Financial assets Fair Value through Profit and loss	1 498	1 516
	Financial investments Fair Value through OCI	2 297 306	636 075
	Financial investments Amortized Cost	2 219 442	2 642 326
	Investments in associates	112 783	88 011
	Loans and credit facilities to customers	17 385 406	13 341 550
	Fixed Assets (after deducting depreciation and impairment losses)	411 593	412 210
	Other assets	427 772	348 962
	Deducted amounts from exposures (after deducting Tier I Exclusions for capital base)	(784 460)	(750 290)
	Total on–balance sheet exposures items after deducting after Tier I Exclusions for capital base.	**34 354 869**	**29 631 426**
2	**Exposures off–balance sheet**		
	Contingent liabilities (1)		
	Import L/Cs	21 967	4 962
	L/Gs	1 028 675	760 524
	L/Gs according to foreign banks	1 116 066	1 263 656
	Accepted papers	172 217	74 960
	Re–discounted Commercial paper	53 716	–
	Commitments (2)		
	Operating lease commitments	15 264	13 109
	Loan commitments to clients/banks (unutilized part) within original maturity	65 616	870 098
	Total Exposures off–balance sheet	**2 473 521**	**2 987 309**
	Total On–Off balance sheet exposures items (1) + (2)	**36 828 390**	**32 618 735**
	Leverage financial ratio	**7.07%**	**6.90%**

4- Significant accounting estimates and assumptions

The bank applies estimates and assumptions that affect the amounts of assets and liabilities disclosed in the next financial period. Estimates and assumptions are continuously assessed based on past experience and other factors including the expectations of future events that are believed to be reasonable in light of the available circumstances and information.

A - Impairment losses for loans and advances (expected credit losses)

The Bank reviews its loan portfolios to assess impairment on quarterly basis at least, In determining whether impairment loss should be recorded in the income statement, The bank has to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis, This evidence include data indicating negative changes in a borrower's portfolio ability to repay to the bank or local or economic circumstances related to default of bank assets, Upon scheduling future cash flows the management use estimates based on prior loss experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any differences between the estimated loss and actual loss based on experience,

B - Impairment of investments in equity instruments at fair value through other comprehensive income

The bank determine the impairment loss relating to available for sale equity investments when there is a significant or prolonged decline in the fair value below its cost, A judgment is required to determine that the decline is significant or prolonged, In making this judgment the bank evaluates among other factors the usual volatility of the share price, In addition impairment loss may be recognized when there is evidence of deterioration in the investee financial condition or operating /finance cash flow industry or sector performance, or in changes in technology.

C - Impairment of Financial investment at amortized cost

The non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held to maturity, This classification requires high degree of judgment; in return the bank assesses the intention and ability to hold such investments to maturity, If the bank fails to hold such investments till maturity except for certain circumstances (selling an insignificant amount of held-to-maturity investments near to maturity date) then all held to maturity investment portfolio should be reclassified as available for sale which will be measured at fair value instead of amortized cost, In addition the bank should cease classifying investments as held to maturity caption.

5- A-Segment analysis

	Corporate & Treasury	Retail	Total
Revenues and expenses according to business segment			
Segment revenues	4 913 543	2 283 353	7 196 896
Segment expenses	(4 259 013)	(2 208 364)	(6 467 377)
Profit for the year before taxes	654 530	74 989	729 519
Taxes	(221 799)	(17 155)	(238 954)
Profit (Loss) for the year	432 731	57 834	490 565
Assets and Liabilities according to business segment			
Segment assets	27 968 865	6 336 756	34 305 621
Total assets	27 968 865	6 336 756	34 305 621
Segment liabilities	19 937 443	14 368 179	34 305 622
Total liabilities	19 937 443	14 368 179	34 305 622
Other business segment items			
Depreciations	(12 219)	(77 314)	(89 533)
Impairment	(64 806)	(47 671)	(112 477)

B-Geographic analysis

	Greater Cairo	Alex and Delta and Canal	Upper Egypt & Red Sea	Total
Geographical analysis of revenues and expenses				
Geographical sector revenues	5 407 934	1 592 582	174 686	7 175 202
Geographical sector expenses	(4 758 861)	(1 497 380)	(186 820)	(6 443 061)
Profit for the year before taxes	649 073	95 202	(12 134)	732 141
Taxes	(223 673)	(20 140)	2 239	(241 574)
Profit for the year	425 400	75 062	(9 895)	490 567
Assets and Liabilities				
Geographical sector assets	26 216 083	7 434 274	655 264	34 305 621
Total assets	26 216 083	7 434 274	655 264	34 305 621
Geographical sector liabilities	26 408 091	7 151 354	746 176	34 305 621
Total liabilities	26 408 091	7 151 354	746 176	34 305 621
Other Geographical sector items				
Depreciations	(18 533)	(59 633)	(11 367)	(89 533)
Impairment	(42 957)	(52 661)	(15 037)	(110 655)

6- Cash and due from Central Bank of Egypt

In Egyptian Pound	31 December 2020	31 December 2019
Cash on hand	230 494 451	227 003 285
Due from Central Bank of Egypt within reserve ratio	1 721 928 703	138 082 832
	1 952 423 154	**365 086 117**

7- Due from banks

In Egyptian Pound	31 December 2020	31 December 2019
The Central Bank of Egypt		
Current accounts		
Time Deposits	742 336 070	2 116 057 766
	742 336 070	**2 116 057 766**
Local Banks		
Current accounts	36 451 587	17 415 741
Time Deposits	631 486 399	1 428 844 085
	667 937 986	**1 446 259 826**
Foreign Banks		
Current accounts	37 763 265	25 788 644
Time Deposits		240 622 500
	37 763 265	**266 411 144**
Total due from banks	**1 448 037 321**	**3 828 728 736**
Impact of changes arising from the initial implementation of IFRS 9		(1 673 176)
Total due from banks - amended	**1 448 037 321**	**3 827 055 560**
Expect crdit loss provision	(834 193)	892 003
Net due from banks	**1 447 203 128**	**3 827 947 563**
Non-interest bearing balances	74 214 852	43 204 385
Interest bearing balances	1 373 822 469	3 785 524 351
Expect credit loss provision	(834 193)	(781 173)
	1 447 203 128	**3 827 947 563**

8- Treasury bills and other governmental notes which are deductible by the Central Bank

