aiBANK

بنك الاستثمار العربي

ARAB INVESTMENT BANK

REPORT ON
FINANCIAL STATEMENTS

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THE BANK'S OVERVIEW

The Bank's Overview

- aiBANK was established in 1974 as an investment and commercial bank under the supervision of the Central Bank of Egypt (CBE), aIBANK started its operation in 1978 with a capital of USD 40 million, which was increased to One billion nine hundred and eighty-seven million four hundred and fifty-eight thousand pounds in 2020, with participation of 92.18% from the National Investment Bank and 7.82% from the Federal Arab Republic & it will be increased again next year.

- aiBANK provides all types of banking services to individuals through different retail banking products, investment and treasury services, as well as Islamic banking services for which a solid legislative committee is dedicated to work according to Islamic banking standards. That is besides services provided to companies and incorporations through participating in financing national mega projects via syndicated loans, which are of great importance for the national economy as well as the Bank. Moreover aIBANK finds out a link between national projects and SMEs, which are seem to be the driving force for achieving socio-economic development currently.

- aiBANK provided its services to all its clients through (31) branches spread all over Egypt, yet, it is working on expanding geographically, and opening new branches. In addition to expanding its ATM network to cover most vital places.

- aiBANK is keen to maintain client satisfaction through providing distinctive services and it seeks to acquire the most updated IT systems to enhance performance and raise the level of its banking services. The Bank is also focusing on enhancing the competencies of its staff through extensive training using the most advanced programs.

BOARD OF DIRECTORS

Board of Directors

Mr. Wael Ahmed Abou Ali
Chairman and Managing Director

Ms. Rafahia El Sayed Hussien
Board Member - Expert

Dr. Ashraf Mohamed Bahie El Din
Board Member representing the Central Bank of Egypt

Mr. Hisham Abd El-Aal
Board Member representing the Executive Management

Dr.Ahmed Gad Radwan Kamaly
Board Member representing the National Investment Bank

Ms. Dalia Mostafa Kamel
Board Member representing the National Investment Bank

Board Secretary

Ms. Mona Ahmed Ramadan
General Secretary to the Board

AUDITORS REPORT

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ARAB INVESTMENT BANK "FEDERAL JOINT STOCK COMPANY"

Report on the Financial Statements

We have audited the accompanying financial statements of Arab Investment Bank "Federal Joint Stock Company", represented in the statement of financial position as of 31 December 2020, and statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Bank's management, as the management is responsible for the preparation and fair presentation of the financial statements in accordance with rules on preparation and presentation of banks' financial statements and the basis of recognition and measurement issued by the Central Bank of Egypt on 16 December 2008, as amended under the instructions issued on 26 February 2019, along with applicable Egyptian Laws. Management's responsibility includes designing, implementing and maintaining the internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is limited to express an opinion on these financial statements based on our audit. Except for what shall be discussed in the following paragraphs, we conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian Laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

AUDITORS' REPORT (Continued)

TO THE SHAREHOLDERS OF ARAB INVESTMENT BANK "FEDERAL JOINT STOCK COMPANY" (Continued)

Auditors' Responsibility

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

The financial statements for the financial year ended 31 December 2019 were reviewed by the auditor (member of the Accounting State Authority) and another auditor (out of the government domain), who issued their report on 19 August 2020 and expressed a qualified opinion.

Basis for Qualified Opinion

The deficit in the provision for credit losses calculated under the instructions issued on 26 February 2019, related to ECL according to IFRS 9 amounted to EGP 858 million (31 December 2019: EGP 208 million), and therefore, the accumulated losses at 31 December 2020 should be increased by EGP 858 million, which has a material impact on the calculation of capital adequacy ratio at 31 December 2020.

Qualified Opinion

Except for the effect of what is mentioned in the paragraph "Basis for Qualified Opinion", in our opinion, the aforementioned financial statements express fairly - in all significant aspects - the financial position of the Bank at 31 December 2020, and its financial performance and cash flows for the financial year then ended, in accordance with rules on the preparation and presentation of banks' financial statements and the basis of recognition and measurement issued by the Central Bank of Egypt on 16 December 2008, as amended by the amendments issued on 26 February 2019, and in terms of Egyptian laws and regulations related to the preparation of these financial statements.

Emphasis of Matter

As detailed in Note (2-1-2) to the Financial Statements, total accumulated losses of the Bank until 31 December 2020 amounted to EGP 375 million, in addition to unrecognized credit losses deficit of EGP 858 million (2019: EGP 208 million), which has a significant impact on the solvency and capital adequacy ratios as at that date, taking into account the minimum capital requirements for capital adequacy ratio, in accordance with Central Bank of Egypt's instructions, regarding the minimum capital adequacy ratio in the process of applying Basel regulations, that may cast significant doubts on the Bank's ability to continue as a going concern.

AUDITORS' REPORT (Continued)

TO THE SHAREHOLDERS OF ARAB INVESTMENT BANK "FEDERAL JOINT STOCK COMPANY" (Continued)

Emphasis of Matter

These financial statements were prepared according to the going concern assumption, as on 10 October 2021, the Extraordinary General Assembly of the Bank has resolved unanimously to increase the Bank's authorized capital from EGP 10 billion to EGP 20 billion, and to increase the issued capital to EGP 5,000,000,003. The full increase amount was subscribed to by the EFG Hermes Holding and Egypt Sub-Fund for Financial Services and Digital Transformation, after National Investment Bank waived its right to subscribe to the full increase amount and the Extraordinary General Assembly approval thereon. The necessary legal measures are being taken to implement the decisions of the Extraordinary General Assembly of the Bank. Our opinion is not qualified in this regard.

Report on Other Legal and Regulatory Requirements

The Bank maintains proper books of account that comply with the Law and the Bank's Articles of Association and the financial statements agree with the Bank's books of account.

The financial statements included in the Board of Directors' Report, prepared in accordance with the requirements of Law No. 159 of 1981 and its executive regulation, are in agreement with the Bank's books of account insofar as such statements is recorded therein.

Auditors

A Member Of Ernst & Young Global

Amr Waheed Bayoumi Allied for Accounting and Auditing - EY	Sahar Mohamed Zidan Accounting State Authority

Cairo: 27 October 2021

FINANCIAL STATEMENTS

ARAB INVESTMENT (FEDRAL JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

Assets	Note	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Cash and bank balances with Central Bank of Egypt	(15)	454,639	1,757,264
Due from Banks	(16)	10,764,577	9,023,826
Loans and facilities to customers	(17)	9,915,492	7,596,705
Financial Investments			
Financial investments at amortized cost	(18)	6,344,070	7,540,649
Financial investments through other comprehensive income	(18)	12,632,280	1,934,667
Investments in associates	(19)	270,449	250,896
Intangible assets	(20)	30,115	6,949
Other assets	(21)	1,348,150	1,334,343
Fixed assets	(22)	367,744	407,392
Deferred tax assets	(23)	10,769	14,121
Total assets		**42,138,285**	**29,866,812**
Liabilities and Equity			
Liabilities			
Due to banks	(24)	1,200,000	431,003
Customers deposits	(25)	37,819,195	27,073,009
Other loans	(26)	182,005	206,046
Other liabilities	(27)	608,605	357,146
Current income tax payable		144,584	57,192
Other provisions	(28)	290,924	231,311
Total liabilities		**40,245,313**	**28,355,707**
Equity			
Paid-up capital	(29)	1,987,458	1,540,000
Reserves	(30)	281,156	257,754
Accumulated losses including net loss for the year	(31)	(375,642)	(286,649)
Total Shareholders' Equity		**1,892,972**	**1,511,105**
Total liabilities and Shareholders' Equity		**42,138,285**	**29,866,812**

Chief Financial Officer

Nagy Banoub

Chairman and Managing Director

Wael Abu Ali

Auditors

Amr Waheed Bayoumi
Allied for Accounting and Auditing - EY

Sahar Mohamed Zidan
Accounting State Authority

The accompanying notes from (1) to (37) form an integral part of the financial statements.

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ARAB INVESTMENT (FEDRAL JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

Assets	Note	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Interest on loans and similar income		3,544,536	3,458,202
Interest expenses and similar costs		(2,673,545)	(2,832,677)
Net interest income	(6)	870,991	625,525
Fees and commission income		150,938	206,859
Fees and commission expenses		(12,744)	(8,076)
Net fees and commission income	(7)	138,194	198,783
Dividend income	(8)	2,972	1,162
Net trading income	(9)	32,518	30,186
Profits from financial investments	(18)	91,570	36,729
Expected credit loss (ECL)	(12)	(33,814)	(101,267)
Administrative expenses	(10)	(755,322)	(718,066)
Other operating (expenses)	(11)	(103,213)	(77,209)
Net profit before income taxes		243,896	(4,157)
Income taxes	(13)	(333,422)	(172,162)
Net loss for the year		(89,526)	(176,319)
Loss per share		(0.0005)	(0.0012)

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

Assets	Note	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Net loss for the year		(89,526)	(176,319)
Items that may be reclassified to profit or loss			
Change in fair value of debt instruments measured at fair value through other comprehensive income	(30-b)	25,615	61,253
Change in fair value of equity instruments through other comprehensive income	(30-b)	(1,680)	-
Transferred to statement of profit or loss	(30-b)	(533)	-
		(66,124)	(115,066)

The accompanying notes from (1) to (37) form an integral part of the financial statements.

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ARAB INVESTMENT (FEDRAL JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2020

	Capital EGP (000)	Special Reserve EGP (000)	Capital Reserve EGP (000)	Legal Reserve EGP (000)	General Reserve EGP (000)	Fair value reserve for financial investments through other comprehensive income EGP (000)	General Bank Risk Reserve EGP (000)	Accumulated Losses EGP (000)	Total EGP (000)
Balance at 1 January 2019	1,040,000	251	25,589	39,415	117,798	13,201	117,427	(230,180)	1,123,501
Payment of capital increase	500,000	-	-	-	-	-	-	-	500,000
Net loss for the year	-	-	-	-	-	-	-	(176,319)	(176,319)
Transferred from bank risk reserve	-	-	-	-	-	-	(117,427)	117,427	-
Transferred from capital risk reserve	-	-	247	-	-	-	-	(247)	-
Gain on sale of financial investments through other comprehensive income	-	-	-	-	-	-	-	2,670	2,670
Net change in fair value of financial investments through other comprehensive income	-	-	-	-	-	61,253	-	-	61,253
Balance at 31 December 2019	1,540,000	251	25,836	39,415	117,798	74,454	-	(286,649)	1,511,105
Balance at 1 January 2020	1,540,000	251	25,836	39,415	117,798	74,454	-	(286,649)	1,511,105
Payment of capital increase	447,458	-	-	-	-	-	-	-	447,458
Net profit for the year	-	-	-	-	-	-	-	(89,526)	(89,526)
Loss on sale of financial investments through other comprehensive income	-	-	-	-	-	(533)	-	533	-
Net change in fair value of financial investments through other comprehensive income	-	-	-	-	-	23,935	-	-	23,935
Balance at 31 December 2020	1,987,458	251	25,836	39,415	117,798	97,856	-	(375,642)	1,892,972

The accompanying notes from (1) to (37) form an integral part of the financial statements.

ARAB INVESTMENT (FEDRAL JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

Assets	Note	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Cash flows from operating activities			
Profit for the year before income taxes		243,896	(4,157)
Adjustments to reconcile profit for the year with cash flows from operating activities			
Depreciation and amortization	(22)	60,949	66,718
Amortization of intangible assets	(20)	7,710	11,638
Provisions no longer required	(28)	(13,221)	-
Other provision charge	(28)	73,013	95,251
Gain from sale of financial investments	(18)	(45,147)	(6,825)
Undistributed dividends from investments in associates	(19)	(46,423)	(29,904)
Foreign currencies revaluation differences on financial investments	(18)	34,173	268,869
Amortization of premium / issue discount	(18)	(25,223)	(31,366)
Revaluation differences of other provisions in foreign currencies rather than loans provision	(28)	18	(2,408)
Gain/ loss from sale of fixed assets	(22)	(3,270)	(274)
Used from other provisions rather than provision for impairment losses	(28)	(197)	-
Operating profit before changes in assets and liabilities provided from operating activities		286,278	367,542
Net (increase) decrease in assets			
Due from banks	(16)	(423,822)	3,175,525
Loans and facilities to customers	(17)	(2,302,537)	23,124
Other assets	(21)	(30,061)	(351,917)
Net increase (decrease) in liabilities			
Due to banks	(24)	768,997	(3,070,020)
Customers deposits	(25)	10,746,186	(27,726)
Other liabilities	(27)	251,459	(45,373)
Income taxes paid		(245,687)	(159,819)
Net cash flows provided from (used in) operating activities		9,050,813	(88,664)
Cash flows from investing activities			
Payments for purchase of fixed assets and branches preparation	(22)		
Proceeds from sale of fixed assets	(22)	(22,245)	(178,339)
Payments for purchase of intangible assets	(20)	4,214	1,105
Proceeds from disposal of intangible assets	(20)	(30,875)	(4,631)
Proceeds from sale of financial investments	(18)	-	476
Dividends collected	(19)	2,957,248	1,481,045
Payments for purchase of investments	(18)	35,903	19,947
Net cash flows (used in) provided from investing activities		(10,540,572)	(838,780)
Cash flows from financing activities		(7,596,327)	480,823
Proceed from paid-up capital	(29)	447,458	
Proceed from other loan issuances	(26)	(24,041)	500,000
Net cash flows from financing activities		423,417	11,973
Net increase in cash and cash			511,973
equivalent during the year		1,877,903	904,132
Balance of cash and cash equivalent at the beginning of the year		1,625,891	721,759
Balance of cash and cash equivalent at the end of the year	(32)	3,503,794	1,625,891
Cash and cash equivalent are represented by the following:			
Cash and balances with Central Bank of Egypt	(15)	454,639	1,757,264
Due from banks	(16)	10,764,904	9,024,151
Treasury bills	(18)	11,459,357	2,020,721
Balances with Central Bank of Egypt under reserve ratio	(15)	(282,757)	(1,558,861)
Bank balances with a maturity of more than three months from acquisition date	(16)	(10,630,879)	(8,930,953)
Treasury bills with a maturity of more than three months from acquisition date	(18)	(8,261,470)	(686,431)
Total cash and cash equivalent	(32)	3,503,794	1,625,891

The accompanying notes from (1) to (37) form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 - BACKGROUND

The Arab Investment Bank (formerly Arab Federal Bank for Development and Investment) (Federal Joint Stock Company) provides institutional, retail banking and investment services in the Arab Republic of Egypt through its main centre in Cairo (8 Abdel-Khalek Tharwat St.). The Bank has (31) branches and is hiring (954) employees on the date of balance sheet.

The Arab Investment Bank (formerly Arab Federal Bank for Development and Investment) was established as an investment and business bank on 20/2/1974, in accordance with the provisions of the Presidential Council's decision by Law No. (1) of 1974.

In accordance with the decision of the Extraordinary General Assembly held on 3 June 2013, the name of the Bank was changed to be Arab Investment Bank, instead of Arab Federal Bank for Development and Investment.

The financial statements for the year ended 31 December 2020 were approved on 25 October 2021, in accordance with the decision of the Board of Directors held at that date.

2 - SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

2.1.1 The financial statements are prepared in accordance with the instructions of the Central Bank of Egypt approved by its Board of Directors on 16 December 2008, as well as the instructions on the preparation of financial statements, according to the requirements of IFRS (9) "Financial Instruments", in terms of the instructions issued by the Central Bank of Egypt on 26 February 2019. The financial statements of the Bank were prepared in accordance with the provisions of relevant local laws.

2.1.2 The Bank's financial statements were prepared in accordance with the going concern assumption and historical cost convention.

The total accumulated losses of the Bank till 31 December 2020, amounted to EGP 375 million, in addition to an unrecorded deficit in the provision for credit losses amounting to EGP 858 million (2019: EGP 208 million), which has a significant impact on the solvency and the capital adequacy ratios at that date, taking into consideration the minimum regulatory requirements for the capital adequacy ratio, in accordance with the Central Bank's instructions, regarding the minimum capital adequacy ratio, in applying Basel decisions, which may cast a significant doubts on the Bank's ability to continue as a going concern .

Despite the aforementioned facts, the Bank's financial statements were prepared according to the going concern assumption, as the Bank's management studied the impact of accumulated losses as at 31 December 2020 an amount of EGP 375 million, as well as the deficit in the provisions for credit losses that were not included in the financial statements at 31 December 2020 an amount of EGP 858 million (31 December 2019: EGP 208 million), and its impact on the Bank's ability to continue to meet the minimum regulatory requirement for the capital adequacy ratio, in accordance with the Central Bank's instructions in this regard.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

It has been concluded in the study that in case of recording a deficit in the provision for credit losses which is the base of qualification, along with the accumulated losses, it will result in a violation of the minimum regulatory requirement for the capital adequacy ratio.

The Bank's management concluded to partially extinguish the accumulated losses, along with the deficit in the provision for credit losses, by reducing the capital, then increasing the Bank's capital to the required capital limit, in accordance with the provisions of the Central Bank of Egypt and the Banking System Law No. 194 of 2020, issued on 15 September 2020, through a plan to increase capital by investors, including a deal to acquire the Bank in order to afford most of the losses and the deficit in the provision for credit losses that were not included in the financial statements, as well as getting to the minimum regulatory requirement for the capital adequacy ratio during 2021.

On 30 August 2021, the Bank's Ordinary General Assembly decided, after the Bank's management obtained the approval of the Central Bank of Egypt, to approve the transfer of ownership of all shares owned by the Union of Arab Republics to the National Investment Bank. The acquisition deal was also approved, along with the contract for subscription of the Bank's increase capital shares (Note 37).

Accordingly, it was decided to legally restructure the Bank to become an Egyptian Joint Stock Company under the Law 159 of 1981, and its executive regulations, and all laws applicable to the commercial banks, instead of a Federal Joint Stock Company.

On 10 October 2021 the Bank's Extraordinary General Assembly collectively decided to approve the increase in the Bank's authorized capital from EGP 10 billion to be EGP 20 billion, and the increase in the issued capital from EGP 1,198,437,391 to be EGP 5,000,000,003. It has been consensus approved that the National Investment Bank shall waive its right to subscribe the full increase amount in favour for EFG Hermes Holding and Egypt Sub-Fund for Financial Services and Digital Transformation (Note 37).

Until the approval date of these financial statements, the necessary legal measures are being taken to implement the decisions of the Bank's Ordinary General Assembly.

