

Consolidated Interim Financial Statements September 2020

Together With Limited Review Report



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Report on Limited Review of Consolidated Interim Financial Statements

To: Members of board of directors of Egyptian Gulf Bank (S.A.E)

Introduction

We have performed a limited review for the accompanying consolidated interim balance sheet of **Egyptian Gulf Bank (S.A.E)** as of 30 September 2020 and the related consolidated interim statements of income, changes in equity and cash flows for the nine-months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the consolidated financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and amended according to the instructions issued on 26 February 2019 and in light of the prevailing Egyptian Laws relating to the preparation of these consolidated financial statements. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the bank, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated interim financial position of the bank as at 30 September 2020, and of its financial performance and its consolidated cash flows for the nine-months then ended in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and amended according to the instructions issued on February 26, 2019 and in light of the prevailing Egyptian Laws relating to the preparation of these consolidated interim financial statements.

CAIRO: 11 November 2020

AUDITORS



Register of accountants and auditors no. (10074)

Tamer Nabarawy & co

KRESTON EGYPT
Public Accountant & Consultants



Fellow of the Egyptian Tax Association

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

Register of accountants and auditors no. (4957)

(UHY-United)

United for Audit and Tax

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS At 30 SEPTEMBER 2020**

	Note	30 September 2020 L.E.	31 December 2019 L.E.
ASSETS			
Cash and due from Central bank of Egypt	(15)	6,349,585,582	4,048,855,106
Due from banks	(16)	2,718,246,675	5,228,326,878
Loans, advances and morabahat to customers (net)	(17)	22,123,334,782	23,318,037,669
Financial investments:			
- Fair value through other comprehensive income	(18)	34,095,936,584	25,969,836,581
- Amortized cost	(18)	6,223,362,051	6,009,477,461
- fair value through profit or loss	(18)	36,446,977	12,723,036
Investment in associates	(19)	136,206,621	132,868,169
Employee stock ownership plan (ESOP)	(20)	88,713,484	83,011,999
Intangible assets	(21)	38,628,901	19,913,273
Other assets	(22)	3,741,793,920	2,818,318,353
Fixed assets	(23)	729,805,910	741,142,505
Non current Assets - Held for sale		9,449,370	9,449,370
TOTAL ASSETS		76,291,510,857	68,391,960,400
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	(24)	6,713,106,500	5,445,609,905
Customers' deposits	(25)	61,188,207,571	56,038,427,675
Other loans and Subordinated deposits	(26)	1,943,801,516	1,122,450,286
Other liabilities	(27)	1,293,042,539	968,275,224
Other provisions	(28)	133,609,957	69,902,411
Dividends Payable		53,914	4,050
Non current Liabilities - Held for sale		10,966,932	11,377,118
TOTAL LIABILITIES		71,282,788,929	63,656,046,669
EQUITY			
Issued and Paid-in capital	(29)	3,108,455,538	3,108,455,538
Retained for capital increase		515,292,627	-
Reserves	(30)	812,818,036	847,308,984
Employee stock ownership plan (ESOP) reserve	(20)	40,934,726	26,603,387
Net profit for the period and retained earnings	(30)	531,208,273	753,531,824
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		5,008,709,200	4,735,899,733
Non-controlling interests		12,728	13,998
TOTAL EQUITY		5,008,721,928	4,735,913,731
TOTAL LIABILITIES AND EQUITY		76,291,510,857	68,391,960,400

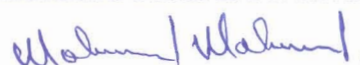
Executive Chairman & managing director

Nidal El Kassem Assar



Chairman

Mohamed Gamal El Din Mohamed Mahmoud



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

**CONSOLIDATED STATEMENT OF INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

	Note	From 1/7/2020 To 30/9/2020 L.E.	From 1/1/2020 To 30/9/2020 L.E.	From 1/7/2019 To 30/9/2019 L.E.	From 1/1/2019 To 30/9/2019 L.E.
Interest from loans and similar income	(6)	1,810,669,970	5,599,843,796	1,866,236,611	5,530,278,671
Interest on deposits and similar expenses	(6)	(1,181,166,713)	(3,631,682,346)	(1,393,300,464)	(4,148,016,251)
Net interest income		629,503,257	1,968,161,450	472,936,147	1,382,262,420
Fees and commissions income	(7)	76,699,590	250,468,439	78,849,311	242,268,340
Fees and commissions expenses	(7)	(34,157,427)	(79,665,317)	(18,945,509)	(54,703,889)
Net fees and commission income		42,542,163	170,803,122	59,903,802	187,564,451
Dividends income	(8)	71,336	289,008	142,256	3,320,137
Net trading income	(9)	46,485,664	117,937,432	25,142,715	68,199,139
Gain from sale of financial investments	(18)	4,863,810	16,864,394	4,381,805	9,813,234
Impairment (charge) release for credit losses	(12)	(138,759,917)	(437,206,620)	(58,496,172)	(149,377,303)
General and administrative expenses	(10)	(333,023,527)	(1,039,934,866)	(269,732,098)	(818,958,855)
Other operating (expenses) income	(11)	(8,482,641)	(50,844,408)	10,755,225	33,345,642
Share of results of associates		(438,660)	(2,286,548)	512,602	1,369,582
Profit before income tax		242,761,485	743,782,964	245,546,282	717,538,447
Income tax expenses		(93,969,767)	(288,009,084)	(79,061,367)	(257,861,130)
Deffered tax		(1,014)	(2,119)	--	--
Net profit from continued operations		148,790,704	455,771,761	166,484,915	459,677,317
Discontinued operations					
(Losses)/ profit from discontinued operations before tax		--	(2,232,139)	(159,120)	(1,575,905)
(Losses)/profit for the period from Discontinued operations		--	(2,232,139)	(159,120)	(1,575,905)
Net profit for the period		148,790,704	453,539,622	166,325,795	458,101,412
Attributable to:					
Equity holders of the Bank		148,790,691	453,539,692	165,925,721	458,099,976
Non-controlling interests		13	(70)	400,074	1,436
Net profit for the period		148,790,704	453,539,622	166,325,795	458,101,412
Earnings per share for the period (EGP/ share)	(13)	0.38	1.19	0.43	1.22

Executive Chairman & managing director

Nidal El Kassem Assar



Chairman

Mohamed Gamal El Din Mohamed Mahmoud



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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Note	From 1/7/2020 To 30/9/2020 L.E.	From 1/1/2020 To 30/9/2020 L.E.	From 1/7/2019 To 30/9/2019 L.E.	From 1/1/2019 To 30/9/2019 L.E.
Net profit for the period		148,790,704	453,539,622	166,325,795	458,101,412
Other comprehensive income items that might be reclassified to the profit or loss:					
Net change in fair value of financial investment at fair value through OCI – debt instruments	(30)	(38,831,201)	(91,413,984)	82,729,183	313,615,914
Total other comprehensive income items		(38,831,201)	(91,413,984)	82,729,183	313,615,914
Total other comprehensive income for the period		109,959,503	362,125,638	249,054,978	771,717,326
Attributable to:					
Equity holders of the Bank		109,959,490	362,125,708	248,654,904	771,715,890
Non-controlling interests		13	(70)	400,074	1,436
Total other comprehensive income for the period		109,959,503	362,125,638	249,054,978	771,717,326

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Note	30 September 2020 L.E.	30 September 2019 L.E.
Cash flows from Operating Activities			
Profit before income tax from continued operations		743,782,964	717,538,447
(Loss)Profit before income tax from discontinued operations		(2,232,139)	(1,575,905)
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	(23-21)	76,427,475	81,894,330
Impairment charge for credit losses	(12)	437,206,620	149,377,303
Other provisions (release) charges	(11)	69,906,442	(28,339,854)
Other provisions used, other than provisions for loans	(28)	(6,385,048)	(12,471,139)
Translation differences for other provision in foreign currencies	(28)	186,152	(1,703,555)
Translation differences for monetary financial investments in foreign currencies	(18)	23,442,427	234,132,598
Amortization of premium / discount for bonds	(18)	(30,848,249)	(30,428,245)
Gains from sale of fixed assets	(11)	(512,807)	(448,718)
Dividends income	(8)	(289,008)	(3,320,137)
Gains from sale of financial investment		(30,152,029)	(7,841,689)
Bank's share of results of associates applying the equity method		2,286,548	(1,369,270)
Share based payments (employee stock ownership plan)	(20)	14,331,339	14,380,023
Income from investment at fair value through profit and loss		(76,005)	(199,764)
Revaluation differences for financial investments through profit and loss		(314,083)	(963,195)
Operating profit before changes in assets and liabilities provided from operating activities		1,296,760,599	1,108,661,230
Net decrease (increase) in assets and liabilities			
Due from banks		(2,039,213,041)	(3,290,280,890)
Treasury bills		(936,511,874)	2,851,952,343
Financial investment at fair value through profit and loss		(23,409,858)	--
Loans, advances and morabaha to customers		799,119,778	2,681,767,395
Loans, advances and morabaha to banks		--	(122,106,193)
Other assets		(875,199,182)	(526,097,650)
Due to banks		1,267,496,595	(3,305,464,746)
Customers' deposits		5,149,779,896	6,812,066,931
Other liabilities		36,754,912	(276,634,254)
Investment held for sale		(410,186)	(376,243)
Net cash flows provided from operating activities	(1)	4,675,167,639	5,933,487,923
Cash flows from Investing Activities			
Payments to purchase fixed assets and branches improvement		(120,896,184)	(87,658,810)
Proceeds from sale of fixed assets		1,334,802	465,652
Payments to purchase financial investment other than trading investments	(18)	(10,106,091,561)	(2,014,341,339)
Proceeds from financial investment at fair value through profit and loss		76,005	199,764
Proceeds from sale of financial investments other than trading investments	(18)	2,518,168,529	1,667,176,070
Financial investments in associates		(5,625,000)	(6,250,000)
Payments to purchase intangible assets		(24,116,032)	--
Dividends received	(8)	146,336	3,320,137
Employee stock ownership plan (ESOP)	(20)	(5,701,485)	(17,671,874)
Net cash flows (used in) investing activities	(2)	(7,742,704,590)	(454,760,400)
Cash flows from Financing Activities			
Increase in long long-term loans and Subordinated deposits		821,351,230	(33,430,000)
Dividends paid		(90,310,081)	(78,638,763)
Net cash flows provided from (used in) financing activities	(3)	731,041,149	(112,068,763)
Net change in cash and cash equivalents during the period	(1+2+3)	(2,336,495,802)	5,366,658,760
Cash and cash equivalents at beginning of the period		4,068,059,545	6,638,303,470
Cash and cash equivalents at the end of the period		1,731,563,743	12,004,962,230