In Egyptian Pound	31 December 2020	31 December 2019
Treasury bills		
Treasury bills maturing to 91 days	35 000 000	893 965 000
Treasury bills maturing from 92 to 182 days	964 600 000	1 282 925 000
Treasury bills maturing grater than 182 to 364 days	8 375 940 550	6 990 955 852
	9 375 540 550	**9 167 845 852**
(Less):		
Unearned interest	(431 220 913)	(383 760 256)
REPO *	(67 191 297)	(72 366 414)
	8 877 128 340	**8 711 719 182**
Net change in fair value	**5 151 485**	**5 532 536**
Net of Treasury bills after change in fair value	**8 882 279 825**	**8 717 251 718**

In Egyptian Pound	31 December 2020	31 December 2019
* Against the the amount granted by the Central Bank of Egypt within the mortgage finance initiative for low-income people	45 396 194	45 847 843
Against the the amount granted by the Central Bank of Egypt within SMEs initiative	21 795 103	26 518 571
	67 191 297	**72 366 414**

9- Loans and advances to customers and banks

In Egyptian Pound	31 December 2020	31 December 2019
Customers loans	17 385 405 826	13 341 550 487
	17 385 405 826	**13 341 550 487**
(Less):		
Unearned discount on discounted commercial bills	(6 350 809)	(7 153 326)
Expect credit loss provision	(746 766 354)	(701 340 801)
Interest in suspense	(71 275 342)	(80 778 924)
	(824 392 505)	**(789 273 051)**
	16 561 013 321	**12 552 277 436**

9-2 Loans and Advances to customers

In Egyptian Pound	31 December 2020	31 December 2019
Retail		
Overdraft Accounts	103 110 532	93 119 669
Personal loans	5 793 756 869	4 711 423 507
Credit cards	27 407 869	31 573 806
Real Estate Finance loans	204 399 214	218 089 688
Total (1)	**6 128 674 484**	**5 054 206 670**
Corporate		
Overdraft Accounts	2 666 483 236	2 225 625 044
Syndicated loans	1 776 100 766	1 947 269 795
Direct loans	6 814 147 340	4 114 448 978
Total (2)	**11 256 731 342**	**8 287 343 817**
Total loans and Advances to customers (1+2)	**17 385 405 826**	**13 341 550 487**
(Deduct):		
prepaid revenue	(6 350 809)	(7 153 326)
Expect credit loss provision	(746 766 354)	(701 340 801)
Interest in suspense	(71 275 342)	(80 778 924)
Net	**16 561 013 321**	**12 552 277 436**

9-2 Expect credit loss provision (performing /non-performing)

In Egyptian Pound	31 December 2020	31 December 2019
Provision balance at the beginning of the year	**701 340 801**	**788 155 080**
Transferred from general risk reserve after initial implementation of IFRS 9		184 057 445
Provision balance at the beginning of the year - amended	**701 340 801**	**972 212 525**
Expect credit loss Impairment Change	112 476 748	165 649 396
Proceeds from loans previously written off	47 119 023	22 157 858
Transferred from Other Credit Balances	3 317 937	
Foreign currencies revaluation differences	(4 654 708)	(31 901 738)
	859 599 801	**1 128 118 041**
Amounts written off during the year	(112 833 447)	(426 777 240)
ECL provisions at the end of the year	**746 766 354**	**701 340 801**

Classification of impairment loss provision of loans and facilities to customers

31 December 2020

Retail

In Egyptian Pound	Credit cards	Personal loans	Real Estate Finance loans	Total
Balance at the beginning of the year	**1 022 615**	**92 402 656**	**10 391 096**	**103 816 367**
Impairment	**49 303**	**59 646 092**	**(12 024 802)**	47 670 593
Proceeds from loans previously written off	**443 677**	**33 737 470**	**7 098 568**	41 279 715
Transferred from Other Credit Balances		**3 317 937**		3 317 937
Provisions used	**(6 955)**	**(31 572 829)**	**(458 005)**	(32 037 789)
Balance at the end of the year	**1 508 640**	**157 531 326**	**5 006 857**	**164 046 823**

Corporate

In Egyptian Pound	Overdraft Accounts	Direct loans	Syndicated loans	Total
Balance at the beginning of the year	**436 658 910**	**34 340 564**	**126 524 960**	**597 524 434**
Impairment	47 475 051	(11 374 580)	28 705 684	64 806 155
Proceeds from loans previously written off	5 839 308			5 839 308
Foreign currencies revaluation differences	(2 521 879)	(9 991)	(2 122 838)	(4 654 708)
Provisions used	(34 679 621)		(46 116 037)	(80 795 658)
Balance at the end of the year	**452 771 769**	**22 955 993**	**106 991 769**	**582 719 531**

31 December 2019

Retail

In Egyptian Pound	Credit cards	Personal loans	Real Estate Finance loans	Total
Balance at the beginning of the year	**624 664**	**90 900 740**	**276 427**	**91 801 831**
Transfer from general risk reserve	**5 071 325**	**35 542 740**	**9 382 264**	**49 996 329**
Balance at the beginning of the year-Amended	**5 695 989**	**126 443 480**	**9 658 691**	**141 798 160**
Impairment	**(1 734 605)**	**60 349 794**	**9 938 813**	68 554 002
Proceeds from loans previously written off	**193 322**	**21 913 139**		22 106 461
Provisions used	**(3 132 091)**	**(116 303 757)**	**(9 206 408)**	(128 642 256)
Balance at the end of the year	**1 022 615**	**92 402 656**	**10 391 096**	**103 816 367**

Corporate

In Egyptian Pound	Overdraft Accounts	Direct loans	Syndicated loans	Total
Balance at the beginning of the year	**394 181 417**	**66 326 414**	**235 845 418**	**696 353 249**
Transfer from general risk reserve	146 745 715	(1 895 299)	(10 789 300)	134 061 116
Balance at the beginning of the year-Amended	**540 927 132**	**64 431 115**	**225 056 118**	**830 414 365**
Impairment	211 583 755	(30 018 223)	(84 470 138)	97 095 394
Proceeds from loans previously written off	51 397	-	-	51 397
Foreign currencies revaluation differences	(17 768 390)	(72 328)	(14 061 020)	(31 901 738)
Provisions used	(298 134 984)	-	-	(298 134 984)
Balance at the end of the year	**436 658 910**	**34 340 564**	**126 524 960**	**597 524 434**

10- Financial derivatives and hedging:

Derivatives

The bank uses the following derivatives for hedging and non hedging purposes:

- Currency and/or interest swap contracts represents commitments to swap a group of cash flows with another. These contracts resulted in exchange of currencies or interest rates (for example, fixed rate for floating rate) or both (i.e. cross currency interest rate swaps).The value of contractual principals are not to be exchanged except for certain currency swaps.

