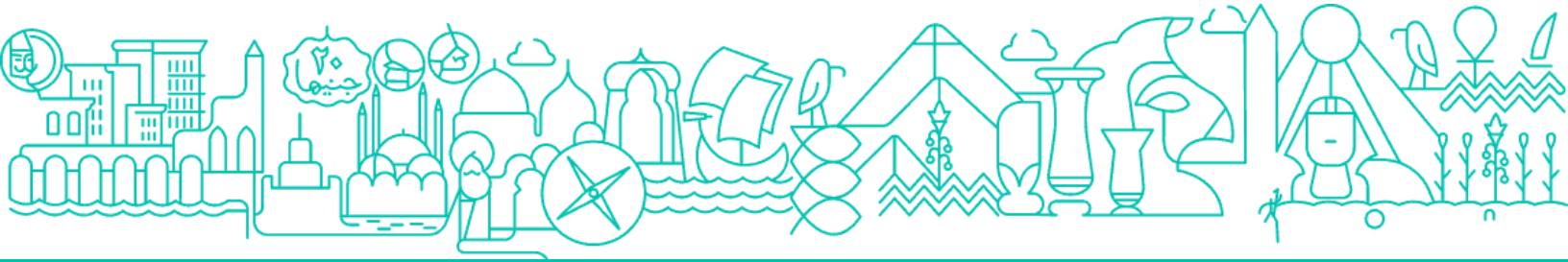
Separate Interim Financial Statements June 2020

Together With Limited Review Report



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United for Auditing & Tax
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Tamer Nabarawy & Co.
KRESTON EGYPT

Translation of review report
Originally issued in Arabic

Limited Review Report for the Separate Interim Financial Statements

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

Introduction

We have reviewed the accompanying separate financial position of Egyptian Gulf Bank (S.A.E) as of 30 June 2020 as well as the related separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with the rules of preparation and presentation of rules and recognition of the bank's financial statements issued by the Central Bank of Egypt on 16 December 2008 that are amended according to instructions issued on 26 February 2019, and with the related requirements of applicable Egyptian laws and regulations to prepare these separate interim financial statements, our responsibility is to express a conclusion on these separate interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with the Egyptian standard on limited review engagements 2410. "Limited Review of separate interim financial statements performed by the Independent Auditor of the Entity". A limited review of separate 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 the 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 separate interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly in all material respects the separate financial position of Egyptian Gulf Bank (S.A.E) as at 30 June 2020 and its separate financial performance, and separate cash flows for the period then ended in accordance with the rules of preparation and presentation of rules and recognition of the bank's financial statements issued by the Central Bank of Egypt on 16 December 2008 that are amended according to instructions issued on 26 February 2019, and with the related requirements of applicable Egyptian laws and regulations to prepare these separate interim financial statements.

Cairo: 13 August 2020

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SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	30/6/2020 L.E.	31/12/2019 L.E.
ASSETS			
Cash and balances with the Central bank	(16)	**3,282,987,130**	4,048,855,106
Due from banks	(17)	**2,781,469,901**	5,228,326,878
Loans, advances and morabahat to customers (net)	(18)	**21,142,369,682**	23,318,037,669
Financial investments:			
- Fair value through other comprehensive income	(19)	**32,601,321,233**	25,869,836,568
- Amortized cost	(19)	**6,285,205,543**	6,009,477,461
Investment in subsidiaries and associates	(20)	**199,978,100**	199,978,100
Employee stock ownership plan (ESOP)	(21)	**88,318,093**	83,011,999
Intangible assets	(22)	**40,730,038**	19,913,273
Other assets	(23)	**3,948,816,420**	2,870,267,857
Fixed assets	(24)	**746,144,695**	741,115,805
TOTAL ASSETS		**71,117,340,835**	68,388,820,716
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	(25)	**4,938,012,250**	5,445,609,905
Customers' deposits	(26)	**58,149,278,477**	56,045,841,828
Other loans \ Subordinated deposits	(27)	**1,850,316,286**	1,122,450,286
Other liabilities	(28)	**1,146,760,133**	966,346,987
Other provisions	(29)	**123,165,666**	69,902,411
TOTAL LIABILITIES		**66,207,532,812**	63,650,151,417
SHAREHOLDERS' EQUITY			
Issued and Paid-in capital	(30)	**3,108,455,538**	3,108,455,538
Retained for capital increase (Stock Dividends)	(30)	**515,292,627**	--
Reserves	(31)	**851,911,360**	847,308,984
Employee stock ownership plan (ESOP) reserve	(21)	**36,157,613**	26,603,387
Net profit and retained Earnings	(31)	**397,990,885**	756,301,390
TOTAL SHAREHOLDERS' EQUITY		**4,909,808,023**	4,738,669,299
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**71,117,340,835**	68,388,820,716

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 (40) are an integral part of these separate financial statements and are to be read therewith.

SEPARATE STATEMENT OF INCOME
FOR THE PERIOD ENDED 30 JUNE 2020

	Note	From 1/4/2020 To 30/6/2020 L.E.	From 1/1/2020 To 30/6/2020 L.E.	From 1/4/2019 To 30/6/2019 L.E.	From 1/1/2019 To 30/6/2019 L.E.
Interest from loans and similar income	(6)	**1,870,031,802**	**3,787,369,536**	1,814,220,850	3,664,042,060
Interest on deposits and similar expenses	(6)	**(1,143,944,577)**	**(2,450,515,633)**	(1,358,750,199)	(2,754,715,787)
Net interest income		**726,087,225**	**1,336,853,903**	455,470,651	909,326,273
Fees and commissions income	(7)	**73,439,192**	**173,768,849**	70,043,751	163,419,029
Fees and commissions expenses	(7)	**(25,435,248)**	**(45,507,890)**	(18,328,790)	(35,758,380)
Net fees and commission income		**48,003,944**	**128,260,959**	51,714,961	127,660,649
Dividends income	(8)	**8,070,136**	**8,216,472**	20,887,099	21,022,515
Net trading income	(9)	**30,941,573**	**71,058,521**	15,085,713	42,286,068
Gain from sale of financial investments	(19)	**62,770**	**12,000,584**	1,335,064	5,431,429
Impairment (charge) for credit losses	(12)	**(144,430,707)**	**(298,446,703)**	(11,207,362)	(90,881,131)
General and administrative expenses	(10)	**(345,018,457)**	**(704,867,955)**	(286,817,238)	(547,408,259)
Other operating income (expenses)	(11)	**(64,011,101)**	**(42,058,427)**	609,593	22,890,417
Profit before income tax		**259,705,383**	**511,017,354**	247,078,481	490,327,961
Income tax expenses	(13)	**(99,235,470)**	**(193,985,817)**	(81,336,752)	(178,799,763)
Net profit of the period		**160,469,913**	**317,031,537**	165,741,729	311,528,198
Earnings per share (EGP/ share)	(14)	**0.41**	**0.81**	0.42	0.80

Executive Chairman & managing director

Nidal El Kassem Assar



Chairman

Mohamed Gamal El Din Mohamed Mahmoud



- The accompanying notes from (1) to (40) are an integral part of these separate financial statements and are to be read therewith.

SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020

	Note	From 1/4/2020 To 30/6/2020 L.E.	From 1/1/2020 To 30/6/2020 L.E.	From 1/4/2019 To 30/6/2019 L.E.	From 1/1/2019 To 30/6/2019 L.E.
Net profit for the period		**160,469,913**	**317,031,537**	**165,741,729**	**311,528,198**
Other comprehensive income items that is or may be reclassified to the profit or loss:					
Change in financial assets at fair value through OCI	(31)	**151,377,550**	**(52,582,783)**	**61,804,743**	**230,886,732**
Total OCI items for the period		**151,377,550**	**(52,582,783)**	**61,804,743**	**230,886,732**
Total other comprehensive income for the period		**311,847,463**	**264,448,754**	**227,546,472**	**542,414,930**

SEPARATE STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2020

	Note	From 1/1/2019 To 30/6/2019 L.E.	From 1/1/2018 To 30/6/2018 L.E.
Cash flows from Operating Activities			
Net Profits before income tax		**511,017,354**	490,327,961
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	(22-24)	**50,463,217**	55,848,083
Impairment of assets	(12)	**298,446,703**	90,881,131
Other provisions charged	(11)	**56,439,156**	(17,218,146)
Other provisions used, other than provisions for loans	(29)	**(3,363,239)**	(2,582,322)
Revaluation differences for other provision in foreign currencies	(29)	**187,338**	(1,256,774)
Revaluation differences for financial assets in foreign currencies	(19)	**(13,727,566)**	158,057,838
Amortization of premium / discount for bonds	(19)	**(20,321,632)**	(20,338,712)
(Gain) on sale of fixed assets	(11)	**(301,807)**	(448,718)
Dividends income	(8)	**(8,216,472)**	(21,022,515)
Gains from sale of financial investment	(19)	**(25,026,096)**	(3,478,955)
Share based payments	(21)	**9,554,226**	9,676,938
Revaluation of financial investments at fair value through profit and loss		**--**	(211,128)
Operating profit before changes in assets and liabilities provided from operating activities		**855,151,182**	738,234,681
Net (increase) decrease in assets and liabilities			
Due from banks		**1,303,965,336**	300,637,535
Treasury bills		**(5,200,572,391)**	4,043,578,217
Loans, advances and morabahat to customers		**1,700,113,299**	1,632,027,002
Other assets		**(1,030,321,454)**	(197,325,076)
Fair value through profit and loss		**--**	(40,229,330)
Due to banks		**(507,597,655)**	(3,499,765,504)
Customers' deposits		**2,103,436,649**	4,783,339,212
Other liabilities		**(13,572,671)**	(124,319,363)
Net cash flows provided from operating activities	**(1)**	**(789,397,705)**	7,636,177,374
Cash flows from Investing Activities			
Payments to purchase fixed assets and branches improvement		**87,871,450**	(69,719,228)
Proceeds from sale of fixed assets		**1,123,801**	465,650
Proceeds from sale of financial investments other than trading investments		**1,239,657,062**	662,768,791
Payments to purchase financial investment other than trading investments	(19)	**(3,175,033,795)**	(1,133,470,691)
Dividends received	(8)	**146,336**	953,867
Employee stock ownership plan (ESOP)	(21)	**(5,306,094)**	(10,426,065)
Net cash flows (used in) investing activities	**(2)**	**(1,851,541,240)**	(502,173,534)
Cash flows from Financing Activities			
Change in long long-term loans \ Subordinated deposits		**727,866,000**	(24,458,000)
Dividends paid		**(89,838,744)**	(78,428,141)
Net cash flows (used in) provided from financing activities	**(3)**	**638,027,256**	(102,886,141)
Net change in cash and cash equivalents during the period	**(1+2+3)**	**(2,002,911,689)**	6,983,863,557
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		**2,065,147,856**	13,622,167,027