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2020 – CONTINUED

Cash and cash equivalents are represented in (note 31)			
Cash and balances with the CBE	(15)	6,349,585,582	5,933,515,742
Due from banks	(16)	2,719,909,248	17,799,571,201
Treasury bills	(19)	4,463,764,748	6,662,322,467
Balance with CBE within the limit of statutory reserve		(7,043,846,302)	(6,946,062,347)
Due from banks with maturities more than 3 months		(300,304,360)	(4,796,716,212)
Treasury bills with maturity more than 3 months		(4,457,545,173)	(6,647,668,621)
Cash and cash equivalents at the end of the period		1,731,563,743	12,004,962,230

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Note	Issued and paid-in Capital L.E.	Retained for capital increase L.E.	Reserves L.E.	General Banking Risk Reserve L.E.	ESOP L.E.	Retained Earnings L.E.	Equity Attributable to Equity Holders L.E.	Non-Controlling Interests L.E.	Total L.E.
30 September 2019										
Balance as of 1/1/2019		2,256,089,600	400,000,000	289,719,246	--	(5,580,379)	700,274,579	3,640,503,046	(5,022,478)	3,635,480,568
Transferred for General risk reserve		--	--	(208,750,579)	208,750,579	--	--	--	--	--
Transferred for capital increase		400,000,000	(400,000,000)	--	--	--	--	--	--	--
Capital increase (Stock dividends)		--	452,365,938	--	--	--	(452,365,938)	--	--	--
Adjustments		--	--	--	--	--	136,357	136,357	--	136,357
Contributing to a retained investment for sale		--	--	--	--	--	(13,738,486)	(13,738,486)	5,039,486	(8,699,000)
Distributed dividends		--	--	--	--	--	(78,638,763)	(78,638,763)	--	(78,638,763)
Transferred to legal reserves		--	--	58,151,287	--	--	(58,151,287)	--	--	--
Net change in other comprehensive income items	(31)	--	--	413,963,561	--	--	--	413,963,561	--	413,963,561
Total impact of reclassification and remeasurement		--	--	(98,376,102)	--	--	--	(98,376,102)	--	(98,376,102)
Transferred to capital reserve from retained earnings		--	--	1,943,880	--	--	(1,943,880)	--	--	--
Employee stock ownership plan (ESOP) reserves		--	--	--	--	(10,277,215)	--	(10,277,215)	--	(10,277,215)
Employee stock ownership plan (ESOP)		--	--	--	--	14,380,023	--	14,380,023	--	14,380,023
Net profit for the period		--	--	--	--	--	458,099,977	458,099,977	(1,564)	458,098,413
Balance as of 30 September 2019		2,656,089,600	452,365,938	456,651,293	208,750,579	(1,477,571)	553,672,559	4,326,052,398	15,444	4,326,067,842
30 September 2020										
Balance as of 1/1/2020		3,108,455,538	--	638,558,405	208,750,579	26,603,387	753,531,824	4,735,899,733	13,998	4,735,913,731
Transferred for capital increase	(29)	--	515,292,627	--	--	--	(515,292,627)	--	--	--
Distributed dividends	(29)	--	--	--	--	--	(90,359,945)	(90,359,945)	--	(90,359,945)
Transferred to legal reserves	(30)	--	--	67,534,204	--	--	(67,534,204)	--	--	--
Net change in other comprehensive income items	(30)	--	--	(104,701,619)	--	--	--	(104,701,619)	--	(104,701,619)
Transferred to general banking risk reserve from retained earnings	(30)	--	--	2,063,999	--	--	(2,063,999)	--	--	--
Transferred to capital reserve from retained earnings	(30)	--	--	612,468	--	--	(612,468)	--	--	--
Employee stock ownership plan (ESOP)	(20)	--	--	--	--	14,331,339	--	14,331,339	--	14,331,339
Net profit for the period	(30)	--	--	--	--	--	453,539,692	453,539,692	(1,270)	453,538,422
Balance as of 30 September 2020		3,108,455,538	515,292,627	604,067,457	208,750,579	40,934,726	531,208,273	5,008,709,200	12,728	5,008,721,928

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

1. General information

Egyptian Gulf Bank provides corporate, retail banking and investment banking services in various areas of Egypt through its head office 8/10 Ahmed Nessim St., El Orman Plaza Building, Giza and fifty eight branches, and employs over 1905 employees as of the balance sheet date.

Parent Company

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

Subsidiary Company

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

On 30 September 2020, The Bank owns a stake in Egyptian Gulf Holding of 1 999 700 shares that represent 99.985%
On 31 December 2019, The Bank owns a stake in Egyptian Gulf Holding of 1 999 700 shares that represent 99.985%

Non current Investments held for sale

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

On 30 September 2020, The Bank owns a stake in Hamenz for German Technology Industries Company of 30498 shares with an ownership of 99.99%. Our bank's share in the company's capital was increased on July 1, 2019

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

Consolidated financial statements were approved by the Board of Directors on 3 November 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

2. Summary of significant accounting policies

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

2.A Basis of preparation of the consolidated financial statements

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

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

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

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

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

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

2.B Changes in accounting policies

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

Classification of financial assets and financial liabilities

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

2. Summary of significant accounting policies – continued

2.B Changes in accounting policies – continued

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

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

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

Business model assessment

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

2. Summary of significant accounting policies – continued

2.B Changes in accounting policies – continued

Stage 1: 12 months Expected Credit Loss

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

Stage 2: Lifetime Expected Credit Loss - not credit impaired

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

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

Stage 3: Lifetime Expected Credit Loss - credit impaired

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

Transactions Eliminated on Consolidation

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

Loss of Control

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

Investments in associates

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

2. Summary of significant accounting policies – continued

2.C Segment reporting

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

2.D Foreign currency translation

2.D.1 Functional and presentation currency

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

2.D.2 Transactions and balances in foreign currencies

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

2. Summary of significant accounting policies – continued

2.E Financial assets

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

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

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

Financial assets classified as amortized cost

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

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

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

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

Financial assets classified as fair value through other comprehensive income

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

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

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

Financial assets classified as fair value through profit or loss

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

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

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

The characteristics of the business model are as follows:

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

2.F Offsetting financial instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

2. Summary of significant accounting policies – continued

2.G Interest income and expense

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

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

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

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

2.H Fees and commission income

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

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

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

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

2.I Dividend income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

2. Summary of significant accounting policies – continued

2.J Sale and repurchase agreements

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

2.K Impairment of financial assets

Financial Policies applied starting from January 01, 2019

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

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

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

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

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

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

- The low risk financial instrument is classified at initial recognition in the first stage and credit risk is monitored continuously by the Bank's credit risk management.
- If it is determined that there has been a significant increase in credit risk since the initial recognition, the financial instrument is transferred to the second stage where it is not yet considered impaired at this stage.
- Financial instrument, it is transferred to the third stage.
- The financial assets created or acquired by the Bank and include a high credit risk ratio for the Bank's low risk financial assets are recognized on the initial recognition of the second stage directly and therefore the expected credit losses are measured on the basis of expected credit losses over the life of the asset.

