

Consolidated Financial Statements December 2020

Together With Auditors' Report



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AUDITORS' REPORT

To the Shareholders of Egyptian Gulf Bank (S.A.E)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Egyptian Gulf Bank (S.A.E)** which comprise the consolidated balance sheet as of 31 December 2020 and the related consolidated statements of income, comprehensive income, consolidated changes in equity and consolidated cash flows for the financial year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

These consolidated 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 of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and amended according to the instructions issued on 26 February 2019 and in light of the prevailing Egyptian laws. Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. Management responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion the consolidated financial statements referred to above present fairly in all material aspects of the consolidated financial position of **Egyptian Gulf Bank (S.A.E)** as of 31 December 2020 and of its financial performance and its consolidated cash flows for the year then ended in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and amended according to the instructions issued on 26 February 2019 and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Report on Other Legal and Regulatory Requirements

According to the information and explanations given to us during the financial year ended 31 December 2020 no contravention of the Central Bank, Banking and Monetary Institution law no.194 of 2020 that replaced the law no.88 of 2003, as well as during the year there is no contravention of the article of association of the bank.

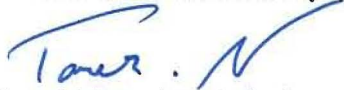
The Bank maintains proper books of account which include all that is required by law and by the Statutes of the Bank, the consolidated financial statements are in agreement thereto.

The financial information included in the Board of Directors' report which is prepared according to law no. 159 of 1981 and its executive regulations are in agreement with the books of the Bank in so far as such information is recorded therein.

CAIRO: 11 February 2021

AUDITORS

Tamer Mohamed Nabarawy



The Financial Supervisory Authority register of auditors no. (389)
Register of accountants and auditors no. (10074)

**Tamer Nabarawy & co
KRESTON EGYPT**

Public Accountant & Consultants



Nabil Akram Istambouli



Fellow of Egyptian Society of Accountants and Auditors

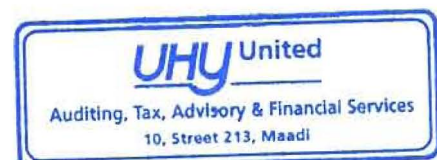
Fellow of the Egyptian Tax Association

The Financial Supervisory Authority register of auditors no. (71)

Register of accountants and auditors no. (4957)

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS At 31 DECEMBER 2020**

	Note	31 December 2020 L.E.	31 December 2019 L.E.
ASSETS			
Cash and due from Central bank of Egypt	(15)	5,607,454,516	4,048,855,106
Due from banks	(16)	2,694,548,261	5,228,326,878
Loans, advances and morabahat to customers (net)	(17)	22,676,872,582	23,318,037,669
Financial investments:			
- Fair value through other comprehensive income	(18)	31,261,200,490	25,969,836,581
- Amortized cost	(18)	5,662,921,283	6,009,477,461
- fair value through profit or loss	(18)	3,195,582	12,723,036
Investment in associates	(19)	134,058,953	132,868,169
Employee stock ownership plan (ESOP)	(20)	89,001,751	83,011,999
Intangible assets	(21)	35,514,588	19,913,273
Other assets	(22)	3,033,035,024	2,818,318,353
Fixed assets	(23)	718,044,428	741,142,505
Non current Assets - Held for sale		9,449,370	9,449,370
TOTAL ASSETS		71,925,296,828	68,391,960,400
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	(24)	2,690,925,050	5,445,609,905
Customers' deposits	(25)	60,156,978,941	56,038,427,675
Other loans and Subordinated deposits	(26)	1,941,468,107	1,122,450,286
Other liabilities	(27)	1,414,434,141	968,275,224
Other provisions	(28)	251,619,155	69,902,411
Dividends Payable		5,130	4,050
Non current Liabilities - Held for sale		10,966,932	11,377,118
TOTAL LIABILITIES		66,466,397,456	63,656,046,669
EQUITY			
Issued and Paid-in capital	(29)	3,623,748,165	3,108,455,538
Reserves	(30)	1,086,826,481	847,308,984
Employee stock ownership plan (ESOP) reserve	(20)	45,711,839	26,603,387
Net profit for the year and retained earnings	(30)	702,599,558	753,531,824
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		5,458,886,043	4,735,899,733
Non-controlling interests		13,329	13,998
TOTAL EQUITY		5,458,899,372	4,735,913,731
TOTAL LIABILITIES AND EQUITY		71,925,296,828	68,391,960,400

Executive Chairman & managing director

Nidal El Kassem Assar



Chairman

Mohamed Gamal El Din Mohamed Mahmoud



- Auditor report attached.
- The accompanying notes from (1) to (38) are an integral part of these consolidated financial statements and are to be read therewith.

**CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	31 December 2020 L.E.	31 December 2019 L.E.
Interest from loans and similar income	(6)	7,371,769,059	7,508,008,596
Interest on deposits and similar expenses	(6)	(4,756,513,732)	(5,557,097,881)
Net interest income		2,615,255,327	1,950,910,715
Fees and commissions income	(7)	351,347,389	324,833,924
Fees and commissions expenses	(7)	(122,101,839)	(74,117,738)
Net fees and commission income		229,245,550	250,716,186
Dividends income	(8)	1,215,928	3,391,795
Net trading income	(9)	164,097,693	89,040,294
Gain from sale of financial investments	(18)	31,876,827	14,591,131
Impairment (charge) release for credit losses	(12)	(424,167,114)	(211,653,713)
General and administrative expenses	(10)	(1,402,906,551)	(1,119,756,980)
Other operating (expenses) income	(11)	(178,698,109)	23,243,593
Share of results of associates		(2,624,841)	3,596,704
Profit before income tax		1,033,294,710	1,004,079,725
Income tax expenses		(406,175,692)	(344,544,579)
Deffered tax		(4,152)	--
Net profit for the year from continued operations		627,114,866	659,535,146
Discontinued operations			
(Losses)/profit for the year from discontinued operations before tax		(2,232,139)	(1,575,905)
(Losses)/profit for the year from Discontinued operations		(2,232,139)	(1,575,905)
Net profit for the year		624,882,727	657,959,241
Attributable to:			
Equity holders of the Bank		624,882,196	657,962,251
Non-controlling interests		531	(3,010)
Net profit for the year		624,882,727	657,959,241
Earnings per share for the year (EGP/ share)	(13)	1.36	1.47

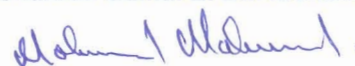
Executive Chairman & managing director

Nidal El Kassem Assar



Chairman

Mohamed Gamal El Din Mohamed Mahmoud



- The accompanying notes from (1) to (38) are an integral part of these consolidated financial statements and are to be read therewith.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 L.E.	31 December 2019 L.E.
Net profit for the year		624,882,727	657,959,241
Other comprehensive income items that might be reclassified to the profit or loss:			
Net change in fair value of financial investment fair value through OCI – debt instruments	(30)	184,022,439	498,834,078
Total other comprehensive income items		184,022,439	498,834,078
Total other comprehensive income for the year		808,905,166	1,156,793,319
Attributable to:			
Equity holders of the Bank		808,904,635	1,156,796,329
Non-controlling interests		531	(3,010)
Total other comprehensive income for the year		808,905,166	1,156,793,319

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 L.E.	31 December 2019 L.E.
Cash flows from Operating Activities			
Profit before income tax from continued operations		1,033,294,710	1,004,079,725
Profit (Loss) before income tax from discontinued operations		(2,232,139)	(1,575,905)
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	(23-21)	101,787,990	110,407,785
Impairment charge for credit losses	(12)	424,167,114	211,653,713
Other provisions (release) charges	(11)	187,367,755	(15,528,490)
Other provisions used, other than provisions for loans	(28)	(6,112,458)	(10,679,205)
Translation differences for other provision in foreign currencies	(28)	461,447	(1,938,926)
Translation differences for monetary financial investments in foreign currencies	(18)	8,281,810	258,250,032
Amortization of premium / discount for bonds	(18)	(41,547,279)	(45,465,905)
Gains from sale of fixed assets	(11)	(606,307)	(612,468)
Dividends income	(8)	(1,215,928)	(3,391,795)
Gains from financial investment		(46,592,440)	(15,930,638)
Bank's share of results of associates applying the equity method		2,624,841	(3,596,704)
Share based payments (employee stock ownership plan)	(20)	19,108,452	19,083,107
Income from investment at fair value through profit and loss		(91,434)	(266,352)
Revaluation differences for financial investments at fair value through profit and loss		(372,790)	(1,276,492)
Operating profit before changes in assets and liabilities provided from operating activities		1,678,323,344	1,503,211,482
Net decrease (increase) in assets and liabilities			
Due from banks		(1,105,388,615)	3,147,234,804
Treasury bills		6,363,775,380	(13,076,805,247)
Financial investment fair value through profit and loss		9,900,244	--
Loans, advances and morabihat to customers		227,130,924	2,426,355,896
Other assets		(110,555,169)	(1,235,408,555)
Due to banks		(2,754,684,855)	245,140,016
Customers' deposits		4,118,551,266	5,520,344,919
Other liabilities		39,977,873	(354,680,035)
Investment held for sale		(410,186)	--
Net cash flows provided (used in) from operating activities	(1)	8,466,620,206	(1,824,606,720)
Cash flows from Investing Activities			
Payments to purchase fixed assets and branches improvement		(164,440,221)	(157,091,554)
Proceeds from sale of fixed assets		1,428,303	629,401
Payments to purchase financial investment other than trading investments	(18)	3,356,129,099	(2,617,864,860)
Proceeds from financial investment fair value through profit and loss		91,434	266,352
Proceeds from sale /mature of financial investments other than trading investments	(18)	(14,531,035,485)	2,184,039,428
Financial investments in associates		(3,815,625)	(12,500,000)
Payments to purchase intangible assets		(22,990,282)	(9,100,610)
Dividends received	(8)	1,073,256	3,391,795
Employee stock ownership plan (ESOP)	(20)	(5,989,752)	(20,726,393)
Net cash flows (used in) investing activities	(2)	(11,369,549,273)	(628,956,441)
Cash flows from Financing Activities			
Increase in long long-term loans and Subordinated deposits		819,017,821	(38,042,000)
Dividends paid		(90,310,084)	(78,638,764)
Net cash flows provided from (used in) financing activities	(3)	728,707,737	(116,680,764)
Net change in cash and cash equivalents during the year	(1+2+3)	(2,174,221,330)	(2,570,243,925)
Cash and cash equivalents at beginning of the year		4,068,059,545	6,638,303,470
Cash and cash equivalents at the end of the year		1,893,838,215	4,068,059,545

Consolidated STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 – CONTINUED

Cash and cash equivalents are represented in (note 31)			
Cash and balances with the CBE	(15)	5,607,454,516	4,048,855,106
Due from banks	(16)	2,696,610,288	5,230,029,082
Treasury bills	(18)	7,574,727,535	2,957,848,593
Balance with CBE within the limit of statutory reserve		(6,110,021,285)	(5,034,744,371)
Due from banks with maturities more than 3 months		(300,304,360)	(270,219,000)
Treasury bills with maturity more than 3 months		(7,574,628,479)	(2,863,709,865)
Cash and cash equivalents at the end of the year		1,893,838,215	4,068,059,545

- The accompanying notes from (1) to (38) are an integral part of these consolidated financial statements and are to be read therewith.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Issued and paid-in Capital L.E.	Retained for capital increase L.E.	Reserves L.E.	General Banking Risk Reserve L.E.	ESOP L.E.	Retained Earnings L.E.	Equity Attributable to Equity Holders L.E.	Non-Controlling Interests L.E.	Total L.E.
31 December 2019										
Balance as of 1/1/2019		2,256,089,600	400,000,000	289,719,246	--	7,520,280	700,274,579	3,653,603,705	(5,022,478)	3,648,581,227
Transferred for General risk reserve		--	--	(208,750,579)	208,750,579	--	--	--	--	--
Transferred for capital increase		400,000,000	(400,000,000)	--	--	--	--	--	--	--
Capital increase (Stock dividends)		452,365,938	--	--	--	--	(452,365,938)	--	--	--
Adjustments		--	--	--	--	--	133,348	133,348	--	133,348
Contributing to a retained investment for sale		--	--	--	--	--	(13,738,486)	(13,738,486)	5,039,486	(8,699,000)
Distributed Dividends		--	--	--	--	--	(78,638,763)	(78,638,763)	--	(78,638,763)
Transferred to legal reserves		--	--	58,151,287	--	--	(58,151,287)	--	--	--
Net Change in other comprehensive income items	(31)	--	--	595,870,673	--	--	--	595,870,673	--	595,870,673
Total impact of reclassification and remeasurement		--	--	(98,376,102)	--	--	--	(98,376,102)	--	(98,376,102)
Transferred to capital reserve from retained earnings		--	--	1,943,880	--	--	(1,943,880)	--	--	--
Employee stock ownership plan (ESOP)		--	--	--	--	19,083,107	--	19,083,107	--	19,083,107
Net profit for the year		--	--	--	--	--	657,962,251	657,962,251	(3,010)	657,959,241
Balance as of 31 December 2019		3,108,455,538	--	638,558,405	208,750,579	26,603,387	753,531,824	4,735,899,733	13,998	4,735,913,731
31 December 2020										
Balance as of 1/1/2020		3,108,455,538	--	638,558,405	208,750,579	26,603,387	753,531,824	4,735,899,733	13,998	4,735,913,731
Transferred for capital increase	(29)	515,292,627	--	--	--	--	(515,292,627)	--	--	--
Distributed Dividends	(30)	--	--	--	--	--	(90,311,164)	(90,311,164)	--	(90,311,164)
Transferred to legal reserves	(30)	--	--	67,534,204	--	--	(67,534,204)	--	--	--
Net Change in other comprehensive income items	(30)	--	--	169,306,826	--	--	--	169,306,826	--	169,306,826
Transferred to general banking risk reserve from retained earnings	(30)	--	--	2,063,999	--	--	(2,063,999)	--	--	--
Transferred to capital reserve from retained earnings	(30)	--	--	612,468	--	--	(612,468)	--	--	--
Employee stock ownership plan (ESOP)	(20)	--	--	--	--	19,108,452	--	19,108,452	--	19,108,452
Net profit for the year	(30)	--	--	--	--	--	624,882,196	624,882,196	(669)	624,881,527
Balance as of 31 December 2020		3,623,748,165	--	878,075,902	208,750,579	45,711,839	702,599,558	5,458,886,043	13,329	5,458,899,372

- The accompanying notes from (1) to (38) are an integral part of these consolidated financial statements and are to be read therewith

SEPARATE STATEMENT OF PROPOSED EARNING DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2020

	31/12/2020 L.E.	31/12/2019 L.E.
Net profit of the year (from income statement)	625,232,685	675,342,042
Property profit selling, transferred to capital reserve according to the law	(606,307)	(612,468)
Change in General bank risk reserve	(2,063,999)	(2,063,999)
Distributable net profit for the year	622,562,379	672,665,575
Retained earnings in the beginning of the financial year	80,959,348	80,959,348
Distributable Total Balance	703,521,727	753,624,923
To be distributed as follows:		
Banking System Support and Development Fund *	6,225,624	--
Legal reserve **	62,462,638	67,534,204
Dividends to shareholders - first tranche (5% from paid in capital) ***	181,187,408	155,422,777
Employees profit share	62,523,269	67,534,204
Board of directors remuneration	20,641,492	22,304,540
Dividends to shareholders (second tranche)	295,686,941	359,869,850
Retained earnings at the end of the financial year	74,794,355	80,959,348
Total	703,521,727	753,624,923

* It present 1% of available net profit for distribution according to article (178) of central bank and banking system law no. 194 of 2020, it deducted (1%) for banking system development and support fund, in accordance with the instructions of te Central bank of Egypt.

