AL AHLI BANK OF KUWAIT - EGYPT (S.A.E)

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

TOGETHER WITH AUDITOR'S REPORT

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Allied for Accounting and Auditing – EY
Accountants & Consultants

Mohamed Abdel-Ghani Hawwas
Auditor

AUDITORS' REPORT

To the shareholders of Al Ahli Bank of Kuwait- Egypt (S.A.E)

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Al Ahli Bank of Kuwait- Egypt (S.A.E) ("the Bank") which comprise the financial position as at 31 December 2020 and the related statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Al Ahli Bank of Kuwait- Egypt (S.A.E) as of 31 December 2020 and of its financial performance and its separate cash flows for the year then ended, in accordance with the rules of preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations related to the preparation of these separate financial statements.

Report on Legal and Other Regulatory Requirements

No contravention of the Central Bank and Banking Sector Law No. 194 of 2020 were noted during the financial year ended 31 December 2020 , Taking into consideration the grace period to comply with provisions of the law.

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

The financial information included in the Board of Directors' report which is prepared according to Law No. 159 of 1981 and its Executive Regulations and their amendments, is in agreement with the books of the bank insofar as such information is recorded therein.

Cairo: 11 February 2021

Auditors

Ehab Azer	Mohamed Abdel-Ghani Hawwas
Fellow of ESAA	Fellow of ESAA
R.A.A. 6537	R.A.A. 19152
FRA No. 87	Central bank of Egypt register No. 538
Allied for Accounting and Auditing - EY	Auditor
Public Accountants & Consultants	

Allied for Accounting & Auditing
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Al Ahli Bank of Kuwait - EGYPT (S.A.E)

Separate Balance Sheet – For the Year ended 31 December 2020

(All amounts are shown in Egyptian Pounds unless otherwise stated)

	Notes	31 December 2020	31 December 2019
Assets			
Cash and balances with the Central Bank limited to reserve ratio	(9)	5 609 166 716	4 232 485 010
Due from Banks	(10)	1 665 578 058	2 815 155 268
Loans and credit facilities to banks	(11)	548 077 471	319 390 451
Loans and credit facilities to customers	(12)	20 402 608 888	18 654 324 301
Financial investments	(14)		
Fair Value through profits or losses		38 594 870	46 593 651
Fair Value through OCI		10 146 307 485	6 780 407 533
At amortized cost		1 319 744 606	1 669 981 819
Investments in subsidiaries and associates	(15)	89 940 000	89 940 000
Intangible assets	(16)	487 636	1 482 966
Other assets	(17)	1 009 712 762	656 879 879
Deferred tax assets	(23)	15 235 596	6 330 229
Fixed assets	(18)	386 936 781	418 184 394
Total assets		**41 232 390 869**	**35 691 155 501**
Liabilities and equity			
Liabilities			
Due to banks	(19)	1 744 010 358	2 852 562 857
Customers deposits	(20)	33 552 660 415	28 187 567 987
Financial derivatives	(13)	1 987 830	6 011 685
Other liabilities	(21)	1 640 509 899	1 111 009 182
Other provisions	(22)	128 871 404	85 779 964
Retirement benefits obligation	(24)	82 705 750	89 701 651
Total liabilities		**37 150 745 656**	**32 332 633 326**
Equity	(25)		
Issued and paid-up capital		1 617 331 003	1 617 331 003
Reserves		503 708 117	369 313 701
Profit for the year and retained earnings		1 960 606 093	1 371 877 471
Total equity		**4 081 645 213**	**3 358 522 175**
Total liabilities and equities		**41 232 390 869**	**35 691 155 501**

- The attached notes from page 9 to page 81 form a part of these financial statements.

Approved on 10 February 2021

Khaled Nabil El Salawy
CEO & Managing Director

Ali Ebrahim Marafi
Chairman

Al Ahli Bank of Kuwait - EGYPT (S.A.E)

Separate Statement of Income – For the Year ended 31 December 2020

(All amounts are shown in Egyptian Pounds unless otherwise stated)

	Notes	31 December 2020	31 December 2019
Net interest income			
Interest on loans and similar income		4 088 961 075	3 972 417 763
Cost of deposits and similar costs		(2 227 468 087)	(2 542 037 023)
		1 861 492 988	**1 430 380 740**
Net fees and commissions income	(28)		
Fees and commissions income		345 985 331	370 287 367
Fees and commissions expenses		(106 365 404)	(72 634 843)
Net fees and commissions income	(29)	**239 619 927**	**297 652 524**
Dividends income	(30)	14 527 502	23 005 461
Net trading income	(31)	84 389 188	84 865 459
Gain on financial investment	(14)	9 656 798	8 477 288
Impairment on credit losses	(32)	(307 652 346)	(58 517 315)
General and administrative expenses	(33)	(817 700 380)	(783 301 044)
Other operating expenses	(34)	(107 670 827)	(279 858 633)
Profits for the year before taxes		**976 662 850**	**722 704 480**
Income taxes	(38)	(310 550 044)	(198 676 564)
Profits for the year after income taxes		**666 112 806**	**524 027 916**
Earnings per share for the year	(35)	**6.42**	**5.05**

- The attached notes from page 9 to page 81 form a part of these financial statements.

Al Ahli Bank of Kuwait - EGYPT (S.A.E)

Separate Statement of Comprehensive Income – For the Year ended 31 December 2020

All amounts are shown in Egyptian Pounds unless otherwise stated)

	31 December 2020	31 December 2019
Net profit for year	666 112 806	524 027 916
Items will not to be reclassified to profits or losses		
Net change in fair value of investments in equity instruments measured at fair value through OCI	64 272 767	159 012 190
Re-measurement of retirement benefits obligations	11 513 439	(2 937 279)
	75 786 206	**156 074 911**
Items to be classified to profits or losses		
Net change in fair value of debt instruments through OCI	29 630 040	194 491 400
ECL on debt instruments at fair value through OCI	1 993 986	(63 531)
	31 624 026	**194 427 869**
Total comprehensive income items for year	**107 410 232**	**350 502 780**
Total comprehensive income for year	**773 523 038**	**874 530 696**

- The attached notes from page 9 to page 81 form a part of these financial statements.

Al Ahli Bank of Kuwait - EGYPT (S.A.E)

Separate Statement of Cash Flows – For the Year ended 31 December 2020

(All amounts are shown in Egyptian Pounds unless otherwise stated)

	Note	31 December 2020	31 December 2019
Cash flows from operative activities			
Profits before income taxes		**976 662 850**	**722 704 480**
Adjustments to reconcile profit for the year with cash flows from operating activities			
Depreciation and amortization		84 661 264	87 445 227
Impairment on credit losses		312 700 731	58 517 315
Other provisions charge		43 310 443	14 809 235
Financial investments profits		(9 656 798)	(23 005 461)
Dividends		(14 527 502)	(8 477 288)
Translation differences of other provisions in foreign currencies		(84 726)	(1 075 448)
(Gain) losses on sale of fixed assets		(1 973 036)	-
Amortization of premium /discount		(1 375 485)	(1 970 610)
Utilized from other provisions other than impairment losses provision		(134 227)	(127 868)
Operating profits before changes in assets and liabilities resulting from operating activities		**1 389 583 464**	**848 819 582**
Net decrease (increase) in assets			
Due from Banks		1 418 496 750	(447 092 499)
Balances with the Central Bank limited to statutory reserve		(1 266 604 749)	(1 689 400 044)
Treasury bills		(467 849 546)	(759 909 487)
Loans and credit facilities to banks		(228 687 020)	63 545 396
Loans and credit facilities to customers		(2 060 985 318)	(3 180 362 141)
Other assets		(352 832 883)	(102 792 411)
Financial investments for the purpose of trading		18 822 971	2 768 972
Net increase (decrease) in liabilities			
Due to banks		(1 108 552 499)	2 224 699 410
Customers deposits		5 365 092 428	4 146 362 636
Financial derivatives (net)		(4 023 855)	6 011 685
Other liabilities		516 115 237	552 322 153
Income taxes paid		(297 164 564)	(190 481 411)
Retirement benefits obligation		(6 995 901)	10 447 442
Net cash flows resulting from operating activities		**2 914 414 515**	**1 484 939 283**

- The attached notes from page 9 to page 81 form a part of these financial statements.

Al Ahli Bank of Kuwait - EGYPT (S.A.E)

Separate Statement of Cash Flows – For the Year ended 31 December 2020

(All amounts are shown in Egyptian Pounds unless otherwise stated)

	Notes	31 December 2020	31 December 2019
Net cash flows from operating activities		**2 914 414 515**	**1 484 939 283**
Cash flows from investment activities			
Payments to purchase fixed assets		(54 094 719)	(135 870 448)
Proceeds from sale of fixed assets		3 649 434	-
Investment payments other than those held for trading		(2 581 607 150)	(1 222 615 836)
Dividends		14 527 502	23 005 461
Net cash flows used in the investment activities		**2 617 524 933**	**(1 335 480 823)**
Cash flows from financing activities			
Paid dividends		(50 400 000)	(27 500 000)
Net cash flows used in financing activities		**(50 400 000)**	**(27 500 000)**
Net increase in cash and cash equivalent during the year		**246 489 582**	**121 958 460**
Cash and cash equivalent at the beginning of the year		612 824 913	490 866 453
Cash and cash equivalent at end of the year		**859 314 495**	**612 824 913**
Cash and cash equivalent represented in:			
Cash and balances with the Central Bank		5 611 255 433	4 234 464 127
Due from banks		1 665 578 058	2 816 241 080
Treasury bills		4 347 377 752	3 987 652 725
Balances with the Central Bank limited to reserve ratio		(5 166 439 116)	(3 899 834 367)
Balances with banks with more than three – month maturity from the date of acquisition		(1 252 498 550)	(2 670 995 300)
Treasury bills with more than three – month maturity from the date of acquisition		(4 345 959 082)	(3 854 703 352)
Total cash and cash equivalent	**(26)**	**859 314 495**	**612 824 913**

- The attached notes from page 9 to page 81 form a part of these financial statements.

Separate Statement of Changes in Owners' Equity – For the Year ended 31 December 2020

(All amounts are shown in Egyptian Pounds unless otherwise stated)

	Capital	Legal reserve	General reserve	Capital reserve	Special reserve	Fair value reserve for financial investments through OCI	General banking reserve	Other reserves	Provision for IFRS9 risks	General Risks reserve	Retained earnings	Total
Balance issued as at 1 January 2019	1 617 331 003	43 399 880	13 539 645	227 400	35 364 575	(29 030 968)	142 526 566	-	112 627 355	-	886 991 573	2 822 977 029
Transfer to general risks reserve	-	-	-	-	(31 083 607)	-	(141 045 251)	-	(112 627 355)	284 756 213	-	-
Impact of change in accounting policies arising from the adoption of IFRS 9	-	-	-	-	-	(31 818 922)	-	(19 583 845)	-	(280 513 949)	18 726 071	(313 190 645)
Adjusted balance at 1 January 2019	**1 617 331 003**	**43 399 880**	**13 539 645**	**227 400**	**4 280 968**	**(60 849 890)**	**1 481 315**	**(19 583 845)**	**-**	**4 242 264**	**905 717 644**	**2 509 786 384**
Transfer to legal reserve	-	26 846 450	-	-	-	-	-	-	-	-	(26 846 450)	-
Dividends to employees for the year 2018	-	-	-	-	-	-	-	-	-	-	(27 500 000)	-
Transfer to general banking risks reserve	-	-	-	-	-	-	5 226 734				(5 226 734)	-
Net change in items of OCI	-	-	-	-	-	353 440 059	-	(2 937 279)	-	-	-	350 502 780
Profits from disposal of equity instruments through OCI	-	-	-	-	-	-	-	-	-	-	1 705 095	1 705 095
Profits for the year	-	-	-	-	-	-	-	-	-	-	524 027 916	524 027 916
Balance as of 31 December 2019	**1 617 331 003**	**70 246 330**	**13 539 645**	**227 400**	**4 280 968**	**292 590 169**	**6 708 049**	**(22 521 124)**	**-**	**4 242 264**	**1 371 877 471**	**3 358 522 175**
Balance at 1 January 2020	1 617 331 003	70 246 330	13 539 645	227 400	4 280 968	292 590 169	6 708 049	(22 521 124)	-	4 242 264	1 371 877 471	3 358 522 175
Transfer to legal reserve	-	26 201 396	-	-	-	-	-	-	-	-	(26 201 396)	-
Dividends to employees for the year 2019	-	-	-	-	-	-	-	-	-	-	(50 400 000)	(50 400 000)
Transfer to general banking risks reserve	-	-	-	-	-	-	782 788	-	-	-	(782 788)	-
Net change in items of OCI	-	-	-	-	-	95 896 793	-	11 513 439	-	-	-	107 410 232
Profits for the year	-	-	-	-	-	-	-	-	-	-	666 112 806	666 112 806
Balance at 31 December 2020	**1 617 331 003**	**96 447 726**	**13 539 645**	**227 400**	**4 280 968**	**388 486 962**	**7 490 837**	**(11 007 685)**	**-**	**4 242 264**	**1 960 606 093**	**4 081 645 213**

- The attached notes from page 9 to page 81 form a part of these financial statements.

1. General Information

Al Ahli Bank of Kuwait - EGYPT (S.A.E) is involved in providing corporate, retail, and investment banking services in Arab Republic of Egypt and abroad through its head office located in Cairo and 43 branches. The Bank has 1 134 employees at the date of balance sheet.

The Bank has been incorporated under the name of Alexandria Kuwait International Bank in accordance with the ministerial resolution No. 119 of 1978. Then, the name was changed to the "Egyptian Commercial Bank" in accordance with the ministerial resolution No. 107 of 1997. Having the share capital of the bank increased to EGP 500 million, Piraeus Bank Greece owned 87.97% of the Bank shares. Accordingly, the name of the Bank has been changed to "Piraeus Bank – Egypt" in accordance with the ministerial resolution No. 209/2 of 2006 issued on 25 January 2006. Thereafter, the share capital has been increased many times to the extent that the shareholding of Piraeus Bank Greece reached to 98.49 %. On 21 May 2015, Piraeus Bank Egypt announced that it has entered into a final agreement with Al Ahli Bank of Kuwait to acquires its entire interest. On 10 November 2015, ownership of the shares listed in the Egyptian Exchange was transferred and , on 25 July 2016, the commercial register was amended by changing the name of the bank to "Al Ahli Bank of Kuwait - EGYPT (S.A.E)". Al Ahli Bank of Kuwait – EGYPT has acquired some shares, therefore the shareholding of Al Ahli Bank of Kuwait – EGYPT reached 98.60% in the date of balance sheet.

The Bank was incorporated as an Egyptian shareholding company under the law 43 of 1974, amended by the law no 8 of 1997 regarding investment guarantees and incentives in Arab Republic of Egypt. The head office of the Bank is at Smart Village - Km. 28, Cairo / Alexandria Desert Road – Giza governate - building no. B227 - B228 - 12577 - Egypt.

2. Basis of preparation of the separate financial statements

These separate financial statements have been prepared in accordance with the regulations of the Central Bank of Egypt (CBE) approved by its Board of Directors on 16 December 2008, under IFRS 9 "Financial Instruments" in compliance with the regulations issued by the Central Bank of Egypt (CBE) on 26 February 2019, under the revised Egyptian accounting standards issued during the year 2015, as amended and provisions of the relevant local laws.

These separate financial statements of the Bank have been prepared in accordance with the provisions of the relevant local laws. Also, the consolidated financial statements of the bank and its subsidiaries have been prepared in accordance with the Egyptian Accounting Standards. The subsidiaries- in which the Bank directly or indirectly has more than half of the voting rights or the ability to control the financial and operating policies of the subsidiary, regardless the type of activity- have been entirely consolidated in the consolidated financial statements. The consolidated financial statements of Bank can be obtained from the management of the Bank. The investments in subsidiaries or associates are presented in the separate financial statements of the bank and are accounted by the cost less the impairment loss.

The separate financial statements of the Bank should be read with its consolidated financial statements as at and for the year ended on 31 December 2020 to obtain full information on the financial position, income statements, cash flows and change in shareholders' equity of the bank. The financial statements of the bank have been prepared, till 31 Dec 2018, in accordance with the rules of preparation and presentation of the financial statements and the bases of recognition and measurement issued by the Central Bank of Egypt (CBE) during 2008. As of 1st January 2019, and in the light of the issuance of the Egyptian Accounting Audit Standards during 2015, as amended, and the rules issued by the Central Bank of Egypt (CBE) concerning the adoption of IFRS 9, the management has amended some accounting policies and bases of measurement under the accounting standards and in accordance with the requirements of preparation and presentation of the financial statements of the banks and the bases of recognition and measurement issued by the Board of Directors of the Central Bank of Egypt (CBE) on 26 February 2019.

3. Functional and presentation currency

The separate financial statements of the bank are presented in the Egyptian pound which is the functional and presentation currency of the bank.

4. Accounting estimates and assumptions

The bank uses estimates and assumptions that affect the amounts of assets and liabilities that are disclosed during the next financial year. The estimates and associated assumptions are assessed regularly based on historical experience and other factors, including the expectations of the future events that are believed to be reasonable in the lite of the conditions and the available information.

1-4 estimates

The information on the estimates used in the adoption of the accounting policies which have a significant effect on the amounts recognized in the financial statements are disclosed in the following notes:

Applied only on 2019 (initial adoption year) and beyond

Note (2-5) classification of financial assets: assessing business mode through which the assets are held and determining whether the contractual conditions of the financial assets will result in cash flows in the form of payment of returns and installments on the outstanding balances on such assets.

2-4 Assumptions and Estimates on Future Assets

The assumptions and estimates on the future assets with significant risks which may result in significant amendments on the financial period ended 31 March 2019 (initial adoption period) are disclosed in the following notes:

Applied only on 2019 (initial adoption year) and beyond

Note (6-8) impairment of financial instruments: assessing whether there was a significant increase in the credit risks on the financial assets since the initial recognition, taking into account the impact of the future information when measuring the expected credit losses ("ECL").

Applied only on 2019 (initial adoption year) and before

Note Estimation of the fair value of the financial instruments by using non – observable inputs in the measurement.

Note Measurement of specific benefits liabilities: Key actuarial assumptions.

Not Recognition of deferred tax assets: Existence of taxable future profits whereby the put -forward tax losses can be utilized.

Note Recognition and measurement of the contingent provisions and liabilities: Key assumptions on the probability and volume of external resources flow.

Note Impairment of financial instruments: Key assumptions used in estimating the recoverable cash flows.

5- Amendments on rules of preparation and presentation of the financial statements of the bank issued by CBE on 26 February 2019.

5-1 IFERS 9 – Financial Instruments

As of early January 2019, the bank has adopted IFERS 9- Financial Instruments issued on July 2014 as an initial adoption, sine it's adopted as a trial during 2018, then it has been adopted officially as of the early 2019. The requirements of the aforementioned standard are significantly different from the Egyptian Accounting Standard (26) Financial Instruments – Recognition and Measurement, particularly in respect of classification, measurement and disclosure of the financial assets and some financial liabilities. Summary of the main changes in the accounting policies of the bank resulted from the adoption of the standard is shown as following:

5-2 Classification of Financial assets and Liabilities:

The financial assets have been classified into three key categories as following:

- Financial assets measured at amortized cost.
- Financial assets carried at fair value through other comprehensive income (FVOCI).
- Financial assets carried at fair value through profit and loss (FVTPL).