- The bank's credit risk represents the expected cost to replace the swap contracts if the counter parties fail to fulfill their obligation such risk is closely monitored by comparing it to the fair value and to a percentage of the contractual value. The bank assesses counter parties using the same techniques as for its lending activities to control the outstanding credit risk.

- Derivatives in the bank's favor become (assets) or unfavorable (liabilities) as a result of fluctuations in the related market interest rates or foreign

31 December 2020

Derivatives by fair value through profit and loss	Contractual amount	Assets	Liabilities
Currencies derivatives			
Currencies swap contracts	-	-	-
Total		-	-

31 December 2019

Derivatives by fair value through profit and loss	Contractual amount	Assets	Liabilities
Currencies derivatives			
Currencies swap contracts	8 335 567	8 282 537	8 277 192
Total		8 282 537	8 277 192

11- Financial investments

Financial assets at amortized cost

Governmental debt instruments

In Egyptian Pound	31 December 2020	31 December 2019
Quoted governmental debt instruments	2 219 442 202	2 642 325 988
Quoted Non-governmental debt instruments		-
Total governmental debt instruments	**2 219 442 202**	**2 642 325 988**
Impact of changes arising from the initial implementation of IFRS 9		(30 776)
Governmental debt instruments - amended	**2 219 442 202**	**2 642 295 212**
Expect credit loss provision	**(43 241)**	(190 539)
	2 219 398 961	**2 642 104 673**
Less		
Unearned Income	(85 726)	(690 978)
Net Governmental debt instruments	**2 219 313 235**	**2 641 413 695**

Movement of treasury bonds at amortized cost

In Egyptian Pound	31 December 2020	31 December 2019
Balance at the beginning of the year	**2 641 413 695**	**3 133 099 786**
Net amortization(issuing discount & issuing premium)	(438 534)	345 409
Retrieval – Treasury Bonds & Financial Investments	(424 510 087)	(494 475 000)
Net change in fair value	2 374 235	5 131 458
Expect credit loss provision	178 074	(221 315)
Foreign currencies revaluation differences	(309 400)	(1 872 097)
Balance	**2 218 707 983**	**2 642 008 241**
Unearned Income	605 252	(594 546)
Balance at the end of the year	**2 219 313 235**	**2 641 413 695**

12- Financial investments at fair value through other comprehensive income

In Egyptian Pound	31 December 2020	31 December 2019
Quoted governmental debt instruments at fair value	1 547 854 355	554 024 525
Quoted Non governmental debt instruments at fair value	667 400 000	-
	2 215 254 355	**554 024 525**
Unquoted equity instruments	**82 050 702**	**82 050 802**
	82 050 702	**82 050 802**
Financial investments at fair value through other comprehensive income	**2 297 305 057**	**636 075 327**
Current balances	2 215 254 355	554 024 525
Non-current balances	82 050 702	82 050 802
	2 297 305 057	**636 075 327**

Financial investments at fair value through other comprehensive income

In Egyptian Pound	31 December 2020	31 December 2019
Balance at the beginning of the year	**636 075 327**	**443 312 882**
Net amortization(issuing discount & issuing premium)	2 645 781	2 890 818
Buy – Treasury Bonds & Financial Investments	1 871 175 710	261 609 951
Retrieval – Treasury Bonds & Financial Investments	(235 776 244)	(135 277 910)
Net change in fair value	26 755 796	78 825 190
Foreign currencies revaluation differences	(3 571 313)	(15 285 604)
Balance at the end of the year	**2 297 305 057**	**636 075 327**

Financial assets at fair value through profit or loss

13- *In Egyptian Pound*

In Egyptian Pound	31 December 2020	31 December 2019
Debt instrument		
Governmental bonds	1 497 639	1 516 329
Total Debt instrument	**1 497 639**	**1 516 329**
Total Financial assets at fair value through profit or loss	**1 497 639**	**1 516 329**

14- **Investments in associates ****

Investments in associates **	31 December 2020	31 December 2019
Unquoted equity instrument	112 783 071	88 011 218
Total Investments in associates	**112 783 071**	**88 011 218**

Associates

	31 December 2020	31 December 2019
Orient Takaful Insurance	112 782 971	88 011 118
EL Fouadeya Development Company	100	100
	112 783 071	**88 011 218**

**

Company Name	Assets	Liabilities	Paid in Capital	Income	Net profit /(loss)	Last financial statement date	Headquarter country
Orient Takaful Insurance	1 756 108 598	1 192 193 740	150 000 000	242 115 181	135 176 354	30 June 2020	Egypt
EL Fouadeya Development Company	12 237 769	15 648 855	3 668 000		(237 579)	31 December 2019	Egypt

15- Intangible assets

In Egyptian Pound	31 December 2020	31 December 2019
Computer program		
Net balance at beginning of the year	**26 536 942**	**22 961 488**
Additions	**35 525 146**	**21 726 371**
Total	**62 062 088**	**44 687 859**
Amortization (during the year)	**(18 720 953)**	**(18 150 917)**
Net	**43 341 135**	**26 536 942**

16- Other assets

In Egyptian Pound	31 December 2020	31 December 2019
Accrued revenues	250 990 342	229 689 887
Prepaid expenses	11 232 647	14 304 720
Down payments to purchase of fixed assets	29 404 068	2 502 598
Assets reverted to the bank in settlement of debts *	52 568 353	40 457 188
Deposits and imprest	1 880 578	1 745 890
Other debit balances **	29 114 099	23 983 549
	375 190 087	**312 683 832**

* **The nature and analysis of the assets reverted to the bank is as follows:**

In Egyptian Pound	31 December 2020	31 December 2019
Buildings and flat units reverted to bank in settlement of debt of customers	52 568 353	40 457 188
	52 568 353	**40 457 188**

** **The other debit balances include the following:**

In Egyptian Pound	31 December 2020	31 December 2019
ATM outstanding balances	20 891 319	17 359 149
Others	8 222 780	6 624 400
	29 114 099	**23 983 549**