** The legal reserve presents 10% of net profit of the year after deducting property profit selling transferd to capital reserve.

*** The first and the second tranche kept in retained earnings to increase the issued and paid in capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Egyptian Gulf Bank provides corporate, retail banking and investment banking services in various areas of Egypt through its head office 8/10 Ahmed Nessim St., El Orman Plaza Building, Giza and fifty eight branches, and employs over 1920 employees as of the balance sheet date.

Parent Company

Egyptian Gulf Bank S.A.E was established under the minister decree No.296 at 14 October 1981 according to the Investment Law No.43 for 1974, that was replaced by investment law No.230 for the 1989 that was canceled by law No.8 for 1997 which is concerned for the issuance of guarantees and incentives of investment and its executive regulations in the Arab Republic of Egypt, The Bank is listed in the Egyptian Stock Exchange.

Subsidiary Company

Egyptian Gulf Holding company S.A.E was established under the capital market law no. 95 of 1992 and its executive regulations. The company was registered in the Commercial Register No.27221 at 18 September 2012, the initial contract and Articles of Association of the Company were published in the companies journal No.56 in June 2012

On 31 December 2020, The Bank owns a stake in Egyptian Gulf Holding of 1 999 700 shares that represent 99.985%
On 31 December 2019, The Bank owns a stake in Egyptian Gulf Holding of 1 999 700 shares that represent 99.985%

Non current Investments held for sale

Hamens for German Technology Industries Company S.A.E was established in accordance with the Law No.159 of 1981 by issuing the Companies Law and its Executive Regulations and its amendments, and the company was registered in the commercial register No. 98638 on 3/5/1994.

On 31 December 2020, The Bank owns a stake in Hamenz for German Technology Industries Company of 30498 shares with an ownership of 99.99%. Our bank's share in the company's capital was increased on July 1, 2019

On 31 December 2019, The Bank owns a stake in the Hamens for German Technology Industries Company of 30498 shares with an ownership of 99.99%. Our bank's share in the company's capital was increased on July 1, 2019

Consolidated financial statements were approved by the Board of Directors on 10 February 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies

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

2.A Basis of preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on December 16, 2008; to under IFRS 9 "Financial Instruments" in accordance with the instructions of the Central Bank of Egypt (CBE) dated February 26, 2019.

These consolidated financial statements have been prepared in accordance with the applicable laws of Egypt.

Consolidated financial statements include the Bank as well as the following companies:

Egyptian Gulf Holding co.	99.985%
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The preparation of the periodic consolidated financial statements compiled in accordance with the Egyptian accounting standards and in accordance with the instructions of the Central Bank of Egypt approved by its Board of Directors on 16 December 2008 requires the use of important accounting assumptions and estimates, such as the use of personal provisions by the Group's management when applying the accounting policies of the Group.

The consolidated financial statements at December 31, 2018 have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on December 16, 2008 and starting from January 01, 2019, the financial statements have been prepared according to Central Bank of Egypt (CBE) instructions dated February 26, 2019 to prepare financial statements according to IFRS 9 "Financial Instruments".

The accounting policies set out below have been changed by the management to comply with the adoption of mentioned instructions that described the changes in accounting policies in the following disclosers.

2.B Changes in accounting policies

The Bank applied the instructions of the Central Bank of Egypt (CBE) rules IFRS 9 "Financial Instruments" dated February 26, 2019 starting from January 01, 2019, the following summarize the main accounting policies changes resulted from applying the required instructions.

Classification of financial assets and financial liabilities

At initial recognition, Financial assets have been classified and measured according to amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

The financial assets have been classified according to how they are managed (the entity's business model) and their contractual cash flow characteristics.

The financial assets measured at amortized cost if it is not measured at fair value through profit or loss and the following two conditions met:

- The management intension maintaining the asset in business model to collect contractual cash flow and;
- This contractual conditions of financial assets will build cash flow in certain dates which limited only on payment of principle and interest (SPPI).

The debt instruments measured at fair value through other comprehensive income if it is not measured at fair value through profit or loss and the following two conditions met:

- The management intension maintaining the asset in business model to collect contractual cash flow or selling it and;
- This contractual conditions of financial assets will build cash flow in certain dates which limited only on payment of principle and interest (SPPI).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies – continued

2.B Changes in accounting policies – continued

The Bank may choose without return to measure equity investment which not classified trading investments to be as a fair value through other comprehensive income at initial recognition. And this choice will be made per each investment.

All other financial assets will be classified as fair value through profit or loss.

In addition to that, the bank may choose without return financial asset that will be measured at amortized cost or fair value through other comprehensive income to measured at fair value through profit or loss in the initial recognition, and in such a case that this reclassification will lead to prevent accounting mismatch.

Business model assessment

The Bank makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice, specially to know whether these management policies concentrate to gain the contractual interest or reconcile financial assets period with financial liabilities period which finance these assets or target cash flow from selling the assets.
- How the performance of the portfolio is evaluated and reported to the Bank's management.
- The risks that affect the performance of the business model and the financial assets held within that business model and how those risks are managed.
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Impairment of financial assets

According to Central Bank of Egypt (CBE) instructions dated February 26, 2019 to implement IFRS 9 to replace impairment loss model recognized according to previous instructions dated December 16, 2008 with excepted credit loss (ECL).

Excepted credit loss is applied on all financial assets in addition to some financial guarantees and loan commitments.

According to IFRS 9; Expected credit loss will be recognized earlier than being applied by Central Bank of Egypt (CBE) instructions dated December 16, 2008.

The Bank apply three stages to measure expected credit loss on financial assets that are recognized at amortized cost and debt instruments that are recognized at fair value through other comprehensive income. The financial assets can transfer between three stages according to changes in credit quality since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies – continued

2.B Changes in accounting policies – continued

Stage 1: 12 months Expected Credit Loss

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets, expected credit loss are recognized on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date.

Stage 2: Lifetime Expected Credit Loss - not credit impaired

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime expected credit loss are recognized, but interest is still calculated on the gross carrying amount of the asset.

Lifetime expected credit loss are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime Expected Credit Loss - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date . For these assets, lifetime expected credit loss are recognized.

Transactions Eliminated on Consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments, depending on the level of influence retained.

Investments in associates

An associate is an entity over which the Group has significant influence that is not control or joint control. Significant influence exists where the bank holds voting rights of 20% to 50% in an entity.

Acquisitions of Associates are accounted for using the purchase method; goodwill arising on acquisition of an associate, if any, is not presented separately, but is rather included within the carrying amount of the investment. Investments in associates are accounted for subsequently in the consolidated financial statements using the equity method.

According to the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and is subsequently adjusted to recognize the Group's share in profit or loss, and other changes in the net assets, of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies – continued

2.C Segment reporting

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

2.D Foreign currency translation

2.D.1 Functional and presentation currency

The financial statements are presented in Egyptian pound, which is the Bank's functional and presentation currency.

2.D.2 Transactions and balances in foreign currencies

The bank maintains its accounting records in Egyptian pound, Transactions in foreign currencies during the financial year are translated into Egyptian pound using the prevailing exchange rates on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of the reporting period at the prevailing exchange rates, Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items.

- Net trading income through profit and loss from held-for-trading assets and liabilities or through profits and losses by type.
- Other operating revenues (expenses) from the remaining assets and liabilities.

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

Valuation differences resulting from changes in the amortized cost are recognized and reported in the income statement in income from loans and similar revenues' whereas difference resulting from changes in foreign exchange rates are recognized and reported in 'other operating revenues (expenses)', The remaining differences resulting from changes in fair value are deferred in equity and accumulated in the 'Revaluation reserve of available-for-sale investments'.

Valuation differences resulting from the non-monetary items include gains and losses of the change in fair value of such equity instruments held at fair value through profit and loss, as for recognition of the differences of valuation resulting from equity instruments classified as financial investments available for sale within the fair value reserve in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies – continued

2.E Financial assets

2.E.1 Financial Policies applied starting from January 1, 2019

Financial assets classified as amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

The classification depends on the business model of the financial assets that are managed with its contractual cash flow and is determined by management at the time of initial recognition.

Financial assets classified as amortized cost

The financial asset is retained in the business model of financial assets held to collect contractual cash flow.

The objective from this business model is to collect contractual cash flow which represented in principle and interest.

The sale is an exceptional event for the purpose of this model and under the terms of the standard represented in following:

- Significant deterioration for the issuer of financial instrument;
- Lowest sales in terms of rotation and value;
- A clear and reliable documentation process for the justification of each sale and its conformity with the requirements of the standard.

Financial assets classified as fair value through other comprehensive income

The financial asset is retained in the business model of financial assets held to collect contractual cash flows and sales.

Held to collect contractual cash flows and sales are integrated to achieve the objective of the model.

Sales are high in terms of turnover and value as compared to the business model retained for the collection of contractual cash flows.

Financial assets classified as fair value through profit or loss

The financial asset is held in other business models including trading, management of financial assets at fair value, maximization of cash flows through sale.

The objective of the business model is not to retain the financial asset for the collection of contractual or retained cash flows for the collection of contractual cash flows and sales.

Collecting contractual cash flows is an incidental event for the objective of the model.

The characteristics of the business model are as follows:

- Structuring a set of activities designed to extract specific outputs.
- Represents a complete framework for a specific activity (inputs - activities - outputs).
- One business model can include sub-business models.

2.F Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention to be settled on a net basis, or realize the asset and settle the liability simultaneously.

Agreements of repos and reverse repos are shown by the net in the financial statement in treasury bills and other governmental notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies – continued

2.G Interest income and expense

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

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

Once loans or debts are classified as non-performing or impaired, the revenue of interest income will not be recognized and will be recorded off balance sheet, and are recognized as income subsequently based on a cash basis according to the following:

- When all arrears are collected for consumer loans, personal mortgage and micro-finance loans.
- When calculated interest For corporate are capitalized according to the rescheduling agreement condition until paying 25 % from rescheduled payments for a minimum performing period of one year, if the customer continues to perform, the calculated interest will be recognized in interest income [interest on the performing rescheduling agreement balance] without the marginalized before the rescheduling agreement which will be recognized in interest income after the settlement of the outstanding loan balance.

2.H Fees and commission income

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue as the service is provided fees and commissions on non-performing or impaired loans or receivable cease to be recognized as income and are rather recorded off balance sheet, These are recognized as revenue, on a cash basis, only when interest income on those loans is recognized in profit and loss, at that time, fees and commissions that present an integral part of the effective interest rate of a financial asset, are treated as an adjustment to the effective interest rate of the financial asset.

Commitment fees and related direct costs for loans and advances where draw down is probable are deferred and recognized as an adjustment to the effective interest on the loans drawn, commitment fees in relation to facilities where draw down is not probable are recognized at the maturity of the term of the commitment.

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

Commission and fees arising from negotiation, or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares of other securities and the purchase or sale of properties are recognized upon completion of the underlying transaction in the income statement. Other management advisory and service fees are recognized based on the applicable service contracts, usually on accrual basis, financial planning fees related to investment funds are recognized steadily over the period in which the service is provided the same principle is applied for wealth management; financial planning and custody services that are provided on the long term are recognized on the accrual basis also.

2.I Dividend income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies – continued

2.J Sale and repurchase agreements

Securities may be lent or sold according to commitment to repurchase (REPOs) are reclassified in the financial statement and deducted from Treasury Bills balance, Securities borrowed or purchased according to a commitment to resell them (reverse REPOs) are reclassified in the financial statement and added to treasury bills balance, The difference between sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest rate method.

2.K Impairment of financial assets

Financial Policies applied starting from January 01, 2019

The bank reviews all its financial assets, except those classified as at fair value through profit or loss, to assess whether an indication exists that these assets have suffered an impairment loss as described below:

Financial assets are classified at three stages at each reporting date:

Stage 1: Financial assets that have not experienced a significant increase in credit risk since the date of initial recognition, and the expected credit loss is calculated for 12 months.

Stage 2: Financial assets that have experienced a significant increase in credit risk since the initial recognition or the date on which the investments are made, the expected credit loss is calculated over the life of the asset.

Stage 3: Impairment of financial assets whose expected credit loss is to be recognized over the life of the asset on the basis of the difference between the carrying amount of the instrument and the present value of expected future cash flows.

Credit losses and impairment losses on the value of financial instruments are measured as follows:

- The low risk financial instrument is classified at initial recognition in the first stage and credit risk is monitored continuously by the Bank's credit risk management.
- 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.
- Financial instrument, it is transferred to the third stage.
- The financial assets created or acquired by the Bank and include a high credit risk ratio for the Bank's low risk financial assets are recognized on the initial recognition of the second stage directly and therefore the expected credit losses are measured on the basis of expected credit losses over the life of the asset.

Significant increase in credit risk

The Bank considers that the financial instrument has experienced a significant increase in the credit risk when one or more of the following quantitative and qualitative criteria, as well as the factors relating to default, have been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies – continued

2.L Impairment of financial assets – continued

- **Quantitative factors**

When the probability of default over the remaining life of the instrument is increased from the date of the financial position compared to the probability of default over the remaining life expected at initial recognition in accordance with the Bank's acceptable risk structure.

- **Qualitative factors**

If the borrower encounters one or more of the following events:

- The borrower submits a request to convert short-term to long-term payments due to negative effects on the borrower's cash flows.
- Extension of the deadline for repayment at the borrower's request.
- Frequent Past dues over the previous 12 months.
- Future adverse economic changes affecting the borrower's future cash flows.

Corporate loans and medium businesses

If the borrower has a follow-up list and / or financial instrument faced one or more of the following events:

- A 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 physical or economic conditions in which the borrower operates.
- Scheduling request as a result of difficulties facing the borrower.
- Significant negative changes in actual or expected operating results or cash flows.
- Future economic changes affecting the borrower's future cash flows.
- Early indicators of cash flow / liquidity problems such as delays in servicing creditors / business loans.
- Cancellation of a direct facility by the bank due to the high credit risk of the borrower.