The classification of IFRS 9 is generally based on the business model of the bank whereby the financial assets and their contractual cash flows are managed. Therefore, the categories of the Egyptian Accounting Standard (26) (financial investments held to the maturity, loans and debts, available -for sale financial investments), international standard 39 and the related CBE instructions have been cancelled.

The inherent derivatives contracts are not separated when they are associated with a financial asset. Therefore, the inherent derivatives contract is entirely classified with the related financial asset, the note no (12) shows out how the bank classifies the financial assets and liabilities: Change in the financial liabilities carried at fair value are presented as following:

- Change in the fair value relating to the change in the credit rating degree is presented in statement of comprehensive income.
- The remaining amount from the change in the fair value under (net income from the other financial instruments carried at fair value through profits and losses) is presented in the statement of profits and losses.

5-3 Impairment of Financial Assets

The "Expected Credited Losses" model has replaced the "realized credit losses" model in accordance with the Egyptian Accounting Standard no (26) **when** measuring the impairment of all financial assets that are measured at amortized cost and the debt instruments carried at fair value through statement of comprehensive income, in addition to some Loan commitments and financial guarantee contracts.

5-4 Transitional Stage

Changes in the accounting policies resulting from the adoption of CBE rules issued on 26 February 2019 have been adopted retrospectively, except for the following:

- As for IFRS No (9), the figures of the year 2018 have not been amended, and the difference in carrying amount of the financial assets and liabilities resulting from the adoption of CBE instructions mentioned in the reserves was recognized on 1 January 2019. Accordingly, the 2018 financial statements didn't include the requirements of the new rules and, therefore, they are incomparable with the 2019 financial statements.
- The financial assets and liabilities have been measured on the basis of facts and conditions existing in the initial adoption date.
- The business model through which the financial asset is held with the bank has been determined.
- Some financial assets and liabilities that were previously recognized on the initial recognition have been recognized and derecognized to be measured at the fair value through profits and losses.
- Some investments in equity instruments that are not held for trading have been recognized at fair value though statement of comprehensive income.
- If credit risks of the financial assets were low, the bank assumed that the credit risks on such assets weren't increased significantly since the initial recognition.

6- Most Significant Adopted Accounting Policies

Except for what's provided in not no 5, the most significant policies adopted in the preparation of financial statements are as following. These policies have been adopted constantly for all the presented periods.

6-1 Subsidiaries and associates

6-1-1 Subsidiaries

Subsidiaries are all entities (including the Special Purpose Entities "SPEs") over which the bank has owned directly or indirectly the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the bank controls another entity.

6-1-2 Associates

Associates are all entities over which the bank has direct or indirect significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Purchase method of accounting has been applied to all the acquisition operations. The cost of acquisition is measured at fair value or the assets offered/ issued equity securities / liabilities incurred/ liabilities accepted in behalf of the acquired company, at the date of the exchange, plus costs directly attributed to the acquisition. Identifiable net assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the bank's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the entity acquired, the difference is recognized directly in the income statement into other operating income (expenses).

In the separate financial statements, the subsidiaries and associates are subsequently accounted by using the cost method on the separate financial statements. According to the cost method; investments are recognized at acquisition cost less any impairment losses in value-if any-. Dividends are recognized as revenue in the separate statement of income statement when they are declared and the bank's right to collect them has been established.

6-2 Translation of Foreign Currencies

Transactions and foreign currencies

The accounts of the bank are maintained in Egyptian pound "EGP". The foreign currencies transactions are recognized during the financial year on the basis the exchange rates prevailing at the date of transactions. The monetary assets and liabilities balances dominated in other currencies are retranslated at the end of Financial year on the basis of the prevailing rates at that date. The changes in fair value of the monetary instruments dominated in foreign currencies and classified as investments carried at fair value through comprehensive income are analyzed to the differences of assessment resulted from changes in the amortized cost of the instrument, differences resulted from change in the prevailing exchange rates and differences resulted from change in the fair value of the instrument.

The differences of assessment resulted from the non – monetary items include profits and losses resulting from change of the fair value such as the equity instruments carried at fair value through profits and losses. The differences of assessment resulted from equity instruments that are designated as investments carried at fair value through Statement of Comprehensive Income are recognized in statement of comprehensive income.

6-2 Translation of Foreign Currencies (continued)

Profits or losses resulting from the settlement of such transactions are recognized in the statement of profits or losses and by the differences resulting from the translation in the following items:

- Net trading income or net income from the financial instruments recognized at fair value through profits or losses for the assets / liabilities for trading or those recognized at fair value through profits and losses based on the classification of the asset or the liability.
- The differences of change in the exchange rates are recognized.
- The differences of assessment relating to changes in the amortized cost are recognized in the statement of profits or losses under the item" loans interest and similar income" and by differences relating to the change of exchange rates under the item "other operating income (expenses)".
- Other operating income (expenses) for the other items.

  The differences of changes relating to the fair value are recognized under the items of comprehensive income and by equity for the following items:
- For the financial derivatives that are qualified for hedge (satisfying the conditions) of the cash flows risks or qualified for hedge of net investment.
- For the financial investments from the equity instruments carried at fair value through comprehensive income (previously available – for- sale financial instruments).

6-3 Interest income and expenses

6-3-1 Effective Interest Rate

Interest income and expenses are recognized in the statement of income under the item "loans interest and similar income "or "deposits cost and similar costs" by using the Effective Interest Method for all the interest – bearing financial instrument, except for those recognized at fair value through profits or losses.

Effective Interest Method is the method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expenses over the lifetime of the related instrument. Effective Interest Rate is the rate which is used to discount the future cash flows expected to be paid or collected during the expected lifetime of the financial instrument or, when appropriate, a shorter year, to accurately determine the carrying amount of a financial asset or liability.

The bank, when calculating the Effective Interest Rate, estimates the cash flows, taking into account all contractual terms of the financial instrument (such as the early payment options), but doesn't take into account the future credit losses. The calculation of effective interest should include all fees paid or received among the contract parties and are considered as an integral part of the Effective Interest Rate, costs of transaction and all other premiums and discounts. There is an assumption that the cash flows and the expected lifetime of similar financial instruments can be estimated in a reliable method. Despite of this, in some rare cases, when the cash flows and the expected lifetime of the financial instrument or a group of the financial instruments can't be estimated in a reliable method, the bank has to use the contractual cash flows over the contractual lifetime of the financial instrument or a group of the financial instruments.

The costs of transaction include the fees and commission paid to agents (including the employees who work in their capacity as sales agents), consultants, brokers and dealers, the fees paid to the regulatory authorities and financial markets and tax and charges of transmissions. The costs of transactions don't include premiums or discounts of debt and finance costs, or the internal administrative costs or carrying cost.

6-3-2 Total Carrying Amount of Financial Asset or Liability or Amortized cost

Amortized cost is the amount whereby the financial asset or liability is measured on initial recognition, less the payments of the principal amount, plus or less the total consumption by using the Effective Interest Rate for any difference between such initial amount and the amount at the date of maturity, adjusted for the financial assets by any provision of Expected Credit Loss.

6-3-3 Method of Calculation of Interest Income and Expenses

Upon calculation of interest income and expenses, the Effective Interest Rate is applied on the total carrying amount of the asset (in the case of not classifying the loans or debts as non – performing or impaired) or the financial liability.

When the loans and debts are classified as non – performing or impaired based on the case, the related interest income is not recognized in the books but recorded in marginal records a part from the financial statement, and it is recognized as revenues according to the cash basis as following:

- When they are collected, after receiving all past due instalments for consumption loans, personal mortgage loans, and small business loans.
- For corporate loans, cash basis is also applied, where the return subsequently calculated added to loan amount in accordance with the loan rescheduling contract, until 25% of the rescheduling instalments are repaid, with a minimum of one year of regular repayment scheme. In case the counterparty persists to regularly pay, the return calculated on the loan outstanding is recognized in interest income. (interest on rescheduling balance) without marginal interest before rescheduling which is not recognized as revenues except after paying all the loan balance in the Balance Sheet before rescheduling.

6-4 Fees and commissions income

Fees charged for servicing a loan or facility are recognized as revenue when the service is provided. Fees and commissions on non-performing or impaired loans or receivables cease to be recognized as income and are rather recorded in marginal records apart from the financial statements. These are recognized as revenue - on a cash basis - only when interest income on those loans is recognized in accordance with what's provided in the item (6-3-1), at which time, fees and commissions that are an integral part of the original effective interest rate of a financial asset are generally treated as an adjustment to the effective interest rate.

Loan commitment fees for loans that are likely to be drawn down are deferred as commitment fees received by the bank are considered as a compensation for continuous intervention to acquire the financial instrument. Then, these fees are recognized as a revised adjustment to the effective interest rate on the loan. In the case that the commitment year expires without the bank issuing the loan, the fees are recognized as income at the end of the commitment year, and the fees relating to the debt instruments that are measured at its fair value are recognized as revenues on initial recognition. Loan syndication fees are recognized as revenue when the syndication has been completed and the bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other debt instruments or the purchase or sale of businesses – are recognized in statement of income on completion of the underlying transaction. Other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportion basis. Fees of financial planning management and carrying services provided over long periods of time are recognized over the period when the service is provided.

6-5 Dividend income

Dividends are recognized in the statement of income when the Bank's right to receive payment is established.

6-6 Income tax

The income tax on profits or losses for the year includes both current tax and deferred tax and is recognized in the statement of income, except for the income tax that relates to items of equity which are directly recognized into equity. Income tax is calculated on the net taxable profits using the prevailing tax rates in the balance sheet date in addition to tax adjustments for previous years.

Deferred taxes arising from temporary differences between the carrying amount of the assets and liabilities in accordance with the accounting bases and their value in accordance with the tax bases are recognized. Deferred tax value is determined based on the expected method used to realize or settle the values of these assets and liabilities, using the tax rates prevailing in the balance sheet date.

Deferred tax assets of the bank are recognized when there is a reasonable probability that future taxable profits will be realized through which the asset can be utilized. Deferred tax assets are reduced by the portion that will not be realized for the expected tax benefit over the following years. However, if the expected tax benefit increases, deferred tax assets will be increased within the limits of the foregoing.

6-7 Financial Assets and Financial Liabilities

6-7-1 Initial Recognition and Measurement

The bank initially recognizes the financial assets and liabilities in date the bank becomes a party in the contractual provisions of the financial instrument. The financial asset or liability is initially measured at fair value. In respect of those that are not consequently measured at fair value through profits and losses, they are measured at fair value plus the cost of transaction that's directly associated with the process of acquisition or issuance.

6-7-2 Classification

6-7-2-1 Financial Policies applied until December 31, 2018

The Bank classifies its financial assets into the following categories: Financial assets designated at fair value through profits or losses; loans and receivables; held to maturity financial investments; and available-for-sale financial investments. Management determines the classification of its investments on initial recognition.

Financial assets designated at fair value through profit or loss

This category includes financial assets held for trading, and those designated, on inception, at fair value through profits or losses.
A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual transactions indicating the receipt of short-term profit. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

Financial assets are designated, on inception, at fair value through profit or loss when:

- Doing so reduces measurement inconsistencies that would arise if the related derivative were treated as held for trading and the underlying financial instruments were carried at amortized cost for such loans and advances to Banks and clients and issued debt instruments.
- Certain investments, such as equity investments that are managed and evaluated at fair value in accordance with the investment strategy or risk management and reported to senior management on that basis are designated at fair value through profits and losses.
- Financial instruments, such as debt instruments held, containing one or more embedded derivatives which significantly impact the cash flows, are designated at fair value through profits and losses.

6-7 Financial Assets and Financial Liabilities (continued)

6-7-2-1 Financial Policies applied until December 31, 2018 (continued)

Gains and losses arising from changes in the fair value of financial derivatives that are managed in conjunction with financial assets or liabilities designated, on inception, at fair value through profits and losses are recorded in statement of income under "net income" from the financial instruments designated, on their initial recognition, at fair value through profits and losses.

The bank shall not reclassify any financial derivatives out of the fair value through profit or loss category while it is held or issued, shall not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated by the bank as at fair value through profits or losses.

Loans and receivables

These represent non-derivative financial assets with fixed or determinable amounts that are not quoted in an active market, other than those:

- Assets which the bank intends to sell immediately or in the short term. In which case, they are classified as assets held for trading or assets classified at inception at fair value through profits or losses.
- Assets classified as available-for-sale at initial recognition.
- Assets for which the bank will not be able to substantially recover the value of its original investment for reasons other than credit worthiness deterioration.

Held-to-maturity financial investments

Held to maturity financial investments are non-derivative financial assets with fixed or determinable amount and fixed maturity dates that the bank management has the intent and ability to hold to maturity. If the bank fails to hold these investments to maturity date, except for some specific circumstances such as selling insignificant amount near to the maturity date, all investments held to maturity date are reclassified to the available – for – sale investments. Accordingly, these investments will be measured at fair value, not at the amortized cost. In addition to the classification of any investments under this item for two executive years and as an exception to the previous definition of the investments held to maturity, this category includes the mutual fund certificates that the bank, as the incorporator of these mutual funds, is required to hold to the expiry of the fund in accordance with the law.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets intended to be held for an indefinite period, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The following is followed for financial assets:

- Regular-way purchases and sales of financial assets at fair value through profit or loss, financial investments held to maturity and available- for- sale financial investments are recognized on trade-date, the date on which the bank commits to purchase or sell the asset.
- Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the statement of statement in net trading income.
- Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.
- Available for sale financial assets and financial assets designated at fair value through profit or loss are subsequently measured at fair value though profits or losses and at amortized cost of loans, accounts receivable and investments held to maturities.

6-7 Financial Assets and Financial Liabilities (continued)

6-7-2-1 Financial Policies applied until December 31, 2018 (continued)

- Gains and losses arising from changes in the fair value of the financial assets classified as at fair value through profit or loss are recognized in the statement of income in the year in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial investments shall be recognized directly in equity, until the financial asset is derecognized or impaired, at which time, the cumulative gain or loss previously recognized in equity shall be recognized in the statement of income.
- * Fair value of the investments with prices quoted in the active markets is determined based on the bid price. When no active market is available for the financial asset or the bid price, the bank determines the fair value by using a valuation technique. This includes the use of recent bias transactions, analysis of discounted cash flow, options pricing models or other valuation techniques commonly used by market participants. If the bank fails to determine the fair value of the equity instruments designated as available – for - sale, their value is measured at cost after deducting any impairment.

6-7-2-2 Financial Assets - Policies applied as of 1 January 2019:

On initial recognition, the bank classifies financial assets into financial assets at amortized cost, financial assets at fair value through other comprehensive income (FVTOCI) and financial assets at fair value through profit or loss (FVTPL). The financial asset is measured at amortized cost if it meets the two following conditions and it is not designated by the bank management, on initial recognition, at fair value through profits or losses:

- The financial asset is held in the business model of to collect the contractual cash flows.
- The contractual terms of the financial asset, in specific dates, result in contractual cash flows of the asset represented in the payment of principle and interest (SPPI).

Debt instrument is measured at fair value through other comprehensive income "FVTOCI" if it is not designated at fair value through profit or loss and the following two conditions are met:

- The asset is held in business model to collect contractual cash flow and sell the financial asset.
- The contractual terms of the financial asset, in specific dates, result in contractual cash flows of the asset represented that are not only represented in the original debt and interest.

Upon the initial recognition of equity interest not held for trading, the bank can irrevocably choose to present the subsequent changes in the fair value in the statement of comprehensive income and this option is for case – by – case investment.

The other remaining financial assets are classified as financial investments at fair value through profits or losses.

Additionally, the bank, on initial recognition, can irrevocably assign a financial asset to be measured at fair value though profits or losses, despite of satisfying the condition of classification as a financial asset carried at amortized cost or at fair value though comprehensive income, if doing so ceases or significantly decreases the inconsistency that may arise in the accounting measurement.

Summary of classification and measurement of debt instruments and entity instruments is set out as following:

Measurement methods based on business models			
		Fair value	
Financial Instrument	**Amortized cost**	**Through comprehensive income**	**Through profits or losses**
Equity instruments		One- time option that's revoked on the initial recognition.	Regular transaction of equity instruments
Debt instruments	Business model of the assets held to collect the contractual cash flows and sell.	Business model of the assets held to collect the contractual cash flows and sell.	Business model of the assets held for trading.

6-7 Financial Assets and Financial Liabilities (continued)

6-7-2-3 Business Model Assessment

The bank assesses the objective of business model at the portfolio level through which the financial asset is held as this reflects the method of business management and the method the management provides information. Information that have to be considered when assessing objective of business model is set out below:

* Approved and documented policies, objectives of the portfolio and the adoption of such policies in reality, particularly if the strategy of management focuses only on collecting the contractual cash flows of the asset and holding a specific return to agree the maturities of financial assets with the maturities of liabilities which finance such assets or generate cash flows through selling such assets.

* How to assess and report the portfolio performance to the senior management.

* The risks that have an impact on performance of the business model, including the nature of the financial assets held in such model and the way these risks are managed.

* How to determine the assessment of the business managers' performance (fair value, the contractual cash flows, or both).

* Regularity, value, and timing of sales operations in the previous periods, the reasons of such operations and the expectations concerning the future activities of sale. However, the information on the activities of sale aren't taken into account separately, but as a part of overall assessment on how the bank objective from the financial assets' management is achieved and how the cash flows are generated.

The financial assets held for trading or those managed and their performance assessed based on the fair value are measured at fair value through profits or losses as they aren't held to collect contractual cash flows or to collect contractual cash flows and sell financial assets.

Summary of business model in line with requirements of IFERS 9 and in a way reflecting the strategy adopted by the bank to manage the financial assets and their cash flows is set out below:

Financial Asset	Business Model	Main Characteristics
Financial assets at amortized cost	Business model of the financial assets held to collect the contractual cash flows.	The objective of business model is to hold the financial assets to collect the contractual cash flows represented in the principal amount and interests. Sale is an exceptional contingent event in respect of the objective of this model and in accordance with the conditions provided in the standard that are represented in the existence of deterioration in the credit capacity of the source of financial asset. Less sales in respect of regularity and value. The bank carries out a clear and reliable documentation process for the expedients of each sale operation and to what extent it's in compliance with the requirements of the standard.

6-8 Financial Assets and Financial Liabilities (continued)

Financial Asset	Business Model	Main Characteristics
Financial assets at fair value through comprehensive income	Business model of the financial assets held to collect the contractual cash flows and sale	Both collection of contractual cash flows and sale are integral to achieve the objective of this model. High sales (in respect of regularity and value) compared with the business model held to collect the contractual cash flows.
Financial assets at fair value through profits or losses	Other business models (including trading – managing the financial assets based on the fair value – maximizing the cash flows by sale)	The objective of business model is not to hold the financial asset to collect the contractual cash flows or that's held to collect the contractual cash flows and sale. Managing the financial assets on the part of management based on the fair value through losses or profits to avoid the mismatch in the accounting measurement.