2-2 ACCOUNTING JUDGMENTS AND ESTIMATES

The Bank uses estimates and assumptions that affect the amounts of assets and liabilities to be disclosed during the next financial year. Estimates and assumptions are consistently evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and information available. When scheduling future cash flows, the management uses estimates based on previous experience of losses on assets with credit risk characteristics, upon the existence of objective evidence on impairment similar to those in the portfolio. The method and assumptions used in estimating both the amount and timing of future cash flows are reviewed regularly to limit any differences between estimated loss and actual loss based on experience.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-3 FOREIGN CURRENCY TRANSLATION

Functional and Presentation Currency

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

Transactions and Foreign Currencies Balances

The Bank maintains its accounts in Egyptian pounds and records transactions in foreign currencies during the financial year on the basis of the prevailing exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of the year / financial year on the basis of the prevailing exchange rates at that date. and the differences resulting from the valuation are recognized in the statement of profit or loss, under the following items:

- Net trading income or net income from financial instruments initially classified at fair value through profit or loss for assets / liabilities held for trading, or those initially classified at fair value through profit or loss according to its type.
- Other operating income (expenses) for the other items.
- Items of other comprehensive income in Shareholders’ Equity for investments in equity instruments at fair value through other comprehensive income.
- Changes in the fair value of monetary financial instruments, denominated in foreign currency classified as available for sale investments (debt instruments), are analysed among the valuation differences resulting from changes in the amortized cost of the instrument, the differences resulting from changes in the prevailing exchange rates, and the differences resulting from changes in the fair value of the instrument. Those differences resulting from changes in the amortized cost of the instrument are recognized in the statement of profit or loss, under " interest on loans and similar income". The differences related to the changes in the exchange rate are recognised in “other operating income (expenses)”. The changes in fair value are recognized in equity under “change in differences in the fair value within (fair value reserve / available for sale investments).
- Valuation differences resulting from non-monetary items, include the profit and loss resulting from the change in fair value, such as equity instruments held at fair value through profit or loss, and the valuation differences resulting from equity instruments classified as financial investments available for sale are recognized in the fair value reserve under equity.

2-4 SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates are presented in the accompanying financial statements on a cost basis, which represent the Bank's direct equity, but not on the basis of business outcomes and net assets of the investees.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-4 SUBSIDIARIES AND ASSOCIATES (Continued)

Subsidiaries

Subsidiaries are entities, including Special Purpose Entities / SPEs, that are owned directly or indirectly by the Bank upon which the Bank has the ability to control their financial and operating policies (control), and usually has an interest equity of more than half of the voting rights. The availability and effect of future voting rights that are currently exercised or transferred are taken into consideration, when assessing whether the Bank has the ability to exercise control over the company.

Associates

Associates are the entities over which the Bank has significant influence directly or indirectly, but without control. The Bank generally owns 20%to 50% of the voting rights.

The acquisition method is used in accounting for the Bank’s acquisition of entities. The acquisition cost is measured at fair value or the assets given by the Bank as a consideration for purchase, equity instruments issued, liabilities incurred by the Bank and/or liabilities they report on behalf of the acquiree, at the date of exchange, plus any costs directly attributable to the acquisition. Net assets including the identifiable acquired contingent liabilities are measured at their fair value at the acquisition date. Regardless of the minority interest equity, the excess of acquisition cost over the Bank's interest fair value in the net assets is considered as a goodwill.

If the acquisition cost is less than the fair value of the aforementioned net, the difference is recognized directly in the statement of profit or loss under "Other operating income (expenses)".

The financial investments in associates are estimated using the equity method, by which the investment in associate is recognized upon acquisition at cost, then the investment balance is increased or decreased by the Bank’s share of change in the equity of the investee, after the acquisition date, then the investment balance is decreased by the amount of dividends obtained by the investee.

If there are objective evidence on an impairment loss of the investment in associate, the loss amount is measured as the difference between the carrying amount at the higher of investment and the estimated expected future cash flows discounted at the current market rate of interest, and the net sale value for a similar investment for each investment. The carrying amount of the asset is reduced directly, and the loss amount is recognized in the statement of profit or loss under “Financial investment gains (losses). If it is possible in any subsequent period to objectively relate the decrease and increase in the impairment loss, to an event occurs after the recognition of the impairment loss, then the previously recognized impairment loss is reversed to the statement of profit or loss. Such write off should not result in a carrying amount of the asset that exceeds the cost at the disposal date of impairment losses, if such impairment losses have not been recognized.

Subsidiaries and associates are accounted for in the Bank’s financial statements by the cost method. According to this method, investments are recorded at acquisition cost, including any goodwill and any impairment losses are deducted from them. Dividends are recorded in the statement of profit or loss when these dividends are approved and the Bank’s right to collect them is proofed.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-5 INTEREST INCOME AND EXPENSES

Effective interest Rate

The interest income and expenses are recognized in the statement of profit or loss, under "Interest on loans and similar income" or "Interest expense and similar costs", using the effective interest method for all financial instruments bearing interest, except for those classified for the purpose of trading or that were initially classified at fair value through profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and distributing the interest income or expenses over lifetime of the related instrument. The effective interest rate is the rate used to discount future cash flows expected to be paid or collected during the expected lifetime of the financial instrument, or a shorter period of time, if appropriate, in order to accurately get to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows, considering all the conditions of the financial instrument contract (such as prepayment options) but not future credit losses, including calculation method of all fees paid or received among the contract parties that are considered part of the effective interest rate. The transaction cost also includes any premiums or discounts.

Interest income on loans is recognized on an accrual basis, except for interest income on non-performing loans, which ceases to be recognized as income when the interest recovery or the principle is in doubt.

The Bank ceases to recognize interest income on irregular/impaired loans or debts (Stage 3) in the statement of profit or loss. It is recognized in margin records outside the financial statements, provided that it is recognized under income on a cash basis, as follows:

- When it is collected, after recovering the full arrears for consumer and real estate loans for personal housing and for small loans related to economic activities.
- For loans granted to institutions, the cash basis is also followed, where the calculated interest is getting higher later, according to the terms of loan scheduling contract until 25% of scheduling instalments is paid, with a minimum regularity for one year. In the event that the customer continues to pay regularly, the interest calculated on the income-based loan balance (interest on the regular scheduling balance) is included without the margin interest before scheduling, which is not included in income, until after paying the full loan balance in the financial statements before scheduling.

2-6 FEES AND COMMISION INCOME

The accrued fees on a loan or facility service - measured at amortized cost - are recognized under income when the service is performed. Fees and commission income related to irregular/impaired loans or debts (Stage 3) are derecognized, as they are recognized in margin records outside the financial statements. They are recognized under income on a cash basis. When interest income is recognized for fees that generally represent an integral part of the actual interest of the financial asset, it is treated as a change to the effective interest rate.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-6 FEES AND COMMISION INCOME (Continued)

The commitment fees on loans are deferred if there is a likely possibility that these loans will be withdrawn, given that the commitment fees obtained by the Bank are considered as a compensation for the continuous intervention to acquire the financial instrument, then they are recognized by modifying the actual rate of interest on the loan, and in the event of the commitment period expiry without issuing the loan by the Bank, the fees are recognized under income at the end of the commitment period.

Fees related to debt instruments that are measured at their fair value are recognized under income at the initial recognition and the fees on common loan promotion are recognized under income, upon the completion of the promotion process, provided that the Bank does not retain any part of the loan for itself or that the Bank holds a part of the loan for itself, but at the same actual rate of interest available to other participants.

Fees and commissions resulting from negotiating or participating in negotiation of a transaction for a third party - such as arranging the purchase of shares or other financial instruments or the acquisition or sale of facilities - are recognized in the statement of profit or loss upon completion of the relevant transaction. Fees on management consultancy and other services are usually recognized on a time apportionment basis over the service performance. Fees on financial planning management and custody services that are provided over long periods of time are recognized throughout the year when the service is performed.

2-7 DIVIDEND INCOME

Dividends on the Bank's investments in equity instruments are recognized in the statement of profit or loss when the right to collect the payment is fulfilled.

2-8 INCOME TAXES

Income tax on the profit or loss for the year, includes both current year tax and deferred tax, and is recognized in the statement of profit or loss, except for income tax related to the items of Shareholders' Equity, that are recognized directly under owners' Shareholders' Equity. Income tax is recognized on the basis of the taxable net profit, using the applicable tax rates on the date of financial position, in addition to the tax settlements during previous years.

Deferred taxes arising from temporary time differences between the carrying amount of assets and liabilities are recognized, according to the accounting bases and their value on tax bases. The deferred tax amount is determined based on the expected method for realizing or settling the values of assets and liabilities, using the applicable tax rates on the date of financial position. The deferred tax assets of the Bank are recognized when there is a likely possibility of achieving taxable profits in the future, through which such asset can be used. The amount of the deferred tax assets is reduced by the value of the part, from which the expected tax benefit will not be realized during the following years, provided that in the event of an increase in the expected tax benefit, the deferred tax assets will be increased, to the extent of what was previously reduced.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Initial recognition and Measurement

The Bank initially recognizes the financial assets and liabilities on the date when the Bank becomes a party to the contractual terms of the financial instrument.

The financial asset or financial liability is initially measured at fair value. As for those that are not subsequently measured at fair value through profit or loss, they are measured at fair value, plus the transaction cost that is directly related to the acquisition or issuance.

Classification

Financial Assets

Upon initial recognition, the Bank classifies the financial assets into financial assets at amortized cost, financial assets at fair value through other comprehensive income (FVOCI), or financial assets at fair value through profit or loss (FVTPL).

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost, if both of the following conditions are met, and has not been designated by the management of the Bank, upon initial recognition, at the fair value through profit or loss:

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

The objective of the business model is to hold financial assets, in order to collect the contractual cash flows represented in the investment payments of principal and interest. Sale is an exceptional contingent event for the objective of such model and under the conditions of the Standard which are:

- There should be a deterioration in the creditworthiness of the issuer of the financial instrument.
- There should be less sales in terms of regularity and value.
- There should be a clear and approved documentation process for the justifications of each sale and its compliance with the requirements of the Standard.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

- The financial asset is held within the business model of financial assets, to collect contractual cash flows and sell.
- Both contractual cash flow collection and sale are complementary to the model objective.
- High sales in terms of regularity and value, compared to a business model held to collect contractual cash flows.

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

- The financial asset is held within other business models, that include trading, financial asset management on a fair value basis, and maximizing cash flows through sale.
- The objective of the business model is not to hold the financial asset to collect contractual cash flows or to hold the financial asset to collect contractual cash flows and sell.
- The collection of contractual cash flows is a contingent event for the objective of the model.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Classification (Continued)

Financial Assets (Continued)

Characteristics of the business model are as follows:

- Structuring a set of activities designated to get specific outputs.
- Representing a complete framework for a specific activity (inputs - activities - outputs).
- A single business model can include sub-business models.

The remaining other financial assets are classified as financial investments at fair value through profit or loss.

In addition, the Bank may, upon initial recognition, irrevocably designate a financial asset as at fair value through profit or loss, even though it meets the conditions for classification as a financial asset at amortized cost, or at fair value through the statement of other comprehensive income, if doing so would substantially eliminate or reduce, the mismatch that might arise in the accounting measurement.

Business Model Assessment

Both debt and equity instruments are classified and measured as follows:

Measurement Methods Based on Business Models			
Financial Instrument	**Amortized Cost**	**Fair Value**	
		Through OCI	**Through PL**
Equity instruments		Irrevocable one-time option upon initial recognition	Normal transaction of equity instruments
Debt instruments	Business model for assets held to collect contractual cash flows	Business model for assets held to collect contractual cash flows and sell	Business model for assets held for trading

The Bank prepares, documents and approves the Business Model(s), in line with the requirements of IFRS (9), and in a manner that reflects the Bank's strategy, set for managing financial assets and its cash flows according to the following:

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Classification (Continued)

Financial Assets (Continued)

Business Model Assessment (Continued)

- Approved documented policies and the portfolio objectives, as well as applying such policies in practice. In particular, whether management's strategy focuses only on collecting the contractual cash flows of the asset, and holding a certain interest rate, to match the maturities of financial assets, with the maturities of the obligations that finance these assets, or to generate cash flows through the sale of these assets.
- How to evaluate and report on the performance of the portfolio to senior management.
- Risks that affect the performance of the business model, including the nature of the financial assets held within that model and the way these risks are managed.
- How to determine the performance evaluation of business managers (fair value, cash flows of contracts, or both).
- Regularity, value and timing of sales in previous periods, the reasons for these sales, and expectations regarding future sale activities. However, information about sale activities is not taken into account in isolation, but as part of a comprehensive assessment of how the Bank's objective of managing financial assets is achieved and how to generate cash flows.

Financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis, are measured at fair value through profit or loss, as they are not held to collect contractual cash flows, or to collect contractual cash flows and sell the financial assets together.

The following is a summary of the Business Models, in line with the requirements of IFRS (9), and in a manner that reflects the Bank's strategy set for managing financial assets and their cash flows, according to the following:

Financial Asset	Business Model	Main Characteristics
Financial assets at amortized cost	Business model for financial assets held to collect contractual cash flows	• The objective of the business model is to hold financial assets in order to collect the contractual cash flows represented in the investment payments of principal and interest. • Sale is an exceptional contingent event for the objective of such model and in terms of the conditions set out in the Standard represented in a deterioration in the creditworthiness of the issuer of the financial instrument. • Less sales in terms of regularity and value. • The Bank undertakes a clear and approved documentation for the justifications for each sale and its compliance with the standard's requirements.
Financial assets at fair value through other comprehensive income (FVOCI)	Business model for financial assets held to collect contractual cash flows and sell	• Both contractual cash flow collection and sale are complementary to the objective of the model. • High sales (in terms of regularity and value) compared to a business model held to collect contractual cash flows.
Financial assets at fair value through profit or loss (FVTPL)	Other business models include (trading - financial asset management on a fair value basis- maximizing cash flows by sale)	• The objective of the business model is not to hold the financial asset to collect contractual cash flows, or to hold the financial asset to collect contractual cash flows and sell. • The collection of contractual cash flows is a contingent event for the objective of the model. • Managing financial assets by the management, on a fair value basis through profit or loss, in order to eliminate the mismatch in the accounting measurement.

Assessment of whether the contractual cashflows are solely payments of principal and interest

For the purpose of this assessment, the Bank defines the "principal" of the financial instrument as the fair value of the financial asset at initial recognition. "interest" is defined as consideration for time value of money and for the credit risk associated with the principal, during a period of time, and for other basic lending risks and costs (such as liquidity risk and administrative costs), as well as a profit margin.

Assessment of whether the contractual cashflows are solely payments of principal and interest

In assessing whether the contractual cash flows of an asset are payments, that are limited only to the asset of the financial instrument and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms, that may change the timing or amount of contractual cash flows, so that it will not meet that condition. In making this assessment, the Bank considers the following:

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Classification (Continued)

Financial Assets (Continued)

Business Model Assessment (Continued)

Assessment of whether the contractual cashflows are solely payments of principal and interest (Continued)

- Contingent events that would change the amount and timing of cash flows.
- Leverage features (interest rate, maturities, currency type).
- Prepayment and extension terms.
- Terms that limit the Bank's claim to cash flows from specified assets.
- Features that modify consideration of the time value of money (e.g., periodical reset of interest rate).

Financial Liabilities

- Upon initial recognition, the Bank classifies the financial liabilities, into financial liabilities at amortized cost, and financial liabilities at fair value through profit or loss, based on the objective of the Bank's business model.
- All financial liabilities are initially recognized at fair value, on the date when the Bank becomes a party to the contractual terms of the financial instrument.
- Financial liabilities classified at amortized cost are subsequently measured on an amortized cost basis by using the effective interest method.
- Financial liabilities at fair value through profit or loss are subsequently measured at fair value. The change in fair value related to the change in the credit rating of the Bank is recognized in the statement of other comprehensive income, while the remaining amount of the change in fair value is presented in profit and loss.

Reclassification

- Financial assets are not reclassified, after initial recognition, except when - and only when - the Bank changes the business model for managing these assets.
- In all cases, the items of financial liabilities at fair value through profit or loss, and financial liabilities at amortized cost are not reclassified.

Derecognition

Financial Assets

- A financial asset is derecognised when the contractual right to receive cash flows from the financial asset expires, or when the Bank transfers the right to receive the contractual cash flows in a transaction, in which the risks and rewards of ownership are substantially transferred to a third party.
- The Bank considers the expected credit risks as a probable-weighted estimation of the expected credit risks which are measured as following:

• Expected credit losses on the financial assets under Stage 1 are measured based on the present value of the total cash deficit, calculated on the basis of the historical probability of default rates, adjusted for the expectations on the average scenarios of macro-economic indicators for the next 12 months, multiplied by the value on default, taking into account the probable-weighted expected rates of recovery, when calculating the loss rate for each category of the debt instruments with similar credit risks. Since these expected credit risks consider the amount and time of payments, then the credit losses arise, even if the entity expects the full payment, but in a subsequent time after the debt falls due, under the contractual terms. The expected credit losses over 12 months are considered a part of the expected credit losses over the lifetime of the asset, which result from the default in payment of a financial instrument and are probable within a period of 12 months after the reporting date.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Derecognition (Continued)

Financial Assets (Continued)

- When a financial asset is derecognized, in the statement of profit or loss a recognition will be made of the difference between the carrying amount of the asset (or the carrying amount designated to the part of the asset derecognized), and the sum of the consideration received (including any new asset acquired, less any new liability assumed) and any accumulated profit or loss previously recognized in the fair value reserve for financial investments at fair value through the statement of other comprehensive income.
- When the Bank enters into transactions, whereby it transfers assets previously recognized in the statement of financial position but retains all or substantially most of the risks, and benefits associated with the transferred asset or part of it. In such cases, the transferred asset is not derecognized.
- For transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of the ownership of the asset, and maintains control over the asset, the Bank continues to recognize the asset to the extent of the Bank's continuing involvement in the financial asset. The Bank's continuing involvement in the financial asset is determined by the Bank's exposure to changes in the value of the transferred asset.
- In some transactions, the Bank retains the liability of the transferred asset service in consideration for a commission, then the transferred asset is derecognized, if it meets the conditions of derecognition. An asset or liability for a service contract is recognized if the service commission is higher than the adequate amount (asset) or less than the adequate amount (liability) to perform the service.

Financial Liabilities

The Bank derecognizes financial liabilities, when the obligation under the liability is discharged or cancelled or duration expires according to its contract.

Financial Assets

Modifications to Financial Assets and Financial Liabilities

- If the terms of a financial asset are modified, the Bank assesses whether the cash flows of the modified asset are significantly different. If the cash flows are significantly different, then the contractual rights to the cash flows from the original financial asset are considered expired, then the original financial asset is derecognized, and a new financial asset is recognized at fair value.

The value resulting from modifying the total carrying amount is recognized as profit or loss within profit and loss. But if such modification has occurred due to financial difficulties experienced by the borrower, then the profits are deferred and presented with the accumulated impairment losses, while the losses are recognized in the statement of profit or loss.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Modifications to Financial Assets and Financial Liabilities

Financial Assets (Continued)

- If the cash flows of the modified asset recognized at amortized cost are not significantly different, then the modification does not result in the derecognition of the financial asset.