Unpayments

The loans and facilities of institutions, medium, small, micro and retail banking are included in stage two if the period of non-payment is more than 60 days and less than 90 days. Note that this period (60 days) will be reduced by (10) days per year to become (30) days during (3) years from the date of application.

Transfer between three stages (1,2,3):

- **Transfer from second stage to first stage:**

The financial asset shall not be transferred from the second stage to the first stage unless all the quantitative and qualitative elements of the first stage are met and the full arrears of the financial asset and the proceeds are paid.

- **Transfer from third stage to second stage:**

The financial asset shall not be transferred from the third stage to the second stage until all the following conditions have been met:

- Completion of all quantitative and qualitative elements of the second stage.
- Repayment of 25% of the balance of the outstanding financial assets, including accrued segregated / statistical interest.
- Regularity of payment for at least 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies – continued

2.K Intangible assets

Software (computer programs)

Expenditures related to the development or maintenance of computer programs, are to be charged on income statement, as incurred, Expenditures connected directly with specific software and which are subject to the Bank's control and expected to produce future economic benefits exceeding their cost for more than one year, are to be recognized as an intangible asset, The expenses include staff cost of the team involved in software upgrading, in addition to a portion of overhead expenses.

The expenditures that lead to the development of computer software beyond their original specifications are recognized as an upgrading cost and are added to the original software cost.

The computer software cost is recognized as an asset that is amortized over the expected useful life time not exceeding four years, except for the main software for the bank that is amortized over 10 years.

2.L Other assets

Non-current Assets held for Sale

Non-current assets are classified as non-current assets held for sale if it is expected to recover their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This includes assets bought for loans settlement, fixed assets which the bank suspends their use to sell it, and the subsidiaries and associates companies which the bank buy for the purpose of selling them.

The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

The asset (or disposal group) that is classified as assets held for sale based on the book value in the classification date, or the fair value deducting the sale costs whichever is less.

If the bank changes the sale plan, the book value of the asset will be modified to the amount by which the asset would have been measured in case it was not classified as an asset held for sale taking into consideration any value decline. As for assets gained against loans settlement, if the bank fails to sell them within the legally set period, the bank should form 10% from the asset value annually as a general bank risk reserve

The changes in the value of non-current assets held for sale, the profit and loss of sale shall be acknowledged in the item other operating revenues (expenses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies – continued

2.M Fixed assets

Land and buildings comprise mainly branches and offices, all property, plant and equipment are stated at historical cost less depreciation and impairment losses, Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

- Buildings	50	Years
- Safes	40	Years
- Furniture	10	Years
- Tools and Machinery	8	Years
- Fixtures and Fitting	8	Years
- Equipment	5	Years
- Computers	8	Years
- Transportation	5	Years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, on each balance sheet date, depreciable assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered, An asset's carrying amount is written down immediately to its recoverable value if the asset's carrying amount exceeds its estimated recoverable amount, The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing the selling proceeds with asset carrying amount and charge to other operating Income expenses in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Summary of significant accounting policies – continued

2.N Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized and are tested annually for impairment, assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use, Assets are tested for impairment with reference to the lowest level of cash generating unit(s), a previously recognized impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstance leads to a change in the estimates used to determine the fixed asset's recoverable amount, The carrying amount of the fixed asset will only be increased up to the amount that the original impairment not been recognized.

2.O Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.P Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has present legal or constructive obligation as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

In case of similar obligations, the related cash outflow should be determined in order to settle these obligations as a group, The provision is recognized even in case of minor probability that cash outflow will occur for an item of these obligations.

When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income (expense),

Provisions for obligations, order than those for credit risk or employee benefits, due within more than 12 month from the balance sheet date are recognized based on the present value of the best estimate of the consideration required to settle the present obligation on the balance sheet date, An appropriate pretax discount rate that reflects the time value of money is used to calculate the present value of such provisions, For obligations due within less than twelve months from the balance sheet date, provision are calculated based on undiscounted expected cash outflows unless the time value of money has significant impact on the amount of provision, then it is measured at the present value.

2.Q Employee's benefits

2.R.1 Social insurance

The bank contributes to the social insurance scheme related to the Social Insurance Authority for the benefit of its employees; the income statement is charged with these contributions on an accrual basis and is included in the employee's benefit account.

2.R.2 Profit share

The Bank pay a percentage of the cash profits expected to be distributed as employee's profit share through item "dividends declared" in the owners' equity, and as liability when the its approved by the shareholders general assembly, There is no recorded liability for the employees share in the unpaid dividends portion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies – continued

2.R Employee's benefits - continued

2.R.3 Other retirement liability

The bank provides healthcare benefits to retirees and usually the benefits are granted under the condition that the retiree has reached the retirement age when employed by the bank and completes the minimum required service period, the expected costs are accrued during the period of services rendered by the employee under the defined benefit plans accounting method.

2.R.4 Employee stock ownership plan (ESOP)

The extraordinary general assembly meeting held on 9 May 2017 approved the establishment of the employee stock ownership plan (ESOP) by granting after amending the bank's article of association according to the decision of the extraordinary general assembly meeting held on 23 March 2016 based on a proposal from the bank's board of directors on 29 February 2016, this plan will be applied on 9 August 2017 which is the date of the approval of the Egyptian Financial Supervisory Authority (EFSA) on this plan in accordance with the law.

Equity securities of this plan will be granted to the bank's executive members, departments' heads, general managers, first line managers and employees of the bank based on their annual performance and appraisal according to the bank's financial performance and personal performance report based on his functional grade.

Equity securities granted to employees are measured by reference to the fair value (market price) at the date on which they are granted. Equity securities are revaluated to the fair value (market price) at each reporting date, together with a corresponding revaluation differences in reserve in equity at the balance sheet.

2.S Income tax

Income tax on the profit and loss for the year and deferred tax are recognized in the income statement except for income tax relating to items of equity that are recognized directly in equity.

The income tax is recognized based on net taxable profit using the tax rates applicable on the date of the balance sheet in addition to tax adjustments for previous years.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundation of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable on the date of the balance sheet.

Deferred taxes assets of the bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset, And is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

2.T Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

2.U Capital

Dividends

Dividends on ordinary shares and profit sharing are recognized as a charge of equity upon the general assembly approval, Profit sharing include the employee' Profit share and the board of director' remuneration as prescribed by the bank's articles of incorporation and the corporate law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management

The Bank's activities expose it to variety financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks, Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business, The bank's aim is therefore to achieve an appropriate balance between risk and rewards and minimize potential adverse effect on the Bank's financial performance, The most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks, Also market risk includes exchange rate risk, rate of return risk and other prices risks.

The bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems, the bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by risk department under policies approved by the Board of Directors; Bank treasury identifies, evaluates and hedges financial risks in close co-operation with the bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments; In addition, credit risk management is responsible for the independent review of risk management and control environment.

3.A Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the bank by failing to discharge an obligation, Management therefore carefully manages its exposure to credit risk, Credit exposures arise principally in loans and advances, dept., securities and other bills, There is also credit risk in off-balance sheet financial arrangement such as loan commitments, The credit risk management and control are centralized in a credit risk Management team in bank treasury and reported to the Board of Directors and Heads of each business unit regular.

3.A.1 Credit risk measurement

Loans and advances to banks and customers

In measuring credit risk of Loans and facilities to banks and customers at counterparty level, the bank reflect three components.

- The 'probability of default' by the client or counterparty on its contractual obligation.
- Current exposures to the counterparty and its likely future development, from which the bank derive the 'exposure at default'.
- The likely recovery ratio on the defaulted obligation (the 'loss given default').

These credit risk measurements, which reflect expected loss (expected loss model) are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee), and are embedded in the bank's daily operational management, The operational measurements can be contrasted with impairment allowance required under EAS 26, which are based on losses that have been incurred on the balance sheet data (incurred loss model) rather than expected losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.1 Credit risk measurement – continued

The bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty, they have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, clients of the bank are segmented into four rating classes, the bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class, this means that; In principle, exposures migrate between classes as the assessment of their probability of default changes, the rating tools are kept under review and upgraded as necessary, the bank regularly validates the performance of the rating and their predictive power with regard to default events.

Bank's internal ratings scale

Bank's rating	Description of the grade
1	Performing loans
2	Regular watching
3	Watch list
4	Non-performing loans

The amount of default represent the outstanding balances at the time when a late settlement occurred for example the loans expected amount of default represent its book value, for commitments the default amount represents all actual withdrawals in addition to any withdrawals that occurred till the date of the late payment if any.

Loss given default or loss severity represents the bank expectation of the extent of loss on a claim should default occur, It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

Debt instruments, treasury bills and other bills

For Debt instruments and bills external rating such as standard and poor's rating or their equivalents are used for managing of the credit risk exposures, and if this rating is not available, then other ways similar to those used with the credit customers are uses, the investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3.A.2 Risk limit and mitigation policies

The bank manages, limit and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments, such risks are monitored on revolving basis and subject to an annual or more frequent review, when considered necessary, Limits on the level of credit risk by individual, counterparties, product, and industry sector and by country are approved quarterly by the board of directors

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts, actual exposures against limits are monitored daily.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.2 Risk limit and mitigation policies – continued

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below:

Collaterals

The bank sets a range of policies and practices to mitigate credit risk, the most traditional of these is the taking of security for funds advances, which is common practice, the bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation, The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Mortgages Business assets such as machines and inventory.
- Mortgages financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured, in addition, in order to minimize the credit loss the bank will seek additional collaterals from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances are determined by the nature of the instrument, debt securities, treasury and other governmental securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions, master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on gross basis, However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis, the bank overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Guarantees and standby letters of credit carry the same credit risk as loans, documentary and commercial letters of credit - which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and condition - are collateralized by underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portion of authorizations to extend credit in the form of loans, guarantees or letters of credit, With respect to credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments, However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards, the bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.3 Impairment and provisioning policies

The internal rating systems focus more on credit-quality at the inception of lending and investment activities, Conversely, for only financial reporting purposes impairment losses are recognized for that has been incurred on the balance sheet date when there is an objective evidence of impairment. Due to the different methodologies applied, the amount of incurred impairment losses in balance sheet are usually lower than the amount determined from the expected loss model that is used for internal operational management and CBE regulation purposes.

The impairment provision reported 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 rating degrees.

The following table illustrates the proportional distribution of loans and advances reported in the balance sheet for each of the four internal credit risk ratings of the bank and their relevant impairment losses:

Bank's rating	Loans and advances		Impairment provision	
	% 31 December 2020	% 31 December 2019	% 31 December 2020	% 31 December 2019
Performing loans	%33.52	%37.30	%0.54	%0.85
Regular watching	%55.34	%49.62	%7.21	%4.73
Watch list	%6.34	%9.21	%27.85	%38.99
Non-performing loans	%4.80	%3.87	%64.40	%55.43
	%100	%100	%100	%100

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

- Cash flow difficulties experienced by the borrower or debtor
- Breach of loan covenants or conditions
- It is becoming probable that the borrower will enter bankruptcy or financial re-organization. Deterioration of the borrower's competitive position.
- Bank granted concessions may not be approved under normal circumstances due to economic, legal reasons and financial difficulties facing the borrower.
- Deterioration of the collateral value.
- Deterioration of the credit situation.

The Bank's policy requires the review of all financial assets that are above materiality thresholds at least annually or more regularly when circumstances require, impairment provision on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date, and are applied to all significant accounts individually, The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipt for that individual account, collective Impairment provisions are provided portfolios of homogenous assets by using the available historical loss experience, experienced judgment and statistical techniques.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.4 Pattern of measure the general banking risk

In addition to the four categories of the bank's internal credit rating indicated in note (3.A.1) management classifies loans and advances based on more detailed subgroups in accordance with the CBE regulations, Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position and his repayment track record.

The Bank calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE, In case, the provision required for impairment losses as per CBE credit worthiness rules exceeds the required provision by the application used in balance sheet preparation in accordance with Egyptian Accounting Standards, that excess shall be debited to retained earnings and carried to the equity section, such reserve is always adjusted, on a regular basis, by any increase or decrease so, that reserve shall always be equivalent to the amount of increase between the two provisions, such reserve is not available for distribution, note no. (32.A) represents the movement of general bank risk reserve during the financial year.

Below is a statement of institutional worthiness according to internal ratings, compared to CBE ratings and rates of provisions needed for assets impairment related to credit risk:

CBE rating	Categorization	Provision %	Internal rating	Categorization
1	Low risk	0	1	Performing loans
2	Average risk	1	1	Performing loans
3	Satisfactory risk	1	1	Performing loans
4	Reasonable risk	2	2	Regular watching
5	Acceptable risk	2	2	Regular watching
6	Marginally acceptable risk	3	3	Watch list
7	Watch list	5	3	Watch list
8	Substandard	20	4	Non – performing loans
9	Doubtful	50	4	Non – performing loans
10	Bad debts	100	4	Non – performing loans

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held

	31 December 2020 L.E	31 December 2019 L.E
In balance sheet items exposed to credit risk		
Due from banks	2,696,610,288	5,230,029,082
Fair value through profit and loss	3,195,582	12,723,036
Treasury bills and other government notes	7,781,477,535	9,158,573,593
Loans and advances to customers		
Retail loans		
- Overdraft	95,847,299	312,528,495
- Credit cards	85,144,299	66,745,296
- Personal loans	6,242,418,713	4,435,559,851
- Mortgage	289,346,377	226,008,466
Corporate loans		
- Overdraft	2,261,856,638	4,279,835,050
- Direct loans	7,676,369,559	7,262,358,564
- Syndicated loans	7,518,494,589	7,844,548,680
Financial investments		
- Debt instruments	20,613,827,042	9,096,979,525
Other assets	2,382,411,127	2,283,398,041
Total	57,646,999,048	50,209,287,679
Off-balance sheet items exposed to credit risk		
Letters of credit	269,445,000	371,205,000
Letters of guarantee	2,326,265,000	2,046,121,000
Total	2,595,710,000	2,417,326,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.1 Maximum exposure to credit risk before collateral held

Due from banks	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	2,696,610,288	--	--	2,696,610,288
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total	2,696,610,288	--	--	2,696,610,288
Expected Credit Loss	(2,062,027)	--	--	(2,062,027)
Book value	2,694,548,261	--	--	2,694,548,261

Due from banks	31 December 2019			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	5,230,029,082	--	--	5,230,029,082
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total	5,230,029,082	--	--	5,230,029,082
Expected Credit Loss	(1,702,204)	--	--	(1,702,204)
Book value	5,228,326,878	--	--	5,228,326,878

Treasury bills	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	7,781,477,535	--	--	7,781,477,535
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total	7,781,477,535	--	--	7,781,477,535
Expected Credit Loss	(9,609,636)	--	--	(9,609,636)
Book value	7,771,867,899	--	--	7,771,867,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.1 Maximum exposure to credit risk before collateral held