SEPARATE STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2020 – CONTINUED

Cash and cash equivalents are represented in (note 32)			
Cash and balances with the CBE	(16)	**3,282,987,130**	4,524,983,822
Due from banks	(17)	**2,783,172,949**	17,248,875,588
Treasury bills	(19)	**6,508,920,262**	5,429,539,107
Balance with CBE within the limit of statutory reserve		**(3,729,815,223)**	(5,643,700,396)
Due from banks with maturities more than 3 months		**(271,197,000)**	(2,507,991,987)
Treasury bills with maturity more than 3 months		**(6,508,920,262)**	(5,429,539,107)
Cash and cash equivalents at the end of the year		**2,065,147,856**	13,622,167,027

- The accompanying notes from (1) to (40) are an integral part of these separate financial statements and are to be read therewith.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020

	Note	Capital	Retained for capital increase	Reserves	General risk reserve	ESOP	Retained Earnings	Total
		L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
30 June 2019								
Balance as of 1/1/2019		2,256,089,600	400,000,000	289,719,246	--	(5,580,379)	671,848,594	3,612,077,061
Transferred for General risk reserve		--	--	(208,750,579)	208,750,579	--	--	--
Transferred for capital increase		400,000,000	(400,000,000)	--	--	--	--	--
Capital increase (Free shares)		--	452,365,938	--	--	--	(452,365,938)	--
Dividends paid		--	--	--	--	--	(78,428,141)	(78,428,141)
Transferred to legal reserves		--	--	58,151,287	--	--	(58,151,287)	--
Net change in other comprehensive income items		--	--	331,215,307	--	--	--	331,215,307
Total impact of reclassification and remesurement		--	--	(98,376,102)	--	--	--	(98,376,102)
Transferred to capital reserve from retained earnings		--	--	1,943,880	--	--	(1,943,880)	--
Employee stock ownership plan (ESOP) reserve		--	--	--	--	(1,641,114)	--	(1,641,114)
Employee stock ownership plan (ESOP)		--	--	--	--	9,676,938	--	9,676,938
Net profit for the period		--	--	--	--	--	311,528,198	311,528,198
Balance as of 30/6/2019		2,656,089,600	452,365,938	373,903,039	208,750,579	2,455,445	392,487,546	4,086,052,147
30 June 2020								
Balance as of 1/1/2020		**3,108,455,538**	**--**	**638,558,405**	**208,750,579**	**26,603,387**	**756,301,390**	**4,738,669,299**
Capital increase (Free Shares)	(30)	**--**	**515,292,627**	**--**	**--**	**--**	**(515,292,627)**	**--**
Dividends paid	(31)	**--**	**--**	**--**	**--**	**--**	**(89,838,744)**	**(89,838,744)**
Transferred to legal reserves	(31)	**--**	**--**	**67,534,204**	**--**	**--**	**(67,534,204)**	**--**
Net change in other comprehensive income items	(31)	**--**	**--**	**(65,608,295)**	**--**	**--**	**--**	**(65,608,295)**
Transferred to general banking risk reserve	(31)	**--**	**--**	**2,063,999**	**--**	**--**	**(2,063,999)**	**--**
Transferred to capital reserve from retained earnings	(31)	**--**	**--**	**612,468**	**--**	**--**	**(612,468)**	**--**
Employee stock ownership plan (ESOP)	(21)	**--**	**--**	**--**	**--**	**9,554,226**	**--**	**9,554,226**
Net profit for the period	(31)	**--**	**--**	**--**	**--**	**--**	**317,031,537**	**317,031,537**
Balance as of 30/6/2020		**3,108,455,538**	**515,292,627**	**643,160,781**	**208,750,579**	**36,157,613**	**397,990,885**	**4,909,808,023**

- The accompanying notes from (1) to (40) are an integral part of these separate financial statements and are to be read therewith.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

1. General information

Egyptian Gulf Bank S.A.E was 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 issuance of warranties and bonus of investment and it executives, The Bank is listed in the Egyptian Stock Exchange.

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.

Separate financial statements were approved by the Board of Directors on 21 July 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

The separate financial statements have been prepared in accordance with the Central Bank of Egypt regulations approved by the Board of Directors on 16 December 2008, in addition to Egyptian Financial Reporting Standards No.9 “Financial instruments” issued on 26 February 2019 by the Central Bank of Egypt.

The separate financial statements have been prepared under the historical cost convention , As modified by the revaluation of financial assets and liabilities classified as trading or held at fair value through profit or loss, available for sale investment and all derivatives contracts.

The separate and consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with the relevant domestic laws and the Egyptian financial reporting standards, the affiliated companies are entirely included in the consolidated financial statements and these companies are the companies that the Bank - directly or indirectly has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of activity, the bank’s consolidated financial statements can be obtained from the bank's management. The bank accounts for investments in subsidiaries and associate companies in the separate financial statements at cost minus impairment loss.

The separate financial statements of the bank should be read with its consolidated financial statements, for the period ended on 30 June 2020 to get complete information on the bank’s financial position, results of operations, cash flows and changes in ownership rights.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

2. Summary of significant accounting policies – continued

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).

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

2. Summary of significant accounting policies – continued

2.B Changes in accounting policies – continued

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

2. Summary of significant accounting policies – continued

2.C Subsidiaries and Associates

2.C.1 Subsidiaries

Subsidiaries are all entities (including Special Purpose Entities / SPEs) over which the Bank has owned directly or indirectly the control to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights, The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity or not.

2.C.2 Associates

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

The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Bank share of the fair value of the identifiable net assets acquired is recorded as goodwill. A gain on acquisition is recognized in profit or loss if there is an excess of the bank's share of the fair value of the identifiable net assets acquired over the cost of the acquisition.

2.D 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.E Foreign currency translation

2.E.1 Functional and presentation currency

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

2.E.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 from held-for-trading assets and liabilities.
- Other operating revenues (expenses) from the remaining assets and liabilities.
- Other comprehensive income items for financial investments at FVTOCI.

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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

2. Summary of significant accounting policies – continued

2.F Financial assets

Financial Policies applied starting from January 01, 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 buisness 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.G 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

2. Summary of significant accounting policies – continued

2.H 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.I 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

2. Summary of significant accounting policies – continued

2.J Dividend income

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

2.K 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.L Impairment of financial assets

Financial Policies applied starting from January 01, 2019

The Bank reviews all its financial assets except for financial assets that are measured at fair value through profit or loss to assess the extent of impairment 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

2. Summary of significant accounting policies – continued

2.M 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.N 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

2. Summary of significant accounting policies – continued

2.O 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.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. Gains and losses on disposals are determined by comparing the selling proceeds with asset carrying amount and charge to other operating expenses in the income statement.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

2. Summary of significant accounting policies – continued

2.P Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized (expect goodwill) 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.Q 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.R 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.S Employee's benefits

2.S.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.S.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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

2. Summary of significant accounting policies – continued

2.S Employee's benefits - continued

2.S.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.S.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 June 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.

2.T 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.U Borrowings

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

2.V 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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	
	%	%	**%**	%
	30/6/2020	31/12/2019	**30/6/2020**	31/12/2019
Performing loans	**%32.29**	%37.28	**%0.62**	%0.84
Regular watching	**%56.26**	%49.58	**%5.69**	%4.68
Watch list	**%7.00**	%9.21	**%30.39**	%38.53
Non-performing loans	**%4.45**	%3.93	**%63.30**	%55.95
	%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
- Initiation of bankruptcy proceedings
- 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 "general banking risk reserve" in 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

Financial position items exposed to credit risks

	30/6/2020 L.E	31/12/2019 L.E
In balance sheet items exposed to credit risk		
Due from bank	**2,783,172,949**	5,230,029,082
Treasury bills and other government notes	**7,808,145,262**	9,158,573,593
Loans and advances to customers		
Retail loans		
- Overdraft	**55,301,950**	312,528,495
- Credit cards	**77,618,287**	66,745,296
- Personal loans	**5,544,128,060**	4,435,559,851
- Mortgage	**239,070,666**	226,008,466
Corporate loans		
- Overdraft	**1,880,900,639**	4,279,835,050
- Direct loans	**7,298,233,109**	7,277,604,564
- Syndicated loans	**7,428,050,763**	7,844,548,680
Financial investments		
- Debt instruments	**11,031,576,901**	9,096,979,525
Other assets	**3,325,397,905**	2,335,350,135
Total	**47,471,596,491**	50,263,762,737
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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

	30 June 2020			
Due from banks	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	**2,783,172,949**	--	--	**2,783,172,949**
Regular watching	**--**	--	--	**--**
Watch list	**--**	--	--	**--**
Non-performing loans	**--**	--	--	**--**
Total Book value	**2,783,172,949**	**--**	**--**	**2,783,172,949**
Less: Impairment provision	**(1,703,048)**	--	--	**(1,703,048)**
Book value	**2,781,469,901**	**--**	**--**	**2,781,469,901**