Financial Liabilities

The Bank modifies a financial liability when its terms are modified, and the cash flows of the modified liability are significantly different. In such case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the old financial liability and the new financial liability on the modified terms is recognized in profit and loss.

Offsetting of Financial Assets and Financial Liabilities

Financial assets and liabilities are offset if there is a currently enforceable legal right to offset the recognized amounts, and there is an intention to settle on a net basis, or to receive the asset and settle the liability simultaneously.

Income and expenses are only offset if it is permitted, in accordance with the revised Egyptian Accounting Standards, or as an outcome of profit or loss from similar categories, as a result of trading activity, differences in monetary asset and liability balance translation in foreign currencies, or from foreign currencies profit (loss).

Fair Value Measurement

- The Bank determines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, taking into account when measuring fair value, the characteristics of the asset or liability if the market participants consider those characteristics, when pricing the asset and/or liability at the measurement date. These characteristics include the condition and location of the asset, restrictions on selling or using the asset and the way the participants in the market take the same into consideration.
- The Bank uses the market approach to determine the fair value of financial assets and liabilities, considering that this approach uses prices and other relevant information, resulting from market transactions that include assets, liabilities or a group of assets and liabilities, and are identical or comparable. Accordingly, the Bank may use valuation techniques consistent with the market approach, such as market multiples derived from comparable categories. Then the selection of the appropriate multiple out of the scope requires the use of personal judgment, taking into account the quantitative and qualitative factors of the measurement.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Fair Value Measurement (Continued)

- When the market input is not reliable, in determining the fair value of a financial asset or a financial liability, the Bank uses the income approach to determine the fair value, according to which the future amounts, such as cash flows or income and expenses are transferred to a current (discounted) amount, so that the fair value measurement reflects the current market expectations about future amounts.
- When the market input or income approach is not reliable, in determining the fair value of a financial asset or a financial liability, the Bank uses the cost approach to determine the fair value, so that it reflects the amount required currently to replace the asset in its current condition (current replacement cost). As the fair value reflects the cost incurred by a market participant, as a purchaser, to acquire an alternative asset with a similar benefit, since the market participant, as a purchaser, will not pay for the asset more than the amount at which the benefit would be replaced for the asset.

Valuation techniques used to determine the fair value of a financial instrument include the following:

- Quoted prices of similar assets or liabilities in active markets.
- Interest rate swap contracts, by calculating the present value of the expected future cash flows, based on the observed interest curves.
- Fair value of the future currency exchange rate contracts using the present value of the expected cash flow, by using the future exchange rate of the contractual currency.
- Discounted cash flow analysis used in determining the fair value of other financial instruments.

Impairment of Financial Assets

Impairment losses are recognized for the expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss, which are:

1) Financial assets that represent debt instruments.
2) Outstanding debts.
3) Financial guarantee contracts.
4) Commitments of loans and similar debt instruments.

The impairment losses are not recognized for investments in equity instruments.

Debt instruments related to retail banking products and small and micro enterprises

- The Bank is grouping debt instruments related to retail banking products and small and micro enterprises on the basis of categories with similar credit risks based on the type of banking product.
- The Bank classifies debt instruments within the retail banking product category or small and micro enterprises into three levels based on the following quantitative and qualitative criteria:

2- SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Impairment of Financial Assets (Continued)

Debt instruments related to retail banking products and small and micro enterprises (Continued)

Financial Instrument Classification	Stage 1		Stage 2		Stage 3	
	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)
Low-credit risk financial instruments	No past dues	Low - potential default risks				
Significant increase in credit risk of financial instruments			30days past due of the contractual instalment maturity.	If the borrower experiences one or more of the following events: - If the borrower applies to transfer the short-term repayment to a long-term repayment, as a result of the adverse effects related to the borrower's cash flows. - If the Bank writes off one of the direct facilities granted from the Bank, due to the increase in credit risk of the borrower. - If the period granted for repayment is extended at the borrower's request. - If frequent past dues occurred within the previous 12 months. - If there are adverse future economic changes that affect the future cash flows of the borrower		
Impaired financial instruments					When the borrower is more than 90 days past due, regarding the contractual instalments.	N/A

Debt instruments related to medium entities and enterprises

- The Bank is grouping debt instruments related to medium entities and enterprises on the basis of categories with similar credit risks, based on the obligor risk rating (ORR).
- The Bank classifies customers within each category into three levels based on the following quantitative and qualitative criteria:

2- SIGNIFICANT ACCOUNTING POLICIES (Continued)
2-9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)
Impairment of Financial Assets (Continued)
Debt instruments related to medium entities and enterprises (Continued)

Financial Instrument Classification	Stage 1		Stage 2		Stage 3	
	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)
Low-credit risk financial instruments	No Past dues	Low - potential default risks				
Significant increase in credit risk of financial instruments			60 days past due of the contractual instalment maturity.	If the borrower is on the Watch-list and/or the financial instrument experiences one or more of the following events: - Significant increase in the interest rate of the financial asset, as a result of the increase in credit risks. - Significant adverse changes in the activity and financial or economic circumstances, in which the borrower operates. - Applying for rescheduling. - Significant adverse changes in actual or expected operating results or cash flows - Adverse future economic changes that affect the future cash flows of the borrower. - Early signs of cash flow/liquidity issues such as due payments to creditors/ of business loans.		
Impaired financial instruments					When the borrower is more than 90 days past due, regarding to the contractual instalments.	When the borrower fails to meet one or more of the following criteria, which indicates that the borrower is experiencing a significant financial difficulty. - Borrower's death or disability. - Borrower's default. - Scheduling as a result of the deterioration in the creditworthiness of the borrower. - Non-compliance with financial covenants. - Disappearance of the active market of a financial asset or one of the borrower's financial instruments, due to financial difficulties. - lenders granting concessions related to the borrower's financial difficulty that would not be granted in normal circumstances. - The possibility that the borrower will enter into bankruptcy or restructure, as a result of financial difficulties. - If the borrower's financial assets are purchased at a significant discount that reflects the credit losses incurred.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Impairment of Financial Assets (Continued)

Transfer from Stage 2 to Stage 1

The Bank doesn't transfer financial asset from Stage 2 to Stage 1, unless all the quantitative and qualitative factors of Stage 1 are completed, the total cash proceeds of the financial asset become equal to or more than the full value of the instalments due for the financial asset and the payable interest, and the elapse of three months of regularity of payment and meeting all the conditions.

Transfer from Stage 3 to Stage 2

The Bank doesn't transfer the financial asset from Stage 3 to Stage 2 – including scheduling processes - until all the following conditions are met:

1) Completion of all quantitative and qualitative factors of Stage 2.
2) Repayment of 25% of the balance of the outstanding financial assets, including accrued interest.
3) Regularity of payment of the financial asset's principal and payable interests for a consequent period of at least 12 months.

Period of financial asset recognition under final category of Stage 2

The period of recognition (classification) of the financial asset under the final category of Stage 2 doesn't exceed a period of nine months, as of the date of its transfer to such stage.

The financial assets created or acquired by the Bank are classified, and they include a higher rate of credit risk than the Bank's low-risk financial assets rates upon recognition of the Stage 2 directly.

Measurement of Expected Credit Losses (ECL)

- The Bank evaluates the debt instrument portfolios quarterly, at the portfolio level for all financial assets of individuals, institutions, small, medium and micro enterprises, and periodically with respect to the financial assets of institutions, classified within the Watch-list, in order to monitor the related credit risk. This evaluation is also carried out at the counterparty level on a periodic basis, and the criteria used to identify a significant increase in credit risk are reviewed and monitored periodically by the Financial Risk Management.
- At the reporting date, the Bank estimates the impairment losses provision for the financial instrument at an amount equal to the expected credit losses over the lifetime of the financial instrument, except for the following cases, in which the impairment loss allowance is estimated at an amount equal to the expected credit losses over a period of twelve months:

1) Debt instrument determined as an instrument with low credit risks at the reporting date (debt instruments under Stage 1)
2) Other financial instruments in which the credit risks have not significantly increased at the reporting date since the initial recognition (debt instruments under Stage 1).

- The Bank considers the expected credit risks as a probable-weighted estimation of the expected credit risks which are measured as following:

- Expected credit losses on the financial assets under Stage 1 are measured based on the present value of the total cash deficit, calculated on the basis of the historical probability of default rates, adjusted for the expectations on the average scenarios of macro-economic indicators for the next 12 months, multiplied by the value on default, taking into account the probable-weighted expected rates of recovery, when calculating the loss rate for each category of the debt instruments with similar credit risks. Since these expected credit risks consider the amount and time of payments, then the credit losses arise, even if the entity expects the full payment, but in a subsequent time after the debt falls due, under the contractual terms. The expected credit losses over 12 months are considered a part of the expected credit losses over the lifetime of the asset, which result from the default in payment of a financial instrument and are probable within a period of 12 months after the reporting date.

• The expected credit losses of the financial assets under Stage 2 are measured based on the present value of the total cash deficit calculated on the basis of the historical probability of default rates, adjusted for the expectations on the average scenarios of macro-economic indicators throughout the lifetime of the asset, multiplied by the value on default, taking into account the probable-weighted expected rates of recovery when calculating the loss rate for each category of the debt instruments with similar credit risks.

• The credit impaired financial assets, at the reporting date, are measured as the difference between the total carrying amount of the asset and the present value of expected future cash flows.

• The Bank when calculating the loss rates, takes into account the expected recovery rates of the present value of the expected cash flows, whether from cash and in-kind guarantees, or the historical or future expected payment rates as following:

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Impairment of Financial Assets (Continued)

Measurement of Expected Credit Losses (ECL) (Continued)

- The Bank considers the expected credit risks as a probable-weighted estimation of the expected credit risks which are measured as following:
- Expected credit losses on the financial assets under Stage 1 are measured based on the present value of the total cash deficit, calculated on the basis of the historical probability of default rates, adjusted for the expectations on the average scenarios of macro-economic indicators for the next 12 months, multiplied by the value on default, taking into account the probable-weighted expected rates of recovery, when calculating the loss rate for each category of the debt instruments with similar credit risks. Since these expected credit risks consider the amount and time of payments, then the credit losses arise, even if the entity expects the full payment, but in a subsequent time after the debt falls due, under the contractual terms. The expected credit losses over 12 months are considered a part of the expected credit losses over the lifetime of the asset, which result from the default in payment of a financial instrument and are probable within a period of 12 months after the reporting date.

The expected credit losses of the financial assets under Stage 2 are measured based on the present value of the
- total cash deficit calculated on the basis of the historical probability of default rates, adjusted for the expectations on the average scenarios of macro-economic indicators throughout the lifetime of the asset, multiplied by the value on default, taking into account the probable-weighted expected rates of recovery when calculating the loss rate for each category of the debt instruments with similar credit risks.

The credit impaired financial assets, at the reporting date, are measured as the difference between the total carrying amount of the asset and the present value of expected future cash flows.
- The Bank when calculating the loss rates, takes into account the expected recovery rates of the present value of the expected cash flows, whether from cash and in-kind guarantees, or the historical or future expected
- payment rates as following:

For the debt instruments designated under Stage 1, only the value of cash guarantees and equivalent is considered, which is represented in cash and other financial instruments, that can be transferred easily to cash in a short time (3 months or less), or without a change (loss) in its value, due to the credit risks, after
- discounting 10% due to unseen conditions.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-9 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Impairment of Financial Assets (Continued)

Measurement of Expected Credit Losses (ECL) (Continued)

Restructured Financial Assets (Continued)

- If the rescheduling will not result in the derecognition of the current asset, the expected cash flows resulting from the modified financial asset are used, when calculating the cash deficit in the current asset. The expected credit losses are calculated over the lifetime of the instrument.
- If the rescheduling will result in the derecognition of the current asset, the expected fair value of the new asset is treated as final cash flows from the current financial asset, upon derecognition. This value is used in calculating the cash deficit of the current financial asset, which has been discounted as of the expected date to derecognize the asset, till the reporting date, by using the original effective interest of the current financial asset.

Presentation of Provisions for Expected Credit Losses in the Statement of Financial Position

The provision for expected credit losses is presented in the statement of financial position as follows:

- Financial assets measured at amortized cost as a discount from the total carrying amount of assets.
- Commitments on loans and financial guarantee contracts: generally, as a provision.
- When the financial instrument includes both utilized and unutilized portions of the permitted limit of this instrument, and the Bank cannot determine the expected credit losses of the unutilized portion separately, the Bank will present the provision for aggregate loss for both utilized and unutilized portion. The aggregate amount is presented as a discount from the total carrying amount of the utilized portion. Any increase in the loss provision is presented to the total amount used as a provision for the unutilized portion.
- For debt instruments at fair value through other comprehensive income, no impairment provision is recognized in the statement of financial position, because the carrying amount of such assets is their fair value. However, the impairment provision is disclosed, and recognized in the fair value reserve.

Debts Write-Off

The debts are written off (either partially or wholly) when there is no actual possibility of recovering such debts, and generally, when the Bank determines that the borrower does not have assets, resources or sources of income, that could generate sufficient cash flows to repay the debts that will be written off. However, the written-off financial assets could still be subject to the monitoring procedures taken by the Bank to recover the amounts due. A deduction is made on the provision for impairment of debt that are written-off, whether a provision has been made for it or not, and an addition is made to the provision for impairment of loan proceeds previously written-off.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-10 PURCHASE & RESALE AGREEMENTS AND SALE & REPURCHASE AGREEMENTS

The financial instruments sold in accordance with the repurchase agreements, under assets added to the treasury bills and other government securities are presented in the statement of financial position. The liability (purchase & resale agreements), less the treasury bills and other government securities, is presented in the statement of financial position. The difference between sale price and repurchase price is recognized as an interest payable over the agreement term by using the effective interest rate method.

2-11 INVESTMENT PROPERTIES

Investment properties are represented in the lands and buildings owned by the Bank in order to obtain rental returns or a capital increase. Therefore, they do not include real estate assets through which the Bank conducts its business or those that are devolved to the Bank in fulfillment of debts. Investment properties are accounted for in the same accounting method applied to fixed assets.

2-12 FINANCIAL DERIVATIVE INSTRUMENTS

The financial derivatives are recognized at fair value at the date the derivative contract is signed. It's subsequently measured at fair value. Fair value is obtained from the market prices quoted in the active markets, recent market transactions or the assessment techniques such as the discounted cash flow models and option pricing models, based on cases.

All derivatives are reflected in the assets if the derivative's fair value is positive or in the liabilities if its fair value is negative.

The method of recognition of profits or losses resulting from changes in fair value of the derivatives depends on whether the derivative is designated as a hedge instrument and on nature of the hedged item. The changes of fair value of the derivatives that are not qualified for hedge accounting are recognized under "Net trading income" in the statement of profit or loss. "Net income from the financial instruments designated, on inception, at fair value through profits or losses" is recognized in the statement of profit or loss for the profits and losses resulting from changes in the fair value of the derivatives that are managed in conjunction with the financial assets and liabilities classified, on inception, at fair value through profits or losses.

The changes in fair value of the derivatives designated and qualified for the hedges of the fair value are recognized with any changes in the fair value relating to the risk of the hedged asset or liability. The impact of the effective changes in fair value of the interest rate swap contracts and the related hedged items is taken to "Net interest income".

Impact of the effective changes in fair value of the future currency contracts is taken to "Net trading income'. Ineffective impact in all contracts and the related hedged items mentioned in the previous paragraph is taken to the "Net trading income".

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-12 FINANCIAL DERIVATIVE INSTRUMENTS (Continued)

Effective part of the changes in fair value of the derivatives designated and qualified for the cash flows hedges is recognized in equity. Profits and losses relating to the ineffective part are immediately recognized under "Net trading income" in the statement of profit or loss. The amounts accumulated in equity are brought forward to the statement of profit or loss at the same periods when the hedged item has an impact on the profits or losses. Profits or losses relating to the effective part of currency swaps and options are taken to "Net trading income". When a hedge instrument is due or sold or if the hedge is no longer meeting the conditions of hedge accounting, the profits or losses accumulated in the equity at that time remain under equity, and they are recognized in the statement of profit or loss when the expected transaction is eventually recognized. However, if the expected transaction is no longer expected to occur, then the profits or losses accumulated in equity are immediately brought forward to the statement of profit or loss.

2-13 INTANGIBLE ASSETS

Computer Software

Expenses relating to development or maintenance of computer software are recognized as an expense in the statement of profit or loss when incurred. The expenses relating directly to specific software under control of the Bank, and which are expected to generate economic benefits exceeding its cost for more than one year are recognized as an intangible asset. The direct costs include the cost of the staff involved in the software development, in addition to an appropriate portion of the related general expenses.

Expenses leading to increase or expansion in the computer software more than the original specifications are recognized as development cost and these expenses are added to the cost of the original software.

Cost of computer software recognized as an asset over the period in which it's expected to be used, no later than 3 years, is depreciated.

Other Intangible Assets

These are intangible assets other than goodwill and computer software (including but not limited to trademarks, licenses, lease benefits).

Other intangible assets are recognized at their acquisition cost and are depreciated using the straight-line method or on the basis of the economic benefits expected to be realized from them, over their estimated useful lives, and for assets that do not have a specific useful life, they are not depreciated, but they are tested for impairment in their value annually, and the impairment value (if any) is charged to the statement of profit or loss.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-14 FIXED ASSETS

Fixed assets are represented mainly in the main offices, branches, and offices. All assets are shown at historical cost less depreciation and impairment losses. The historical cost includes the expenses related directly to the acquisition of fixed assets.

The subsequent expenses are recognized at fair value of the underlying asset, considering them as a separate asset, when appropriate, when the flow of future economic benefits relating to the financial asset to the Bank is probable and the cost can be reliably determined. Maintenance and repair expenses in the period they are charged are expensed under other operating expenses.

Expenses on leasehold improvements are treated annually as an expense in the statement of profit or loss.

Lands are not depreciated. Depreciation of a fixed asset is accounted on straight line bases for cost allocation so that the residual value over the useful lifetime is estimated as following:

Asset type	Depreciation period
Buildings and constructions	20 years
Office furniture and cabinets	10 years
Machinery and equipment	8 years
Vehicles	5 years
Integrated Automated systems (Computers)	5 years
Fixtures and fittings	3 years

The residual value and useful lives of fixed assets are reviewed at the date of each financial position and adjusted whenever necessary. The assets that are depreciated are reviewed for the purpose of determining impairment when events or changes in circumstances occur that indicate that the carrying amount may not be recoverable. The carrying amount of the asset is immediately reduced to the recoverable amount if the carrying amount exceeds the recoverable amount. The recoverable amount represents the net selling value of the asset or the value in use of the asset, whichever is higher. Profits and losses on disposals from fixed assets are determined by comparing the net proceeds to the carrying amount. Profits (losses) are included within other operating income (expenses) in the statement of profit and loss.