6-7-2-4 Assessment Whether the Contractual Cash Flows of the Financial Asset Represent Solely Payments of Principal and Interest of Instrument ("SPPI test").

For the purpose of this assessment, the bank defines principal amount of the financial asset as fair value of the financial asset on initial recognition. The interest is the consideration of time value of money, the credit risks associated with the principal amount through a specific year, other borrowing risks, costs (such as liquidity risk and administrative costs) and marginal profit.

To assess whether the contractual cash flows of the financial asset represent Solely Payments of Principal and Interest of financial asset ("SPPI test"), the bank takes into its account the contractual terms of the instrument. This assessment includes whether the financial asset includes contractual terms that may change timing or amount of the contractual cash flows, causing them not meeting this condition. **To carry out this assessment, the bank considers:**

- Contingent events that may change amount and timing of the cash flows.
- Characteristics of financial leverage (interest rate, past dues, type of currency.....)
- Conditions of early payment and deadline extension.
- Conditions that limit the ability of the bank to claim cash flows from specific assets.
- Characteristics that may be equivalent to the time amount of money (periodical re-pricing of the asset).

6-7-2-5 Re-classification

The financial assets are not reclassified after initial recognition unless– and only – when the bank changes the business model relating to the management of these assets. In all cases, reclassification is not carried out among items of the financial liability at fair value through profits and losses and among the financial liabilities at amortized cost.

6-7-2-6 Financial Liabilities

On initial recognition, the bank reclassifies the financial liabilities to financial liabilities at amortized cost and financial liabilities at fair value through profits and losses based on the objective of business model of the bank.

All financial liabilities are initially recognized at fair value in the date when the bank becomes a party in the contractual conditions of the financial instrument.

Financial liabilities classified at amortized cost are measured subsequently at amortized cost and by using the effective interest method.

Financial liabilities at fair value through profits or losses are measured subsequently at fair value and the change in fair value relating to change in credit rating of the bank is recognized in the statement of comprehensive income, while the remaining amount from change in fair value is reflected in profits or losses.

6-7 Financial Assets and Financial Liabilities (continued)

6-7-3 De-recognition

6-7-3-1 Financial Assets

Financial asset is derecognized when the effective year of contractual right to get cash flows from the financial asset expires or when the bank transfers the right in receiving the contractual cash flows in a transaction whereby the risks and benefits of ownership are significantly transferred to third party.

When a financial asset is derecognized, the difference between carrying amount of the asset (or carrying amount allocated to the part of the asset that was derecognized) and total of both received consideration (including any new received asset, less any new assumed liability) and any collective profits or losses recognized previously in the fair value reserve of the financial investments at fair value through statement of comprehensive income is recognized in the statement of profits or losses.

As at 1 January 2019, any accumulative profits or losses recognized in statement of comprehensive income relating to investments in equity instruments designated as investments at fair value through statement of comprehensive income are not recognized in profits and losses when such asset is derecognized, and any share arose or was held from the asset qualified for de-recognition (satisfying the terms of de-recognition) is recognized as a separate asset or liability.

When the bank enters into transactions whereby it transfers an asset previously recognized in the statement of financial position, but it fully or significantly holds most of the risks and benefits of the transferred asset or a part of it, in such cases, the transferred asset is not derecognized.

The risks that affect the business model performance, including the nature of the financial assets held in such model and the way these risks are managed. For transactions in which the bank doesn't significantly retain or transfer all the risks and benefits of the ownership of asset and maintains control on the asset, the bank continues to recognize the asset to the extent of its continuous association with the financial asset. The bank's continuous association with the financial asset is determined by to what extent the bank is exposed to the changes in the value of the transferred asset.

In some transactions, the bank retains service liability of the transferred asset in return for a commission, when the transferred asset is derecognized. If it satisfies the terms of de-recognition and an asset or liability is recognized for the service contract, if the service commission is higher than the appropriate amount (asset) or less than the appropriate amount (liability) of service performance.

6-7-3-2 Financial Liabilities

The bank derecognizes the financial liabilities when the obligation under the liability is discharged or cancelled or expires.

6-7-4 Amendments on Financial Assets and Financial Liabilities

6-7-4-1 Financial Assets

If a term of a financial asset is amended, the bank assesses whether the cash flows of the amended asset are significantly different. If the cash flows are significantly different, the contractual rights of cash flows of the original financial asset are deemed expired, therefore the original financial asset is derecognized and a new financial asset is recognized at fair value and the fair value arising from the amendment of the total carrying amount is recognized as profits and losses in the profits or losses. However, if this amendment occurred due to financial difficulties of the borrower, the profits are deferred and presented with the total impairment losses, while the losses are recognized in profits and losses.

6-7-4 Amendments on Financial Assets and Financial Liabilities (continued)

6-7-4-2 Financial Liabilities

The bank amends a financial liability when its terms are amended, and the cash flows of the amended liability are significantly different. In such case, a new financial liability is recognized at fair value based on the amended terms. The difference between the carrying amount of the old financial liability and the new financial liability based on the amended terms is recognized in the profits and losses.

6-7-5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only offset when there is a legally enforceable right to set off the recognized amounts and there was 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 the same is permitted in accordance with the amended Egyptian Accounting Standards, the outcome of profits or losses arising from similar categories as a result of trading activity or the outcome of difference of translation of balances of monetary assets and liabilities dominated in foreign currencies and the outcome of profits (losses) dealing in foreign currencies.

6-7-6 Fair Value Measurement

Policy effective as at 1 January 2019

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 the fair value, the characteristics of the asset or the liability if the participants in the market consider these characteristics.

When pricing the asset and /or the liability in the date of measurement as these characteristics include the condition and location of the asset and the restriction on selling or using the asset and / or the way the participants in the market take the same into consideration.

The bank uses the market approach to determine the fair value of the financial assets and liabilities as this approach uses the prices and other related information resulting from the transaction that include assets, liabilities or a group of assets and liabilities and are applicable or comparable. Therefore, the bank may use the valuation techniques that are in compliance with the market approach such the market multiples driven from the comparable categories. Therefore, the selection of an appropriate multiple is required in the scope of the use of personal judgment, taking into account the quantitative and qualitative factors relating to the measurement.

When the market input is not reliable in determining the fair value of a financial asset or a financial liability, the bank uses income approach to determine the fair value whereby the future amounts, such financial cash flows or income and expenses, are transferred to current (discounted) amount, so that that the fair value measurement reflects the current market expectations on the future amounts.

When the market input or income approach are 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 to reflect the amount required currently to replace the asset by its current condition (current replacement cost), so that the fair value reflects the cost incurred by the market participant, as a purchaser, from the acquisition of an alternative asset with similar benefit, as the market participant, in his capacity as purchaser , will not pay for the asset more than the amount used to replace the original benefit.

6-7 Financial Assets and Financial Liabilities (continued)

The techniques of measuring the financial assets and liabilities at fair value in the financial statements as of 1 January 2019 under fair value hierarchy based on the levels of inputs that are considered as significant in the fair value measurement as a whole are set out below:

Level 1 - First -level inputs are the quoted (unadjusted) prices in the active markets for identical assets or liabilities that can obtained by the bank at the date of measurement.

Level 2 – Second -level inputs are all the inputs other the prices quoted in the first level and these inputs are directly or indirectly observable for the asset or liability.

Level 3 – The third level inputs are the unobservable inputs for the asset or the liability.

(a) First – Level Financial Instruments

Fair value of the current financial instruments in active market is determined based on the quoted prices at the reporting date. The market is considered as active when the items traded in the market are identical and there are, generally, purchasers and sellers with desire to deal at any time in an ordinary way. The bank uses the quoted bid price to determine the fair value of this level. The instruments under the first level include the investments held to maturity with the purpose of trading in stock exchange markets.

(b) Second – Level Financial Instruments

Fair values of non – current financial instruments in active market are determined by using the evaluation techniques. The evaluation techniques depend mainly on the observable inputs of the asset or liability, whether directly or indirectly. The fair value determination technique is included in the second level, if all the significant inputs are observable throughout the duration of the financial asset or liability. However, if the significant inputs are unobservable, the financial instrument is included in the third level.

Evaluation techniques used in determining the fair value of the financial instrument include:

- Quoted prices of the identical assets or liabilities in active markets.
- Interest swap contracts by calculating the present value for the expected future cash flows based on the observable interest curves
- Fair value of the future contracts of exchange rates by using the present value for the value of the expected cash flows by using the future exchange rate for the contractual currency.
- Analysis of the discounted cash flows in determining the fair value of the other financial instruments.

(c) Third – Level Financial Instruments

The valuation techniques used to measure the fair value have a minimum level of inputs. The valuation techniques include the discounted cash flow approach, the carrying amount approach, or other related valuation techniques commonly used in the market. The significant inputs of these valuation techniques include market interest rates, discount rates, similar growth rate, liquidity discount, and cash flow estimates.

Policy adopted before 1 January 2019

Fair value of the investments with prices quoted in active market is determined based on the Bird Price. However, if there is no an active market for the financial asset or the Bird Price is not available, the bank determines the fair value by using one of the evaluation techniques, including the use of recent bias transactions, analysis of discounted cash flows, options pricing models or other evaluations approaches used commonly by dealers in the market. If the bank fails to estimate the fair value of the equity instruments classified as available for sale, their value is measured after discounting any impairment.

6-8 Impairment of Financial Assets

Policy Adopted before 1 January 2019

Financial assets carried at amortized cost

At end of each balance sheet, the group assesses whether there is objective evidence that any financial asset or group of financial. The financial asset or group of assets are considered impaired and the impairment losses are discounted, if there is an objective evidence of the impairment as a result of one or more events occurring since they were initially recognized (a "loss event") and that loss event has impacted the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The indicators used by group to determine whether there is an objective evidence of an impairment loss include:

- Significant financial difficulty of the borrower or debtor.
- A breach of terms of loan agreement such non -payment.,
- It becomes probable that the borrower will enter bankruptcy, liquidation case, or rescheduling of the granted finance.
- Deterioration of the borrower's competitive position.
- The group, for economic or legal reasons relating to the borrower's financial difficulties, granting to the borrower a concession that the group would not otherwise consider in the normal conditions.
- Impairment in the value of collaterals.

Credit Status Deterioration

An objective evidence for impairment loss of the group financial assets includes observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with an individual financial asset in the group. e.g., the increase in number of repayment defaults for a banking product. The Bank first assesses whether there is an objective evidence of impairment for each financial asset individually if it is individually significant, the assessment is made at the aggregate or individual level of financial assets that are not individually significant and the following is considered :

- If the group determines that there is no objective evidence that a financial asset has been examined individually, whether significant or not, then the asset is added to the financial asset having similar credit risk characteristics and then assessed together to estimate impairment based on historical failure rates.
- If the group determines that there is an objective evidence that a financial asset is impaired, it's individually assessed for impairment, and if the assessment indicates impairment, the asset is not included in the group for which the impairment is collectively calculated.
- If the aforementioned assessment indicates that there are no impairment losses, then the asset is added to the group.
- If the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced using an allowance account of impairment losses and the impairment incurred due to credit losses is recognized in the statement of income.
- If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate in accordance with the contract when determining whether there is an objective evidence on impairment of the asset. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using a quoted market price. The calculation of the present value of the estimated future cash flows of a collagenized financial asset reflects the cash flow that may result from foreseeable less cost for obtaining and selling the collateral.

6-8 Impairment of Financial Assets (continued)

Credit Status Deterioration (continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped based on similar credit risk characteristics (that is, based on the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

When assessing the impairment loss for a group of financial assets on the basis of the historical loss rates, future cash flows in the group are estimated on the basis of the contractual cash flows of the Bank's assets and the historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the year on which the historical loss experience is based and to remove the effects of conditions in the historical periods that do not exist currently.

The Bank ensures that estimates of changes in future cash flows in a group of financial assets reflect the changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The group periodically reviews the method and assumptions used to estimate future flows.

Available – for - sale financial assets

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as available -for- sale investments or held to maturity investments is impaired. In the case of equity investments classified as available -for- sale, a significant or prolonged decline in the fair value of the instrument below its cost is considered in determining if there is impairment in the asset value.

The decline in value is considered significant for the equity instruments if it reaches 10% of the carrying amount cost, and it is considered prolonged if it extends for a period more than 9 months. If any such evidence exists, the cumulative loss is removed from equity and recognized in the Statement of Income. Impairment recognized in the statement of income on equity instruments are not reversed if the fair value is increased. If, in subsequent year, the fair value of a debt instrument classified as available e for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the Statement of Income Statement, the impairment is reversed through the Statement of income.

Policy effective as at 1 January 2019

IFRS 9, in accordance with the instruction issued by CBE on 26 February 2019, replaces the realized losses model provided under the instructions issued by CBE on 16 December 2008 by the expected credit losses (ECL) model. Also, the new impairment model is applied on all financial assets, in addition to some commitments and covenants of the loans and financial guarantee contracts. Under IFRS9, the expected credit losses are recognized earlier than the situation under the instructions issued by CBE on 16 December 2008.

Impairment losses on the expected credit losses are recognized for the following financial instruments which are not measured at fair value through profits and losses and these are:

- The financial assets that represent debt instruments.
- Accounts receivable.
- Financial guarantees contracts.
- Loan commitments and commitments of similar debt instruments.

6-8 Impairment of Financial Assets (continued)

Policy effective as at 1 January 2019 (continued)

Financial assets incorporated or acquired by the bank and include credit risk rate higher than the bank rates for the low – risk financial assets are classified on initial recognition in the second stage directly and the impairment losses on investments in equity instruments are not recognized.

6-8-1 Classification of debt instruments to calculate the expected credit losses

The bank assesses the debt instruments portfolios quarterly, at the portfolio level for all financial assets for the individuals, corporates and small, medium and micro enterprises, and regularly in respect of the financial assets for the entities classified under the following – up list to monitor the related credit risk. This assessment is also carried out at the level of the counterparty regularly. The criteria used to determine the significant increase in the credit risk are reviewed and monitored regularly by the credit risk management.

6-8-1-1 classification of debt instruments relating to the banking retail products and loans and advances of medium, small and micro entities and enterprises:

The bank is grouping the debt instruments into groups with similar credit risks and classifies them into three stages based on the quantitative and qualitative criteria as following:

Classification of Financial Instrument	Key Determinant (Quantitative Criteria)	Additional Determinant Qualitative Criteria)
First Stage: Low-credit risk financial instruments	There is no past dues	* Low – potential default risks. * Debtor has great ability in the short term to meet his obligations. * There is no events of adverse changes in the economy and business environment in the long term that negatively affect the ability of the debtor to meet his obligations.
Second stage: Financial instruments for which a significant increase occurred in the credit risks since the initial recognition, however they have not been defaulted yet as there is no objective evidence indicating the occurrence of default.	**Banking Retail Products:** More than 30 days past due from the date of the contractual installments' maturity and less than 90 days. **Loans and Advances of Medium, Small and Micro Entities and Enterprises:** More than 60 days past due from the date of the contractual installments maturity and less than 90 days, given that this period (60 days) will be decreased gradually by nearly 10 days annually to become 30 days during three years from the effective date.	The standard includes some indicators – for example but not limited to – that are appropriate to assess the increase occurring in the credit risk level.
Third Stage: Financial instruments for which the evidence/ evidences indicate that they have become defaulted (non – performing)	When the borrower becomes more than 90 days past due in the payment of the contractual installments	The standard includes some factors – for example but not limited to – that affect and provide evidence on occurrence of credit default.

6-8 Impairment of Financial Assets (continued)

6-8-1-2 Transfer from second stage to first stage

The bank doesn't transfer financial asset from the second stage to the first stage unless all the quantitative and qualitative elements of the first stage are met and the full arrears of the financial asset and the proceeds are paid and after one year and three months of regularity of payment and meeting all terms of the first stage.

6-8-1-3 Transfer from third stage to second stage

The bank doesn't transfer the financial asset the third stage to the second stage until all the following conditions have been met:

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

6-8-1-4 Period of recognition of the financial asset under the final category from the second stage

Period of recognition (classification) of the financial asset under the final category from the second stage doesn't exceed nine months from the date of transfer to such stage.

6-8-2 Measurement of Expected Credit Losses (ECL)

The bank, at the reporting date, estimate the provision of impairment of financial instrument at a value equivalent to the lifetime expected credit losses, except for the following cases in which the provision of impairment losses is estimated at a value equivalent to the expected credit losses over 12 months:

- Debt instrument determined as having low credit risks at the reporting date (debt instruments under the first stage)
- Other financial instruments in which the credit risks have not significantly increased at the reporting date since the initial recognition (debt instruments under the first stage).

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

- Expected credit risks on the financial assets under the first stage are measured based on the present value of the total monetary deficit computed on the basis of the historical probability of default rates, amended by the expectation of the average scenarios of macro- economic indicators for the next 12 months multiplied by the value on default, taking into account the probable -weighted rates of recovery expected when calculating the loss rate for each category of the debt instruments with similar credit risks, as these expected credit risks take into account the amount and time of payments, therefore 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 during 12 months after the reporting date.
- The expected credit losses of the financial assets under the second stage are measured based on the present value of the total monetary deficit computed on the basis of the historical probability of default rates, amended by the expectation of the average scenarios of macro- economic indicators for the lifetime of the asset multiplied by the value on default, taking into account the probable -weighted rates of recovery expected 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 by the difference between the total carrying amount of the asset and the present value of the expected future cash flows.

6-8 Impairment of Financial Assets (continued)

6-8-2 Measurement of Expected Credit Losses (ECL) (continued)

The commitments of loans and similar debt instruments are included in the calculation of value upon default. These commitments are charged on the balances outstanding on the date of the financial statements after they have been transferred to value in the case of using those commitments in the future.

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

- For the debt instruments designated under the first stage, only value of cash collaterals and the like, represented in cash and other financial instruments that can be transferred easily to cash in a short time (3 months or less) or without the occurrence of a change (loss) in its value due to the credit risks, is considered.
- For the debt instruments designated under the second and third stages, only types of the collaterals in accordance with the rules issued by CBE on 24 May 2005 concerning the determination of the creditworthiness of the clients and making the provisions, while the value of these collaterals is calculated in accordance with the rules of preparation and presentation of the financial statements of the bank and the recognition and measurement bases issued by CBE on 16 Dec 2018, are considered.
- For the debt instruments held by the banks working abroad, the probability of default rates are determined on the basis of credit classification of the main office of the bank that works abroad and in a way not exceeding the credit classification of the country where main office is located, taking into account the instructions issued by Central Bank concerning the risks of countries. The loss rate is calculated at 45%.
- For the debt instruments held by the banks working in Egypt, the probability of default rates are determined on the basis of classification of the bank by the International External Rating Agencies and branches of the Egyptian banks abroad are treated as the main office and branches of foreign banks working in Egypt are treated as their main office. The loss rate is calculated at 45%.
- For the debt instruments issued by entities other than the banks, the probability of default rates are calculated based on the classification of the financial instrument issuer conducted by the International External Rating Agencies, in a way not exceeding the credit classification of the issuer in the case of the foreign entities. The loss rate is calculated at 45%.
- The impairment provision of the financial assets recognized in the financial position is discounted from the financial assets when presenting the statement of financial position, while the impairment provision relating to the loan commitments, financial guarantees contracts and contingent liabilities is recognized under the liability provisions in the financial position.
- For the financial guarantee contracts, the bank estimates the expected credit loss based on the difference between the payments expected to be made to the collateral holder, less any other amounts the bank expects to recover.

