IFRS Consolidated Financial Statements

December 2020

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Independent auditor's report

To the Shareholders of Commercial International Bank (Egypt) S.A.E and its subsidiaries

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of Commercial International Bank S.A.E (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Egypt, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matter	How the key audit matter was addressed in the audit
Impairment of loans and advances:	
As at December 31, 2020, the Bank's gross loans and advances to customers amounted to EGP 136,358 million (2019: EGP 131,244 million), against which an impairment charge for loans and advances of EGP 16,435 million (2019: EGP 11,826 million) maintained. We considered this as a key audit matter as the determination of ECL involves significant management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include: 1. Categorization of loans in Stage 1, 2 and 3 based on identification of: • exposures with significant deterioration in credit quality since their origination; and • individually impaired / default exposures. 2.Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors etc. 3.The need to apply additional overlays to reflect current or future external factors that might not be captured by the expected credit loss model. Refer to the significant accounting policies notes 2.3 to the consolidated financial statements for the adoption of IFRS 9 – Financial Instruments and significant accounting policy relating to impairment of financial assets, note 2.3 (9) which contains the disclosure of critical accounting judgement, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group, note 9 which contains the disclosure of impairment against loans and advances to customers and note 33.1.3 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.	• We obtained an understanding of management's assessment of impairment of loans and advances including the IFRS 9 implementation process, Group's internal rating model, and Group's impairment allowance policy and ECL modelling methodology. • We compared the Group's impairment allowance policy and ECL methodology with the requirements of IFRS 9. • We assessed the design and implementation, and tested the operating effectiveness of controls over: • the modelling process including governance over monitoring of the model, its ongoing validation and approval of key assumptions; • the classification of borrowers in various stages and timely identification of significant increase in credit risk ("SICR") since initial recognition; and • integrity of data inputs into the ECL model. • We checked the completeness and accuracy of data underlying the ECL calculation as of December 31, 2020. We assessed the underlying assumptions used by the Group in ECL calculations: • checked the appropriateness of the Group's criteria for determination of SICR and identification of "default" or "individually impaired" exposures and their classification into stages. For a sample of exposures, we checked the appropriateness of the Group's staging; • checked the appropriateness of management's computations for a sample of customers, across all the three stages of ECL assessment; and • where management's overlays were used, assessed their appropriateness and governance process around such overlays. • We involved our internal specialists to review model calculations and data integrity. • We assessed the adequacy of disclosures included by management in the consolidated financial statements.

Key audit matter	How the key audit matter was addressed in the audit
Findings of Central bank of Egypt: On Thursday October 22nd 2020 the Bank's Directors received a letter from the Central Bank of Egypt (CBE) informing them that in light of the findings of a limited review inspection, the CBE Board of Directors agreed on a resolution to discharge the Chairman and Managing Director of CIB and that its Board should elect a Non-Executive Chairman from among its Non-Executive Directors. On the following day the CIB Board convened, during that meeting the Chairman and Managing Director stepped down from his position and resigned from the board with immediate effect and Non-Executive Chairman was selected. CBE issued its report to the Bank on 10 November 2020 and it covered a number of areas that needed immediate remediation covering the Internal Control Environment, Credit facilities and provisions, Governance and Compliance and also referred to instances of violations of certain provisions of the applicable laws, and other instances of violations of CBE regulations. The Board of the Bank mandated management to review the CBE report findings and propose necessary corrective actions. The Bank carefully assessed all the findings and other similar matters and The Bank also engaged external legal counsel to support in the characterization and assessment of the findings. The Bank's management applied its judgement and experience and included in these financial statements, their assessment of the impact of the CBE findings, including credit losses and legal and other charges. The Group disclosed in Note 19,29 and 41 of the consolidated financial statements. We consider the above events as a key audit matter as the financial outcome of CBE findings and violations could have been affected the results or financial positions of the group.	• We evaluated the Group's policies, procedures covering the Internal Control Environment, Credit facilities and provisions, Governance and Compliance • We made enquiries of appropriate personnel and evaluated the tone set by the Board and the management and the Group's approach to managing this risk. • We made enquiries of management, the Audit Committee and the Board as to whether the Group is in compliance with laws and CBE regulations, • We read the minutes of key governance meetings including those of the Board of directors, and of various management committees. We also understood the key activities of Compliance function. • We discussed the areas of potential or suspected breaches of law and CBE regulations, • We discussed the scoping of the work by the external legal counsel and we reviewed the outcome of the work performed by them. In addition to the already planned procedures, we expanded our audit procedures to assess the adequacy of Management's response including corrective actions • We understood and tested management's processes for assessing financial outcome of finding and violations and whether provisions or disclosures are necessary;