2-15 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that do not have a definite useful life are not depreciated, except for goodwill, and its impairment is tested annually. The impairment of assets that are depreciated is examined whenever there are events or changes in circumstances that indicate that the carrying amount may not be recoverable.

The impairment loss is recognized, and the value of the asset is reduced by the amount by which the carrying amount of the asset exceeds the recoverable amount, and the recoverable amount represents the net selling value of the asset or the value in use of the asset, whichever is higher. For the purpose of estimating impairment, the asset is added to the smallest possible cash-generating unit, and the financial assets in which impairment was found are reviewed to examine whether there is a reversal to the impairment in the statement of profit and loss on each reporting date.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-16 RENTAL

Payments under operating lease account, less any discounts obtained from the lessor, are recognized as expenses in the statement of profit or loss on a straight-line basis over the period of the contract.

2-17 CASH AND CASH EQUIVALENTS

For statement of cash flow purposes, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances with Central Bank of Egypt other than for mandatory reserve, bank balances, treasury bills and other government securities.

2-18 OTHER PROVISIONS

Provisions made to meet obligations that fall due after twelve months from the date of the financial statements (other than those to meet credit risk or employee benefits) are measured on the basis of the present value of the best estimate of payments to be satisfied to settle the current obligations at the date of the financial statements, and to estimate the present value of those provisions an appropriate discount rate is used that reflects the time value of money before the effect of tax. As for obligations that are due to be paid up to twelve months from the date of the financial statements, the obligation is measured at the estimated undiscounted value, unless the effect of the time value of money is material, so it is calculated at the present value. Reversals of provisions no longer required (whether fully or partially) are presented under other operating income (expenses).

2-19 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are the contracts issued by the Bank as a collateral for loans or debit current accounts presented to its customers from other parties and it is required from the Bank to pay certain payments to compensate the beneficiaries of any incurred loss due to the debtor's default on payment in the due date according to the debt instrument's conditions. These financial collaterals are presented to banks, financial institutions, and other parties on behalf of the Bank's customers.

Initial recognition in the financial statements is made at the fair value at the date of granting the collateral which may reflect the collateral fees. Later on, the Bank's liability is measured by the virtue of the collateral on the basis of the initial recognition amount less the depreciation to recognize the collateral fees in the statement of profit or loss on a straight-line basis over the collateral lifetime, or the best estimation of the needed payments to adjust any financial liability resulted from the financial collaterals on the balance sheet date which is higher. These estimations are specified according to the experience in similar transactions and historical losses and also by the management's judgment.

Any increase in the liabilities resulting from financial collaterals, is recognized in the statement of profit or loss as other operating income (expenses).

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-20 BORROWING

Loans obtained by the Bank are initially recognized at fair value net of the cost incurred in obtaining the loan. Borrowings are subsequently measured at amortized cost with the difference between net proceeds and the value to be paid over the borrowing period, recognized in the statement of profit or loss using the effective interest rate method.

2-21 CAPITAL

Cost of capital

The issuance expenses that are related directly with issuing new shares or units for acquiring an entity or issuing options are presented as a deduction from equity and net of proceeds after tax.

Dividends

Dividends are recognized as a deduction from equity when the general assembly of shareholders approves the dividends. Dividends include the employees' share in profits and the Board of Directors' remuneration as prescribed by the Bank's articles of association and the law.

2-22 EMPLOYEE BENEFITS

All forms of material and in-kind benefits granted by the Bank for service provided by employees.

Short-term employee benefits:

Short-term employee benefits represented in wages, salaries, social security contributions, annual paid leaves and bonus (if accrued within twelve months from the end of the year), non-cash benefits (such as medical care, housing, transportation, free or subsidized services for existing employees) and short-term employee benefits are charged as a expenses in the statement of profit or loss for the year in which this service is provided to the Bank's employees, according to which they are entitled to these benefits.

Social Security

The pension benefits are the Bank's share in its employees' social security, which it pays to the General Authority for Social Insurance in accordance with the Social Security Law No. 79 of 1975 and its amendments, whereas the Bank pays its share to the General Authority for Social Insurance for each period and that share is charged to the statement of profit or loss within wages and salaries in the item of general and administrative expenses for the year in which the Bank employees provide their services. The Bank's obligations to pay pension benefits are accounted for as specific schemes and therefore do not lead to an additional obligation on the Bank related to the pension benefits for its employees other than its share in the social security payable by the bank on their behalf to the Authority.

The Bank has a special insurance fund for the Bank's employees. It was established on 26 January 1979 and is subject to the provisions of Law 45 of 1975 and its executive regulations for the purpose of granting insurance and compensatory benefits to the members. The provisions of this fund and its amendments apply to all employees of the Bank's head office and its branches.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2-22 EMPLOYEE BENEFITS (Continued)

Social Security (Continued)

The Bank is obligated to pay monthly and annual contributions to the fund in accordance with the fund's regulations and its amendments, and the Bank does not have any additional obligations following the payment of contributions. The contributions are recognized in the administrative expenses when due. Prepaid contributions are recognized in assets to the extent that the advance payment reduces future payments or results in a cashback.

2-23 COMPARATIVE FIGURES

Comparative figures are reclassified, as necessary, to conform with changes in the current year presentation.

3 - SEGMENT REPORTS

The activity segment is a group of assets and operations associated with providing products or services which have risks and benefits that are different from those associated with other business sectors. The geographical sector is associated with providing products or services within a single economic environment with risks and benefits that are specific to them other than those associated with geographical sectors operating in a different economic environment.

4 - FINANCIAL RISK MANAGEMENT

The Bank, as a result of its activities, is exposed to various financial risks, considering the risk acceptance is the basis of the financial activity. Some risks or a group of risks are analyzed, assessed, and managed collectively, and therefore the Bank intends to achieve an appropriate balance between risk and interest and to reduce the potential negative effects on the financial performance of the Bank. The most significant types of financial risks are credit risk, market risk and liquidity risk and other operating risks. Market risk includes foreign exchange rate risk, and interest rate risk.

Risk management policies are adopted to determine and analyse risks to limit, control and monitor the risks and commit to limits through the reliable techniques and updated information systems. The Bank periodically reviews and modifies the risk management policies and systems to reflect changes in markets, products, services, and the best recent applications.

Risks are managed by Risk Function in terms of the policies approved by the Board of Directors. Risk Function determines, assesses and covers the financial risks in close cooperation with the various operating units of the Bank. The Board of Directors provides written principles for managing the risks as a whole, in addition to written policies covering specific risk areas such as credit risk, foreign exchange risk, interest rate risk and the use of derivative and non-derivative instruments. In addition, the Risk Function is independently responsible for periodic review of the risk management and control environment.

4-1 CREDIT RISK

The Bank is exposed to credit risk which is the risk resulting from a party's failure to meet its contractual obligations towards the Bank. The credit risk is considered to be the most significant risk for the Bank, therefore requiring careful management. Credit risk is mainly represented in lending activities that give rise to loans, facilities and investment activities that result in the Bank's assets including debt instruments. Credit risk exists also in financial instruments outside the financial position such as loan commitments. The FINANCIAL RISK MANAGEMENT and control are centralized in a FINANCIAL RISK MANAGEMENT team in the Bank's Risk Management Department which reports to the Board of Directors and head of each business unit regularly.

Credit Risk Measurement

Loans and facilities to banks and customers (including commitments and financial guarantee contracts)

In measuring credit risk of loans and facilities to customers and to banks, the Bank's rating system is based on three key pillars:

- Current exposures to the counterparty and its likely future development, from which the Bank derive the (exposure at default)
- The risk of default failure (Loss given default).
- The probability of default by the customer or counterparty on its contractual obligations.

These credit risk measurements, are embedded in the Bank's daily operations which reflect expected loss through the expected loss model required by the Banking Supervision Committee, and the operational measures can contradict with the burden of impairment in accordance with the previous standards that depend on the losses that have realized on the date of the financial statements (realized loss model) and not the expected losses as will come after.

The Bank assesses the probability of default per each customer using internal rating techniques tailored to the various categories of customers. These techniques have been developed internally and the statistical analyses combine credit officers' personal judgment to reach the appropriate viability rating.

Customers of the Bank are segmented into four viability rating classes. The Bank's viability rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, credit positions migrate between classes as the assessment of their probability of default changes. The rating techniques are kept under review and are upgraded as necessary. The Bank regularly validates the performance of the viability rating techniques and their ability to predict cases of default.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

CREDIT RISKS MEASURMENT (Continued)

Bank's internal rating classes	
Bank's rating	**Rating description**
1	Performing Debts
2	Standard Monitoring
3	Special Monitoring
4	Non- Performing Debts

The position exposed to default depends on the amounts expected by the Bank to be outstanding when default occurs. For example, for a loan, this position is the nominal value and for commitments, the Bank recognises all amounts actually withdrawn in addition to other amounts that are expected to have been withdrawn up to the date of the delay if it occurs.

Loss given default or loss severity represents the Bank's expectation of the extent of loss on a aclaim should a default occur. It is expressed as percentage of loss to debt and typically varies by type of the debtor, seniority of claim and availability of collateral or other credit coverages.

Loans and facilities to banks and customers (including commitments and financial guarantee contracts)

Estimation of exposure to credit risks to manage the credit risks is a complex matter that requires the use of statistical and electronic models, as the level of exposure to credit risks changes depending on the changes in market conditions and other economic areas in a complex and rapid degree. The exposure to credit risk changes depending on the changes in the level, value and timing of expected cash flows and the passage of time. Accordingly, assessment of the credit risk of the assets portfolio requires further estimations of the probability of default and the related loss rates. The Bank measures credit risk losses by using the probability of default (default in contractual liabilities) based on the carrying amount balance of the financial instrument at the date of Exposure at Default and loss given default.

Classification of credit risks

The Bank assesses the probability of default at the level of each customer / related group / credit product, by using techniques to classify the customers into different categories, taking into account the minimum rating in accordance with the CBE instructions in terms of determining the creditworthiness of the customers and making the provisions issued during the year 2005. Therefore, the Bank uses a group of internally developed models and evaluation techniques for the categories of counterparties, customers and the nature of various loans in light of the available information that is collected on the date of adoption of the used model (such as: level of income, level of disposable income and guarantees for individual clients, revenues, type of industry, and other financial and non-financial indicators of the institutions).

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Classification of credit risks (Continued)

The Bank completes such indicators with a set of external data, such as the inquiry reports issued by both CBE and credit reporting companies on borrowers and the reports issued by the other local and external credit rating agencies. Moreover, the models used by the Bank allow the systematic exercise of expert assessment by credit risk officials in the final internal credit rating. Therefore, this allows to consider other matters and indicators that may not have been taken as part of other data inputs in the internally or externally developed assessment models and techniques or through external sources.

Credit grades are assessed so that the risk of default increases incrementally at each higher risk grade, namely the difference in default rates between the rating grade A and A- is less than the difference in default rates between rating grade B and B-. Additional considerations for each type of credit portfolio held by the Bank are set out below:

Individuals, retail banking products and small & micro enterprises

After the date of initial recognition, the borrower's payment behaviour is monitored periodically to calculate a measurement of the payment pattern. Any other information known about the borrower, supposed to be determined by the Bank, may have an impact the creditworthiness, such as unemployment rates and non-payment precedents, as they are included to measure the payment pattern and default rates are, accordingly, determined for each payment pattern measurement.

(Large & Medium) Enterprises and Companies

The rating is determined at the level of the borrower / groups with similar credit risks. Any updated or new credit information or assessments are included in the credit system constantly and periodically. In addition, information about the creditworthiness of the borrower / groups with similar credit risks is also updated periodically from other sources such as financial statements and other published financial and non-financial statements.

Debt Instruments, Treasury Bills and Government Bonds

The Bank uses the external ratings issued by the institutions mentioned in the CBE's instructions to manage the credit risk in terms of the debt instruments in the investment portfolio. These published classifications are monitored and updated regularly and periodically. The default rates associated with each rating are determined based on the rates realized over the previous twelve months, as published by the aforementioned rating agencies. The loss rate of the government and CBE debt instruments dominated in local currency is zero.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Classification of credit risks (Continued)

Future data used in the expected loss model

Future data is used in assessing whether there is a significant increase in the credit risk of financial instruments and estimating the expected credit losses (ECL). The management of Bank determines the main economic variables that affect credit risk and expected credit losses for each credit portfolio by carrying out an analysis of historical data. The economic variables and the related effect on both Probability of Default "PD" and the Exposure at Default "EAD" and Loss Given Default "LGD" are different depending on the financial asset. The Bank will use expert opinions regarding these assumptions and estimates, if necessary.

To determine the impact of such economic variables on both Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), the management of the Bank carries out the "regression analysis" to understand the historical effects arising from such variables on the default rates and the inputs used in calculating both Exposure at Default (EAD) and Loss Given Default (LGD). Further to the key economic scenarios, the management of Bank establishes other potential scenarios in addition to assumptions relating to each scenario separately.

The lifetime probability of default (PD) relating to the key assumption and other assumptions are used, as the outcome of multiplication is determined for each assumption with the related probabilities of each, in addition to the supporting indicators and qualitative indicators. Based on the results of such study, it is assessed whether this financial asset is located at the first, second or third level, on the basis of which it is determined whether the expected credit losses "ECL" will be computed on 12- month bases "12-month ECL" or over lifetime of the financial instrument "Lifetime ECL".

The expectations and probabilities of occurrence are subject to a high degree of uncertainty, as it is known to any economic forecasts, therefore the actual results may be significantly different from those anticipated. The Bank makes the best estimate of these potential expectations and carries out an analytical study of the irrelevant and non -similar factors for the different credit portfolios to conclude appropriate assumptions for all possible scenarios.

Variable Economic Assumptions

The most significant assumptions that have an impact on the expected credit losses "ECL" are:

a) Consumption Pricing Indicators (CPI)
b) Unemployment Rate
c) Gross Domestic Product (GDP)
d) Gross national saving/investment
e) Real available income

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Classification of the instruments relating to the losses measured on basis of the similar groups

For ECL provisions, groups are classified on the basis of similar credit risk characteristics, as risk exposure within the Bank is homogeneous. When carrying out this classification, it is taken into consideration that there is sufficient information that enables the Bank to classify the Bank with statistical reliability. When sufficient information is not available, the Bank takes into consideration the complementary internal / external reference data.

Corporate loans

Probability of default model (S& P) is used.

A conciliation was made between "S&P" and "ORR".

The model was updated by some economic indicates to keep the probability of default in line with the clients existing in Egypt.

The model was updated by the ratios of change in the low credit rating of the other clients of the Bank for two years to keep the ratios of model default in line with the clients of the Bank.

Maximum Exposure to Credit Risks – Impaired Financial Instruments

The following table includes the analysis of maximum exposure to the credit risks of financial instruments for which the provision of expected credit risks (ECL) is recognized:

The following table represents the total carrying amount of the financial assets and the maximum exposure to credit risk on these financial assets.

Individuals	31 December 2020			Amount in EGP (000)
Credit Grade	Order of Expected Credit Risks			Total
	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	
Standard monitoring				
Current accounts	389,994	2,459	6,456	398,909
Personal loans	1,553,401	35,027	5,064	1,593,492
Credit cards	16,465	611	71	17,147
Real estate loans	314,560	-	-	314,560
Special monitoring				
Personal loans	36,732	109,747	9,172	155,651
Credit cards	885	1,429	58	2,372
Real estate loans	675	5,834	-	6,509
Default				
Personal loans	-	-	31,588	31,588
Credit cards	-	-	5,096	5,096
Real estate loans	-	-	9,314	9,314
Total carrying amount	2,312,712	155,107	66,819	2,534,638
Loss provision	(20,150)	(16,822)	(36,313)	(73,285)
Net carrying amount	2,292,562	138,285	30,506	2,461,353
Collaterals	978,331	91,667	18,739	1,088,737

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Maximum exposure to credit risks – impaired financial instruments (Continued)

Corporates	31 December 2020			Amount in EGP (000)
Credit Grade	Order of Expected Credit Risks			**Total**
	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	
Standard monitoring				
Debit current accounts	990,130	4,155	69,675	1,063,960
Direct loans	3,106,549	506,503	88,972	3,702,024
Syndicated loans	1,090,255	276,770	90,504	1,457,529
Special monitoring				
Debit current accounts	-	67,318	25,287	92,605
Direct loans	-	457,942	395,183	853,125
Syndicated loans	-	-	-	-
Default				
Debit current accounts	-	-	4,471	4,471
Direct loans	-	-	1,305,636	1,305,636
Syndicated loans	-	-	-	-
Real estate loans				
Total carrying amount	5,186,934	1,312,688	1,979,728	8,479,350
Loss provision	(177,702)	(155,642)	(474,785)	(808,129)
Net carrying amount	5,009,232	1,157,046	1,504,943	7,671,221
Collaterals	265,289	69,905	229,427	564,621

Individuals	31 December 2019			Amount in EGP (000)
Credit Grade	Order of Expected Credit Risks			**Total**
	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	
Standard monitoring				
Debit current accounts	435,439	-	-	435,439
Personal loans	641,419	44,526	-	685,945
Credit cards	20,078	1,920	-	21,998
Real estate loans	221,663	-	-	221,663
Special monitoring				
Personal loans	-	4,372	-	4,372
Credit cards	-	1,582	-	1,582
Real estate loans	-	870	-	870
Default				
Personal loans	-	-	8,995	8,995
Credit cards	-	-	-	-
Real estate loans	-	-	-	-
Total carrying amount	1,318,599	53,270	8,995	1,380,864
Loss provision	(7,535)	(852)	(54)	(8,441)
Net carrying amount	1,311,064	52,418	8,941	1,372,423
Collaterals	2,656,061	5,650	203	2,661,914

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Corporates

	31 December 2019			Amount in EGP (000)
Credit Grade	**Order of Expected Credit Risks**			**Total**
	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	
Standard monitoring				
Debit current accounts	1,149,687	137,351	175	1,287,213
Direct loans	2,178,769	2,178,769	179,635	2,954,888
Syndicated loans	1,272,549	1,272,549	-	1,386,182
Special monitoring				
Debit current accounts	-	5,997	99	6,096
Direct loans	-	23,978	88,871	112,849
Default				
Debit current accounts	-	-	2,360	2,360
Direct loans	-	362,306	1,144,988	1,507,294
Total carrying amount	4,601,005	1,239,749	1,416,128	7,256,882
Loss provision	(215,844)	(108,093)	(542,891)	(866,828)
Net carrying amount	4,385,161	1,131,656	873,237	6,390,054
Collaterals	1,824,972	400,446	609,065	2,834,483

Loans and Bank Balances

	31 December 2020			Amount in EGP (000)
Credit Grade	**Order of Expected Credit Risks**			**Total**
	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	
Standard monitoring	10,764,904	-	-	10,764,904
Total carrying amount	10,764,904	-	-	10,764,904
Loss provision	(327)	-	-	(327)
Net carrying amount	10,764,577	-	-	10,764,577

Treasury Bills and Debt Instruments

	31 December 2020			Amount in EGP (000)
Credit Grade	**Order of Expected Credit Risks**			**Total**
	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	
Standard monitoring	18,928,247	-	-	18,928,247
Total carrying amount	18,928,247	-	-	18,928,247
Loss provision	(35,532)	-	-	(35,532)
Net carrying amount	18,892,715	-	-	18,892,715

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Other Assets

	31 December 2020			Amount in EGP (000)
Credit Grade	Order of Expected Credit Risks			Total
	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	
Standard monitoring	1,348,150	-	-	1,348,150
Total carrying amount	1,348,150	-	-	1,348,150
Loss provision	-	-	-	-
Net carrying amount	1,348,150	-	-	1,348,150

Loans and Bank Balances

	31 December 2019			Amount in EGP (000)
Credit Grade	Order of Expected Credit Risks			Total
	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	
Standard monitoring	9,024,151	-	-	9,024,151
Total carrying amount	9,024,151	-	-	9,024,151
Loss provision	(325)	-	-	(325)
Net carrying amount	9,023,826	-	-	9,023,826

Treasury Bills and Debt Instruments

	31 December 2019			Amount in EGP (000)
Credit Grade	Order of Expected Credit Risks			Total
	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	
Standard monitoring	9,424,601	-	-	9,424,601
Total carrying amount	9,424,601	-	-	9,424,601
Loss provision	(36,132)	-	-	(36,132)
Net carrying amount	9,388,469	-	-	9,388,469

Other Assets

	31 December 2019			Amount in EGP (000)
Credit Grade	Order of Expected Credit Risks			Total
	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	
Standard monitoring	1,334,343	-	-	1,334,343
Total carrying amount	1,334,343	-	-	1,334,343
Loss provision	-	-	-	-
Net carrying amount	1,334,343	-	-	1,334,343

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Credit Guarantees

The Bank uses many policies and practices to limit the credit risks. The most widely adopted of these is the acceptability of collateral for debt instruments and loan commitments. The Bank has internal policies regarding classes of collateral that can be accepted to limit or decrease the credit risks.The Bank accrues out an assessment of the guarantees that have been obtained when establishing these loans. This assessment is regularly assessed. The key types of guarantees are:

- Cash and cash equivalent
- Real estate mortgage
- Derivatives margin agreement that has been signed with the Bank as a part of main offsetting agreements.
- Commercial mortgages
- Financial assets pledge such as debt instruments and equity instruments.