Significant increase in credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

2. Summary of significant accounting policies – continued

2.L Impairment of financial assets – continued

- **Quantitative factors**

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

- **Qualitative factors**

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

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

Corporate loans and medium businesses

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

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

Unpayments

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

2. Summary of significant accounting policies – continued

2.K Intangible assets

Software (computer programs)

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

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

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

2.L Other assets

Non-current Assets held for Sale

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

2. Summary of significant accounting policies – continued

2.M Fixed assets

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Summary of significant accounting policies – continued

2.N Impairment of non-financial assets

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

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

2.O Cash and cash equivalents

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

2.P Other provisions

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

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

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

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

2.Q Employee's benefits

2.R.1 Social insurance

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

2.R.2 Profit share

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

2. Summary of significant accounting policies – continued

2.R Employee's benefits - continued

2.R.3 Other retirement liability

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

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

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

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

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

2.S Income tax

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

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

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

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

2.T Borrowings

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

2.U Capital

Dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management

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

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

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

3.A Credit risk

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

3.A.1 Credit risk measurement

Loans and advances to banks and customers

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.1 Credit risk measurement – continued

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

Bank's internal ratings scale

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

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

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

Debt instruments, treasury bills and other bills

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

3.A.2 Risk limit and mitigation policies

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

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

Some other specific control and mitigation measures are outlined below:

Collaterals

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

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

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

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

Master netting arrangements

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

Credit related commitments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.3 Impairment and provisioning policies

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

The impairment provision reported in the balance sheet at the end of the period is derived from the four internal rating grades; However, the majority of the impairment provision comes from the last two rating degrees.

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

Bank's rating	Loans and advances		Impairment provision	
	% 30 September 2020	% 31 December 2019	% 30 September 2020	% 31 December 2019
Performing loans	%31.33	%37.30	%5.10	%0.85
Regular watching	%57.62	%49.62	%14.81	%4.73
Watch list	%6.85	%9.21	%22.50	%38.99
Non-performing loans	%4.20	%3.87	%57.59	%55.43
	%100	%100	%100	%100

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

	30 September 2020 L.E	31 December 2019 L.E
In balance sheet items exposed to credit risk		
Due from banks	2,719,909,248	5,230,029,082
Fair value through profit and loss	36,446,977	12,723,036
Treasury bills and other government notes	5,758,714,748	9,158,573,593
Loans and advances to customers		
Retail loans		
- Overdraft	56,635,504	312,528,495
- Credit cards	81,481,716	66,745,296
- Personal loans	5,915,989,398	4,435,559,851
- Mortgage	266,807,112	226,008,466
Corporate loans		
- Overdraft	2,189,293,088	4,279,835,050
- Direct loans	7,652,467,491	7,262,358,564
- Syndicated loans	7,459,052,601	7,844,548,680
Financial investments		
- Debt instruments	16,693,200,399	9,096,979,525
Other assets	3,076,962,371	2,283,398,041
Total	51,906,960,653	50,209,287,679
Off-balance sheet items exposed to credit risk		
Letters of credit	378,396,000	371,205,000
Letters of guarantee	2,161,963,000	2,046,121,000
Total	2,540,359,000	2,417,326,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

Due from banks	30 September 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	2,719,909,248	--	--	2,719,909,248
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total	2,719,909,248	--	--	2,719,909,248
Expected Credit Loss	(1,662,573)	--	--	(1,662,573)
Book value	2,718,246,675	--	--	2,718,246,675

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

Treasury bills	30 September 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	5,758,714,748	--	--	5,758,714,748
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total	5,758,714,748	--	--	5,758,714,748
Expected Credit Loss	(15,739,007)	--	--	(15,739,007)
Book value	5,742,975,741	--	--	5,742,975,741

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

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

Retail loans	30 September 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	2,681,428,571	93,527,633	14,872,662	2,789,828,866
Regular watching	3,345,033,980	--	--	3,345,033,980
Watch list	--	81,760,443	--	81,760,443
Non-performing loans	--	--	104,290,441	104,290,441
Total	6,026,462,551	175,288,076	119,163,103	6,320,913,730
Expected Credit Loss	(68,145,248)	(18,927,406)	(54,497,176)	(141,569,830)
Book value	5,958,317,303	156,360,670	64,665,927	6,179,343,900

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

Corporate loans	30 September 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	4,609,845,289	131	106,210	4,609,951,630
Regular watching	9,885,833,735	380,942,368	--	10,266,776,103
Watch list	590,953,490	946,306,776	--	1,537,260,266
Non-performing loans	--	--	886,825,181	886,825,181
Total	15,086,632,514	1,327,249,275	886,931,391	17,300,813,180
Expected Credit Loss	(256,448,019)	(290,665,965)	(808,220,877)	(1,355,334,861)
Book value	14,830,184,495	1,036,583,310	78,710,514	15,945,478,319

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

Debt instruments at fair value through OCI	30 September 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	10,469,144,152	--	--	10,469,144,152
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total	10,469,144,152	--	--	10,469,144,152
Expected Credit Loss	(38,806,480)	--	--	(38,806,480)
Book value	10,430,337,672	--	--	10,430,337,672

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

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

Debt instruments at amortized cost	30 September 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	6,236,556,247	--	--	6,236,556,247
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total	6,236,556,247	--	--	6,236,556,247
Expected Credit Loss	(13,194,196)	--	--	(13,194,196)
Book value	6,223,362,051	--	--	6,223,362,051

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

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

Due from banks	30 September 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	1,702,204	--	--	1,702,204
New financial assets purchased or issued	--	--	--	--
Matured or disposed financial assets	(13,881)	--	--	(13,881)
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(25,750)	--	--	(25,750)
Ending balance	1,662,573	--	--	1,662,573

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

Treasury bills	30 September 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	10,018,560	--	--	10,018,560
New financial assets purchased or issued	5,675,346	--	--	5,675,346
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	45,101	--	--	45,101
Ending balance	15,739,007	--	--	15,739,007

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.B Credit risk – continued

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

Retail loans	30 September 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	33,433,446	11,162,953	43,957,408	88,553,807
New financial assets purchased or issued	37,599,324	20,948	23,837	37,644,109
Matured or disposed financial assets	(7,168,543)	(5,678,838)	(752,534)	(13,599,915)
Transferred to stage 1	686,993	(686,993)	--	--
Transferred to stage 2	(1,963,462)	1,963,462	--	--
Transferred to stage 3	(492,172)	(1,472,911)	1,965,083	--
Changes in the probability of default and loss in case of default and the exposure at default	6,135,916	13,618,785	6,948,784	26,703,485
Changes in model assumption and methodology	--	--	--	--
Proceeds from bad debts	--	--	2,355,958	2,355,958
Write off during the period	--	--	--	--
Foreign currencies translation differences	(86,254)	--	(1,360)	(87,614)
Ending balance	68,145,248	18,927,406	54,497,176	141,569,830

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

Corporate loans	30 September 2020			
	Stage 1	Stage 2	Stage 3	Total
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2020	120,621,912	325,876,720	587,081,368	1,033,580,000
New financial assets purchased or issued	365,604	131	39	365,774
Matured or disposed financial assets	(221,605)	(12,458,045)	(8,239,010)	(20,918,660)
Transferred to stage 1	87,152,525	(87,152,525)	--	--
Transferred to stage 2	(159,391,947)	159,391,947	--	--
Transferred to stage 3	(2,385,597)	(6,891,534)	9,277,131	--
Changes in the probability of default and loss in case of default and the exposure at default	209,149,698	(86,143,399)	254,632,017	377,638,316
Changes in model assumption and methodology	--	--	--	--
Proceeds from bad debts	--	--	--	--
Transferred from other provisions	--	--	--	--
Write off during the period	--	--	(23,490,398)	(23,490,398)
Foreign currencies translation differences	1,157,429	(1,957,330)	(11,040,270)	(11,840,171)
Ending balance	256,448,019	290,665,965	808,220,877	1,355,334,861

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

Debt instruments at fair value through OCI	30 September 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	19,084,904	--	--	19,084,904
New financial assets purchased or issued	20,036,750	--	--	20,036,750
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(315,174)	--	--	(315,174)
Ending balance	38,806,480	--	--	38,806,480

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

Debt instruments at amortized cost	30 September 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	9,613,793	--	--	9,613,793
New financial assets purchased or issued	3,675,296	--	--	3,675,296
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(94,893)	--	--	(94,893)
Ending balance	13,194,196	--	--	13,194,196

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

The above table represents the maximum limit for credit risk as of 30 September 2020 and 31 December 2019, without

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

As shown in the preceding table 45.37% of the total maximum limit exposed to credit risk resulted from loans and advances to customers against 55.47% as at 31 December 2019; While 43.12% represents investments in debt instruments against 27.36% as at 31 December 2019.

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

- 93.93% of the loans and advances portfolio are classified at the highest two ratings in the internal rating against 90.64% as at 31 December 2019.
- 89.85% of the loans and advances portfolio has no past due or impairment indicators against 90.90% as at 31 December 2019.
- The bank has applied a more conservative selection plan for the granted loans during the period ended 30 September 2020.
- 97.43% from the Investments in debt instruments and treasury bills contain. against 100% as at 31 December 2019 due from the Egyptian government.