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

The Group has prepared separate set of consolidated financial statements for the year ended 31 December 2020 issued on 28 February 2021 in accordance with the rules of preparation and presentation of the Bank's consolidated financial statements issued by the Central Bank of Egypt on 16 December 2008 and with the requirements of applicable Egyptian laws and regulations issued on 28 February 2020

The partner in charge of the audit resulting in this independent auditor's report is Ehab Morad Azer

Allied for Accounting and Auditing

28 April 2021

Cairo

Consolidated Income Statement for the Year Ended December 31, 2020

	Notes	Dec. 31, 2020 EGP Thousands	Dec. 31, 2019 EGP Thousands
Interest and similar income		42,196,235	42,600,957
Interest and similar expense		(17,107,598)	(21,054,078)
Net interest income	3	25,088,637	21,546,879
Fee and commission income		3,059,264	3,451,688
Fee and commission expense		(983,450)	(1,170,893)
Net fee and commission income	4	2,075,814	2,280,795
Dividend income	5	50,175	53,423
Net trading income	6	483,006	688,059
Profits (Losses) on financial investments	20	1,001,958	450,697
Administrative expenses	7	(6,877,303)	(6,468,560)
Other operating expenses	8	(2,500,823)	(1,698,547)
Impairment release (charges) for credit losses	9	(5,018,781)	(1,435,460)
Intangible Assets Impairment		-	(651,041)
Profits from subsidiaries acquisition	38	8,086	-
Bank's share in the profits of associates	12	22,426	1,135
Profit before income tax from continuing operations		14,333,195	14,767,380
Current income tax expense		(5,087,418)	(4,639,364)
Deferred income tax	10.2	87,433	(94,522)
Net profit from continuing operations		9,333,210	10,033,494
Net profit for the year		9,333,210	10,033,494
Attributable to:			
Equity holders of the parent		9,335,044	10,033,494
Non-controlling interest		(1,834)	-
Net Profit for the year		9,333,210	10,033,494
Earning per share	11		
Basic attributable to equity holders of the parent		6.36	6.84
Diluted attributable to equity holders of the parent		6.33	6.81

The accompying notes from 1 to 42 form an integral part of these consolidated financial statements.

Hussein Abaza
CEO & Board member

Sherif Samy
Chairman

Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2020

	Dec. 31, 2020 **EGP Thousands**	Dec. 31, 2019 EGP Thousands
Profit for the year	**9,333,210**	10,033,494
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net (Loss)/gain on FVOCI	**(295,452)**	5,975,133
Total other comprehensive income for the year	**9,037,758**	16,008,627
Attributable to:		
Equity holders of the parent	**9,039,592**	16,008,627
Non-controlling interest	**(1,834)**	-

The accompying notes from 1 to 42 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position as at December 31, 2020