The guarantees held as collateral against the financial assets other than loans and facilities depend on the nature of the instrument, as debt securities, government bonds and other qualified bills are generally not secured, except for the asset-backed securities and similar instruments secured by portfolios of financial instruments. The derivatives are often secured.

The policies adopted by the Bank have not been changed significantly in terms of obtaining guarantees during the financial year, and there has been no change in the quality of those guarantees held by the Bank compared to the previous financial year.

The Bank closely monitors the guarantees held against the low – credit financial assets, as it is likely that the Bank will hold collateral to mitigate potential credit losses.

Written-off Financial Instruments (Loans)

The Bank excludes the financial assets that are still under compulsory collection for unpaid contractual amounts of the bad assets. The Bank seeks to fully recover some amounts legally due that were partially or fully written off due to the lack of a possibility of a full recovery.

Modifications of loans terms and rescheduling

The Bank sometimes modifies terms of the loans granted to the customers due to the commercial renegotiation or non-performing to increase the chances of recovery. The activities of restructuring include arrangements of extension of repayment terms, grace periods, exemption from repayment or some or full interests. Restructuring policies and practices are based on indicators or criteria that indicate – based on the discretion of management - that repayment is likely to continue. These policies are constantly reviewed.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Reduction and Risk Avoidance Policies

The Bank manages, limits, and controls the concentration of credit risks at the debtor level, groups, industries, and countries. The Bank regulates the levels of acceptable credit risks by setting limits to the amount of risk that will be accepted at the level of each borrower, or group of borrowers, and at the level of economic activities and geographical sectors. These risks are monitored constantly and are reviewed annually or on a recurring basis, when necessary. Limits of the credit risks at the level of the borrower / bank, producer, sector, and country are quarterly approved by the Board of Directors.

Credit limits for any borrower, including banks, are divided into sub-limits that include the amounts on- and off- balance sheet, and the daily risk limit relating to trading items such as forward foreign exchange contracts. Actual amounts are compared with the daily limits. Exposure to credit risks is also managed through periodic analysis of the ability of borrowers and potential borrowers to meet the repayment of their liabilities and by amending lending limits, if appropriate.

Means of setting limits of to the risks are shown as following:

Guarantees

The Bank adopts many policies and controls to limit the credit risks. These means include the guarantees obtained against borrowed funds. The Bank sets guiding rules for specific acceptable classes of guarantees. The key types guarantee of loans and facilities are:

- Real estate mortgages.
- Mortgage of activity assets such as machinery and merchandise
- Mortgage of financial instruments such as debt instruments and equity.

The financing is often granted in the longer term and loans to the companies are secured. In order to reduce the credit loss to a minimum, the Bank seeks to get additional guarantees from the concerned parties and when indicators of impairment are shown for a loan or facilities. The guarantees taken as collateral for assets other than loans and facilities are determined based on the nature of the instrument. Generally, the debt instruments and treasury bills are not secured, except for groups of financial instruments covered by Asset-Backed Securities and similar instruments that are secured by a portfolio of financial instruments.

Derivatives

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts) by both amount and term. The amount exposed to credit risk, at any time, is determined at the fair value of the instrument that provides a benefit for the Bank, i.e. an asset with a positive fair value that represents a portion of the contractual / notional value used to express the size of the existing instruments. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Derivatives (Continued)

Settlement risk arises in any situation where a payment in cash, securities or equities is made against the expectation of a corresponding receipt in cash, securities, or equities. Daily settlement limits are established for each counter party to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

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 assets and liabilities shown in the balance sheet, as transactions are either usually settled on a 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's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short year, as it is affected by each transaction subject to the arrangement.

Credit Related Commitments

The main purpose of credit-related commitments is to ensure that funds are available to the customer on demand, and financial guarantee contracts carry a credit risk related to loans, and documentary and commercial credits issued by the Bank on behalf of the customer to grant a third party the right to withdraw from the Bank within certain amounts and under specific terms and conditions often secured against the goods being shipped and therefore carries a lower degree of risk than a direct loan.

Commitments to extend credit represent unused portions 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.

Expected Credit Loss Measurement Policy

The Bank's policy requires defining three stages for classifying financial assets that are measured at amortized cost, loan commitments and financial guarantees, as well as debt instruments at fair value through other comprehensive income, according to changes in credit quality since the initial recognition, and then measuring (expected credit losses) in the value related to these instruments as follows:

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Expected Credit Loss Measurement Policy (Continued)

The unimpaired financial asset is classified upon initial recognition in Stage 1 and credit risk is monitored on an ongoing basis by the Bank's credit risk department.
If there has been a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2 and the financial asset is not considered impaired at this stage (lifetime expected credit loss in the absence of credit impairment).
If there are indications of impairment in the value of the financial asset, it is transferred to Stage 3, and the Bank relies on the following indicators to determine whether there are objective evidence indicating.

- A significant increase in the rate of interest on the financial asset as a result of the increase in credit risk.
- Negative material changes in the activity and financial or economic conditions in which the borrower operates.
- A scheduling request as a result of difficulties facing the borrower.
- Negative material changes in actual or expected operating results or cash flows.
- Early signs of cash flow/liquidity problems such as delays in servicing creditors/business loans.
- Cancellation of a direct facility by the Bank due to the borrower's high credit risk.

General Bank Risk Measurement Model

The management performs classifications in the form of a more detailed subgroup to comply with the requirements of the Central Bank of Egypt, and the assets exposed to credit risk are classified according to detailed rules and conditions that depend largely on the information related to the customer, his activity, his financial status, and the extent of his regularity of payment.
The Bank calculates the required provisions in accordance with the instructions of creditworthiness, on the basis of specific ratios by the Central Bank of Egypt, and in the event that the required provisions in accordance with the rules of the Central Bank of Egypt exceed the expected credit losses calculated for the purposes of preparing the financial statements, the general bank risk reserve is set aside within rights ownership with a discount on the distributable profits by the amount of that increase, and this reserve is periodically adjusted by increase or decrease so that it is always equal to the amount of the increase between the two provisions, and this reserve is not distributable.
Following is a table on the creditworthiness levels for institutions in accordance with the internal assessment bases compared to the Central Bank of Egypt assessment bases and the provision ratios required for the impairment of the assets exposed to credit risk: -

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

General Bank Risk Measurement Model (Continued)

CBE Rating	Rating description	Provision%	Internal rating description
1	Low Risk	0%	Good debts
2	Moderate Risk	1%	Good debts
3	Satisfactory Risk	1%	Good debts
4	Reasonable Risk	2%	Good debts
5	Acceptable Risk	2%	Good debts
6	Marginally Acceptable Risk	3%	Standard monitoring
7	Watch List	5%	Special monitoring
8	Substandard	20%	Non-performing debts
9	Doubtful	50%	Non-performing debts
10	Bad Debt	100%	Non-performing debts

Maximum limits for credit risk before collateral items exposed to credit risk (on-balance sheet)

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Balances with Central Bank limited to the statutory reserve ratio	282,757	1,558,861
Treasury bills and other government securities	10,968,402	1,975,835
Bank balances	10,764,577	9,023,826
Loans and facilities to customers		
Loans to individuals:		
Personal loans	1,780,730	699,312
Credit cards	24,616	23,580
Debit current accounts	398,909	435,439
Real estate loans	330,383	222,533
Loans to corporate entities:		
Debit current accounts	1,161,036	1,295,669
Direct loans	5,860,786	4,575,031
Syndicated loans	1,457,528	1,386,182
Financial investments		
Debt instruments	7,959,845	7,448,766
Other assets - accrued revenue	440,525	494,145
	41,430,094	**29,139,179**

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4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Credit risk exposure item without taking collaterals (off-balance sheet):

Commitments on irrevocable loans and other obligations related to credit

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Acceptances on supplier facilities	62,342	223,128
Letters of credit	1,808,136	94,144
Letters of guarantee	47,794	1,975,941
	1,918,272	**2,293,213**

The above table represents the maximum bank exposure to credit risk 31 December 2020 and 31 December 2019, without taking in consideration any collateral held for in balance sheet items, the balances included are based on net carrying amounts as reported in the balance sheet and as shown above, 26.58% of the total maximum exposure is derived from loans and facilities to customers against 28.84 % at 31 December 2019; while 45.69 % represents investments in debt instruments against 31.47% at 31 December 2019.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and facility portfolio and debt Instruments based on the following:

- 68.09 % of the loans and facility portfolio is categorized in the top two grades of the internal rating system against 72.23% at 31 December 2019.
- 81.42% of the loans and facility portfolio without accruals or impairment indicators against 81.73% at 31 December 2019.
- 98.34 % of the investments in debt instruments and treasury bills represent the debt instruments on Egyptian Government against 96.90% at 31 December 2019.

Loans and facilities

Balances of loans and facilities at 31 December 2019 are set out below:

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Stage 1	7,499,646	5,919,604
Stage 2	1,467,795	1,293,019
Stage 3	2,046,547	1,425,123
Total	11,013,988	8,637,746
Less:		
Expected credit losses	(881,414)	(875,269)
Earmarked interests	(121,320)	(134,155)
Interest payable	(95,762)	(31,617)
Net	9,915,492	7,596,705

Note 17 includes additional information about the expected credit losses for loans and facilities.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Loans and facilities according to past due periods

31 December 2020	Retail				Corporate			EGP (000)
Grades	**Debit current accounts**	**Credit cards**	**Personal loans**	**Real estate loans**	**Debit current accounts**	**Direct loans**	**Syndicated loans**	**Total loans and facilities to customers**
Performing /No Dues	398,909	15,202	1,367,418	296,914	1,063,960	3,157,396	929,053	7,228,852
Past due up to 30 days	-	1,945	226,074	17,646	-	544,628	528,476	1,318,769
Past due 30-60 days	-	1,053	103,956	5,163	-	133,933	-	244,105
Past due more than 60 to 90 days	-	1,319	51,695	1,346	92,605	719,192	-	866,157
Impairment	-	5,096	31,588	9,314	4,471	1,305,636	-	1,356,105
Total	398,909	24,615	1,780,731	330,383	1,161,036	5,860,785	1,457,529	11,013,988

31 December 2019	Retail				Corporate			
Performing /No Dues	435,439	17,557	637,047	221,512	1,287,213	2,205,541	1,386,182	6,190,491
Past due up to 30 days	-	4,441	48,898	151	-	749,347	-	802,837
Past due 30-60 days	-	-	-	629	-	23,978	-	24,607
Past due more than 60 to 90 days	-	1,582	4,372	241	6,096	88,871	-	101,162
Impairment	-	-	8,995	-	2,360	1,507,294	-	1,518,649
Total	435,439	23,580	699,312	222,533	1,295,669	4,575,031	1,386,182	8,637,746

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Restructured loans and facilities

Restructuring activities include extending payment arrangements, implementing forced management programs, modifying and postponing payments. Policies for implementing restructuring depend on indicators or criteria that indicate that there is a high probability of Continued payments, based on the personal judgment of management. These policies are subject to continuous review. It is usual to apply restructuring to long-term loans, especially customer financing loans, and the renegotiated loans amounted to EGP 309,361 thousand, compared to EGP 194,514 thousand at 31 December 2019.

Written-off loans

In accordance with the Board of Directors' decision or its specialized committees, the written-off loans from the non-performing loans are written-off against its related loan loss provisions and that step is made after exhausting all the possible recovery processes.

Loans and facilities to customers	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Direct loans	28,089	52,404
	28,089	**52,404**

Debt Instruments and Treasury Bills

The table below presents an analysis of debt instruments, and other treasury bills according to the rating agencies at 31 December 2020, based on Standard & Poor's rating and equivalent.

31 December 2020	Treasury bills & other Governmental securities	Debt Instruments	Total
B	10,968,402	7,959,845	18,928,247

31 December 2019	Treasury bills & other Governmental securities	Debt Instruments	Total
B	1,975,835	7,448,766	9,424,601

Geographical sectors

The following table represents an analysis of the Bank's credit risk exposure at their carrying amounts categorised by geographical sectors at 31 December 2020, upon preparing this table, then the risks were distributed across geographical sectors according to the areas associated with the Bank's customers.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Geographical sectors

The following table represents an analysis of the Bank's credit risk exposure at their carrying amounts categorised by geographical sectors at 31 December 2020, upon preparing this table, then the risks were distributed across geographical sectors according to the areas associated with the Bank's customers.

EGP (000)

31 December 2020	Cairo	Alexandria/Canal/ Red Sea/ Sinai	Upper Egypt	Total
Cash and balances with Central Bank	454,639	-	-	454,639
Due from banks	10,764,577	-	-	10,764,577
Loans and facilities to customers				
Retail loans				
Debit current accounts	356,529	37,078	5,302	398,909
Personal loans	1,445,994	322,538	12,198	1,780,730
Credit cards	19,835	4,087	694	24,616
Real estate loans	314,735	437	15,211	330,383
Corporate loans				
Debit current accounts	1,049,604	103,067	8,365	1,161,036
Direct loans	4,605,049	1,181,021	74,716	5,860,786
Syndicated loans	1,457,528	-	-	1,457,528
Financial Investments				
Debt instruments	18,928,247	-	-	18,928,247
Other assets	1,348,150	-	-	1,348,150
Total at 31 December 2020	40,744,887	1,648,228	116,486	42,509,601
Total at 31 December 2019	17,281,862	1,228,779	92,489	18,603,130

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4 - FINANCIAL RISK MANAGEMENT (Continued)

4-1 CREDIT RISKS (Continued)

Activity segments

The following table represent the analysis of the Bank's main credit exposure at carrying value categorized by the activities practised by the bank's customers.

31 December 2020	Commercial activity	Industrial activity	Financial institutions	Real estate companies	Governmental sector	Other Activities	Individuals	Total
Cash and balances with Central Bank	-	-	454,639	-	-	-	-	454,639
Due from banks	-	-	10,764,577	-	-	-	-	10,764,577
Loans and facilities to retail customers								
Debit current accounts	-	-	-	-	-	-	398,909	398,909
Personal loans	-	-	-	-	-	-	1,780,730	1,780,730
Credit cards	-	-	-	-	-	-	24,616	24,616
Real estate loans	-	-	-	-	-	-	330,383	330,383
Corporate loans								
Debit current accounts	6,579	300,051	20,282	183,380	208	650,536	-	1,161,036
Direct loans	81,936	3,396,244	492,290	551,976	15,471	1,322,869	-	5,860,786
Syndicated loans	-	107,685	-	433,573	541,053	375,217	-	1,457,528
Financial Investments								
Debt instruments	-	-	-	-	18,928,247	-	-	18,928,247
Other assets	-	-	-	-	-	1,348,150	-	1,348,150
Total at 31 December 2020	88,515	3,803,980	11,731,788	1,168,929	19,484,979	3,696,772	2,534,638	42,509,601
Total at 31 December 2019	394,921	1,669,863	612,507	1,747,488	10,288,348	2,282,586	1,607,417	18,603,130

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-2 Market Risk

The Bank is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of sensitivity of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The management of market risks arising from trading or non-trading activities is concentrated in the market risk management of the Bank and is monitored by two teams separately. Periodic reports on market risks are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from the Bank's dealings directly with customers and market-making transactions, where the Bank acts as a principal with customers or with the market Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities, these portfolios include foreign exchange and equity risks arising from investments at amortized cost and at fair value through other comprehensive income.

The Bank uses the method of relating debit interest rate with credit interest rate to avoid the risk of fluctuations in interest rate. The Bank also depends on fluctuated interest rate which does not exceed 3 months except in specific cases interest rates are specified for longer period relating resources portfolio with application portfolio to get return that covers its costs.

In addition, the Bank should not exceed the following:

- The surplus amount of any foreign currency positions should not exceed 1 % of the capital base
- The total surplus of foreign currency positions should not exceed 2 % of capital base
- The total shortage amount in the position of any currency should not exceed 10 % of capital base
- The total shortage of (local/foreign) currency positions should not exceed 20 % of capital base

Market Risk Measurement Techniques

The exchange rate risk is measured and hedged by daily follow-up of foreign exchange rates and purchase or sale operations in proportion to market prices with the adoption of limits for foreign currency positions and daily stop-loss limits in proportion to the risks acceptable to the Bank.