3.A.6 Loans and advances

	30 September 2020	31 December 2019
	Loans and advances to customers	Loans and advances to customers
	L.E.	L.E.
Neither past due nor impaired	21,225,068,402	22,218,027,397
Past due but not impaired	1,484,355,703	1,324,266,422
Individually impaired	912,302,805	885,290,583
Gross	23,621,726,910	24,427,584,402
less: impairment losses, advances and interest In suspense	(1,498,392,128)	(1,109,546,733)
Net	22,123,334,782	23,318,037,669

- As a result to the economic and political circumstances in Egypt loans and advances portfolios has decrease 3% as of 30 September 2020 compared to its balance at 31 December 2019.
- Note (17) includes additional information regarding impairment loss on loans and advances to customers.
- The credit quality of the loans and advances portfolio that neither has past due nor subject to impairment is determined by the internal rating of the bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Loans and advances to customers and banks (net)

	30 September 2020							
	Retail				Corporate			Total loans and advances to customers
	Overdraft	Credit cards	Personal loans	Mortgage	Overdraft	Direct loans	Syndicated loans	
L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	
Performing	47,215,973	34,724,279	2,699,500,407	--	470,748,339	714,519,727	3,356,874,327	7,323,583,052
Regular follow up	98,481	40,245,164	3,019,813,504	224,526,669	1,162,878,138	5,665,282,042	3,277,096,577	13,389,940,575
Watch list	269	675,791	55,405,628	6,830,473	349,119,867	642,734,132	227,412,353	1,282,178,513
Non-performing	157,925	910,801	29,278,491	19,857,229	--	317	77,427,879	127,632,642
Total	47,472,648	76,556,035	5,803,998,030	251,214,371	1,982,746,344	7,022,536,218	6,938,811,136	22,123,334,782

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Loans and advances past due but not impaired

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

Retail	30 September 2020			
	Credit cards	Personal loans	Mortgage	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	3,218,250	526,470,097	47,556	529,735,903
Past due from 30 to 60 days	387,110	111,148,371	30,806	111,566,287
Past due from 60 to 90 days	199,650	32,998,476	12,095,966	45,294,092
Total	3,805,010	670,616,944	12,174,328	686,596,282

Corporate	30 September 2020			
	Overdraft	Direct loans	Syndicated loans	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	26,833,813	295,774,983	156,331,649	478,940,445
Past due from 30 to 60 days	--	--	--	--
Past due from 60 to 90 days	101,307	16,901,422	301,816,247	318,818,976
Total	26,935,120	312,676,405	458,147,896	797,759,421

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Individually impaired loans

Loans and advances to customers

Loans and advances subject to individual impairment before taking into consideration cash flows from guarantees in 30 September 2020 amounted to EGP 1,228,553,093 against EGP 885,290,583 as of 31 December 2019.

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

	Individual			Corporate			Total	
	Overdraft L.E.	Credit cards L.E.	Personal loans L.E.	Mortgage L.E.	Overdraft L.E.	Direct Loans L.E.	Syndicated Loans L.E.	L.E.
Individually impaired loans 30 September 2020	2,109,858	2,043,911	68,805,297	31,331,375	134,150,408	437,424,456	236,437,500	912,302,805
Individually impaired loans 31 December 2019	--	1,008,879	28,344,987	5,057	111,243,722	423,857,938	320,830,000	885,290,583

Loans and advances Restructured

Restructuring activities include renegotiating in terms of payments terms extension, restructure of mandatory management policies, and adjusting ,postponing repayment terms, renegotiating policies depend on indicators or standards in addition to the management personal judgment to show that regular payments are of high probability, these policies are subject to regular review, Long-term loans, especially loans to customers are usually subject to renegotiation, total renegotiated loans reached EGP 987,746 thousand against EGP 1,325,962 thousand at 31 December 2019.

	30 September 2020 In thousand EGP	31 December 2019 In thousand EGP
Loans and advances to customers		
Corporate		
- Overdraft	288,146	665,489
- Direct Loans	699,600	660,473
Total	987,746	1,325,962

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

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

	Treasury bills L.E.	Investments securities L.E.	Total L.E.
From A to +AA	--	580,368,420	580,368,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

B	21,997,407,604	--	21,997,407,604
Total	21,997,407,604	580,368,420	22,577,776,024

3. Financial risk management – continued

3.B Market risk

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

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

3.B.1 Market risk measurement techniques

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

Value at Risk

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

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

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

Stress Testing

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.B Market risk – continued

3.B.2 Foreign exchange volatility risk

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

Amount to the nearest EGP equivalent

	EGP	USD	GBP	EUR	Other currencies	Total
Financial assets as of 30 September 2020						
Cash and balances with the CBE	6,293,010,857	7,290,625	147,305	1,983,795	47,153,000	6,349,585,582
Due from Banks	2,510,579,675	147,882,000	1,159,000	15,826,000	42,800,000	2,718,246,675
Treasury bills	23,339,750,502	187,752,877	--	18,599,818	--	23,546,103,197
Loans and advances to customers	21,861,731,686	261,593,928	742	1,426	7,000	22,123,334,782
Financial investments:						
- Fair value through profit and loss	36,446,977	--	--	--	--	36,446,977
- Fair value through OCI	10,360,370,082	167,099,985	--	22,363,320	--	10,549,833,387
- Amortized cost	6,146,464,412	70,748,579	--	6,149,060	--	6,223,362,051
Total financial assets	70,548,354,191	842,367,994	1,307,047	64,923,419	89,960,000	71,546,912,651
Financial liabilities 30 September 2020						
Due to banks	6,677,446,171	19,167,781	224,422	16,268,126	--	6,713,106,500
Customer deposits	60,366,881,132	719,969,019	5,374,217	44,280,203	51,703,000	61,188,207,571
Other loans \ Subordinated deposits	1,871,301,517	72,499,999	--	--	--	1,943,801,516
Total financial liabilities	68,915,628,820	811,636,799	5,598,639	60,548,329	51,703,000	69,845,115,587
Net financial position 30 September 2020	1,632,725,371	30,731,195	(4,291,592)	4,375,090	38,257,000	1,701,797,064
Financial assets and Liabilities as of 31 December 2019						
Total financial assets	48,693,134,202	14,466,884,621	123,174,879	1,149,877,084	41,768,716	64,474,533,682
Total financial liabilities	47,609,904,838	13,751,390,248	124,231,494	1,104,800,952	23,574,487	62,613,902,019
Net financial position 31 December 2019	1,083,229,364	715,494,373	(1,056,615)	45,076,132	18,194,229	1,860,631,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.B Market risk – continued

3.B.3 Interest rate risk

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

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

	Up to one Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Financial assets as of 30/9/2020						
Cash and balances with the CBE	25,600,000	1,185,115,885	--	--	--	1,210,715,885
Due from Banks	1,475,419,092	23,303,669	--	--	--	1,498,722,761
Treasury bills	7,826,490,979	5,793,982,886	14,801,470,415	--	--	28,421,944,280
Bonds and other financial instruments	477,867,887	526,206,097	2,517,416,872	16,398,141,428	2,962,113,950	22,881,746,234
Regular loans and advances to customers	17,369,082,793	2,332,171,039	1,754,840,743	3,340,184,329	1,137,305,806	25,933,584,710
Net loans and advances to customers	--	--	--	--	342,281,392	342,281,392
Other Assets	--	5,000,000	--	--	--	5,000,000
Total financial assets	27,174,460,751	9,865,779,576	19,073,728,030	19,738,325,757	4,441,701,148	80,293,995,262
Financial liabilities 30/9/2020						
Due to banks	1,914,216,203	--	202,327,125	--	--	2,116,543,328
Demand deposits	13,388,750,145	1,751,713,789	5,255,141,364	7,531,003,499	--	27,926,608,797
Saving deposits	592,636,323	111,542,549	334,627,647	557,064,868	--	1,595,871,387
Time and call deposits	11,274,993,738	4,867,318,361	4,622,969,954	3,084,362,679	667,149,045	24,516,793,777
Certificates of deposits	3,438,200,671	139,218,105	738,628,492	4,732,863,920	53,610,712	9,102,521,900
Long term loans	--	818,898,840	309,760,664	182,056,875	946,587,383	2,257,303,762
Total financial liabilities	30,608,797,080	7,688,691,644	11,463,455,246	16,087,351,841	1,667,347,140	67,515,642,951
Re-pricing gap	(3,434,336,329)	2,177,087,932	7,610,272,784	3,650,973,916	2,774,354,008	12,778,352,311
Financial assets as of 31/12/2019						
Total financial assets	29,208,522,561	6,151,711,011	26,852,858,977	10,103,594,035	4,876,931,791	77,193,618,375
Total financial liabilities	39,433,387,961	5,218,646,932	9,632,981,734	15,644,363,735	794,734,937	70,724,115,299
Re-pricing gap	(10,224,865,400)	933,064,079	17,219,877,243	(5,540,769,700)	4,082,196,854	6,469,503,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.C Liquidity risk

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

Liquidity risk management

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.C Liquidity risk – continued