	Notes	Dec. 31, 2020 EGP Thousands	Dec. 31, 2019 EGP Thousands
Assets			
Cash and balances at the central bank	13	33,768,549	28,273,962
Due from banks	14	87,426,301	28,353,366
Loans and advances to banks, net	15	776,980	625,264
Loans and advances to customers, net	16	119,570,005	119,321,103
Financial Assets at Fair value through P&L	19	552,288	545,545
Derivative financial instruments	17	248,759	216,383
Financial Assets at Fair value through OCI	19	156,157,553	92,940,479
Financial Assets at Amortized cost	19	25,285,225	107,225,613
Right of use	23	814,587	339,501
Investments in associates	21	139,871	107,693
Other assets	22	9,175,525	9,748,143
Intangible assets	38	51,831	-
Goodwill	38	206,287	-
Deferred tax assets	10.2	437,772	350,339
Property and equipment	23	2,311,147	2,204,464
Total assets		436,922,680	390,251,855
Liabilities and equity			
Liabilities			
Due to banks	24	8,817,535	11,810,607
Due to customers	25	341,169,450	304,448,455
Lease Liability	23	905,861	337,531
Derivative financial instruments	17	331,073	282,588
Other liabilities	27	15,070,029	12,923,926
Current Tax Liability		859,582	4,639,364
Other loans	26	7,746,946	3,272,746
Provisions	28	3,224,180	2,011,369
Total liabilities		378,124,656	339,726,586
Equity			
Issued and paid in capital	29	14,776,813	14,690,821
Reserves	30	32,939,079	23,180,850
Reserve for employee stock ownership plan (ESOP)	30	1,064,648	963,152
Retained earnings	30	9,534,429	11,690,446
Total equity attributable to equity holders of the parent		58,314,969	50,525,269
Non-controlling interest	39	483,055	-
Total equity		58,798,024	50,525,269
Total liabilities and equity		436,922,680	390,251,855

The accompying notes from 1 to 42 form an integral part of these consolidated financial statements.

Hussein Abaza
CEO & Board member

Sherif Samy
Chairman

Consolidated Statement of Changes in Shareholders' Equity

Dec. 31, 2019	Issued and paid in capital	Reserve for employee stock ownership plan (ESOP)	Retained earnings	Reserves	Total	Non-controlling interest	Total equity
Beginning balance at 1st of jan 2019	11,668,326	897,680	9,444,663	12,635,473	34,646,142	-	34,646,142
Total comprehensive income	-	-	10,033,494	-	10,033,494	-	10,033,494
Capital increase	3,022,495	-	-	-	3,022,495	-	3,022,495
Reserve for employee stock ownership plan (ESOP)	-	464,539	-	-	464,539	-	464,539
Dividend	-	-	(2,700,544)	-	(2,700,544)	-	(2,700,544)
Transferred to reserves	-	(399,067)	(5,087,167)	10,545,377	5,059,143	-	5,059,143
Balance at 31 December 2019	**14,690,821**	**963,152**	**11,690,446**	**23,180,850**	**50,525,269**	**-**	**50,525,269**
Beginning balance at 1st of Jan 2020	**14,690,821**	**963,152**	**11,690,446**	**23,180,850**	**50,525,269**	**-**	**50,525,269**
Total comprehensive income	**-**	**-**	**9,335,044**	**-**	**9,335,044**	**(1,834)**	**9,333,210**
Capital increase	**85,992**	**-**	**-**	**-**	**85,992**	**-**	**85,992**
Minority Interest share	**-**	**-**	**-**	**-**	**-**	**485,779**	**485,779**
Reserve for employee stock ownership plan (ESOP)	**-**	**552,438**	**-**	**-**	**552,438**	**-**	**552,438**
Dividend	**-**	**-**	**(2,013,318)**	**-**	**(2,013,318)**	**-**	**(2,013,318)**
Transferred to reserves	**-**	**(450,942)**	**(9,477,743)**	**9,758,229**	**(170,456)**	**(890)**	**(171,346)**
Balance at 31 December 2020	**14,776,813**	**1,064,648**	**9,534,429**	**32,939,079**	**58,314,969**	**483,055**	**58,798,024**