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

	30 June 2020			
Treasury bills	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	**7,808,145,262**	--	--	**7,808,145,262**
Regular watching	**--**	--	--	**--**
Watch list	**--**	--	--	**--**
Non-performing loans	**--**	--	--	**--**
Total Book value	**7,808,145,262**	**--**	**--**	**7,808,145,262**
Less: Impairment provision	**(22,152,391)**	--	--	**(22,152,391)**
Book value	**7,785,992,871**	**--**	**--**	**7,785,992,871**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

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

	30 June 2020			
Retail loans	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	**2,625,081,729**	**20,354,486**	**11,861,448**	**2,657,297,663**
Regular watching	**3,089,096,892**	**--**	--	**3,089,096,892**
Watch list	--	**71,194,387**	--	**71,194,387**
Non-performing loans	--	**--**	**98,530,021**	**98,530,021**
Total Book value	**5,714,178,621**	**91,548,873**	**110,391,469**	**5,916,118,963**
Less: Impairment provision	**(65,306,079)**	**(18,305,764)**	**(55,245,526)**	**(138,857,369)**
Book value	**5,648,872,542**	**73,243,109**	**55,145,943**	**5,777,261,594**

	31 December 2019			
Retail loans	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
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 Book value	**4,877,755,871**	**62,283,151**	**100,803,086**	**5,040,842,108**
Less: Impairment provision	(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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

	30 June 2020			
Corporate loans	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	**767,591,283**	**3,848,414,548**	**110,742**	**4,616,116,573**
Regular watching	**9,347,758,190**	**234,048,537**	**--**	**9,581,806,727**
Watch list	**897,917,951**	**607,141,481**	**--**	**1,505,059,432**
Non-performing loans	**--**	**--**	**904,201,779**	**904,201,779**
Total Book value	**11,013,267,424**	**4,689,604,566**	**904,312,521**	**16,607,184,511**
Less: Impairment provision	**(237,106,968)**	**(185,363,109)**	**(819,068,518)**	**(1,241,538,595)**
Book value	**10,776,160,456**	**4,504,241,457**	**85,244,003**	**15,365,645,916**

	31 December 2019			
Corporate loans	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
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	--	--	871,177,661	**871,177,661**
Total Book value	**17,163,908,366**	**1,362,242,025**	**875,837,903**	**19,401,988,294**
Less: Impairment provision	(120,621,912)	(325,876,720)	(587,081,368)	**(1,033,580,000)**
Book value	**17,043,286,454**	**1,036,365,305**	**288,756,535**	**18,368,408,294**

	30 June 2020			
Debt instruments at fair value through OCI	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	**4,745,704,300**	--	--	**4,745,704,300**
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total Book value	**4,745,704,300**	**--**	**--**	**4,745,704,300**
Less: Impairment provision	**(32,307,071)**	--	--	**(32,307,071)**
Book value	**4,713,397,229**	**--**	**--**	**4,713,397,229**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

	31 December 2019			
Debt instruments at fair value through OCI	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	3,101,009,773	--	--	**3,101,009,773**
Regular watching	--	--	--	**--**
Watch list	--	--	--	**--**
Non-performing loans	--	--	--	**--**
Total Book value	**3,101,009,773**	**--**	**--**	**3,101,009,773**
Less: Impairment provision	(19,084,904)	--	--	**(19,084,904)**
Book value	**3,081,924,869**	**--**	**--**	**3,081,924,869**

	30 June 2020			
Debt instruments at amortized cost	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Credit rating				
Performing loans	**6,298,372,601**	--	--	**6,298,372,601**
Regular watching	**--**	--	--	**--**
Watch list	**--**	--	--	**--**
Non-performing loans	**--**	--	--	**--**
Total Book value	**6,298,372,601**	**--**	**--**	**6,298,372,601**
Less: Impairment provision	**(13,167,058)**	--	--	**(13,167,058)**
Book value	**6,285,205,543**	**--**	**--**	**6,285,205,543**

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 ECL between the beginning and ending of the period as a result of these factors:

	30 June 2020			
Due from banks	Stage 1	Stage 2	Stage 3	**Total**
	12 months	Life time	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	**(13,344)**	**--**	**--**	**(13,344)**
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	**14,188**	**--**	**--**	**14,188**
Ending balance	**1,703,048**	**--**	**--**	**1,703,048**

	31 December 2019			
Due from banks	Stage 1	Stage 2	Stage 3	**Total**
	12 months	Life time	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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 June 2020 Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	Total
Provision for credit losses on 1 January 2020	**10,018,560**	**--**	**--**	**10,018,560**
New financial assets purchased or issued	**11,594,826**	**--**	**--**	**11,594,826**
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	**539,005**	**--**	**--**	**539,005**
Ending balance	**22,152,391**	**--**	**--**	**22,152,391**

Treasury bills	31 December 2019 Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	Total
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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

	30 June 2020			
Retail loans	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
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	**36,049,208**	**20,084**	**22,854**	**36,092,146**
Matured or disposed financial assets	**(6,873,004)**	**(5,444,715)**	**(721,509)**	**(13,039,228)**
Transferred to stage 1	**658,670**	**(658,670)**	**--**	**--**
Transferred to stage 2	**(1,882,514)**	**1,882,514**	**--**	**--**
Transferred to stage 3	**(471,881)**	**(1,412,187)**	**1,884,068**	**--**
Changes in the probability of default and loss in case of default and the exposure at default	**4,479,347**	**12,755,785**	**8,594,759**	**25,829,891**
Changes in model assumption and methodology	**--**	**--**	**--**	**--**
Proceeds from bad debts	**--**	**--**	**1,508,309**	**1,508,309**
Write off during the period	**--**	**--**	**--**	**--**
Foreign currencies translation differences	**(87,193)**	**--**	**(363)**	**(87,556)**
Ending balance	**65,306,079**	**18,305,764**	**55,245,526**	**138,857,369**

	31 December 2019			
Retail loans	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	Total
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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

	30 June 2020			
Corporate loans	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
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	**33,147**	**--**	**30**	**33,177**
Matured or disposed financial assets	**(208,089)**	**(12,458,010)**	**(199,507)**	**(12,865,606)**
Transferred to stage 1	**86,970,851**	**(86,970,851)**	**--**	**--**
Transferred to stage 2	**(23,749,236)**	**23,749,236**	**--**	**--**
Transferred to stage 3	**(2,385,597)**	**--**	**2,385,597**	**--**
Changes in the probability of default and loss in case of default and the exposure at default	**53,298,194**	**(63,179,585)**	**244,226,410**	**234,345,019**
Changes in model assumption and methodology	**--**	**--**	**--**	**--**
Proceeds from bad debts	**--**	**--**	**--**	**--**
Transferred from other provisions	**--**	**--**	**--**	**--**
Write off during the period	**--**	**--**	**(17,234,608)**	**(17,234,608)**
Foreign currencies translation differences	**2,525,786**	**(1,654,401)**	**2,809,228**	**3,680,613**
Ending balance	**237,106,968**	**185,363,109**	**819,068,518**	**1,241,538,595**

	31 December 2019			
Corporate loans	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Provision for credit losses on 1 January 2019	164,272,280	6,454,323	720,316,906	891,043,509
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	25,000,000	--	--	25,000,000
Proceeds from bad debts	--	--	635,489	635,489
Transferred from other provisions	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(4,222,662)	(13,851,671)	(35,801,718)	(53,876,051)
Ending balance	120,621,912	325,876,720	587,081,368	1,033,580,000

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

	30 June 2020			
Debt instruments at fair value through OCI	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Provision for credit losses on 1 January 2020	**19,084,904**	**--**	**--**	**19,084,904**
New financial assets purchased or issued	**13,077,547**	**--**	**--**	**13,077,547**
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	**144,620**	**--**	**--**	**144,620**
Ending balance	**32,307,071**	**--**	**--**	**32,307,071**

	31 December 2019			
Debt instruments at fair value through OCI	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.A Credit risk – continued

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

	30 June 2020			
Debt instruments at amortized cost	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Provision for credit losses on 1 January 2020	**9,613,793**	**--**	**--**	**9,613,793**
New financial assets purchased or issued	**3,392,275**	**--**	**--**	**3,392,275**
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	**160,990**	**--**	**--**	**160,990**
Ending balance	**13,167,058**	**--**	**--**	**13,167,058**

	31 December 2019			
Debt instruments at amortized cost	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	**Total**
Provision for credit losses on 1 January 2019	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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 June 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 47.45% 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 39.69% represents investments in debt instruments against 27.36% as at 31 December 2019 and 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:

- 93.92 % 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.
- 91.63 % 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 June 2020.
- Investments in debt instruments and treasury bills contain more than 96.89 % against 100% as at 31 December 2019 due from the Egyptian government.