Treasury bills	31 December 2019			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	9,158,573,593	--	--	9,158,573,593
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total	9,158,573,593	--	--	9,158,573,593
Expected Credit Loss	(10,018,560)	--	--	(10,018,560)
Book value	9,148,555,033	--	--	9,148,555,033

Retail loans	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	2,751,194,184	61,327,037	8,914,338	2,821,435,559
Regular watching	3,628,638,389	--	--	3,628,638,389
Watch list	--	146,229,692	--	146,229,692
Non-performing loans	--	--	116,453,048	116,453,048
Total	6,379,832,573	207,556,729	125,367,386	6,712,756,688
Expected Credit Loss	(71,488,710)	(30,582,649)	(68,632,024)	(170,703,383)
Book value	6,308,343,863	176,974,080	56,735,362	6,542,053,305

Retail loans	31 December 2019			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	2,093,812,428	8,681,613	10,943,205	2,113,437,246
Regular watching	2,783,943,443	--	--	2,783,943,443
Watch list	--	53,601,538	--	53,601,538
Non-performing loans	--	--	89,859,881	89,859,881
Total	4,877,755,871	62,283,151	100,803,086	5,040,842,108
Expected Credit Loss	(33,433,445)	(11,162,953)	(43,957,409)	(88,553,807)
Book value	4,844,322,426	51,120,198	56,845,677	4,952,288,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Corporate loans	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	5,279,019,510	9,721	181,529	5,279,210,760
Regular watching	9,332,019,396	415,184,175	--	9,747,203,571
Watch list	446,762,307	938,799,139	--	1,385,561,446
Non-performing loans	--	--	1,044,745,009	1,044,745,009
Total	15,057,801,213	1,353,993,035	1,044,926,538	17,456,720,786
Expected Credit Loss	(79,607,987)	(348,555,300)	(892,646,709)	(1,320,809,996)
Book value	14,978,193,226	1,005,437,735	152,279,829	16,135,910,790

Corporate loans	31 December 2019			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	6,997,407,226	2,800	287,320	6,997,697,346
Regular watching	9,055,045,583	282,977,808	--	9,338,023,391
Watch list	1,111,455,557	1,079,261,417	4,372,922	2,195,089,896
Non-performing loans	--	--	855,931,661	855,931,661
Total	17,163,908,366	1,362,242,025	860,591,903	19,386,742,294
Expected Credit Loss	(120,621,912)	(325,876,720)	(573,957,368)	(1,020,456,000)
Book value	17,043,286,454	1,036,365,305	286,634,535	18,366,286,294

Debt instruments at fair value through OCI	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	14,950,375,221	--	--	14,950,375,221
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total	14,950,375,221	--	--	14,950,375,221
Expected Credit Loss	(37,432,005)	--	--	(37,432,005)
Book value	14,912,943,216	--	--	14,912,943,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Debt instruments at fair value through OCI	31 December 2019			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	3,090,388,271	--	--	3,090,388,271
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total	3,090,388,271	--	--	3,090,388,271
Expected Credit Loss	(19,084,904)	--	--	(19,084,904)
Book value	3,071,303,367	--	--	3,071,303,367

Debt instruments at amortized cost	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	5,675,951,821	--	--	5,675,951,821
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total	5,675,951,821	--	--	5,675,951,821
Expected Credit Loss	(13,030,538)	--	--	(13,030,538)
Book value	5,662,921,283	--	--	5,662,921,283

Debt instruments at amortized cost	31 December 2019			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	6,019,091,254	--	--	6,019,091,254
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total	6,019,091,254	--	--	6,019,091,254
Expected Credit Loss	(9,613,793)	--	--	(9,613,793)
Book value	6,009,477,461	--	--	6,009,477,461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

The following table shows changes in impairment credit losses between the beginning and ending of the year ended as a result of these factors:

Due from banks	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	1,702,204	--	--	1,702,204
New financial assets purchased or issued	386,164	--	--	386,164
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the year	--	--	--	--
Foreign currencies translation differences	(26,341)	--	--	(26,341)
Ending balance	2,062,027	--	--	2,062,027

Due from banks	31 December 2019			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2019	5,067,712	--	--	5,067,712
New financial assets purchased or issued	--	--	--	--
Matured or disposed financial assets	(3,066,014)	--	--	(3,066,014)
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the year	--	--	--	--
Foreign currencies translation differences	(299,494)	--	--	(299,494)
Ending balance	1,702,204	--	--	1,702,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Treasury bills	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	10,018,560	--	--	10,018,560
New financial assets purchased or issued	--	--	--	--
Matured or disposed financial assets	(533,084)	--	--	(533,084)
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the year	--	--	--	--
Foreign currencies translation differences	124,160	--	--	124,160
Ending balance	9,609,636	--	--	9,609,636

Treasury bills	31 December 2019			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2019	13,204,092	--	--	13,204,092
New financial assets purchased or issued	--	--	--	--
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	(832,741)	--	--	(832,741)
Changes in model assumption and methodology	--	--	--	--
Write off during the year	--	--	--	--
Foreign currencies translation differences	(2,352,791)	--	--	(2,352,791)
Ending balance	10,018,560	--	--	10,018,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.B Credit risk – continued

3.A.6 Maximum exposure to credit risk before collateral held – continued

Retail loans	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	33,433,446	11,162,953	43,957,408	88,553,807
New financial assets purchased or issued	32,126,884	4,750,576	5,814,274	42,691,734
Matured or disposed financial assets	(2,556,572)	(1,657,315)	(1,288,801)	(5,502,688)
Transferred to stage 1	14,862,688	(10,189,837)	(4,672,851)	--
Transferred to stage 2	(11,903,985)	18,809,996	(6,906,011)	--
Transferred to stage 3	(3,088,824)	(6,275,744)	9,364,568	--
Changes in the probability of default and loss in case of default and the exposure at default	8,701,221	13,982,020	18,610,012	41,293,253
Changes in model assumption and methodology	--	--	--	--
Proceeds from bad debts	--	--	3,758,401	3,758,401
Write off during the year	--	--	--	--
Foreign currencies translation differences	(86,148)	--	(4,976)	(91,124)
Ending balance	71,488,710	30,582,649	68,632,024	170,703,383

Retail loans	31 December 2019			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2019	24,572,027	8,274,179	40,296,417	73,142,623
New financial assets purchased or issued	21,927,956	1,559,283	2,012,149	25,499,388
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	402,298	(402,298)	--	--
Transferred to stage 2	(527,224)	527,224	--	--
Transferred to stage 3	(125,080)	(423,005)	548,085	--
Changes in the probability of default and loss in case of default and the exposure at default	(12,761,979)	1,627,573	24,357,297	13,222,891
Changes in model assumption and methodology	--	--	--	--
Proceeds from bad debts	--	--	2,803,718	2,803,718
Write off during the year	--	--	(26,020,085)	(26,020,085)
Foreign currencies translation differences	(54,553)	(3)	(40,172)	(94,728)
Ending balance	33,433,445	11,162,953	43,957,409	88,553,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Corporate loans	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2020	120,621,912	325,876,720	587,081,368	1,033,580,000
New financial assets purchased or issued	1,839,037	157,434	124,088	2,120,559
Matured or disposed financial assets	(233,117)	(12,458,045)	(8,270,690)	(20,961,852)
Transferred to stage 1	107,394,426	(107,394,426)	--	--
Transferred to stage 2	(207,250,974)	207,250,974	--	--
Transferred to stage 3	(2,385,597)	(55,521,119)	57,906,716	--
Changes in the probability of default and loss in case of default and the exposure at default	58,567,059	(7,382,671)	291,507,218	342,691,606
Changes in model assumption and methodology	--	--	--	--
Proceeds from bad debts	--	--	--	--
Transferred from other provisions	--	--	--	--
Write off during the year	--	--	(23,519,534)	(23,519,534)
Foreign currencies translation differences	1,055,241	(1,973,567)	(12,182,457)	(13,100,783)
Ending balance	79,607,987	348,555,300	892,646,709	1,320,809,996

Corporate loans	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2019	164,272,280	6,454,323	707,192,906	877,919,509
New financial assets purchased or issued	523,720	4,195	283,539	811,454
Matured or disposed financial assets	(208,232)	(47,778)	(6,763,683)	(7,019,693)
Transferred to stage 1	58,641,031	(58,641,031)	--	--
Transferred to stage 2	(20,922,000)	21,198,260	(276,260)	--
Transferred to stage 3	(1,801)	(266,390,570)	266,392,371	--
Changes in the probability of default and loss in case of default and the exposure at default	(102,460,424)	637,150,992	(357,705,276)	176,985,292
Changes in model assumption and methodology	--	--	--	--
Proceeds from bad debts	--	--	--	--
Transferred from other provisions	25,000,000	--	--	25,000,000
Write off during the year	--	--	--	--
Foreign currencies translation differences	(4,222,662)	(13,851,671)	(35,166,229)	(53,240,562)
Ending balance	120,621,912	325,876,720	573,957,368	1,020,456,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Debt instruments at fair value through OCI	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	19,084,904	--	--	19,084,904
New financial assets purchased or issued	18,504,242	--	--	18,504,242
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the year	--	--	--	--
Foreign currencies translation differences	(157,141)	--	--	(157,141)
Ending balance	37,432,005	--	--	37,432,005

Debt instruments at fair value through OCI	31 December 2019			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2019	5,537,697	--	--	5,537,697
New financial assets purchased or issued	15,377,510	--	--	15,377,510
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the year	--	--	--	--
Foreign currencies translation differences	(1,830,303)	--	--	(1,830,303)
Ending balance	19,084,904	--	--	19,084,904

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Debt instruments at amortized cost	30 September 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	9,613,793	--	--	9,613,793
New financial assets purchased or issued	3,477,180	--	--	3,477,180
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the year	--	--	--	--
Foreign currencies translation differences	(60,435)	--	--	(60,435)
Ending balance	13,030,538	--	--	13,030,538

Debt instruments at amortized cost	31 December 2019			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	19,966,326	--	--	19,966,326
New financial assets purchased or issued	--	--	--	--
Matured or disposed financial assets	(9,324,374)	--	--	(9,324,374)
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the year	--	--	--	--
Foreign currencies translation differences	(1,028,159)	--	--	(1,028,159)
Ending balance	9,613,793	--	--	9,613,793

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

The above table represents the maximum limit for credit risk as of 31 December 2020 and 31 December 2019, without

taking into considerations any collateral, for on-balance-sheet items, amounts stated depend on net carrying amounts shown in the balance sheet.

As shown in the preceding table 41.89% of the total maximum limit exposed to credit risk resulted from loans and advances to customers against 55.47% as at 31 December 2019; While %49.21 represents investments in debt instruments against 27.36% as at 31 December 2019.

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

- 94.20% of the loans and advances portfolio are classified at the highest two ratings in the internal rating against 90.64% as at 31 December 2019.
- 86.77% of the loans and advances portfolio has no past due or impairment indicators against 90.90% as at 31 December 2019.
- The bank has applied a more conservative selection plan for the granted loans during the year ended 31 December 2020.
- 98.50% from the Investments in debt instruments and treasury bills contain. against 100% as at 31 December 2019 due from the Egyptian government.

3.A.6 Loans and advances

	31 December 2020	31 December 2019
	Loans and advances to customers	Loans and advances to customers
	L.E.	L.E.
Neither past due nor impaired	20,972,921,376	22,218,027,397
Past due but not impaired	2,070,910,445	1,324,266,422
Individually impaired	1,125,645,653	885,290,583
Gross	24,169,477,474	24,427,584,402
less: impairment losses, advances and interest in suspense	(1,492,604,892)	(1,109,546,733)
Net	22,676,872,582	23,318,037,669

- As a result to the economic and political circumstances in Egypt loans and advances portfolios has decrease 1% as of 31 December 2020 compared to its balance at 31 December 2019.
- Note (17) includes additional information regarding impairment loss on loans and advances to customers.
- The credit quality of the loans and advances portfolio that neither has past due nor subject to impairment is determined by the internal rating of the bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Loans and advances to customers and banks (net)

	31 December 2020							
	Retail				Corporate			Total loans and advances to customers
	Overdraft	Credit cards	Personal loans	Mortgage	Overdraft	Direct loans	Syndicated loans	
L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	
Performing	89,542,670	36,001,655	2,688,936,715	--	670,863,002	854,609,854	3,752,577,593	8,092,531,489
Regular follow up	20,808	39,697,428	3,267,383,060	253,724,499	1,008,580,601	5,757,560,535	2,941,335,241	13,268,302,172
Watch list	2,253	2,104,016	104,090,438	12,279,294	296,561,363	426,086,154	275,337,985	1,116,461,503
Non-performing	199,418	1,342,429	38,258,485	8,367,321	72,268,080	60,637,033	18,504,652	199,577,418
Total	89,765,149	79,145,528	6,098,668,698	274,371,114	2,048,273,046	7,098,893,576	6,987,755,471	22,676,872,582

According to the bank's internal rating scale, the loans granted to retail customers are considered regular follow up.

	31 December 2019							
	Retail				Corporate			Total loans and advances to customers
	Overdraft	Credit cards	Personal loans	Mortgage	Overdraft	Direct loans	Syndicated loans	
L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	
Performing	301,523,483	25,615,192	1,777,245,827	--	2,862,575,413	559,655,021	3,575,110,301	9,101,725,237
Regular follow up	28,911	36,339,859	2,527,492,667	195,045,577	409,813,075	5,557,316,906	3,343,453,047	12,069,490,042
Watch list	1,522	711,938	40,604,726	1,193,445	745,675,543	502,930,179	525,206,333	1,816,323,686
Non-performing	187,921	765,516	28,251,857	17,177,044	37,991,107	88,657,045	157,468,214	330,498,704
Total	301,741,837	63,432,505	4,373,595,077	213,416,066	4,056,055,138	6,708,559,151	7,601,237,895	23,318,037,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless there is an objective evidence of impairment:

Retail	31 December 2020			
	Credit cards	Personal loans	Mortgage	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	2,990,318	757,314,876	68,699	760,373,893
Past due from 30 to 60 days	3,402,221	293,208,652	58,114	296,668,987
Past due from 60 to 90 days	897,645	108,043,245	12,109,938	121,050,828
Total	7,290,184	1,158,566,773	12,236,751	1,178,093,708

Corporate	31 December 2020			
	Overdraft	Direct loans	Syndicated loans	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	4,119,380	18,188,067	91,569,395	113,876,842
Past due from 30 to 60 days	--	6,221,155	--	6,221,155
Past due from 60 to 90 days	126,363,121	230,892,314	415,463,305	772,718,740
Total	130,482,501	255,301,536	507,032,700	892,816,737

Retail	31 December 2019			
	Credit cards	Personal loans	Mortgage	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	799,719	518,038,385	39,003	518,877,107
Past due from 30 to 60 days	635,163	68,765,999	29,748	69,430,910
Past due from 60 to 90 days	250,961	22,356,830	12,081,249	34,689,040
Total	1,685,843	609,161,214	12,150,000	622,997,057

Corporate	31 December 2019			
	Overdraft	Direct loans	Syndicated loans	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	23,884,889	48,381,344	301,816,247	374,082,480
Past due from 30 to 60 days	--	95,798,964	--	95,798,964
Past due from 60 to 90 days	9,864,695	186,713,785	34,809,441	231,387,921
Total	33,749,584	330,894,093	336,625,688	701,269,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Individually impaired loans

Loans and advances to customers

Loans and advances subject to individual impairment before taking into consideration cash flows from guarantees in 31 December 2020 amounted to EGP 1,125,645,653 against EGP 885,290,583 as of 31 December 2019.