Consolidated Statement of Cash Flow for the Year Ended December 31, 2020

	Notes	Dec. 31, 2020 EGP Thousands	Dec. 31, 2019 EGP Thousands
Cash flow from operating activities			
Profit before income tax from continued operations		**14,333,195**	14,767,380
Adjustments to reconcile net profit to net cash provided by operating activities			
Fixed assets depreciation		**924,667**	587,662
Impairment charge for credit losses (Loans and advances to customers)		**4,806,518**	1,610,878
Other provisions charges		**1,235,659**	461,869
Impairment charge for other assets		**69,217**	(93,313)
Impairment charge for credit losses (due from banks)		**7,081**	9,503
Exchange revaluation differences for financial assets at fair value through OCI		**249,642**	1,593,030
Impairment charge for credit losses (financial investments)		**205,182**	(184,921)
Utilization of other provisions		**(2,382)**	(28,135)
Other provisions no longer used		**(13,273)**	(6,910)
Impairment of intangible assets		**-**	651,041
Exchange differences of other provisions		**(7,193)**	(110,062)
Released (Impairment) charges of investments in associates and subsidiaries		**16,511**	-
Profits from selling property, plant and equipment		**(1,094)**	(1,439)
(Profits) losses from selling financial investments		**(1,018,469)**	(497,894)
Shares based payments		**552,438**	464,539
Bank's share in the profits of associates		**(22,426)**	(1,135)
Operating profits before changes in working capital		**21,335,273**	19,222,093
Net decrease (increase) in working capital			
Due from banks		**(10,899,927)**	(8,870,547)
Financial assets at fair value through P&L		**58,822**	2,318,924
Derivative financial instruments		**16,109**	(2,910)
Loans and advances to banks and customers		**(5,020,609)**	(14,533,328)
Other assets		**568,988**	163,933
Due to banks		**(2,993,072)**	4,550,788
Due to customers		**36,720,995**	19,151,586
Income tax obligations paid		**(3,779,782)**	(3,625,579)
Other liabilities		**2,146,103**	1,895,241
Net cash generated from operating activities		**38,152,900**	20,270,201
Cash flow from investing activities			
Proceeds from Investments in associates.		**750**	-
Payment for purchases of property, plant, equipment and branches constructions		**(1,091,829)**	(1,303,181)
Proceeds from selling property, plant and equipment		**1,094**	1,439
Proceeds from redemption of financial assets at amortized cost		**82,309,481**	43,937,957
Payment for purchases of financial assets at amortized cost		**(233,765)**	(76,516,842)
Payment for purchases of financial assets at fair value through OCI		**(117,787,925)**	(50,954,311)
Proceeds from selling financial assets at fair value through OCI		**54,137,187**	54,855,966
Proceeds from selling property and equipment		**194,722**	-
Net cash generated from (used in) investing activities		**17,529,715**	(29,978,972)

Consolidated Statement of Cash Flow for the Year Ended December 31, 2020 (Cont.)

	Note	Dec. 31, 2020 EGP Thousands	Dec. 31, 2019 EGP Thousands
Cash flow from financing activities			
Received (Repaid) in long term loans		**4,474,200**	(448,783)
Dividend paid		**(2,013,318)**	(2,700,544)
Transferred from previous years' outstanding balances		**85,992**	105,413
Cash payments for lease (principle and interest)		**(242,173)**	-
Net cash generated from (used in) financing activities		**2,304,701**	(3,043,914)
Net increase (decrease) in cash and cash equivalent during the year		**57,987,316**	(12,752,685)
Beginning balance of cash and cash equivalent		**8,362,969**	21,115,654
Cash and cash equivalent at the end of the year		**66,350,285**	8,362,969
Cash and cash equivalent comprise:			
Cash and balances at the central bank	13	**33,768,549**	28,273,962
Due from banks	14	**87,450,490**	28,370,183
Treasury bills and other governmental notes	19	**40,256,277**	27,634,062
Obligatory reserve balance with CBE	13	**(27,744,700)**	(22,397,310)
Due from banks with maturities more than three months		**(27,179,042)**	(25,125,951)
Treasury bills with maturity more than three months		**(40,201,289)**	(28,391,977)
Total cash and cash equivalent	31	**66,350,285**	8,362,969

Notes to the Consolidated Financial Statements for the year Ended December 31, 2020

1. Corporate Information

Commercial International Bank (Egypt) S.A.E. provides Retail, Corporate and Investment banking services in various parts of Egypt through the operation of 182 branches, 27 units, and 7071 employees as at the date of the statement of financial position.

Commercial international Bank (Egypt) S.A.E. was formed as a commercial bank under the investment law no. 43 of 1974. The address of its registered head office is as follows: Nile tower, 21/23 Charles de Gaulle Street-Giza, Cairo, Egypt. The Bank is listed on the Egyptian stock exchange and has GDRs in London Stock Exchange.

The bank owns investments in subsidiaries “C-Ventures”, “May Fair” and “Damietta Shipping” in which the bank’s shares are 99.99%, 51% and 49.95% respectively.