17- A Deferred Tax Liabilities

31 December 2020

In Egyptian Pound	Assets	Liabilities	Total
Deferred Tax (Provision)	9 228 710	–	9 228 710
Deferred Tax (Fixed assets depreciation)	–	(32 227 933)	(32 227 933)
Total Deferred Tax Assets (Liabilities)	**9 228 710**	**(32 227 933)**	**(22 999 223)**

31 December 2019

In Egyptian Pound	Assets	Liabilities	Total
Deferred Tax (Provision)	9 228 710	–	9 228 710
Deferred Tax (Fixed assets depreciation)	–	(29 727 933)	(29 727 933)
Total Deferred Tax Assets (Liabilities)	**9 228 710**	**(29 727 933)**	**(20 499 223)**

17-B Income tax expenses

In Egyptian Pound	31 December 2020	31 December 2019
Corporate Tax Expenses	9 000 000	–
Treasury bills and bonds revenues taxes	227 382 366	183 040 935
Dividend tax	71 429	221 750
Deferred tax – Expenses	2 500 000	5 000 000
Deferred tax Asset – Expenses\(Revenue)	–	8 147 557
	238 953 795	**196 410 242**

17-C Adjustments for calculating the effective price of income tax

In thousand Egyptian pound	31 December 2020	31 December 2019
Accounting Profit before income tax	729 519	625 693
Tax rate	22.5%	22.5%
Income tax calculated on accounting profit	**164 142**	**140 781**
Add / (deduct)		
Revenues (expenses) are tax deductible	839	1 022
Revenues (expenses) not subject to tax deduction	(3 027)	(12 811)
Effect of Provisions	26 361	27 087
Effect of Depreciation and Deferred tax	1 146	5 000
Excess Paid up tax on revenues from treasury bills and bonds, issues before and after Law 10 of 2019	40 422	35 109
Peremptory tax 10%	71	222
Corporate Tax Expenses	9 000	–
Income tax	**238 954**	**196 410**
Actual tax rate	**32.8%**	**31.4%**

18- Fixed assets - Net

31 December 2020

In Egyptian Pound	Land	Buildings and constructions	Integrated automated systems	Vehicles	Tools And equipment	Leasehold fixtures	Furniture	Other fixtures	Total
Cost at the beginning of the year	52 021 263	186 147 561	125 216 533	1 520 001	76 722 044	253 801 141	36 874 877	9 987 731	742 291 151
Additions during the year	-		21 074 021		22 052 952	36 103 708	2 050 302	-	81 280 983
Disposals	-	(11 425 220)	-		(2 094 786)	(14 932 113)	(3 086 038)	-	(31 538 157)
Cost as at 31/12/2020	52 021 263	174 722 341	146 290 554	1 520 001	96 680 210	274 972 736	35 839 141	9 987 731	792 033 977
Accumulated depreciation at the beginning of the year	-	25 027 092	62 405 290	130 380	54 104 667	157 416 375	21 009 718	9 987 731	330 081 253
Depreciation for the year	-	3 620 454	18 900 694	259 608	11 084 523	33 516 842	3 429 674		70 811 795
Disposals accumulated depreciation	-	(1 628 057)	-		(2 094 786)	(13 643 222)	(3 086 038)	-	(20 452 103)
Accumulated depreciation as at 31/12/2020	-	27 019 489	81 305 984	389 988	63 094 404	177 289 995	21 353 354	9 987 731	380 440 945
Net book value as at 31/12/2020	52 021 263	147 702 852	64 984 570	1 130 013	33 585 806	97 682 741	14 485 787	-	411 593 032

18- Fixed assets – Net

31 December 2019

In Egyptian Pound	Land	Buildings and constructions	Integrated automated systems	Vehicles	Tools And equipment	Leasehold fixtures	Furniture	Other fixtures	Total
Cost at the beginning of the year	52 021 263	219 024 756	106 987 536	2 874 601	74 429 109	257 551 608	36 536 916	9 987 731	759 413 520
Additions during the year	-	425 220	18 228 997	1 323 000	2 447 840	11 830 742	337 961	-	34 593 760
Disposals	-	(33 302 415)	-	(2 677 600)	(154 905)	(15 581 209)	-	-	(51 716 129)
Cost as at 31/12/2019	52 021 263	186 147 561	125 216 533	1 520 001	76 722 044	253 801 141	36 874 877	9 987 731	742 291 151
Accumulated depreciation at the beginning of the year	-	27 090 015	47 905 852	1 190 639	43 464 444	137 708 107	17 621 256	9 951 548	284 931 861
Depreciation for the year	-	3 956 368	14 499 438	388 856	10 795 128	31 389 404	3 388 462	36 183	64 453 839
Disposals accumulated depreciation	-	(6 019 291)	-	(1 449 115)	(154 905)	(11 681 136)	-	-	(19 304 447)
Accumulated depreciation as at 31/12/2019	-	25 027 092	62 405 290	130 380	54 104 667	157 416 375	21 009 718	9 987 731	330 081 253
Net book value as at 31/12/2019	52 021 263	161 120 469	62 811 243	1 389 621	22 617 377	96 384 766	15 865 159		412 209 898

19- Due to banks

In Egyptian Pound	31 December 2020	31 December 2019
Local banks		
Current accounts	1 061	1 081
Time deposits	489 350 100	104 395 383
	489 351 161	**104 396 464**
Foreign banks		
Current accounts	62 091 338	41 615 194
Time deposits	336 440 300	-
	398 531 638	**41 615 194**
	887 882 799	**146 011 658**
Non-interest bearing balances	62 092 399	41 616 275
Interest bearing balances	825 790 400	104 395 383
	887 882 799	**146 011 658**

20- Customers' deposits

In Egyptian Pound	31 December 2020	31 December 2019
Demand deposits	8 257 603 997	5 448 906 027
Time and callable deposits	13 989 470 525	13 936 531 636
Saving and deposit certificates	5 197 526 602	4 552 142 407
Saving deposits	1 344 422 436	1 328 250 414
Other deposits	295 398 767	311 523 036
Total Customer' Deposits	**29 084 422 327**	**25 577 353 520**
Interest in Advance on USD deposits for retail	(13 109)	(517 331)
Net Customer' Deposits	**29 084 409 218**	**25 576 836 189**
Corporate & SMEs deposits	20 525 940 994	18 257 781 713
Retail deposits	8 558 468 224	7 319 054 476
	29 084 409 218	**25 576 836 189**
Non-interest bearing balances	2 249 094 076	1 074 863 081
Interest bearing balances	26 835 315 142	24 501 973 108
	29 084 409 218	**25 576 836 189**