The risk of interest rate movements is measured using the standard method for measuring the gap that affects the Bank's profits or the economic value of the Bank.

The risks of securities rate fluctuations are measured. The Market Risk Department follows up on the classification, sale, and purchase of financial investments for the purpose of trading and making a daily assessment of them with close follow-up and working to set the necessary limits for them, in cooperation with the treasury sector, while measuring the value at risk of those instruments if they are kept for the purpose of trading to determine the extent of potential losses.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-2 Market Risk (Continued)

Market Risk Measurement Techniques (Continued)

Liquidity risk is measured by managing all assets and liabilities inside and outside the balance sheet in line with the Bank's objectives in its management, through the ALCO committee, which identifies the sources from which liquidity risks arise with the management of market risks and the work of possible scenarios for liquidity pressure and management in case of crises.

The causes of market risks are due to the risk of interest rates and exchange rate risks that arise due to the Bank's daily activities. The Bank manages the risks it is exposed to in the market through a comprehensive framework that reflects the limited acceptance of those risks. All reports are presented to the Risk Committee and the Assets and Liabilities Committee of the Bank. market risks are measured as follows:

Measuring the interest rate risk for positions held not for the purpose of trading, which is the risk that arises from unfavourable movements in the prevailing interest rates in the market during a certain period of time, which may negatively affect the Bank's profitability and the economic value of its equity and consequently the bank's position and the Bank's profitability. The Bank calculates the qualitative and quantitative requirements regarding the rate of interest risks of the positions held for non-trading purposes, while carrying out stress tests on them.

Value at risk of non-trading purpose according to risk type

EGP (000)

	31 December 2020			31 December 2019		
	Average	Higher	Lower	Average	Higher	Lower
Interest rate risk	60,149	60,150	60,147	6,272	16,736	346
	60,149	60,150	60,147	6,272	16,736	346

Foreign exchange fluctuation risk

The Bank is exposed to the effects of fluctuations in the foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk at the end of financial year, and Bank's financial instruments at carrying amounts, categorized by currency.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-2 Market Risk (Continued)

Foreign exchange risk

31 December 2020	EGP	US Dollar	Euro	Sterling Pound	Other Currencies	EGP(000) Total
Financial Assets:						
Cash and balances with Central Bank	380,985	49,713	17,136	1,526	5,279	454,639
Due from banks	10,000,145	523,580	95,423	140,568	5,188	10,764,904
Loans and facilities to customers	9,434,516	1,452,403	124,735	2,321	13	11,013,988
Financial investments:						
Financial investments through other comprehensive income	10,952,194	1,631,497	68,408	-	-	12,652,099
Financial investments at amortized cost	4,553,659	1,806,124	-	-	-	6,359,783
Financial investments in subsidiaries and associates	270,449	-	-	-	-	270,449
Other financial assets	1,263,451	66,678	17,844	177	-	1,348,150
Total financial assets at 31 December 2020	36,855,399	5,529,995	323,546	144,592	10,480	42,864,012
Financial liabilities:						
Due to banks	1,200,000	-	-	-	-	1,200,000
Customers' deposits	32,328,336	5,104,878	239,165	143,898	2,918	37,819,195
Other financial liabilities	762,196	384,870	78,963	85	4	1,226,118
Total financial liabilities at 31 December 2020	34,290,532	5,489,748	318,128	143,983	2,922	40,254,313
Net financial position at 31 December 2020	2,564,867	40,247	5,418	609	7,558	2,618,699
Net financial position at 31 December 2019	1,749,671	(186,785)	91,875	(129,488)	(14,168)	1,511,105

Interest rate risk

The Bank is exposed to the effects of fluctuations in the levels of the prevailing interest rate in the market, i.e., the risk of cash flows of the interest rate represented in the fluctuation of future cash flows of a financial instrument due to changes in the interest rate of the instrument and fair value risk of the interest rate, i.e., is the risk of fluctuations in the value of the financial instrument as a result of a change in the interest rates in the market. The interest margin may increase due to these changes; however, the profits may decrease if unexpected movements occur. The Bank's Board of Directors sets limits for the level of variation in interest re-pricing that can be maintained by the Bank, and this is monitored daily by the Bank's fund management.

The tables below summaries the Bank 's exposure to the interest rate fluctuations risk that include carrying amount of the financial instruments categorized based on the repricing dates or the maturity date – whichever is earlier.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-2 Market Risk (Continued)

Interest rate risk (Continued)

31 December 2020	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 year	Without interest	EGP(000) Total
Financial Assets							
Cash and balances with Central Bank	-	-	-	-	-	454,639	454,639
Treasury bills and other government securities	10,764,577	-	-	-	-	-	10,764,577
Treasury bills	-	3,197,886	8,261,471			-	11,459,357
Loans and facilities to customers	730,817	606,847	2,430,666	2,724,355	2,468,032	2,053,271	11,013,988
Financial investments							
Financial investments through other comprehensive income	-	-	174,420	12,104,552	231,485	121,823	12,632,280
Financial investments at amortized cost	799,530	255,743	-	5,304,510	-	-	6,359,783
Investments in associates	-	-	-	-	-	270,449	270,449
Other financial assets	-	-	-	-	-	1,348,150	1,348,150
Deferred tax assets	-	-	-	-	-	10,769	10,769
Fixed and intangible assets	-	-	-	-	-	397,859	397,859
Total assets	12,294,924	4,060,476	10,866,557	20,153,236	2,699,517	4,657,285	54,731,995
Financial liabilities							
Due to banks	1,200,000	-	-	-	-	-	1,200,000
Customers' deposits	3,829,706	7,330,660	5,053,291	16,696,215	510,127	4,399,196	37,819,195
Other financial liabilities	-	-	-	-	-	935,194	935,194
Other provisions	-	-	-	-	-	290,924	290,924
Equity	-	-	-	-	-	1,893,297	1,893,297
Total liabilities	5,029,706	7,330,660	5,053,291	16,696,215	510,127	7,518,611	42,138,610
Re-pricing gap at 31 December 2020	7,265,218	(3,270,184)	5,813,266	3,457,021	2,189,390	(2,861,326)	12,593,385
Re-pricing gap at 31 December 2019	(2,132,926)	6,492,882	2,157,001	106,432	(3,559,361)	(844,880)	2,219,148

4 - FINANCIAL RISK MANAGEMENT (CONTINUED)

4-2 Market Risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis of interest rate

Changes in interest rates affect equity by the following ways:

Retained Earnings: Increase or decrease in the net interest income and fair value of the financial derivatives included in profits and losses.

Fair value reserve: Increase or decrease in the fair value of the financial assets at fair value through other comprehensive income recognized directly in the statement of other comprehensive income.

4-3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligation to repay depositors and fulfil commitments to lending.

Liquidity Risk Management

The Bank's liquidity management process, as carried out within the Bank and monitored by Assets & Liabilities Committee, includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring the liquidity ratios against internal and regulatory requirements by the Central Bank of Egypt.
- Managing the concentration and profile of debt maturities.

For monitoring and reporting purpose, the cash flow is measured and projected for the next day, week and month respectively, which are key periods for liquidity management. The starting point for those projections represented in the contractual maturity analysis of the financial liabilities and the expected collection date of the financial assets.

Asset and liability management also monitors unmatched medium-term assets, the level and type of undrawn loan commitments, the usage of debit current account facilities and the impact of contingent liabilities such as letters of guarantees and credits.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-3 Liquidity risk (Continued)

Liquidity Risk Management (Continued)

The following table represent the analysis of the Bank's liquidity coverage ratio:

	31 December 2020	31 December 2019
Total value of high-quality liquid assets (1)	19,074,995	9,741,381
Total Cash outflow	18,917,731	6,094,100
Total Cash inflow within the limit		
The value less than: Total Cash Inflows 75% from Total Cash outflows)"	11,507,295	4,570,575
Net cash outflows (2)	7,410,436	1,523,525
Liquidity coverage ratio (1/2)	257.41	639.40

Financing approach

Sources of liquidity are regularly reviewed by a separate team for assets and liabilities management of the Bank to maintain a wide diversification by currency and geographical areas, providers, products and term.

Assets available to satisfy all liabilities and cover loan-associated commitments include cash, balances with the Central Bank, bank balances, treasury bills and other governmental securities, loans and facilities to banks and customers. A percentage of loans to customers that are due to be repaid within a year are extended during the normal activity of the Bank, in addition to that, there is a mortgage of some debt instruments, treasury bills and other government securities to guarantee obligations and the Bank has the ability to satisfy the unexpected net cash flows by selling securities and finding other financing sources.

The following table represent the analysis of the net stable financing ratio:

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Liabilities & equity with weighted average 100%	16,645,635	7,701,567
Individual and small and micro enterprises deposits (which don't have maturity date & deposits with maturity less than one year)	5,521,267	4,928,665
Liabilities with weighted average 50%	6,048,465	5,108,562
Total available stable fund (A)	28,215,367	17,738,794
Assets with weighted average 5%	958,302	464,997
Assets with weighted average 10%	226,226	192,833
Assets with weighted average 15%	-	-
Assets with weighted average 50%	-	391
Assets with weighted average 65%	18,870	58,811
Assets with weighted average 85%	5,943,470	-
Assets with weighted average 100%	3,187,312	3,148,465
Contingent liabilities or commitments	499,234	412,552
Total required stable fund (B)	10,833,414	4,278,049
Net stable fund ratio (A/B)	260.45%	414.65 %

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-3 Liquidity risk (Continued)

Cash Flows Risk Hedge

The quality of the value at risk model is continuously monitored through enhancement tests of the value at risk results of the trading portfolio. The results of these tests are submitted to the higher management of the Bank and the Board of Directors.

Derivatives that are net-settled

Net-settled Bank derivatives include:

- Foreign exchange derivatives: on and off-exchange currency options, and currency futures contracts.
- Rate of interest derivatives: Interest swaps, forward interest agreements, Over-the-Counter Interest Rate options, future interest contracts and other interest contracts.

Derivatives to be settled, gross

The Bank's gross-settled derivatives include:

- Foreign exchange derivatives: currency forward contracts and currency exchange contracts.
- Rate of interest derivatives: Swap contracts for both interest and currency

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-3 Liquidity risk (Continued)

Cash Flow Risk Hedge (Continued)

31 December 2020

Description/ Maturity Date	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 year	Without interest	EGP(000) Total
Due to banks	1,200,000	-	-	-	-	-	1,200,000
Customers' deposits	3,829,706	7,330,660	5,053,291	16,696,215	510,127	4,399,196	37,819,195
Other liabilities	-	-	-	-	-	1,226,118	1,226,118
Total financial liabilities according to the contractual maturity date	5,029,706	7,330,660	5,053,291	16,696,215	510,127	5,625,314	40,245,313
Total financial assets according to the contractual maturity date	12,294,924	862,590	2,899,488	7,881,514	3,748,397	4,163,857	31,850,770

31 December 2019

Description/ Maturity Date	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 year	Without interest	EGP(000) Total
Due to banks	431,003	-	-	-	-	-	431,003
Customers' deposits	2,607,882	2,343,573	3,557,889	6,001,765	10,698,507	1,863,393	27,073,009
Other liabilities	-	-	-	-	-	329,634	329,634
Total financial liabilities according to the contractual maturity date	3,038,885	2,343,573	3,557,889	6,001,765	10,698,507	2,193,027	27,833,646
Total financial assets according to the contractual maturity date	905,959	8,836,455	5,714,890	6,108,197	7,345,192	1,636,650	30,547,343

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-3 Liquidity risk (Continued)

Cash Flow Risk Hedge (Continued)

Assets available to satisfy all liabilities and cover loan-associated commitments include cash balances with the Central Bank, Due from banks, treasury bills and other governmental securities, loans and facilities to banks and customers. A percentage of loans to customers that are due to be repaid within a year are extended during the normal activity of the Bank, in addition to that, there is a mortgage of some debt instruments, treasury bills and other government securities to guarantee obligations and the Bank has the ability to satisfy the unexpected net cash flows by selling securities and finding other financing sources.

- Assets shown in the table represent the cash flows discounted in accordance with the contractual maturity date.

4-4 Fair Value of Financial Assets and Liabilities

Financial instruments measured at fair value Bank balances

The fair value of one-day variable-rate placements and deposits represent their present value, and the expected fair value of variable-rate deposits is estimated based on the discounted cash flows using the interest rate prevailing in the capital markets for debts that have similar credit risk and maturity date.

Loans and facilities to banks

Loans and facilities to banks represent loans other than bank deposits. The expected fair value of loans and facilities is the discounted value of future cash flows expected to be collected and the cash flows are discounted using the current market interest rate for determining the fair value to determine the fair value to meet all the requirements. This includes replacement of funds on maturity or upon being lent to customers. The Bank is present in global money markets to achieve this objective.

Loans and facilities to customers

They are recognized at net value after deduction of provision for impairment loss. The expected fair value for these loans and facilities represents the discounted value of estimated future cash flows expected to be collected. Cash flows are deducted using the current interest rate in the market to specify the fair value.

Investments in securities

Assets through other comprehensive income or profit or loss are carried at fair value. The fair value is determined based on market prices. If such data is not available, fair value is estimated using prices of capital markets for traded securities with similar credit characteristics, dates of maturity and rates.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-4 Fair Value of Financial Assets and Liabilities

Due to other banks and customers

The estimated fair value of deposits with undefined maturity date including interest bearing deposits is the amount to be paid upon request. The fair value of fixed interest deposits and non-current other loans are determined in an active market based on discounted cash flows using the interest rate on new debts with similar maturity dates.

Issued debt Instruments

Total fair value is calculated based on prices ruling in the capital markets. For securities with no active markets, discounted cash flow model is used based on the current rate appropriate with the remaining period to date of maturity.

Financial instruments not measured at fair value

Financial investments at amortized cost

They include held-to-maturity financial investments that are listed in the market and are measured at amortized cost in case of bonds, and with respect to investment funds, the evaluation is done at the recoverable amount (fair value).

Management believes that the fair value is not materially different from the carrying amount of these assets.

Financial instruments not measured at fair value

Due from banks

The fair value of one-day variable-rate placements and deposits represent their present value, and the expected fair value of variable-rate deposits is estimated based on the discounted cash flows using the interest rate prevailing in the capital markets for debts that have similar credit risk and maturity date.

Loans and facilities to banks

Loans and facilities to banks represent loans other than bank deposits. The expected fair value of loans and facilities is the discounted value of future cash flows expected to be collected and the cash flows are discounted using the current market interest rate for determining the fair value. Loans and facilities are presented net of provision for impairment losses.

4-5 Investments in securities

Investments in securities include only financial assets that have a fixed or determinable maturity date, and the business model aims to hold them in order to obtain only the investment principal and the return thereon. The fair value of these financial assets held to maturity is determined based on market prices or prices obtained from brokers. If this data is not available, the fair value is estimated using financial market prices for tradable securities with similar credit characteristics, maturity dates and rates.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-6 Due to other banks and customers

The estimated fair value of deposits with an indefinite maturity date, that include non-interest-bearing deposits, is the amount that would be repaid on demand.

The fair value of fixed interest-bearing deposits and other loans that are not traded in an active market is determined based on the discounted cash flows using the rate of return on new debts with a similar maturity date.

4-7 Issued debt instruments

The total fair value is calculated based on current capital market prices. For securities that have no active markets, the discounted cash flow model is used for the first time based on the current rate that fits the remaining period till the maturity date.

4-8 Capital management

The Bank's objectives on managing capital, which include other elements in addition to the equity shown in the balance sheet, are as follows:

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

The capital adequacy and capital uses are daily reviewed according to the requirements of the Central Bank of Egypt by the Bank's management, through forms based on the guidelines of the Basel Committee on Banking Supervision. The required data are submitted and provided to the Central Bank of Egypt on a quarterly basis.

The Central Bank of Egypt requires the Bank to do the following:

- Maintain one billion Egyptian pounds as a minimum for issued and paid-up capital.
- Maintain a ratio equal to or more than 10% between the elements of capital and the elements of assets and contingent liabilities weighted by risk weights.

In accordance with the requirements of the Central Bank of Egypt to update the position of the banking sector with regard to the capital adequacy ratio according to Basel II decisions.

The numerator of the capital adequacy ratio consists of the following two tiers:
Tier I after disposals includes the following:

Some of the items that will be deducted/ will not be considered and mentioned in the "supervisory instructions on the minimum ratio of capital adequacy", Chapter II on the capital base will be dealt with later as stated in the instructions.

- Continuing core capital after disposals (CET1-Common Equity).
- Additional core capital

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-8 Capital management – (Continued)

There are some items that will be deducted/ not considered and mentioned in the "supervisory instructions on the minimum ratio of capital adequacy", Chapter II on the capital base. These items are deducted from the continuous core capital if the balance is negative, while they are not considered if it is positive.

Tier II after disposals

It includes 45% of the special reserve, loans and subordinated deposits within the limits of the prescribed percentage, as well as the considerable provisions required against the debt instruments, loans, credit facilities and contingent liabilities included in the first stage (Stage 1). The capital adequacy ratio model includes some important notes and points which are as follows:

1) Reserves: include legal, general, statutory, supportive and capital reserves only.

2) The "general risk reserve" is formed on the beginning date of the application of International Financial Reporting Standard (IFRS 9), in accordance with the supervisory instructions issued to banks on 26 January 2019. It includes the special reserve – credit, the general bank risk reserve - credit and the reserve risk of standard (9), considering that in the subsequent periods of application, the Bank shall abide by what is stated within the instructions on minimum capital

3) adequacy ratio "which is not to consider the bank risk reserve when calculating the ratio."
The values of accumulated other comprehensive income items, whether they are positive or negative, are considered.

4) Interim profits/ (losses): It is allowed to record the net interim profits within the capital base after the limited inspection report prepared by the auditor on the Bank's financial statements on a quarterly basis. As for the interim losses, they are presented without any conditions.

5) It does not include the part related to credit, and the explanatory instructions of the rules on the preparation and presentation of the financial statements issued by the Central Bank in April 2009, page 7, item (9) must be perused.

6) It should not exceed 1.25% of total assets and contingent liabilities weighted for credit risk, provided that the required provisions against debt instruments, loans, credit facilities and contingent liabilities included in the Stage 2 and Stage 3 are sufficient to meet the obligations for which the provision is formed.

7) "The value of exceeding the limits set for investments in countries, weighted by risk weights."
This value must be included in accordance with Form No. 720 related to investments in
8) countries abroad, taking into account that the value of the capital base listed in the aforementioned statement must be adjusted according to the calculated value.