2. Accounting Policies

2.1. Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In addition, the financial statements have been prepared on a historical cost basis, except for financial investments at FVOCI, derivative financial instruments, financial assets and liabilities classified as trading or held at fair value through profit or loss, all of which have been measured at fair value. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated financial statements are presented in Egyptian pound (EGP).

Presentation of Financial Statements

The Bank presents its Statement of Financial Position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the bank and its subsidiaries as at 31 December 2020. Control is achieved when the Bank has the majority of the voting or similar rights of an investee, which in return has the ability to affect the returns that result from its exposure, power, and involvement with the investee. The Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, which include the following:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Bank's voting rights and potential voting rights

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Statement of Comprehensive Income from the date the Bank gains control until the date the Bank ceases to control the subsidiary. Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Bank's accounting policies. All intra-bank assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Bank are eliminated in full upon consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.
If the Bank loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Bank had directly disposed of the related assets or liabilities.

Loss of Control

When the Bank loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Investment in Associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Significant influence is the power to participate in the decision-making of financial and operating policies of the investee, but is not in control or joint control over those polices.

Investments in associates are accounted for using the equity method of accounting. This method requires, the initial recognition of the investment at cost, and any increases or decreases are reflected in the carrying amount to recognize the investors share of the profit or loss of the investee after the date of acquisition. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit/ (loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the bank and its associate are recognized in the bank's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising from investments in associates are recognized in the income statement.

2.2. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Bank's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2020 is set out below in relation to the impairment of financial instruments and in the following notes:

•• Note 33 – Determination of fair value of financial instruments with significant unobservable inputs;

••Note 10.2 – Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used; and

•• Note 28 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

•• Note 32 -Share-based payments.

•• Note 34 -Segment analysis.

Going Concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

Therefore, the financial statements continue to be prepared on the going concern basis.

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

* In the principal market for the asset or liability

Or

* In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 33.4.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

・Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

・Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

・Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Bank's Risk Committee determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial investment at FVOCI, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External vaulters are involved for valuation of significant assets, such as properties and financial investment at FVOCI, and significant liabilities, such as contingent consideration. Involvement of external vaulters is decided upon annually by the Risk Committee after discussions and approvals by the Company's Audit committee are obtained. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. vaulters are normally rotated every three years. The Risk committee decides, after discussions with the Bank's external vaulters, which valuation techniques and inputs to use for each case.

At each reporting date, "The Direct Investment Exposure Unit '' operating under "Investment Committee '' analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the bank's accounting policies. For this analysis, the Risk Committee verifies the major inputs applied in the latest valuation by agreeing the information in the computation of the valuation to contracts and other relevant

documents. The Risk Committee, in conjunction with the Bank's external vaulters, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy Note 33.4.

Impairment of Loans and Advances

The Bank reviews its individually significant loans and advances at each statement-of-financial-position date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups). The impairment loss on loans and advances is disclosed in more detail in Note 16.

In the case of equity investments classified as financial investment at FVOCI, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as financial investment at FVOCI, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Tax losses can be used indefinitely.

2.3. Summary of Significant Accounting Policies

(1) Foreign currency translation

The consolidated financial statements are denominated and presented in Egyptian pound (EGP), which is also the functional currency of the Bank. Transactions in foreign currencies are translated into Egyptian pound at exchange rates prevailing at transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the year are translated into Egyptian pound at the exchange rates prevailing at the reporting date.
Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non–monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

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.
- Items of other comprehensive income with equity in relation to investments in equity instruments at fair value through comprehensive income.
- Other operating revenues (expenses) from the remaining assets and liabilities.

Changes in the fair value of financial instruments of a monetary nature in foreign currencies that are classified as financial investments at fair value through comprehensive income (debt instruments) are analyzed between valuation differences that resulted from changes in the cost consumed for the instrument and differences that resulted from changing the exchange rates in effect and differences caused by changing the fair value For the instrument, the evaluation differences related to changes in the cost consumed are recognized in the income of loans and similar revenues and in the differences related to changing the exchange rates in other operating income (expenses) item, and are recognized in the items of comprehensive income.