3.A.6 Loans and advances

	30/6/2020	31/12/2019
	Loans and advances to customers L.E.	Loans and advances to customers L.E.
Neither past due nor impaired	**20,638,146,197**	22,218,027,397
Past due but not impaired	**656,604,184**	1,324,266,422
Individually impaired	**1,228,553,093**	900,536,583
Gross	**22,523,303,474**	24,442,830,402
less: impairment losses, advances and restricted interests	**(1,380,933,792)**	(1,124,792,733)
Net	**21,142,369,682**	23,318,037,669

- As a result to the economic and political circumstances in Egypt loans and advances portfolios has decreased 8% as of 30 June 2020 compared to its balance at 31 December 2019.
- Note (18) 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Loans and advances to customers (net)

	30/6/2020							
	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	**46,225,768**	**33,234,840**	**2,569,795,454**	**--**	**539,660,778**	**628,172,762**	**3,447,701,279**	**7,264,790,881**
Regular follow up	**102,103**	**38,208,124**	**2,793,039,186**	**199,915,153**	**818,058,136**	**5,541,099,186**	**3,201,905,304**	**12,592,327,192**
Watch list	**263**	**639,385**	**46,364,278**	**5,959,737**	**263,002,606**	**576,273,897**	**264,522,348**	**1,156,762,514**
Non-performing	**188,719**	**813,329**	**24,825,249**	**17,847,190**	**28,787,523**	**4,286,687**	**51,740,398**	**128,489,095**
Total	**46,516,853**	**72,895,678**	**5,434,024,167**	**223,722,080**	**1,649,509,043**	**6,749,832,532**	**6,965,869,329**	**21,142,369,682**

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

	31/12/2019							
	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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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:

	30/6/2020			
Retail	**Credit cards**	**Personal loans**	**Mortgage**	**Total**
	L.E.	**L.E.**	**L.E.**	**L.E.**
Past due up to 30 days	**2,281,737**	**267,420,008**	**63,757**	**269,765,502**
Past due from 30 to 60 days	**591,301**	**38,335,775**	**50,491**	**38,977,567**
Past due from 60 to 90 days	**253,082**	**20,565,171**	**12,094,471**	**32,912,724**
Total	**3,126,120**	**326,320,954**	**12,208,719**	**341,655,793**

	30/6/2020			
Corporate	**Overdraft**	**Direct loans**	**Syndicated loans**	**Total**
	L.E.	**L.E.**	**L.E.**	**L.E.**
Past due up to 30 days	**--**	**--**	**301,816,247**	**301,816,247**
Past due from 30 to 60 days	**--**	**7,649,990**	**--**	**7,649,990**
Past due from 60 to 90 days	**2,669,459**	**2,812,695**	**--**	**5,482,154**
Total	**2,669,459**	**10,462,685**	**301,816,247**	**314,948,391**

	31/12/2019			
Retail	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

	31/12/2019			
Corporate	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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 June 2020 amounted to EGP 1,228,553,093 against EGP 900,536,583 as of 31 December 2019. The breakdown of the total loans and advances subject to individual impairment including fair value of collateral obtained by the bank against these loans is as follows:

	Individual				Corporate			Total
	Overdraft	Credit card	Personal loans	Mortgage	Overdraft	Direct Loans	Syndicated Loans	
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.		L.E.
Individually impaired loans 30/6/2020	**970**	**1,211,752**	**323,132,806**	**5,786**	**195,924,503**	**385,509,276**	**322,768,000**	**1,228,553,093**
Individually impaired loans 31/12/2019	**--**	**1,008,879**	**28,344,987**	**5,057**	**111,243,722**	**439,103,938**	**320,830,000**	**900,536,583**

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 1,228,154 thousand against EGP 1,325,962thousand at 31 December 2019.

	30/6/2020 In thousand EGP	31/12/2019 In thousand EGP
Loans and advances to customers		
Corporate		
- Overdraft	**295,314**	**665,489**
- Direct Loans	**722,474**	**660,473**
Total	**1,017,788**	**1,325,962**

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

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

	Treasury bills	Investments securities	Total
	L.E.	L.E.	L.E.
From A to +AA	**--**	**591,638,518**	**591,638,518**
B	**18,403,256,556**	**--**	**18,403,256,556**
Total	**18,403,256,556**	**591,638,518**	**18,994,895,074**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.B Market risk

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

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

3.B.1 Market risk measurement techniques

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

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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 30/6/2020						
Cash and balances with the CBE	**2,976,535,997**	**220,470,798**	**5,433,549**	**65,734,627**	**14,812,159**	**3,282,987,130**
Due from Banks	**28,605,983**	**2,345,780,945**	**97,392,249**	**291,548,666**	**19,845,106**	**2,783,172,949**
Treasury bills	**24,532,928,406**	**3,030,206,229**	**--**	**336,320,258**	**--**	**27,899,454,893**
Loans and advances to customers	**18,157,955,806**	**4,338,592,319**	**13,889**	**26,734,384**	**7,076**	**22,523,303,474**
Financial investments:						
- Fair value through other omprehensive income	**2,120,561,747**	**2,232,356,258**	**--**	**403,407,797**	**--**	**4,756,325,802**
- Amortized cost	**5,045,320,897**	**1,141,583,838**	**--**	**111,467,866**	**--**	**6,298,372,601**
Total financial assets	**52,861,908,836**	**13,308,990,387**	**102,839,687**	**1,235,213,598**	**34,664,341**	**67,543,616,849**
Financial liabilities 30/6/2020						
Due to banks	**4,150,000,000**	**300,989,915**	**--**	**487,022,335**	**--**	**4,938,012,250**
Customer deposits	**46,022,306,498**	**11,212,210,514**	**102,125,535**	**786,549,687**	**26,086,243**	**58,149,278,477**
Other loans / Subordinated deposits	**801,320,286**	**1,048,996,000**	**--**	**--**	**--**	**1,850,316,286**
Total financial liabilities	**50,973,626,784**	**12,562,196,429**	**102,125,535**	**1,273,572,022**	**26,086,243**	**64,937,607,013**
Net financial position 30/6/2020	**1,888,282,052**	**746,793,958**	**714,152**	**(38,358,424)**	**8,578,098**	**2,606,009,836**
Financial assets as of 31/12/2019						
Total financial assets	48,693,134,202	14,466,884,621	123,174,879	1,149,877,084	41,768,716	64,474,839,502
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 31/12/2019	1,083,229,364	715,494,373	(1,056,615)	45,076,132	18,194,229	1,860,937,483

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 by Bank Treasury.

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 30/6/2020						
Cash and balances with the CBE	**1,249,309,845**	**--**	**--**	**--**	**--**	**1,249,309,845**
Due from Banks	**1,521,294,013**	**--**	**--**	**--**	**--**	**1,521,294,013**
Treasury bills	**8,000,856,000**	**2,403,766,200**	**21,258,386,600**	**--**	**--**	**31,663,008,800**
Bonds and other financial instruments	**192,772,077**	**217,395,679**	**1,995,165,684**	**9,537,307,456**	**3,101,093,035**	**15,043,733,931**
Regular loans and advances to customers	**17,482,059,591**	**756,636,327**	**1,590,942,898**	**3,029,337,782**	**674,381,873**	**23,533,358,471**
Net Loans and advances to customers	**--**	**--**	**--**	**--**	**1,477,352,815**	**1,477,352,815**
Other Assets	**--**	**5,000,000**	**--**	**--**	**--**	**5,000,000**
Total financial assets	**28,446,291,526**	**3,382,798,206**	**24,844,495,182**	**12,566,645,238**	**5,252,827,723**	**74,493,057,875**
Financial liabilities 30/6/2020						
Due to banks	**4,945,241,964**	**--**	**--**	**--**	**--**	**4,945,241,964**
Demand deposits	**11,966,448,922**	**1,577,168,270**	**4,731,504,810**	**6,791,870,185**	**16,000**	**25,067,008,187**
Saving deposits	**620,169,372**	**117,063,098**	**351,189,293**	**585,016,974**	**--**	**1,673,438,737**
Time and call deposits	**10,761,437,177**	**4,394,234,872**	**5,308,340,048**	**2,853,232,209**	**638,142,622**	**23,955,386,928**
Certificates of deposits	**18,140,676**	**3,286,979,102**	**532,640,933**	**5,082,664,934**	**311,488,547**	**9,231,914,192**
Other loans / Subordinated deposits	**--**	**1,133,620,028**	**28,595,228**	**152,507,880**	**802,481,940**	**2,117,205,076**
Total financial liabilities	**28,311,438,111**	**10,509,065,370**	**10,952,270,312**	**15,465,292,182**	**1,752,129,109**	**66,990,195,084**
Re-pricing gap	**134,853,415**	**(7,126,267,164)**	**13,892,224,870**	**(2,898,646,944)**	**3,500,698,614**	**7,502,862,791**
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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 30/6/2020						
Due to banks	**4,938,012,250**	**--**	**--**	**--**	**--**	**4,938,012,250**
Customer deposits	**11,277,504,477**	**8,198,579,277**	**17,350,503,459**	**13,347,990,670**	**7,974,700,594**	**58,149,278,477**
Other loans / Subordinated deposits	**--**	**300,000**	**373,143**	**10,612,214**	**1,839,030,929**	**1,850,316,286**
Total financial liabilities	**16,215,516,727**	**8,198,879,277**	**17,350,876,602**	**13,358,602,884**	**9,813,731,523**	**64,937,607,013**
Total financial assets	**19,852,392,727**	**4,269,738,029**	**25,622,691,060**	**10,190,040,802**	**7,608,754,232**	**67,543,616,849**
Financial liabilities 31/12/2019						
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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.D Fair value of financial assets and liabilities

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

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

	Book value		FMV*	
	31/12/2019	31/12/2018	**31/12/2019**	31/12/2018
	L.E.	L.E.	**L.E.**	L.E.
Financial assets				
Due from banks	**2,781,469,901**	5,228,326,878	**2,781,469,901**	5,228,326,878
Loans and advances to customers				
A- Retail				
- Overdraft	**46,516,853**	301,741,837	*	*
- Credit cards	**72,895,678**	63,432,505	*	*
- Personal loans	**5,434,024,167**	4,373,595,077	*	*
- Mortgage	**223,722,080**	213,416,066	*	*
B- Corporate				
- Overdraft	**1,649,509,043**	4,056,055,138	*	*
- Direct loans	**6,749,832,532**	6,708,559,151	*	*
- Syndicated loans	**6,965,869,329**	7,601,237,895	*	*
Financial investments				
- Fair value through OCI	**10,621,501**	10,621,501	*	*
- Amortized cost	**6,285,205,543**	6,009,477,461	**6,554,422,814**	5,993,278,895
Financial liabilities				
Due to banks	**4,938,012,250**	5,445,609,905	**4,938,012,250**	5,445,609,905
Customers deposits				
- Corporate	**41,094,269,825**	38,911,609,028	*	*
- Retail	**17,055,008,652**	17,134,232,800	*	*
Other loans / Subordinated deposits	**1,850,316,286**	1,122,450,286	*	*

* Some assets and liabilities were not measured at their FMV 30 June 2020.