Funding approach

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

	Up to one Month L.E.	1-3 Months L.E.	3-12 Months L.E.	1-5 years L.E.	Over 5 year L.E.	Total L.E.
Financial liabilities 30 September 2020						
Due to banks	6,713,106,500	--	--	--	--	6,713,106,500
Customer deposits	10,102,598,121	6,323,722,583	22,054,573,461	21,457,173,425	1,250,139,981	61,188,207,571
Other loans \ Subordinated deposits	--	129,429	243,714	1,943,298,946	129,427	1,943,801,516
Total financial liabilities	16,815,704,621	6,323,852,012	22,054,817,175	23,400,472,371	1,250,269,408	69,845,115,587
Total financial assets	35,528,894,759	2,709,757,691	8,696,386,863	16,649,760,000	7,925,666,361	71,510,465,674
Financial liabilities 31 December 2019						
Due to banks	5,445,609,905	--	--	--	--	5,445,609,905
Customer deposits	11,558,648,471	5,205,220,193	12,837,443,936	26,444,529,228	--	56,045,841,828
Other loans \ Subordinated deposits	--	300,000	429,000	1,121,721,286	--	1,122,450,286
Total financial liabilities	17,004,258,376	5,205,520,193	12,837,872,936	27,566,250,514	--	62,613,902,019
Total financial assets	15,139,442,580	11,368,863,461	22,845,456,715	15,120,770,926	--	64,474,533,682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.D Fair value of financial assets and liabilities

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

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

	Book value		FMV*	
	30/9/2020 L.E.	31/12/2018 L.E.	30/9/2020 L.E.	31/12/2018 L.E.
Financial assets				
Due from banks	2,718,246,675	5,228,326,878	2,718,246,675	5,228,326,878
Loans and advances to customers				
A- Retail				
- Overdraft	47,472,648	301,741,837	*	*
- Credit cards	76,556,035	63,432,505	*	*
- Personal loans	5,803,998,030	4,373,595,077	*	*
- Mortgage	251,214,371	213,416,066	*	*
B- Corporate				
- Overdraft	1,982,746,344	4,056,055,138	*	*
- Direct loans	7,022,536,218	6,708,559,151	*	*
- Syndicated loans	6,938,811,136	7,601,237,895	*	*
Financial investments				
- Fair value through other comprehensive income	119,495,714	110,621,701	*	*
- Amortized cost	6,223,362,051	6,009,477,461	6,463,671,886	5,993,278,895
Financial liabilities				
Due to banks	6,713,106,500	5,445,609,905	6,713,106,500	5,445,609,905
Customers deposits				
- Corporate	44,436,314,181	38,911,609,028	*	*
- Retail	16,751,893,390	17,134,232,800	*	*
Other loans / Subordinated deposits	1,943,801,516	1,122,450,286	*	*

* Some assets and liabilities were not measured at their FV at 30 September 2020.

Due from banks

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

Loans and advances to banks

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

3. Financial risk management – continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

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

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

Loans and advances to customers

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

Financial investments

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

Due to banks and customers

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

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

Issued debt instrument

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

3.E Capital management

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

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

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

The CBE requires the bank to comply with the following:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.E Capital management – continued

According to new instructions issued in 18 December 2012:

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

Tier One:

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

Tier Two:

Is the supported paid in capital and consist of:

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

For denominator of capital adequacy ratio consists of:

- Credit risk
- Market risk
- Operational risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.E Capital management – continued

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

	30/9/2020 In thousand EGP	31/12/2018 In thousand EGP
Tier 1 capital		
Issued and paid up capital	3,623,749	3,108,456
Legal reserve	358,016	290,482
Other reserves	29,788	29,175
General risk reserve	208,750	208,750
Retained earnings	77,669	95,573
Additional capital	300,013	565,671
Total other comprehensive income	205,515	310,216
Total deductions from tier 1 capital	(160,532)	(132,567)
Total qualifying tier 1 capital	4,642,968	4,475,756
Tier 2 capital		
ECL Stage 1 to financial assets and indirect loans	313,656	214,649
Subordinated deposits	1,666,937	800,000
Total qualifying tier 2 capital	1,980,593	1,014,649
Total capital 1+2	6,623,561	5,490,405
Risk weighted assets and contingent liabilities		
Total Credit risk	25,113,864	23,331,531
Total Market risk	338,828	--
Total Operation risk	3,161,820	3,161,820
Top 50 concentration	--	1,848,633
Total risk weighted assets and contingent liabilities	28,614,512	28,341,984
Capital Adequacy Ratio (%)	%23.15	%19.372

3.F Leverage Financial Ratio

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

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

This ratio will be included in Basel requirement tier 1 in order to maintain the Egyptian Banking System strong and safe, as long to keep up with the best international regulatory treatments. Leverage financial ratio reflect relationship between tier 1 for capital that is used in capital adequacy ratio (After Exclusions) and Banks' assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

3. Financial risk management – continued

3.G Leverage Financial Ratio – continued

Ratio Elements:

A- The numerator elements

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

B-The denominator elements

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

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

The table below summarizes the leverage financial ratio:

	30/9/2020	31/12/2018
	In thousand EGP	In thousand EGP
Tier 1 capital after exclusions	4,642,968	4,475,756
On-balance sheet items, derivatives and financing securities	65,904,023	68,429,536
Off-balance sheet items	2,149,334	1,605,738
Total exposures	68,053,357	70,035,274
Leverage Financial Ratio (%)	%6.82	%6.391

Liquidity coverage ratio and net stable fund ratio:

- Liquidity coverage ratio (LCR):

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

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

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

For 30 September 2020 LCR ratio record LCY 217.21 %FCY 141.59% and total of %203.96

- Net stable fund ratio (NSFR):

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

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

For 30 September 2020 NSFR ratio record LCY 160.64 % FCY 204.48 % and total of 167.34 % .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

4. Significant accounting estimates and assumptions

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

4.A Impairment losses for loans and advances

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

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

4.B Held-to-maturity investments

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

If classification of investments as held to maturity is suspended the carrying amount shall decrease by EGP 269,217,271 to reach its fair value by increasing the valuation reserve available for sale within the equity caption.

4.C Income tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

5. By activity segment

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

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

6. Net interest income

	From1/7/2020 To 30/9/2020 L.E.	From1/1/2020 To 30/9/2020 L.E.	From1/7/2019 To 30/9/2019 L.E.	From1/1/2019 To 30/9/2019 L.E.
Interest from loans and similar income from:				
Loans and advances to banks	--	--	2,161,493	2,161,493
Loans and advances to customers	618,697,668	1,892,880,524	830,852,434	2,603,212,381
Treasury bills and treasury bonds	520,644,164	1,569,751,630	457,081,142	1,474,706,428
Purchase and resale agreements - reverse repos	651,431,128	2,057,482,228	--	--
Deposits and current accounts	2,881,747	38,530,666	576,141,542	1,450,171,850
Investments in debt instruments (OCI)	17,015,263	41,198,748	--	26,519
Total	1,810,669,970	5,599,843,796	1,866,236,611	5,530,278,671
Interest on Deposits and similar expenses from:				
Deposits and current accounts from banks	(89,177,335)	(306,233,081)	(41,426,132)	(133,555,780)
Deposits and current accounts from customers	(1,015,402,871)	(3,091,511,776)	(1,320,233,902)	(3,917,024,438)
REPOs	(46,989,263)	(158,150,728)	(1,141,800)	(3,425,074)
Subordinated deposits	(29,597,244)	(75,786,761)	(30,498,630)	(94,010,959)
Total	(1,181,166,713)	(3,631,682,346)	(1,393,300,464)	(4,148,016,251)
Net interest income	629,503,257	1,968,161,450	472,936,147	1,382,262,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

7. Net fees and commission income

	From1/7/2020 To 30/9/2020 L.E.	From1/1/2020 To 30/9/2020 L.E.	From1/7/2019 To 30/9/2019 L.E.	From1/1/2019 To 30/9/2019 L.E.
Fees and commission income				
Fees and commissions related to credit banking services	67,387,081	217,406,873	72,922,457	223,089,528
Custody fees	91,211	2,215,190	134,125	3,637,774
Other fees	9,221,298	30,846,376	5,792,729	15,541,038
Total	76,699,590	250,468,439	78,849,311	242,268,340
Fees and commission expenses				
Brokerage fees paid	(3,323,782)	(5,162,677)	(1,116,210)	(3,553,921)
Other fees paid	(30,833,645)	(74,502,640)	(17,829,299)	(51,149,968)
Total	(34,157,427)	(79,665,317)	(18,945,509)	(54,703,889)
Net fees and commission income	42,542,163	170,803,122	59,903,802	187,564,451

8. Dividends income

	From1/7/2020 To 30/9/2020 L.E.	From1/1/2020 To 30/9/2020 L.E.	From1/7/2019 To 30/9/2019 L.E.	From1/1/2019 To 30/9/2019 L.E.
Equity instruments	--	--	--	818,451
Investment funds	71,336	289,008	142,256	349,008
Associates Investments	--	--	--	2,152,678
Total	71,336	289,008	142,256	3,320,137

9. Net trading income

	From1/7/2020 To 30/9/2020 L.E.	From1/1/2020 To 30/9/2020 L.E.	From1/7/2019 To 30/9/2019 L.E.	From1/1/2019 To 30/9/2019 L.E.
Foreign exchange trading gains	44,761,838	111,586,773	23,241,262	64,971,813
Profit from selling investments fair value through profit and loss	451,393	1,545,580	1,508,850	1,852,862
Revaluation of financial investments held for trading	1,162,481	4,301,880	326,015	1,174,700
Financial Investments through profit or loss	109,952	503,199	66,588	199,764
Total	46,485,664	117,937,432	25,142,715	68,199,139