21- Long term loans

In Egyptian Pound	31 December 2020	31 December 2019
A loan contract was signed between the Social Fund for Development (SFD) and the bank amounting to LE 10 million to relend the loan amount to the small project included in the new small project development program with simple	955 650	3 802 342
Subordinated Loan with the Union National Bank of Abu Dhabi was signed in the amount of $ 50 million, which was disbursed on two tranches - A first tranche of 35 million US dollars was disbursed on 28 September 2017. - A second tranche of 15 million US dollars was disbursed on 3 December 2017. At the LIBOR rate of three months stated in each repayment period in accordance with the contract plus a 5% margin. This margin has been adjusted to 3% effective June 2018.	786 605 000	802 075 000
	787 560 650	**805 877 342**

22- Other liabilities

In Egyptian Pound	31 December 2020	31 December 2019
Accrued interest	101 562 084	111 765 941
Unearned revenue		27 958
Accrued expenses	53 843 674	31 887 215
Creditors	25 215 069	6 312 281
Other credit balances *	254 276 539	195 646 823
	434 897 366	**345 640 218**

* **The other credit balances includes the following:**

in thousand Egyptian pounds	31 December 2020	31 December 2019
Stamp duty	13 681	14 040
Treasury bills taxes	73 863	63 642
Income Corporate Tax	9 000	-
Taxes under settlement	1 099	708
Staff Taxes and Insurance	8 781	5 795
Amount of contractors Insurance being held until paid Social Insurance	2 254	2 200
Amounts discounted from retail customers until the paid to insurance companies	4 543	382
Clearance cheques (Are to be settled in next day)	130 056	97 602
Letters of credit deductibles	528	442
ATM suspense amounts	4 360	3 133
Coupons of Certificates Deposits accrued did not paid to their owners	159	159
Amounts paid under debts settlements of some customers	830	830
Others	721	4 538
Payments under sold assets revert to the bank	4 401	2 176
	254 276	**195 647**

23- Other provisions

31 December 2020

In Egyptian Pound	Balance at the beginning of the year	Charged during the year	Foreign currencies revaluation differences	Utilized during the year	Refunds from utilized provisions previously	Balance at year end
Provision for potential claims **	**53 217 136**	11 453 439	–	(2 236 477)		**62 434 098**
Contingent liabilities provision	**11 202 425**	(2 220 909)	139 290	(799)	2 055 353	**11 175 360**
Other provisions *	**6 325 752**	(20 776 635)	–	(483 486)	20 776 635	**5 842 266**
Loans commitment provisions	**1 092 833**	399 103	–	–		**1 491 936**
	71 838 146	**(11 145 002)**	**139 290**	**(2 720 762)**	**22 831 988**	**80 943 660**

31 December 2019

In Egyptian Pound	Balance at the beginning of the year	Impact of changes arising from the initial implementation of	Balance at the beginning of the year – Amended	Charged during the year	Foreign currencies revaluation differences	Utilized during the year	Refunds from utilized provisions previously	Balance at year end
Provision for potential claims	**78 113 892**	–	**78 113 892**	200 000	–	(25 096 756)	–	**53 217 136**
Contingent liabilities provision	**24 785 653**	(12 959 688)	**11 825 965**	5 294 760	(808 951)	(5 109 349)	–	**11 202 425**
Other provisions	**6 700 776**	–	**6 700 776**	150 000	–	(525 024)	–	**6 325 752**
Loans commitment provisions		1 688 486	**1 688 486**	(595 653)	–		–	**1 092 833**
Total Provisions	**109 600 321**	**(11 271 202)**	**98 329 119**	**5 049 107**	**(808 951)**	**(30 731 129)**	–	**71 838 146**

*The other provisions balance as at 31 December 2020 is as follows

Banking risk provision	1 394 000
Operational risk provision	578 515
Assets revert to the bank provision	3 869 751
	5 842 266

**The provision for potential claims balance as at 31 December 2020 is as follows:

Tax disputes provision	55 743 855
Legal claims provision	6 690 243
Provisions for leave balances	–
	62 434 098

24- Shareholders' equity

A- Authorized capital

The authorized capital amounted to LE 5 billion the extra ordinary general assembly dated January 13 2007 approved the increase in the authorized capital from LE 500 million to LE 5 billion and the acceptance from the head of the General Authority for Free Zones and Investment was dated June 3 2007 the annotation in the commercial register on June 4 2007 and published in the investment gazette in the issue number 5277 dated June 23 2007 the annotation in the banks register on June 27 2007.

B- Issued and paid-up capital

The issued and paid-up capital amounted to LE 1,474 Billion as at December 31, 2020 distributed among 263,359 shares with par value of LE 5.60.

The Extraordinary General Assembly held on November 6, 2019 decided to delisting the bank's shares from trading tables on the Egyptian stock exchange in exchange for the purchase of the shares of the shareholders at the fair value specified in the report of the independent financial advisor of 9.92 Egyptian pounds per share.

The Egyptian Stock Exchange's Listing Committee decided on March 25, 2020 to delisting the bank's shares from the Egyptian stock exchange trading tables.

31 December 2020

In Egyptian pound	Number of shares	Ordinary shares value	Total
Balance at the beginning of the year	263 359 688	1 474 814 253	1 474 814 253
Changes during the year			
Balance at the end of the year	263 359 688	1 474 814 253	1 474 814 253

31 December 2019

In Egyptian pound	Number of shares	Ordinary shares value	Total
Balance at the beginning of the year	250 818 750	1 404 585 000	1 404 585 000
Changes during the year	12 540 938	70 229 253	70 229 253
Balance at the end of the year	263 359 688	1 474 814 253	1 474 814 253

C- Treasury Stocks

The Extraordinary General Assembly held on November 6, 2019 decided to delisting the bank's shares from trading tables on the Egyptian stock exchange in exchange for the purchase of the shares of the shareholders at the fair value specified in the report of the independent financial advisor of 9.92 Egyptian pounds per share.

The Egyptian Stock Exchange's Listing Committee decided on March 5, 2020 to begin the procedures of delisting the bank's shares from trading schedules and the OPR screen of the Egyptian Stock Exchange was opened from March 15, 2020 to Devember 31, 2020, 8,248,928 shares were purchased during that period with total amount EGP 82,535,470 .