The breakdown of the total loans and advances subject to individual impairment including fair value of collateral obtained by the bank against these loans is as follows:

	Individual				Corporate			Total
	Overdraft	Credit cards	Personal loans	Mortgage	Overdraft	Direct Loans	Syndicated Loans	
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Individually impaired loans 31 December 2020	2,138	1,699,264	79,177,668	21,574	169,176,590	560,926,419	314,642,000	1,125,645,653
Individually impaired loans 31 December 2019	--	1,008,879	28,344,987	5,057	111,243,722	423,857,938	320,830,000	885,290,583

Loans and advances Restructured

Restructuring activities include renegotiating in terms of payments terms extension, restructure of mandatory management policies, and adjusting ,postponing repayment terms, renegotiating policies depend on indicators or standards in addition to the management personal judgment to show that regular payments are of high probability, these policies are subject to regular review, Long-term loans, especially loans to customers are usually subject to renegotiation, total renegotiated loans reached EGP 792,073 thousand against EGP 1,325,962 thousand at 31 December 2019.

	31 December 2020 In thousand EGP	31 December 2019 In thousand EGP
Loans and advances to customers		
Corporate		
- Overdraft	287,857	665,489
- Direct Loans	504,216	660,473
Total	792,073	1,325,962

3.A.7 Debt instruments, treasury bills and other governmental notes

The table below shows an analysis of debt instruments, treasury bills and other governmental notes by rating agency designation at end of financial year, based on standard & Poor's and their equivalent.

	Treasury bills	Investments securities	Total
	L.E.	L.E.	L.E.
From A to +AA	--	432,238,957	432,238,957
B	28,404,102,822	--	28,404,102,822
Total	28,404,102,822	432,238,957	28,836,341,779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.B Market risk

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

The market risk management department is responsible for managing the market risks arising from trading and non-trading activities which are monitored by two separate teams, regular reports are submitted to the Board of Directors and each business unit head, trading portfolios include transactions where the Bank deals direct with clients or with the market; Non-trading portfolios include positions that primarily arise from the interest rate management of the group's retail and commercial banking assets and liabilities, non-trading portfolios also includes foreign exchange risk and equity instruments risks arising from the bank's held to maturity and available for sale investments.

3.B.1 Market risk measurement techniques

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

Value at Risk

The bank applies a "Value at Risk" methodology (VaR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected under normal market conditions, based upon a number of assumptions for various changes in market conditions. The bank's Board of Directors sets the accepted VaR limits for trading and non-trading portfolios separately and are monitored by market risk management on a daily basis.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose, but only to a certain level of confidence (98%). There is therefore a specified statistical probability (2%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain 'holding period' until positions can be closed (10 Days). It also assumes that the market movements during the 'holding period' would be the same as the movement during the ten days. The bank assesses the historical movements in the market prices based on volatilities and correlations data for the past five years. The bank applies these historical changes in rates, prices and indicators directly on the current situations, this method is known as historical simulation. Actual outputs are monitored regularly to measure the validity for the assumptions and factors used in VaR calculation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Stress Testing

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.B Market risk – continued

3.B.2 Foreign exchange volatility risk

The bank is exposed to foreign exchange volatility risk in terms of the financial position and cash flows, The Board of Directors set aggregate limits for foreign exchange for each position at the end of the day, and during the day which is controlled on timely basis, the following table summarizes the bank' exposure to foreign exchange volatility risk at the end of the financial year and includes the carrying amounts of the financial instruments in currencies:

Amount to the nearest EGP equivalent

	EGP	USD	GBP	EUR	Other currencies	Total
Financial assets as of 31 December 2020						
Cash and balances with the CBE	5,266,535,991	204,614,650	5,248,101	72,726,183	58,329,591	5,607,454,516
Due from Banks	504,419,609	1,840,386,362	652,107	331,508,306	17,581,877	2,694,548,261
Treasury bills	13,005,263,140	2,872,004,513	--	351,493,906	--	16,228,761,559
Loans and advances to customers	18,229,336,070	4,447,486,269	14,569	28,917	6,757	22,676,872,582
Financial investments:						
- Fair value through profit and loss	3,195,582	--	--	--	--	3,195,582
- Fair value through OCI	11,692,968,032	2,873,645,583	--	465,825,316	--	15,032,438,931
- Amortized cost	4,431,414,495	1,113,191,086	--	118,315,702	--	5,662,921,283
- Investment in subsidiaries and associates	134,058,953	--	--	--	--	134,058,953
Total financial assets	53,267,191,872	13,351,328,463	5,914,777	1,339,898,330	75,918,225	68,040,251,667
Financial liabilities 31 December 2020						
Due to banks	2,210,000,180	157,165,867	--	323,759,003	--	2,690,925,050
Customer deposits	48,020,567,550	11,179,524,019	110,485,543	820,223,471	26,178,358	60,156,978,941
Other loans \ Subordinated deposits	800,890,857	1,140,577,250	--	--	--	1,941,468,107
Total financial liabilities	51,031,458,587	12,477,267,136	110,485,543	1,143,982,474	26,178,358	64,789,372,098
Net financial position 31 December 2020	2,235,733,285	874,061,327	(104,570,766)	195,915,857	49,739,867	3,250,879,569
Financial assets and Liabilities as of 31 December 2019						
Total financial assets	48,693,134,202	14,466,884,621	123,174,879	1,149,877,084	41,768,716	64,474,533,682
Total financial liabilities	47,609,904,838	13,751,390,248	124,231,494	1,104,800,952	23,574,487	62,613,902,019
Net financial position 31 December 2019	1,083,229,364	715,494,373	(1,056,615)	45,076,132	18,194,229	1,860,631,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.B Market risk – continued

3.B.3 Interest rate risk

The bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Cash flow interest rate risk is the risk of fluctuation in future cash flows of a financial instrument due to changes in market interest rates. Fair value interest rate risk is the risk whereby the value of a financial instrument fluctuates because of changes in market interest rates, Interest margins may increase as a result of such changes but profit may decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken and is monitored daily.

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

	Up to one Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Financial assets as of 31/12/2020						
Cash and balances with the CBE	--	1,730,871,903	--	--	--	1,730,871,903
Due from Banks	959,617,753	--	--	--	--	959,617,753
Treasury bills	2,577,266,937	5,925,406,803	9,276,702,464	--	--	17,779,376,204
Bonds and other financial instruments	545,381,490	262,290,128	2,931,948,507	22,841,203,637	2,796,363,567	29,377,187,329
Regular loans and advances to customers	16,398,225,803	619,546,113	1,944,386,264	3,448,395,299	976,426,459	23,386,979,938
Net Loans and advances to customers	--	--	--	--	332,005,606	332,005,606
Other Assets	--	5,000,000	--	--	--	5,000,000
Total financial assets	20,480,491,983	8,543,114,947	14,153,037,235	26,289,598,936	4,104,795,632	73,571,038,733
Financial liabilities 31/12/2020						
Due to banks	2,898,290,843	--	--	--	--	2,898,290,843
Demand deposits	10,148,904,453	1,326,840,928	3,980,522,783	5,702,863,479	--	21,159,131,643
Saving deposits	584,125,748	110,289,528	330,868,584	551,200,134	--	1,576,483,994
Time and call deposits	12,603,838,301	5,251,250,684	10,356,826,601	3,332,882,057	529,361,782	32,074,159,425
Certificates of deposits	152,988,483	3,406,063,818	800,404,033	6,157,612,282	39,179,798	10,556,248,414
Long term loans	278,536,750	811,520,533	30,067,896	181,705,755	956,118,378	2,257,949,312
Total financial liabilities	26,666,684,578	10,905,965,491	15,498,689,897	15,926,263,707	1,524,659,958	70,522,263,631
Re-pricing gap	(6,186,192,595)	(2,362,850,544)	(1,345,652,662)	10,363,335,229	2,580,135,674	3,048,775,102
Financial assets as of 31/12/2019						
Total financial assets	29,208,522,561	6,151,711,011	26,852,858,977	10,103,594,035	4,876,931,791	77,193,618,375
Total financial liabilities	39,433,387,961	5,218,646,932	9,632,981,734	15,644,363,735	794,734,937	70,724,115,299
Re-pricing gap	(10,224,865,400)	933,064,079	17,219,877,243	(5,540,769,700)	4,082,196,854	6,469,503,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.C Liquidity risk

Liquidity risk represents difficulty encountering the bank in meeting its financial commitments when they fall due or to 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

The bank's liquidity management process carried out by the market risk management department includes:

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

For monitoring and reporting purposes, the Bank calculates the expected cash flow and liquidity are expected and monitored on the next day, week and month basis, which are the main times to manage liquidity the starting point to calculate these expectations is through analyzing the financial liabilities dues and expected financial assets collections.

The market risk management department monitors the mismatch between medium term assets, the level and nature of unused loans limits, overdraft utilizations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.C Liquidity risk – continued

Funding approach

Sources of liquidity are regularly reviewed by separate team in the bank to maintain a wide diversification according to currency, geographic locations, sources, products and terms.

	Up to one Month L.E.	1-3 Months L.E.	3-12 Months L.E.	1-5 years L.E.	Over 5 year L.E.	Total L.E.
Financial liabilities 31 December 2020						
Due to banks	2,690,925,050	--	--	--	--	2,690,925,050
Customer deposits	14,346,201,649	8,030,897,923	14,843,232,545	15,596,168,259	7,340,478,565	60,156,978,941
Other loans \ Subordinated deposits		114,286	258,857	517,714	1,940,577,250	1,941,468,107
Total financial liabilities	17,037,126,699	8,031,012,209	14,843,491,402	15,596,685,973	9,281,055,815	64,789,372,098
Total financial assets	28,780,583,252	8,887,449,215	9,349,541,167	13,104,813,362	7,780,610,136	67,902,997,132
Financial liabilities 31 December 2019						
Due to banks	5,445,609,905	--	--	--	--	5,445,609,905
Customer deposits	11,558,648,471	5,205,220,193	12,837,443,936	26,444,529,228	--	56,038,427,675
Other loans \ Subordinated deposits	--	300,000	429,000	1,121,721,286	--	1,122,450,286
Total financial liabilities	17,004,258,376	5,205,520,193	12,837,872,936	27,566,250,514	--	62,606,487,866
Total financial assets	15,139,442,580	11,368,863,461	22,845,456,715	15,120,770,926	--	64,474,533,682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.D Fair value of financial assets and liabilities

3.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 on the Bank's balance sheet at their fair value.

	Book value		FMV*	
	31/12/2020 L.E.	31/12/2018 L.E.	31/12/2020 L.E.	31/12/2018 L.E.
Financial assets				
Due from banks	2,694,548,261	5,228,326,878	2,694,548,261	5,228,326,878
Loans and advances to customers				
A- Retail				
- Overdraft	89,765,149	301,741,837	*	*
- Credit cards	79,145,528	63,432,505	*	*
- Personal loans	6,098,668,698	4,373,595,077	*	*
- Mortgage	274,371,114	213,416,066	*	*
B- Corporate				
- Overdraft	2,048,273,046	4,056,055,138	*	*
- Direct loans	7,098,893,576	6,708,559,151	*	*
- Syndicated loans	6,987,755,471	7,601,237,895	*	*
Financial investments				
- Fair value through other comprehensive income	119,495,714	110,621,701	*	*
- Amortized cost	5,662,921,283	6,009,477,461	5,984,862,572	5,993,278,895
Financial liabilities				
Due to banks	2,690,925,050	5,445,609,905	2,690,925,050	5,445,609,905
Customers deposits				
- Corporate	43,883,994,727	38,911,609,028	*	*
- Retail	16,272,984,214	17,134,232,800	*	*
Other loans / Subordinated deposits	1,941,468,107	1,122,450,286	*	*

* Some assets and liabilities were not measured at their FMV 31 December 2020.

Due from banks

Fair value of placements and deposits bearing variable interest rate for one day is its current value, the expected fair value for deposits bearing variable interest is based on the discounted cash flow using rate of similar loans of similar credit risk and due dates.

Loans and advances to banks

Loans and advances to banks are represented in loans other than deposits hold in banks, fair value expected for loans and advances represents the discounted value of future cash flows expected to be collected and cash flows are discounted using the current market interest rate to determine the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.D Fair value of financial assets and liabilities – continued

3.D.1 Financial instruments not measured at fair value – continued

Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Financial investments

Financial investments shown in the above schedule includes only held to maturity assets investments; as available for sale investments are measured at fair value except for equity instruments for which the market value can't be reliably determined, Fair value of held-to-maturity investments is based on market prices or broker prices, Fair value is estimated using quoted market prices for securities with similar credit and maturity and yield characteristics where information is not available.

Due to banks and customers

The estimated fair value of deposits of indefinite maturity which includes interest-free deposits is the amount paid on call.

The estimated fair value of fixed interest-bearing deposits and other loans not traded in an active market is based on discounted cash flows using interest rates for new debts of similar maturity dates.

Issued debt instrument

Total Fair value is calculated based on current financial markets' rates. As for securities that have no active market, discounted cash flows model is used in the first time according to the current rate applicable to the remaining period till maturity date.

3.E Capital management

For capital management purpose, the bank's capital includes total equity as reported in the balance sheet plus some other elements that are managed as capital; the bank manages its capital to ensure that the following objectives are achieved:

- Compliance with the legally imposed capital requirement 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 growth of the bank's operations.

Capital adequacy and the use of regulatory capital are monitored on a daily basis by the bank's management. Employing techniques based on the guidelines developed by the Basel committee as implemented by the banking supervision unit in the central bank of Egypt on a quarterly basis.

The CBE requires the bank to comply with the following:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.E Capital management – continued

According to new instructions issued in 18 December 2012:

The numerator of the capital adequacy ratio consists of the following two tiers:

Tier One:

Consists of two parts which are continuous basic paid in capital and additional basic paid in capital.