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

10. General and administrative expenses

	From1/7/2020 To 30/9/2020 L.E.	From1/1/2020 To 30/9/2020 L.E.	From1/7/2019 To 30/9/2019 L.E.	From1/1/2019 To 30/9/2019 L.E.
Staff costs				
Wages and salaries	(107,158,459)	(319,945,284)	(94,388,614)	(281,313,645)
Social insurance	(6,687,478)	(20,036,508)	(6,924,644)	(20,293,529)
Other	(90,435,974)	(227,772,688)	(61,981,000)	(142,066,784)
Pension cost				
Retirement benefits	(425,548)	(735,713)	(18,424)	(76,651)
Total	(204,707,459)	(568,490,193)	(163,312,682)	(443,750,609)
Other administrative expenses	(128,316,068)	(471,444,673)	(106,419,416)	(375,208,246)
Total	(333,023,527)	(1,039,934,866)	(269,732,098)	(818,958,855)

11. Other (expenses) operating income

	From1/7/2020 To 30/9/2020 L.E.	From1/1/2020 To 30/9/2020 L.E.	From1/7/2019 To 30/9/2019 L.E.	From1/1/2019 To 30/9/2019 L.E.
Profit from selling property and equipment	211,000	512,807	--	448,718
Release (Charges) of other provisions	(13,467,286)	(69,906,442)	11,121,708	28,339,854
Other	4,773,645	18,549,227	(366,483)	4,557,070
Total	(8,482,641)	(50,844,408)	10,755,225	33,345,642

12. Impairment (charge) for credit losses

	From1/7/2020 To 30/9/2020 L.E.	From1/1/2020 To 30/9/2020 L.E.	From1/7/2019 To 30/9/2019 L.E.	From1/1/2019 To 30/9/2019 L.E.
Loans and advances to customers (note 17)	(137,437,710)	(407,833,109)	(65,034,020)	(142,999,098)
Due to banks	537	13,881	649,184	2,550,114
Treasury bills	5,919,480	(5,675,346)	6,478,836	(5,164,355)
Fair value through other comprehensive income	(6,959,203)	(20,036,750)	(228,611)	(13,059,265)
Amortized cost	(283,021)	(3,675,296)	(361,561)	9,295,301
Total	(138,759,917)	(437,206,620)	(58,496,172)	(149,377,303)

13. Earnings per share

	From1/7/2020 To 30/9/2020 L.E.	From1/1/2020 To 30/9/2020 L.E.	From1/7/2019 To 30/9/2019 L.E.	From1/1/2019 To 30/9/2019 L.E.
Net profit for the year	149,143,467	466,175,004	166,912,251	478,440,448
Number of shares	390,617,799	390,617,799	390,617,799	390,617,799
Earnings per share (EGP/ share)	0.38	1.19	0.43	1.22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

14. Classification and measurement of financial assets and financial liabilities

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

30 September 2020	Amortized cost	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial Assets through profit or loss	Total Carrying amount
Cash and balances with the CBE	6,349,585,582	--	--	--	6,349,585,582
Due from banks	2,719,909,248	--	--	--	2,719,909,248
Treasury bills	--	23,561,842,204	--	--	23,561,842,204
Loans and credit facilities to customers	23,621,726,910	--	--	--	23,621,726,910
Fair value through other comprehensive income	--	10,469,144,152	119,495,714	--	10,588,639,866
Amortized cost	6,236,556,247	--	--	--	6,236,556,247
Financial Assets through profit or loss	--	--	--	36,446,977	36,446,977
Other financial assets	2,256,489,344	--	--	--	2,256,489,344
Total financial assets	41,184,267,331	34,030,986,356	119,495,714	36,446,977	75,371,196,378
Due to banks	6,713,106,500	--	--	--	6,713,106,500
Customer deposits	61,188,207,571	--	--	--	61,188,207,571
Other loans	1,943,801,516	--	--	--	1,943,801,516
Other financial liabilities	359,171,603	--	--	--	359,171,603
Total financial liabilities	70,204,287,190	--	--	--	70,204,287,190

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

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

	30 September 2020	31 December 2019
	L.E.	L.E.
Cash	490,196,580	380,012,377
Due from the CBE (within the required limit of statutory reserve percentage)	5,859,389,002	3,668,842,729
Total	6,349,585,582	4,048,855,106
Non-interest bearing balances	6,349,585,582	4,048,855,106
Total	6,349,585,582	4,048,855,106

16. Due from banks

	30 September 2020	31 December 2019
	L.E.	L.E.
Current accounts	114,053,838	78,630,220
Deposits	2,605,855,410	5,151,398,862
Expected Credit Loss	(1,662,573)	(1,702,204)
Total	2,718,246,675	5,228,326,878
Balance with CBE otherwise the required limit of statutory reserve percentage	1,210,057,060	4,391,501,642
Local banks	1,295,284,900	661,654,357
Foreign banks	214,567,288	176,873,083
Expected Credit Loss	(1,662,573)	(1,702,204)
Total	2,718,246,675	5,228,326,878
Non-interest bearing balances	139,653,838	104,230,220
Variable Interest bearing balances	2,580,255,410	5,125,798,862
Expected Credit Loss	(1,662,573)	(1,702,204)
Total	2,718,246,675	5,228,326,878
Current balance	2,719,909,248	5,230,029,082
Expected Credit Loss	(1,662,573)	(1,702,204)
Total	2,718,246,675	5,228,326,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

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

	30 September 2020 L.E.	31 December 2019 L.E.
Retail		
Overdraft	56,635,504	312,528,495
Credit cards	81,481,716	66,745,296
Personal loans	5,915,989,398	4,435,559,851
Mortgage	266,807,112	226,008,466
Total (1)	6,320,913,730	5,040,842,108
Corporate		
Overdraft	2,189,293,088	4,279,835,050
Direct loans	7,652,467,491	7,262,358,564
Syndicated loans	7,459,052,601	7,844,548,680
Total (2)	17,300,813,180	19,386,742,294
Total loans and advance to customers (1+2)	23,621,726,910	24,427,584,402
Less:		
Provision for impairment losses	(1,496,904,691)	(1,109,009,807)
Interest in suspense	(1,487,437)	(536,926)
Net loans, advances and morabihat to customers	22,123,334,782	23,318,037,669

Provision for impairment losses

Retail	30 September 2020				
	Overdraft L.E.	Credit cards L.E.	Personal loans L.E.	Mortgage L.E.	Total L.E.
Beginning balance	10,786,658	3,312,791	61,861,958	12,592,400	88,553,807
Impairment losses	(1,536,724)	1,364,113	47,957,449	2,962,841	50,747,679
Recoveries during the year	--	248,777	2,069,681	37,500	2,355,958
Forex revaluation provision	(87,078)	--	(536)	--	(87,614)
Ending balance	9,162,856	4,925,681	111,888,552	15,592,741	141,569,830

Corporate	30 September 2020			
	Overdraft L.E.	Direct loans L.E.	Syndicated loans L.E.	Total L.E.
Beginning balance	223,638,151	566,631,064	243,310,785	1,033,580,000
Impairment losses	10,924,600	70,172,363	275,988,467	357,085,430
Written-off amount	(23,490,398)	--	--	(23,490,398)
Forex revaluation provision	(4,525,609)	(6,872,154)	(442,408)	(11,840,171)
Ending balance	206,546,744	629,931,273	518,856,844	1,355,334,861

Provision for impairment losses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

18. Financial investments

	30 September 2020 L.E.	31 December 2019 L.E.
Fair value through other comprehensive income (FVTOCI)		
Debt instruments at FV (listed)	10,469,144,152	3,090,388,271
Treasury Bills (18-1)	23,561,842,204	22,797,930,259
Equity instruments (unlisted)	119,495,714	110,621,514
Investment management by other	1	1
Total available for sale investments	34,150,482,071	25,998,940,045
Expected Credit Loss	(54,545,487)	(29,103,464)
Net investments at fair value through other comprehensive income (1)	34,095,936,584	25,969,836,581
Amortized cost		
Debt instruments (listed)	6,224,056,247	6,006,591,254
Egyptian Gulf Bank Mutual fund's CDs	5,000,000	5,000,000
Egyptian Gulf Bank Tharaa fund (money market)	7,500,000	7,500,000
Total Amortized cost	6,236,556,247	6,019,091,254
Expected Credit Loss	(13,194,196)	(9,613,793)
Net Amortized cost (2)	6,223,362,051	6,009,477,461
Fair value through profit and loss		
Thraa Funds	36,446,977	12,723,036
Total Fair value through profit and loss (3)	36,446,977	12,723,036
Total financial investments (1+2+3)	40,355,745,612	31,992,037,078

	30 September 2020		
	Fair value through Other comprehensive income L.E.	Amortized cost L.E.	Total L.E.
Beginning balance	3,201,009,786	6,019,091,254	9,220,101,040
Additions	9,350,154,346	755,937,215	10,106,091,561
Disposals	(1,953,380,385)	(547,923,750)	(2,501,304,135)
Monetary assets foreign currency differences	(10,107,441)	(14,753,364)	(24,860,805)
Gain from change in FV (note 30)	(5,679,796)	0	(5,679,796)
Amortized cost	6,643,357	24,204,892	30,848,249
Expected Credit Loss	(38,806,480)	(13,194,196)	(52,000,676)
Ending balance	10,549,833,387	6,223,362,051	16,773,195,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