The Egyptian Stock Exchange's Listing Committee decided on March 25, 2020 to delisting the bank's shares from the Egyptian stock exchange trading tables, with the bank obliging to purchase the shares of the opposing shareholders and others at fair value of 9.92 Egyptian pounds per share for a period of six months ending on August 24, 2020 and extended to September 24, 2020 .

also executing purchasing shares of the opposing shareholders and others till December 2020.

In Egyptian pound	31 December 2020	31 December 2019
Treasury Stocks	82 535 470	-
	82 535 470	-

D- Reserves

According to the bank's article of association 10% of the annual net profit is retained to form the legal reserve which ceases when the reserve balance reaches 50% of the issued capital.

Pursuant to the Central Bank of Egypt instructions the balance of the special reserve cannot be utilized without recourse to the Central Bank of Egypt

The reserves balance comprises of the following as at December 31 2020:

In Egyptian pound	31 December 2020	31 December 2019
Legal reserve formed in accordance with the bank's article of association	216 236 225	179 183 061
General reserve to be used whenever in favor of the bank and the shareholders in accordance with the General Assembly approval	11 504 993	11 504 993
Capital reserve	74 167 937	15 416 429
General banking risk reserve	232 972 424	24 053 432
Revaluation differences for available for sale investments	112 651 024	85 598 922
The Bank's share in the extraordinary revenues reserve of Orient Takaful Insurance Company	4 171 712	5 382 855
General bank risk reserve transferred from retained earnings	42 300 430	208 918 992
	694 004 745	**530 058 684**

The changes in the reserves are represented in the following:

A– **General Risk Reserve**

Transfer the balances on December 31, 2018 from special reserve and general banking risk reserve (credit) and IFRS9 risk reserve to general banking risk reserve in accordance with the instructions for implementing the requirements of IFRS 9 issued by the Central Bank of Egypt on February 26, 2019

In Egyptian pound	31 December 2020	31 December 2019
Balance at the beginning of the year	–	–
Transferred from Special reserve		32 576 304
Transferred from General banking risk reserve		72 751 623
Transferred from IFRS9 risk reserve		94 513 720
trnsffered to ECL at the initial implementation of IFRS 9		(199 841 647)
Balance at the end of the period \ year	–	–

A– **General banking risk reserve**

In Egyptian pound	31 December 2020	31 December 2019
Balance at the beginning of the year	**232 972 424**	**96 805 055**
Transferred from general risk reserve		(72 751 623)
Balance at the beginning of the year – amended	**232 972 424**	**24 053 432**
Transferred from the profit of (2018 Dividends)	42 300 430	208 918 992
Balance at the end of the year	**275 272 854**	**232 972 424**

B– **Legal reserve**

In Egyptian pound	31 December 2020	31 December 2019
Balance at the beginning of the period/year	**179 183 061**	**152 407 450**
Transferred from the profit of the year	37 053 164	26 775 611
Balance at the end of the year	**216 236 225**	**179 183 061**

C– **Fair value reserve – Available for sale investment**

In Egyptian pound	31 December 2020	31 December 2019
Balance at the beginning of the year	**85 598 922**	**(23 554 413)**
Impact of changes arising from the initial implementation of IFRS 9		53 702 603
Balance at the beginning of the year – amended	**85 598 922**	**30 148 190**
Net change in the fair value	28 748 980	89 489 184
Expected Credit loss imapct	(1 696 878)	(34 038 452)
Balance at the end of the year	**112 651 024**	**85 598 922**

D– **Extraordinary income reserve**

In Egyptian pound	31 December 2020	31 December 2019
Balance at the beginning of the year	**5 382 855**	**5 382 855**
The Bank's share in the extraordinary revenues reserve of Orient Takaful Insurance Company	(1 211 143)	–
Balance at the end of the year	**4 171 712**	**5 382 855**

E– **IFRS9 risk reserve**

In Egyptian pound	31 December 2020	31 December 2019
Balance at the beginning of the year		**94 513 720**
Transfer to general risk reserve		(94 513 720)
Balance at the end of the year	–	

Pursuant to Central Bank of Egypt regulations the available for sale investments were valued by fair value according to the banking financial statements preparation and presentation rules – recognition and measurement basis issued by the Central Bank of Egypt's board of director dated December 16 2008 taking into consideration the difference in the exchange rate per each investment the revaluation differences arising from changes in the fair value are recognized in equity under reserve for revaluation of Available for Sale investments in the other reserves

F– **Retained earnings**

In Egyptian pound	31 December 2020	31 December 2019
Movement on retained earnings		
Balance at the beginning of the year	**609 434 362**	**556 779 412**
– Transferred to legal reserve	(37 053 164)	(26 775 611)
– Employees share in the profit	(42 928 314)	(27 010 995)
– Board of directors remuneration	–	(9 476 895)
– Transferred to Capital reserve	(58 751 508)	(2 353 841)
– Dividend shareholders – bonus shares	–	(73 740 713)
Retained earnings	**470 701 376**	**417 421 357**
Transferred to ECL after implementation of IFRS 9	–	(28 351 151)
Balance at the beginning of the year – amended	**470 701 376**	**389 070 206**
Net profit for the year\period	490 565 294	429 283 148
–Transferred to General Banking Risk reserve	(45 212 009)	(213 611 929)
–Transferred From General Banking Risk reserve	2 911 579	4 692 937
Balance at the end of the year /period	**918 966 240**	**609 434 362**

25- Cash and cash equivalents

For the purpose of presenting the cash flow statement cash and cash equivalents include the following balances maturing within less than 3 months from the date of acquisition.