Tier Two:

Is the supported paid in capital and consist of:

- 45% from positive foreign currencies translation reserve.
- 45% from special reserve.
- 45% from fair value increment over the book value for financial investments. (Positive portion only)
- 45% from fair value reserve balance for financial investment available for sale.
- 45% from fair value increment over the book value for financial investments held for maturity.
- 45% from fair value increment over the book value for financial investments in associates and affiliates.
- Financial instruments with embedded derivative.
- Loans (Supportive deposits with 20% amortization from its value each year from the last five years from its maturity).
- Impairment loss provision for performing loans, advances and contingent liabilities (should not be more than 1.25% from total performing weighted assets and weighted contingent liabilities, also impairment loss provision for non-performing loans, advances and contingent liabilities should be sufficient to meet liabilities for which the provision was created).
- 50% disposals from tier 1 and 2.
- Assets reverted to the bank value in general banking risk reserve.
- When calculating the numerator of capital adequacy ratio, the rules limits the subordinated deposits to no more than 50% of tier1 after exclusion.
- Assets and contingent liabilities are weighted by credit risk, market risk and operational risk.

For denominator of capital adequacy ratio consists of:

- Credit risk
- Market risk
- Operational risk

Assets risk weight scale ranging from zero to 100% is based on the counterparty risk to reflect the related credit risk scheme, taking into consideration the cash collaterals.

Similar criteria are used for off balance sheet items after adjustments to reflect the nature of contingency and the potential loss of those amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Financial risk management – continued

3.E Capital management – continued

The tables below summarize the capital adequacy ratio according to Basel II for the current and previous years:

	31/12/2020	31/12/2019
	In thousand EGP	In thousand EGP
Tier 1 capital		
Issued and paid up capital	3,623,749	3,108,456
Legal reserve	358,016	290,482
Other reserves	29,788	29,175
General risk reserve	208,750	208,750
Retained earnings	71,552	95,573
Additional capital	539,956	565,671
Total other comprehensive income	479,523	310,216
Total deductions from tier 1 capital	(157,779)	(132,567)
Total qualifying tier 1 capital	5,153,555	4,475,756
Tier 2 capital		
Impairment provision for loans and regular contingent liabilities and debt instruments stage 1	305,627	214,649
Subordinated deposits	1,665,266	800,000
Total qualifying tier 2 capital	1,970,893	1,014,649
Total capital 1+2	7,124,448	5,490,405
Risk weighted assets and contingent liabilities		
Total Credit risk	24,450,156	23,331,531
Total Market risk	--	--
Total Operation risk	3,708,422	3,161,820
The value of exceeding the limits set for employment in countries is weighted by risk weights	342,008	--
Top 50 concentration	--	1,848,633
Total risk weighted assets and contingent liabilities	28,500,586	28,341,984
Capital Adequacy Ratio (%)	%25.00	%19.372

- In the case of calculating the concentration of the largest 50 clients, the capital adequacy ratio decreases from 25.00% to 22.77%.

3.F Leverage Financial Ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on July 7, 2015 on special supervisory instructions related to leverage ratio which maintain a minimum level of leverage ratio of 3% to be reported in quarterly basis as following:

- Guidance ratio starting from reporting period September 2015 till 2017.
- Obligatory ratio started from year 2018.

This ratio will be included in Basel requirement tier 1 in order to maintain the Egyptian Banking System strong and safe, as long to keep up with the best international regulatory treatments. Leverage financial ratio reflect

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

relationship between tier 1 for capital that is used in capital adequacy ratio (After Exclusions) and Banks' assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

3. Financial risk management – continued

3.G Leverage Financial Ratio – continued

Ratio Elements:

A- The numerator elements

The numerator consists of tier 1 (After Exclusions) for capital that is used in capital adequacy ratio in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE).

B-The denominator elements

The denominator consists of all bank assets (on balance sheet and off-balance sheet) according to financial statements called "Bank Exposure" which include total the following:

- 1- On the balance sheet exposure items after deducting some of tier 1 exclusions for capital base.
- 2- Financing financial papers operations exposures.
- 3- Off-balance sheet items (weighted by credit conversion factor).

The table below summarizes the leverage financial ratio:

	31/12/2020 In thousand EGP	31/12/2019 In thousand EGP
Tier 1 capital after exclusions	5,153,555	4,475,756
On-balance sheet items, derivatives and financing securities	71,713,586	68,429,536
Off-balance sheet items	2,111,173	1,605,738
Total exposures	73,824,759	70,035,274
Leverage Financial Ratio (%)	%6.98	%6.391

Liquidity coverage ratio and net stable fund ratio:

- Liquidity coverage ratio (LCR):

Liquidity coverage ratio aims to ensure that the bank maintains sufficient non-encumbered high quality liquid assets to meet the net outflows within the next 30 days under an unfavorable conditions scenario, and is calculated as follow:

Liquidity coverage ratio (LCR) = High quality liquid assets / Net outflows within 30 days.

This ratio shouldn't be less than 80% in 2017 and to gradually reach 100% by 2019.

For 31 December 2020 LCR ratio record LCY %227.79FCY 159.05% and total of %214.94

- Net stable fund ratio (NSFR):

Net stable fund ratio represents the relation between the available stable funding (the numerator) and the required stable funding (the denominator), this ratio seeks to face the mismatch of the long-term financing structure by encouraging banks to use a stable long-term fund sources for at least one year in order to cover assets' investments and any financing claims resulting from off-balance sheet commitments to help the bank to structure its fund sources. This ratio shouldn't be less than 100%, and is calculated as follow:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Net stable fund ratio (NSFR) = Available stable funding / required stable funding \geq 100%

For 31 December 2020 NSFR ratio record LCY 184.97 % FCY 205.98% and total of 188.24% .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. Significant accounting estimates and assumptions

The bank makes subjective estimates and judgments that affect the reported amounts of assets and liabilities for the following financial year consistent estimations and judgments are continually evaluated based on historical experience and other factors including the expectations of future events that are believed to be reasonable.

4.A Impairment losses for loans and advances

The bank reviews the portfolio of loans and advance sat least quarterly to evaluate their impairment, the bank uses discretionary judgment on determining whether it is necessary to record impairment loss 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 includes data indicating negative changes in a borrower's portfolio ability to repay to the bank or local or economic circumstances related to default, on scheduling future cash flows the management uses the past experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio in question.

The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on experience.

4.B Held-to-maturity investments

Non-derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity, this classification requires high degree of judgment; In return the bank tests the intent 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 suspend classifying investments as held to maturity caption.

If classification of investments as held to maturity is suspended the carrying amount shall decrease by EGP 321,941,289 to reach its fair value by increasing the valuation reserve available for sale within the equity caption.

4.C Income tax

The bank is subject to income tax which requires the use of important estimates to calculate the income tax provision, there are a number of complicated processes and calculations to determine the final income tax, the bank records a liability related to the tax inspection estimated results, according to estimates of probabilities of extra taxes ,when there is a difference between the final result of the actual tax inspection and the amounts previously recorded by the bank such, differences affect the income and deferred tax provision at the year which the differences were noted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5. By activity segment

Activity segment include operations and assets used in providing banking services and managing related risks and yields which may differ from other activities, the segmentation analyses of operations according to the banking activities are as follows:

- **Large enterprises medium and small ones**
Activities include current accounts, deposits, overdrafts, loans, credit facilities and financial derivatives.
- **Investments**
Include merging companies, purchasing investments, financing company's restructure and financial instruments.
- **Individuals**
Activities include current accounts, savings, deposits, credit cards, personal loans and mortgage loans.
- **Other activities**
Include other banking activities such as fund management.

6. Net interest income

	31 December 2020 L.E.	31 December 2019 L.E.
Interest from loans and similar income from:		
Loans and advances to banks	--	2,773,892
Loans and advances to customers	2,524,935,832	3,329,806,887
Treasury bills and treasury bonds	2,256,720,637	1,999,680,564
Purchase and resale agreements - reverse repos	2,468,262,419	435,965,711
Deposits and current accounts	65,238,584	1,735,946,084
Investments in debt instruments at fair value	56,611,587	3,835,458
Total	7,371,769,059	7,508,008,596
Interest on Deposits and similar expenses from:		
Deposits and current accounts from banks	(374,539,532)	(222,129,626)
Deposits and current accounts from customers	(4,100,384,689)	(5,124,241,433)
REPOs	(176,247,771)	(91,050,110)
Subordinated deposits	(105,341,740)	(119,676,712)
Total	(4,756,513,732)	(5,557,097,881)
Net interest income	2,615,255,327	1,950,910,715

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

7. Net fees and commission income

	31 December 2020 L.E.	31 December 2019 L.E.
Fees and commission income		
Fees and commissions related to credit banking services	308,518,169	299,314,889
Custody fees	2,880,559	3,693,720
Other fees	39,948,661	21,825,315
Total	351,347,389	324,833,924
Fees and commission expenses		
Brokerage fees paid	(6,625,179)	(3,839,801)
Other fees paid	(115,476,660)	(70,277,937)
Total	(122,101,839)	(74,117,738)
Net fees and commission income	229,245,550	250,716,186

8. Dividends income

	31 December 2020 L.E.	31 December 2019 L.E.
Equity instruments	855,584	818,451
Investment funds	360,344	420,344
Associates Investments	--	2,153,000
Total	1,215,928	3,391,795

9. Net trading income

	31 December 2020 L.E.	31 December 2019 L.E.
Foreign exchange trading gains	143,803,114	85,049,982
Gain from selling investments at fair value through profit and loss	1,597,305	2,235,364
Revaluation of financial investments at fair value through profit or loss	18,119,939	1,488,596
Financial Investments at fair value through profit or loss	577,335	266,352
Total	164,097,693	89,040,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10. General and administrative expenses

	31 December 2020 L.E.	31 December 2019 L.E.
Staff costs		
Wages and salaries	(445,373,290)	(376,079,818)
Social insurance	(20,036,508)	(27,344,641)
Other	(317,768,225)	(201,181,441)
Pension cost		
Retirement benefits	(871,597)	(247,600)
Total	(784,049,620)	(604,853,500)
Other administrative expenses	(618,856,931)	(514,903,480)
Total	(1,402,906,551)	(1,119,756,980)

11. Other operating income (expenses)

	31 December 2020 L.E.	31 December 2019 L.E.
Gain from selling property and equipment	606,307	612,468
(Charges) release of other provisions	(187,367,755)	15,528,490
Other	8,063,339	7,102,635
Total	(178,698,109)	23,243,593

12. Impairment (charge) for credit losses

	31 December 2020 L.E.	31 December 2019 L.E.
Loans and advances to customers (note 17)	(402,332,612)	(209,499,332)
Due to banks	(386,164)	3,066,014
Treasury bills	533,084	832,741
Fair value through other comprehensive income	(18,504,242)	(15,377,510)
Amortized cost	(3,477,180)	9,324,374
Total	(424,167,114)	(211,653,713)

13. Earnings per share

	31 December 2020 L.E.	31 December 2019 L.E.
Profits available for distribution for the year after tax	625,232,685	675,342,042
Less:		
Employees profit share	(62,523,269)	(67,534,204)
Board of directors remuneration	(20,641,492)	(22,304,540)
Dividends to shareholders	542,067,924	585,503,298
Weighted average number of shares	398,098,375	398,098,375
Earnings per share (EGP/ share)	1.36	1.47

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14. Classification and measurement of financial assets and financial liabilities

The following table shows the gross financial assets and financial liabilities (excluding allowances for impairment) according to the business model classification:

31 December 2020	Amortized cost	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial Assets through profit or loss	Total Carrying amount
Cash and balances with the CBE	5,607,454,516	--	--	--	5,607,454,516
Due from banks	2,696,610,288	--	--	--	2,696,610,288
Treasury bills	--	16,238,371,195	--	--	16,238,371,195
Loans and credit facilities to customers	24,169,477,474	--	--	--	24,169,477,474
Fair value through other omprehensive income	--	14,950,375,221	119,495,714	--	15,069,870,935
Amortized cost	5,675,951,821	--	--	--	5,675,951,821
Financial Assets through profit or loss	--	--	--	3,195,582	3,195,582
Other financial assets	1,728,579,122	--	--	--	1,728,579,122
Total financial assets	39,878,073,221	31,188,746,416	119,495,714	3,195,582	71,189,510,933
Due to banks	2,690,925,050	--	--	--	2,690,925,050
Customer deposits	60,156,978,941	--	--	--	60,156,978,941
Other loans	1,941,468,107	--	--	--	1,941,468,107
Other financial liabilities	417,505,816	--	--	--	417,505,816
Total financial liabilities	65,206,877,914	--	--	--	65,206,877,914

31 December 2019	Amortized cost	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial Assets through profit or loss	Total Carrying amount
Cash and balances with the CBE	4,048,855,106	--	--	--	4,048,855,106
Due from banks	5,230,029,082	--	--	--	5,230,029,082
Treasury bills	--	22,798,236,079	--	--	22,798,236,079
Loans and credit facilities to customers	24,427,584,402	--	--	--	24,427,584,402
Fair value through other omprehensive income	--	3,090,388,271	110,621,514	--	3,201,009,785
Amortized cost	6,019,091,254	--	--	--	6,019,091,254
Financial Assets through profit or loss	--	--	--	12,723,036	12,723,036
Other financial assets	968,158,733	--	--	--	968,158,733
Total financial assets	40,693,718,577	25,888,624,350	110,621,514	12,723,036	66,705,687,477
Due to banks	5,445,609,905	--	--	--	5,445,609,905
Customer deposits	56,038,427,675	--	--	--	56,038,427,675
Other loans	1,122,450,286	--	--	--	1,122,450,286
Other financial liabilities	301,445,676	--	--	--	301,445,676
Total financial liabilities	62,907,933,542	--	--	--	62,907,933,542

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

15. Cash and balances with the Central Bank of Egypt (CBE)

	31 December 2020	31 December 2019
	L.E.	L.E.
Cash	727,730,647	380,012,377
Due from the CBE (within the required limit of statutory reserve percentage)	4,879,723,869	3,668,842,729
Total	5,607,454,516	4,048,855,106
Non-interest bearing balances	5,607,454,516	4,048,855,106
Total	5,607,454,516	4,048,855,106

16. Due from banks

	31 December 2020	31 December 2019
	L.E.	L.E.
Current accounts	98,773,697	78,630,220
Deposits	2,597,836,591	5,151,398,862
Less: Provision for impairment losses	(2,062,027)	(1,702,204)
Total	2,694,548,261	5,228,326,878
Balance with CBE otherwise the required limit of statutory reserve percentage	1,730,297,416	4,391,501,642
Local banks	784,773,289	661,654,357
Foreign banks	181,539,583	176,873,083
Expected Credit Loss	(2,062,027)	(1,702,204)
Total	2,694,548,261	5,228,326,878
Non-interest bearing balances	98,773,697	104,230,220
Variable Interest bearing balances	2,597,836,591	5,125,798,862
Expected Credit Loss	(2,062,027)	(1,702,204)
Total	2,694,548,261	5,228,326,878
Current balance	2,696,610,288	5,230,029,082
Expected Credit Loss	(2,062,027)	(1,702,204)
Total	2,694,548,261	5,228,326,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