Valuation differences arising from the measurement of items of a non-monetary nature at fair value through profit and losses resulting from changes in the exchange rates used to translate those items include, and then are recognized in the income statement by the total valuation differences resulting from the measurement of equity instruments classified at fair value through Profits and losses, while the total valuation differences resulting from the measurement of equity instruments at fair value through comprehensive income are recognized within other comprehensive income items in equity, fair value reserve item for financial investments at fair value through comprehensive income.

(2) Sale and Repurchase Agreements

Securities sold with a commitment to repurchase at a specified future date (repos), continue to be recognized in the statement of consolidated financial position and are measured in accordance with related accounting policies for trading, FVIS, available for sale and other investments at amortized cost. The counterparty liability for amounts received under these agreements is included in due to banks and other financial institutions or customer deposits, as appropriate. The difference between the sale and the repurchase price is treated as special interest expense and is recognized over the life of the repo agreement on an effective yield basis.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos), are not recognized in the statement of consolidated financial position, as the bank does not obtain control over the assets. Amounts paid under these agreements are included in cash and balances with Central Banks, due from banks and other financial institutions or loans and advances, as appropriate. The difference between the purchase and the resale price is treated as special commission income and is recognized over the life of the reverse repo agreement on an effective yield basis.

(3) Impairment of Financial Assets

The Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(4) Impairment of Non–Financial Assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Impairment losses relating to goodwill are not reversed in future periods.

(5) Hedge Accounting

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the income statement in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Bank also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

Fair Value Hedges

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognized immediately in the income statement. These gains and losses are reported in 'net trading income', except where derivatives are managed in conjunction with financial instruments designated at fair value, in which case gains and losses are reported in 'net income from financial instruments designated at fair value'.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognized in the income statement in Net trading income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognized in the income statement in Net trading income. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the recalculated EIR method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the income statement.

(6) Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the bank has legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the trading activities.

IFRS 7 and its amendments have no impact on the consolidated financial statements.

(7) Financial Instruments

Classification of Financial Assets and Liabilities:

Date of Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial ~assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. In those cases, where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

(a) Classification and Measurement

From a classification and measurement perspective, all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Defining a Business Model

Business Model is the overarching principle that determines the management philosophy and method by which the Bank manages its group of financial assets to achieve a particular objective. A business model document shall set the broader objectives of the Bank and serve as the guiding principle in developing portfolios of debt instruments.

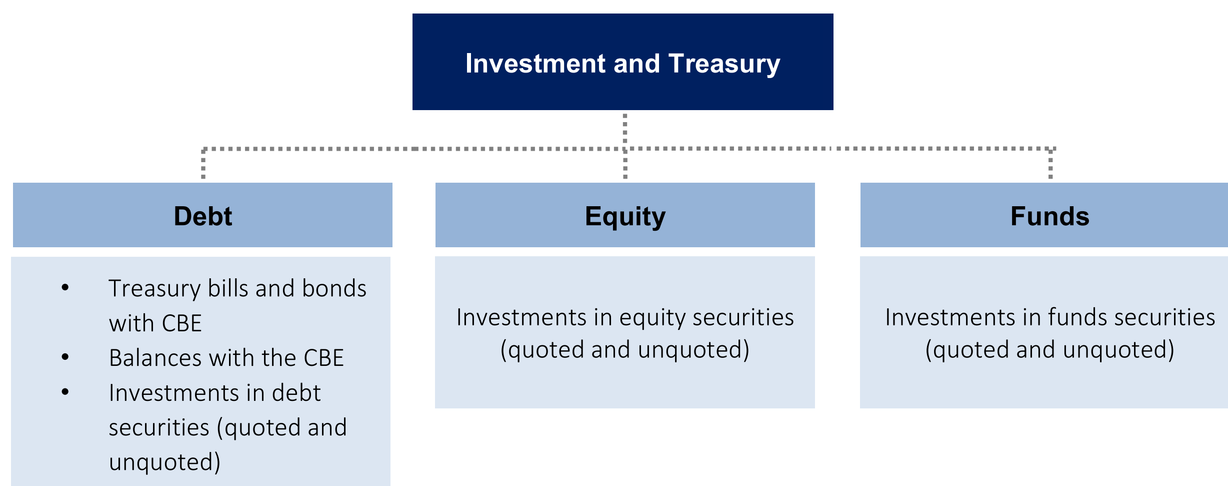
The Bank applies the following approved business models in the management of its debt instrument to achieve its goals and objectives.