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

18-1 Treasury bills and other governmental notes

	30 September 2020	31 December 2019
	L.E.	L.E.
Treasury bills 91 days	6,400,000	94,900,000
Treasury bills 182 days	234,975,000	1,860,775,000
Treasury bills 273 days	1,228,650,000	2,276,525,000
Treasury bills 365 days	4,483,114,280	5,258,315,260
Total	5,953,139,280	9,490,515,260
Less/ Add:		
Unearned interest	(193,600,560)	(346,671,421)
Changes in fair value reserve	(823,972)	14,729,754
Expected Credit Loss	(15,739,007)	(10,018,560)
Total (1)	5,742,975,741	9,148,555,033
Purchase and resale agreements		
Reverse rebo 91 days	--	3,700,606,456
Reverse rebo 182 days	3,196,613,903	2,973,265,654
Reverse rebo 273 days	3,928,612,584	6,269,528,867
Reverse rebo 365 days	11,904,652,939	6,759,310,508
Add:		
Differences in fair value for investment through OCI	68,198,030	137,370,181
Total (2)	19,098,077,456	19,840,081,666
Sale and repurchase agreements	(1,294,950,000)	(6,200,725,000)
Total (3)	(1,294,950,000)	(6,200,725,000)
Total (1+2+3)	23,546,103,197	22,787,911,699

* Treasury bills include EGP 2,960,197,500 (equivalent to USD 187.8 million) as in USD Treasury bills and EGP 343,491,780 (equivalent to EUR 18.6 million) as in EUR Treasury bills.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 30 SEPTEMBER 2020**

Profit (losses) from sale of financial investments

	From 1/7/2020 To 30/9/2020 L.E.	From 1/1/2020 To 30/9/2020 L.E.	From 1/7/2019 To 30/9/2019 L.E.	From 1/1/2019 To 30/9/2019 L.E.
Profit (Loss) from selling FVOCI financial instruments	4,863,810	16,864,394	4,381,805	9,813,234
Total	4,863,810	16,864,394	4,381,805	9,813,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

19. Investments in associates

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

30 September 2020	Country	Company's assets L.E.	Company's liabilities less owners' equity L.E.	Company's revenues L.E.	Company's profits / (losses) L.E.	Book value L.E.	Share %
Associates							
Alex Complex	Egypt	114,756,120	109,458,967	10,178,666	(2,048,890)	1	%26.66
Alex fish	Egypt	67,721,481	26,271,888	94,499	(305,770)	1,809,374	%26.66
First Gas**	Egypt	45,414,821	16,579,906	1,105,208	(1,533,169)	6,172,026	%19.997
Prime holding for financial investments**	Egypt	522,498,957	130,056,342	32,808,307	(13,787,901)	47,838,898	%10.25
Ostool	Egypt	479,835,309	385,194,425	377,154,935	15,402,625	54,263,272	%27.69
Capital Lease	Egypt	475,416,430	407,486,538	18,996,135	1,541,381	26,123,050	%25
Total		1,705,643,118	1,075,048,066	440,337,750	(731,724)	136,206,621	
31 December 2019	Country	Company's assets L.E.	Company's liabilities less owners' equity L.E.	Company's revenues L.E.	Company's profits / (losses) L.E.	Book value L.E.	Share %
Associates							
Alex Complex	Egypt	119,305,344	110,334,243	18,806,521	(3,237,839)	1	%26.66
Alex fish	Egypt	67,593,470	25,451,509	230,081	(447,666)	2,111,248	%26.66
First Gas**	Egypt	44,227,782	19,190,209	36,927,599	1,876,889	7,317,348	%19.997
Prime holding for financial investments**	Egypt	479,941,225	56,695,081	7,214,409	4,235,582	50,871,195	%10.25
Ostool	Egypt	510,284,000	416,486,000	28,052,000	14,561,000	53,818,377	%27.69
Capital Lease	Egypt	--	--	--	--	18,750,000	%25
Total		1,221,351,821	628,157,042	91,230,610	16,987,966	132,868,169	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

20. Employee stock ownership plan (ESOP)

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

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

The balance of the employee stock ownership plan amounted EGP **88,713,484** as at 30 September 2020 according to of **7,421,363** shares, , the fair value EGP 53,810,448 the revaluation differences amounted EGP (34,903,036) for the period ended 30 September 2020.

ESOP movement during the period as follows:

	30 September 2020		31 December 2019	
	Shares	L.E.	Shares	L.E.
Beginning balance	6,247,194	83,011,999	3,921,000	62,285,606
Purchased during the period / year ended	1,174,169	5,701,485	2,326,194	20,726,393
Ending balance	7,421,363	88,713,484	6,247,194	83,011,999

* Additions during the period of 30 September 2020 include 435,169 shares represented in bonus dividends for the profits of 2018 in accordance with the decision of the General Assembly on 31 March 2019.

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

ESOP movement in equity during the year as follows:

	30 September 2020	31 December 2019
	L.E.	L.E.
Beginning balance	26,603,387	7,520,280
Amortization during the period / year ended	14,331,339	19,083,107
Ending balance	40,934,726	26,603,387

21. Intangible assets

Computer software

	30 September 2020	31 December 2019
	L.E.	L.E.
Net book value at the beginning of the period / year	19,913,273	36,601,128
Additions during the period / year	24,116,032	9,100,610
Reclassification	--	(24,319,146)
Amortization during the period / year	(5,400,404)	(6,153,845)
Accumulated depreciation of Reclassification assets	--	4,684,526
Net book value at the end of the period / year	38,628,901	19,913,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

22. Other assets

	30 September 2020	31 December 2019
	L.E.	L.E.
Accrued revenues	2,256,489,344	968,158,733
Prepaid expenses	216,148,763	146,621,240
Advances to purchase fixed assets	448,682,786	388,299,073
Assets reverted to bank (after deducting the impairment)	182,712,469	194,962,469
Impress & Guarantee	13,770,874	11,348,739
Assets held for sale - investments reverted to the bank*	77,857,901	77,857,901
Other	546,131,783	1,031,070,198
Total	3,741,793,920	2,818,318,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

23. Fixed assets

	Land & Buildings L.E.	Office Furniture L.E.	Equipment & Machinery L.E.	Computers L.E.	Furniture L.E.	Vehicles L.E.	Other L.E.	Total L.E.
Cost, 1/1/2019	391,416,516	190,049,468	21,160,950	109,081,201	60,973,978	13,742,690	110,768,474	897,193,277
Accumulated depreciation	(35,686,021)	(80,344,509)	(8,873,508)	(58,476,867)	(12,948,530)	(8,074,829)	(43,570,129)	(247,974,393)
Net book value	355,730,495	109,704,959	12,287,442	50,604,334	48,025,448	5,667,861	67,198,345	649,218,884
31 December 2019								
Net book value at the beginning of the period	355,730,495	109,704,959	12,287,442	50,604,334	48,025,448	5,667,861	67,198,345	649,218,884
Additions	26,560,648	111,874,506	1,644,212	3,386,626	1,590,396	--	31,503,486	176,559,874
Reclassification	--	--	--	45,184,852	--	--	(20,865,706)	24,319,146
Disposals	--	--	(369,943)	(12,047)	(242,319)	(155,450)	(1,952,596)	(2,732,355)
Depreciation	(8,910,191)	(46,461,253)	(2,397,356)	(18,912,751)	(5,841,347)	(2,408,015)	(19,323,027)	(104,253,940)
Accumulated depreciation of reclassified assets	--	--	--	(4,684,526)	--	--	--	(4,684,526)
Accumulated depreciation of disposal assets	--	--	368,546	12,045	242,044	155,450	1,937,337	2,715,422
Net book value	373,380,952	175,118,212	11,532,901	75,578,533	43,774,222	3,259,846	58,497,839	741,142,505
Cost, 1 January 2020								
	417,977,164	301,923,974	22,435,219	157,640,632	62,322,055	13,587,240	119,453,658	1,095,339,942
Accumulated depreciation	(44,596,212)	(126,805,762)	(10,902,318)	(82,062,099)	(18,547,833)	(10,327,394)	(60,955,819)	(354,197,437)
Net book value	373,380,952	175,118,212	11,532,901	75,578,533	43,774,222	3,259,846	58,497,839	741,142,505
30 September 2020								
Net book value at the beginning of the period	373,380,952	175,118,212	11,532,901	75,578,533	43,774,222	3,259,846	58,497,839	741,142,505
Additions	919,500	12,340,454	958,065	13,664,116	11,724,155	8,272,500	12,633,681	60,512,471
Disposals	--	(572,181)	(32)	(135,156)	(557,760)	(380,900)	(1,779,283)	(3,425,312)
Depreciation	(6,144,357)	(30,286,424)	(1,392,710)	(9,089,258)	(7,842,994)	(1,676,959)	(14,594,370)	(71,027,072)
Accumulated depreciation of disposal assets	--	572,180	--	135,145	554,447	380,900	960,646	2,603,318
Net book value	368,156,095	157,172,241	11,098,224	80,153,380	47,652,070	9,855,387	55,718,513	729,805,910
Cost 30 September 2020								
	418,896,664	313,692,247	23,393,252	171,169,592	73,488,450	21,478,840	130,308,056	1,152,427,101
Accumulated depreciation	(50,740,569)	(156,520,006)	(12,295,028)	(91,016,212)	(25,836,380)	(11,623,453)	(74,589,543)	(422,621,191)
Net book value	368,156,095	157,172,241	11,098,224	80,153,380	47,652,070	9,855,387	55,718,513	729,805,910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