6-8-3 Restructured Financial Assets

If the conditions of a financial asset are renegotiated or amended or a new financial asset replaces a current financial asset due to financial difficulties faced by the borrower, an assessment is conducted to determine whether the financial asset is derecognized from the records and the expected credit losses are measured as following:

- If the rescheduling will not lead to de-recognition of the current asset, the expected cash flows resulting from the amended financial asset are used when calculating the cash deficit in the current asset. The expected credit losses are calculated over the lifetime.

6-8 Impairment of Financial Assets (continued)

6-8-3 Restructured Financial Assets (continued)

- If the rescheduling will lead to de-recognition of the current asset, the expected fair value of the new asset is treated as final cash flows from the current financial asset when derecognizing it. This value is used in calculating the cash deficit from the current financial asset which has been discounted from the expected date to derecognize the asset till the reporting date by using the original effective interest of the current financial asset.

6-8-4 Presenting Provisions of Expected Credit Risks in the Statement of Financial Position

The provisions of expected credit risks is presented in the statement of financial position as following:

- Financial assets measured at amortized cost as a discount from the carrying amount of the assets.
- Commitments on the loans and financial guarantee contracts: generally, as a provision.

When the financial instrument includes both the used and non – used portions of the permitted limit of this instrument, and the bank can't determine the expected credit risks of the non – used portion separately, it will present the provision of collective loss for both used and non – used portion and the amount is presented as a discount from the total carrying amount of the used portion. Any increase in the provision of loss to the total amount used as a provision is presented for the non – used portion.

For debt instruments at fair value through 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 it's recognized in the fair value reserve.

6-8-5 written -off debts

The debts are written off (either partially or in full) when there is no real possibility of recovering such debts and , generally, when the bank determines that the debtor 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, financial assets that are written off could still be subject to procedures taken by the bank for recovery of amounts due. The discount is made on the provision for impairment of the debts that are written off, whether a provision has been made for it or not.

6-9 Purchase & Resale Agreements and Sale & repurchase agreements

The financial instruments sold in accordance with the repurchase agreements under assets added to the treasury bonds and other government securities are presented in the financial position. The liability (purchase & reseal agreements) , less the treasury bonds and other government securities is presented in the financial position by the difference between price of sale and price of purchasing as it is an interest due over the period of the agreements by using the effective interest rate method.

6-10 Financial Derivatives

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 flows models and options pricing models, based on cases.

All derivatives are reflected in the assets if its 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 of 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 income. "Net income from the financial instruments designated, on inception, at fair value through profits or losses" is recognized in the statement of income under 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.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

6-10 Financial Derivatives (continued)

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 change in fair value of the interest rate swap contracts and the related hedged items is taken to "net income from interest".

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".

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 is immediately recognized under "Net Trading Income" in the statement of income. The amounts accumulated in equity are brought forward to the statement of income 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 income 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 income.

6-11 Intangible Assets

Computer Software

Expenses relating to development or maintenance of computer software are recognized as an expense in the statement of income when incurred. The expenses relating directly to specific software under control of the bank and 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 descriptions are recognized as development cost and these expenses are added to the cost of the original software.

Cost of the computer software recognized as an asset over the period in which it's expected to be used no later than 3 years is depreciated. The new computer system is depreciated not later than 10 years.

6-12 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 outstanding asset, considering them as a future asset, when appropriate, when future economic benefits flow relating to the financial asset to the bank is probable and the cost was reliably determined. Expenses of maintenance and repair in the period they are charged are expensed under other operations expenses

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

Buildings	2.5% - 14.3%
Leasehold improvements	20%
Machinery and equipment	20%
Computers	25%
Vehicles	16,67% to 20%
Other	20%

6-13 Employees Benefits

6-13-1 Specific Subscription Plans

Represent pension regulations whereby the bank pays fixed contributions and the bank commits to pay contributions to the General Organization for Social Insurance, and the bank does not incur any additional liabilities once these contributions are paid. These periodic contributions are charged to the statement of income for the period in which they are due and are recognized in employee benefits.

6-13-2 Employees' Share in Profits

The bank pays a portion of the cash dividends expected to be distributed as employees' share in the profits and it's recognized in the profits as part of the dividends in equity and as liabilities when approved by the bank's shareholders' general assembly, and no liabilities related to the employees' share in undistributed profits are recognized.

6-13-3 System of Defined Benefits

The bank is committed to pay specific benefits to its employees before January 2006 based on the salary of 1 January 2006, within the limits of a specific scope for the annual increase. Liability of the defined benefit recognized in the financial position represents the present value of liabilities of the defined benefits at the end of the financial period less fair value of the plan assets, considering any amendments related to previous services that were not previously reflected.

The liabilities of the defined benefit plan are estimated annually by a qualified independent actuary by using the estimated incremental unit method. The fair value is estimated by discounting the cash flows expected to be repaid using the effective interest rate on bonds and government treasury bills due to the lack of special bonds that are traded in the market actively.

Actuarial gains and losses arising from changes in actuarial assumptions are charged on the statement of equity in the period in which they occur.

6-13-4 Medical Benefits Plan

The bank covers health care for employees and their families during the period of their service at the bank, in accordance with the applicable regulations. The bank also covers health care for some employees after retirement, through a health care service provider. The service provider provides an integrated medical network that covers geographically most of the republic.

The bank also bears the costs of such health care without the employee incurring any burdens, except for those costs that are spent outside the scope of coverage. The periodic contributions are charged on the statement of income for the period in which they are due and are recognized under employee benefits. In respect of the retired workers, the expected cost of health care over one – year service of employee is included by using the same defined benefit method. The liabilities are assessed annually by qualified actuaries.

6-14 Income tax

The income tax on the bank's period's profits or losses includes both current tax, and deferred tax Income tax is recognized in the statement of income, except when it relates to items directly recognized into equity, in which case the tax is also recognized directly in equity. Income tax is calculated on the taxable profits using the prevailing tax rates as of balance sheet in addition to tax adjustments for previous year.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined based on the method used to realize or settle the current values of these assets and liabilities, using the tax rates prevailing as of the balance sheet date. Deferred tax assets are recognized when there is a reasonable probability that future taxable profits will be realized through which the asset can be utilized. Deferred tax assets are reduced by the portion that will not be realized for the expected tax benefit over the following years. However, if the expected tax benefit increases, deferred tax assets will be increased within the limits of the foregoing.

6-15 Cash and cash equivalents

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

6-16 Other provisions

Provisions for restructuring costs, legal claims and other governmental claims are recognized when: The bank has a present legal or constructive liability as a result of past events; it is more likely that an outflow of resources will be required to settle the liability; and the amount can be reliably estimated.

Where there are similar liabilities, the likelihood that an outflow will be required in settlement is determined by considering the class of liabilities as a whole. A provision is recognized even if there is little likelihood of an outflow of cash for an item within that group.
Reversals of provisions no longer required (whether fully or partially) are presented under other operating income /expense in the statement of profits and losses.

The present value of the estimated payments to be made for payment of the liabilities determined for payment is measured one year after the balance sheet date using an appropriate rate for the payment of the liability - without being affected by the applicable tax rate - which reflects the time value of the money and if the term is less than one year the estimated value of the obligation is calculated The impact of which is substantially calculated at present value.

6-17 Borrowing

Loans obtained by the bank are first recognized at fair value less cost of the loan. Loan is subsequently measured at the amortized cost, while the statement of profit and loss statement is charged by the difference between the net proceeds and the value that will be satisfied over the borrowing year using the effective interest method. Fair value of the portion that represents a liability for the bonds convertible into shares is determined by using the market-equivalent interest rate for the non-convertible bonds, and this liability is recognized by the amortized cost method until the bonds are transferred or matured, and the remaining proceeds are charged on the option of conversion which is recognized under equity with net of the income tax effect and it is not re-measured.

6-18 Capital

6-18-1 Cost of capital

Issuance expenses directly attributable to issuance of new shares or options or acquisition of a business are shown in equity as a deduction, by net proceeds, net of tax.

6-18-2 Dividends

Dividends are recognized in equity in the year in which they are approved by the Bank's general assembly. These dividends include the employee share in profits and board of director's bonus as stipulated by the article of association and law.

6-18-3 Treasury Shares

The purchasing amount of treasury shares is deducted from their cost until they are canceled, and in the case that those shares are sold or reissued in a subsequent year, all collected amounts are added to the equity.

6-19 Comparatives

Comparatives are reclassified, when required, to comply with changes in the presentation used in the current year.

6-20 Segment Reports

A segment of business 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 than those associated with geographical sectors operating in a different economic environment.

7- Credit Risk Management

The bank, as a result of its activities, is exposed to various financial risks, considering that these risks are 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 risk are credit risk and market risk. Market risk includes foreign exchange rate risk, interest rate risk and other price risks.

Risk management policies are adopted to determine and analyze 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 amends the risk management policies and systems to reflect changes in markets, products and services, and the best recent applications.

Risks are managed by Risk Committee, the Market Risk Management and Credit Risk Management, in terms of the policies approved by the Board of Directors. Risk Management 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 Committee is responsible for periodic review of the risk management and control environment.

7-1 Credit Risks

Credit risks represent the potential loss arising from the possibility that borrowers or counterparties will fail to fulfill their liabilities in accordance with contractual terms. Credit risks arise mainly from bank balances, loans and advances to banks, individuals, small, medium, or micro enterprises, and the related commitments. Credit risks may also arise from the granted support loans / credit guarantees such as credit options (credit default swap contracts), financial guarantee contracts, letters of credit and letters of guarantee. The bank is also exposed to credit risks from the activities of investment in debt instruments and unpaid positions from trading activities and financial derivatives.

Credit risks are considered as the most significant risks for the bank's activity and, therefore, the bank manages the exposures to credit risks carefully. The credit risks of the bank are managed and control mainly by the retail banking credit risk management staff and the risk management institutions that report to both the Risk Committee, senior management, heads of activity units and the Board of Directors on regularly periodic basis.

7-1-1 Credit Risks Measurement

Loans and Advances to Banks and Clients

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.

7-1 Credit Risks (Continued)

7-1-2 Classification of Credit Risks

The bank assesses the probability of default at the level of each client / related group / credit product, by using techniques to classify the clients into different categories, taking into account the minimum rating in accordance with the CBE instructions in terms of determining the creditworthiness of the clients 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, clients 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). 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 of 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.

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:

7-1-2-1 Individuals, Retail Banking Products and Small & Micro Enterprises

After the date of initial recognition, the borrower's payment behavior 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.

7-1-2-2 (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. This should determine the grade of the recent internal credit rating and default rates.

7-1-2-3 Debt Instruments issued by Egyptian Government and Central Bank

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.
The credit rating of the bank in terms of the debt instruments includes 20 rating classes for regular instruments (1-16), and 4 classes for non-performing instruments (from 16 to 20). The key measurement gives each category a rating with a specified range of probabilities of default, which are stable over time. The bank agrees the internal rating categories with the rating categories determined by the CBE in accordance with the instructions of determining creditworthiness, establishing provisions and reviewing that interview regularly.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

7-1 Credit Risks (continued)

7-1-2-3 Debt Instruments issued by Egyptian Government and Central Bank (Continued)

The classification techniques are subject to periodic recalibration and validation to reflect the latest expectations considering all assumptions that were observed. The following is the bank's internal asse4ssement table against the external ratings:

A- Internal Assessment of the bank against the external rating of the financial investments and banks

No	Probability of Default %	External Rating
1	0.0001%	AAA
2	0.0001%	AA+
3	0.0003%	AA
4	0.0007%	AA-
5	0.0014%	A+
6	0.0026%	A
7	0.0043%	A-
8	0.0075%	BBB+
9	0.0118%	BBB
10	0.0226%	BBB-
11	0.0380%	BB+
12	0.0805%	BB
13	0.1722%	BB-
14	0.4618%	B-
15	1,1779%	B
16	3,1147%	B-
17	8,1238%	CCC+
18	21,7791%	CCC
19	51,0549%	CCC-
20	100.0000%	D

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

7-1 Credit Risks (continued)

7-1-2-3 Debt Instruments issued by Egyptian Government and Central Bank (continued)

B- Internal Assessment of the bank against the external rating of financial institutions

No	Probability of Default %	External Rating
1	0.0107%	AAA
2	0.0168%	AA+
3	0.0285%	AA
4	0.0553%	AA-
5	0.0832%	A+
6	0.1237%	A
7	0.1682%	A-
8	0.2389%	BBB+
9	0.3182%	BBB
10	0.4789%	BBB-
11	0.6637%	BB+
12	1.0625%	BB
13	1.7086%	BB-
14	3.1517%	B-
15	5.5921%	B
16	10.0165%	B-
17	17.4992%	CCC+
18	30.6195%	CCC
19	55.2297%	CCC-
20	100.000%	D

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".

7-1 Credit Risks (continued)

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.

7-1-3 Future Data Used in the Expected Losses

7-1-3-1 Variable Economic Assumptions

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

- Consumption Pricing Indicators (CPI),
- Unemployment Rate,
- Gross Domestic Product (GDP),
- Unemployment Indictor,
- Internal Rating Reduction.

7-1-3-2 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 account 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 account the complementary internal / external reference data. Examples of these characteristics and any supplementary data used to determine the classification are set out below:

Individual Loans - The groups are formed in the light of:

- Period of facility.
- Type of product (such housing / purchasing the real estate mortgage, overdraft, credit card and car loans).
- Rating the borrower in terms of private work or an employee.
- Institutions 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.

7-1 Credit Risks (continued)

7-1-4 Maximum Exposure to Credit Risks –Impaired Financial Instruments (continued)

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:

Individuals — Amount in EGP 000

31 December 2020				
Credit Grade	Order of Expected Credit Risks			Total
	First Stage 12 Months	Second Stage Overtime	Third Stage Overtime	
Standard monitoring	6 971 008	-	-	6 971 008
Special monitoring	-	665 340	-	665 340
Default	-	-	136 842	136 842
Total carrying amount	**6 971 008**	**665 340**	**136 842**	**7 773 190**
Loss provision	(127 538)	(22 131)	(111 591)	(261 260)
Net carrying amount	**6 843 470**	**643 209**	**25 251**	**7 511 930**

Corporates — Amount in EGP 000

31 December 2020				
Credit Grade	Order of Expected Credit Risks			Total
	First Stage 12 Months	Second Stage Overtime	Third Stage Overtime	
Standard monitoring	12 360 889	-	-	12 360 889
Special monitoring	-	635 787	-	635 787
Default	-	-	393 637	393 637
Total carrying amount	**12 360 889**	**635 787**	**393 637**	**13 390 313**
Loss provision	(78 041)	(179 257)	(242 336)	(499 634)
Net carrying amount	**12 282 848**	**456 530**	**151 301**	**12 890 679**

Loans and Balances with Banks — Amount in EGP 000

31 December 2020				
Credit Grade	Order of Expected Credit Risks			Total
	First Stage 12 Months	Second Stage Overtime	Third Stage Overtime	
Standard monitoring	1 356 581	859 167	-	2 215 748
Total carrying amount	**1 356 581**	**859 167**	**-**	**2 215 748**
Loss provision	-	(2 092)	-	(2 092)
Net carrying amount	**1 356 581**	**857 075**	**-**	**2 213 656**

7-1 Credit Risks (continued)

7-1-4 Maximum Exposure to Credit Risks –Impaired Financial Instruments (continued)

Treasury Bills and Debt Instruments — Amount in EGP 000

31 December 2020				
Credit Grade	Order of Expected Credit Risks			Total
	First Stage 12 Months	Second Stage Overtime	Third Stage Overtime	
Standard monitoring	11 128 234	-	-	11 128 234
Total carrying amount	**11 128 234**	**-**	**-**	**11 128 234**
Loss provision	(9 525)	-	-	(9 525)
Net carrying amount	**11 118 709**	**-**	**-**	**11 118 709**

Other Assets — Amount in EGP 000

31 December 2020				
Credit Grade	Order of Expected Credit Risks			Total
	First Stage 12 Months	Second Stage Overtime	Third Stage Overtime	
Standard monitoring	468 024	-	-	468 024
Total carrying amount	**468 024**	**-**	**-**	**468 024**
Loss provision	(2 610)	-	-	(2 610)
Net carrying amount	**465 414**	**-**	**-**	**465 414**

7-1-5 Credit Guarantees

The bank uses many policies and practices to decrease 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 guarantee held as collateral against the financial assets other than loans and advances depends 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.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

7-1 Credit Risks (continued)

7-1-5 Credit Guarantees (continued)

The policies adopted by the bank have not been changed significantly in terms of obtaining guarantees during the financial period, 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.

Financial assets with low- credit value and the related guarantees held to mitigate potential losses are shown as follows:

Description	Total assets exposed to credit risks	Impairment provision	Carrying amount	Fair value of held guarantees
Financial Assets				
Loans to individuals				
Overdrafts	76 437	(158)	76 279	41 428
Credit cards	215 854	(12 850)	203 004	20 905
Personal loans	7 478 015	(248 252)	7 229 763	1 709 239
Real estate loans	2 885	-	2 885	3 085
Loans to institutions				
Overdrafts	3 493 833	(341 019)	3 152 814	871 852
Syndicated loans	1 491 676	(13 011)	1 478 665	183 346
Other loans	8 404 803	(145 604)	8 259 199	508 927
Total impaired loans	**21 163 503**	**(760 894)**	**20 402 609**	**3 338 782**

7-1-6 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 due in law that were partially or fully written off due to the lack of a possibility of a full recovery.

7-1-7 Amendments to loan terms and rescheduling

The bank sometimes amends terms of the loans granted to the clients 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.

7-1-8 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.

7-1 Credit Risks (continued)

7-1-8 Reduction and Risk Avoidance Policies (continued)

Credit limits for any borrower, including banks, are divided into sub-limits that include the amounts in -and off- financial position, and the daily risk limit relating to trading items such as forward foreign exchange contracts. Actual amounts are compared with the daily limits as follows:

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 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 advances are:

- Cash and cash equivalent.
- Real estate mortgages.
- Commercial mortgages.
- Pledge 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 while credit facilities for individuals are not 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 advances 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.

7-1-9 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.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in 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 market's transactions on any single day.

7-1-10 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.

7-1 Credit Risks (continued)

7-1-11 Credit Related Commitments

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.