In Egyptian Pound	31 December 2020	31 December 2019
Cash and due from Central Bank of Egypt (Note no 6)	230 494 451	227 003 285
Due from banks (Note no 7)	955 701 252	2 712 670 970
Treasury bills and the governmental notes (Note no 11)	35 000 000	893 965 000
	1 221 195 703	**3 833 639 255**

26- Contingent liabilities and commitments

In Egyptian Pound	31 December 2020	31 December 2019
Loan Commitments – Irrevocable	131 132 000	433 099 000
Letter of guarantee	2 065 834 000	1 521 048 113
Letter of credit	109 834 000	99 771 835
Other contingent liabilities	15 264 139	13 108 920
	2 322 064 139	**2 067 027 868**

27- Net income from revenue

In Egyptian Pound	31 December 2020	31 December 2019
Loans interest and similar revenues		
Loans, facilities and deposits at banks		
Deposits at banks	68 452 418	691 092 078
Loans and facilities to clients	1 918 185 271	2 103 574 734
Total loans & banks	**1 986 637 689**	**2 794 666 812**
Treasury bills	821 522 993	620 229 203
Investment in available for sale and held to maturity debt instruments	437 624 667	468 668 612
Total Debt instruments	**1 259 147 660**	**1 088 897 815**
Total	**3 245 785 349**	**3 883 564 627**
Interest expense and similar charges		
Deposits and current accounts:		
To banks	(36 786 765)	(29 048 457)
To clients	(1 917 573 540)	(2 754 291 786)
Other Loans & REPO	(33 633 212)	(48 840 490)
Total	**(1 987 993 517)**	**(2 832 180 733)**
Net	**1 257 791 832**	**1 051 383 894**

28- Dividends income

In Egyptian Pound	31 December 2020	31 December 2019
Financial securities held for trading	–	
Financial securities available for sale	714 285	2 217 497
	714 285	**2 217 497**

29- Net trading income

In Egyptian Pound	31 December 2020	31 December 2019
Revaluation differences of Debt instruments & equity instruments	(18 790)	92 051
Dividends from debt instruments for trading	236 789	351 470
Gains /(Losses) from debt and equity instruments held for trading	–	
Revaluation of financial derivatives assets and liabilities in foreign currencies		5 345
	217 999	**448 866**

30- Gains from financial investments

In Egyptian Pound	31 December 2020	31 December 2019
Gains on sale of treasury bills and bonds	5 955 471	2 411 048
gain on Sale of financial investments available for sale	–	
	31 938 467	**17 946 176**

31- Charge of impairment for expected credit losses

In Egyptian Pound	31 December 2020	31 December 2019
Loans and advances – Impairment charge	112 476 748	165 649 396
Due from banks – Impairment charge (reverse)	53 020	(892 003)
Financial investments at amortized cost – Impairment charge	(178 074)	190 539
Financial investments at fair value through OCI – Impairment charge (reverse)	(1 696 878)	(34 038 452)
	110 654 816	**130 909 480**

32- Administrative expenses

In Egyptian Pound	31 December 2020	31 December 2019
Labor cost		
Wages and salaries	288 151 768	241 760 953
Social insurance	16 463 427	18 562 217
Total Labor cost	**304 615 195**	**260 323 170**
Other administrative expenses*	314 918 627	282 120 422
	619 533 822	**542 443 592**

* Other administrative expenses

In Egyptian Pound	31 December 2020	31 December 2019
Depreciation and amortization	89 532 748	82 604 755
Subscriptions	26 452 568	30 563 851
Taxes and fees	44 548 874	51 952 730
Repair and maintenance	50 480 978	32 976 091
Insurance	3 900 064	4 999 736
Advertising	14 845 145	3 653 565
Security and cleaning	16 796 315	15 606 200
Electricity water mail swifts & Gas	19 003 164	21 077 056
Hospitality	1 465 835	3 123 154
Stationary & Prints	3 854 195	2 817 936
Others	44 038 741	32 745 348
	314 918 627	**282 120 422**

33- **Other operating revenues (expenses)**

In Egyptian Pound	31 December 2020	31 December 2019
Gains from revaluation of assets and liabilities in foreign currencies and foreign exchange earnings	28 475 807	31 059 550
Gains from sale of fixed assets	15 052 147	58 751 508
Other provision formed	11 298 441	(5 049 107)
Assets rent expense	(52 043 283)	(41 916 491)
Gains from assets reverted to the bank	3 133 963	8 810 184
	5 917 075	**51 655 644**

34- **Profit per share**

The portion of the share in the profit is calculated by dividing the net profits of the shareholders of the bank by ordinary shares.

	In Egyptian Pound	31 December 2020	31 December 2019
	Net profit for the year	490 565 294	429 283 148
Deduct:	*Employees share*	(49 056 529)	(42 928 315)
Deduct:	*B.O.D. remuneration*	(13 143 208)	-
	distributed net profit	428 365 557	386 354 833
	Weighted average number of shares	255 110 760	263 359 688
	profit per share	**1.68**	**1.47**

35- **Capital commitments**

The uncalled capital commitments related to the financial investments at the balance sheet date amounted to EGP 15,264,139 as follows:

In Egyptian Pound	Commitments	Amount Paid	Unclaimed / unpaid amount
Obligations for leases	15 264 139	-	15 264 139
	15 264 139	**-**	**15 264 139**

36- Effective average interest rates during the year

The average interest rates on assets 11.87٪ and liabilities 7.27٪ during the year.

37- Transactions with related parties

The bank deals with its related parties on the same basis as with other parties In the balance sheet date the nature of these significant transactions and its balances represented in are as follows:-

In Egyptian Pound	31 December 2020	31 December 2019
Nature of transactions		
Due from banks	9 423	6 454
Investments in associates	112 783	88 011
Customers' deposits	6 619	4 477
Due to banks	–	5 305
Subordinated loan from ADCB(UNB)-Abu Dhabi	786 605	802 075
Contingent liabilities and commitment	2 208 305	1 841 576

38- Tax status

First : Corporate income tax

Years from establishment till 2004

- The taxes due for this period were fully paid according to the petition committees assessments and Dispute settlement committees

Year 2005/2006

- The bank was notified of form 19 with a tax amounted EGP 537 thousands Petition was conducted and decision of internal committee has been finalized for the amount of EGP 145 thousands has been paid in full, in addition to 44 million resulting deported losses that will be utilized for the next five years.

Year 2007/2008

- The bank was notified of the form 19 with a tax amounted LE 107.50 million, which was challenged and referred to the petition committee which issued its decision to re investigate the opinion of the dispute regarding the loan allocation and notify the committee. The dispute was settled with the Center, resulting deported losses amounted 47 Million pounds after the transfer of losses for the years 2005/2006, the bank has the right to deport them for the following years, as well as on some independents taxable income amounted 142 thousand pounds, this amount was paid out of the EGP 10 Million which was paid to finalize years 2007-2014.