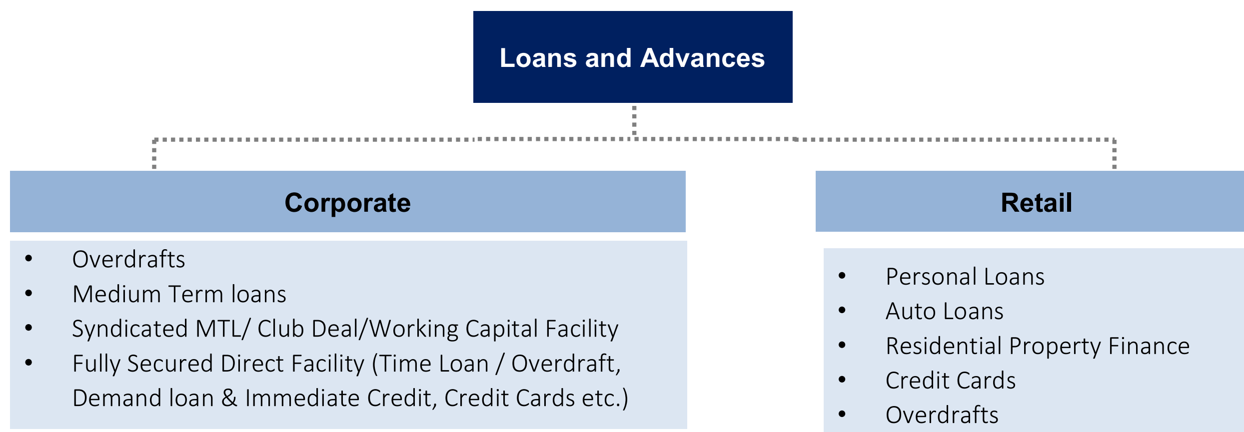
Business models	Primary objective
Hold to Collect	Hold to collect contractual cash flows
Hold to Collect and Sell	Hold to collect and sell financial assets
Others	Hold for trading and/or manage on a fair value basis

Level of Portfolio Aggregation

Management shall define the level of portfolio aggregation at which the business model applies to aid in the management, monitoring, and operation of the model. The aggregation reflects the objective of the portfolio rather than the intent of each instrument.

The following diagram depicts the bank business segment and the financial asset portfolio being managed by each segment:





Management and Monitoring of Business Models

The business groups, in consultation with Finance, shall:

- Perform business model reassessment regularly to ensure that the portfolios are managed consistently with the business model; and
- Monitor and document deviations from the business model

If deviations to business model were noted, the business group shall document the nature, justification and impact of deviation.

Contractual Cash Flow Characteristics

The Bank should assess the contractual cash flow characteristics of its financial assets, which are debt instruments held within the following business model:

- Hold to Collect
- Hold to Collect and Sell

To do so, the Bank has to determine whether the asset's contractual cash flows are consistent with the basic lending arrangement by performing a Contractual Cash Flow Characteristics of Financial Assets or more commonly known as Solely Payment of Principal and Interest (SPPI) testing.

In a basic lending arrangement, the contractual cash flows of debt investments and credit products are composed of principal value, and interest payment (i.e., rate of return). These two components are discussed further below:

Principal Value

Principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the useful life of the financial asset when there are principal repayments.

Rate of Return

Rate of return consists of consideration for the time value of money, credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin. The Bank derives the rate of return considering its cost of fund, provision for expected and unexpected losses, administrative costs, and reasonable return of investment.

Levels of SPPI Assessment

Generally, SPPI test is performed at an instrument level. Details of the assessment vary between debt securities and loan products as discussed further below:

Loan Facilities

Standard Loan Contracts

Standard loan contracts are based on master agreements where contracts for facilities include pre-defined contractual agreements. Lending terms may vary from obligor to obligor depending on the lending risk (e.g. interest rate, frequency, tenor, etc.)