7-1-12 General Bank Risk Measurement Model

Following is a table of the worthiness 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: -

CBE Rating Categorization ORR	Rating description	Provision%	MRA rating	Internal rating description
1	Low Risk	0%	AAA	Good loans
2	Average Risk	1%	AA	Good loans
3	Satisfactory Risk	1%	A	Good loans
4	Reasonable Risk	2%	BBB+ / BBB / BBB-	Good loans
5	Acceptable Risk	2%	BB+ / BB / BB-	Good loans
6	Marginally Acceptable Risk	3%	B+ / B / B-	Standard monitoring
7	Watch List	5%	CCC+	Special monitoring
8	Substandard	20%	CCC	Non-performing
9	Doubtful	50%	CCC-	Non-performing
10	Bad Debt	100%	D	Non-performing

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

7-1 Credit Risks (continued)

7-1-13 Maximum credit risk limit before collaterals:

Credit risk exposure items (in-balance sheet): -

	31 December 2020	31 December 2019
Balances with Central Bank limited to the statutory reserve ratio	5 166 439 116	3 899 834 367
Treasury bills and other government securities	4 345 959 082	4 463 895 218
Balances with banks	1 665 578 058	2 816 241 080
Loans and advances to banks	550 169 514	320 830 000
Loans and advances to customers		
Loans to individuals:		
- Personal loans	7 478 014 712	5 975 907 885
- Credit cards	215 853 546	188 828 657
- Overdrafts	76 437 065	21 548 428
- Real estate loans	2 884 529	3 126 272
Loans to corporate entities:		
- Overdrafts	3 493 833 448	4 577 088 208
- Direct loans	8 076 542 164	6 303 889 801
- Syndicated loans	1 491 676 135	1 988 715 827
- Other loans	328 260 944	84 711 025
Investment in debt instruments	6 782 275 092	3 733 169 562
Other assets	468 023 939	304 716 229
	40 141 947 344	**34 682 502 559**

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

	31 December 2020	31 December 2019
Commitment over irrevocable loans and other obligations related to credit	204 171 573	106 386 056
Acceptances papers	239 277 680	290 395 366
Letters of guarantee	2 757 771 928	2 167 603 779
Letters of credit	404 107 848	519 113 015
	3 605 329 029	**3 083 498 216**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

7-1 **Credit Risks (continued)**

7-1-14 Loans and Advances

Balances of Loans and advances are set out below:

	31 December 2020		31 December 2019	
	Loans and advances to customers	**Loans and balances with banks**	**Loans and advances to customers**	**Loans and balances with banks**
A. Neither past due nor impaired	19 331 896 719	2 215 747 572	17 723 072169	3 137 071 080
B. Past due but not impaired	1 301 127 048	--	1 065 304 273	--
C. Subject to impairment	530 478 776	--	355 439 661	--
Total	**21 163 502 543**	**2 215 747 572**	**19 143 816 103**	**3 137 071 080**
Less:				
Impairment losses provision	(760 893 655)	(2 092 043)	(489 491 802)	(2 525 361)
Net	**20 402 608 888**	**2 213 655 529**	**18 654 324 301**	**3 134 545 719**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

7-1 Credit Risks (Continued)

A. Loans and Advances neither past due nor impaired

The credit worthiness of the portfolio of loans and advances that were neither past due nor impaired can be assessed by the internal rating system adopted by the Bank.

31 December 2020

	Retail				Corporate					
Grades	**Overdrafts**	**Credit cards**	**Personal loans**	**Real estate loans**	**Overdrafts**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total loans and advances to customers**	**Loans and Balances with Banks**
1.Good	76 118 269	194 343 572	6 697 662 125	2 884 529	2 605 100 946	7 664 629 928	109184 360	293 104 944	**18 625 687 673**	**2 215 747 572**
2.Standard monitoring	--	--	--	--	59 339 418	211 880 853	399 832 775	35 156 000	**706 209 046**	--
Total	**76 118 269**	**194 343 572**	**6 697 662 125**	**2 884 529**	**2 664 440 364**	**7 876 510 781**	**1 491 676 135**	**328 260 944**	19 331 896 719	2 215 747 572

31 December 2019

	Retail				Corporate					
Grades	**Overdrafts**	**Credit cards**	**Personal loans**	**Real estate loans**	**Overdrafts**	**Direct loans**	**Syndicated loans**	**Other loans**	**Total loans and advances to customers**	**Loans and Balances with Banks**
1.Good	21 000 897	181 064 054	5 595 484 175	--	3 952 499 078	6 021 510 049	1 300 129 815	84 711 025	**17 156 399 093**	**3 137 071 080**
2.Standard monitoring	--	--	--	--	4 225 330	123 156 986	439 290 760	--	**566 673 076**	--
Total	**21 000 897**	**181 064 054**	**5 595 484 175**	--	**3 956 724 408**	**6 144 667 035**	**1 739 420 575**	**84 711 025**	17 723 072 169	3 137 071 080

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

7-1 Credit Risks (Continued)

B. Loans and advances past due but not impaired

These are the loans and advance that are past due for less than 90 days but not impaired yet, unless other information indicates the opposite. Loans and advance past due but not impaired and the fair values of the related collateral are as follows:

31 December 2020

	Retail				Corporate			
Grades	Overdrafts	Credit cards	Personal loans	Real estate loans	Overdrafts	Direct loans	Syndicated loans	Total loans and advances to customers
Well – performing /No Dues	--	40 392	852 553	--	409 562 970	9 508 100	--	**419 964 015**
Past due up to 30 days	30 208	481 649	110 533 023	--	115 244 792	66 497 609	--	**292 787 281**
Past due 30-60 days	92 589	15 073 343	341 755 979	--	65	32 331 947	--	**389 253 923**
Past due more than 60 days	14 143	976 400	195 489 533	--	4 565	2 637 188	--	**199 121 829**
Total	**136 940**	**16 571 784**	**648 631 088**	**--**	**524 812 392**	**110 974 844**	**--**	**1 301 127 048**
Fair value of collateral	**104 431**	**5 117 132**	**240 593 889**	**--**	**203 546 988**	**67 734 806**	**--**	**517 097 246**

31 December 2019

	Retail				Corporate			
Grades	Overdrafts	Credit cards	Personal loans	Real estate loans	Overdrafts	Direct loans	Syndicated loans	Total loans and advances to customers
Well – performing /No Dues	--	510 534	12 301 157	3 126 272	26 411 702	12 632 712	84 715 837	**139 698 214**
Past due up to 30 days	--	415 282	52 470 203	--	15 231 262	75 915 108	164 579 415	**308 611 270**
Past due 30-60 days	2 056	1 282 328	215 729 718	--	263 066 727	5 090 936	--	**485 171 765**
Past due more than 60 days	139 651	847 625	38 435 616	--	63 386 953	29 013 179	--	**131 823 024**
Total	**141 707**	**3 055 769**	**318 936 694**	**3 126 272**	**368 096 644**	**122 651 935**	**249 295 252**	**1 065 304 273**
Fair value of collateral	**137 837**	**1 475 659**	**151 632 299**	**3 126 272**	**196 704 080**	**1 744 141**	**--**	**354 820 288**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

7-1 Credit Risks (continued)

C. Loans and advances individually impaired

31 December 2020

Grades	Retail			Corporate		
	Overdrafts	Credit cards	Personal loans	Overdrafts	Direct loans	Total loans and advances to customers
Impaired loans	181 856	4 938 190	131 721 499	304 580 692	89 056 539	**530 478 776**
Fair value of collaterals	31 265	1 232 347	226 646	41 948 358	123	**43 438 739**

31 December 2019

Grades	Retail			Corporate		
	Overdrafts	Credit cards	Personal loans	Overdrafts	Direct loans	Total loans and advances to customers
Impaired loans	405 824	4 708 834	61 487 016	252 267 156	36 570 831	**355 439 661**
Fair value of collateral	323 870	501 053	1 406 600	5 600 016	--	**7 831 539**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

7-1 Credit Risks (continued)

7-1-15 Restructured Loans and Advances

The bank's policy depends on restructuring/scheduling activities is most commonly applied to term loans – in particular, customer finance loan, include extended payment arrangements, modification and deferral of payments are based on indicators or criteria that, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review.

7-1-16 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 loans loss provisions and that after exhausting all the possible recovering operations.

Loans and advances to customers	31 December 2020	31 December 2019
Corporate		
- Direct loans	13 871 542	77 345 416
Retail		
- Personal loans	21 826 983	13 124 559
- Credit cards	2 284 776	2 612 945
	37 983 301	**93 082 920**

7-1-17 Debt securities and Treasury Bills

The table below presents an analysis of debt securities, treasury bills and other governmental securities according to the rating agencies at financial year end.

31 December 2020	Treasury bills & Governmental securities	Debt Instruments	Total
From AA+ to AA-	--	436 624 941	**436 624 941**
Less than A-	4 345 959 082	6 345 650 150	**10 691 609 232**
Total	**4 345 959 082**	**6 782 275 091**	**11 128 234 173**

31 December 2019	Treasury bills & Governmental securities	Financial assets at fair value	Total
From AA+ to AA-	--	545 223 536	**545 223 536**
Less than A-	4 463 895 218	3 187 946 026	**7 651 841 244**
Total	**4 463 895 218**	**3 733 169 562**	**8 197 064 780**

7-1 Credit Risks (continued)

Concentration of financial assets risk exposed to credit risk

7-1-18 Geographical sectors

The following table represents an analysis of the Bank's credit risk exposure at their carrying amounts categorised by geographical sectors at the end of the financial current year.

	31 December 2020						Amounts in EGP 000
	Cairo	Alex/ Canal Red sea/ Sinai	Delta	Upper Egypt	Foreign countries	Arab countries	Total
Credit risk exposure items in-balance sheet:							
Balances with central Bank limited to the statutory reserve ratio	5 166 439	--	--	--	--	--	**5 166 439**
Treasury Bills	4 345 959	--	--	--	--	--	**4 345 959**
Balances with Banks	130 746				1 515 655	19 177	**1 665 578**
Bank loans and advances	550 170	--	--	--	--	--	**550 170**
Loans and advances to customers:							
Retail Loans:							
Personal loans	5 354 589	1 125 863	701 496	296 067	--	--	**4 478 015**
Credit cards	182 596	19 431	9 786	4 041	--	--	**215 854**
Overdrafts	55 515	4 887	13 995	2 040	--	--	**76 437**
Real estate loans	2 885	--	--	--	--	--	**2 885**
Corporate loans:							
Overdrafts	3 069 560	335 057	88 228	988	--	--	**3 493 833**
Direct loans	6 790 812	1 192 491	93 239	--	--	--	**8 076 542**
Syndicated loans	1 491 676	--	--	--	--	--	**1 419 676**
Other loans	324 845	--	--	3 416	--	--	**328 261**
Investment in debt instruments	6 782 275	--	--	--	--	--	**6 782 275**
Other assets	468 024	--	--	--	--	--	**468 024**
Total at the end of the year 2020	**34 716 091**	**2 677 729**	**906 744**	**306 552**	**1 515 655**	**19 177**	**40 141 948**
Total at the end of December 2019	**30 205 442**	**2 484 730**	**706 698**	**261 418**	**996 170**	**28 044**	**34 682 502**

7-1 Credit Risks (continued)

7-1-19 Industry sectors

The following table represents an analysis of the Bank's credit risk exposure at their carrying amounts categorised by industry sectors of the Bank's clients.

31 December 2020 — Amounts in EGP 000

	Commercial	Manufacturing	Agriculture	Energy	Transportation	Tourism	Financial institutions	Constructions	Real-estate	Public	Others	Governmental	Individuals	Total
Credit risk exposure items in-balance sheet:														
Balances with central Bank limited to statutory reserve ratio	--	--	--	--	--	--	--	--	--	--	--	5 166 439	--	**5 166 439**
Treasury bills and other governmental securities	--	--	--	--	--	--	--	--	--	--	--	4 345 959	--	4 345 959
Due from banks	--	--	--	--	--	--	1 662 683	--	--	--	--	2 895	--	**1 665 578**
Bank loans and credit facilities	--	--	--	--	--	--	550 170	--	--	--	--	--	--	**550 170**
Loans and advances to customers:														
Retail Loans:														
Personal loans	--	--	--	--	--	--	--	--	--	--	--	--	7 478 015	**7 478 015**
Credit cards	--	--	--	--	--	--	--	--	--	--	--	--	215 854	**215 854**
Overdrafts	--	--	--	--	--	--	--	--	--	--	--	--	76 437	**76 437**
Real estate loans	--	--	--	--	--	--	--	--	--	--	--	--	2 885	**2 885**
Corporate loans:														
Overdrafts	657 398	1 120 823	10	50 644	73 241	1 431	666 712	483 421	7 855	292 375	139 923	--	--	**3 493 833**
Direct loans	1 639 147	2 027 454	196 725	549 743	192 528	122 443	1 667 140	171 419	360 641	251 896	897406	--	--	**8 076 542**
Syndicated loans	--	219 614	--	129 605	--	--	31 253	--	113 938	997 265	1	--	--	**1 491 676**
Other loans	10 231	86 189	--	--	--	--	--	--	208 073	--	23 768	--	--	**328 261**
Investment in debt instruments	--	--	--	--	--	--	--	--	--	--	--	6 782 275	--	**6 782 275**
Other assets	--	--	--	--	--	--	--	--	--	--	468 024	--	--	**468 024**
Total at the end of the year 2020	**2 306 776**	**3 454 080**	**196 735**	**729 992**	**265 769**	**123 874**	**4 577 958**	**654 840**	**690 507**	**1 541 536**	**1 529 122**	**16 297 568**	**7 773 191**	**40 141 948**
Total at the end of December 2019	**1 681 817**	**2 919 035**	**75 453**	**723 957**	**1 210 036**	**331 573**	**5032741**	**684881**	**417936**	**1836079**	**1473620**	**12105963**	**6189411**	**34 682 502**

7-2 Market risk

The bank is exposed to the market risk represented in the fluctuations in fair value or future cash flows arising from the changes in the market prices. Market risk arises from open positions in the rate of interest rate, currency and equity products, as each of them is exposed to public and private movements in the market and changes in the level of sensitivity to market rates or the prices such as interest rates, exchange rates and prices of equity instruments. The bank classifies the extent of its exposure to the market risk into trading and non – trading portfolios. Market risk management arising from trading or non-trading activities is concentrated in the bank's risk management and is monitored by a professional team. Periodic reports on market risks are regularly submitted to the Risk Management Committee and the bank's senior management. The trading portfolios include those positions arising from the bank's direct dealings with the clients or the market. However, the non-trading portfolios result mainly from the exchange rate risks of open positions of foreign currencies and the interest rate risks of assets and liabilities that are sensitive to changes in interest rates.

7-2-1 Market Risk Measurement Techniques

The most significant measurement means used to control the market risk are set out below:

7-2-1-1 Value at Risk (VaR)

The bank adopts the VaR technique to the open currency centers at the end of the day. The model prepared by the Risk Management Committee was approved during the month of April 2010. The used model's accuracy is also monitored through back testing and the related results are reported to the Risk Management Committee.

The value at risk is a statistical expectation of the potential loss of the current portfolio arising from adverse market movements. VaR reflects the maximum value that the bank can lose in a single day, however by using a determined confidence coefficient (99%) and, therefore, there is a statistical probability of (1%) that the actual loss is greater than the expected VaR. The bank estimates the previous movement based on data from more than five prior years.

The use of such method does not prevent the loss from exceeding those limits, if there are higher movements in the market. Therefore, the securities portfolio of the bank is listed for liquidation and it currently comprises only one share. A VaR measurement model in terms of the securities has not been activated. Accordingly, it's restricted to the open financial positions in foreign currencies. Three different trust transactions are used, i.e., 95% (low), 98% (average) and 99% (high)

7-2-1-2 Stress Testing

Stress tests indicate volume of the expected loss that may arise from severe adverse conditions. Stress tests are designed to be in line with the activity, by using a typical analysis of determined scenarios. Stress tests conducted by the risk management sector of bank include stress testing of risk factors, as a set of effective movements is adopted on each risk category and the pressures of developing markets is tested. The developing markets are subject to effective movements and test of special stresses, including possible events affecting specific centers or regions, such as what may arise in a region due to the release of restrictions on a currency. Results of the stress tests are reviewed by senior management and the board of directors.

7-2 **Market risk (continued)**

7-2-1-2 Stress Testing (continued)

Total value at risk (VaR) for trading portfolio as per the risk type:

	Amounts in EGP 000					
	31 December 2020			31 December 2019		
	Average (98%)	High (99%)	Low (95%)	Average (98%)	High (99%)	Low (95%)
Foreign exchange risk	602 041	681 951	482 176	462 034	523 360	370 044
VaR	**602 041**	**681 951**	**482 176**	**462 034**	**523 360**	**370 044**

7-2-1-3 Exchange Rate Fluctuations Risk

The bank is exposed to the exchange rate fluctuations risk on the financial position and cash flows. The main office has set limits to the foreign currencies at the total fair value at a level of each currency separately. The following table summarizes the carrying amount of the financial instruments categorized by the related currencies.

	31 December 2020					Amounts in EGP 000
	EGP	USD	EUR	GBP	OTHER	Total
Financial assets						
Cash and balances with central banks	5 147 953	51 566	11 584	1 752	4 249	**5 217 104**
Balances with Banks	14 926	1 897 483	90 033	44 086	13 202	**2 059 730**
** Loans and advances to banks	--	550 169	--	--	--	**550 169**
** Loans and advances to customers	19 348 822	1 752 766	61 915	--	--	**21 163 503**
Financial Investment:						
- Through profit or loss	38 595	--	--	--	--	**38 595**
- Through OCI	9 289 442	1 149 505	60 385	--	--	**10 499 332**
- Amortized Cost	1 170 057	153 043	--	--	--	**1 323 100**
Financial Investments in subsidiaries and associates	89 940	--	--	--	--	**89 940**
Other Financial Assets	1 263 564	257 207	23 252	165	12 176	**1 556 364**
Total financial assets	**36 363 299**	**5 811 739**	**185 254**	**46 003**	**29 627**	**42 497 837**
Financial liabilities						
Due to Banks	1 727 473	14 504	1 060	972	1	**1 744 010**
Customers' deposits	30 046 934	3 236 822	197 748	45 270	25 886	**33 552 660**
Other Financial Liabilities	4 557 051	2 593 976	46 866	138	3 136	**7 201 167**
Total financial liabilities	**36 331 458**	**5 845 302**	**245 674**	**46 380**	**29 023**	**42 497 837**
Net on balance sheet financial position	**31 841**	**(33 563)**	**(60 420)**	**(377)**	**604**	**--**
Credit commitments	94 047	110 125	--	--	--	**204 172**
31 December 2019						
Total financial assets	**28 748 826**	**7 486 579**	**458 020**	**60 104**	**37 943**	**36 791 472**
Total financial liabilities	**28 722 152**	**7 517 571**	**457 633**	**60 063**	**34 053**	**36 791 472**
Net on balance sheet financial position	**26 674**	**(30 992)**	**387**	**41**	**3 890**	**--**
Credit commitments	15 431	90 955	--	--	--	**106 386**

*Loans and advances are recognized at aggregate value (not discounted).

**Financial investments held to maturity recognized at aggregate value (not discounted)

7-2 Market risk (Continued)

7-2-3 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 tables below summaries the bank 's exposure to the interest rate fluctuations risk that include carrying value of the financial instruments categorized based on the re-pricing dates or the maturity date – whichever is earlier.