Year 2009/2014

- The bank was notified with a form 19 with a tax amounted of EGP 189 million pounds, Petition was conducted and currently pending for the decision of internal committee, and It issued its decision to re-examine it to express its opinion on some points of disagreement in light of the documents submitted by the bank , A defense memorandum and a document portfolio were submitted, and the dispute was handled and concluded in conciliation with the tax center for major financiers, which resulted in a tax of EGP 8.7 million after effect the losses of the years 2007/2008 well as on some independents taxable income amounted EGP 11.8 million
- As well as is being calculated by the ETA in return for delay in accordance with Article 110 and penalties for delay in accordance with Article 87 of Law 91 of 2005 and its amendments, which the bank's tax advisor estimated at about EGP 30 million and it is expected that in the event of entering into a dispute regarding it About the amount of EGP 15 million.

- The bank paid EGP 20 million from the tax account for the 2009/2017 years, thus the total repayment for the 2007/2017 years is EGP 30 million, the remaining fully provision provided.

Year 2015\2018

- The bank was notified with a form 19 with a tax amounted of EGP 520.37 million, Petition was conducted, it is expected for tax investigate to result in 10 million EGP and some independents taxable income to result in 4 million EGP, fully provision provided to meet the remaining tax disputes that will result from those years.

Year 2019

- The bank submitted the tax return as per law tax authority it is expected for tax investigate to result in 3 million EGP and some independents taxable income to result in 1 million EGP, currently the bank in process to forming provision to meet these expectations.

The tax rate for the year 2020 reached 32.7%

Second : <u>Tax on movable capitals</u>

Years from establishment till 2004

- The taxes due for this period were fully paid according to the petition committees assessments and Dispute settlement committees

Year 1/1/2005-30/6/2005

- The bank was notified of form 18 with a tax amounted LE 132 thousand. It was objected the internal committee finalize the tax to be LE 84 thousand and it is under settlement.

Delay penalties from 1994/2002

- The delay penalties regarding the year 1994/2002 amounted to LE 24.7 M the due amount was fully paid.

Third : <u>Stamp duty tax</u>

Years till 2006

The bank calculates and pays this stamp tax duty regularly in accordance with the law The tax authority inspected the branches' records and documents and an agreement was reached between the bank and the tax authority in the internal committee the bank paid according to the internal committee and transfer the disputes to petition committee.

The tax advisor expects that the tax dispute will result in tax differences due amounting to 16 million EGP; and fully provision provided.

From August 2006 till March 2013

All branches were inspected in accordance with the regulations of law 143 for year 2006, which is the amended provision of the law 111 for year 1980

The tax authority investigated It has resulted in tax differences due amounting to35.42 million EGP and the bank contestation.

Reconciliation was reached between the bank and the tax authority and the result

of tax dispute due amounting to 4 million and the bank paid it.

From April 2013 to December 2015

All branches were inspected in light of the provisions of Law 143 for the year 2006 amended to the provisions of Law 111 for the year 1980 and the examination resulted in tax differences of 1579 thousand pounds, noting that the bank has paid the amount of 2 million pounds under the calculation of that tax.

From January 2016\2018

Under Investigation and provisions charged about 8 million EGP according to the opinion of the tax consultant.

Year 2019

Not Investigated yet, and provisions charged about 3 million EGP according to the opinion of the tax consultant.

Fourth : <u>Salaries taxes</u>

Years from 1981 till 1998

The taxes due for the period were fully paid according to the internal and petition committees' assessments.

Years from 1999 till 2005

The taxes assessed by the internal committee amounted to 4.6 million EGP the bank paid taxes for these years on 2nd quarter of year 2014 amounted to LE 2.3 million and finishing all disputes till 2005 except dispute of LE 205 thousands for the year of 2004 in appeal committee.

Years 2006 till 2012

The tax authority advised the bank with estimated tax differences of LE 23 million which have been objected and transferred to petition committee the committee decided to reinvestigate currently the documents are in submission and expected result tax due amounting to 9 million EGP; and fully provision provided.

Years 2013 till 2015

The bank has been notified tax with tax amounted EGP 83.35 Million; which have been objected and transferred to the internal committee which decided to reinvestigate and expected result tax due amounting to EGP 6 million; and fully provision provided.

Years 2016 till 2019

The bank submitted the tax return as per law tax authority, the tax authority did not investigate till now and expected result tax due amounting to 10 million EGP; and fully provision provided.

Tax penalties

The tax authority advised the bank about delay penalties for the years 1999-2005 amounting LE 2.5 million which has been objected and 10% of them were paid after payment of all the assets in front of the judiciary to take advantage of the incentive to waive the delay in accordance with Law 174 of 2018, The balance is under settlement by tax authority and notifying the bank.

39- Material Events

- The extraordinary general assembly dated November 6, 2019 decided to delisting the bank's shares from the Egyptian Stock Exchange voluntarily in accordance with the Article (55) of the rules for the registration and delisting of securities on the Egyptian Stock Exchange and Article (74) of its executive procedures , and On March 25, 2020 the Stock Exchange Registration Committee decided delisting bank's shares from the trading schedules of the Egyptian Stock Exchange, while obliging the bank to purchase the shares of the objecting shareholders and others at a fair value of EGP 9.92 per share for a period of six months ending on August 23, 2020 and it was extended to 24 September 2020 , The bank were purchased 8,248,928 shares during the period from March 15, 2020 to December 31, 2020, with a total value of EGP 82,535,470.

  also executing purchasing shares of the opposing shareholders and others till December 2020.

- Coronavirus ("COVID-19") has spread across different geographic regions worldwide, causing disruption to commercial and economic activities. The COVID-19 outbreak has created uncertainty in the global economic environment. The bank is monitoring the situation closely, and has activated a business continuity plan and other practices for managing risks related to potential business disruption as a result of the COVID-19 outbreak and its impact on banking operations and financial performance.

As a result of the uncertainty resulting from the outbreak of the Coronavirus ("COVID-19") and in anticipation of the expected economic slowdown, the bank is monitoring the loan portfolio closely to determine the impact of the virus on various quantitative and qualitative factors to identify large increases in credit and debt risks related to the sectors most affected by the crisis.
Accordingly, the bank has taken proactive measures and measures by forming the necessary allocations to mitigate the impact of COVID-19 on the loan portfolio at the end of September 2020 with the possibility of forming other additional allocations as a precautionary step until the end of the period of postponing clients' entitlements until the actual performance of the credit loan portfolio is clear.

40- Comparative figures

Comparative figures that are presented in the notes have been reclassified.