Due from banks

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

Loans and advances to banks

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

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

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

Loans and advances to customers

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

Financial investments

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

Due to banks and customers

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

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

Issued debt instrument

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

3.E Capital management

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

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

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

The CBE requires the bank to comply with the following:

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 loans, advances and performing contingent liabilities with maximum 1.25% from total weighted assets and weighted contingent liabilities.
- 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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:

	30/6/2020 In thousand EGP	31/12/2019 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	**77,668**	95,573
Additional capital	**200,013**	565,671
Total other comprehensive income	**244,608**	310,216
Total deductions from tier 1 capital	**(158,034)**	(132,567)
Total qualifying tier 1 capital	**4,584,558**	4,475,756
Tier 2 capital		
Impairment provision for loans and regular contingent liabilities and debt instruments stage 1	**304,265**	214,649
Subordinated deposits	**1,526,228**	800,000
Total qualifying tier 2 capital	**1,830,493**	1,014,649
Total capital 1+2	**6,415,051**	5,490,405
Risk weighted assets and contingent liabilities		
Total Credit risk	**24,357,397**	23,331,531
Total Market risk	**145,275**	--
Total Operation risk	**3,161,820**	3,161,820
Top 50 concentration	--	1,848,633
Total risk weighted assets and contingent liabilities	**27,664,492**	28,341,984
Capital Adequacy Ratio (%)	**%23.19**	%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 other assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

3. Financial risk management – continued

3.G Leverage Financial Ratio – continued

Ratio Elements:

A- The numerator elements

The numerator consists of tier 1 for capital that is used in capital adequacy ratio (After Exclusions) 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:

	30/6/2020 In thousand EGP	31/12/2019 In thousand EGP
Tier 1 capital after exclusions	**4,584,558**	4,475,756
On-balance sheet items, derivatives and financing securities	**71,187,147**	68,429,536
Off-balance sheet items	**1,987,095**	1,605,738
Total exposures	**73,174,242**	70,035,274
Leverage Financial Ratio (%)	**%6.27**	%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 June 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 June 2020 NSFR ratio record LCY 160.64%, FCY 204.48% and total of 167.34%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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 increase 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 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

	From 1/4/2020 To 30/6/2020 L.E.	**From1/1/2020 To 30/6/2020 L.E.**	From 1/4/2019 To 30/6/2019 L.E.	From 1/1/2019 To 30/6/2019 L.E.
Interest from loans and similar income from:				
Loans and advances to customers	**607,806,001**	**1,274,182,856**	890,622,999	1,772,359,947
Treasury bills and treasury bonds	**521,838,612**	**1,049,107,466**	467,619,186	1,017,625,286
Reverse rebo	**719,696,402**	**1,406,051,100**	--	--
Deposits and current accounts	**5,878,658**	**33,844,629**	455,976,345	874,030,308
Investments in debt instruments (OCI)	**14,812,129**	**24,183,485**	2,320	26,519
Total	**1,870,031,802**	**3,787,369,536**	1,814,220,850	3,664,042,060
Interest on Deposits and similar expenses from:				
Deposits and current accounts from banks	**(82,079,198)**	**(217,055,746)**	(28,759,445)	(92,129,648)
Deposits and current accounts from customers	**(976,138,525)**	**(2,076,108,905)**	(1,297,417,787)	(2,596,790,536)
REPOs	**(62,983,912)**	**(111,161,465)**	(1,159,268)	(2,283,274)
Subordinated deposits	**(22,742,942)**	**(46,189,517)**	(31,413,699)	(63,512,329)
Total	**(1,143,944,577)**	**(2,450,515,633)**	(1,358,750,199)	(2,754,715,787)
Net interest income	**726,087,225**	**1,336,853,903**	455,470,651	909,326,273

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

7. Net fees and commission income

	From1/4/2020 To 30/6/2020 L.E.	From1/1/2020 To 30/6/2020 L.E.	From1/4/2019 To 30/6/2019 L.E.	From1/1/2019 To 30/6/2019 L.E.
Fees and commission income				
Fees and commissions related to credit banking services	**62,612,299**	**150,019,792**	63,188,128	150,167,071
Custody fees	**1,459,194**	**2,123,979**	770,949	3,503,649
Other fees	**9,367,699**	**21,625,078**	6,084,674	9,748,309
Total	**73,439,192**	**173,768,849**	70,043,751	163,419,029
Fees and commission expenses				
Brokerage fees paid	**(919,448)**	**(1,838,895)**	(1,819,711)	(2,437,712)
Other fees paid	**(24,515,800)**	**(43,668,995)**	(16,509,079)	(33,320,668)
Total	**(25,435,248)**	**(45,507,890)**	(18,328,790)	(35,758,380)
Net fees and commission income	**48,003,944**	**128,260,959**	51,714,961	127,660,649

8. Dividends income

	From1/4/2020 To 30/6/2020 L.E.	From1/1/2020 To 30/6/2020 L.E.	From1/4/2019 To 30/6/2019 L.E.	From1/1/2019 To 30/6/2019 L.E.
Investment funds	**71,336**	**217,672**	71,336	206,752
Available for sale securities	**--**	**--**	818,451	818,451
Subsidiaries and associates	**7,998,800**	**7,998,800**	19,997,312	19,997,312
Total	**8,070,136**	**8,216,472**	20,887,099	21,022,515

9. Net trading income

	From1/4/2020 To 30/6/2020 L.E.	From1/1/2020 To 30/6/2020 L.E.	From1/4/2019 To 30/6/2019 L.E.	From1/1/2019 To 30/6/2019 L.E.
Profit from foreign exchange	**29,372,167**	**66,824,951**	14,734,272	41,730,551
Profit from selling trading equity instruments	**961,825**	**3,139,399**	139,936	344,012
Revaluation of financial investments held for trading	**607,597**	**1,094,187**	211,505	211,505
Total	**30,941,589**	**71,058,537**	15,085,713	42,286,068

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

10. General and administrative expenses

	From1/4/2020 To 30/6/2020 L.E.	**From1/1/2020 To 30/6/2020 L.E.**	From1/4/2019 To 30/6/2019 L.E.	From1/1/2019 To 30/6/2019 L.E.
Staff costs				
Wages and salaries	**(107,160,377)**	**(211,438,468)**	(92,949,379)	(185,768,631)
Social insurance	**(6,529,774)**	**(13,349,030)**	(6,717,315)	(13,363,716)
Other	**(44,950,255)**	**(137,336,714)**	(42,184,670)	(79,920,784)
Pension cost				
Retirement benefits	**(225,736)**	**(310,165)**	44,603	(58,227)
Total	**(158,866,142)**	**(362,434,377)**	(141,806,761)	(279,111,358)
Other administrative expenses	**(186,152,315)**	**(342,433,578)**	(145,010,477)	(268,296,901)
Total	**(345,018,457)**	**(704,867,955)**	(286,817,238)	(547,408,259)

11. Other operating income (expenses)

	From1/4/2020 To 30/6/2020 L.E.	**From1/1/2020 To 30/6/2020 L.E.**	From1/4/2019 To 30/6/2019 L.E.	From1/1/2019 To 30/6/2019 L.E.
Profit from selling property and equipment	**301,807**	**301,807**	--	448,718
Release (charges) of other provisions	**(44,715,797)**	**(56,439,156)**	310,514	17,218,146
Other	**(19,597,111)**	**14,078,922**	299,079	5,223,553
Total	**(64,011,101)**	**(42,058,427)**	609,593	22,890,417

12. Impairment (charge) for credit losses

	From1/4/2020 To 30/6/2020 L.E.	**From1/1/2020 To 30/6/2020 L.E.**	From1/4/2019 To 30/6/2019 L.E.	From1/1/2019 To 30/6/2019 L.E.
Loans and advances to customers (note 18)	**(140,142,988)**	**(270,395,399)**	(12,088,062)	(77,965,078)
Due to banks	**141,180**	**13,344**	(2,505,550)	1,900,930
Treasury bills	**6,446,270**	**(11,594,826)**	6,482,694	(11,643,191)
Fair value through other comprehensive income	**(10,822,539)**	**(13,077,547)**	(11,201,830)	(12,830,654)
Amortized cost	**(52,630)**	**(3,392,275)**	8,105,386	9,656,862
Total	**(144,430,707)**	**(298,446,703)**	(11,207,362)	(90,881,131)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

13. Income tax expenses

	From1/4/2020 To 30/6/2020 L.E.	From1/1/2020 To 30/6/2020 L.E.	From1/4/2019 To 30/6/2019 L.E.	From1/1/2019 To 30/6/2019 L.E.
Current tax	**(99,235,470)**	**(193,985,817)**	(81,336,752)	(178,799,763)
Total	**(99,235,470)**	**(193,985,817)**	(81,336,752)	(178,799,763)

	From1/4/2020 To 30/6/2020 L.E.	From1/1/2020 To 30/6/2020 L.E.	From1/4/2019 To 30/6/2019 L.E.	From1/1/2019 To 30/6/2019 L.E.
Profit before tax	**259,705,383**	**511,017,354**	247,078,481	490,327,961
Income tax calculated at 22.5% tax rate	**58,433,711**	**114,978,905**	55,592,658	110,323,791
Non-taxable income	**(78,668,602)**	**(135,919,334)**	(13,092,763)	(21,505,319)
Non-deductible expenses for tax purposes	**74,951,255**	**120,639,923**	14,163,143	20,333,802
Extra payments on interest from treasury bills and treasury bonds	**44,519,106**	**94,286,323**	24,673,714	69,647,489
Current tax	**99,235,470**	**193,985,817**	81,336,752	178,799,763
Effective tax rate	**%38.21**	**%37.96**	%32.92	%36.47

14. Earnings per share

	From1/4/2020 To 30/6/2020 L.E.	From1/1/2020 To 30/6/2020 L.E.	From1/4/2019 To 30/6/2019 L.E.	From1/1/2019 To 30/6/2019 L.E.
Profits available for distribution for the year after tax	**160,469,913**	**317,031,537**	165,741,729	311,528,198
Number of shares	**390,617,799**	**390,617,799**	390,617,799	390,617,799
Earnings per share (EGP/ share)	**0.41**	**0.81**	0.42	0.80

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

15. 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 June 2020	Amortized cost	Debt instruments at fair value through OCI	Equity instruments at fair value through OCI	Fair value through profit and loss	Total Carrying amount
Cash and balances with the CBE	**3,282,987,130**	--	--	--	**3,282,987,130**
Due from banks	**2,783,172,949**	--	--	--	**2,783,172,949**
Treasury bills	--	**27,899,454,893**	--	--	**27,899,454,893**
Loans and credit facilities to customers	**22,523,303,474**	--	--	--	**22,523,303,474**
Fair value through other comprehensive income	--	**4,745,704,300**	**10,621,502**	--	**4,756,325,802**
Amortized cost	**6,298,372,601**	--	--	--	**6,298,372,601**
Other financial assets	**2,520,680,346**	--	--	--	**2,520,680,346**
Total financial assets	**37,408,516,500**	**32,645,159,193**	**10,621,502**	--	**70,064,297,195**
Due to banks	**4,938,012,250**	--	--	--	**4,938,012,250**
Customer deposits	**58,149,278,477**	--	--	--	**58,149,278,477**
Other loans	**1,850,316,286**	--	--	--	**1,850,316,286**
Other financial liabilities	**302,721,209**	--	--	--	**302,721,209**
Total financial liabilities	**65,240,328,222**	--	--	--	**65,240,328,222**

31 December 2019	Amortized cost	Debt instruments at fair value through OCI	Equity instruments at fair value through OCI	Fair value through profit and 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	--	22,797,930,259	--	--	22,797,930,259
Loans and credit facilities to customers	24,442,830,402	--	--	--	24,442,830,402
Fair value through other comprehensive income	3,090,388,271	3,090,388,271	10,621,502	--	3,101,009,773
Amortized cost	6,019,091,254	--	--	--	6,019,091,254
Other financial assets	968,090,317	--	--	--	968,090,317
Total financial assets	40,708,896,161	25,888,318,530	10,621,502	--	66,607,836,193
Due to banks	5,445,609,905	--	--	--	5,445,609,905
Customer deposits	56,045,841,828	--	--	--	56,045,841,828
Other loans	1,122,450,286	--	--	--	1,122,450,286
Other financial liabilities	301,445,676	--	--	--	301,445,676
Total financial liabilities	62,915,347,695	--	--	--	62,915,347,695

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

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

	30/6/2020	31/12/2019
	L.E.	L.E.
Cash	**776,010,752**	380,012,377
Due from the CBE (within the required limit of statutory reserve percentage)	**2,506,976,378**	3,668,842,729
Total	**3,282,987,130**	4,048,855,106
Non-interest bearing balances	**3,282,987,130**	4,048,855,106
Total	**3,282,987,130**	4,048,855,106

17. Due from banks

	30/6/2020	31/12/2019
	L.E.	L.E.
Current accounts	**89,207,124**	78,630,220
Deposits	**2,693,965,825**	5,151,398,862
Less: Provision for impairment losses	**(1,703,048)**	(1,702,204)
Total	**2,781,469,901**	5,228,326,878
Balance with CBE otherwise the required limit of statutory reserve percentage	**1,248,438,844**	4,391,501,642
Local banks	**1,292,945,703**	661,654,357
Foreign banks	**241,788,402**	176,873,083
Less: Provision for impairment losses	**(1,703,048)**	(1,702,204)
Total	**2,781,469,901**	5,228,326,878
Non-interest bearing balances	**114,807,124**	104,230,220
Variable Interest bearing balances	**2,668,365,825**	5,125,798,862
Less : Provision for impairment losses	**(1,703,048)**	(1,702,204)
Total	**2,781,469,901**	5,228,326,878
Current balance	**2,783,172,949**	5,230,029,082
Less: Provision for impairment losses	**(1,703,048)**	(1,702,204)
Total	**2,781,469,901**	5,228,326,878

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

18. Loans, advances and morabahat to customers (net)

	30/6/2020 L.E.	31/12/2019 L.E.
Retail		
Overdraft	**55,301,950**	312,528,495
Credit cards	**77,618,287**	66,745,296
Personal loans	**5,544,128,060**	4,435,559,851
Mortgage	**239,070,666**	226,008,466
Total (1)	**5,916,118,963**	5,040,842,108
Corporate		
Overdraft	**1,880,900,639**	4,279,835,050
Direct loans	**7,298,233,109**	7,277,604,564
Syndicated loans	**7,428,050,763**	7,844,548,680
Total (2)	**16,607,184,511**	19,401,988,294
Total loans and advance to customers (1+2)	**22,523,303,474**	24,442,830,402
Less:		
Provision for impairment losses	**(1,380,395,964)**	(1,122,133,807)
Interest in suspense	**(537,828)**	(2,658,926)
Net loans, advances and morabahat to customers	**21,142,369,682**	23,318,037,669

Provision for impairment losses

	30/6/2020				
Retail	**Overdraft**	**Credit cards**	**Personal loans**	**Mortgage**	**Total**
	L.E.	**L.E.**	**L.E.**	**L.E.**	**L.E.**
Beginning balance	**10,786,658**	**3,312,791**	**61,861,958**	**12,592,400**	**88,553,807**
Impairment losses	**(1,914,598)**	**1,191,828**	**46,876,393**	**2,729,186**	**48,882,809**
Proceeds from bad debts	**--**	**217,990**	**1,263,319**	**27,000**	**1,508,309**
Forex revaluation provision	**(86,963)**	**--**	**(593)**	**--**	**(87,556)**
Ending balance	**8,785,097**	**4,722,609**	**110,001,077**	**15,348,586**	**138,857,369**

	30/6/2020			
Corporate	**Overdraft**	**Direct loans**	**Syndicated loans**	**Total**
	L.E.	**L.E.**	**L.E.**	**L.E.**
Beginning balance	**223,638,151**	**566,631,064**	**243,310,785**	**1,033,580,000**
Impairment losses	**25,369,122**	**(17,671,196)**	**213,814,664**	**221,512,590**
Bad debts	**(17,234,608)**	**--**	**--**	**(17,234,608)**
Forex revaluation provision	**(816,081)**	**(559,291)**	**5,055,985**	**3,680,613**
Ending balance	**230,956,584**	**548,400,577**	**462,181,434**	**1,241,538,595**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

18. Loans, advances and morabahat to customers (net) - continued

			31/12/2019		
Retail	Overdraft	Credit cards	Personal loans	Mortgage	Total
	L.E.	L.E.	L.E.	L.E.	L.E.
Beginning balance	588,055	1,886,906	57,939,419	2,000,855	62,415,235
Impact of adopting IFRS 9	2	2,947,225	3,856,429	3,923,732	10,727,388
Restated Balance at 1 January 2019	588,057	4,834,131	61,795,848	5,924,587	73,142,623
Impairment losses	10,714,810	(144,243)	21,222,581	6,929,131	38,722,279
Bad debts	(423,455)	(1,702,559)	(23,611,253)	(282,818)	(26,020,085)
Proceeds from bad debts	--	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

		31/12/2019		
Corporate	Overdraft	Direct loans	Syndicated loans	Total
	L.E.	L.E.	L.E.	L.E.
Beginning balance	100,422,871	602,216,296	242,907,556	945,546,723
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	567,503,338	228,905,876	891,043,509
Impairment losses	108,436,828	28,351,163	33,989,062	170,777,053
Proceeds from bad debts	--	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	566,631,064	243,310,785	1,033,580,000

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

19. Financial investments

	30/6/2020 L.E.	31/12/2019 L.E.
Fair value through other comprehensive income (FVTOCI)		
Debt instruments at FMV (listed)	**4,745,704,300**	3,090,388,271
Treasury Bills	**27,899,454,893**	22,797,930,259
Equity instruments at cost (unlisted)	**10,621,501**	10,621,501
Investment management by other	**1**	1
Total available for sale investments	**32,655,780,695**	25,898,940,032
Less: Provisions for impairment losses	**(54,459,462)**	(29,103,464)
Net Fair value through other comprehensive income (1)	**32,601,321,233**	25,869,836,568
Amortized cost		
Debt instruments (listed)	**6,285,872,601**	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	**6,298,372,601**	6,019,091,254
Less: Provisions for impairment losses	**(13,167,058)**	(9,613,793)
Net Amortized cost (2)	**6,285,205,543**	6,009,477,461
Total financial investments (1+2)	**38,886,526,776**	31,879,314,029

	30/6/2020		
	Fair value through other comprehensive income L.E.	**Amortized cost L.E.**	**Total L.E.**
Beginning balance	**3,101,009,773**	**6,019,091,254**	**9,120,101,027**
Additions	**2,414,133,107**	**760,900,688**	**3,175,033,795**
Disposals	**(724,168,878)**	**(503,487,600)**	**(1,227,656,478)**
Monetary assets foreign currency differences	**8,978,921**	**5,124,018**	**14,102,939**
(Loss) from change in FMV (note 31)	**(47,204,512)**	**--**	**(47,204,512)**
Amortized cost	**3,577,391**	**16,744,241**	**20,321,632**
Less: Provisions for impairment losses	**(32,307,071)**	**(13,167,058)**	**(45,474,129)**
Ending balance	**4,724,018,731**	**6,285,205,543**	**11,009,224,274**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

19. Financial investments – continued

	31/12/2019		
	Fair value through Other comprehensive income	Amortized cost	Total
	L.E.	L.E.	L.E.
Beginning balance	2,150,946,719	6,389,646,202	8,540,592,921
Additions	2,532,016,334	85,848,513	2,617,864,847
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)
(Loss) from change in FMV (note 31)	443,397,468	--	443,397,468
Amortized cost	11,535,924.00	33,929,981	45,465,905
Transferred from OCI to Held colect	(805,683,887)	707,307,785	(98,376,102)
Less: Provisions for impairment losses	(19,084,904)	(9,613,793)	(28,698,697)
Ending balance	3,081,924,869	6,009,477,461	9,091,402,330

***Treasury bills and other governmental notes**

	30/6/2020	**31/12/2019**
	L.E.	L.E.
Treasury bills 91 days	**--**	94,900,000
Treasury bills 182 days	**821,600,000**	1,860,775,000
Treasury bills 273 days	**2,140,025,000**	2,276,525,000
Treasury bills 365 days	**5,061,675,800**	5,258,315,260
Total	**8,023,300,800**	9,490,515,260
Less/ Add:		
Unearned interest	**(222,799,431)**	(346,671,421)
Changes in fair value reserve	**7,643,893**	14,729,754
Provisions for impairment losses	**(22,152,391)**	(10,018,560)
Total (1)	**7,785,992,871**	9,148,555,033
Purchase and resale agreements		
Reverse rebo 91 days	**427,731,886**	3,700,606,456
Reverse rebo 182 days	**1,884,273,856**	2,973,265,654
Reverse rebo 273 days	**9,681,401,059**	6,269,528,867
Reverse rebo 365 days	**9,258,119,822**	6,759,310,508
Add:		
Changes in fair value reserve	**139,008,008**	137,370,181
Total (2)	**21,390,534,631**	19,840,081,666
Sale and repurchase agreemennts	**(1,299,225,000)**	(6,200,725,000)
Total (3)	**(1,299,225,000)**	(6,200,725,000)
Total (1+2+3)	**27,877,302,502**	22,787,911,699

* Treasury bills include EGP 3,030,791,520 (equivalent to USD 187.8million) as in USD Treasury bills and EGP 336,284,280 (equivalent to EUR 18.6 million) as in EUR Treasury bills.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

Profit (losses) from sale of financial investments

	From 1/4/2020 To 30/6/2020 L.E.	From1/1/2020 To 30/6/2020 L.E.	From 1/4/2019 To 30/6/2019 L.E.	From 1/1/2019 To 30/6/2019 L.E.
Gains from sale of financial assets available for sale	**62,770**	**12,000,584**	**1,335,064**	**5,431,429**
Total	**62,770**	**12,000,584**	**1,335,064**	**5,431,429**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

20. Investment in subsidiaries and associates

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

30/6/2020	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 %**
Subsidiaries							
Egyptian gulf holding	Egypt	**331,609,464**	**39,746,502**	**702,464**	**424,548**	**199,970,000**	**%99.99**
Associates							
First Gas**	Egypt	**42,860,853**	**16,350,237**	**37,266,870**	**1,473,043**	**5,000**	
Prime holding for financial investments**	Egypt	**514,658,672**	**107,220,634**	**11,059,709**	**(11,630,171)**	**3,100**	
Total		**890,790,540**	**155,062,481**	**48,404,043**	**(10,848,796)**	**199,978,100**	

31/12/2019	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 %
Subsidiaries							
Egyptian gulf holding	Egypt	233,834,111	31,361,808	2,419,030	549,862	199,970,000	%99.99
Associates							
First Gas**	Egypt	44,227,782	19,190,209	36,927,599	1,876,889	5,000	
Prime holding for financial investments**	Egypt	479,941,225	56,695,081	7,214,409	4,235,582	3,100	
Total		758,003,118	107,247,098	46,561,038	6,662,333	199,978,100	

** 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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

21. 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 88,318,093 as at 30 June 2020 according to the number of 7,361,363 shares. The fair value for the shares amounted EGP 52,272,273 and the revaluation differences amounted EGP(36,045,820) for the period ended 30 June 2020.

ESOP movement during the period as follows:

	30/6/2020		**31/12/2019**	
	Shares	**L.E.**	Shares	L.E.
Beginning balance	**6,247,194**	**83,011,999**	3,921,000	62,285,606
Purchased during the period	**1,114,169**	**5,306,094**	2,326,194	20,726,393
Ending balance	**7,361,363**	**88,318,093**	6,247,194	83,011,999

* Additions during the period of 30 June 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 period as follows:

	30/6/2020	**31/12/2019**
	L.E.	L.E.
Beginning balance	**26,603,387**	7,520,280
Amortization during the period	**9,554,226**	19,083,107
Ending balance	**36,157,613**	26,603,387

22. Intangible assets

Computer software

	30/6/2020	**31/12/2019**
	L.E.	L.E.
Net book value at the beginning of the period	**19,913,273**	36,601,128
Additions during the period	**24,116,032**	9,100,610
Reclassification	**--**	(24,319,146)
Amortization during the period	**(3,299,267)**	(6,153,845)
Accumulated depreciation of Reclassification assets	**--**	4,684,526
Net book value at the end of the period	**40,730,038**	19,913,273

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

23. Other assets

	30/6/2020	31/12/2019
	L.E.	L.E.
Unearned revenues	**2,520,680,346**	968,090,317
Prepaid expenses	**223,296,757**	146,618,649
Advances to purchase fixed assets	**400,121,758**	388,299,073
Assets reverted to bank (after deducting the impairment)	**192,712,469**	194,962,469
Impress & Guarantee	**14,017,398**	11,348,739
Assets held for sale - investments reverted to the bank*	**98,497,888**	98,497,888
Other	**499,489,804**	1,062,450,722
Total	**3,948,816,420**	2,870,267,857

* Investments reverted to the bank represented “Hamenz Co” amounted to EGP 20,639,987, on 1 July 2019 the bank’s share in the company’s capital was increased to 99.99% from 71.50%, knowing that this investment meets all the conditions listed in the standards for classifying this investment as an asset held for sale.

* After the CBE board assembly on 8th of September, 2009 the following was stated:

“In the event that a bank that owns shares in a non-financial company with more than 40% of its issued capital, the bank must dispose of any extra ownership within a year of acquiring the shares, Impairment loss of the shares accumulated will then be calculated according to accounting principles so as not to understate the value of these losses relative to any marginal increase above the 40%, Losses should then be reflected in the bank’s income statement under investment losses, or as other expenses depending on the circumstances in exchange for a decrease in the book value of share price by the same amount”. The bank has calculated impairment account to each of the following: Misr America for medical supplies, and Hamenz for German technological Industries.

* Due to the inability to sell the asset within the legally specified period, a general bank risk reserve was formed at 10% of the asset value annually in accordance with the instructions of the CBE.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

24. Fixed assets

	Land & Buildings	Fixtures and Fitting	Tools and Machinery	Computers	Furniture	Vehicles	Other	Total
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Cost, 1/1/2019	391,416,516	190,049,468	21,135,848	109,046,613	60,888,671	13,364,690	110,766,974	896,668,780
Accumulated depreciation	(35,686,021)	(80,344,511)	(8,854,492)	(58,442,279)	(12,892,128)	(7,788,704)	(43,568,629)	(247,576,764)
Net book value	355,730,495	109,704,957	12,281,356	50,604,334	47,996,543	5,575,986	67,198,345	649,092,016
31/12/2019								
Net book value at the beginning of the period	355,730,495	109,704,957	12,281,356	50,604,334	47,996,543	5,575,986	67,198,345	649,092,016
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 for the period	(8,910,191)	(46,461,253)	(2,391,272)	(18,912,752)	(5,839,137)	(2,316,140)	(19,323,027)	(104,153,772)
Accumulated depreciation of disposal assets	--	--	--	(4,684,526)	--	--	--	(4,684,526)
Accumulated depreciation of Reclassification assets	--	--	368,546	12,045	242,044	155,450	1,937,337	2,715,422
Net book value	373,380,952	175,118,210	11,532,899	75,578,532	43,747,527	3,259,846	58,497,839	741,115,805
Cost, **1/1/2020**	**417,977,164**	**301,923,974**	**22,410,117**	**157,606,044**	**62,236,748**	**13,209,240**	**119,452,158**	**1,094,815,445**
Accumulated depreciation	**(44,596,212)**	**(126,805,764)**	**(10,877,218)**	**(82,027,512)**	**(18,489,221)**	**(9,949,394)**	**(60,954,319)**	**(353,699,640)**
Net book value	**373,380,952**	**175,118,210**	**11,532,899**	**75,578,532**	**43,747,527**	**3,259,846**	**58,497,839**	**741,115,805**
30/6/2020								
Net book value at the beginning of the period	**373,380,952**	**175,118,210**	**11,532,899**	**75,578,532**	**43,747,527**	**3,259,846**	**58,497,839**	**741,115,805**
Additions	**919,500**	**10,103,987**	**497,020**	**13,664,116**	**11,564,258**	**8,272,500**	**7,993,453**	**53,014,834**
Disposals	**--**	**(572,181)**	**(32)**	**(135,156)**	**(557,760)**	**(136,900)**	**(1,779,283)**	**(3,181,312)**
Depreciation	**(4,141,708)**	**(20,611,753)**	**(738,255)**	**(5,466,271)**	**(6,090,483)**	**(947,344)**	**(9,168,136)**	**(47,163,950)**
Accumulated depreciation of disposal assets	**--**	**572,180**	**--**	**135,145**	**554,447**	**136,900**	**960,646**	**2,359,318**
Net book value	**370,158,744**	**164,610,443**	**11,291,632**	**83,776,366**	**49,217,989**	**10,585,002**	**56,504,519**	**746,144,695**
30/6/2019	**418,896,664**	**311,455,780**	**22,907,105**	**171,135,004**	**73,243,246**	**21,344,840**	**125,666,328**	**1,144,648,967**
Cost	**(48,737,920)**	**(146,845,337)**	**(11,615,473)**	**(87,358,638)**	**(24,025,257)**	**(10,759,838)**	**(69,161,809)**	**(398,504,272)**
Accumulated depreciation	**370,158,744**	**164,610,443**	**11,291,632**	**83,776,366**	**49,217,989**	**10,585,002**	**56,504,519**	**746,144,695**
Net book value	**417,977,164**	**301,923,974**	**22,410,117**	**157,606,044**	**62,236,748**	**13,209,240**	**119,452,158**	**1,094,815,445**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