	31 December 2020							Amounts in EGP 000
Description	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**Over 3 years**	**Non-interest bearing**	**Total**
Cash and reserve balances with central Bank	--	--	--	--	--	--	5 609 167	**5 609 167**
Balances with Banks	1 510 137	--	--	--	--	--	155 441	**1 665 578**
Loans and advances to banks	313 187	156 594	78 296	--	--	--	--	**548 077**
Loans and advances to customers	6 703 903	6 912 711	496 990	1 163 569	3 088 117	1 941 819	95 500	**20 402 609**
Financial Investments								
Through Profit or loss	12 155	3 314	12 701	4359	--	--	6 066	**38 595**
Through OCI	232 200	834 094	1 097 042	2 252 610	1 754 840	3 634 580	340 941	**10 146 307**
Amortized Cost		40 433	125 009	610 782	414 941	128 580	--	**1 319 745**
Investments in subsidiaries and associates	--	--	--	--	--	--	89 940	**89 940**
Other debit balances & derivatives	--	--	--	--	--	--	1 009 713	**1 009 713**
Deferred tax assets	--	--	--	--	--	--	15 236	**15 236**
Fixed & Intangible Assets	--	--	--	--	--	--	387 424	**387 424**
Total financial assets	**8 771 582**	**7 947 146**	**1 810 038**	**4 031 320**	**5 257 898**	**5 704 979**	**7 709 428**	**41 232 391**
Due to Banks	1 733 121	--	--	--	--	--	10 889	**1 744 010**
Customers' deposits	12 056 213	7 667 457	2 962 632	5 876 017	3 195 325	81 369	1 713 647	**33 552 660**
Other credit balances & derivatives	--	--	--	--	--	--	1 642 499	**1 642 499**
Other provisions	--	--	--	--	--	--	128 871	**128 871**
Retirement benefits liabilities	--	--	--	--	--	--	82 706	**82 706**
Owners' equity	--	--	--	--	--	--	4 081 645	**4 081 645**
Total financial liabilities and equities	**13 789 334**	**7 667 457**	**2 962 632**	**5 876 017**	**3 195 325**	**81 369**	**7 660 257**	**41 232 391**
Re- pricing gap	**(5 017 752)**	**279 689**	**(1 152 594)**	**(1 844 697)**	**2 062 573**	**5 623 610**	**49 171**	**--**
31 December 2019								
Total financial assets	**15 707 645**	**2 145 291**	**2 174 097**	**2 624 657**	**4 004 000**	**3 116 301**	**5 919 165**	**35 691 156**
Total financial liabilities and equities	**17 620 389**	**3 244 642**	**2 217 060**	**4 454 455**	**1 592 703**	**230 876**	**6 331 031**	**35 691 156**
Re- pricing gap	**(1 912 744)**	**(1 099 351)**	**(42 963)**	**(1 829 798)**	**2 411 297**	**2 885 425**	**(411 866)**	**--**

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 comprehensive income (before 1 January 2019: available for sale) recognized directly in the statement of comprehensive income.

7-2 Market risk (continued)

7-2-4 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 lend

7-2-4-1 Liquidity Risk Management

Liquidity risk control adopted by the Risk Management Sector of the bank include the following:

- 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.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Assets and liability management also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

7-2-4-2 Funding approach

Sources of liquidity are regularly reviewed by a separate team of the risk management sector of the bank to maintain a wide diversification by currency, geography, provider, product and term.

7-3 Non -Derivative Cash Flows

31 December 2020 — **Amounts are in EGP 000's**

Description/ Maturity Date	Up to1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Total
Due to local banks	1 702 661	--	--	--	--	--	**1 702 661**
Due to foreign banks	42 941	--	--	--	--	--	**42 941**
Customers' deposits	7 636 929	5 171 658	1 558 320	2 952 522	4 495 361	13011 897	**34 826 687**
Other liabilities	1 520 387	--	--	--	--	82 706	**1 603 093**
Total financial liabilities according to the contractual maturity date	**10 902 918**	**5 171 658**	**1 558 320**	**2 952 522**	**4 495 361**	**13094 603**	**38 175 382**
***Total financial assets according to the contractual maturity date**	**11 069 123**	**3 717 086**	**4 327 951**	**11 757 507**	**14028 388**	**6 140 653**	**51 040 708**

7-3 Non -Derivative Cash Flows

31 December 2019 **Amounts are in EGP 000's**

Description/ Maturity Date	Up to1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Total
Due to local banks	2 351 855	241 617	--	--	--	--	**2 593 472**
Due to foreign banks	262 204	--	--	--	--	--	**262 204**
Customers deposits	7 489 426	2472 008	1 124 728	2 010 749	4 042 818	12 308 020	**29 447 749**
Other liabilities	1 013 117	--	--	--	--	89702	**1 102 819**
Total financial liabilities according to the contractual maturity date	**11 116 602**	**2 713 625**	**1 124 728**	**2 010 749**	**4 042 818**	**12 397 722**	**33 406 244**
***Total financial assets according to the contractual maturity date**	**9 398 698**	**3628 788**	**3 946 011**	**9 676 983**	**10505362**	**4 492 937**	**41 648 779**

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 advances to banks and customers. 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.

7-4 Fair Value of Financial Assets and Liabilities

Financial instruments not measured at Fair Value

The table below summarizes the present value and fair value of the financial assets and liabilities not presented at fair value on the bank's statement of financial position:

	Amounts are in EGP 000's			
	Book Value		Fair Value	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial assets				
Balances with Banks	1 665 578	2 813 902	1 665 578	2 813 902
Current Loans	10 961 984	11 848 247	10 961 984	11 848 247
Financial liabilities				
Due to Banks	1 744 010	2 852 563	1 744 010	2 852 563
Current deposits	29 465 775	24 422 604	29 465 775	24 422 604

7-4-1 Balances With Banks:

Fair value of the variable-rate overnight placements and deposits represents the related present value. The expected fair value of the variable interest – bearing deposits is estimated on the basis of the discounted cash flows by using the prevailing interest rate in financial markets for debts with credit risk and a similar maturity date.

7-4-2 Loans and Advances to Banks

Loans and advances to banks comprise loans other than deposits with banks. The expected fair value of the loans and advances represents the discounted value of the expected future cash flows to be collected. The cash flows are discounted by using the current market interest rate to determine the fair value. Loans and advances are shown at net of impairment losses provision.

7-5 Investment securities:

Investments securities comprise only the financial assets with specific or determinable maturity date and the business model tends to hold them to get the principal investment and interest. Fair value of those financial assets is determined for the financial assets held to maturity on the basis of market prices or prices obtained from brokers. If this data is not available, fair value is estimated by using the financial market prices for traded securities with similar credit characteristics, maturity dates and similar rates.

7-6 Due to Other Banks and Customers

Estimated fair value of the deposits with indefinite maturity, including the interest – free deposits, represents the amount that would be paid on demand.

Fair value of the Fixed-interest deposits and the other loans not traded in an active market is determined on the basis of the discounted cash flows by using the interest rate on the new debts with a similar maturity date.

7-7 Issued Debt Instruments

The total fair value is calculated on the basis of current financial market prices. In respect of the securities for which there is no active markets, the discounted cash flow model is used for the first time on the basis of the current rate that's appropriate for the remaining period to the maturity date.

7-8 Capital risk management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheet statement, are:

- To comply with the legal capital requirements set by Arab Republic of Egypt and other countries in which the Bank's branches operates.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- Ensuring that the Bank's performance complies with the Risk Appetite limits approved by the Board of Directors of the Bank, which are annually monitored through the Risk Matrix

To maintain a strong capital base to support the development of its business.

Capital adequacy and capital uses are daily reviewed by the management of the bank in accordance with the requirements of the regulatory authority (the Central Bank of Egypt in the Arab Republic of Egypt or the Regulatory Authorities where the foreign bank branches operate) through models based on the Basel Committee's guidelines. The required data are submitted and deposited with the Central Bank of Egypt on a quarterly basis.

The CBE requires the bank to

- Maintain, as a minimum, an amount of EGP 500 million.
- Maintain ratio of 10% or more of total regulatory capital to its risk-weighted assets and contingent liabilities.

Numerator of the capital adequacy comprises the following two tranches:

Tier 1 capital: It is the main capital that comprises the paid-up capital (net of the carrying amount of treasury shares), retained earnings and reserves arising from dividends, except for the bank risk general reserve, net of any goodwill previously recognized and any brought forward losses.

Tier 2 capital: It is the subordinated Capital that consists of what is equivalent to the general risk provision in accordance with the principles of creditworthiness issued by the CBE, not exceeding 1.25% of total risk – weighted assets and contingent liabilities, and subordinated loans / deposits with maturities of more than five years (with depreciation of 20% of its value per year of the last five years of its maturities) and 45% of the increase between fair value and carrying amount of both the financial assets at fair value through comprehensive income and financial investments assessed at amortized cost and in subsidiary and associates.

When calculating the total nnumerator of capital adequacy standard, the bank takes into account that the subordinated capital shall not exceed the main capital and the subordinated loans (deposits) shall not exceed 50% of the main capital.

Assets are weighted by risk weights ranging from zero to 100%, designed in accordance with the nature of the debtor party for each asset, reflecting the related credit risk associated and considering the cash collateral. The same treatment is used for amounts off – balance sheet after conducting amendments to reflect the contingent nature and potential losses of such amounts.

7-8 Capital risk management (continued)

The bank has committed to all local capital requirements in the countries in which they operate foreign branches over the past two years.

The following table summarizes components of the main and subordinated capital at the end of these two years.

	Amounts are in EGP 000's	
	31 December 2020	**31 December 2019**
Capital		
Tier 1 after deductions		
Issued and Paid up capital	1 617 331	1 617 331
General reserve	13 540	13 540
Legal reserve	101 093	100 217
Capital reserve	227	227
General risk reserve	4 242	4 242
Retained Earnings	2 024 138	1 351 023
Total accumulative comprehensive income items	377 493	270 069
Minority Interest	104	98
Total deductions from Tier 1	(20 807)	(33 841)
Total Tier 1 after deductions (1)	**4 117 361**	**3 322 906**
Tier 2 after deductions		
45% of Special Reserve	1 926	1 926
The significant provisions required against debt instruments, loans, credit facilities and contingent liabilities included in Tier 1	216 202	116 061
Total Tier 2 after deductions (2)	**218 128**	**117 987**
Total capital (1+2)	**4 335 489**	**3 440 893**
Credit risk -weighted assets and contingent liabilities:		
Total credit risk	22 158 350	19 680 812
Total market risk	148 169	--
Total operation risk	2 679 879	2 145 419
Total credit risk -weighted assets and contingent liabilities	**24 986 398**	**21 826 231**
***Capital Adequacy Ratio %**	**% 17.35**	**% 15.76**

* The capital adequacy ratio has been prepared in accordance with the items of the consolidated financial statements and the instructions issued by the Central Bank on 24 December 2012, taking into account the instructions issued on 26 February 2019 to adopt IFRS 9.

7-9 Leverage ratio

CBE Board of Directors had approved in its meeting held on 7 July 2015 special supervisory instructions related to leverage ratio of maintaining a minimum level of leverage ratio of 3% to be reported on a quarterly basis as follows:

- As a guidance ratio starting from end of September 2015 till December 2017
- As an obligatory ratio starting from the year 2018

This ratio will be included in Basel requirement Tier 1 (minimum capital adequacy ratio) in order to maintain the effectiveness and safety of the Egyptian banking system, as well as keep up with the best international regulatory practices.

Financial leverage ratio reflects the relationship between tier1 for capital that are used in capital adequacy ratio (after exclusions) and the Bank's assets (on and off-balance Sheet items) that are no risk weighted assets.

Ratio Components

Numerator components:

The numerator consists of the tier 1 for capital that are used in capital adequacy ratio (after exclusions) in accordance with the CBE's requirements.

Denominator components:

The denominator consists of all bank's assets (on and off-balance sheet items) according to the financial statements, called "Bank Exposures" including the following totals:

1) On balance sheet exposure items after deducting Tier 1 exclusions for capital base
2) Derivatives contracts exposure
3) Financing financial securities operations exposure
4) Off-balance sheet exposures "weighted exchange transactions"

The below table summarizes leverage ratio on 31 December 2020 and 31 December 2019.

Leverage ratio:

	Amounts are in EGP 000's	
	31 December 2020	**31 December 2019**
Tier 1 of Capital after deductions	**4 117 361**	**3 322 906**
Total In -balance sheet exposures, derivatives and securities financing	41 485 924	35 841 320
Total Off-balance sheet exposures	2 058 229	1 594 514
Total In-balance sheet and Off-balance sheet exposures	**43 544 153**	**37 435 834**
Leverage ratio	**% 9.46**	**% 8.88**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

8- Effect of Changes in Accounting Policies arising from the Adoption of IFRS 9

The changes in the accounting policies arising from the adoption of IFRS 9 have been adopted retrospectively, except for that the 2018 figures have not been amended, and difference in the carrying amounts of the financial assets and liabilities arising from the adoption of IFRS 9 has been recognized in the retained earnings and reserves until 31 December 2018. Therefore, the information provided for the year 2018 does not reflect the IFRS 9 requirements. The effect of this change in the accounting policy on 1January 2019 and on 31 March 2019 is as follows:

Effect as of 1 January 2019

Effect on Re-classification and Re-measurement

Description	Forming ECL	Retained Earnings	Reserves
Mutual funds of Al Ahli Bank of Kuwait - EGYPT held to maturity at fair value through profits or losses	-	16 260 600	-
Re-assessment of debt instruments designated at fair value through profits or losses	-	(82 604)	-
Reassessment of debt instruments designated at fair value through comprehensive income	-	-	(49 664 289)
Recognition of Actuarial differences relating to pension benefit liabilities through comprehensive income	-	2 548 075	(19 583 845)
Reassessment of debt instruments designated at fair value through comprehensive income	-	-	13 374 915
Effect of recognition of ECL under IFRS 9 relating to the financial assets			
Debt instruments designated at fair value through comprehensive income	4 470 452	-	(4 470 452)
Debt instruments designated amortized cost (less the carrying amount)	-	-	(523 563)
Balances with banks (less the carrying amount)	-	-	(2 165 390)
Loans and advances with banks (less the carrying amount)	-	-	(1 455 062)
Loans and advances with customers (less the carrying amount)	-	-	(288 129 355)
Contingent liabilities	-	-	17 428 384
Other assets (less the carrying amount	-	-	(1 198 511)
Total effect on the initial recognition	**4 470 452**	**18 726 071**	**(336 387 168)**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

8- Effect of Changes in Accounting Policies arising from the Adoption of IFRS 9 (continued)

Effect on Balance Sheet on 1 January 2019

Description						Instructions after amendment under IFRS 9	
		Instructions before amendment		Re-measurement			
	Measurement category	Carrying amount	Reclassification	ECL	Other	Carrying amount	Measurement category
Financial Assets							
Balances with banks	Loans and accounts receivable	2 446 253 994	-	(2 165 390)	-	2 444 088 604	Amortized cost
Treasury bills	Fair value /amortized cost	3 095 118 865	(3 095 118 865)	-	-	-	Reclassified
Loans and advances to banks	Loans and accounts receivable	384 349 030	-	(1 455 062)	-	382 893 968	Amortized cost
Loans and advances to banks	Loans and accounts receivable	15 762 091 515	-	(288 129 356)	-	15 473 962 159	Amortized cost
Accounts receivable	Loans and accounts receivable	555 099 859	-	(1 198 511)	-	553 901 348	Amortized cost
Financial Investments							
At fair value through profits or losses	Held to maturity date	-	43 824 679	-	16 177 996	60 002 675	At fair value through profits or losses
At fair value through comprehensive income	Available for sale	1 257 083 023	3 485 100 116	-	(36 289 374)	4 705 893 765	At fair value through comprehensive income
At amortized cost	Amortized cost	1 743 448 118	(433 805 930)	(523 563)	-	1 309 118 625	At amortized cost
Total financial assets		**25 243 444 404**	**--**	**(293 471 882)**	**(20 111 378)**	**24 929 861 144**	
Financial liabilities							
Other provisions		89 602 429	-	(17 428 384)	-	72 174 045	
Pension benefits liabilities		59 670 364	-	-	17 035 770	76 706 134	
Total financial liabilities		**149 272 793**	**-**	**(17 428 384)**	**17 035 770**	**148 880 179**	
Equity							
Reserves		318 654 453	-	(276 043 497)	(55 873 219)	(13 262 263)	
Retained earnings		886 991 573	-	-	18 276 071	905 717 644	
Total equity		**1 205 646 026**	**-**	**(276 043 497)**	**(276 043 497)**	**892 455 381**	

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

9- Cash and Balances with the Central Bank Limited to the Reserve Ratio

	31 December 2020	31 December 2019
Cash	444 816 317	334 629 760
Balances with the Central Bank limited to the statutory reserve ratio	5166 439 116	3 899 834 367
	5 611 255 433	**4 234 464 127**
Less: ECL provision	(2 088 717)	(1 979 117)
	5 609 166 716	**4 232 485 010**
Cash	444 816 317	334 629 760
Non-interest-bearing balances	4 772 287 082	3 461 853 293
Fixed Interest-bearing balances	394 152 034	437 981 074
	5 611 255 433	4 234 464 127
Less: ECL provision	(2 088 717)	(1 979 117)
	5 609 166 716	**4 232 485 010**
Current Balances	**5 609 166 716**	**4 232 485 010**

10- Balances with Banks

	31 December 2020	31 December 2019
Current accounts	413 079 508	145 245 780
Deposits	1 252 498 550	2 670 995 300
	1 665 578 058	**2 816 241 080**
Less: ECL provision	--	(1 085 812)
	1 665 578 058	**2 815 155 268**
Central Banks	2 894 706	9 064 166
Local Banks	127 850 845	1 782 962 759
Foreign Banks	1 534 832 507	1 024 214 155
	1 665 578 058	**2 816 241 080**
Less: ECL provision	--	(1 085 812)
	1 655 578 058	**2 815 155 268**
Non-interest-bearing balances	149 089 786	127 729 104
Variable interest-bearing balances	263 989 722	17 516 676
Fixed interest-bearing balances	1 252 498 550	2 670 995 300
	1 665 578 058	**2 816 241 080**
Less: ECL provision	--	(1 085 812)
	1 665 578 058	**2 815 155 268**
Current balances	**1 665 578 058**	**2 815 155 268**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

11- Loans and advances to banks

	31 December 2020	31 December2019
Term loans	550 169 514	320 830 000
Less: ECL provision	(2 092 043)	(1 439 549)
	548 077 471	**319 390 451**

12- Loans and advances to customers

	31 December 2020	31 December 2019
Individual		
Personal loans	7 478 014 712	5 975 907 885
Credit cards	215 853 546	188 828 657
Overdraft	76 437 065	21 548 428
Real estate loans	2 884 529	3 126 272
Total (1)	**7 773 189 852**	**6 189 411 242**
Corporate including small loans for economic activities		
Overdrafts	3 493 833 448	4 577 088 208
Direct loans	8 076 542 164	6 303 889 801
Syndicated loans	1 491 676 135	1 988 715 827
Other loans	328 260 944	84 711 025
Total (2)	**13 390 312 691**	**12 954 404 861**
Total loans and advances to customers (1) + (2)	**21 163 502 543**	**19 143 816 103**
Less: Impairment losses provisions	(760 893 655)	(489 491 802)
	20 402 608 888	**18 654 324 301**
Current balances	10 961 983 511	11 848 247 432
Non-current balances	10 201 519 032	7 295 568 671
	21 163 502 543	**19 143 816 103**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