- The continuing core capital after the regulatory adjustments is Clause 1.1 before excluding contributions to financial companies (shares or investment funds) represented in Clause 1.3.1.1.
Continuing core capital before regulatory adjustments means paid-up capital, reserves, retained
- earnings, general risk reserve, and accumulated other comprehensive income items net of goodwill and treasury shares.
Subordinated loans (deposits): provided that they do not exceed 50% of Tier I after disposals
- and that 20% of its value is consumed in each of the last five years.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-8 Capital management – (Continued)

Tier II after disposals (Continued)

The following table summarizes the components of the capital base at 31 December 2020, according to these decisions:

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Capital		
Tier I (core capital)		
Issued and paid-up capital	1,987,458	1,540,000
General reserve	117,798	117,798
Legal reserve	39,415	39,415
Capital reserve	25,836	25,836
Retained (losses) earnings	(375,642)	(286,649)
Total balance of accumulated other comprehensive income items in the balance sheet	97,856	73,917
Total disposals from continuing core capital	(103,319)	(75,290)
Tier I after disposals	1,789,402	1,435,274
Tier II (subordinated capital)		
Provision for impairment losses on regular loans facilities, debt instruments and contingent liabilities	186,282	141,695
45% of foreign currency exchange difference reserve	113	113
45% of increase in the fair value over the carrying amount of financial investments in subsidiaries and associates	72,513	3,328
Tier II after disposals	258,908	145,136
Total capital base after disposals	2,048,310	1,580,410
Total credit risk	14,902,546	11,335,615
Total operational risk	139,473	1,281,809
Total assets and contingent liabilities weighted by credit/ market/ operational risk weights	15,042,019	12,617,424
Capital base/ total assets and contingent liabilities weighted by credit, market operational risk weights (%)	12.57%	12.53%

4-9 Financial leverage ratio

The Board of Directors of the Central Bank of Egypt, in its session held on 7 July, issued a decision approving the supervisory instructions related to the financial leverage, besides the banks' compliance with the stipulated minimum percentage (3%) on a quarterly basis, as follows:

- As an indicative percentage as of the end of September 2015 until the year 2017.
- As a compulsory supervisory percentage as of 2018.

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-9 Financial leverage ratio (Continued)

This is in preparation for the consideration of it within the first pillar of Basel decisions (the minimum capital adequacy ratio) for maintaining the strength and integrity of the banking sector and keeping pace with the best international control practices in this regard.
The financial leverage reflects the relationship between Tier I of capital used in capital adequacy ratio (after disposals) and the Bank's assets (inside and outside the balance sheet) unweighted with risk weights.

Ratio Components

A- Numerator Components

The numerator of the ratio consists of Tier I of capital (after disposals) used in the numerator of the capital adequacy ratio currently applied in accordance with the instructions of the Central Bank of Egypt.

B- Denominator Components

The denominator of the ratio consists of all the Bank’s assets on- and off- balance sheet according to the financial statements, which is what is called the Bank’s exposures and it includes the total of the following:

1) The exposures of items within the balance sheet after deducting some of the disposals of Tier I of the capital base.
2) The exposures arising from derivative contracts.
3) The exposures resulting from security financing operations.
4) Off-balance sheet exposures (weighted by transfer transactions).

4 - FINANCIAL RISK MANAGEMENT (Continued)

4-9 Financial leverage ratio (Continued)

The following table summarizes the financial leverage ratio at 31 December 2020:

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Tier I of capital after disposals	1,789,402	1,435,027
Cash and balances with Central Bank	454,639	1,733,167
Due from banks	10,764,577	9,023,826
Financial investments through other comprehensive income	12,632,280	1,934,667
Financial investments at amortized cost	6,344,070	7,540,649
Financial investments in subsidiaries and associates	270,449	250,896
Customer loans and facilities	11,013,988	8,637,746
Expected credit losses	(881,414)	(875,269)
Earmarked interest	(121,320)	(134,155)
Unearned interest	(95,762)	(31,617)
Fixed assets	397,859	414,341
Other assets	1,358,919	1,345,051
Deducted from exposures	(103,319)	(74,356)
Total exposures within the balance sheet	43,824,368	31,199,973
Export credits	461	1,219
Import credits	26,865	-
Letters of guarantee	685,542	800,736
Letters of guarantee at the request of foreign banks	3,540	5,451
Accepted bills of exchange	203,540	222,808
Capital commitments	270,020	407,322
Commitments on loans and facilities to banks/ customers (the unutilized portion) with an original maturity period		
Cancellable without conditions at any time by the Bank and without prior notice or which includes provisions for auto-cancellation due to the deterioration of the borrower's creditworthiness	677,400	268,069
Total off-balance sheet exposures	1,867,368	1,705,605
Total exposures on- and off- the balance sheet	45,691,736	32,905,578
Financial leverage ratio	4.08 %	4.56%

5 - SEGMENT ANALYSIS

Geographical analysis

(Value in EGP 000)

At 31 December 2020	Cairo	Alexandria and the Delta	Total
Income and expenses per geographical sector			
Geographical sector revenue	3,651,830	170,704	3,822,534
Geographical sector expenses	(3,269,085)	(309,553)	(3,578,638)
Segment business outcome	382,745	(138,849)	243,896
Tax			(333,422)
Net loss for the year			(89,526)

(Value in EGP 000)

At 31 December 2020			
Assets and liabilities per geographical sectors			
Geographical sector assets	34,744,039	6,985,618	41,729,657
Unclassified assets	379,048	29,580	408,628
Total assets	35,123,087	7,015,198	42,138,285
Geographical sector liabilities	39,905,088	49,301	39,954,389
Unclassified liabilities	290,924	-	290,924
Total liabilities	40,196,012	49,301	40,245,313

At 31 December 2019	Cairo	Alexandria and the Delta	Total
Income and expenses per geographical segments			
Geographical sector revenue	3,636,323	96,815	3,733,138
Geographical sector expenses	(3,652,996)	(84,298)	(3,737,294)
Segment business outcome	(16,673)	12,517	(4,156)
Tax			(172,163)
Net loss for the year			(176,319)

At 31 December 2019			
Assets and liabilities per geographical segments			
Geographical sector assets	26,068,855	3,341,983	29,410,838
Unclassified assets	428,462	-	428,462
Total assets	26,497,317	3,341,983	29,839,300
Geographical sector liabilities	28,034,045	62,839	28,096,884
Unclassified liabilities	231,311	-	231,311
Total liabilities	28,265,356	62,839	28,328,195

6 - NET INTEREST INCOME

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Interest on loans and similar income		
Loans and facilities to customers	1,010,188	973,686
Treasury bills	888,683	153,300
Deposits and current accounts	748,558	1,409,827
Investments in debt instruments at amortized cost and through other comprehensive income	897,107	921,389
	3,544,536	3,458,202
Interest expense and similar costs		
Deposits and current accounts		
To banks	(61,624)	(130,987)
To customers	(2,611,921)	(2,701,690)
	(2,673,545)	(2,832,677)
Net	870,991	625,525

7 - NET FEE AND COMMISSION INCOME

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Fee and commission income		
Credit related fees and commissions	91,965	139,147
Other fees	58,973	67,712
	150,938	206,859
Fee and commission expenses		
Custody and brokerage fees	(685)	(30)
Other fees	(12,059)	(8,046)
	(12,744)	(8,076)
Net	138,194	198,783

8 - DIVIDENDS

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Securities at fair value through other comprehensive income	2,972	1,162
	2,972	1,162

9 - NET TRADING INCOME

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Foreign exchange (Loss) gain	32,518	30,186
	32,518	30,186

10 - ADMINISTRATIVE EXPENSES

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Staff cost		
Wages and salaries	(471,998)	(435,680)
Social security	(14,174)	(14,599)
Defined contribution scheme	(26,793)	(25,876)
	(512,965)	(476,155)
Other administrative expenses	(242,357)	(241,911)
	(755,322)	(718,066)

11 - OTHER OPERATING (EXPENSES) INCOME

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Gain (loss) on valuation of monetary asset and liability balances in foreign currencies other than those at fair value through profit or loss	1,487	(4,113)
Other expenses	-	(85)
Other income	3,270	247
Impairment of fixed assets	-	174
Impairment losses of acquired assets	(45,757)	-
Reversal (charge) of other provisions	(62,213)	(73,432)
	(103,213)	(77,209)

12 - EXPECTED CREDIT LOSSES

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Loans and facilities to customers	(33,814)	(79,448)
Bank balances	-	290
Financial investments	-	(22,109)
	(33,814)	(101,267)

13 - INCOME TAX EXPENSES

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Deferred taxes	(3,352)	2,561
Current income taxes	(330,070)	(174,723)
	(333,422)	(172,162)

14 - LOSS PER SHARE

The loss per share is calculated by dividing the net loss for the year by the ordinary shares issued.

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Loss for the year	(89,526)	(176,319)
Weighted average share	175,080,557	141,500,000
Basic loss per share	(0.0005)	(0.0012)

15 - CASH AND BALANCES WITH CENTRAL BANK

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Cash	171,882	(198,403)
Balances with the Central Bank within the statutory reserve ratio	282,757	(1,558,861)
	454,639	1,757,264
Non-bearing interest	(454,639)	1,757,264
	(454,639)	(1,757,264)

16 - BANK BALANCES

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Current Accounts	134,025	93,198
Deposits	10,630,879	8,930,953
Balance	10,764,904	9,024,151
Impairment charge	(327)	(325)
	10,764,577	9,023,826
Central bank	10,482,661	8,761,066
Local banks	54,119	34,005
Foreign banks	228,124	229,080
Balance	10,764,904	9,024,151
Impairment charge	(327)	(325)
	10,764,577	9,023,826
Non-bearing Interest	134,025	93,198
Fixed interest balances	10,630,879	8,930,953
Balance	10,764,904	9,024,151
Impairment charge	(327)	(325)
	10,764,577	9,023,826
Current balances	134,025	93,198
Non-Current balances	10,630,879	8,930,953
Balance	10,764,904	9,024,151
Impairment charge	(327)	(325)
	10,764,577	9,023,826

17 - LOANS AND FACILITIES TO CUSTOMERS

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Individuals		
Debit current accounts	398,909	435,439
Personal loans	1,780,730	699,312
Credit cards	24,616	23,580
Real estate loans	330,383	222,533
Total	2,534,638	1,380,864
Corporate loans including small loans for economic activities		
Debit current accounts	1,161,036	1,295,669
Direct loans	5,860,786	4,575,031
Syndicated loans	1,457,528	1,386,182
Total	8,479,350	7,256,882
Total loans and facilities to customers	11,013,988	8,637,746
Less:		
Expected credit losses	(881,414)	(875,269)
Suspended interest	(121,320)	(134,155)
Interest payable	(95,762)	(31,617)
Total	9,915,492	7,596,705
Distributed to:		
Current balances	1,584,561	2,676,533
Non-current balances	9,429,427	5,961,213
	11,013,988	8,637,746

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Expected credit losses		
Balance at the beginning of the year	875,269	869,861
Impairment during the year	33,814	79,449
Write- off during the year	(28,089)	(52,404)
Foreign exchange valuation differences	(301)	(23,825)
Proceeds from previously written off debts	721	2,188
Balance at the end of the year	881,414	875,269

18 - FINANCIAL INVESTMENTS

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Financial investments at fair value through other comprehensive income		
Debt instruments - at fair value		
Listed	1,364,480	792,082
Not listed	235,582	346
Treasury bills, net**	10,968,402	1,055,392
Equity instruments- at fair value		
listed	531	658
Not listed	56,800	58,527
Mutual fund	26,304	27,662
Impairment charge	(19,819)	-
Total financial investments at fair value through other comprehensive income	12,632,280	1,934,667
Financial investments at amortized cost		
Debt instruments at amortized cost		
Listed	6,359,783	6,656,338
Treasury bills, net**	-	920,443
Balance	6,359,783	7,576,781
Impairment charge	(15,713)	(36,132)
Total financial investment at amortized cost	6,344,070	7,540,649
Total financial investment	18,976,350	9,475,316
Fixed interest debt instruments	18,692,665	9,424,255
Variable interest debt instruments	235,582	346
	18,928,247	9,424,601

	Financial investments through other comprehensive income EGP (000)	Financial investments at amortized cost EGP (000)	Total EGP (000)
Balance at 1 January 2020			
Additions	1,934,667	7,576,781	9,511,448
Disposals	11,383,712	1,018,052	12,401,764
Valuation differences of monetary assets	(668,672)	(2,234,490)	(2,903,162)
in foreign currencies	507	(34,680)	(34,173)
Gain on change in fair value	8,377	-	8,377
(Premium) / Discount Amortization	(6,492)	34,120	27,628
	12,652,099	6,359,783	19,011,882
Impairment charge	(19,819)	(15,713)	(35,532)
Balance at 31 December 2020	12,632,280	6,344,070	18,976,350
Balance at 1 January 2019	3,553,544	7,018,394	10,571,938
Additions	-	1,759,223	1,759,223
Disposals	(1,629,960)	(1,010,345)	(2,640,305)
Valuation differences of monetary assets in foreign currencies	(43,269)	(225,600)	(268,869)
Gain on change in fair value	54,893	-	54,893
(Premium) / Discount Amortization	(541)	35,109	34,568
	1,934,667	7,576,781	9,511,448
Impairment charge	-	(36,132)	(36,132)
Balance at 31 December 2019	1,934,667	7,540,649	9,475,316

18 - FINANCIAL INVESTMENTS (Continued)

• Treasury bills, net

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Treasury bills, maturity 91 days	3,197,887	1,334,290
Treasury bills, maturity 182 days	4,989,221	461,850
Treasury bills, maturity 273 days	3,052,000	-
Treasury bills, maturity 364 days	220,249	224,581
	11,459,357	2,020,721
Unearned interest	(490,955)	(44,886)
Total	10,968,402	1,975,835

- The value of the treasury bills secured by an insurance pledge with the Central Bank amounts to EGP 146,035 thousand at 31 December 2020 (EGP 146,994 thousand at 31 December 2019).

Gains on of financial investments

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Gain on sale of financial investments	45,147	6,825
Impairment losses on equity instruments through other comprehensive income	-	-
Unallocated gains on investments in associates	46,423	29,904
	91,570	36,729

19 INVESTMENTS IN ASSOCIATES

The percentage of the Bank's shareholding in the associates is as follows:

The market value of financial investments in associates listed in the stock exchange is EGP 398,855 thousand on 30 September 2020, compared to EGP 189,228 thousand at 31 December 2019.

Balance at 31 December 2020

	Company's headquarters	Company's assets EGP(000)	Company's liabilities (without equity) EGP(000)	Company's net gains (losses) EGP(000)	Company's Total profits (losses) EGP(000)	Shareholding percentage	Shareholding value EGP(000)
Zahraa El Maadi Company	Cairo	2,589,438	1,611,558	213,093	88,637	20.3%	198,398
Freetrade Manufacturing and Trading Company	Port Said	2,498	9,395	9,395	(872)	31.9%	-
Middle East Land Reclamation Company	Cairo	47,974	192,215	192,215	-	24.47%	-
Vestia Readymade Garments Company	Alexandria	47,702	29,750	29,750	20	-	-
Prime for investment fund Management Services Company	Cairo	2,562	201	311	152	-	472
Enmaa Financial Leasing Company	Cairo	1,035,597	807,847	11,550	50,224	31.4%	71,579
							270,449

The market value of financial investments in associates listed in the stock exchange is EGP 346,784 thousand at 31 December 2020, compared to EGP 189,228 thousand at 31 December 2019.

Balance at 31 December 2019

	Company's headquarters	Company's assets EGP(000)	Company's liabilities (without equity) EGP(000)	Company's net gains (losses) EGP(000)	Company's Total profits (losses) EGP(000)	Shareholding percentage	Shareholding value EGP(000)
Zahraa El Maadi Company	Cairo	1,550,271	364,494	103,520	139,625	20.30%	181,832
Freetrade Manufacturing and Trading Company	Port Said	2,498	9,395	(885)	(872)	31.90%	-
Middle East Land Reclamation Company	Cairo	47,974	192,215	(24,763)	-	24.47%	-
Vestia Readymade Garments Company	Alexandria	47,702	26,750	222	20	20.00%	-
Prime for investment fund Management Services Company	Cairo	2,283	39	124	(95)	20.00%	443
Enmaa Financial Leasing Company	Cairo	456,839	272,445	10,706	17,121	31.43%	68,621
							250,896

20-INTANGIBLE ASSETS

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Cost		
At 1 January 2020	41,053	37,645
Additions	30,876	4,631
Disposals	-	(1,223)
At 31 December 2020	71,929	41,053
Total depreciation		
On 1 January 2020	(34,104)	(23,213)
Excluded from depreciation	-	747
Depreciation cost	(7,710)	(11,638)
At 31 December 2020	(41,814)	(34,104)
Net carrying amount at 31 December 2020	30,115	6,949

21-OTHER ASSETS

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Accrued revenue	440,525	494,145
Prepaid expenses	14,187	11,510
Assets acquired by the Bank for debt fulfilment (net of impairment)	280,183	296,434
Insurance and custody	2,451	4,292
Advance payments on account of fixed asset purchase	575,981	464,823
Others	34,823	63,139
	1,348,150	1,334,343

22-FIXED ASSETS

	Lands & buildings EGP (000)	Leasehold improvements EGP (000)	Machinery and equipment EGP (000)	Others EGP (000)	Total EGP (000)
Cost					
Balance at 1 January 2020	318,604	147,795	28,870	138,883	634,152
Additions	300	13,200	1,143	7,602	22,245
Disposals	(864)	(240)	(89)	(2,635)	(3,828)
Cost at 31 December 2020	318,040	160,755	29,924	143,850	652,569
Total depreciation					
Balance at 1 January 2020	(53,840)	(104,071)	(12,782)	(56,067)	(226,760)
Disposals	160	-	89	2,635	2,884
Depreciation	(14,874)	(22,528)	(2,992)	(20,555)	(60,949)
Total depreciation on 31 December 2020	(68,554)	(126,599)	(15,685)	(73,987)	(284,825)
Net carrying amount at 31 December 2020	249,486	34,156	14,239	69,863	367,744
Net carrying amount at 31 December 2019	264,764	43,724	16,088	82,816	407,392

The fixed assets include an amount of EGP 52,102 thousand that represents assets not yet registered in the name of the Bank, and the necessary legal procedures are currently being taken to register these properties in the name of the Bank.

23 - DEFERRED TAX ASSETS

Deferred income taxes

The deferred taxes during the year, whether in the form of assets or liabilities, are as follows:

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Balance at the beginning of the year	14,121	11,559
Additions	(3,352)	2,562
Balance at the end of the year	10,769	14,121

24 - DUE TO BANKS

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Current accounts	-	18,736
Deposits	1,200,000	412,267
	1,200,000	431,003
Local banks	1,200,000	412,267
Foreign banks	-	18,736
	1,200,000	431,003
Zero interest balance	-	18,736
Fixed interest balances	1,200,000	412,267
Current balances	1,200,000	431,003

25 - CUSTOMERS' DEPOSITS

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Call deposits	13,975,297	10,600,786
Term deposits	15,413,717	6,802,666
Saving and deposit certificates	6,833,667	7,240,586
Saving deposits	856,967	938,480
Other deposits	739,547	1,490,491
	37,819,195	27,073,009
Corporate deposits	14,714,844	16,568,937
Individual deposits	23,104,351	10,504,072
	37,819,195	27,073,009
Zero interest balance	13,975,297	11,235,704
Variable interest balances	7,690,634	8,607,561
Fixed interest balances	16,153,264	7,229,744
	37,819,195	27,073,009
Current balances	30,985,528	19,837,825
Non-current balances	6,833,667	7,235,184
	37,819,195	27,073,009

26 - OTHER LOANS

	Interest rate (%)	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Social Fund for Development	7	35,970	59,052
Housing loan for low, middle and upper middle income	0.5-7-4.5-2.5	146,035	146,994
		182,005	206,046

27 - OTHER LIABILITIES

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Interest payable	373,898	218,301
Unearned revenue	14,551	5,934
Accrued expenses	87,801	64,165
Accounts payable	9,655	9,171
Miscellaneous accounts payable	122,700	59,575
	608,605	357,146

28 - OTHER PROVISIONS

31 December 2020	Balance at the beginning of the year EGP (000)	Provided for during the year EGP (000)	Foreign currency evaluation differences EGP (000)	No longer required during the year EGP (000)	Used during the year EGP (000)	Balance at the end of the year EGP (000)
Taxes	880	12,811	-	-	(197)	13,494
Legal	152,998	37,253	-	-	(2,421)	187,830
Contingent liabilities	77,433	-	18	-	-	77,451
Others	-	22,949	-	(10,800)	-	12,149
	231,311	73,013	18	(10,800)	(2,618)	290,924

31 December 2020	Balance at the beginning of the year EGP (000)	Provided for during the year EGP (000)	Foreign currency evaluation differences EGP (000)	No longer required during the year EGP (000)	Used during the year EGP (000)	Balance at the end of the year EGP (000)
Taxes	911	-	-	-	(31)	880
Legal	10,846	153,839	(160)	-	(11,527)	152,998
Contingent liabilities	42,308	117,506	(1,362)	(81,019)	-	77,433
Others	-	-	-	-	-	-
	54,065	271,345	(1,522)	(81,019)	(11,558)	231,311

29 - PAID UP CAPITAL

	(In million) Number of Shares	Ordinary shares EGP (000)	Total EGP (000)
Balance at 31 December 2020	199	1,987,458	1,987,458
	199	1,987,458	1,987,458

29 - PAID UP CAPITAL (CONTINUED)

Based on the decision of the Bank's Extraordinary General Assembly held on 7/7/2014, the issued share capital of the Bank was increased from EGP 500 million (distributed over 50 million shares, the nominal value per share is EGP 10) to EGP 1 billion (distributed over one hundred million shares, the nominal value per share is EGP 10). An amount of EGP 100 million was paid in 2014 from the Bank's reserves account, in the form of bonus shares, with the value of the share is EGP 10 to be distributed among the shareholders according to the shareholding percentage of each shareholder.

- Based on the decision of the Bank's Extraordinary General Assembly held on 7/7/2015, an amount of EGP 200 million was called being the value of Tier II of the capital increase. The rest of the increase, amounting to EGP 200 million will be paid during the year 2016, based on the decision of the aforementioned Extraordinary General Assembly. On 30/11/2016, the shareholders paid the rest of the increase amounting to EGP 200 million.
- Based on the decision of the Ordinary General Assembly held on 25/7/2018, the share capital was increased by EGP 40,000 thousand from the profits distributed to shareholders through bonus shares, at 4 shares per each hundred shares.
- Based on the decision of the Extraordinary General Assembly dated 1 December 2020, the authorized capital of the Bank amounts to EGP five billion and the paid-up capital amounts to EGP 1,987,458,360 distributed over 198,7 million shares, at a nominal value per share of EGP 10.
- Based on the decision of the Extraordinary General Assembly dated 30 August 2021, the ownership of all shares owned by the Union of Arab Republics is approved to be transferred to National Investment Bank, and the acquisition deal was approved, and the subscription contract was approved (as detailed in the note of subsequent events no. 37 to the financial statements).
- Based on the decision of the Extraordinary General Assembly dated 10 October 2021, the approved amount of the Bank's authorized share capital is EGP 10 billion and the issued share capital is EGP 1,198,437,391 Egyptian pounds, divided into 198,745,836 nominal cash shares, the value of each share is (EGP 6.03). It was also unanimously approved to increase the Bank's authorized capital from EGP 10 billion to EGP 20 billion, and to increase the issued capital from EGP 1,198,437,391 to EGP 5,000,000,003 distributed over 829,187,397 nominal cash shares, the value of the share is (EGP 6.03), with an increase of EGP 3,801,562,612 to be as follows:

29 - PAID UP CAPITAL

Shareholder's Name nationality	Number of Shares	Nominal Value	Percentage
EFG Hermes Holding LLC	423,059,469	2,551,048,598	51%
Egypt Sub-Fund for Financial Services and Digital Transformation	207,382,092	1,250,514,014	25%
National Investment Bank	198,745,836	1,198,437,391	24%
Total	**829,187,397**	**5,000,000,003**	**100%**

30 - RESERVES

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Legal reserve	39,415	39,415
Fair value reserve for financial investments through other other comprehensive income	97,856	74,454
Special reserve	251	251
Capital reserve	25,836	25,836
General reserve	117,798	117,798
	281,156	257,754

The movement of reserves is as follows:

a- Legal reserve

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Balance at the beginning of the year	39,415	39,415
Transferred from retained earnings	-	-
Balance at the end of the year	39,415	39,415

b- Fair value reserve for financial investments through other comprehensive income

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Balance at the beginning of the year	74,454	13,201
Net change in fair value	31,808	64,155
Reserve of financial investments transferred from financial investments at fair value through other comprehensive income to financial investments at amortized cost	(4,067)	(3,202)
Net profits transferred to the statement of profit or loss due to disposal	(4,339)	300
Balance at the end of the year	97,856	74,454

c- Special reserve

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Balance at the beginning of the year	251	251
Balance at the end of the year	251	251

d- Capital reserve

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Balance at the beginning of the year	25,836	25,836
Transferred from retained earnings	-	-
Balance at the end of the year	25,836	25,836

30 - RESERVES (Continued)

e- General Reserve

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Balance at the beginning of the year	117,798	117,798
Transferred from retained earnings	-	-
Balance at the end of the year	117,798	117,798

31 - ACCUMULATED LOSSES

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Balance at the beginning of the year	(286,649)	(286,649)
Transferred to capital reserve	-	-
Transferred from bank risk reserve	-	-
Gain on sale of equity instruments through other comprehensive income	533	533
Gain on sale of equity instruments	-	-
Impact of applying IFRS 9	-	-
Net loss for the year	(89,526	(89,526
Balance at the end of the year	(375,642)	(375,642)

32 - CASH AND CASH EQUIVALENT

For the purposes of presenting the statement of cash flows, cash and cash equivalents include the following balances whose maturity dates do not exceed three months from the date of acquisition:

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Cash and balances with Central Bank	171,882	198,403
Due from banks	134,025	93,198
Treasury bills, maturity 91 days	3,197,887	1,334,290
	3,503,794	1,625,891

33 - CONTINGENT LIABILITIES & COMMITMENTS

a- Capital commitments

Financial investments

The value of commitments related to financial investments for which payment was not requested until the date of the financial position at 31 December 2020 are as follows:

	Contribution amount USD (000)	Amount paid USD (000)	Residual amount USD (000)
African Export-Import Bank	1.066	586	480

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33 - CONTINGENT LIABILITIES & COMMITMENTS (Continued)

b- Commitments on loans, guarantees and facilities

The Bank's commitments on loans and facilities are as follows:

	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Letters of guarantee	1,378,163	1,612,373
Letters of credit (import and export)	144,349	54,270
Acceptances for supplier facilities	203,540	222,808
	1,726,052	1,889,451

34 - TRANSACTIONS WITH RELATED PARTIES

The transactions and balances of related parties at the end of the financial year are as follows:

a- Loans and facilities to related parties

	Associates		Interest income	
	31 December 2020 EGP (000)	31 December 2019 EGP (000)	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Loans and facilities to customers				
Loans outstanding at the end of the year	50.000	-	1.045	-

b- Deposits, current accounts and other balances from related parties

	Deposits		Deposit costs	
	31 December 2020 EGP (000)	31 December 2019 EGP (000)	31 December 2020 EGP (000)	31 December 2019 EGP (000)
Due to shareholders				
Deposits and current accounts at the end of the year	1,505,867	223,910	-	999
Due to customers				
Deposits, current accounts and others at the end of the year	68,387	101,374	37	1,259
Total	1,574,254	325,284	37	2,258

C) The monthly average of the total annual net income of the twenty persons who receive the largest bonuses and salaries in the Bank collectively amounted to EGP 2,060 184 for the fiscal year ended 31 December 2020 compared to EGP 1,820,199 for the fiscal year ended 31 December 2019.

35 - INVESTMENT FUNDS

They are one of the banking activities licensed to the Bank under Capital Market Law No. 95 of 1992 and its executive regulation.

35 - INVESTMENT FUNDS(Continued)

1- Arab Investment Bank Monetary Fund (with cumulative daily interest in Egyptian pounds)

The fund is managed by EFG Hermes Investment Funds Management Company. The number of investment certificates of this fund is 11,959,161 and the value of which is EGP 119,591,610. The Bank allocated 500 thousand units out of them (its nominal value is EGP 5 million) to practice the fund's activity.

The redemption value of the certificate at 31 December 2020 was about EGP 10.81 and the number of the fund's certificate on the same date was 43,965,153 documents.

In accordance with the fund management contract as well as the subscription prospectus, the Arab Investment Bank receives fees and commissions in return for its supervision over the fund, as well as the other administrative services it performs. The total commissions amounted to EGP 1,432 thousand for the financial position ended at 31 December 2020, and they were included under "fee and commissions income/ other fees" in the statement of profit or loss.

2- Arab Investment Bank second investment fund (Halal)

The fund is managed by Cairo Investment Funds Management Company. The number of investment certificates of this fund is 26,954 certificate and the value of which is EGP 26,954,900. Also, 50,000 certificates of these were allocated to the Bank (with a nominal value of EGP 5 million) to carry out the fund's activity.

The redemption value of the unit at 31 December 2020 was about EGP 170.36 and the number of the Fund's certificates on the same date was 65,225 certificates.

According to the fund management contract as well as the subscription prospectus, the Arab Investment Bank receives fees and commissions in return for its supervision over the fund, as well as the other administrative services it performs. The total commissions amounted to EGP 40,000 for the financial position ended 31 December 2020, and they were included under "fee and commission income/other fees income" in the statement of profit or loss.

3- Arab Investment Bank third investment fund for Fixed Income Instruments (Sindy)

The fund is managed by (HC Securities and Investment). The number of investment certificates of this fund is 5,206,672 certificates and the value of which is EGP 52,066,720. Also, 500,000 of these were allocated to the Bank (with a nominal value of EGP 5 million) to practice the fund's activity.

The redemption value of the unit at 31 December 2020 was about EGP 12.46, and the number of the Fund's certificates on the same date was 56,600.96 certificate.

In accordance with the fund management contract as well as the subscription prospectus, the Arab Investment Bank receives fees and commissions in return for its supervision over the fund, as well as the other administrative services it performs. The total commissions amounted to EGP 23,000 for the financial position ended 31 December 2020, and they were included under "fee and commission income/other fees income" in the statement of profit or loss.

36 - TAX POSITION

Business profit tax

- Inspection was conducted and disputes were resolved by re-inspection and payment of tax differences until 2014.

- Years 2015-2019

They have not been inspected yet, and the Bank pays the tax payable by the employees monthly on the legal date.

Stamp tax

Inspection was conducted, disputes were resolved, and tax was paid until 2016 in light of the protocol concluded between the Tax Authority and the Federation of Egyptian Banks.
Inspection, payment and dispute settlement were done for the years 2017 and 2018.
But regarding the year 2019, payments are made periodically, but the inspection is not conducted yet.

Finance company profit Tax

The year from 1980- 2004

Inspection, accounting, final assessment and payment were made for these years.

The years 2005/2006/2007

The Bank submitted its returns in light of the provisions of Law 91 of 2005, and the years 2005, 2006, 2007 were inspected and the amounts due were paid in full.

The years 2008 to 2010

The Bank submitted its returns and paid the tax for these years and appealed against it, and the dispute was resolved through the internal committee, and a provision was made for the agreed value.

The years from 2011 to 2014

The tax was inspected for those periods and the inspection resulted in tax differences that were paid in full.

The years from 2015- 2017

The tax was inspected for those periods, noting that the Bank submits the returns on the stipulated dates. The inspection resulted in a tax on the independent base, and the dispute with the Tax Authority is under settlement, and a provision was made for the value in dispute.

The years 2018- 2019

The return has been submitted to the Tax Authority and is awaiting the presentation process.

Real estate tax

The inspection was conducted. The assessments sent to the Bank for all branches were appealed against, and the Bank has paid all the amounts due so as to avoid being subjected to a delay penalty till adjudicating on the submitted appeals.

37 - SUBSEQUENT EVENTS (continued)

Subsequent to the date of preparing the financial statements and before the date of issuance, the Bank's Ordinary General Assembly was held on 30 August 2021, where the following was approved:

a) Transfer of ownership of all shares owned by the Union of Arab Republics to the National Investment Bank, not less than the fair value of the share specified by the independent financial advisor of the Bank.

b) The acquisition deal and the approval on the contract for subscription of the Bank's share capital increase, where the structure of the shareholders after implementation will become as follows:

Shareholders	Number of shares	Nominal Value	Percentage
EFG Hermes Holdings	423059469	2,551,048,598	%51
Egypt Sub-Fund for Financial Services and Digital Transformation	207382092	1,250,514,014	%25
National Investment Bank	198745836	1,198,437,391	%24

C) The legal restructuring of the Bank to become an Egyptian joint stock company under Law No. 159 of 1981 - and its executive regulation, as amended, and all the laws applicable to commercial banks instead of a federal joint stock company.

d) Reissuance of the Bank's new articles of association in light of the provisions of Law No. 159 of 1981 and its executive regulations, as amended, in accordance with the form agreed upon between the parties to the - subscription contract.

The Bank's Ordinary and Extraordinary General Assembly Meetings were also held on 10 October 2021, where the following was approved:

A) Recognition of losses amounting to EGP 789,020 thousand, which represents the value of the deficit in the financial provisions required to cover the credit losses in the audited financial statements for the third quarter of 2020 according to the financial position on 30/9/2020 (after reduction to reduce losses).

B) - The authorized capital of the Bank is determined to be EGP 10 billion and the issued capital of the Bank to be EGP 1,198.437,391 divided into 198,745,836 nominal cash shares, with the value of each share is (EGP 6.03).

C) Approving the Bank's fair value at an amount of EGP 1.1 billion according to the study prepared by the independent financial advisor in order to increase the Bank's issued capital pursuant to Article (17) of the executive regulations of the capital market law.

D) Unanimous approval of the National Investment Bank's waiver of its right to subscribe to the full value of the increase in favour of EFG Hermes Holding and Egypt Sub-Fund for Financial Services and Digital Transformation.

e) Unanimous approval of the increase of the Bank's authorized capital from EGP 10 billion to EGP 20 billion and increase of the issued capital from EGP 1,198,437,391 to EGP 5,000,000,003 distributed over 829,187,397 nominal cash shares and the value of the share is (EGP 6.03), with an increase of EGP 3,801,562,612 as follows:

Shareholders	Number of shares	Nominal Value	Percentage
EFG Hermes Holdings	423059469	2,551,048,598	%51
Egypt Sub-Fund for Financial Services and Digital Transformation	207382092	1,250,514,014	%25
National Investment Bank	198745836	1,198,437,391	%24
Total	829187397	5,000,000,003	%100

Until the date of approval of these financial statements, the Bank's management takes the necessary legal actions to implement the decisions of the Bank's Ordinary General Assembly after obtaining the final approval of the Central Bank

BRANCHES

Head Office
Cairo Sky Building - 8 Abdel Khalek Tharwat St.- Cairo.

Cairo Branch
Cairo Sky Building - 8 Abdel Khalek Tharwat St.- Cairo.

Mosadak Branch
59 Mosadak St. - Dokki.

Zamalek Club Branch
No.26 - 26 July St. - beside Zamalek Club Gate - El Mohandseen.

Lebanon square Branch
56 Lebanon St. - El Mohandseen

Zamalek Branch
44 Mohamed Mazhr St. - Zamalek.

Giza Branch
Sky Center Building - 28 Mourad St. - Giza.

Faisal Branch
48 King Faisal St. - Giza.

Galleria Branch
Unit no. A53 - Galleria 40 Mall - ELSheikh Zayed.

Shobra Branch
AghaKhan Towers - Cornich ElNile - Shobra.

Maadi Branch - Degla
206 St., Salah Salem - Degla El Maadi - Cairo.

Maadi Branch - ElNasr
ElNasr Street - El Maadi - Cairo.

Nasr City Branch
Nasr Center Building - Abass El Akaad St.- Nasr City - Cairo.

City Stars Branch
Unit no. 110 - City Stars Mall - Nasr City.

Obour Building Branch
7 Obour Building – Salah Salem St.

Nehru Branch
40 Nehru St. - Behind Merryland - Heliopolis.

El Khalefa El Mamoun Branch
27 El Khalefa El Mamoun St. – Heliopolis

Al Tagamoa Al Khamis Branch
Concord Mall - 90th St. - New Cairo.

Arena Mall
Arena Mall - Al Tagamoa Al Khamis

Tenth of Ramadan Branch
Plot No. 1/4/D the second phase - Tenth of Ramadan city.

Obour Branch
Unit No. 17/18 Commercial Mall – Golf City Mall.

Alexandria Branch
68 El Horeya Road - Alexandria.

Smouha Branch
107 Albert Al Awal St. - Ali Ibn Abi Taleb square
Smouha - Alexandria.

Port Said Branch
23rd of July & Qaitbay St., Joly Ville Building - Port Said.

Al Menia Branch
236 Cornish El Nile St.

Suez Branch
45/45A ELShohadaa St. - City Mall - Suez City.

Ismailia Branch
Green Plaza Mall - Ismailia Channel St. – Ismailia.

Damietta Branch
AlSayad Plaza , Cornish ElNile, Damietta.

Islamic Branches
Zamalek Islamic Branch
8 El Mansour Mohamed St. - Zamalek - Cairo.

Alexandria Sporting Islamic Branch
303 El Horeya Road Sporting- Alexandria.

Opening soon
Strip Mall Branch.
ELMoqattam Branch.
Zamalek Branch – ELMansour Mohamed.
ElHaram Branch.