17. Loans, advances and morabihat to customers (net)

	31 December 2020 L.E.	31 December 2019 L.E.
Retail		
Overdraft	95,847,299	312,528,495
Credit cards	85,144,299	66,745,296
Personal loans	6,242,418,713	4,435,559,851
Mortgage	289,346,377	226,008,466
Total (1)	6,712,756,688	5,040,842,108
Corporate		
Overdraft	2,261,856,638	4,279,835,050
Direct loans	7,676,369,559	7,262,358,564
Syndicated loans	7,518,494,589	7,844,548,680
Total (2)	17,456,720,786	19,386,742,294
Total loans and advance to customers (1+2)	24,169,477,474	24,427,584,402
Less:		
Provision for impairment losses	(1,491,513,379)	(1,109,009,807)
Interest in suspense	(1,091,513)	(536,926)
Net loans, advances and morabihat to customers	22,676,872,582	23,318,037,669

Provision for impairment losses

Retail	31 December 2020				
	Overdraft L.E.	Credit cards L.E.	Personal loans L.E.	Mortgage L.E.	Total L.E.
Beginning balance	10,786,658	3,312,791	61,861,958	12,592,400	88,553,807
Impairment (charge) release	(4,614,574)	2,409,471	78,357,539	2,329,863	78,482,299
Recoveries during the year	--	276,509	3,428,892	53,000	3,758,401
Forex revaluation provision	(89,934)	--	(1,190)	--	(91,124)
Ending balance	6,082,150	5,998,771	143,647,199	14,975,263	170,703,383

Corporate	31 December 2020			
	Overdraft L.E.	Direct loans L.E.	Syndicated loans L.E.	Total L.E.
Beginning balance	223,638,151	566,631,064	243,310,785	1,033,580,000
Impairment charge	17,421,743	18,368,308	288,060,262	323,850,313
Written-off amounts	(23,519,534)	--	--	(23,519,534)
Forex revaluation provision	(4,945,465)	(7,523,389)	(631,929)	(13,100,783)
Ending balance	212,594,895	577,475,983	530,739,118	1,320,809,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Provision for impairment losses

Retail	31 December 2019				Total L.E.
	Overdraft L.E.	Credit cards L.E.	Personal loans L.E.	Mortgage L.E.	
Beginning balance	588,055	1,886,906	57,939,419	2,000,855	62,415,235
Impact of adopting IFRS 9	2	2,947,225	3,856,429	3,923,732	10,727,388
Restated Balance at 1 January 2019	588,057	4,834,131	61,795,848	5,924,587	73,142,623
Impairment losses written-off amount	10,714,810 (423,455)	(144,243) (1,702,559)	21,222,581 (23,611,253)	6,929,131 (282,818)	38,722,279 (26,020,085)
Recoveries during the year	--	325,462	2,456,756	21,500	2,803,718
Forex revaluation provision	(92,754)	--	(1,974)	--	(94,728)
Ending balance	10,786,658	3,312,791	61,861,958	12,592,400	88,553,807

Corporate	31 December 2019			Total L.E.
	Overdraft L.E.	Direct Loans L.E.	Syndicated loans L.E.	
Beginning balance	100,422,871	589,092,296	242,907,556	932,422,723
Impact of adopting IFRS 9	(5,788,576)	(34,712,958)	(14,001,680)	(54,503,214)
Restated Balance at 1 January 2019	94,634,295	554,379,338	228,905,876	877,919,509
Impairment losses	108,436,828	28,351,163	33,989,062	170,777,053
Recoveries during the year	--	635,489	--	635,489
Transferred from other provisions	25,000,000	--	--	25,000,000
Forex revaluation provision	(4,432,972)	(29,858,926)	(19,584,153)	(53,876,051)
Ending balance	223,638,151	553,507,064	243,310,785	1,020,456,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

18. Financial investments

	31 December 2020 L.E.	31 December 2019 L.E.
Fair value through other comprehensive income (FVTOCI)		
Debt instruments at FV (listed)	14,950,375,221	3,090,388,271
Treasury Bills (18-1)	16,238,371,195	22,797,930,259
Equity instruments (unlisted)	119,495,714	110,621,514
Investment managed by other	1	1
Total investment at fair value through OCI	31,308,242,131	25,998,940,045
Expected Credit Loss	(47,041,641)	(29,103,464)
Net Fair value through other comprehensive income (1)	31,261,200,490	25,969,836,581
Amortized cost		
Debt instruments (listed)	5,663,451,821	6,006,591,254
Egyptian Gulf Bank Mutual fund's CDs	5,000,000	5,000,000
Egyptian Gulf Bank Tharaa fund (money market)	7,500,000	7,500,000
Total Amortized cost	5,675,951,821	6,019,091,254
Expected Credit Loss	(13,030,538)	(9,613,793)
Net Amortized cost (2)	5,662,921,283	6,009,477,461
Fair value through profit and loss		
Thraa Funds	3,195,582	12,723,036
Total Fair value through profit and loss (3)	3,195,582	12,723,036
Total financial investments (1+2+3)	36,927,317,355	31,992,037,078

	31 December 2020		
	Fair value through Other comprehensive income L.E.	Amortized cost L.E.	Total L.E.
Beginning balance	3,201,009,786	6,019,091,254	9,220,101,040
Additions	13,725,680,235	805,355,250	14,531,035,485
Disposals	(2,162,374,122)	(1,161,878,150)	(3,324,252,272)
Monetary assets foreign currency differences	7,861,513	(16,360,899)	(8,499,386)
Gain from change in FV (note 30)	285,890,611	--	285,890,611
Amortized cost	11,802,913	29,744,366	41,547,279
Expected Credit Loss	(37,432,005)	(13,030,538)	(50,462,543)
Ending balance	15,032,438,931	5,662,921,283	20,695,360,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2019		
	Fair value through Other	Amortized cost	Total
	comprehensive income		
	L.E.	L.E.	L.E.
Beginning balance	2,250,946,719	6,389,646,202	8,640,592,921
Additions	2,532,016,347	85,848,513	2,617,864,860
Disposals	(1,039,740,702)	(1,129,707,593)	(2,169,448,295)
Monetary assets foreign currency differences	(191,462,083)	(67,933,634)	(259,395,717)
Gain from change in FV (note 30)	443,397,468	--	443,397,468
Amortized cost	11,535,924	33,929,981	45,465,905
Transferred from OCI to Amortized cost	(805,683,887)	707,307,785	(98,376,102)
Expected Credit Loss	(19,084,904)	(9,613,793)	(28,698,697)
Ending balance	3,181,924,882	6,009,477,461	9,191,402,343

18-1 Treasury bills and other governmental notes

	31 December 2020	31 December 2019
	L.E.	L.E.
Treasury bills 91 days	100,000	94,900,000
Treasury bills 182 days	250,000	1,860,775,000
Treasury bills 273 days	618,025,000	2,276,525,000
Treasury bills 365 days	7,654,960,900	5,258,315,260
Total	8,273,335,900	9,490,515,260
Less/ Add:		
Unearned interest	(501,109,381)	(346,671,421)
Changes in fair value reserve	9,251,016	14,729,754
Expected Credit Loss	(9,609,636)	(10,018,560)
Total (1)	7,771,867,899	9,148,555,033
Purchase and resale agreements		
Reverse rebo 91 days	--	3,700,606,456
Reverse rebo 182 days	1,312,340,048	2,973,265,654
Reverse rebo 273 days	2,164,980,434	6,269,528,867
Reverse rebo 365 days	5,145,342,431	6,759,310,508
Add:		
Differences in fair value investment through OCI	40,980,747	137,370,181
Total (2)	8,663,643,660	19,840,081,666
Sale and repurchase agreements	(206,750,000)	(6,200,725,000)
Total (3)	(206,750,000)	(6,200,725,000)
Total (1+2+3)	16,228,761,559	22,787,911,699

* Treasury bills include EGP 2,945,049,120 (equivalent to USD 187.8 million) as in USD Treasury bills and EGP 358,836,780 (equivalent to EUR 18.6 million) as in EUR Treasury bills.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Profit (losses) from sale of financial investments

	31 December 2020	31 December 2019
	L.E.	L.E.
Gain from selling financial instruments at fair value through OCI	31,876,827	14,591,131
Total	31,876,827	14,591,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19. Investments in associates

The banks share of investment in subsidiaries and associates is as follows:

30 September 2020	Country	Company's assets L.E.	Company's liabilities less owners' equity L.E.	Company's revenues L.E.	Company's profits / (losses) L.E.	Book value L.E.	Share %
Associates							
First Gas**	Egypt	45,414,821	16,579,906	1,105,208	(1,533,169)	6,172,026	%19.997
Prime holding for financial investments**	Egypt	598,444,935	210,065,180	7,443,802	(17,088,317)	47,500,605	%10.25
Ostool	Egypt	479,835,309	385,194,425	377,154,935	15,402,625	54,263,272	%27.69
Capital Lease	Egypt	475,416,430	407,486,538	18,996,135	1,541,381	26,123,050	%25
Total		1,599,111,495	1,019,326,049	404,700,080	(1,677,480)	134,058,953	
31 December 2019	Country	Company's assets L.E.	Company's liabilities less owners' equity L.E.	Company's revenues L.E.	Company's profits / (losses) L.E.	Book value L.E.	Share %
Associates							
Alex Complex	Egypt	119,305,344	110,334,243	18,806,521	(3,237,839)	1	%26.66
Alex fish	Egypt	67,593,470	25,451,509	230,081	(447,666)	2,111,248	%26.66
First Gas**	Egypt	44,227,782	19,190,209	36,927,599	1,876,889	7,317,348	%19.997
Prime holding for financial investments**	Egypt	479,941,225	56,695,081	7,214,409	4,235,582	50,871,195	%10.25
Ostool	Egypt	510,284,000	416,486,000	28,052,000	14,561,000	53,818,377	%27.69
Capital Lease	Egypt	--	--	--	--	18,750,000	%25
Total		1,221,351,821	628,157,042	91,230,610	16,987,966	132,868,169	

** First Gas (indirect shareholding 19.99%) and Prime Holding Company (indirect shareholding 10.25%) were included in the investments in associates (through the company Egyptian Gulf Holding for Financial Investments of the Bank), in addition to influential influence represented by Membership of the boards of directors of that company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

20. Employee stock ownership plan (ESOP)

The extraordinary general assembly meeting held on 9 May 2017 approved the establishment of the employee stock ownership plan (ESOP) by granting after amending the bank's article of association according to the decision of the extraordinary general assembly meeting held on 23 March 2016 based on a proposal from the bank's board of directors on 29 February 2016, this plan will be applied starting from 9 August 2017 which is the date of the approval of the Egyptian Financial Supervisory Authority (EFSA) on this plan in accordance with the law.

Equity securities of this plan will be granted to the bank's executive members, departments' heads, general managers, first line managers and employees of the bank based on their annual performance and appraisal according to the bank's financial performance and personal performance report based on his functional grade.

The balance of the employee stock ownership plan amounted EGP **89,001,751** as at 31 December 2020 according to of **7,466,363** shares, , the fair value EGP 50,508,475 the revaluation differences amounted EGP(38,493,276) for the year ended 31 December 2020.

ESOP movement during the year as follows:

	31 December 2020		31 December 2019	
	Shares	L.E.	Shares	L.E.
Beginning balance	6,247,194	83,011,999	3,921,000	62,285,606
Purchased during the year ended	1,219,169	5,989,752	2,326,194	20,726,393
Ending balance	7,466,363	89,001,751	6,247,194	83,011,999

* Additions during the year of 31 December 2020 include 435,169 shares represented in bonus dividends for the profits of 2018 in accordance with the decision of the General Assembly on 31 March 2019.

* Additions during the year of 31 December 2019 include 296,194 shares represented in bonus dividends for the profits of 2017 in accordance with the decision of the General Assembly on 31 March 2018.

ESOP movement in equity during the year as follows:

	31 December 2020		31 December 2019	
	L.E.		L.E.	
Beginning balance	26,603,387		7,520,280	
Amortization during the year ended	19,108,452		19,083,107	
Ending balance	45,711,839		26,603,387	

21. Intangible assets

Computer software

	31 December 2020		31 December 2019	
	L.E.		L.E.	
Net book value at the beginning of the year	19,913,273		36,601,128	
Additions during the year	22,990,282		9,100,610	
Reclassification	--		(24,319,146)	
Amortization during the year	(7,388,967)		(6,153,845)	
Accumulated depreciation of Reclassification assets	--		4,684,526	
Net book value at the end of the year	35,514,588		19,913,273	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**
22. Other assets

	31 December 2020	31 December 2019
	L.E.	L.E.
Unearned revenues	1,728,579,122	968,158,733
Prepaid expenses	170,007,545	146,621,240
Advances to purchase fixed assets	480,616,352	388,299,073
Assets reverted to bank (after deducting the impairment)	206,664,020	194,962,469
Impress & Guarantee	11,617,794	11,348,739
Assets held for sale - investments reverted to the bank*	77,857,901	77,857,901
Other	357,692,290	1,031,070,198
Total	3,033,035,024	2,818,318,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