12- Loans and advances to customers (continued)

Movements of impairment losses provisions on loans and advances during the year reflected as follows:

	31 December 2020 (Retail)		
	Credit cards	Personal loans	Total
ECL provision balance at the beginning of the year	**5 204 095**	**112 393 414**	**117 597 509**
Impairment charge	10 623 678	201 898 426	**212 522 104**
Proceeds from previously written off loans	2 284 776	21 826 983	**24 111 759**
Written off amounts during the year	(5 262 839)	(87 708 852)	**(92 971 691)**
ECL provision balance at the end of the year	**12 849 710**	**248 409 971**	**261 259 681**

	31 December 2020 (Corporate)		
	Direct loans	Syndicated loans	Total
ECL provision balance at the beginning of the year	**307 863 357**	**64 030 936**	**371 894 293**
Impairment charge (reverse)	151 117 057	(50 938 430)	**100 178 627**
Proceeds from previously written off loans	13 871 542	--	**13 871 542**
Written off amounts during the year	(138 548)	--	**(138 548)**
Reclassification	16 215 167	--	**16 215 167**
Foreign exchange differences	(2 305 921)	(81 186)	**(2 387 107)**
ECL provision balance at the end of the year	**486 622 654**	**13 011 320**	**499 633 974**

	31 December 2019 (Retail)		
	Credit cards	Personal loans	Total
ECL provision balance at the beginning of the year as previously stated	**1 306 892**	**42 942 315**	**44 249 207**
Impact of adopting IFRS 9	6 184 326	45 022 868	**51 207 194**
ECL provision balance at the beginning of the year after amendment	**7 491 218**	**87 965 183**	**95 456 401**
Impairment charge	214 428	110 545 196	**110 759 624**
Proceeds from previously written off loans	2 612 945	13 124 559	**15 737 504**
Written off amounts during the year	(5 114 496)	(99 241 524)	**(104 356 020)**
ECL provision balance at the end of the year	**5 204 095**	**112 393 414**	**117 597 509**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

12- Loans and advances to customers (continued)

	31 December 2019 (Corporate)		
	Direct loans	Syndicated loans	Total
ECL provision balance at the beginning of the year as previously stated	**146 474 371**	**9 210 020**	**155 684 391**
Impact of adopting IFRS 9	133 576 844	103 345 317	**236 922 161**
ECL provision balance at the beginning of the year after amendment	**280 051 215**	**112 555 337**	**392 606 552**
(reverse) impairment	(20 214 981)	(44 183 912)	**(64 398 893)**
Proceeds from previously written off loans	77 345 416	--	**77 345 416**
Written off amounts during the year	(25 018 587)	--	(25 018 587)
Foreign exchange differences	(4 299 706)	(4 340 489)	**(8 640 195)**
ECL provision balance at the end of the year	**307 863 357**	**64 030 936**	**371 894 293**

13- Derivatives

The Bank uses the following derivative instruments for both hedging and non-hedging purposes:

- Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organized financial market.

- The Bank credit risk is considered as minimal. Forward rate agreements are individually negotiated and require cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a nominal value agreed on.

- Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps.

- The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the fair value, and a proportion of the notional amount of the contracts. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

- The contractual amounts of certain types of financial instrument provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks.

- The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in foreign exchange rates or the interest rates relating to these relatives. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

13- Derivatives (continued)

The fair values of held for trading derivative instruments are set out below:

	31 December 2020			31 December 2019		
	Contractual / notional amount	Assets	Liabilities	Contractual /notional amount	Assets	Liabilities
Currency swap contracts	80 458 250	-	(1 987 830)	107 478 050	-	**(6 011 685)**
Total foreign currency derivatives			(1 987 830)			**(6 011 685)**
Total held for trading derivative assets			(1 987 830)			**(6 011 685)**

14- Financial investments

Financial investments at fair value through profit and loss (FVTPL)	31 December 2020	31 December 2019
Debt instrument		
Treasury Bills	1 418 670	12 086 551
Mutual Fund certificates	37 176 200	34 507 100
Total Financial investments at FVTP&L	**38 594 870**	**46 593 651**
Financial investments at fair value through other comprehensive income (FVTOCI)		
Debt instrument		
Bonds	5 459 406 106	2 051 929 336
Treasury Bills	4 345 959 082	4 451 808 667
Equity instrument		
Listed	299 856 478	237 901 437
Unlisted	41 085 819	38 768 093
Total Financial investment at FVTOCI	**10 146 307 485**	**6 780 407 553**
Financial investments at Amortized Cost		
Debt Instrument		
Bonds	1 322 868 986	1 681 240 225
Less: ECL provision	(3 124 380)	(11 258 406)
Total Financial investment at Amortized cost	**1 319 744 606**	**1 669 981 819**
Debt instruments with fixed interest rates	11 126 528 464	8 185 806 373
	11 126 528 464	**8 185 806 373**
Financial Investment Profits are represented in:		
Debt instruments gain through OCI	9 656 798	8 477 288
	9 656 798	**8 477 288**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

14- Financial investments (continued)

The movement in financial investments during the year may be summarized as follows:

	FVTP&L	FVTOCI	Amortized Cost	Total
Balance at 1 January 2019 as it was released	43 824 679	4 779 283 139	1 309 642 188	**6 132 750 006**
Effect of change in the accounting policies resulting from the adoption of IFERS 9	16 177 996	(36 289 374)	--	**(20 111 378)**
Balance at 1 January 2019 after Adjustment	**60 002 675**	**4 742 993 765**	**1 309 642 188**	**6 112 638 628**
Additions	86 421 711 259	10 495 796 849	664 236 294	**97 581 744 402**
Disposals (sale / redemption)	(86 438 442 196)	(8 614 825 297)	(279 683 489)	**(95 332 950 982)**
Amortization of issuance premium / discount	--	--	(1 505 027)	**(1 505 027)**
Loss from changes in fair value	3 321 913	353 503 590	--	**356 825 503**
Foreign exchange revaluation	--	(106 286 838)	(11 449 741)	**(117 736 579)**
Balance at 31 December 2019	**46 593 651**	**6 871 182 069**	**1 681 240 225**	**8 599 015 945**
Balance at 1 January 2020	**46 593 651**	**6 871 182 069**	**1 681 240 225**	**8 599 015 945**
Additions	172 651 481 614	11 444 587 269	58 582 992	**184 154 651 875**
Disposals (sale / redemption)	(172 662 156 982)	(8 161 184 170)	(415 318 480)	**(181 238 659 632)**
Amortization of issuance premium / discount	--	4 329 521	1 375 485	**5 705 006**
Loss from changes in fair value	2 676 587	93 902 807	--	**96 579 394**
Foreign exchange revaluation	--	(13 192 440)	(3 011 236)	**(16 203 676)**
Balance at 31 December 2020	**38 594 870**	**10 239 625 056**	**1 322 868 986**	**11 601 088 912**

15- Investment in subsidiaries and associates

Financial investments in subsidiaries and associates are not listed in stock exchange.

	31 December 2020					
	Value	**Contribution %**	**Company's assets**	**Company's liabilities**	**Company's revenues**	**Company's profits**
A- Investments in capitals of subsidiaries						
Al Ahli Kuwait Egypt Leasing Co.	79 944 000	99.93%	328 932 971	183 718 893	46 846 601	8 846 622
Al Ahli Kuwait Egypt Investment Co.	9 996 000	99.96%	13 156 125	135 332	--	(180 504)
B- Investments in capitals of associates						
Alexandria for Financial Investments and Development	--	22.00%	79 395 820	36 505 434	2 233 833	304 738
	89 940 000		**421 484 916**	**220 359 659**	**49 080 434**	**8 970 856**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

15- Investment in subsidiaries and associates (continued)

31 December 2019

	Value	Contribution %	Company's assets	Company's liabilities	Company's revenues	Company's profits
A- Investments in capitals of subsidiaries						
Al Ahli Kuwait Egypt Leasing Co.	79 944 000	99.93%	304 922 151	168 568 691	52 852 628	21 742 304
Al Ahli Kuwait Egypt Investment Co.	9 996 000	99.96%	13 314 628	113 332	129 645	(148 112)
B- Investments in capitals of associates						
Alexandria for Financial Investments and Development Co.	--	22.00%	79 395 820	36 505 434	2 233 833	304 738
Total	**89 940 000**		**397 632 599**	**204 960 793**	**55 216 106**	**21 898 930**

16 Intangible assets

	31 December 2020	31 December 2019
Net book value at beginning of the year	**1 482 966**	**7 421 155**
Amortization	(995 330)	(5 938 189)
Net book value at end of the year	**487 636**	**1 482 966**

17- Other assets

	31 December 2020	31 December 2019
Accrued revenues	444 565 392	292 573 861
Prepaid expenses	182 686 561	106 774 807
Projects under construction	51 647 417	36 276 561
Assets reverted to the Bank	109 595 102	116 014 487
Refundable deposits	8 222 951	5 812 139
Advance payments for purchase of fixed assets	41 307 818	47 921 432
Other debit balances	174 297 200	52 887 034
Less : ECL provision	(2 609 679)	(1 380 442)
	1 009 712 762	**656 879 879**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

18- Fixed Assets

	Land and buildings	Leasehold improvements	Machinery and equipment	Computer systems	Vehicles	Others	Total
Balance at 1 January 2019							
Cost	402 328 972	130 264 999	54 846 083	269 462 951	23 360 831	40 593 388	**920 857 224**
Accumulated depreciation	(190 016 456)	(89 245 727)	(40 538 843)	(194 374 528)	(10 096 883)	(32 763 803)	**(557 036 240)**
Net book value at 1 January 2019	**212 312 516**	**41 019 272**	**14 307 240**	**75 088 423**	**13 263 948**	**7 829 585**	**363 820 984**
Additions	28 000 000	41 477 486	10 891 434	44 139 407	5 940 800	5 421 321	**135 870 448**
Disposals	--	--	--	--	(141 500)	--	**(141 500)**
Depreciation cost	(11 883 379)	(16 594 395)	(6 275 494)	(39 805 758)	(3 830 761)	(3 083 863)	**(81 473 650)**
Disposals depreciation	--	--	--	--	108 112	--	**108 112**
Net book value at 31 December 2019	**228 429 137**	**65 902 363**	**18 923 180**	**79 422 072**	**15 340 599**	**10 167 043**	**418 184 394**
Balance at 1 January 2020							
Cost	430 328 972	171 742 485	65 737 517	313 602 358	29 160 131	46 014 709	**1 056 586 172**
Accumulated depreciation	(201 899 835)	(105 840 122)	(46 814 337)	(234 180 286)	(13 819 532)	(35 847 666)	**(638 401 778)**
Net Book value at 1 January 2020	**228 429 137**	**65 902 363**	**18 923 180**	**79 422 072**	**15 340 599**	**10 167 043**	**418 184 394**
Additions	--	10 879 472	9 005 698	27 362 322	4 455 000	2 392 227	**54 094 719**
Disposals	(1 881 497)	--	--	(5 061 428)	(2 181 993)	--	**(9 124 918)**
Depreciation cost	(11 382 188)	(20 511 145)	(6 907 676)	(36 503 113)	(4 851 926)	(3 509 886)	**(83 665 934)**
Disposals depreciation	1 379 232	--	--	5 061 428	1 007 860	--	**7 448 520**
Net book value at 31 December 2020	**216 544 684**	**56 270 690**	**21 021 202**	**70 281 281**	**13 769 540**	**9 049 384**	**386 936 781**
Balance at 31 December 2020							
Cost	428 447 475	182 621 957	74 743 215	335 903 252	31 433 138	48 406 936	**1 101 555 973**
Accumulated depreciation	(211 902 791)	(126 351 267)	(53 722 013)	(265 621 971)	(17 663 598)	(39 357 552)	**(714 619 192)**
Net book value at 31 December 2020	**216 544 684**	**56 270 690**	**21 021 202**	**70 281 281**	**13 769 540**	**9 049 384**	**386 936 781**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

19- Due to Banks

	31 December 2020	31 December 2019
Current accounts	29 625 080	213 305 166
Deposits	1 714 385 278	2 639 257 691
	1 744 010 358	**2 852 562 857**
Local Banks	1 701 070 248	2 590 358 604
Foreign Banks	42 940 110	262 204 253
	1 744 010 358	**2 852 562 857**
Non-interest-bearing balances	11 015 289	11 406 214
Interest bearing balances	1 732 995 069	2 841 156 643
	1 744 010 358	**2 852 562 857**
Current balances	**1 744 010 358**	**2 852 562 857**

20- Customers' deposits

	31 December 2020	31 December 2019
Demand deposits and current accounts	11 145 389 586	10 117 449 694
Time and call deposits	15 091 822 408	11 429 530 500
Certificates of deposits	4 796 977 512	3 897 555 211
Saving deposits	2 249 870 779	2 239 952 275
Other deposits	268 600 130	503 080 307
	33 552 660 415	**28 187 567 987**
Corporate deposits	22 702 199 796	17 652 493 389
Individual deposits	10 850 460 619	10 535 074 598
	33 552 660 415	**28 187 567 987**
Non-interest-bearing balances	1 713 647 507	1 668 599 841
Variable Interest-bearing balances	11 928 713 765	11 164 250 110
Fixed Interest-bearing balances	19 910 299 143	15 354 718 036
	33 552 660 415	**28 187 567 987**
Current balances	29 465 775 363	24 422 603 512
Non-current balances	4 086 885 052	3 764 964 475
	33 552 660 415	**28 187 567 987**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

21-Other liabilities

	31 December 2020	31 December 2019
Accrued interest	130 828 038	105 182 165
Accrued expenses	321 887 341	223 770 745
Taxes due on treasury bills and bonds	84 919 570	71 534 090
Dividends payable	1 423 179	1 423 179
Unearned income	129 862 634	124 194 545
Paid under capital increase	314 642 000	320 830 000
Other credit balances	656 947 137	264 074 458
	1 640 509 899	**1 111 009 182**

22- Other Provisions

	31 December 2020				
	Tax claims provision	Legal claims	Contingent	Other	Total
Provision balance at the beginning of the year after adjustment	**6 868 697**	**36 348 337**	**37 286 150**	**5 276 780**	**85 779 964**
Charged on statement of income	14 360 000	31 312 133	(2 361 690)	--	**43 310 443**
Foreign exchange differences	--	(6 788)	(588)	(77 350)	**(84 726)**
Utilized during the year	--	(134 277)	--	--	**(134 277)**
Provision balance at the end of the year	**21 228 697**	**67 519 405**	**34 923 872**	**5 199 430**	**128 871 404**

	31 December 2019				
	Tax claims	Legal claims	Contingent	Other	Total
Provision balance at the beginning of the year as it was previously issued	**4 268 697**	**6 717 279**	**72 821 490**	**5 794 963**	**89 602 429**
Impact of adopting IFRS 9	--	--	(17 428 384)	--	(17 428 384)
Provision balance at the beginning of the year after adjustment	**4 268 697**	**6 717 279**	**55 393 106**	**5 794 963**	**72 174 045**
Charged on statement of income	2 600 000	29 800 000	(17 540 645)	(50 120)	14 809 235
Foreign exchange differences	--	(41 074)	(566 311)	(468 063)	(1 075 448)
Utilized during the year	--	(127 868)	--	--	(127 868)
Provision balance at the end of the year	**6 868 697**	**36 348 337**	**37 286 150**	**5 276 780**	**85 779 964**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

23- Deferred income tax

Deferred income tax is provided in full, using the liability method on temporary differences using tax rate of 22.50 %.

Deferred tax assets and liabilities can be off-set when there is a legal reason to offset between the current taxes on assets versus the current tax on liabilities, in addition, when the deferred tax is following the same tax authority.

	31 December 2020	31 December 2019
Fixed assets	2 064 739	--
Provisions (Other than ECL)	13 170 857	6 330 229
Total	**15 235 596**	**6 330 229**

24- Retirement benefit obligations

The Bank applies a scheme to meet the retirement benefits liabilities which includes the staff employed before 1 January 2006.The Bank has prepared actuarial study through an independent actuary on30 November 2020 to calculate the liabilities of retirement benefits plan which depends, in terms of its financial assumptions, on the market expectations at balance sheet date. The study includes the amounts expected for the year subsequent to the date of actuarial study preparation and shows the retirement benefits liabilities as follows:

Balance sheet liabilities:	31 December 2020	31 December 2019
Pension benefits	82 705 750	89 701 651
Total	82 705 750	89 701 651

Amounts recognized in the statement of income :	31 December 2020	31 December 2019
Pension benefits	(9 512 059)	(10 058 238)
Total	(9 512 059)	(10 058 238)

Pension benefits:

The amounts recognized in the balance sheet are as follows:	31 December 2020	31 December 2019
Present value of liabilities	150 101 735	139 526 040
Fair value of assets	(47 632 594)	(46 643 959)
Net unrecognized actuarial losses	(19 763 391)	(3 180 430)
Total	**82 705 750**	**89 701 651**

The movement in the liabilities during the year are as follows:	31 December 2020	31 December 2019
Balance at the beginning of the year	**139 526 040**	**124 360 928**
Service cost	3 298 144	3 192 930
Interest cost	17 039 402	19 382 340
Employees contributions	783 391	824 498
Benefits paid	6 690 073	3 922 721
Actuarial losses	(17 235 315)	(12 157 377)
Balance at the end of the year	**150 101 735**	**139 526 040**

24- Retirement benefit obligations (continued)

The movement in the assets during the year are as follows:	31 December 2020	31 December 2019
Balance at the beginning of the year	**46 643 960**	**41 596 941**
Expected return	4 526 683	6 046 138
Bank contributions	6 223 803	6 411 039
Employees contributions	783 391	824 498
Benefits paid	6 690 073	3 922 721
Actuarial losses	(17 235 315)	(12 157 377)
Balance at the end of the year	**47 632 595**	**46 643 960**

The amount recognized in the statement of income are as follows:	31 December 2020	31 December 2019
Service cost	(3 298 144)	(3 192 930)
Interest cost	(17 039 402)	(19 382 340)
Expected return	4 526 683	6 046 138
Bank contributions	6 223 803	6 411 039
Actuarial losses amortization	75 001	59 855
Total (included in staff cost note 32)	**(9 512 059)**	**(10 058 238)**

The principal actuarial assumption used areas follows:	31 December 2020	31 December 2019
Discount rate	%15.50	%17.50
Expected return on assets	%15.50	%15.50
Rate of compensation increase	%13.50	%13.50

25- Equity

25-1 Share capital

	Number of shares (in millions)	Common stocks (EGP)
Balance at 1 January 2020	103,8	103,8
Balance at 31 December 2020	**103,8**	**103,8**

	Number of shares (in millions)	Common stocks (EGP)
Balance at 1 January 2019	103.8	103,8
Balance at 31 December 2019	**103.8**	**103,8**

a. **Authorized capital**

The Bank's authorized capital amounted EGP 3,000 million at 31 December 2020 and the extra ordinary general assembly meeting approved on 27 June 2012 to increase the authorized capital amounted EGP 1,500 million in order to reach amount EGP 3000 million, and this increase was registered in the commercial register dated 17 December 2013.