25. Due to banks

	30/6/2020 L.E.	31/12/2019 L.E.
Current accounts	**336,017,250**	166,130,835
Deposits	**4,601,995,000**	5,279,479,070
Total	**4,938,012,250**	5,445,609,905
Local banks	**4,601,995,000**	5,281,496,920
Foreign banks	**336,017,250**	164,112,985
Total	**4,938,012,250**	5,445,609,905
Non-interest bearing balances	**336,017,250**	166,130,835
Interest bearing balances	**4,601,995,000**	5,279,479,070
Total	**4,938,012,250**	5,445,609,905
Current balances	**4,938,012,250**	5,445,609,905
Total	**4,938,012,250**	5,445,609,905

26. Customers' deposits

	30/6/2020 L.E.	31/12/2019 L.E.
Demand deposits	**24,144,334,534**	22,798,594,662
Time and call deposits	**22,310,711,899**	20,785,807,378
Certificates of deposits	**8,869,361,047**	7,866,768,278
Saving deposits	**1,654,923,446**	1,477,445,947
Other deposits	**1,169,947,551**	3,117,225,563
Total	**58,149,278,477**	56,045,841,828
Corporate deposits	**41,094,269,825**	38,911,609,028
Retail deposits	**17,055,008,652**	17,134,232,800
Total	**58,149,278,477**	56,045,841,828

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

27. Other loans / Subordinated deposits

	30/6/2020	31/12/2019
	L.E.	L.E.
Commercial International Bank loan	**1,320,286**	1,620,286
European Investment Bank	**322,768,000**	320,830,000
Subordinated Deposits*	**1,526,228,000**	800,000,000
Total	**1,850,316,286**	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.

28. Other liabilities

	30/6/2020	31/12/2019
	L.E.	L.E.
Accrued interest	**302,721,209**	301,445,676
Unearned revenue	**13,734,031**	16,826,352
Accrued expenses	**363,841,386**	267,034,163
Creditors	**319,099,018**	269,843,359
Other credit balances	**147,364,489**	111,197,437
Total	**1,146,760,133**	966,346,987

29. Other Provisions

	30/6/2020	31/12/2019
	L.E.	L.E.
Beginning balance	**69,902,411**	123,049,032
Foreign currencies revaluation	**187,338**	(1,938,921)
Charged during the period to statement of income	**76,050,406**	25,152,615
Provisions no longer required	**(19,611,250)**	(40,681,110)
Used during the period	**(3,363,239)**	(10,679,205)
Transfer to other provisions	**--**	(25,000,000)
Ending balance	**123,165,666**	69,902,411

	30/6/2020	31/12/2019
	L.E.	L.E.
Provision for legal claims	**11,381,035**	8,710,241
Provision for other claim	**15,000,000**	22,433,299
Provision for tax claims	**2,576,098**	2,576,098
Provision for contingent liabilities	**94,208,533**	36,182,773
Ending balance	**123,165,666**	69,902,411

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

30. 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.

31. Reserves and retained earnings

31.A Reserves during the period as follows

	30/6/2020	31/12/2019
	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	**244,607,891**	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
IFRS 9 risk reserve*	**--**	--
General risk reserve	**208,750,579**	208,750,579
Ending balance	**851,911,360**	847,308,984

* In accordance with the instructions of the Central Bank of Egypt to apply IFRS 9 as of 1 January 2019, the special reserve - credit and general bank risk reserve – credit and IFRS 9 credit risk are consolidated in one reserve under the name of general risk reserve.

31.A.1 General bank risk reserve

	30/6/2020	31/12/2019
	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.

31.A.2 Legal reserve

	30/6/2020	31/12/2019
	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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

31. Reserves and retained earnings – continued

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

	30/6/2020	31/12/2019
	L.E.	L.E.
Beginning balance	**310,216,186**	(187,278,385)
(Losses) / Gain from changes in FMV (note 19)	**(52,652,546)**	595,497,403
Total reclassification and remesurment impact	**--**	(98,376,102)
Net (losses) gains transferred to the statement of income resulted from disposal	**(13,025,512)**	(1,339,507)
Change in revaluation of forex	**69,763**	1,712,777
Ending balance	**244,607,891**	310,216,186

31.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.

31.A.5 Capital reserve

	30/6/2020	31/12/2019
	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

31.B Retained earnings

Retained earnings movement

	30/6/2020	31/12/2019
	L.E.	L.E.
Beginning balance	**756,301,390**	671,848,594
Net profit for the period / year	**317,031,537**	675,342,042
Retained for capital increase (Free shares)	**(515,292,627)**	(452,365,938)
Employees profit share	**(67,534,204)**	(58,151,287)
Board of directors remuneration	**(22,304,540)**	(20,276,854)
Transferred to general banking risk reserve	**(2,063,999)**	--
Transferred to legal reserve	**(67,534,204)**	(58,151,287)
Transferred to other reserves	**(612,468)**	(1,943,880)
Ending balance	**397,990,885**	756,301,390

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

32. 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

	30/6/2020	31/12/2019
	L.E.	L.E.
Cash and due from CBE	**3,282,987,130**	4,048,855,106
Due from banks	**2,783,172,949**	5,230,029,082
Treasury bills	**6,508,920,262**	2,957,848,593
Balance with CBE within the limit of statutory reserve	**(3,729,815,223)**	(5,034,744,371)
Due from banks with maturities more than 3 months	**(271,197,000)**	(270,219,000)
Treasury bills maturity more than 3 months	**(6,508,920,262)**	(2,863,709,865)
Cash and cash equivalent at the end of the year	**2,065,147,856**	4,068,059,545

33. Commitment and contingent liabilities

35.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 272,324,863 which has not been finished as at 30 June 2020.

35.B Commitments for loans, guarantees and facilities

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

	30/6/2020	31/12/2019
	L.E.	L.E.
Letter of credit (import & export)	**378,396,000**	371,205,000
Letter of guarantee	**2,161,963,000**	2,046,121,000
Total	**2,540,359,000**	2,417,326,000

34. Salaries & Bonus of top management

	30/6/2020	31/12/2019
	L.E.	L.E.
Short term salaries & bonuses	**48,873,386**	82,427,460
Total	**48,873,386**	82,427,460

The top twenty salaries and bonuses in the bank reached EGP 48,873,386 and the monthly average is EGP 8,145,564 for the period ended 30 June 2020.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

35. Related parties transactions

Number of transactions with related parties has been conducted in the normal course of business including loans and deposits. Related parties transactions and balances at the end of the period are as follows:

35.A Loans and advances to related parties

	Top Management		Subsidiaries and associates	
	30/6/2020	31/12/2019	**30/6/2020**	31/12/2019
	L.E.	L.E.	**L.E.**	L.E.
Existing loans at the beginning of the period	**41,339,700**	26,900,288	**381,000**	3,891,000
Loans issued during the period	**23,546,713**	30,755,381	**1,853,000**	--
Loans collected during the period	**(3,919,822)**	(16,315,969)	**(381,000)**	(3,510,000)
Existing loans at the end of the period	**60,966,591**	41,339,700	**1,853,000**	381,000

35.B Deposits from related parties

	Top Management	
	30/6/2020	31/12/2019
	L.E.	L.E.
Deposits at the beginning of the period	**30,024,762**	33,332,863
Deposit received during the period	**28,816,685**	33,150,061
Deposit redeemed during the period	**(33,051,337)**	(36,458,162)
Existing deposits at the end of the period	**25,790,110**	30,024,762

	30/6/2020	31/12/2019
	EGP	EGP
Call deposits	**12,113,354**	16,240,193
Saving accounts	**5,653,243**	5,111,625
Saving and deposit certificates	**6,622,786**	6,693,431
Time and call deposits	**1,400,727**	1,979,513
Ending balance	**25,790,110**	30,024,762

36. 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 June 2020 was EGP 224.77 and the Fund's certificates on the same date were 112135 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 June 2020 amounted EGP 19.9497 and the Fund's certificates on the same date were 16628473 certificates.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

37. Deferred income tax

	Deferred tax assets		Deferred tax liabilities	
	30/6/2020	31/12/2019	**30/6/2020**	31/12/2019
	L.E.	L.E.	**L.E.**	L.E.
Fixed assets	**--**	--	**10,336,109**	6,013,545
Provisions (excluded loans impairment losses)	**27,132,653**	15,148,420	**--**	--
Total tax	**27,132,653**	15,148,420	**10,336,109**	6,013,545
Net tax derived from asset	**16,796,544**	9,134,875	**--**	--

Movement of deferred Assets and Liabilities

	30/6/2020	31/12/2019
	L.E.	L.E.
Beginning balance	**9,134,875**	12,904,873
Additions during the period	**7,661,669**	--
Disposal during the period	**--**	(3,769,998)
Ending balance	**16,796,544**	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 June 2020 as well as the financial year ended 31 December 2019.

38. 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.
Year 2016:
Taxes deducted from the bank’s employees were paid.
Year 2017:
Taxes deducted from the bank’s employees were paid.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD 30 JUNE 2020

39. 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 June 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 June 2020 to all borrowers in particular classes of financial instruments until the clarity of the actual performance of the portfolio.

40. Comparative figures

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