23. Fixed assets

	Land & Buildings L.E.	Office Furniture L.E.	Equipment & Machinery L.E.	Computers L.E.	Furniture L.E.	Vehicles L.E.	Other L.E.	Total L.E.
Cost, 1/1/2019	391,416,516	190,049,468	21,160,950	109,081,201	60,973,978	13,742,690	110,768,474	897,193,277
Accumulated depreciation	(35,686,021)	(80,344,509)	(8,873,508)	(58,476,867)	(12,948,530)	(8,074,829)	(43,570,129)	(247,974,393)
Net book value	355,730,495	109,704,959	12,287,442	50,604,334	48,025,448	5,667,861	67,198,345	649,218,884
31 December 2019								
Net book value at the beginning of the year	355,730,495	109,704,959	12,287,442	50,604,334	48,025,448	5,667,861	67,198,345	649,218,884
Additions	26,560,648	111,874,506	1,644,212	3,386,626	1,590,396	--	31,503,486	176,559,874
Reclassification	--	--	--	45,184,852	--	--	(20,865,706)	24,319,146
Disposals	--	--	(369,943)	(12,047)	(242,319)	(155,450)	(1,952,596)	(2,732,355)
Depreciation	(8,910,191)	(46,461,253)	(2,397,356)	(18,912,751)	(5,841,347)	(2,408,015)	(19,323,027)	(104,253,940)
Accumulated depreciation of reclassified assets	--	--	--	(4,684,526)	--	--	--	(4,684,526)
Accumulated depreciation of disposal assets	--	--	368,546	12,045	242,044	155,450	1,937,337	2,715,422
Net book value	373,380,952	175,118,212	11,532,901	75,578,533	43,774,222	3,259,846	58,497,839	741,142,505
Cost, 1 January 2020								
	417,977,164	301,923,974	22,435,219	157,640,632	62,322,055	13,587,240	119,453,658	1,095,339,942
Accumulated depreciation	(44,596,212)	(126,805,762)	(10,902,318)	(82,062,099)	(18,547,833)	(10,327,394)	(60,955,819)	(354,197,437)
Net book value	373,380,952	175,118,212	11,532,901	75,578,533	43,774,222	3,259,846	58,497,839	741,142,505
31 December 2020								
Net book value at the beginning of the year	373,380,952	175,118,212	11,532,901	75,578,533	43,774,222	3,259,846	58,497,839	741,142,505
Additions	919,500	12,757,530	958,065	21,654,607	11,854,931	8,272,500	15,705,809	72,122,942
Disposals	--	(572,181)	(32)	(135,156)	(557,760)	(463,100)	(1,779,283)	(3,507,512)
Depreciation	(8,147,005)	(39,121,993)	(2,049,683)	(13,014,739)	(9,594,591)	(2,406,574)	(20,064,438)	(94,399,023)
Accumulated depreciation of disposal assets	--	572,179	--	135,145	554,447	463,100	960,645	2,685,516
Net book value	366,153,447	148,753,747	10,441,251	84,218,390	46,031,249	9,125,772	53,320,572	718,044,428
Cost 31 December 2020								
	418,896,664	314,109,323	23,393,252	179,160,083	73,619,226	21,396,640	133,380,184	1,163,955,372
Accumulated depreciation	(52,743,217)	(165,355,576)	(12,952,001)	(94,941,693)	(27,587,977)	(12,270,868)	(80,059,612)	(445,910,944)
Net book value	366,153,447	148,753,747	10,441,251	84,218,390	46,031,249	9,125,772	53,320,572	718,044,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

24. Due to banks

	31 December 2020	31 December 2019
	L.E.	L.E.
Current accounts	162,602,084	166,130,835
Deposits	2,528,322,966	5,279,479,070
Total	2,690,925,050	5,445,609,905
Local banks	2,528,322,966	5,281,496,920
Foreign banks	162,602,084	164,112,985
Total	2,690,925,050	5,445,609,905
Non-interest bearing balances	162,602,084	166,130,835
Interest bearing balances	2,528,322,966	5,279,479,070
Total	2,690,925,050	5,445,609,905
Current balances	2,690,925,050	5,445,609,905
Total	2,690,925,050	5,445,609,905

25. Customers' deposits

	31 December 2020	31 December 2019
	L.E.	L.E.
Demand deposits	21,050,753,951	22,791,180,509
Time and call deposits	27,075,024,046	20,785,807,378
Certificates of deposits	9,751,796,348	7,866,768,278
Saving deposits	1,560,336,313	1,477,445,947
Other deposits	719,068,283	3,117,225,563
Total	60,156,978,941	56,038,427,675
Corporate deposits	43,883,994,727	38,904,194,875
Retail deposits	16,272,984,214	17,134,232,800
Total	60,156,978,941	56,038,427,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26. Other loans \ Subordinated deposits

	31 December 2020	31 December 2019
	L.E.	L.E.
Commercial International Bank loan	890,857	1,620,286
European Investment Bank	275,311,750	320,830,000
Subordinated Deposits*	1,665,265,500	800,000,000
Total	1,941,468,107	1,122,450,286

* The bank entered into an agreement with Misr Insurance Company (S.A.E.) on 13 November 2017, whereby the company deposited an amount of EGP 800 million divided into 5 deposits where the last deposit should be made within one month and a half from the date of signing the contract, the term of each deposit will be seven years and six months starting from the date of each deposit separately.

This deposit is subject to the terms and conditions of the Central Bank of Egypt and the bank can use this deposit in all areas that deem appropriate for investment.

As this deposit is subject to the conditions of the Central Bank of Egypt and meets the requirements to be included in tier (2) of the capital base as it is not designated for specific activity or to meet specific assets and is issued and fully paid, this deposit follows the rights of the depositors and creditors at liquidation and is not guaranteed from the issuer and not subject to any legal or economic arrangements and does not include conditions to be recoverable before the due date.

27. Other liabilities

	31 December 2020	31 December 2019
	L.E.	L.E.
Accrued interest	417,505,816	301,445,676
Unearned revenue	16,261,174	16,826,352
Accrued expenses	506,960,814	267,165,733
Creditors	385,769,135	269,843,359
Other credit balances	87,937,202	112,994,104
Total	1,414,434,141	968,275,224

28. Other Provisions

	31 December 2020	31 December 2019
	L.E.	L.E.
Beginning balance	69,902,411	123,049,032
Foreign currencies revaluation	461,447	(1,938,921)
Charged during the year to statement of income	209,729,005	25,152,615
Provisions no longer required	(22,361,250)	(40,681,110)
Used during the year	(6,112,458)	(10,679,205)
Transfer to other provisions	--	(25,000,000)
Ending balance	251,619,155	69,902,411

	31 December 2020	31 December 2019
	L.E.	L.E.
Provision for legal claims	9,627,706	8,710,241
Provision for other claim	19,018,781	22,433,299
Provision for tax claims	2,576,098	2,576,098
Provision for contingent liabilities	220,396,570	36,182,773
Ending balance	251,619,155	69,902,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

29. Capital

Authorized capital

The authorized capital amounted to USD 500,000,000, or its equivalent in EGP.

Issued and paid up capital

The issued and paid up capital amounted to USD 422,740,271 (equivalent to EGP 3,623,748,165 EGP) represented in 422,740,271 shares at par value of USD 1 each.

30. Reserves and retained earnings

30.A Reserves during the year as follows

	31 December 2020	31 December 2019
	L.E.	L.E.
Legal reserve	358,016,028	290,481,824
Differences from foreign balances translation	2,684,997	2,684,997
Fair value reserve	479,523,012	310,216,186
General reserve	17,529,143	17,529,143
General bank risk reserve	8,063,999	6,000,000
Capital reserve	12,258,723	11,646,255
General risk reserve	208,750,579	208,750,579
Ending balance	1,086,826,481	847,308,984

30.A.1 General bank risk reserve

	31 December 2020	31 December 2019
	L.E.	L.E.
Beginning balance	6,000,000	6,000,000
Transferred from retained earnings	2,063,999	--
Ending balance	8,063,999	6,000,000

In accordance with the Central Bank of Egypt instructions general bank risk reserve is formed to meet unexpected risks; and this reserve is un-distributable except after obtaining the approval of the Central Bank of Egypt.

30.A.2 Legal reserve

	31 December 2020	31 December 2019
	L.E.	L.E.
Beginning balance	290,481,824	232,330,537
Transferred from retained earnings 2019	67,534,204	58,151,287
Ending balance	358,016,028	290,481,824

In accordance with local laws, 10% of the net year's profit is transferred to reserve not available for distribution until this reserve reaches 100% of the capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30. Reserves and retained earnings – continued

30.A.3 Reserve for financial assets at fair value through OCI

	31 December 2020	31 December 2019
	L.E.	L.E.
Beginning balance	310,216,186	(187,278,385)
(Losses) / Gain from changes in FV (note 18)	184,022,439	595,497,403
Total reclassification and remeasurement impact	--	(98,376,102)
Net (losses) gains transferred to the income statement resulted from disposal	(14,715,613)	373,270
Ending balance	479,523,012	310,216,186

30.A.4 Special reserve

Special reserve was formed in accordance with Central Bank of Egypt instruction issued on 16 December 2008 and can't be used but with the approval of Central Bank of Egypt.

30.A.5 Capital reserve

	31 December 2020	31 December 2019
	L.E.	L.E.
Beginning balance	11,646,255	9,702,375
Transferred from retained earnings 2019	612,468	1,943,880
Ending balance	12,258,723	11,646,255

30.B Retained earnings

Retained earnings movement

	31 December 2020	31 December 2019
	L.E.	L.E.
Beginning balance	753,531,824	700,274,579
Net profit for the year	624,882,196	657,959,241
Retained for capital increase (stock dividends)	(515,292,627)	(452,365,938)
Adjustments	--	133,348
Contribution of an investment Held for sale	--	(13,738,486)
Employees profit share	(68,006,624)	(58,361,909)
Board of directors remuneration	(22,304,540)	(20,276,854)
Transferred to general banking	(2,063,999)	--
Transferred to legal reserve	(67,534,204)	(58,151,287)
Transferred to other reserves	(612,468)	(1,943,880)
Ending balance	702,599,558	753,531,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

31. Cash and cash equivalents

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

	31 December 2020	31 December 2019
	L.E.	L.E.
Cash and due from CBE	5,607,454,516	4,048,855,106
Due from banks	2,696,610,288	5,230,029,082
Treasury bills	7,574,727,535	2,957,848,593
Balance with CBE within the limit of statutory reserve	(6,110,021,285)	(5,034,744,371)
Due from banks with maturities more than 3 months	(300,304,360)	(270,219,000)
Treasury bills maturity more than 3 months	(7,574,628,479)	(2,863,709,865)
Cash and cash equivalent at the end of the year	1,893,838,215	4,068,059,545

32. Commitment and contingent liabilities

31.A Capital Commitment

The Bank's total capital commitments related to building and completing new branches and purchase of assets and equipment amounted to EGP 196,704,245 which has not been finished as at 31 December 2020.

31.B Commitments for loans, guarantees and facilities

Bank commitments for loans guarantees and facilities are represented as follows:

	31 December 2020	31 December 2019
	L.E.	L.E.
Letter of credit (import & export)	269,445,000	371,205,000
Letter of guarantee	2,326,265,000	2,046,121,000
Total	2,595,710,000	2,417,326,000

33. Loans and credit facilities to related parties

	31 December 2020	31 December 2019
	EGP	EGP
Loans and Credit facilities	24,067,000	24,233,000
Saving accounts	1,450,000	3,102,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

34. Mutual funds

Mutual fund established by the bank - Egyptian Gulf Bank

The Fund is one of the licensed banking activities of the Bank under the Capital Market Law No. 95 of 1992 and its Executive Regulations. The Fund is managed by Hermes Investment Fund Management Company. The Fund has a total investment of 100 million Egyptian pounds. Assigned 50,000 certificates (amounting to Five million Egyptian pounds) to start the activity of the Fund.

The recoverable amount of the certificates as at 31 December 2020 was EGP 240.58 and the Fund's certificates on the same date were 113526 certificates.

The Thraa Fund cash

The Fund is one of the licensed banking activities of the Bank under the Capital Market Law no.95 for 1992 and its Executive Regulations. The fund is managed by Prime Company for mutual fund management, The number of certificates at the initial offering was 34,944,491 million certificates with a total amount of EGP 375 million of which 713359 certificates (amounting to EGP 7,5 million) were designated to the fund operation.

The recoverable amount of each certificate as of 31 December 2020 amounted EGP 20.7118 and the Fund's certificates on the same date were 17734277 certificates.

35. Deferred income tax

	Deferred tax assets		Deferred tax liabilities	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	L.E.	L.E.	L.E.	L.E.
Fixed assets	--	--	11,151,752	6,013,545
Provisions (excluded loans impairment losses)	56,034,688	15,148,420	--	--
Total tax	56,034,688	15,148,420	11,151,752	6,013,545
Net tax derived from asset	44,882,936	9,134,875	--	--

Movement of deferred Assets and Liabilities

	31 December 2020	31/12/2019
	L.E.	L.E.
Beginning balance	9,134,875	12,904,873
Additions during the year	35,748,061	--
Disposal during the year	--	(3,769,998)
Ending balance	44,882,936	9,134,875

In accordance with the Central Bank of Egypt instructions and Egyptian Accounting Standards No. (24) "income taxes" deferred tax assets are not recognized if no future benefits are expected and/or the existence of deferred tax liabilities at the same time. Accordingly, tax assets were not recognized during the financial year ended 31 December as well as the financial year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

36. Tax situation

Corporate income tax

Years 2005 to 2007:

Tax inspection was performed for this period and all disputes have been finalized.

Years 2008 and 2009:

Tax inspection was performed for this period and all disputes have been finalized in the internal committee.

Years 2010 and 2011:

Tax inspection and assessment was performed for this period and a part of the tax liability was paid and all disputes will be transferred to appealing committee.

Year 2012:

Tax inspection was performed for this year and there was no tax liability resulted.

Years 2013 and 2014:

Tax inspection was performed for this period and all disputes have been finalized.

Years 2015 to 2016 to 2017:

Tax returns were provided and there was no tax liability resulted.

Payroll tax

From inception till 2004:

Tax inspection was performed and paid for this period.

Years 2005 and 2006:

Tax inspection was performed in accordance with the new law and there were no tax differences.

Years 2007 to 2012:

Tax inspection was performed and paid for this period and there were no tax differences.

Years 2013 to 2015:

Taxes deducted from the bank's employees were paid in the Legal period.

Year 2016:

Taxes deducted from the bank's employees were paid in the Legal period.

Year 2017:

Taxes deducted from the bank's employees were paid in the Legal period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37. Important Events

The outbreak of the coronavirus “COVID-19 pandemic” has spread across geographies globally, causing disruption to business and economic activities, which brought uncertainties in the local and global economic environment. Both domestic and global financial and monetary authorities have announced various support measures across the globe to address potential negative impacts.

Due to of the above, there is a tangible business disruption in many business sectors in the economic environment. The bank is closely monitoring the situation, as the bank has activated the business continuity plan and other risk management procedures to manage the potential business disruption due to this outbreak and its impact on the banking operations and financial performance of the bank.

Due to the uncertainty resulting from the outbreak and in anticipation of the expected economic slowdown. The bank is closely monitoring its portfolio of financial instruments to determine the impact of this outbreak on the various quantitative and qualitative factors to identify significant increases in credit risks (SICR) related to the sectors most affected by the crisis according to the best estimates, in light of the available information on previous events and current conditions, and based on the assumptions related to the expected economic performance.

The bank’s management started to study the formation of the necessary provisions expected to reduce the impact of this outbreak on the portfolio of financial instruments, loans and receivable during the current year.

Accordingly, the bank has started studying the potential impacts of the current economic volatility in determination of the reported amounts of the financial and non-financial assets of the bank at the end of March 2020, and these are considered to represent management's best assessment based on observable information. However, the markets remain volatile and the amounts disclosed remain sensitive to market fluctuations with the possibility of creating additional provisions as a precautionary step with the end of repayment holidays announced by the Central Bank of Egypt on 16 March 2020 to all borrowers in particular classes of financial instruments until the clarity of the actual performance of the portfolio.

38. Comparative figures

Comparative figures have been reclassified to conform to changes in presentation used in the current period.