25- Equity (continued)

25-1 Share capital (continued)

b. Issued and paid in capital

The issued and paid in capital is EGP 1,617 million at 31 December 2020 distributed on 103 790 831 shares with nominal value of EGP 15.5826.

c. Capital increase

Based on the Board of Directors approval dated 10 September 2010, and by the delegation from the Bank extra ordinary general assembly dated 14 July 2005, the existing shareholders were invited to subscribe in the issued capital increase to be EGP 1 238 424 000 with an increase of EGP 238 424 000 representing 15,300,656 shares with a nominal value EGP 15.5826 per each without expenses or premium. The approval of the General Authority for Investment GAFI and the Egyptian Financial Supervisory Authority EFSA was obtained during November 2011. The increase was registered in the commercial register along with the amendments of the article of association (articles 6and7) related to the capital structure as of end 2011.Accordingly, the paid in and issued capital reflected the above-mentioned increase. On 1 March 2012, the board of directors approved issued capital increase and on 18 April 2012 the existing shareholders were invited to subscribe in the capital increase by amounted EGP 200 404 035. On 10 June 2012 the subscription has been closed and the capital increase was registered in the banks' register on 26 May 2013 and the commercial register on 17 December 2013. On 22 May 2014, the existing shareholders were invited to subscribe in the issued capital increase by amount of EGP 200 million. On 30 June 2014, subscription was closed by amount of 178 502 968 and the increase was registered in the commercial register on 2 June 2015 along with the amendments of the article of association (articles 6and7) concerning the capital structure. On 21 May 2015, Piraeus Bank Egypt announced final agreement with Al Ahli Bank of Kuwait to acquire its full percentage of ownership and the Central Bank of Egypt agreed on 4 August 2015 while on 5 November 2015, General authority for Investment (GAFI) agreed the shares transfer. On 10 November 2015, the shares were transferred in Boursa, and the commercial register was amended on 25 July 2016 by changing the bank's name to be Al Ahli Bank of Kuwait - EGYPT (S.A.E).

25-2 Reserves

a. Legal Reserves

According to the Bank's articles of association, 5% of the net profits is transferred to the legal reserve until this reserve reaches 100% of the bank's paid capital. If any amount is taken from the reserve, transfer is required to be made. The general assembly meeting based on the proposal of the board of directors can decide percentage of the net profits to form new reserve.

b. General Reserve

According to Central Bank of Egypt requirements and instructions, the general reserve is formed to meet unexpected risks.

c. Capital Reserve

According to Central Bank of Egypt requirements and instructions, the capital reserve is formed from the capital gains realized from sale of fixed assets before dividends distribution.

d. Special Reserve

According to Central Bank of Egypt instructions, approved by its board of directors 16 December 2008, the changing of accounting policy related to first time adoption of the new accounting policies should be retained in special reserve and should not distributed without Central Bank of Egypt approval and the special reserve includes the following:

- The change of accounting policy for valuation of available for sale investments amounted to EGP 4 280 968.
- The change of accounting policy for the difference between the principles of creditworthiness of the related groups and the impairment losses provision based on the historical default rates amounted EGP 31 083 607 . In accordance with the Central Bank of Egypt instructions issued on 26 February 2019, this amount was used in the first day of the adoption of IFRS 9.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

25- **Equity (continued)**

2-25 Reserves (Continued)

Till 31 December 2018

Represents recognition of the effect of the fair value of the financial instruments classified under "available – for – sale financial investments" after tax deduction. No profits or losses are recognized in the statement of income, unless the financial instrument is sold or impaired.

From 1 January 2019

Represents recognition of the effect of the fair value of the financial instruments classified under "financial investments through OCI" after tax deduction. No profits or losses are recognized in the statement of income, unless the debt instruments are sold and the equity instruments are recognized directly in the retained earnings.

e. General Banking Risk Reserve

Till 31 December 2018

Represents the difference between the provision for loan impairment losses calculated on the basis of determining the creditworthiness, formation of the provisions issued by the CBE, and the value of the impairment losses provision charged on the financial statements, after the initial recognition at the beginning of the first year of the adoption of the changes in the accounting policies.

General Banking Risk Reserve is formed by approximately 10 % annually from the value of assets reverted to the Bank and will not be disposed during the determined period of time in accordance with the provisions of law.

From 1 January 2019

Represents the difference between the provision for loan impairment losses calculated on the basis of determining the creditworthiness, formation of the provisions issued by the CBE under IFRS 9, and the value of the ECL provision charged on the financial statements, after the initial recognition at the beginning of the first year of the adoption of the changes in the accounting policies.

General Banking Risk Reserve is formed by approximately 10 % annually from the value of assets reverted to the Bank and will not be disposed during the determined period of time in accordance with the provisions of law

f. IFRS 9 Risk Reserve

According to Central Bank of Egypt Board of director's decision dated 17 January 2018, the bank on 31 December 2017 record IFRS 9 Risk Reserve equal to 1% of total credit risk weighted by risk weights from the net profit after tax for the year 2017 that shall be listed with original capital item in the capital base. Such risk reserve shall only be used with the approval of the Central Bank of Egypt. On 26 February 2019, this amount was used in the first day of the adoption of IFRS 9.

g. General Risk Reserve

Based on the CBE's instructions issued on 26 February 2019 to adopt IFRS 9, as of 1 January 2019, the special reserve - credit and general banking risk reserve - credit and IFRS 9 risk reserve are combined into one reserve under the name of the general risk reserve, on condition that the difference between the provisions required based on the aforementioned instructions is deducted from the general risk reserve.

The general risk reserve is set out below:

• Transferred from the special reserve	31 083 607
• Transferred from general banking risk reserve	141 045 251
• Transferred from IFRS 9 risk reserve	112 627 355
• Difference between the provisions required under IFERS 9	(280 513 949)
• Balance at the end of the year	4 242 264

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

26- Cash and cash equivalents

For the purposes of the statement of cash flow presentation, cash and cash equivalents comprise the following balances with less than three months' maturity from the date of acquisition.

	31 December 2020	31 December 2019
Cash (Under Note 9)	444 816 317	334 629 760
Bank current accounts (Under Note 10)	413 079 508	145 245 780
Treasury bills (Under Note 14)	1 418 670	132 949 373
	859 314 495	**612 824 913**

27- Contingent liabilities and commitments

1. **Judicial claims**

   There are number of legal cases filed against the Bank for which required provisions were built up to cover the expected losses from these cases.

2. **Commitments for guarantees and credit facilities**

   The Bank commitments related to loan commitment and guarantee are as follows:

	31 December 2020	31 December 2019
Commitment over irrevocable loans and other liabilities related to credit	204 171 573	106 386 056
Acceptances papers	220 002 777	237 457 715
Letters of guarantee	2 049 330 496	1 746 746 530
Letters of credit	130 766 448	102 277 140
Total	**2 604 271 294**	**2 192 867 441**

28 - Net interest income

Interest on loans and similar income:	31 December 2020	31 December 2019
Loans and advances and due from Banks:		
- Banks	59 721 786	189 982 109
- Customers	2 830 765 707	2 845 333 823
	2 890 487 493	**3 035 315 932**
Treasury bills	509 491 595	497 531 585
Investment in Financial instrument through amortized cost	213 902 954	208 370 287
Investment in Financial instrument through OCI	**475 079 033**	**231 199 959**
	1 198 473 582	**937 101 831**
	4 088 961 075	**3 972 417 763**
Interest on deposits and similar charges		
Deposits and current accounts and due to Banks:		
- Banks	(83 190 383)	(55 292 039)
- Customers	(2 141 397 426)	(2 484 826 284)
- Financial instruments sold under agreements to repurchase	(2 880 278)	(1 918 700)
	(2 227 468 087)	**(2 542 037 023)**
Net	**1 861 492 988**	**1 430 380 740**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

29- Net fees and commission income

	31 December 2020	31 December 2019
Fee and commission income:		
Fees and commissions related to credit	159 324 843	163 131 719
Custodian fees	2 173 322	2 075 095
Other fees	184 487 166	205 080 553
	345 985 331	**370 287 367**
Fee and commission expense:		
Other fees paid	(106 365 404)	(72 634 843)
Net	**(106 365 404)**	**(72 634 843)**
	239 619 927	**297 652 524**

30- Dividend income

	31 December 2020	31 December 2019
Securities at OCI	14 527 502	23 005 461
	14 527 502	**23 005 461**

31- Net trading income

	31 December 2020	31 December 2019
Gain from foreign currencies transactions	52 934 172	81 424 622
Gain (Loss) from valuation of forward foreign exchange contracts	4 023 855	(6 011 685)
Gain from revaluation of debt instruments at fair value through profit or loss	7 488	3 321 913
Debt Instrument through profit or loss	27 423 673	6 130 609
	84 389 188	**84 865 459**

32- Impairment on expected credit losses

	31 December 2020	31 December 2019
Loans and credit facilities to customers	(312 700 730)	(46 360 732)
Loans and credit facilities to Banks	(707 162)	(41 879)
Due from banks	1 088 452	914 011
Cash and Balances with central banks limited to reserve	(153 328)	(1 979 117)
Debt Instruments at OCI	(2 065 988)	(102 181)
Debt Instruments at amortized cost	8 118 689	(10 761 297)
Debit Balances	(1 232 279)	(186 120)
	(307 652 346)	**(58 517 315)**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

33- General and administrative expense

	31 December 2020	31 December 2019
Staff costs		
Wages and salaries	(379 349 428)	(348 947 782)
Social insurance	(15 533 269)	(14 363 458)
Retirement costs		
Defined contribution plan	(22 470 825)	(21 004 945)
Pension benefit (Note 20)	(9 512 059)	(10 058 238)
Other administrative expenses	(390 834 799)	(388 926 621)
	(817 700 380)	**(783 301 044)**

34- Other operating expenses

	31 December 2020	31 December 2019
Loss from valuation of balances of monetary assets and liabilities in foreign currencies other than that held for trading	(35 749 527)	(220 587 747)
Gain from sale of fixed assets	1 973 036	--
Gain (Loss) from selling assets reverted to the bank	9 641 648	(1 454 798)
Software cost	(37 203 860)	(32 005 045)
Financial and operating lease	(27 271 019)	(24 225 249)
Charge of other provision	(43 310 443)	(14 809 235)
Others	24 249 338	13 223 441
	(107 670 827)	**(279 858 633)**

35- Earnings per share

	31 December 2020	31 December 2019
profit for the year	666 112 805	524 027 914
Weighted average number of ordinary shares	103 790 831	103 790 831
	6.42	**5.05**

36- Interest rates adopted during the financial year

The average interest rates on the interest-bearing assets and liabilities are 12.44% and 7.69 % respectively.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

37- Tax Situation

First: Corporate income taxes

The tax exemption of the Bank has been expired on 31 December 1985, the tax settlement was done till the end of 2004 as the Bank has paid due taxes for this year.

In accordance with the tax Law No. 91 of 2005 and its executive regulations, the Bank has submitted the tax declarations for the year 2005. The tax declaration reflected tax losses. These tax declarations have been approved for year 2005; according to circular No. (3) of 2011 and this year is finished.

The Bank has finalized tax inspection for the years 2006 to 2012 and paid all due tax liabilities.

The years 2013 to 2017 are inspected and the outcome of the inspection is pending.

The Bank has submitted the tax declarations for the year 2019 in accordance to the tax Law No. 91 of 2005 in the legal due dates.

Second: Salaries and wages taxes

The inspection of salaries and wages taxes of the bank staff for the period from the beginning of the activity till the end of 2015 have been finalized and taxes due liabilities were paid. Currently, there is no differences due from this tax till 31 December 2015.

The Bank deducts Salaries and wages tax according to law and submit it to the Tax Authority in the legal due dates.

Third: Stamp duty taxes:

The years from 1 August 2006 till 30 September 2015 were inspected and all taxes due were paid for this year.

For the years from 1 October 2015 till 30 June 2020, the bank deducts the qualitative and proportional tax in accordance with the stamp law, as amended, and paid it to the Tax Authority in the legal due dates.

The years 2015 to 2017 are inspected and the outcome of the inspection is pending.

38- Income tax

	31 December 2020	31 December 2019
Current tax	(319 455 411)	(196 340 772)
Deferred tax (note 19)	8 905 367	(2 335 792)
	(310 550 044)	**(198 676 564)**

Current taxes are represented in the taxes relating to the treasury bills and bonds of which the income was recognized during the year in addition to other taxable items.

Additional information on deferred income tax has been presented under (Note 19). Tax charged to the statement of income differs from those calculated based on prevailing tax rate as follows:

	31 December 2020	31 December 2019
Accounting period profit before income tax	976 662 850	722 704 480
Tax rate	22.50%	22.50%
Accounting income tax	219 749 141	162 608 508
Amounts not recognized taxably	254 439 783	196 347 842
Taxable income not recognized in statement of profit or loss	(289 421 538)	(159 525 879)
Tax liability / asset for the year	(184 767 386)	(199 430 471)
Deferred tax assets	(15 235 596)	(2 335 792)
Calculated tax	325 785 640	201 012 356
Total income tax	**310 550 044**	**198 676 564**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

39- Related party transactions

The Bank's parent company is Al Ahli Bank of Kuwait which holds 98.60% of ordinary shares and the other 1.40% is held by other shareholders.

The Bank has entered into several transactions with the related parties (with the parent company) on the ordinarily course of business. Transactions and balances of related parties at the end of the financial year are as follows:

The Bank's parent company and subsidiaries:

	31 December 2020	31 December 2019
Due from Banks	1 755 248	22 720 961
Due to Banks	5 820 340	5 503 938
Contingent liability (LGs / LCs)	183 620 292	7 886 850
Debit Balances	624 625	2 359 389
Credit Balances	314 642 000	320 830 000
Cost of deposits with banks	--	2 910 393
Interest income on treasury bonds	--	397 341

A) Loans and credit facilities to related parties

	Board of directors and close family members		Subsidiaries and Associates	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Loans outstanding at the beginning of the year	**10 049 533**	**7 944 820**	**143 122 946**	**92 557 430**
Loans movement during the year	(2 797 396)	2 104 713	19 218 162	50 565 516
Loans at year end	**7 252 137**	**10 049 533**	**162 341 108**	**143 122 946**
Loans interest and similar income	**809 743**	**1 115 793**	**18 546 021**	**17 275 206**

B) Deposits from related parties

	Board of directors and close family members		Subsidiaries and Associate	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Deposits at the beginning of the year	**2 379 674**	**6 750 086**	**14 326 472**	**9 708 672**
Deposits movement during the year	1 778 120	(4 370 412)	(2 813 966)	4 617 800
Deposits at year end	**4 157 794**	**2 379 674**	**11 512 506**	**14 326 472**
Deposits cost and similar costs	**267 592**	**376 688**	**60 004**	**155 820**

C) Other related parties

The Total rental expenses of the subsidiaries of Al Ahli Bank of Kuwait - EGYPT at 31 December 2020 and 31 December 2019 amounted to EGP 1 012 000.

The total fees and commissions collected from subsidiaries at 31 December 2020 and 31 December 2019 amounted to EGP 37 676 and EGP 40 647 respectively.

The Bank revenues from services to subsidiaries by the Bank at 31 December 2020 and 31 December 2019 amounted to EGP 2 000 000.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

39- Related party transactions (continued)

D) Board of Directors compensation

	31 December 2020	31 December 2019
Board of director's allowances	140 000	300 000
	140 000	**300 000**

E) Board of Directors and top management benefits

	31 December 2020	31 December 2019
Salaries	26 083 980	24 634 327
End of service (Pension)	2 328 858	2 431 654

The monthly average of the remuneration for the highest twenty employees in the Bank from January to 31 December 2020 amounted to EGP 4 655 229 and from January to 31 December 2019 EGP 4 162 875 respectively.

40- Al Ahli Bank of Kuwait Egypt mutual fund – with periodic cumulative income

One of the licensed activities of the Bank in accordance with the Capital Market Authority No.95 of 1992 and its executive regulations, the fund is managed by sigma Company for mutual funds and securities portfolios management, the number of fund certificates has reached 1 million certificates amounting to EGP 100 million, 50 thousands certificates were allocated to the Bank with face value of EGP 100 for following up the fund's activity and the redeemable value for the certificate amounted to EGP 121.33 per certificate on the balance sheet date .

According to the fund management contract and the subscription prospectus, there are fees and commissions paid to Al Ahli Bank of Kuwait-Egypt for the fund supervision and other managerial services provided which amounted to EGP 38 833 for the year ended 31 December 2020 recorded at fees and commissions item in the statement of income.

Al Ahli Bank Of Kuwait mutual fund – with periodic cumulative dividends

One of the licensed activities of the Bank in accordance with the Capital Market Authority No.95 of 1992 and its executive regulations, the fund is managed by sigma Company for mutual funds and securities portfolios management; with face value amounting to EGP 10 per certificate.

The Bank had purchased 1 million certificates amounted to EGP 10 million, redeemable value for the certificate amounted to EGP 31.11 per certificate on the balance sheet date.

According to the fund management contract and the subscription prospectus, there are fees and commissions paid to Al Ahli Bank of Kuwait- Egypt for the fund supervision and other managerial services provided which amounted to EGP 837 200 for the year ended 31 December 2020 recorded at fees and commissions item in the statement of income.

41- Important Events

Coronavirus pandemic (Covid -19) has spread across various geographic areas throughout the world, causing disruption to the commercial and economic businesses, as Covid 19 has led to uncertainties on the global economic environment. Therefore, the financial and monetary authorities, both local and international, have announced several financial and incentive measures throughout the world to contain the potential negative effects. To determine the impact on ECL, Al Ahli Bank of Kuwait - EGYPT (S.A.E) has considered the potential impact caused by Covid 19 in light of the available information, taking into account the economic support and postponement measures taken by CPE, as it analyzed the credit portfolio risk, concentrating on the analysis of the economic sectors by the adoption of the "overlay approach", whereby an increase in provisions is calculated for some potentially affected sectors in accordance with the bank's risk management vision, given the available information and CBE's instructions. Therefore, The ECL amounts recognized in the financial statements of the bank have been increased as a result of the impact of the COVID-19 pandemic (Credit Risks Note). The management of the bank has modified the ECL model during the fiscal year ended 31 December 32020, considering the impact of COVID-19 on the macroeconomic of the country.

The bank has carried out the CBE's initiative to decrease the payments to customers by postponing the interest / principal debt due for a period of six months. The postponement granted to the customers, in some cases, has led to significant increase in the credit risks (SICR). However, the bank believes that the extension of the postponement of payments will not automatically lead to significant in increase in SICR and transfer between the (second and third) stages to calculate ECL.

CBE has issued Law No. 194 of 2020 on 15 September 2020, which cancelled the Law No. 88 of 2003. The law is applied on several entities, including the CBE and the Egyptian Banking System. Those who are subject to the provisions of the law are required to keep their status in reconciliation with its provisions, within a period no later than one year of the effective date