24. Due to banks

	30 September 2020	31 December 2019
	L.E.	L.E.
Current accounts	330,097,000	166,130,835
Deposits	6,383,009,500	5,279,479,070
Total	6,713,106,500	5,445,609,905
Local banks	6,383,009,500	5,281,496,920
Foreign banks	330,097,000	164,112,985
Total	6,713,106,500	5,445,609,905
Non-interest bearing balances	330,097,000	166,130,835
Interest bearing balances	6,383,009,500	5,279,479,070
Total	6,713,106,500	5,445,609,905
Current balances	6,713,106,500	5,445,609,905
Total	6,713,106,500	5,445,609,905

25. Customers' deposits

	30 September 2020	31 December 2019
	L.E.	L.E.
Demand deposits	22,776,049,642	22,791,180,509
Time and call deposits	27,057,007,318	20,785,807,378
Certificates of deposits	9,068,790,573	7,866,768,278
Saving deposits	1,619,138,225	1,477,445,947
Other deposits	667,221,813	3,117,225,563
Total	61,188,207,571	56,038,427,675
Corporate deposits	44,436,314,181	38,904,194,875
Retail deposits	16,751,893,390	17,134,232,800
Total	61,188,207,571	56,038,427,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

26. Other loans \ Subordinated deposits

	30 September 2020	31 December 2019
	L.E.	L.E.
Commercial International Bank loan	1,666,937,480	1,620,286
European Investment Bank	275,843,750	320,830,000
Subordinated Deposits*	1,020,286	800,000,000
Total	1,943,801,516	1,122,450,286

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

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

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

27. Other liabilities

	30 September 2020	31 December 2019
	L.E.	L.E.
Accrued interest	359,171,603	301,445,676
Unearned revenue	10,488,680	16,826,352
Accrued expenses	420,193,083	267,165,733
Creditors	356,405,060	269,843,359
Other credit balances	146,784,113	112,994,104
Total	1,293,042,539	968,275,224

28. Other Provisions

	30 September 2020	31 December 2019
	L.E.	L.E.
Beginning balance	69,902,411	123,049,032
Foreign currencies revaluation	186,152	(1,938,921)
Charged during the period to statement of income	89,517,692	25,152,615
Provisions no longer required	(19,611,250)	(40,681,110)
Used during the period / year	(6,385,048)	(10,679,205)
Transfer to other provisions	--	(25,000,000)
Ending balance	133,609,957	69,902,411

	30 September 2020	31 December 2019
	L.E.	L.E.
Provision for legal claims	11,877,955	8,710,241
Provision for other claim	15,146,191	22,433,299
Provision for tax claims	2,576,098	2,576,098
Provision for contingent liabilities	104,009,713	36,182,773
Ending balance	133,609,957	69,902,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

29. Capital

Authorized capital

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

Issued and paid up capital

The issued and paid up capital amounted to USD 390,617,799 (equivalent to EGP 3,108,455,538) represented in 390,617,799 shares at par value of USD 1 each.

Retained for capital increase

The ordinary general assembly of the bank, held on 30 March 2020 decided to increase the issued and paid up capital by issuing free shares financed from the earning distribution shown in the financial statements for the year ending on 31 December 2019 amounting to EGP 515,292,627 and all procedures for this capital increase are being completed to register the increase shares on the Egyptian Stock Exchange.

30. Reserves and retained earnings

30.A Reserves during the year as follows

	September 2020 30	31 December 2019
	L.E.	L.E.
Legal reserve	358,016,028	290,481,824
Differences from foreign balances translation	2,684,997	2,684,997
Fair value reserve	205,514,567	310,216,186
General reserve	17,529,143	17,529,143
General bank risk reserve	8,063,999	6,000,000
Capital reserve	12,258,723	11,646,255
General risk reserve	208,750,579	208,750,579
Ending balance	812,818,036	847,308,984

30.A.1 General bank risk reserve

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

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

30.A.2 Legal reserve

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

30. Reserves and retained earnings – continued

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

	30 September 2020	31 December 2019
	L.E.	L.E.
Beginning balance	310,216,186	(187,278,385)
(Losses) / Gain from changes in FV (note 18)	(90,405,673)	595,497,403
Total reclassification and remeasurement impact	-	(98,376,102)
Net (losses) gains transferred to the income statement resulted from disposal	(14,295,946)	373,270
Ending balance	205,514,567	310,216,186

30.A.4 Special reserve

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

30.A.5 Capital reserve

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

30.B Retained earnings

Retained earnings movement

	30 September 2020	31 December 2019
	L.E.	L.E.
Beginning balance	753,531,824	700,274,579
Net profit for the period	453,539,692	657,959,241
Retained for capital increase (Stock dividends)	(515,292,627)	(452,365,938)
Adjustments	--	136,358
Contribution of an investment Held for sale	--	(13,738,486)
Employees profit share	(68,055,405)	(58,361,909)
Board of directors remuneration	(22,304,540)	(20,276,854)
Transferred to general banking	(2,063,999)	--
Transferred to legal reserve	(67,534,204)	(58,151,287)
Transferred to other reserves	(612,468)	(1,943,880)
Ending balance	531,208,273	753,531,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

31. Cash and cash equivalents

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

	30 September 2020	31 December 2019
	L.E.	L.E.
Cash and due from CBE	6,349,585,582	5,933,515,742
Due from banks	2,719,909,248	17,799,571,201
Treasury bills	4,463,764,748	6,662,322,467
Balance with CBE within the limit of statutory reserve	(7,043,846,302)	(6,946,062,347)
Due from banks with maturities more than 3 months	(300,304,360)	(4,796,716,212)
Treasury bills maturity more than 3 months	(4,457,545,173)	(6,647,668,621)
Cash and cash equivalent at the end of the period	1,731,563,743	12,004,962,230

32. Commitment and contingent liabilities

31.A Capital Commitment

The Bank's total capital commitments related to building and completing new branches and purchase of assets and equipment amounted to EGP 223,306,931 which has not been finished as at 30 September 2020.

31.B Commitments for loans, guarantees and facilities

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

	30 September 2020	31 December 2019
	L.E.	L.E.
Letter of credit (import & export)	183,016,000	371,205,000
Letter of guarantee	2,387,322,000	2,046,121,000
Total	2,570,338,000	2,417,326,000

33. Loans and credit facilities to related parties

	30 September 2020	31 December 2019
	EGP	EGP
Loans and Credit facilities	24,715,000	24,233,000
Saving accounts	2,071,000	3,102,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

34. Mutual funds

Mutual fund established by the bank - Egyptian Gulf Bank

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

The recoverable amount of the certificates as at 30 September 2020 was EGP 227.71 and the Fund's certificates on the same date were 107943 certificates.

The Thraa Fund cash

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

The recoverable amount of each certificate as of 30 September 2020 amounted EGP 20.3313 and the Fund's certificates on the same date were 17611107 certificates.

35. Deferred income tax

	Deferred tax assets		Deferred tax liabilities	
	2020/9/30 L.E.	31/12/2019 L.E.	2020/9/30 L.E.	31/12/2019 L.E.
Fixed assets	--	--	10,349,609	6,013,545
Provisions (other than loans impairment losses)	29,482,618	15,148,420	--	--
Total tax	29,482,618	15,148,420	10,349,609	6,013,545
Net tax derived from asset	19,133,009	9,134,875	--	--

Movement of deferred Assets and Liabilities

	2020/9/30 L.E.	31/12/2019 L.E.
Beginning balance	9,134,875	12,904,873
Additions during the period	9,998,134	--
Disposal during the period	--	(3,769,998)
Ending balance	19,133,009	9,134,875

In accordance with the Central Bank of Egypt instructions and Egyptian Accounting Standards No. (24) "income taxes" deferred tax assets are not recognized if no future benefits are expected and/or the existence of deferred tax liabilities at the same time. Accordingly, tax assets were not recognized during the financial year ended 30 September 2020 as well as the financial year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 30 SEPTEMBER 2020

36. Tax situation

Corporate income tax

Years 2005 to 2007:

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

Years 2008 and 2009:

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

Years 2010 and 2011:

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

Year 2012:

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

Years 2013 and 2014:

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

Years 2015 to 2016 to 2017:

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

Payroll tax

From inception till 2004:

Tax inspection was performed and paid for this period.

Years 2005 and 2006:

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

Years 2007 to 2012:

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

Years 2013 to 2015:

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

Year 2016:

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

Year 2017:

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

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37. Important Events

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

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

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

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

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

38. Comparative figures

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