Facilities under a standard loan contract is expected to have consistent cash flow features and characteristics. Therefore, assessment is performed on the master agreement to determine whether IFRS 9 criteria on cash flow characteristics are met. Rest of individual contracts within the product portfolio is presumed to be covered by the SPPI testing of single master agreement.

Bank has controls in place to consistently comply with the Bank's credit documentation requirements. Any deviation shall be reviewed and cleared by the Bank's legal unit.

New Credit Product – Standard Loan Contracts

Proposal for new credit products shall include full details of the offering such as credit criteria, pricing, legal terms and expected risk adjusted returns. In consultation with Finance, proposing business unit shall perform SPPI test on new credit product as per the requirement of IFRS 9. Clearance on SPPI testing is needed to be able to classify new credit products in accordance with IFRS 9 classification and measurement. Results of the SPPI testing will be communicated to Finance department prior to launch to ensure that the transactions under this product are properly accounted in the books.

Non-Standard Loan Contracts

Non-standard loan contracts are not based on master agreement where credit terms vary from one obligor to another. The contractual cash flow characteristics are expected to be different from each other, thus, SPPI testing is performed at instrument level.

The business unit managing a non-standard loan contracts shall perform the SPPI testing, in consultation with Finance. Results of the SPPI testing will be forwarded to Finance for the assessment of accounting treatment in the books.

Restructuring and Modification of Financial Assets

Some loan facilities are subject to restructuring or modification of credit terms. In such cases, modified or restructured terms of a credit facility shall be assessed for contractual cash flow characteristics and features.

The business unit managing the restructured or modified products shall perform the SPPI test with consultation with Finance department, as needed. Results of the SPPI testing will be forwarded to Finance for the assessment of accounting impact in the financial statements.

Bonds and Other Debt Instruments

As part of the Bank's activity to maximize return on its assets, Investment and Treasury department will endeavour to find profitable investments within the acceptable risk limit.

The investment proposal should include the result of SPPI testing along with the business model objective for which the Bank would intend to manage the investment in following cases:

- Prior to approval to purchase
- Upon restructuring
- Modification of an investment

The business unit managing the investment shall perform the SPPI testing. Results shall be forwarded to Finance department for the assessment of accounting impact on the financial statements.

Equity Instruments and Derivatives

Equity instruments are generally measured at FVTPL as per IFRS 9. However, the Bank may acquire equity instruments, which is not held for trading. IFRS 9, upon initial recognition, provides an irrevocable election to designate equity securities (instrument level) to present subsequent changes in fair value in other comprehensive income (OCI). Amounts presented in OCI are not subsequently transferred to profit and loss even on De-recognition, although the cumulative amounts may be transferred within equity, as appropriate. Dividend on equity instruments is recognized in profit and loss, unless it represents recovery of the cost of investment consequently, there is no requirement to review equity instruments for impairment.

Reclassification of Financial Assets

Under IFRS 9, financial assets are not reclassified subsequent to their initial recognition, except in certain rare circumstances when the Bank changes its business model for managing financial assets, it should reclassify all affected financial assets within the portfolio in accordance with the new business model. However, it is expected to be infrequent as it occurs if the Bank begins or ceases activity of a significant operation and it is demonstrable to external parties.

The following are not considered changes in the business model:

- A change in intention related to particular financial assets
- A temporary disappearance of a particular market for financial assets
- A transfer of financial assets between parts of the entity with different business models

The Bank does not allow, in all cases, reclassification in equity instruments after the initial recognition.

The reclassification should be applied prospectively from the reclassification date, which is defined as, 'the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets'. Any previously recognised gains, losses or interest should not be restated.

Classification of Financial Liabilities

Financial liabilities are to be subsequently measured at:

- Amortised cost, measured using the effective interest method; OR
- Fair value through profit or loss (FVTPL)

The principal changes in the Group's accounting policies are as follows:

Impairment of Financial Assets:

• The Bank applies a three-stage approach to measure expected credit losses in respect of financial assets carried at amortized cost and debt instruments classified at fair value through other comprehensive income. Assets are transferred through the following three stages on the basis of changes in the quality of credit ratings since the initial recognition of these assets: