SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

AND INDEPENDENT AUDITOR'S REPORT.

Contents | Page

Auditors' report

To : The Shareholders of Abu Dhabi Islamic Bank (ADIB) - Egypt "S.A.E."

Report on the Separate Financial Statements

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

Management's Responsibility for the separate financial statements

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

Auditors' Responsibility

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

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

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

The Shareholders of Abu Dhabi Islamic Bank (ADIB) - Egypt "S.A.E."
Page 2

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Abu Dhabi Islamic Bank (ADIB) – Egypt (S.A.E) as of December 31, 2020 and of its separate financial performance and its sperate cash flows for the year then ended, in accordance with Central Bank of Egypt's rules, pertaining to the preparation and presentation of the banks' financial statements, issued on December16, 2008 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations relating to the preparation of these separate financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to as indicated in note (29) of the separate financial statements, The bank's management formed a provision whose balance on December 31, 2020 amounted to LE 1,229 million (December 31, 2019: 1,273 million Egyptian pounds) based on the bank's external legal advisor opinion to cover potential claims by Abu Dhabi Islamic Bank - UAE.

Report on Legal and Other Regulatory Requirements

According to the information and explanations given to us during the financial year ended December 31, 2020, no violation of the Central Bank and Banking Sector Law No. 194 of 2020, Taking into consideration the grace period to comply with provisions of the law.

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

The separate financial information included in the Board of Directors' report, prepared in accordance with law no. 159 of 1981 and its executive regulations, is in agreement with the bank's books of account.

Auditors

Hoda Mostafa Shawky
Accountants and Auditors Register No. (2451)
Financial Regulatory Authority Register No. (7)
CBE Register No. (92)
Fellow of Egyptian Society of Accountants and Auditors
Fellow of Egyptian Tax Society
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153 Mohamed Farid St., Bank Misr Tower, Cairo

Mohamed Ahmed Fouad, CPA
Accountants and Auditors Register No. (11595)
Financial Regulatory Authority Register No. (235)
CBE Register No. (467)
PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants
Plot No 211, Second Sector, City Center
New Cairo 11835, Egypt

20 February 2021
Cairo

Separate statement of financial position - at 31 December 2020

	Note No	31 December 2020 000's EGP	31 December 2019 000's EGP
Assets			
Cash and due from Central Bank of Egypt	15	4,630,304	5,076,653
Due from banks	16	3,713,519	1,251,303
Financing and facilities to banks (net of impairment losses)	17	118,206	180,918
Conventional financing to customers (net of impairment losses)	18	10,434	8,000
Financing and facilities to customers (net of impairment losses)	18	40,224,934	30,951,842
Islamic forward exchange contracts	26	3	2,816
Financial investments			
- Financial investments at FVOCI	19	8,085,902	10,027,927
- Financial investments at amortized cost	19	13,548,163	10,291,070
Investments in subsidiaries and associates (net)	20	314,450	262,262
Intangible assets (net of accumulated amortization)	21	25,646	60,487
Other assets	22	1,559,327	1,098,504
Fixed assets (net of accumulated depreciation)	23	531,576	507,083
Deferred tax assets	30	6,908	-
Total assets		**72,769,372**	**59,718,865**
Liabilities and equity			
Liabilities			
Due to banks	24	686,738	282,893
Customers' deposits	25	62,825,027	51,285,714
Islamic forward / Islamic currency swap contracts	26	1,296	5
Subordinated Financing / Other Islamic financing	27	1,307,117	1,245,659
Other liabilities	28	1,027,684	1,148,415
Current income tax liability		101,221	175,013
Other provisions	29	1,523,461	1,438,451
Defined benefits obligations		137,966	92,153
Deferred tax liabilities	30	-	60,585
Total liabilities		**67,610,510**	**55,728,888**
Equity			
Paid up Capital	31	2,000,000	2,000,000
Paid under capital increase	31	1,861,418	1,861,418
Reserves	32	345,869	299,429
Difference between face value and present value for non-interest subordinated financing		44,767	57,741
Retained earnings /(Retained Losses)		906,808	(228,611)
Total equity		**5,158,862**	**3,989,977**
Total liabilities and equity		**72,769,372**	**59,718,865**

Independent auditor's report "attached"

The accompanying notes from (1) to (39) are integral part of these financial statements and are to be read together.

Jamal Abu Sana	Mohamed Ali
Chief financial officer	CEO and Managing Director

Cairo on 18 February 2021

Separate Income Statement

For the year ended 31 December 2020

	Note No	31 December 2020 000's EGP	31 December 2019 000's EGP
Income from Murabaha, Musharaka, Mudaraba and similar income		7,167,609	6,889,506
Cost of deposits and similar costs		(4,029,245)	(3,779,358)
Net income from funds	6	**3,138,364**	**3,110,148**
Fees and commissions income		603,206	526,091
Fees and commissions expenses		(145,423)	(119,518)
Net fees and commission income	7	**457,783**	**406,573**
Dividend Income	8	13,873	4,229
Net trading income	9	180,323	222,226
Administrative expenses	10	(1,259,368)	(1,285,154)
Other operating expenses	11	(409,886)	(427,064)
Impairment charges on credit losses	12	(433,876)	(463,591)
Gain on financial investments	19	11,301	6,819
Net profit for the year before tax		**1,698,514**	**1,574,186**
Income tax expense	13	(547,162)	(471,557)
Net profit for the year		**1,151,352**	**1,102,629**
Basic earning per share in net profit for the year	14	**5.11**	**5.51**

The accompanying notes from (1) to (39) are integral part of these financial statements and are to be read together.

Separate statement of comprehensive income

For the year ended 31 December 2020

	Note No	31 December 2020 000's EGP	31 December 2019 000's EGP
Net profit for the Year		**1,151,352**	**1,102,629**
Items that are not reclassified to the profit and losses:			
Change in fair value reserve of equity instruments at fair value through other comprehensive income		920	22,885
Income tax related to items that are not reclassified to the profit or loss		(207)	(9,327)
Items that are reclassified to profits and losses:			
Changes in fair value reserve of investments in debt instruments		(4,503)	39,757
Income tax related to items that are reclassified to the profits and losses		1,013	(6,852)
Total other comprehensive income for the year, net of tax		**(2,777)**	**46,463**
Total comprehensive income for the year, net of tax		**1,148,575**	**1,149,092**

The accompanying notes from (1) to (39) are integral part of these financial statements and are to be read together.

Separate statement of cash flows

For the year ended 31 December 2020

	Note No.	31 December 2020 000's EGP	31 December 2019 000's EGP
Cash flows from operating activities			
Net profit for the year before tax		1,698,514	1,574,186
Adjustments to reconcile profits with cash flows from operating activities			
Depreciation and Amortization of fixed and intangible assets		120,946	84,999
Charge / (release) impairment losses of financing and facilities to customers	12	433,455	450,280
Used financing provision	18	(298,440)	(29,405)
Charge / (release) of other provisions	29	234,391	88,227
Provisions no longer required other than financing provision	29	(146,627)	(283,871)
Provisions used other than financing provision	29	(6,339)	(12,928)
Bonds' premium and discount amortization		(420,301)	17,246
Foreign currency valuation differences of financing provisions in foreign currencies	18	(4,874)	(11,004)
Foreign currency valuation differences of provisions in foreign currencies other than financing provisions	29	3,585	(6,008)
Foreign currency valuation differences of due from banks provisions in foreign currencies		(44)	-
Foreign currency valuation differences of financial investments at FVOCI in foreign currencies		560	3,669
Valuation differences for financial assets balances in foreign currencies at AC		3,671	23,214
Foreign currency valuation differences of financial instrument at AC's provisions		(290)	-
Foreign currency valuation differences of subordinated financing - With coupon	27	(14,851)	(72,041)
Foreign currency valuation differences of subordinated financing - Zero coupon	27	(9,414)	(52,889)
Foreign currency valuation differences of subordinated financing - Zero coupon - Equity		20,309	20,383
Gain / (Losses) from valuation of forward exchange contracts		1,296	(2,816)
Charge /(release) of impairment losses of due from banks	12	75	(5)
Charge /(release) of impairment losses of financial investments at AC	12	345	13,316
Charge /(release) of impairment losses of investments in subsidiaries and associates	19	-	13
Charge /(release) of impairment losses of assets reverted to bank	11	-	36,819
Charge /(release) of impairment losses of other assets		7,601	614
(Losses) / Gains on sale of debt instruments at FVOCI		(11,301)	(6,831)
(Losses) / Gains on sale of fixed assets	11	(3,698)	(1,140)
Gain / (Losses) on sale of assets reverted to bank	11	(404)	-
Dividends on equity instruments at FVOCI		(1,393)	(3,135)
Dividends on financial investments in subsidiaries and associates		(12,480)	(1,094)
Amortization of subordinated financing cost using effective interest rate method	27	33,283	32,491
Operating profits before changes in assets and liabilities resulting from operating activities		1,627,575	1,862,290
Net decrease (increase) in assets and liabilities			
Due from banks with maturity more than 90 days	16	(2,206,685)	2,062,881
Treasury bills with maturity more than 90 days		335,025	(2,154,766)
Financing and facilities to customers and banks	18	(9,342,194)	(7,056,041)
Other assets		(476,569)	(105,575)
Due to banks	24	403,845	(2,181,239)
Customers' deposits	25	11,539,313	11,336,612
Financial derivatives		2,808	(1,567)
Other liabilities		(122,828)	192,190
Employees' Benefits obligations		45,813	17,155
Income tax paid		(679,854)	(441,612)
Net Cash flows generated from operating activities		1,126,249	3,530,328

Separate statement of cash flows - continued

For the year ended 31 December 2020

	Note No.	31 December 2020 000's EGP	31 December 2019 000's EGP
Cash flows from investing activities			
Payments for purchase of fixed assets and branches fixtures	23	(164,079)	(119,637)
Proceeds from sale of fixed assets		64,187	1,329
Payments for purchase of intangible assets		(7,005)	-
Payments for purchase of financial investments at FVOCI		(115,000)	(65,125)
Proceeds from recovery of financial investments at FVOCI		138,097	43,953
Payments for purchase of financial investments at amortized cost		(5,478,332)	(1,678,343)
Proceeds from recovery of financial investments at amortized cost		2,592,112	1,023,734
Payments for purchase of investments in subsidiaries and associates		(52,187)	(50,000)
Proceeds from dividends income		13,874	4,229
Net Cash flows (Used in) Investing activities		(3,008,333)	(839,860)
Cash flows from financing activities			
Proceeds (Paid) from subordinated financing	27	54,589	519,588
Net cash flows generated from financing activities		54,589	519,588
Net (decrease) increase in cash and cash equivalents during the year		(1,827,495)	3,210,056
Cash and cash equivalents at the beginning of the year		10,258,723	7,048,667
Cash and cash equivalents at the end of the year		8,431,228	10,258,723
Cash and cash equivalents comprise			
Cash and due from CBE	15	4,630,304	5,076,653
Due from banks	16	3,713,575	1,251,327
Treasury bills		10,570,345	12,542,078
Due from banks with maturity more than three months from date of acquisition		(3,215,101)	(1,008,415)
Treasury bills with maturity more than three months from date of acquisition		(7,267,895)	(7,602,920)
Cash and cash equivalents at end of the year		**8,431,228**	**10,258,723**

The accompanying notes from (1) to (39) are integral part of these financial statements and are to be read together.

Separate statement of changes in equity

For the year ended 31 December 2020

000's EGP

	Paid up capital	Paid under capital increase	Legal reserve	General reserve	Special reserve	General banking risk reserve	IFRS 9 risk reserve	General risk reserve	Fair value reserve	Difference between face value and present value for subordinated financing	Retained earnings / (Retained losses)	Total
31 December 2019												
Balance at 1 January 2019	2,000,000	1,861,418	22,878	42,522	26,257	174,516	190,095	-	9,264	69,849	(1,360,682)	**3,036,117**
Impact of IFRS 9 first implementation	-	-	-	-	(9,092)	(174,516)	(190,095)	158,088	(3,423)	-	-	**(219,038)**
Balance at 1 January 2019 - adjusted	**2,000,000**	**1,861,418**	**22,878**	**42,522**	**17,165**	-	-	**158,088**	**5,841**	**69,849**	**(1,360,682)**	**2,817,079**
Transferred to general banking risk reserve	-	-	-	-	-	3,049	-	-	-	-	(3,049)	-
Net change in other comprehensive income items	-	-	-	-	-	-	-	-	49,886	-	-	**49,886**
Amortization of the difference between face value and present value of subordinated financing	-	-	-	-	-	-	-	-	-	(12,108)	33,491	**21,383**
Net profit for the year	-	-	-	-	-	-	-	-	-	-	1,102,629	**1,102,629**
Balance at 31 December 2019	**2,000,000**	**1,861,418**	**22,878**	**42,522**	**17,165**	**3,049**	-	**158,088**	**55,727**	**57,741**	**(227,611)**	**3,990,977**
31 December 2020												
Balance at 1 January 2020	2,000,000	1,861,418	22,878	42,522	17,165	3,049	-	158,088	55,727	57,741	(228,611)	**3,989,977**
Transferred to general banking risk reserve	-	-	-	-	-	49,216	-	-	-	-	(49,216)	-
Net change in other comprehensive income items	-	-	-	-	-	-	-	-	(2,776)	-	-	**(2,776)**
Amortization of the difference between face value and present value of subordinated financing	-	-	-	-	-	-	-	-	-	(12,974)	33,283	**20,309**
Net profit for the year	-	-	-	-	-	-	-	-	-	-	1,151,352	**1,151,352**
Balance at 31 December 2020	**2,000,000**	**1,861,418**	**22,878**	**42,522**	**17,165**	**52,265**	-	**158,088**	**52,951**	**44,767**	**906,808**	**5,158,862**

The accompanying notes from (1) to (39) are integral part of these financial statements and are to be read together.

Statement of proposed dividends

For the year ended 31 December 2020

	Note No	31 December 2020 000's EGP
Net profit for the year (based on income statement)		**1,151,352**
Add / (Deduct):		
Gain on sale of fixed assets transferred to capital reserve according to law provisions		-3,698
Change in general banking risk reserve		(49,216)
Items transferred to retained earnings		33,283
Net distributable profits for the year		**1,131,721**
Add / (Deduct):		
Retained losses at the beginning of the year		(228,611)
Total		**903,110**
To be distributed as follows:		
Legal reserve 5%		57,383
Banking system development fund		9,031
Employees' share 10%		90,311
Board of directors remuneration		11,196
Retained earnings at the end of the year		735,189
Total		**903,110**

Notes to the separate financial statements

For the year ended 31 December 2020

1- General information

Abu Dhabi Islamic Bank - Egypt (formerly National Development Bank - a joint stock company) was incorporated as an Egyptian joint stock company under Law No. 43 of 1974 and its executive regulations in the Arab Republic of Egypt. The main office of ADIB is located at Cairo Governorate, 9 Rustom Street - Garden City. ADIB is listed on the Egyptian Stock Exchange.

Abu Dhabi Islamic Bank - Egypt - an Egyptian Joint Stock Company is subject as a financial institution to the supervision and control of the Central Bank of Egypt, and ADIB complies with the provisions of Islamic Sharia'a in products provided to its clients, whether the products are investment deposits, Islamic investment Sukuk or savings accounts. ADIB also fulfils the client's various funding needs by offering a variety of options such as: Murabaha (Cost-Plus), Musharaka (Joint Ventures) and Ejara (Leasing), as well as, providing Islamic options for letter of guarantee, letter of credit and covered cards. ADIB has its own Fatwa and Shari'a Supervisory Committee, which is composed of Shari'a jurists, qualified with banking, legal and economic knowledge, in order to issue fatwas and legal rulings on all aspects of existing and new Islamic banking transactions.

ADIB was registered in the Commercial Register on 3 April 2013 by changing the bank name from National Development Bank to Abu Dhabi Islamic Bank - Egypt.

Abu Dhabi Islamic Bank - Egypt -an Egyptian Joint Stock Company provides corporates, retail banking and investment services in the Arab Republic of Egypt through 70 branches, delegates and agencies employing 2129 employees on the date of the interim financial statements.
These financial statements for the year ended 31 December 2020 were approved by the Board of Directors on 18 February 2021.

Important Definitions

The following terms are used in the separate financial statements and their definitions are as follows:

Murabaha

It is a contract under which ADIB sells to the customer in-kind asset, a commodity or shares owned and held by ADIB (real or judgement) for a selling price consisting of the purchase cost and an agreed profit margin.

Ejara

It is a lease contract thereby ADIB (the lessor) rents a specific in-kind asset or service (owned or leased by ADIB) or entitled for a specified period and in return for fixed rental instalments. Ejara may be ended for in-kind asset by ownership of the lessee for the leased asset under an independent contract to transfer the ownership.

Mudaraba

It is a contract between ADIB and the client whereby one of the two parties (the money owner) provides a sum of money to the other party (Mudarib) which invests the sum in a particular project or activity and distributes the profit between the parties according to the agreed shares in the contract. Mudarib bears the loss in case of infringement or default and / or violation of any of the terms of the Mudaraba contract; otherwise, the owner bears such loss.

Wakala

It is a contract between ADIB and the client whereby one of the two parties (the Principal) provides for the other party (Agent) a certain amount of money and authorized to invest according to a certain terms and conditions. The Agent's commission is limited as per a lump sum basis that may be added to the amount of a certain percentage of profit expected as incentive profit to the Agent for good performance. The Agent bears the loss in the event of infringement, default or violation of any of the terms and conditions of the Power of Attorney contract, otherwise the Principle bears it.

Sukuk

They are value equivalent documents that represent common shares in the ownership of a certain asset (leased, will be leased, whether existing or described in the future) or in the ownership of rights arising from the sale of an existing asset after being owned by the Sukuk holders, the ownership arising from the assignment, or the ownership of projects that are managed on Mudaraba or Company basis. In all such cases, Sukuk holders are the owners of their common share of the leased assets, the rights or goods arising from the assignment or the assets of the Company's projects or the Mudaraba.

2- Basis of preparation of the financial statements

These separate interim financial statements have been prepared in accordance with the rules of Central Bank of Egypt (CBE) of the preparation of the banks' financial statements and the principles of recognition and measurement as approved by its board of directors on 16 December 2008, pertaining to the issuance of interim financial statements by the Egyptian banks during 2019 according to the rules of preparation and presentation of financial statements of banks, as well as, the recognition and measurement basis issued by the (CBE) dated on that date after being affected by the application of the requirements of IFRS (9) "Financial Instruments" in light of the instructions issued on 26 February 2019, and in light of the revised Egyptian Accounting Standards (EAS) issued during the year 2015 and its related amendments and the provisions of local laws and in light of the Egyptian laws and regulations related to the preparation of these separate financial statements.

The financial statements of ADIB had been prepared till 31 December 2018 using the rules for the preparation and presentation of the financial statements of banks and the recognition and measurement principles issued by (CBE) on 16 December 2008. However, as from 1 January 2019 and based on the instructions issued by the (CBE) relevant to preparation of the financial statements of banks in the accordance with the requirements of (IFRS 9) "Financial Instruments" as of 26 February 2019, the management has modified certain accounting policies to conform to those instructions. The following note details the changes in accounting policies.

Amendments to the rules of preparation and presentation of the financial statements of (ADIB) issued by the (CBE) on 16 December 2008 under the instructions of (CBE) issued on 26 February 2019.

IFRS 9 - Financial Instruments

As of 1 January 2019, ADIB has applied IFRS (9) - Financial Instruments s formally after being trail applied in 2018, which was issued by the (CBE) in July 2014. Requirements of said Standard materially differ from EAS No. (26) “Financial Instruments - Recognition and measurement”, in particular, with regard to the classification, measurement and disclosure of financial assets and some financial liabilities. Below is a summary of main changes in accounting policies of ADIB due to applying the Standard:

Classification of financial assets and financial liabilities:

On initial recognition, financial assets are classified as either at amortized cost or at fair value through other comprehensive income or fair value through profit and loss.

Financial assets are classified according to the business model in which they are managed and their contractual cash flows.

A financial asset is measured at amortized cost upon fulfilling the following two conditions and not measured at fair value through profit and loss:

- The asset is retained in a business model intended to hold assets to collect contractual cash flows
- The contractual terms of the financial assets result in cash flows on specific dates which are only principal payments and interest on the principal amount due.

Debt instruments are measured at fair value through other comprehensive income only if the following conditions are fulfilled and are not measured at fair value through profit and loss:

- The asset is retained in a business model whose objective has been achieved through the collection of contractual cash flows and the sale of financial assets
- The contractual terms of the financial assets result in cash flows on specific dates that are only principal payments and interest on the principal amount due.

Upon initial recognition of investment in shares not held for trading, ADIB may choose irrevocably to measure subsequent changes in fair value within other comprehensive income. This option is made on each investment separately.

All other financial assets are classified as at fair value through profit or loss.

In addition, upon initial recognition, ADIB may irrevocably determine a financial asset that fulfils the requirements for measurement at amortized cost or at fair value through other comprehensive income, as being at fair value through profit or loss, in case that such application may essentially cancel or reduce the accounting mismatch that may arise otherwise.

Evaluation of business model:

ADIB evaluates the objective of the business model in which the asset is held at the portfolio level as this reflects the best way to conduct the business and to provide information to the management. The information to be considered include:

- The stated policies and objectives of the portfolio and the practical mechanism of those policies. To determine, in particular, whether the management strategy focuses on earning contractual interest income, matching the duration of financial assets with the duration of the financial liabilities that fund such assets or realizing cash flows through the sale of assets;
- How to evaluate performance of the portfolio and submit report in this regard to the management of ADIB
- Risks affecting performance of the business model and financial assets held in this business model and how to manage these risks
- The number, volume and timing of sales in previous periods, the reasons for these sales and their expectations of future sales activity. However, information on sales activity is not considered separately, but rather as part of a comprehensive assessment of how to achieve ADIB's stated objective of managing financial assets and how to achieve cash flows.

Financial assets held for trading or which its performance is evaluated based on fair value are measured through profit or loss because such assets are not held for the purpose of collecting contractual cash flows only and are not held to collect contractual cash flows with the sale of financial assets.

Impairment of financial assets:

In accordance with the (CBE) instructions issued on 26 February 2019, IFRS (9) replaces the realized loss model contained in the CBE's instructions issued on 16 December 2008 with the expected credit loss model. The new impairment model is applied to all financial assets in addition to certain funds commitments and financial guarantee contracts.
Under IFRS (9), credit losses are recognized earlier than what is required under the CBE's instructions issued on 16 December 2008. ADIB applies a three-stage approach to measure expected credit losses on financial assets recognized at amortized cost and debt instruments at fair value through other comprehensive income. Assets are transferred among the following three stages based on the change in credit quality since its initial recognition.

Stage 1: Expected credit loss over 12 months

Stage (1) includes financial assets upon initial recognition without involving a substantial increase in credit risk since initial recognition or involving relatively low credit risk.
For these assets, expected credit losses are recognized over 12 months and profit is calculated on the total book value of the assets (without deduction of the credit provision). The expected 12-month credit loss is the expected credit loss that may result from potential failures within 12 months after the date of financial statements.

Stage 2: Expected credit loss over life - with no impairment of credit value

Stage (2) includes financial assets that have substantially increased credit risk since initial recognition without objective evidence of impairment. The expected credit loss over the life of the asset is recognized but the interest on the total carrying value of the assets continues to be calculated. The expected credit loss over life is the expected credit losses arising from all possible defaults over the expected life of the financial instrument.

Stage 3: Expected credit loss over life – impairment of credit value

Stage (3) includes financial assets that have objective evidence of impairment as of the financial statements date. For these assets, expected credit losses over the lifetime are recognized.

3- Summary of accounting policies

The following are the most significant accounting policies used in the preparation of the financial statements. These policies have been consistently followed for all presented periods, except for re-measurement of financial assets and recognition of profits and losses arising during the comparative period.

(A) Investment in subsidiaries and associates

A/1 Subsidiaries

Subsidiaries are entities that ADIB has the ability to directly or indirectly control its financial and operating policies, and ADIB usually has ownership share that exceeds one-half of the voting rights. This takes into consideration the impact of the future voting rights, which can be exercised or converted at the current time when evaluating ADIB's ability to control the subsidiaries.

A/2 Associates

Associates are all entities in which ADIB has directly or indirectly significant influence, which does not reach the limit of control, and ADIB usually owns between 20% and 50% of the voting rights.

The purchasing method is used by ADIB to account for the acquisition of companies. Acquisition cost is measured at fair value or the consideration provided by ADIB for the assets of purchase and/or issued equity instruments and/or liabilities incurred by ADIB and/or liabilities assumed by ADIB on behalf of acquiree, at the date of exchange plus any costs directly attributable to the acquisition. Net assets including identifiable contingent liabilities are measured at their fair values at the acquisition date. Irrespective to the existence of non-controlling interests, the excess in acquisition cost over ADIBs' share of the fair value in the net assets acquired is considered as goodwill. If the acquisition cost is less than the fair value of the net assets, the difference is recognized directly in the statement of income within the item "Other operating income / (expenses)".

Associates and subsidiaries at ADIB's separate financial statements are accounted for using the cost method. According to this method, investments are recognised at the cost of acquisition, including goodwill, less any impairment loss. Dividends are recognised in the statement of income, when the dividends are approved to be distributed and ADIB's right of collection is established.

(B) Operating Sectors

The operating sectors participating in ADIB's business activities are reported in line with the internal reports submitted to ADIB's department Chief Operating Decision Maker, considering that the management represented in the Board of Directors, the Executive Management and the relevant committees / or its designee at the foreign branches is responsible for making operational decisions about the resources to be allocated to the operating sectors and assessing their performance.

Summary of accounting policies – continued

(C) Sectors reporting

An activity sector is a group of assets and processes associated with the provision of products or services that are characterized by risks and benefits and differ from those of other sectors of activity. The geographical sector is engaged in the provision of products or services within a single economic environment with risks and benefits that are related to geographical sectors operating in a different economic environment.

ADIB is divided into two main sectors: Corporate Banking Services and Retail Banking for Individuals. In addition, the Corporate Centre is a central funding department for ADIB's core business. For the dealings of the department of transactions, investment activity and other non-core activities, they are reported within the Corporate Banking Services

For the purpose of sectors reporting in accordance with the classification of geographic regions, the Sector's profits, losses, assets and liabilities are presented on a basis of branches' locations.

Based on the fact that ADIB (ADIB - Egypt) does not have an entity to register abroad, the sectors reports present, unless otherwise stated in a certain disclosure, all ADIB's investments in equity instruments and debt instruments issued by foreign institutions, as well as, credit facilities granted by ADIB to foreign parties based on the location of the local branch in which such assets are registered.

(D) Foreign currency translation

D/1 Functional and presentation currency

The financial statements of ADIB are presented using the currency of the primary economic environment in which ADIB exercises its business (the functional currency). ADIB's financial statements are presented in Egyptian pounds, which is ADIB's functional and presentation currency.

D/2 Transactions and balances in foreign currencies

ADIB keeps its accounting records in Egyptian pound. Foreign currency transactions during the financial period / year are translated using the exchange rates prevailing at the date of the transaction. All monetary assets and liabilities balances in foreign currencies at the end of the financial year are re-translated based on the exchange rates prevailing at that date. Foreign exchange gains and losses resulting from settlement of such transactions and translation differences are recognised in the statement of profit and loss under the following items:

- Net trading income or net income from financial instruments classified at fair value through profit or loss for trading assets / liabilities or those classified at fair value through profit or loss based on classification of the asset or liability.
- Within other comprehensive income items of equity with regard to Islamic futures exchange contracts / Islamic currency swap contracts as qualifying hedge (eligible) for cash flows or as qualifying hedge for net investment.
- Within other comprehensive income items of equity for financial investments of equity instruments at fair value through other comprehensive income.
- Other operating income (expenses) for the remaining items.

Summary of accounting policies - continued

Changes in the fair value of monetary financial instruments in foreign currency classified as investments at fair value are analysed within the other comprehensive income through differences from changes in amortised costs of the instrument, differences from changes in the prevailing exchange rates, and differences from changes in the fair value of the instrument. Differences related to changes in the amortised cost are recognised into statement of profit and loss under funds and similar revenues, and those related to the changes in the exchange rates under other operating income (expenses). Differences from changes in the fair value (fair value reserve/ financial investments at fair value through other comprehensive income) are recognised within equity of comprehensive income items.

Valuation differences result from non-cash items include profit and loss from change in fair value such as equity instruments at fair value through profit and loss. Valuation differences result from equity instruments classified as financial investments at fair value through comprehensive income statement are recognised in statement of other comprehensive income.

A) **Financial assets and financial liabilities**

C/1. Initial recognition and measurement

ADIB conducts initial recognition of financial assets and liabilities on the date on which ADIB becomes a party to the contractual conditions of financial instrument.

The financial asset or liability is initially measured at fair value. With regard to asset or liability that is not subsequently measured at fair value through profit and loss, it would be measured at fair value plus cost of transaction that is connected directly with acquisition or issuance.

C/2. Classification

Financial assets - Applicable Policy as of January 1, 2019

- Upon initial recognition, ADIB classifies the financial assets into financial assets at amortised cost, financial assets at fair value through statement of other comprehensive income or at fair value through profit and loss.
- The financial asset is measured at amortised cost upon fulfilment of the following two conditions and when it has not been allocated by Bank's management upon initial recognition at fair value through profit and loss:
  - The financial asset is held within a business model whose purpose is to hold financial asset to collect contractual cash flows.
  - The contractual conditions of financial asset result, on specific dates, in contractual cash flows for the asset and is represented only in the principal amount of the financial instrument and the interest.
- The financial asset is measured at fair value through other comprehensive income upon fulfilment of the following two conditions and when it has not been allocated upon initial recognition at fair value through profit and loss:
  - The financial asset is held within a business model whose purpose is to collect contractual cash flows and sell the financial asset.
  - The contractual conditions of financial asset result, on specific dates, in contractual cash flows for the asset and is not represent only in the principal debt and the interest.

- Upon initial recognition of an equity instrument not held for trading, ADIB can take irrevocable option to present subsequent changes in fair value through statement of other comprehensive income. Such option is adopted for each investment individually.
- Other outstanding financial assets are classified as financial investments at fair value through profit and loss.
- Furthermore, ADIB may, upon initial recognition, irrevocably allocate a financial asset as measured at fair value through profit or loss despite of fulfilling the conditions of classifying as financial asset at amortised cost or fair value through statement of other comprehensive income, if so materially prevents or reduces the conflict that may arise in accounting measurement.

Summary of accounting policies - continued

Business model valuation

1) Debt instruments and equity instruments are classified and measured as follows:

<table>
<tr><th rowspan="3">Instrument</th><th colspan="3">Method of measurement as per the business model</th></tr>
<tr><th rowspan="2">Amortised cost</th><th colspan="2">Fair value through other comprehensive income</th></tr>
<tr><th>Through comprehensive income</th><th>Through profit or loss</th></tr>
<tr><td>Equity instruments</td><td>___</td><td>One-time option upon initial recognition Irrevocable</td><td>Normal transaction for equity instruments</td></tr>
<tr><td>Debt instruments</td><td>Business model of assets held to collect contractual cash flows</td><td>Business model of assets held to collect contractual cash flows and sale</td><td>Business model of assets held for trading</td></tr>
</table>

2) ADIB prepares, documents and approves Business Model(s) in compliance with IFRS 9 requirements to reflect ADIB's strategy made for managing financial assets and its cash flows as follows:

Financial asset	Business model	Principal characteristics
Financial assets at amortised cost	Business model of financial assets held to collect contractual cash flows	▪ The objective of the business model is to retain financial assets to collect the contractual cash flows represented in the principal amount of the investment and the interests. ▪ A sale is an exceptional contingent event for the purpose of this model and under the terms of the Standard comprising deterioration in the creditworthiness of the issuer of the financial instrument. ▪ Lowest sales in terms of periodic and value. ▪ A clear and reliable documentation process for the justifications of each sale and its conformity with the requirements of the Standard are conducted by ADIB.
Financial assets at fair value through other comprehensive income	Business model Business model of financial assets held to collect contractual cash flows and sale	▪ Both the collection of contractual cash flows and sale are complementary to the objective of the model. ▪ High sales (in terms of turnover and value) compared to the business model held for the collection of contractual cash flows
Financial assets at fair value through profit and loss	Other business models, which include (trading - management of financial assets based on fair value - maximising cash flows through sale)	▪ The objective of the business model is not to hold the financial asset for the collection of contractual cash flows or hold the financial asset to collect contractual cash flows and sale. ▪ The collection of contractual cash flows is a contingent event for the objective of the model. ▪ Management of financial assets by the management at fair value through profit and loss to avoid accounting inconsistencies.

Summary of accounting policies - continued

- ADIB evaluates the purpose of business model at the level of portfolio in which the financial asset is held to reflect the method of management and supplying information. Such information, which is taken into consideration when evaluating the business model, includes the following:

- Documented approved policies and portfolio's objectives and application of such policies in the real world. In particular, whether the management's strategy focuses only upon collection of contractual cash flows and holding a definite interest rate to compare maturity dates of financial assets with maturity dates of liabilities that fund such assets or generates cash flows from sale of assets.
- Way of evaluating and reporting on portfolio's performance to senior management.
- Risks that affect business model performance including nature of financial assets held in such model and the way of managing such risks.
- Way of evaluating the performance of business managers (fair value and/or interest on portfolio).
- Periodic, value and date of sale transactions in previous periods, reasons of such transactions, and forecasts regarding future sale activities. However, information regarding sale activities is not taken into consideration separately but as a part of a whole comprehensive valuation of how to achieve ADIB's objective from managing the financial assets and how to generate cash flows.

- The financial assets held for trading, or managed and its performance valued on basis of fair value are measured at fair value through profit and loss since they are not held to collect contractual cash flows or to collect contractual cash flows and sell financial assets together.

- **Valuation of whether the contractual cash flows of an asset represent payments restricted upon principal amount of instrument and interest**

- For purpose of this valuation, ADIB identifies the principal amount of financial instrument as the fair value of financial asset upon initial recognition. Further, ADIB identifies the interest as time value for money and credit risks related to the principal amount during specific period and other main finance risks and costs (such as liquidity risks and administrative costs) in addition to profit margin.
- In order to evaluate whether the contractual cash flows of the asset are represented in payments restricted upon the principal of financial instrument and interest, ADIB takes into its consideration the contractual conditions of the instrument. This includes valuation of whether the financial asset includes contractual conditions that may change date or amount of contractual cash flows which result in breach of this condition. In order to carry out such valuation, ADIB takes into consideration the following matters:
- Potential events that may change the amount or date of cash flows.
- Specifications of financial leverage (interest rate, terms, currency type ...).
- Terms of accelerated payment and term extension.
- Terms that may limit ADIB's ability to claim cash flows from certain assets.
- Specifications that may be amended for time value of cash (periodically repricing interest rate).

Summary of accounting policies - continued

Financial liabilities - Applicable policies as of January 1, 2019

- Upon initial recognition, ADIB classifies financial liabilities into financial liabilities at amortised cost and financial liabilities at fair value through profit and loss according to purpose of bank's business model.
- All financial liabilities at fair value are initially recognised on the date when ADIB becomes party to contractual conditions of financial instrument.
- Classified financial liabilities are subsequently measured at amortised cost based on amortised cost by using effective interest rate.
- Financial liabilities at fair value through profit and loss are subsequently measured at fair value and change in fair value related to change in credit rating degree of ADIB is recognised in statement of other comprehensive income whilst the outstanding amount from change in fair value is presented in profit and loss.

Reclassification

- The financial assets are reclassified upon initial recognition only if ADIB changes business model of managing such assets.
- In all cases, reclassification between financial liabilities at fair value through profit and loss and financial liabilities at amortised cost are not conducted.

C/3. Exclusion

1- Financial assets

- The financial asset is excluded when the effective period of contractual right to obtain cash flows from financial asset expires or ADIB transfers the right to receive contractual cash flows in a transaction whereby the risks and benefits associated materially with ownership are transferred to another party.
- When a financial asset is excluded, difference between asset's book value (or book value allocated to part of the excluded principal) and total of received consideration (including any new asset obtained less any new commitment incurred) and any consolidated profit and loss has been previously recognised in the fair value reserve of financial investments at fair value through statement of other comprehensive income is recognised in statement of profit and loss.
- As of 1 January 2019, any accumulated profit or loss recognised in statement of other comprehensive income related to investing in equity instruments allocated as investments at fair value through statement of other comprehensive income are not recognised in profit and loss upon disposal of such asset. Any share resulted or held from the asset qualified for disposal (eligible for disposal) is recognised as separate asset or liability.
- When ADIB makes transactions whereby it transfers assets that have been previously recognised in statement of financial position, but materially held most of risks and benefits associated with the transferred asset or part of it. In such cases, the transferred asset is not excluded.
- In respect of transactions in which ADIB does not materially hold or transfer all risks and benefits associated with asset ownership and hold control over the asset, ADIB continues to recognise the asset within the limitation of its continuous commitment to

financial asset. The continuous commitment of ADIB to the financial asset is determined based on ADIB's exposure to the changes in the value of transferred asset.

- In some transactions, ADIB holds the commitment to provide transferred asset in return for commission. Thereupon, the transferred asset is excluded if it meets the exclusion conditions. An asset or liability to provide service is recognised if the service commission is higher than the appropriate amount (asset) or less than the appropriate amount (liability) to perform the service.

Summary of accounting policies - continued

2- Financial liabilities

- ADIB excludes financial liabilities when the financial liability is disposed of or cancelled or its term set forth in the contract expires.

C/4. Adjustments to financial assets and financial liabilities

1- Financial assets

- If the terms of a financial asset are amended, ADIB evaluates whether the cash flows of adjusted asset are materially different. If the cash flows materially differ, the contractual rights of cash flows from the original financial asset are considered expired and hence the original financial asset is excluded and the new financial asset is recognised at fair value and the value resulting from adjusting aggregate book value is recognised as profits or losses under profits and losses. On the other hand, if such adjustment has occurred due to financial difficulties of the borrower, the profits have to be deferred and presented with aggregate impairment losses whilst losses have to be recognised in the statement of profit and loss.

- If the cash flows of adjusted asset recognised at amortised cost do not materially differ, the adjustment will not result in the exclusion of the financial asset.

2- Financial liabilities

- ADIB may adjust a financial liability when its terms are amended and the cash flows of adjusted liability will materially differ. In such case, a new financial asset is recognised according to the amended terms at fair value. The difference between book value of old financial liability and new financial liability is recognised in accordance with amended terms in the profit and loss.

B) Offsetting financial assets and liabilities

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

An offset is made only between revenues and expenses, if permitted in accordance with the amended Egyptian Accounting Standards, or profit or loss result from similar groups because of trading activity or the result of translation differences of the balances of assets and liabilities of monetary nature into foreign currency or the result of profits (losses) from foreign currency operations.

C) Measurement of fair value

- ADIB sets the fair value on basis that it is the price that will be obtained for the sale of an asset or will be paid for transfer of a liability in a transaction made between the participants in the market on measurement date taking specifications of the asset or liability into consideration when measuring the fair value if the participants in the market took such specifications into consideration when pricing the asset and/or liability on measurement date as such specifications include status and position of the asset and restrictions upon sale or use of the asset as per the perspective of participants in the market.

Summary of accounting policies - continued

- ADIB uses market methodology to determine fair value of financial assets and liabilities as such methodology uses other relevant prices and information result from market transactions that include assets or liabilities or set of assets and liabilities and are typical or comparable. Accordingly, ADIB uses valuation methods that are in consistent with market methodology such as market multiples derived from comparable sets. Thereupon, it is required to opt for the appropriate multiplier within range using personal judgement taking into consideration both quantitative and qualitative factors of the measurement.

- When it cannot be relied upon the market approach to determine the fair value of a financial asset or financial liability, ADIB uses the income approach to determine fair value whereby future payments such as cash flow or income and expenses are transferred to current amount (discounted) so that the fair value measurement reflects current market expectations about future payments.

- When it cannot be relied upon market approach or income approach to determine the fair value of a financial asset or financial liability, ADIB uses the cost method to determine fair value in order to reflect the amount currently claimed to replace the asset in its current state (the current replacement cost) so that the fair value reflects the cost incurred by the participant in the market as a buyer of acquiring an alternative asset of similar benefits since the participant in the market as a buyer will not pay for an asset more than the amount that replaces benefit of the asset.
- The measurement method of financial assets and liabilities at fair value are set below in the financial statements within the hierarchy of the fair value, based on the input levels that are considered to be significant to the fair value measurement as a whole

- Level 1 - Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities, which ADIB can have access to at the date of measurement.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs of the asset or the liability.

The following table shows the change in the measurement methods of the fair value of financial assets at 31 December 2020, compared to the comparative figures at 31 December 2019

000's EGP

31 December 2020	Level One	Level Two	Level Three	Total
Financial investments in debt instruments	51,631	7,945,355	-	**7,996,986**
Mutual funds certificates	-	-	19,432	**19,432**
Equity instruments	-	-	69,484	**69,484**

31 December 2019	Level One	Level Two	Level Three	Total
Financial investments in debt instruments	63,605	9,875,767	-	**9,939,372**
Mutual funds certificates	-	-	18,465	**18,465**
Equity instruments	-	-	70,090	**70,090**

Summary of accounting policies - continued

(X/1) Financial instruments at level 1

The fair value of financial instruments traded in active markets is based on quoted prices at the date of statement of financial statements. The market is deemed active when the items in the market are similar and there are usual buyers and sellers willing to deal at any time normally. ADIB has used the declared quoted price to determine the fair value of this level. The instruments included in Level 1 comprise investments held for trading in the stock exchanges.

(X/2) Financial instruments at level 2

The fair values of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques depend on the use of observable inputs of the asset or the liability directly or indirectly. The fair value method is included in the second level if all significant inputs are observable throughout the period of the financial asset or liability. If an important input is not observable, the financial instrument will be included in the third level.

Specific valuation techniques used to determine fair values of financial instruments include:

- Quoted prices for similar assets or liabilities in active markets.
- Interest rate swaps by calculating the present value of the estimated future cash flows based on observable interest curves.
- The fair value of forward foreign exchange contracts is determined using the current value of the expected cash flows by using the future foreign exchange of the currency of contract.
- Analysis of deducted cash flows to determine fair values of other financial instruments.

D) **Financial derivatives instruments and hedge accounting**

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair value is obtained from market prices quoted in active markets, recent market transactions or valuation techniques such as discounted cash flow models and options pricing models, as the case may be. All derivatives are presented within the assets if the fair value is positive, or within obligations if the fair value is negative.

Embedded derivatives contracts are not separated when the derivative is associated with a financial asset and therefore all embedded derivatives contract are classified with the financial asset associated therewith.

Summary of accounting policies - continued

The method of recognition of profit and loss arising from changes in fair value is based on whether the derivative is designated as a hedging instrument and the nature of the hedged item. ADIB allocates certain derivatives as any of the following:

1. Fair value risk hedges for assets and liabilities recognised or confirmed commitments (fair value hedges).
2. Hedges of future cash flows risks expected to be substantially attributable to a recognised asset or liability, or attributable to a forecasted transaction (cash flows hedges).

Hedge accounting is used for derivatives allocated for such purpose if they meet requirements eligible for accounting as hedge instruments.

At the inception of the transaction, ADIB documents the relationship between hedged items and hedging instruments as well as the objectives of risk management and strategy of entering into various hedge transactions. ADIB also documents, at the inception of the hedge and on an ongoing basis, the estimate of whether the derivatives used in hedge transactions are effective against the changes in the fair value or cash flows of the hedged item.

D/1. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as hedges of changes in fair value risks are recognised in the statement of profit and loss, together with any changes in the fair value that are attributable to the risk of hedged asset or liability.

The effective changes in fair value for interest rate swaps and relevant hedged items is retrospectively recognised in “net interest income” item. Whilst the effective changes in fair value for future currency contracts is recognised in “net income of financial investments at fair value through profit and loss” item.

Non-effective in all contracts and relevant hedged items included in the previous paragraph is recognised in “Net income of financial investments at fair value through profit and loss” item

If the hedge no longer meets the criteria for hedge accounting, the adjustment to book value of a hedged item that is accounted for using the amortised cost method should be amortised by charging it to profit or loss over the period to maturity. Adjustments made to the book value of the hedged equity instrument are included within equity until they are disposed of.

D/ 2. Cash flow hedges

The effective portion of changes in the fair value of designated derivatives qualified for cash flow hedges are recognised in statement of other comprehensive income. Profits and losses related to non-effective portion are immediately recognised in “Net income of financial investments at fair value through profit and loss” item.

Amounts accumulated in statement of other comprehensive income are carried to statement of profit and loss in the same periods in which the hedged item has an impact on profit or loss. Profits or losses relating to the effective portion of the currency swaps and options are taken to the "net income of financial investments at fair value through profits and losses".

When a hedging instrument matures or is sold, or if hedging no longer meets the conditions for hedge accounting, profits or losses accumulated in other comprehensive income at that time is retained in other comprehensive income items and recognised in the statement of profit and loss when the forecasted transaction is finally recognised. When a forecast transaction is no longer expected to occur, profits or losses accumulated in other comprehensive income are immediately transferred to the statement of profit and loss.

D/3. Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in the statement of profit and loss under "net income of financial investments at fair value through profit and loss". However, profits and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities at fair value through profit and loss are included in statement of profit and loss under 'Net income from financial instruments at fair value through profit and loss'.

E) **Interest income and expenses**

- Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated initially at fair value through profit and loss, are recognised in the statement of profit and loss within 'interest of similar funds and revenues' using the effective interest method.

- According to the effective interest rate method, the amortised cost of an asset or financial liability is calculated and allocation of income revenues or expenses interest is distributed throughout the life of related instrument. The effective interest rate represents the rate used to discount future cash flows expected to be paid or collected during the expected life of the financial instrument, or less time if appropriate in order to accurately determine the book value of an asset or financial liability. When calculating the effective interest rate, ADIB estimates cash flows considering all contractual terms of the financial instrument (for example, early payment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are considered as part of the effective interest rate. Also, the transaction cost includes any premiums or discounts.

- When funds or receivables are classified as impaired funds and debts, the related interest income is not recognised but is rather carried off the financial statements in marginal records and is recognised under revenues according to cash basis as per the following:

  - When they are collected, after receiving all past due instalments for consumption and real estate funds for personal housing and small funds for economic activities.
  - For corporate funds, cash basis is also applied, where the interest subsequently calculated is given in accordance with the fund scheduling contract, until 25% of the scheduling instalments are repaid and with a minimum of one year of regular repayment. In case the customer continues to make payments on a regular basis, the interest calculated on the fund outstanding is recognised in revenues (interest on regular scheduling balance) without marginal interest before scheduling which is not recognised as revenues except after paying all the fund balance in the balance sheet before scheduling.

F) **Fees and commission income**

- Fees that are due for a banking process or fund service or a facility are recognised as revenues when the service is rendered. The recognition of the fees and commissions income related to impaired funds or debts is suspended and they are carried in marginal records off the balance sheet and are recognised under revenues according to the cash basis when interest income is recognised in accordance with item (2-I). Fees that generally represent a complementing part of the financial asset effective rate are recognised as adjustment to the effective interest rate.

- Commitment fees on funds are deferred when there is probability that funds will be used, as the commitment fees received by ADIB represent compensation for the continuous interference to acquire the financial instrument. Subsequently, it is recognised as adjustment to the effective interest rate on funds. If the commitment period passes without issuing the fund, the commitment fees are recognised as income at the end of the commitment period. If there is no probability that these funds are used, the commitment fees are recognized on the basis of the relative time distribution over the period of the commitment.

- Fees related to debt instruments measured at its fair value are recognised as income at initial recognition. Fees related to marketing of syndicated funds are recognised as income when the marketing process is completed and the fund is fully used or if ADIB kept its share of the syndicated funds using the effective interest rate as used by the other participants.

Summary of accounting policies – continued

- Fees and commissions arising from negotiation or participating in negotiation over a transaction in favour of another party -such as arrangement to buy shares or other financial instruments or acquire or sell entities, are recognised in statement of profit and loss upon the completion of the concerned transaction. Fees of management consultation and other services are usually recognised on a time-apportion basis over the period of performing the service. Financial planning and custody services fees provided on long periods are recognised over the period in which the service is provided.

G) **Dividends income**

- Dividends on ADIB's investments in equity instruments and its equivalents are recognised in the statement of profit and loss when the right to collect them is established.

H) **Purchase and resale agreements & sale and repurchase agreements**

- Sold financial instruments under repurchase agreements are presented within assets in the treasury bills and other government securities line item in the financial position. Differences between the sale and repurchase price are recognised as due interest throughout the period of the agreements using the effective interest rate method.

I) **Impairment of financial assets**

- Impairment losses from expected credit loss of subsequent financial instruments that are not measured at fair value are recognised through profit and loss, which are:

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

- Impairment losses are not recognised in investments value of equity instruments.

Summary of accounting policies – continued

- **Debt instruments related to retail banking products and small and micro sized enterprises**

1) ADIB consolidates debt instruments related to retail banking products and small and micro enterprises on the basis of groups with similar credit risk based on the type of banking product.

2) ADIB classifies debt instruments within the retail banking product group or small and micro enterprises into three stages based on the following quantitative and qualitative criteria:

Classifying the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Low credit risk financial instruments	No past dues	Fall under acceptable risk				
Financial instruments on which a substantial increase in credit risk occurred			Past due for more than 30 days from the date of the maturity of contractual instalments.	If the borrower encounters one or more of the following events at least: - The borrower submits a request to convert short-term and long-term repayments due to negative effects related to the borrower's cash flows. - Cancellation of a direct facility by ADIB due to the borrower's high credit risk. - Extension of the deadline for repayment at the borrower's request. - Past dues are frequent during the past 12 months. - Future adverse economic / legislative / technological changes		

				affecting the future cash flows of the borrower		
Impaired financial instruments					If the borrower defaults for more than 90 days to pay its contractual instalments	N/A

Summary of accounting policies – continued

- **Debt instruments related to medium enterprises**

1) ADIB consolidates debt instruments relating to medium enterprises on the basis of similar credit risk groups depending on borrowing client unit (ORR).
2) ADIB classifies customers within each group into three stages based on the following quantitative and qualitative criteria:

Classification of the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Low credit risk financial instruments	No past dues	Fall under acceptable risk				
Financial instruments on which a substantial increase in credit risk occurred			Past due for more than 30 days from the date of maturity of the contractual instalments.	If the borrower is on the watch list and/ or the financial instrument encounters at least one or more of the following events: - A significant increase in the interest rate on the financial asset as a result of increased credit risk - Significant adverse changes in the activity and financial or economic conditions in which the borrower operates. - Request of rescheduling. - Significant adverse changes in actual or expected operating results or cash flows. - Future adverse economic changes affecting the borrower's future cash flows. - Early signs of cash flow/ liquidity problems such as delays in servicing creditors / trade funds.		

Summary of accounting policies – continued

Classification of the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Impaired financial instruments					If the borrower defaults for more than 90 days to pay its contractual instalments	When the borrower fails to meet one or more of the following criteria, indicating that the borrower is facing significant financial difficulty. - The death or disability of the borrower. - The borrower defaults financially. - Initiate scheduling as a result of the deterioration of the borrower's creditworthiness. - Failure to comply with financial commitments. - The disappearance of the active market of the financial asset or one of the financial instruments of the borrower due to financial difficulties. - Granting financiers privileges related to the borrower’s financial difficulty, which would not have been granted under normal circumstances. - The borrower may be in bankruptcy or restructuring due to financial difficulties. - If the borrower's financial assets are acquired at a significant discount that reflects the credit losses incurred.

- Financial assets that are created or acquired by ADIB and include a high rate of credit risk will be classified as ADIB's low-risk financial assets at the initial recognition of stage 2 directly.

Summary of accounting policies - continued

Measurement of expected credit losses

- ADIB evaluates the portfolios of debt instruments on a quarterly basis at the portfolio level for all financial assets of individuals, institutions, SME and micro-enterprises, and on a periodic basis with respect to the financial assets of institutions classified within the watch list for the purpose of monitoring the credit risk related thereto. This evaluation is made periodically at the level of the counterparty. Criteria used are periodically reviewed and monitored to determine the significant increase in credit risk by the credit risk department.
- At the date of the financial statements, ADIB estimates the impairment loss for financial instruments at a value equal to the expected credit losses over the life of the financial instrument except for the following cases where the provision for impairment losses is estimated at a value equal to the expected credit losses over the (12) twelve months:
- A debt instrument that has been identified as having low credit risk at the financial statements date (debt instruments in the stage (1)).
- Other financial instruments whose credit risk at the reporting date has not increased significantly since the initial recognition (debt instruments in the stage (1)).
- ADIB considers the expected credit losses to be a probability-weighted estimate of the expected credit losses, which are measured as follows:
- The expected credit losses on financial assets are measured at the stage (1) based on the present value of the total cash deficit calculated on the basis of the historical probability of default scenarios, which are adjusted according to the average forecasts of the scenarios of macroeconomic indicators for the future (12) twelve months multiplied by the value at default, taking into account the expected recovery rates upon calculating the loss rate for each group of debt instruments with similar credit risk. As expected credit losses take into account the amount and timing of payments, the credit losses arise even if the enterprise expects full repayment but later on after the debt becomes payable under contractual terms. The expected credit losses over (12) twelve-month period will be deemed a part of the expected credit losses over the life of the asset which result from defaults on a financial instrument within (12) twelve months after the date of the financial statements.
- The expected credit losses on financial assets are measured at the stage (2) based on the present value of the total cash deficit calculated on the basis of the historical probability of default scenarios and adjusted by the average forecasts of macroeconomic indicators for the life of the financial asset multiplied by the value at default, taking into account the expected recovery rates upon calculating the loss rate for each group of debt instruments with similar credit risk.
- Impaired financial assets at the financial statements date are measured as the difference between the total book value of the asset and the present value of the expected future cash flows.

▪ Commitments on funds and similar debt instruments are included in the calculation of value upon default. They are calculated on the balances outstanding on the date of the financial statements after they have been converted into value in the event that these commitments are used in the future.

▪ Upon calculating loss rates, ADIB calculates the expected recovery rates from the present value of the expected cash flows either from cash and in kind collateral; or historical or expected future payment rates as follows:

- For debt instruments classified in stage (1), it is taken into account the value of cash collateral and equivalents represented in cash and other financial instruments that may be easily converted into cash within a short period of time (3 months or less) and without any change (loss) in value as a result of credit risk after deducting 10% for the unexpected circumstances.
- For the debt instruments classified in the stages (2) and (3), only the types of guarantees will be considered in accordance with the rules issued by the (CBE) dated 24/5/2005 regarding the determination of the creditworthiness of the customers and formation of the provisions, while the value of such guarantees will be calculated according to the rules of preparing and presenting the financial statements of the banks, the recognition and measurement bases issued by the (CBE) dated 16 December 2008, after deducting 10% and 20% of the cash collateral and the present value of the future cash flows of the in-kind collateral, respectively.

Summary of accounting policies - continued

Measurement of expected credit losses - continued

- For debt instruments held by banks operating outside Egypt, the probability rates of default are determined on the basis of the credit rating of the headquarters of ADIB operating outside of Egypt in no more than the credit rating of the country of the headquarters, taking into consideration the instructions issued by the Central Bank of Egypt on the risks of countries. The loss rate is calculated at 45%.
- As for the instruments held by the banks operating inside Egypt, the probability of default is calculated on the basis of ADIB's classification by the external international rating institutions. The branches of the Egyptian banks abroad will be treated as the headquarters. The branches of the foreign banks operating in Egypt will be treated as their headquarters, and the loss rate is calculated at 45%.
- For debt instruments issued by entities other than the banks, the probability of default is calculated on the basis of the rating of the issuing entity for the financial instrument by the external international rating institutions in no more than the credit rating of the issuing country in the case of external entities and the loss rate is calculated at 45%.
- The impairment provision for financial assets recognised in the financial position is deducted from the carrying amount of the financial assets at the time of the statement of financial position, while the provision for impairment relating to funds commitments, financial guarantee contracts and contingent liabilities is recognised within other provisions for the liabilities in the financial position.
- For financial guarantee contracts, ADIB estimates the expected credit loss on the basis of the difference between the payments expected to be made to the guarantee holder less any other amounts that ADIB expects to recover.

Transition from Stage 2 to Stage 1

- ADIB does not transfer the financial asset from stage (2) to stage (1) unless all the quantitative and qualitative elements of the stage (1) have been fulfilled and the total cash receipts from the financial asset are equal to or greater than the total amount of the instalments due to the financial asset, if any, and the due proceeds and (3) three consecutive months pass when the requirements are fulfilled.

Transition from Stage 3 to Stage 2

- ADIB does not transfer the financial asset from stage (3) to stage (2) - including the scheduling - except after fulfilling all the following conditions:

1) Fulfilling all quantitative and qualitative elements of Stage 2.
2) Repayment of 25% of the balances of the outstanding financial assets, including the set aside/ marginalised due interest, as the case may be.
3) Regularity in paying the principal amount of the financial asset and its due interest for at least 12 continuous months.

Summary of accounting policies - continued

Restructured financial assets:

- If the terms of a financial asset are renegotiated or modified; or a new financial asset is replaced by a current financial asset due to the financial difficulties of the borrower, an assessment is made as to whether the financial asset will be excluded and the expected credit losses will be measured as follows:

▪ If restructuring does not result in the exclusion of the current asset, the expected cash flows from the adjusted financial asset will be used upon calculating the cash deficit in the current asset. The expected credit losses are calculated over the life of the instrument.

▪ If restructuring results in exclusion of the current asset, the expected fair value of the new asset will be deemed as final cash flows from the current financial asset upon exclusion. This value will be used to calculate the cash deficit from the current financial asset, which is deducted from the expected date of the asset exclusion at the financial statements date using the original effective interest rate of the current financial asset.

Presentation of the expected credit losses provisions in the statement of financial position

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

▪ Financial assets measured at amortized cost as a deduction from the total book value of the assets.

▪ Financial commitments and financial guarantee contracts as a provision in general.

▪ When the financial instrument includes both the used and unused permissible limit of the instrument and ADIB cannot determine the expected credit losses of the unused portion separately, ADIB presents a provision for the loss of the used and unused portion, and the aggregate amount will be presented as a deduction from the total book value for the used portion. Any increase in the loss provision is presented on the total amount of the used portion as a provision of the unused portion.

▪ A provision for impairment of debt instruments at fair value through other comprehensive income is not recognized in the statement of financial position because the book value of such assets is their fair value. However, the provision for impairment is disclosed and recognized in the fair value reserve.

Debts write-off

- Debts are written off (in part or in whole) when there is no realistic possibility of repayment of the debt. Generally, when ADIB determines that the borrower does not have the assets, resources or sources of income that may generate sufficient cash flows to repay the debts that will be written off; however, the impaired financial assets may continue to be subject to follow-up in light of ADIB's procedures to recover the due amounts. The deduction is charged to the impairment provision account for debts written off, whether or not they have provision, and any collections for previously written off funds will be added to the provision of impairment.

Summary of accounting policies - continued

J) Intangible assets

R/1 Computer Software

- Expenditure on upgrading and maintenance of computer software is recognized as an expense in the statement of profit and loss in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by ADIB and when it is probable that they will generate future economic benefits that exceed its cost within more than one year. Direct costs also include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads.
- The expenses which lead to the increase or expansion in the performance of computer software beyond their original specifications are recognised as a development cost and are added to the original software cost, when all the following conditions are fulfilled:
  - ADIB has the intention and the ability to complete and use that software.
  - Development-related expenditures can be reliably measured.
- The computer software cost recognised as an asset is amortised over the expected useful life as follows:

Asset type	Default Life / deprecation rate
Computer Software	3 years

R/ 2 Other intangible assets

- Other intangible assets comprise all intangible assets other than goodwill and computer software.
- Other intangible assets are recognised at cost of acquisition and amortised on a straight-line basis or on the basis of expected economic benefits over the estimated useful lives. Assets that do not have a definite useful life are not amortised, but impairment is tested annually and the impairment value (if any) is charged to the statement of profit and loss.

K) Fixed assets

- Lands and buildings are primarily represented in head offices, branches and offices. All assets are presented at historical cost less depreciation and impairment losses. Historical cost includes expenses associated directly with acquiring fixed assets items.
- Subsequent costs are recognised in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost can be measured reliably. Maintenance and repair expenses are charged to other operating expenses during the period / year in which they are incurred.
- Lands are not depreciated. Depreciation of other fixed assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset type	Default Life / deprecation rate
Buildings	20 years
Decorations and fixtures	20 years
Integrated automation systems and equipment	5 years
Transportation	5 years
Furniture & instalments	10 years
Other equipment	10 years
Portable devices / Mobiles	1 years

Summary of accounting policies – continued

- Residual values and useful lives of fixed assets are reviewed as at the date of financial statements and are adjusted, if necessary. 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 net selling amount and value in use. Profits and losses on disposals from fixed assets are determined by comparing net proceeds with carrying amount. Profits/ (losses) are included in other operating income (expenses) in the statement of profit and loss.

L) Impairment of non-financial assets

- Assets that do not have definite life time are not depreciated and their impairment is reviewed annually. Impairment of depreciated assets is examined when there are events or changes in circumstances that indicate that the book value may be partially or wholly non-recoverable.
- Impairment loss is recognised and the asset value is deducted at the amount by which the asset's book value increases over the recoverable amount. The recoverable amount represents the higher of the asset's net selling amount and value in use. For the purpose of estimating impairment, the asset is grouped to the smallest possible cash generating unit. The non-financial assets are reviewed for any impairment in order to determine if impairment can be reversed to the statement of profit and loss at the date of each financial statement.

M) Leases

- Finance leases are accounted for in accordance with Law 95 of 1995 concerning Finance Lease if the contract grants the right to the lessee to purchase the asset on a specified date and at a specified value; and the contract period represents at least 75 % of the expected useful life of the asset, or the present value of the total lease payments represents at least 90% of the value of the asset. Other leases are considered operating leases.

Y/1 Leasing

- Finance lease contracts, lease costs including maintenance expense of leased assets are recognised under expenses in the statement of profit and loss in the year / period incurred. If the Bank decides to exercise the right to purchase the leased assets, the cost of this right of purchase is capitalised as an asset within the fixed asset and depreciated over the assets' expected remaining useful life in the same way used with similar assets.
- Payments made under operating leases, less any discounts received from the lessor, are recognised as expense in the statement of profit and loss on a straight-line basis over the period of the lease.

N) Cash and cash equivalents

- For the purposes of the statement of cash flows, cash and cash equivalents include balances due within three months from the date of acquisition, which includes cash and balances with central banks other than the statutory reserve, and balances with banks and other government notes.

Summary of accounting policies - continued

O) Other provisions

- Other provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.
- Where there are a number of similar obligations, the outflow required for settlement is determined, taking into consideration the group of obligations as a whole. The provision is recognised even if the likelihood of an outflow with respect to an item in the group is minimal.
- Provisions no longer required fully or partially are reversed in other operating income (expenses).
- The current value of payments to settle the obligations that must be settled after one year from the financial position date using an appropriate rate in accordance with the terms of settlement, without being affected by the prevailing tax rate, which reflects the time value of money. If the settlement term is less than one year, the estimated value of the obligation is calculated unless it has a material impact; otherwise, it is calculated at the current value.

P) Commitments of financing and financial guarantee contracts

- Financial guarantees represent contracts in which ADIB is the guarantor or the guarantor of financing or overdrafts (mudaraba) towards other entities. This requires ADIB to make certain payments to compensate the beneficiary for loss incurred due to default of the debtor when payment is due in accordance with the terms of the debt instrument. These financial guarantees are given to banks, financial institutions and other entities on behalf of ADIB's customers.
- Commitments on financing are the commitments under which the Bank grants credit according to pre-determined terms and thus guarantees include the unused portions of the credit limits granted within the amounts expected to be used by ADIB in the future. The financial guarantee contracts and commitments of granting finance at interest rates below the market price are initially recognized in the financial statements at fair value on the date of granting the guarantee / commitment. The initially recognized fair value is amortized over the life of the guarantee / commitment.
- In subsequent measurement, ADIB's obligation under the guarantee / commitment is measured as follows:
  The higher of the amortized value or the impairment loss value.
- ADIB has not made any commitments during the period / year on finances measured at fair value through profit and loss.
- For other commitments on finances: ADIB recognizes impairment losses.
- Liabilities arising from financial guarantee contracts are recognized within provisions. Any excess of the liability arising from the financial guarantee is recognized in the statement of profit and loss within other operating revenues (expenses) in the statement of profit and loss.
- The calculated provision for commitments for financing is recognized as part of the provision for impairment of financing for each debt, to the extent that it equals the value of financing. Any increase in the provision for commitment over finance is recognized within provisions in the statement of financial position.

Summary of accounting policies - continued

Q) Obligations of retirement benefits

S/1 Employees' fund

- On the 1st of July 2013, ADIB established a special social insurance fund (the Fund) under Law No. 54 of 1975, "Special Insurance Funds and its Executive Regulations". ADIB registered the Fund on 14 January 2014 and the Fund's registration number with the Financial Supervisory Authority is (884). The Fund's work began on the 1st of April 2014 and the terms of this Fund and its amendments apply on all employees of the headquarters of ADIB and its branches in the Arab Republic of Egypt.
- ADIB is obliged to pay to the Fund the contributions due for each month calculated in accordance with the regulations of the Fund and its amendments. The Fund is financed in general through monthly contributions and some other resources set forth in the regulations of the Fund.
- Payment of insurance benefits is made in the case of termination of service due to the member's retirement age, death, whole permanent disability or partial permanent disability from the service. In the event that the term of the membership is less than three years, the member of the Fund is paid the final balance of his account corresponding to the contributions paid by him to the Fund on the date of termination of service or membership.

S/2 System of defined benefits for the medical care of senior employees during the period of service and after retirement

- ADIB applies the system of medical contribution specified for the senior employees during the service and after retirement. The liability recognised in the balance sheet in respect of the defined benefit plans comprises the present value of the defined benefit liabilities at the balance sheet date after deduction of the fair value of the assets of the plan and the deduction (addition) of the unrealised actuarial profit (loss) adjustments and the cost of the additional benefits relating to the previous service periods.
- The liability of the defined benefit plans (future cash flows expected to be paid) is calculated by an independent actuarial expert using the projected unit credit method. The present value of the obligation of the defined benefit plans is determined by discounting the expected future cash flows using the interest rate of high quality corporate notes or the interest rate on government notes bonds in the same currency of paying the benefits and with almost the same maturity term of the pension benefit liability.
- Gains (losses) arising from adjustments and changes in estimates and actuarial assumptions are calculated and the gains are deducted (and losses added) to the statement of income if they do not exceed 10% of the asset value of the plan or 10% of the defined benefit liabilities, whichever is higher. In the event of an increase in gains (losses) over this ratio, the increase is deducted (added) in the statement of income over the remaining average working years.
- Past service costs are recognized directly in the statement of income within administrative expenses, unless the changes to the pension plan are conditional on the employees remaining in the service for a specified period of time (Vesting period). In this case, the past service costs are amortized using straight-line method over the vesting period.

R) Borrowing

S) ADIB's financings are initially recognized at fair value less costs to obtain financing. The financing will be subsequently measured at amortized cost. The difference between the net proceeds and the value to be fulfilled over the period of obtaining financing using effective interest method will be charged to the statement of profit and loss.

T) Comparative figures

Where necessary, comparative figures are reclassified to conform to changes in presentation used in the current period

Summary of accounting policies - continued

N) Income taxes

- The income tax on profit or loss for the period/ year includes both the current and deferred taxes; it is recognized in the statement of income except for income tax related to other comprehensive income items that were directly recognised in the statement of comprehensive income.
- The income tax is recognised on the basis of the net taxable income using the effective tax rate at the financial position date in addition to previous year's tax adjustments.
- Deferred tax arising from temporary time differences between the carrying amount of assets and liabilities are recognised in accordance with the accounting bases and the value based on the tax bases. Deferred tax is determined based on the method used to realise or settle the current values of these assets and liabilities using the tax rates prevailing at the financial position date.
- The deferred tax assets are recognised if it is probable that sufficient taxable profits will be realised in the future whereby the asset can be utilised. The value of deferred tax assets will be reduced by the value of the portion not yielding the expected tax benefit during the following years. However, in case the expected tax benefit increases, the deferred tax assets will increase to the extent of previous reduction.

3- Financial risk management

- ADIB, as a result of the activities it exercises, is exposed to various financial risks, taking into account that risks are the basis of the financial activity, and some risks or group of risks are analysed, evaluated and managed altogether. ADIB intends to strike a balance between the risk and return and to reduce the probable adverse effects on ADIB's financial performance. The most important types of risks are credit risk and market risk. Market risk comprises foreign currency exchange rates, interest rate risk and other pricing risks.
- The risk management policies have been laid down to determine and analyse the risks, set limits to the risks and control them through reliable methods and up-to-date IT systems. ADIB regularly reviews the risk management policies and systems and amends them to reflect the changes in the markets, products and services, and the best updated applications.
- Risks are managed by both the Risk Committee and the Market Risk and Credit Risk Departments in view of the policies approved by the Board of Directors. The Risk Departments determine, evaluate and cover the financial risks, in collaboration with ADIB's various operating units, and the Board provides written principles to manage risks as a whole, in addition to written policies covering specific risk areas like credit risk, foreign exchange rate risk, interest rate risk and using derivative and non-derivative financial instruments. Moreover, the Risk Committee is independently responsible for periodic review of risk management and control environment.

Risk Management Strategy

ADIB practises its activities through business lines that generate many risks that may vary in terms of frequency, strength and fluctuation. Therefore, ADIB has taken measures to ensure the effective management of these risks, including increasing the ability to standardize the degree of risks appetite and risk identifiers, to develop the terms of reference of the core risk department, and to implement an efficient and high-quality risk department structure. The main objectives of ADIB's risk department framework are as follows:

- Contributing to the development of ADIB's various lines of business to reach an optimum level of general risk.
- Ensuring the continuity of ADIB through the implementation of a high quality risk department infrastructure.
- In determining ADIB's overall risk appetite, ADIB's management has taken into account various considerations and variables, including:
  - The relative balance between risk and proceeds for ADIB's various activities.
  - The degree of the sensitivity of profits to business cycles and credit and economic cycles.
  - Achieving a parallel package of good profits flows

Risk Management Governance and Risk Management Principles

ADIB's risk department governance is based on the following:

1- Strong management intervention at all levels of the organization, starting from the Board of Directors to the management of field task forces responsible for operations.

2- An integrated framework for internal procedures and guidelines.

3- Continuous monitoring by business lines and supporting functions, as well as, by an independent Risk Control Body and compliance with the rules and procedures.

Risk and audit committees within the Board are more specifically responsible for examining the compatibility of the internal framework in order to monitor risks and the adherence to the rules.

Risk Categories:

The risks associated with ADIB's banking activities include the following:

4/1 Credit risk

- Credit risk represents potential losses arising from the possibility that the borrowers or counterparties will fail to fulfill their obligations in accordance with contractual terms. Credit risk arises mainly from due from banks balances, financing and facilities to banks, individuals, SMEs and micro-enterprises, institutions and associations related to such activities. Credit risk may also arise from supporting financing / credit guarantees granted such as credit options (Credit Default Swap), financial guarantee contracts, letters of credit and letters of guarantee.
- ADIB is also exposed to credit risk from investment activities in debt instruments and positions outstanding from trading and financial derivative activities.
- Credit risk is the most important risk to ADIB's activity and therefore ADIB manages the credit risk exposures carefully. Management and control of ADIB's credit risk shall focus on the retail banking credit risk management group and the institutions at the Risk Department, which reports to the Risk Committee, Senior Management, Heads of Operation Department and BOD on interim basis.

4/1/1 Credit risk measurement

Financing and facilities to banks and customers (including commitments and financial guarantees)

The estimated exposure to credit risk for purpose of credit risk management is complex, requiring the use of statistical and electronic models, as credit risk exposure varies with changes in market conditions and other economic aspects in a complex and rapid manner. Exposure of credit risk changes with changes in the level, value, time of expected cash flows and over time. The credit risk assessment of the asset portfolio, therefore, requires further estimates of the probability of default and related loss rates. ADIB measures the credit risk losses using the rates of probability of failure (failure to fulfil contractual obligations) (Probability of default) on the basis of the book balance of the financial instrument at the date of failure (Exposure at default), and the rate of loss upon failure (Loss given default).

ADIB's internal rating categories

Classification	Classification rating
Stage (I)	Good Debts
Stage (II)	Special Follow-up
Stage (III)	Bad Debts

Summary of accounting policies - continued

Classification of the Credit Risks

ADIB assesses the probability of default on each customer / affiliated group / credit product, using methods to classify customers in different categories, taking into account the minimum rating in accordance with the CBE's instructions on determining the creditworthiness of customers and the formation of provisions issued during 2005. Accordingly, ADIB uses a group of models and methods that are internally designed models and valuation methods for the counterparty categories and customers and the nature of the various financings under the available information collected at the date of application of the used model (e.g. income level, spendable income level, guarantees for individual customers, revenue, industry type, and other financial and non-financial indicators for institutions). ADIB completes these indicators with a range of external data such as query reports from CBE, credit reporting companies on borrowers and reports of other domestic and foreign credit rating agencies. In addition, the models used by ADIB shall allow the systematic assessment of experts by credit risk officers in the final internal credit rating. Thus, this allows to take into account other matters and indicators that may not have been taken as part of other data inputs into evaluation forms and methods designed internally or through external sources.

Credit scores are calibrated so that the risk of failure increases incrementally with each higher risk score. This means that the difference in failure rates of grade A and A- is less than the difference in failure rates between grade B and B-. The following are additional considerations for each type of credit portfolios held by ADIB:

- **Individuals, Retail Banking Products and Small and Micro Enterprises**

  After the date of initial recognition, the payment behaviour of the borrower shall be monitored on an interim basis to calculate a payment pattern. Any other known information about the borrower identified by ADIB may affect the creditworthiness such as unemployment rates and non-payment precedents as they will be included to measure the repayment pattern, and accordingly, default rates will be determined for each scale of repayment pattern.

- **Large and Medium Enterprises**

  The rating is determined at the level of the borrower / groups with similar credit risk, and any updated or new credit information or assessments will be included in the credit system on a continuous and periodic basis. In addition, information on the creditworthiness of the borrower / groups with similar credit risk are periodically updated from other sources such as financial statements and other published financial and non-financial data. This will determine the degree of internal credit rating updated and failure rates.

- **Debt Instruments issued by the Egyptian Government and CBE**
  Debt instruments, Treasury Bills and Government Bonds

– ADIB uses external classifications of institutions that comply with the CBE's instructions to manage the credit risk for debt instruments in the investment portfolio. These ratings are regularly monitored and updated periodically. The default rates associated with each rating are determined on the basis of rates achieved over the previous 12 months as published by the aforementioned rating agencies. The loss rate for government debt instruments and the central bank in local currency equals zero.

– ADIB's rating of creditworthiness of government debt instruments, where the primary measure of each rating category gives a specific range of probability of default, is stable over time. ADIB complies with the internal rating categories alongside with the rating categories set by CBE according to the instructions of determining creditworthiness and the formation of provisions, and reviewing that compliance on a regular basis. The rating methods are periodically re-calibrated and validated to reflect the most recent projections in light of all assumptions observed in reality.

Summary of accounting policies - continued

4/1/2 Future Data Used in the Expected Loss Model.

- Future data is used to determine whether there is a significant increase in the credit risk of financial instruments and the estimated credit losses (ECL). ADIB management determines the key economic variables that affect the credit risk and credit losses expected for each credit portfolio by analysing historical data. The economic variables and their impact are different on both Probability of Default (PD) and Exposure at Default (EAD) and Loss Given Default (LGD) depending on the different financial asset. ADIB seeks expert opinions regarding such assumptions and estimations, if necessary.
- Risk departments and credit departments of ADIB make estimates of these economic variables on a quarterly basis, and identify better estimations for those variables over the next five years. After these five years, ADIB uses method of "Mean Reversion Approach" in estimating those variables over the remaining life of each financial asset. Consequently, in the long term, those economic variables head to the level of the currently estimated averages or the estimated growth averages in the current period within a period of 2-5 years.
- In order to determine the impact of these economic variables on PD "Probability of Default", "Exposure at Default" EAD and "Loss Given Default" LGD, ADIB's management conducts the "Regression Analysis" in order to understand the historical effects resulting from those variables on the default rates and the inputs used in calculating EAD and LGD.
- In addition to basic economic scenarios, ADIB's management makes other possible scenarios, as well as the perceptions related to each scenario separately.
- ADIB's management conducts these economic scenarios for all important credit products in order to ensure that all non- linarites variables are included. These scenarios and their related characteristics are reviewed at the financial position date.
- Lifetime PD is used for both basic and other scenarios where the outcome of multiplying each scenario is made with their respective probabilities, as well as the supporting indicators and qualitative indicators. Based on the results of this study, an estimate is made as to whether that financial asset is at the first, second or third stage, on the basis of which it is determined whether the expected credit loss (ECL) is calculated on a 12-month basis or over the lifetime of the financial instrument "Lifetime ECL".
- Expectations and probability of occurrence ate subject to highly uncertain degree as known for any economic expectations, so actual results may differ significantly from those expected. ADIB conducts the best estimate of these potential projections and makes an analytical study of the unrelated and non-similar factors for the various credit portfolios in order to arrive at appropriate scenarios for all possible scenarios.

Summary of accounting policies - continued

Variable Economic Assumptions

The following are the key year-end assumptions that have been used to estimate ECL at 31 December 2019.

Enterprises' Portfolio

- Gross domestic product (GDP).
- Stock Exchange Market Index

Individuals' Portfolio

- Gross domestic product (GDP).
- Private consumption

– Balancing capital expenditures as a percentage of GDP.

The basic, downside, and upside scenarios were used for all portfolios.

ADIB did not use some future data other than the aforementioned, such as the impact of any regulatory, legislative or political changes, due to not being considered to have a significant impact, and therefore no adjustment was made to the ECL for these variables, which was reviewed and monitored to ensure their suitability on a quarterly basis.

Sensitivity Analysis

The main assumptions affecting the expected credit loss provision (ECL) are as follows

Individuals and Institutions Portfolio

The following represent the most important sensitivity analysis used to estimate the expected credit losses as at 31 December 2020:

- At least three scenarios are conducted to study future forecasts and to determine their impact on the variables of the expected credit loss measurement model. These scenarios represent:

- Basic Scenario

- Downside Scenario

- Upside Scenario

- The calculation of the expected credit loss reflects, without any bias, the probable weighted scenario, which is determined based on the assessment of a range of expected results instead of reliance on the upside and downside scenarios.

Summary of accounting policies - continued

Classification of loss-related instruments measured on the basis of similar groups

Regarding Expected Credit Losses "ECL", groups are classified on the basis of similar credit risk characteristics, so that risk at ADIB is homogenous. While executing this classification, it will be taken into consideration that there is sufficient information to enable ADIB to classify ADIB with statistical credibility. In the absence of sufficient information, ADIB takes into account complementary internal / external reference data. The following are examples of those characteristics and any supplementary data that are used to determine the classification:

Individuals' Financing - Groups are formed as per:

- The ratio of financing to asset value (for financing to purchase assets);
- Credit rating;
- Product type (such as housing / real estate mortgage purchase, overdraft, credit card, car financing); or
- Payment type (payment of principal + interest / interest only) or the percentage used from the authorized limit

Corporates' Financing - Groups are formed as per:

- Industry;
- Type of guarantees;
- Credit rating; or
- Geographical area of exposure

Notes to the separate financial statements

For the year ended 31 December 2020

Summary of accounting policies - continued

4/1/3 Credit risk exposure:

A- Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis for the maximum exposure to credit risk of financial instruments for which the ECL provision has been recognized.

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

000's EGP

	31 December 2020				31 December 2019			
	Stage One	Stage Two	Stage Three	Total	Stage One	Stage Two	Stage Three	Total
Retail	12 Month	Lifetime	Lifetime		12 Month	Lifetime	Lifetime	
Creditworthiness as per CBE classification								
Good debts *	15,007,424	169,865	4,538	15,181,827	12,434,041	272,368	1,263	12,707,672
Regular follow-up	304	413,194	61,342	474,840	-	200,589	69,985	270,574
Special follow-up	-	291	82,524	82,815	-	1,393	69,226	70,619
Non-performing loans	-	-	344,444	344,444	-	-	271,260	271,260
Total	**15,007,728**	**583,350**	**492,848**	**16,083,926**	**12,434,041**	**474,350**	**411,734**	**13,320,125**
(Less) Impairment loss provision	(81,329)	(142,233)	(237,153)	(460,715)	(40,145)	(88,042)	(187,464)	(315,651)
(Less) Profit in suspense	(802)	(1,690)	(63,267)	(65,759)	(1)	(904)	(43,340)	(44,245)
(Less) Deferred profit	(3,940,615)	(98,785)	(54,805)	(4,094,205)	(4,063,233)	(85,645)	(43,824)	(4,192,702)
Book value	**10,984,982**	**340,642**	**137,623**	**11,463,247**	**8,330,662**	**299,759**	**137,106**	**8,767,527**

*** The second and third stages include some debts that are performing but they have not fulfilled yet all the conditions for transition to a higher stage.**

Notes to the separate financial statements

For the year ended 31 December 2020

Summary of accounting policies - continued

A- Maximum exposure to credit risk - Financial instruments subject to impairment - continued

000's EGP

Corporate	31 December 2020 Stage One 12 Month	Stage Two Lifetime	Stage Three Lifetime	Total	31 December 2019 Stage One Month 12	Stage Two Lifetime	Stage Three Lifetime	Total
Creditworthiness as per CBE classification								
Good debts *	16,178,187	8,915	-	**16,187,102**	11,347,067	94,075	-	**11,441,142**
Regular follow-up	12,440,139	367,971	-	**12,808,110**	10,522,620	671,576	299	**11,194,495**
Special follow-up	-	495,464	47,050	**542,514**	-	33,256	21,077	**54,333**
Non-performing loans	-	-	921,699	**921,699**	-	-	1,208,358	**1,208,358**
Total	**28,618,326**	**872,350**	**968,749**	**30,459,425**	**21,869,687**	**798,907**	**1,229,734**	**23,898,328**
(Less) Impairment loss provision	(606,969)	(139,715)	(926,208)	**(1,672,892)**	(437,773)	(43,713)	(1,197,297)	**(1,678,783)**
(Less) Profit in suspense	-	-	(2,517)	**(2,517)**	-	-	(3,949)	**(3,949)**
(Less) Deferred profit	(11,796)	(99)	-	**(11,895)**	(19,803)	(121)	(3,357)	**(23,281)**
Book value	**27,999,561**	**732,536**	**40,024**	**28,772,121**	**21,412,111**	**755,073**	**25,131**	**22,192,315**

B- Credit guarantees

- ADIB uses a set of policies and practices to limit credit risk. The most applicable is the acceptance of guarantees for debt instruments and financing commitments. ADIB has internal policies concerning the categories of guarantees that can be accepted to limit or decrease credit risk.
- ADIB prepares an assessment of the guarantees that have been obtained when financing is established and this assessment is reviewed periodically. The main types of guarantees for financing are:
  - Cash and cash equivalents
  - Real estate mortgages.
  - Margin agreement for derivatives concluded with ADIB as part of major clearing agreements.
  - Commercial mortgages.
  - Financial instruments mortgage such as debt instruments and equity instruments.
- Collaterals held as guarantee for financial assets other than financing and facilities depend on the nature of the instrument; as debt securities, government bonds and other eligible bills are not generally guaranteed, except for asset-backed securities and similar instruments secured by financial instrument portfolios, and derivatives are often secured.
- ADIB's policies have not changed significantly related to obtaining guarantees during the period / year and there has been no change in the quality of the collaterals held by ADIB as compared to the previous fiscal period / year.
- ADIB closely controls the collaterals held for the financial assets that are considered to be of low credit value, as it becomes more likely that ADIB will hold collaterals to mitigate potential credit losses.

Summary of accounting policies – continued

4/1/4 Amendments to the terms of financing and re-scheduling

- ADIB sometimes adjusts the terms of financing submitted to customers due to commercial re-negotiation or non-performing financings in order to maximize recovery opportunities. These restructuring activities include arrangements to extend the repayment period, grace periods, exemption from payment or some/or of the interests. Restructuring policies and practices are based on indicators or criteria that indicate - in management's assessment - that payment will likely continue. These policies remain under constant review.
- ADIB continues to monitor whether there is a significant increase in credit risk with respect to those assets through the use of specific models for the adjusted assets.

4/1/5 Risk limit control and mitigation policies

ADIB manages, limits and controls concentrations of credit risk at the level of debtor, groups, industries and countries.

ADIB manages the credit risk it undertakes by placing limits on the amount of risk that will be accepted at the level of each borrower or groups of borrowers and at the level of economic activities and geographical sectors. Such risks are monitored on an ongoing basis and are subject to an annual or frequent review when necessary. Limits at the level of borrower/ bank, product, sector and country are approved quarterly by the Board of Directors.

The exposure to any borrower including banks is further restricted by sub-limits covering on- and off-the financial position exposures, and daily delivery risk limits in relation to trading items such as forward Islamic foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to meet their obligations and through adjusting the financing limits as appropriate.

Here are some ways to limit risk:

Guarantees

ADIB applies a range of policies controls to mitigate credit risk. One of these methods is obtaining guarantees against the financed funds. ADIB establishes guidelines for specific categories of acceptable guarantees.

The principal guarantees types for financing and facilities are:

- Cash and cash equivalents
- Real estate mortgages.
- Commercial mortgages
- Financial instruments mortgage, such as debt and equity instruments.

Long-term financing and corporate lending are often secured, while credit facilities for individuals are unsecured. To reduce credit loss to a minimum, ADIB seeks additional guarantees from the concerned parties as soon as impairment indicators are noticed for any financing or facilities.

ADIB determines the collaterals held to guarantee assets other than financing and facilities according to the nature of the instrument. Generally, debt instruments and treasury bills are unsecured except for asset-backed securities and similar instruments that are secured by a financial instruments portfolio.

Summary of accounting policies - continued

Credit-related commitments

Credit-related commitments represent the unused portion of credit limit authorised to grant financing, guarantees or letters of credit. ADIB is exposed to a possible loss of an amount that equals the total unused commitments as for the credit risk resulting from credit-related commitments. However, the probable amount of loss is less than the unused commitments as most commitments related to granting credit represent contingent liabilities to customers maintaining certain credit standards. ADIB monitors the maturity date of the credit commitments because long-term commitments are of a higher credit risk than short-term commitments.

4/1/6 Impairment and provisioning policies

The aforementioned internal rating systems focus more on credit quality planning as of the date financing and investment activities are recognized. Otherwise, impairment losses that occur at the financial statements date are only recognised for financial reports purposes based on objective evidence indicating impairment according to what will be mentioned in this note. Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the estimated loss amount using the expected loss model used for purposes of the rules the Central Bank of Egypt.

The impairment loss provision included in the financial statements at the end of the year is derived from the four internal ratings. However, the majority of the provision is derived from the last rating. The following table shows the percentage of the items within the financial statements for the period ended 31 December 2020 related to financing, facilities, and related impairment for each of ADIB's internal assessment categories:

	31 December 2020		31 December 2019	
Banks' evaluation	Financing and facilities	Impairment losses provision	Financing and facilities	Impairment losses provision
Stage 1	93.75%	32.28%	92.21%	23.96%
Stage 2	3.12%	13.21%	3.40%	6.61%
Stage 3	3.13%	54.51%	4.39%	69.43%
	100.00%	**100.00%**	**100.00%**	**100.00%**

The internal rating tools assist the management to determine whether there is evidence of impairment under EAS 26, based on the following criteria set out by ADIB:

- Significant financial difficulty of the customer or the debtor.
- Breach of the financing agreement conditions such as default.
- Expected bankruptcy of the customer, entering into a liquidation lawsuit, or restructuring the finance granted to the customer.
- Deterioration of the competitive position of the customer.

- Granting privileges or assignments by ADIB to the customer due to economic or legal reasons related to the financial difficulties of the borrower, which are not granted by ADIB in the normal course of business.
- Impairment of the guarantee.
- Deterioration of creditworthiness.

Summary of accounting policies - continued

4/1/6 Impairment and provisions policies - continued

ADIB's policies require reviewing all financial assets that exceed specific materiality at least once a year or more, when required. The impairment loss is determined for accounts evaluated on an individual basis by determining case-by-case actual losses at the financial statements date. These policies are applied on all accounts which have specific materiality on an individual basis. The valuation usually includes the existing guarantee, the related enforcements on these guarantees and the expected collections from those accounts.

A provision is made for impairment losses on the basis of the group of similar assets using the available historical experience, personal judgment and statistical techniques.

4/1/7 General banking risk measurement model

In addition to ADIB's four internal rating categories described above, the management classifies loans and facilities in the form of more detailed sub-groups in line with the requirements of the Central Bank of Egypt. The assets exposed to credit risk in these groups are classified according to detailed rules and conditions that rely heavily on information related to customer's business, financial position and regularity of payment.

ADIB calculates the provisions required to offset the impairment of assets exposed to credit risk, including credit-related commitments, on the basis of ratios set by the Central Bank of Egypt. In case of the excess of the provision for impairment losses required in accordance with the creditworthiness rules of the Central Bank of Egypt over the provision required to use the expected credit losses, such excess in the provision is set aside as a general banking risk reserve within equity to be deducted against retained earnings by the amount of that excess.

The following is a description of the creditworthiness categories of the institutions according to the principles for determining the creditworthiness of customers in accordance with the instructions of the Central Bank of Egypt in this regard and the percentage of provisions required for the impairment of assets exposed to credit risk:

CBE rating	Rating description	Required provision %	Internal rating	Internal rating description
1	Low risk	Zero	1	Good debts
2	Moderate risk	1%	1	Good debts
3	Satisfactory risk	1%	1	Good debts
4	Appropriate risk	2%	1	Good debts
5	Acceptable risk	2%	1	Good debts
6	Marginally acceptable risk	3%	1	Regular watch up
7	Risk needs special attention	5%	2	Special watch up
8	Substandard	20%	3	Non-performing debts
9	Doubtful	50%	3	Non-performing debts
10	Bad debts	100%	3	Non-performing debts

Summary of accounting policies - continued

4/1/8 Maximum limit for credit risk before guarantees

Balance sheet items exposed to credit risk	31 December 2020 000's EGP	31 December 2019 000's EGP
Financing and facilities to banks and customers		
Facilities to banks	118,206	180,918
Retail financing		
Debit current accounts	6,394	3,721
Credit cards	501,873	443,099
Personal financings	10,954,940	8,364,913
Real estate financings	40	40
Corporate financings		
Debit current accounts	7,441,889	6,234,130
Credit cards	133	155
Direct financings	20,810,359	15,641,949
Syndicated financings	519,740	271,865
Financial investments		
Debt instruments at FVOCI	7,996,986	9,939,372
Debt instruments at amortized cost	13,566,436	10,309,288
Total	**61,916,996**	**51,389,450**
Credit risk of off balance sheet items		
Letters of credit (import + confirmed export)	1,579,373	4,108,611
Letters of guarantee	5,821,334	3,885,045
Letters of guarantee for suppliers facilities	996,388	1,304,934
Bank guarantees	409,996	682,923
Total	**8,807,091**	**9,981,513**

- The previous table represents the maximum exposure on 31 December 2020, without taking any guarantees into consideration. For financial position items, the reported amounts depend on the net carrying amount that was presented in the financial position.
- As shown in the previous table, 65,19% of the maximum exposure to credit risk is the result of financing and facilities for banks and customers, against 60,62% at the end of the comparative year, while investments in debt instruments represent 34,81 % against 39,38 % at the end of comparative year.

Summary of accounting policies - continued

4/1/8 Maximum limit for credit risk before guarantees - continued

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from the portfolio of financing, facilities and debt instruments based on the following:

- 96,60% of the portfolio of financing and facilities is classified in the two highest degrees of internal rating compared to 95,09% at the end of the comparative year.
- 93,48% of the financing and facilities portfolio does not have past dues or impairment indicators against 91,69% at the end of the comparative year.
- The finances and facilities assessed on a single basis amounted to EGP 1,461 billion compared to EGP 1,641 billion at the end of the comparative year.
- ADIB applied more conservative selection processes when granting financing and facilities during the financial period on 31 December 2020.

4/1/9 Financing and facilities

The balances of financing and facilities in terms of credit worthiness are as follows:

000's EGP

	31 December 2020			31 December 2019		
Financing and facilities	Financing and facilities to customers	Financing and facilities to banks	Total Financing and facilities	Financing and facilities to customers	Financing and facilities to banks	Total Financing and facilities
Neither past due nor impaired	43,626,055	123,736	43,749,790	34,303,729	194,317	34,498,046
Past due but not impaired	1,455,700	-	1,455,700	1,273,257	-	1,273,257
Impaired	1,461,597	-	1,461,597	1,641,467	-	1,641,467
Total	**46,543,351**	**123,736**	**46,667,087**	**37,218,453**	**194,317**	**37,412,770**
Less:						
impairment loss provision	(2,133,607)	-	(2,133,607)	(1,994,434)	-	(1,994,434)
Profit in suspense	(68,276)	-	(68,276)	(48,194)	-	(48,194)
Deferred profits	(4,106,100)	(5,530)	(4,111,630)	(4,215,983)	(13,399)	(4,229,382)
Net	**40,235,368**	**118,206**	**40,353,574**	**30,959,842**	**180,918**	**31,140,760**

- Secured financing are not considered to be impaired for the non-performing category, taking into account the collectability of such guarantees.
- During the financial period on 31 December 2020, ADIB's portfolio of financing and facilities increased by 29,58% (31 December 2019: an increase of 26,08%)

Notes to the separate financial statements

For the year ended 31 December 2020

Summary of accounting policies - continued

Financing and facilities neither past due nor impaired

Credit worthiness of financing and facilities portfolio that are neither past due nor impaired and that according to internal rating used by ADIB.

000's EGP

31 December 2020	Retail Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Creditworthiness as per ADIB internal rating					
Stage 1	6,394	1,513,825	13,487,508	-	**15,007,727**
Stage 2	-	93,404	489,947	-	**583,351**
Stage 3	-	15,088	477,720	40	**492,848**
Total	**6,394**	**1,622,317**	**14,455,175**	**40**	**16,083,926**
Impairment loss provision is deducted	-	(59,144)	(401,571)	-	**(460,715)**
Profit in suspense is deducted	-	(1,831)	(63,929)	-	**(65,760)**
Deferred profits are deducted	-	(1,059,469)	(3,034,735)	-	**(4,094,204)**
Book value	**6,394**	**501,873**	**10,954,940**	**40**	**11,463,247**

31 December 2019	Retail Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Creditworthiness as per ADIB internal rating					
Stage 1	3,720	1,946,857	10,483,464	-	**12,434,041**
Stage 2	-	56,918	417,433	-	**474,351**
Stage 3	-	18,651	393,042	40	**411,733**
Total	**3,720**	**2,022,426**	**11,293,939**	**40**	**13,320,125**
Impairment loss provision is deducted	-	(36,065)	(279,586)	-	**(315,651)**
Profit in suspense is deducted	-	(1,831)	(42,415)	-	**(44,246)**
Deferred profits are deducted	-	(1,543,262)	(2,649,439)	-	**(4,192,701)**
Book value	**3,720**	**441,268**	**8,322,499**	**40**	**8,767,527**

Notes to the separate financial statements

For the year ended 31 December 2020

Summary of accounting policies - continued

000's EGP

31 December 2020	Corporate Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Creditworthiness as per ADIB internal rating					
Stage 1	7,471,243	133	20,600,645	546,307	**28,618,328**
Stage 2	82,193	-	790,156	-	**872,349**
Stage 3	498	-	968,250	-	**968,748**
Total	**7,553,934**	**133**	**22,359,051**	**546,307**	**30,459,425**
Impairment loss provision is deducted	(112,045)	-	(1,540,322)	(20,525)	**(1,672,892)**
Profit in suspense is deducted	-	-	(2,516)	-	**(2,516)**
Deferred profits are deducted	-	-	(5,854)	(6,042)	**(11,896)**
Book value	**7,441,889**	**133**	**20,810,359**	**519,740**	**28,772,121**

31 December 2019	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Creditworthiness as per ADIB internal rating					
Stage 1	6,233,668	155	15,220,485	415,381	**21,869,689**
Stage 2	101,003	-	697,903	-	**798,906**
Stage 3	-	-	1,229,733	-	**1,229,733**
Total	**6,334,671**	**155**	**17,148,121**	**415,381**	**23,898,328**
Impairment loss provision is deducted	(100,540)	-	(1,570,056)	(8,187)	**(1,678,783)**
Profit in suspense is deducted	-	-	(3,948)	-	**(3,948)**
Deferred profits are deducted	-	-	(15,031)	(8,251)	**(23,282)**
Book value	**6,234,131**	**155**	**15,559,086**	**398,943**	**22,192,315**

Fully secured financing has not been considered to be impaired for the third stage, taking into account if such guarantees can be liquidated.

Summary of accounting policies - continued

Financing and facilities that are past due but are not impaired

Financing and facilities that are past due but are not impaired, unless other information is available to the contrary. The financing and facilities to customers that are past due but are not impaired and the fair value of their guarantees are as follows:

000's EGP

Retail

31 December 2020	Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Past dues up to 30 days	6,394	1,513,825	13,487,508	-	**15,007,727**
Past dues more than 30 to 90 days	-	93,404	489,947	-	**583,351**
Total	**6,394**	**1,607,229**	**13,977,455**	-	**15,591,078**

31 December 2019	Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Past dues up to 30 days	3,720	1,946,857	10,483,464	-	**12,434,041**
Past dues more than 30 to 90 days	-	56,918	417,433	-	**474,351**
Total	**3,720**	**2,003,775**	**10,900,897**	-	**12,908,392**

000's EGP

Corporate

31 December 2020	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Past dues up to 30 days	7,471,243	133	20,600,645	546,307	**28,618,328**
Past dues more than 30 to 90 days	82,193	-	790,156	-	**872,349**
Total	**7,553,436**	**133**	**21,390,801**	**546,307**	**29,490,677**

31 December 2019	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Past dues up to 30 days	6,233,668	155	15,220,485	415,381	**21,869,689**
Past dues more than 30 to 90 days	101,003	-	697,903	-	**798,906**
Total	**6,334,671**	**155**	**15,918,388**	**415,381**	**22,668,595**

Upon the initial recognition of financing and facilities, the fair value of the collaterals are assessed based on valuation techniques commonly used for similar assets. In subsequent periods, fair value is updated at market prices or at similar asset prices.

Notes to the separate financial statements

For the year ended 31 December 2020

Summary of accounting policies - continued

Financing and facilities that are subject to impairment solely

- **Financing and facilities for customers**

The analysis of the total value of the financing and facilities subject to impairment solely is as follows:

000's EGP

Retail

31 December 2020	Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Solely impaired financing	-	15,088	477,720	40	**492,848**

31 December 2019	Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Solely impaired financing	-	18,651	393,042	40	**411,733**

Corporate

31 December 2020	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Solely impaired financing	498	-	968,250	-	**968,748**

31 December 2019	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Solely impaired financing	-	-	1,229,733	-	**1,229,733**

4/1/10 Transfer between stages for ECL

000's EGP

Retail	Stage 1 12 Month	Stage 2 Life time	Stage 3 Life time	Total
	31 December 2020			
Balance of expected credit losses on 1 January 2020	40,145	88,042	187,464	**315,651**
Transferred from stage 1	(6,161)	96,446	35,014	**125,299**
Transferred from stage 2	25,239	(53,692)	32,085	**3,632**
Transferred from stage 3	99	31	(443)	**(313)**
Charge / (Release) of Impairment loss during the year	14,446	2,451	(5,548)	**11,349**
Financial assets purchased during the year	10,387	15,662	19,263	**45,312**
Financial assets disposed of/ paid during the year	(2,826)	(6,707)	-	**(9,533)**
Used provisions during the year	-	-	(30,682)	**(30,682)**
Balance of expected credit losses on 31 December 2020	**81,329**	**142,233**	**237,153**	**460,715**

000's EGP

Corporate	Stage 1 12 Month	Stage 2 Life time	Stage 3 Life time	Total
	31 December 2020			
Balance of expected credit losses on 1 January 2020	437,773	43,713	1,197,297	**1,678,783**
Transferred from stage 1	(8,474)	33,990	-	**25,516**
Transferred from stage 2	4,144	(7,621)	26,000	**22,523**
Transferred from stage 3	-	-	(198)	**(198)**
Charge / (Release) of Impairment loss during the year	23,412	60,780	(5,763)	**78,429**
Financial assets purchased during the year	171,994	9,921	7,310	**189,225**
Financial assets disposed of/ paid during the year	(21,880)	(1,068)	(30,679)	**(53,627)**
Used provisions during the year	-	-	(267,759)	**(267,759)**
Balance of expected credit losses on 31 December 2020	**606,969**	**139,715**	**926,208**	**1,672,892**

4/1/11 Debt instruments, treasury bills and other government securities

The following table shows the analysis of debt instruments, treasury bills and other government securities according to rating agencies at the end of the financial year, based on Standard & Poor's valuation and its equivalent.

000's EGP

Debt instruments, treasury bills and other government securities	31 December 2020 Valuation	31 December 2020 Book Value	31 December 2019 Valuation	31 December 2019 Book Value
Egyptian treasury Bonds	B	51,631	B	63,605
Egyptian treasury bills	B	7,945,355	B	9,875,767
Debt instruments at amortized cost				
Egyptian treasury Bonds	B	10,913,930	B	7,607,871
Egyptian treasury bills	B	2,634,233	B	2,683,199
Total		**21,545,149**		**20,230,442**

Summary of accounting policies - continued

4/1/11 Risk concentration of financial assets exposed to credit risk

(A) Geographical sectors

The following table represents an analysis of ADIB's most significant credit risk limits at the carrying value distributed according to the geographical sector at the end of the current year. When preparing this table, risk is allocated to the geographical sectors according to the regions associated with ADIB's customers

000's EGP

	Arab Republic of Egypt				Other countries	
	Cairo	Alexandria, Delta & Sinai	Upper Egypt	Total		Total
Debt instruments at FVOCI						
- Egyptian treasury Bonds	51,631	-	-	51,631	-	51,631
- Egyptian treasury bills	7,945,355	-	-	7,945,355	-	7,945,355
Debt instruments at amortized cost						
- Egyptian treasury Bonds	10,913,930	-	-	10,913,930	-	10,913,930
- Egyptian treasury bills	2,634,233	-	-	2,634,233	-	2,634,233
Facilities to banks	123,736	-	-	123,736	-	123,736
Retail						
- Debit current accounts	4,453	1,677	264	6,394	-	6,394
- Credit cards	1,539,307	63,866	19,143	1,622,316	-	1,622,316
- Personal financings	9,278,391	4,076,651	1,100,134	14,455,176	-	14,455,176
- Real estate financings	40	-	-	40	-	40
Corporate						
- Debit current accounts	7,553,387	523	24	7,553,934	-	7,553,934
- Credit cards	123	9	1	133	-	133
- Direct financings	22,358,158	613	280	22,359,051	-	22,359,051
- Syndicated financings	546,307	-	-	546,307	-	546,307
Balance at 31 December 2020	**62,949,051**	**4,143,339**	**1,119,846**	**68,212,236**	-	**68,212,236**
Balance at 31 December 2019	**53,476,120**	**3,343,154**	**823,939**	**57,643,213**	-	**57,643,213**

Notes to the separate financial statements

For the year ended 31 December 2020

Summary of accounting policies - continued

(B) Activity sectors

The following table represents an analysis of ADIB's most significant credit risk limits at the carrying value distributed by the activity practiced by ADIB's customers.

000's EGP

	Financial institution	Manufacturing institution	Services	Wholesale and Retail	Government sector	Retail	Other activities	Total
Debt instruments at FVOCI								
- Egyptian treasury Bonds	-	-	-	-	51,631	-	-	**51,631**
- Egyptian treasury bills	-	-	-	-	7,945,355	-	-	**7,945,355**
Debt instruments at amortized cost								
- Egyptian treasury Bonds	-	-	-	-	10,913,930	-	-	**10,913,930**
- Egyptian treasury bills	-	-	-	-	2,634,233	-	-	**2,634,233**
Facilities to banks	-	-	-	-	123,736	-	-	**123,736**
Retail								
- Debit current accounts	-	-	-	-	-	6,394	-	**6,394**
- Credit cards	-	-	-	-	-	1,622,316	-	**1,622,316**
- Personal financings	-	-	-	-	-	14,455,176	-	**14,455,176**
- Real estate financings	-	-	-	-	-	40	-	**40**
Corporate								
- Debit current accounts	-	2,924,926	1,221,676	1,191,509	2,211,782	-	4,041	**7,553,934**
- Credit cards	-	-	-	-	-	-	133	**133**
- Direct financings	332,182	10,991,969	4,218,008	3,639,787	3,175,316	-	1,789	**22,359,051**
- Syndicated financings	-	236,190	310,117	-	-	-	-	**546,307**
Balance at 31 December 2020	**332,182**	**14,153,085**	**5,749,801**	**4,831,296**	**27,055,983**	**16,083,926**	**5,963**	**68,212,236**
Balance at 31 December 2019	**397,122**	**10,561,326**	**2,971,991**	**3,952,204**	-	**13,320,125**	-	**31,202,768**

Summary of accounting policies - continued

4/2 Market Risk

ADIB is exposed to market risk represented in fluctuations in fair value or future cash flows arising from changes in market prices. The market risk arises from the open positions of the interest rate and the currency, as each is exposed to general and private movements in the market and changes in the level of sensitivity to market rates or prices such as rates of interest and exchange rates. ADIB separates its exposure to market risk to trading or non-trading portfolios.

The management of market risk arising from trading or non-trading activities is concentrated in ADIB's risk management and is monitored by two separate teams. Market risk reports are reported to the Risk Committee of the Board of Directors and heads of operating units on a regular basis.

The portfolios of financial investments at fair value through profit or loss include those positions resulting from ADIB's direct dealing with customers or with the market, while non-trading portfolios arise primarily from managing the interest rate on assets and liabilities. These portfolios include foreign exchange risk and equity instruments arising from financial investments at amortized cost and financial investments at fair value through other comprehensive income.

4/2/1 Market risk measurement techniques

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

Value at risk

- ADIB applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk on positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board sets separate limits for the value of risk that may be accepted by ADIB for trading and non-trading portfolios and are monitored daily by ADIB's market risk management.
- VAR is a statistical estimation of the expected losses on the current portfolio resulting from adverse market movements, which represent the maximum amount ADIB expects to lose using a confidence level of (98%). Therefore, there is a statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR model assumes that the holding period is ten days before closing the open positions. It is also assumed that the market movement during the holding period will follow the same pattern of movement that occurred during the previous ten days. ADIB estimates the previous movement based on data for the previous five years. ADIB applies these historical changes in rates, prices, indicators, etc., directly to its current positions. This approach is called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.
- The use of that technique does not prevent the loss to exceed those limits in the case of a larger movement in the market.
- As VAR is considered a primary part of ADIB's market risk control technique, VAR limits are established by the Assets and Liabilities Committee regularly for all trading and non-trading transactions and allocated to business units. Actual VAR are compared to the limits set by ADIB and reviewed daily by ADIB's risk management. The quality of the VAR model is continuously monitored through enhanced VAR testing of the trading portfolio and the results of the tests are submitted to the Assets and Liabilities Committee.

- The quality of VAR model is monitored on an ongoing basis by reinforced tests to the results of the VAR of trading portfolio, and the results of tests are reported to the senior management and Board of Directors.

Summary of accounting policies – continued

Stress testing

- Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances. Stress testing is designed to match the business using standard analysis for specific scenarios. The stress testing carried out by the risk management include risk factor stress testing where sharp movements are applied to each risk category and emerging markets stress tests, as emerging markets are subject to sharp movements and special stress tests, including possible stress events affecting specific positions or regions, such as what may arise in a certain region due to applying a free rate on a certain currency. The results of the stress testing are reviewed by the top management and the Board of Directors.

- **Stress testing related to exchange rate**

  The following table shows the position of the currencies (surplus or deficit) of the items inside and outside the balance sheet

000's EGP

Currency	Surplus / deficit	Deficit	Surplus	Maximum expected loss 10%
USD	24,104	-	24,104	2,410
Euro	2,361	-	2,361	236
Sterling Pound	27	-	27	3
Swiss Franc	1,001	-	1,001	100
Japanese Yen	(1)	(1)	-	-
Other currencies	294	-	294	29
Maximum expected loss at 31 December 2020				**2,778**
Maximum expected loss at 31 December 2019				**3,227**

4/2/2 VAR summary

Total value at risk by the type of risk

000's EGP

	31 December 2020			31 December 2019		
	Average	Higher	Lower	Average	Higher	Lower
Total value at risk according to risk type						
Exchange rates risk	1,134	6,975	42	1,613	12,372	54
Profit rate risk	25,807	41,496	15,779	21,228	34,784	12,379
Total value at risk	**26,941**	**48,471**	**15,821**	**22,841**	**47,156**	**12,433**
Value at risk of the trading portfolio according to risk type						
Exchange rates risk	1,134	6,975	42	1,613	12,372	54
Profit rate risk	-	-	-	-	-	-
Total value at risk	**1,134**	**6,975**	**42**	**1,613**	**12,372**	**54**
value at risk of a non-trading portfolio according to risk type						
Profit rate risk	25,807	41,496	15,779	21,228	34,784	12,379
Total value at risk	**25,807**	**41,496**	**15,779**	**21,228**	**34,784**	**12,379**

Summary of accounting policies - continued

4/2/3 Risk of fluctuations in foreign exchange rates

- ADIB is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows. The Board of Directors has set limits on foreign exchange at the total value of each of the positions at the end of the day as well as during the day. The following table summarizes ADIB's exposure to foreign exchange risk at the end of the financial year. The following table presents the book value of financial instruments distributed in their respective currencies:

000's EGP

31 December 2020	EGP	USD	Euro	Sterling Pound	Japanese Yen	Other currencies	Total
Assets							
Cash and due from CBE	4,549,514	55,567	1,658	16,752	21	6,792	**4,630,304**
Due from banks	610,609	2,251,651	31,023	739,941	-	80,350	**3,713,574**
Treasury bills	9,098,800	2,092,369	-	106,147	-	-	**11,297,316**
Financings and facilities to banks	-	118,206	-	-	-	-	**118,206**
Financings and facilities to customers	35,359,722	6,625,607	11,917	371,728	-	1	**42,368,975**
Islamic forward / Islamic currency swap contracts	3	-	-	-	-	-	**3**
Financial investments at FVOCI	91,491	48,516	-	540	-	-	**140,547**
Financial investments at amortized cost	10,721,520	194,015	-	-	-	-	**10,915,535**
Investments in subsidiaries and associates	314,450	-	-	-	-	-	**314,450**
Other assets	3,445,641	90,869	665	16,893	-	6,759	**3,560,827**
Total assets	**64,191,750**	**11,476,800**	**45,263**	**1,252,001**	**21**	**93,902**	**77,059,737**
Financial derivatives related to currency	-	550,411	-	55,003	12,023	135,569	**753,006**
Total assets and Financial derivatives related to currency	**64,191,750**	**12,027,211**	**45,263**	**1,307,004**	**12,044**	**229,471**	**77,812,743**
Liabilities and shareholders' equity							
Due to banks	309,204	346,933	-	-	5,313	25,288	**686,738**
Customers' deposits	54,030,350	7,350,608	43,572	1,275,177	2,904	122,417	**62,825,028**
Islamic forward / Islamic currency swap contracts	1,296	-	-	-	-	-	**1,296**
Subordinated financings	-	1,307,117	-	-	-	-	**1,307,117**
Other liabilities	7,266,708	2,698,818	533	26,052	6,010	66,764	**10,064,885**
Shareholder' equity	2,083,057	63,035	-	-	-	-	**2,146,092**
Total Liabilities and shareholders' equity	**63,690,615**	**11,766,511**	**44,105**	**1,301,229**	**14,227**	**214,469**	**77,031,156**
Financial derivatives related to currency	561,061	202,610	967	7,334	-	9,615	**781,587**
Total Liabilities and shareholders' equity and Financial derivatives related to currency	**64,251,676**	**11,969,121**	**45,072**	**1,308,563**	**14,227**	**224,084**	**77,812,743**
Net financial position	**(59,926)**	**58,090**	**191**	**(1,559)**	**(2,183)**	**5,387**	-
31 December 2019							
Total assets	**52,885,190**	**10,605,635**	**75,763**	**463,658**	**1,434**	**104,815**	**64,136,495**
Total Liabilities and shareholders' equity	**52,519,941**	**10,751,971**	**75,429**	**537,787**	**5,696**	**187,097**	**64,077,921**
Net financial position	**365,249**	**(146,336)**	**334**	**(74,129)**	**(4,262)**	**(82,282)**	**58,574**

Summary of accounting policies - continued

4/2/4 Interest rate risk

- ADIB is exposed to the effects of fluctuations in the interest rates prevailing in the market, which is the risk of cash flows of the interest rate represented in fluctuation of future cash flows for a financial instrument due to changes in the interest rate of the instrument. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The interest margin may increase due to these changes; however, profits may decrease in case unexpected movements arise. The ALCO Committee sets limits on the level of mismatch of interest rate repricing that ADIB may maintain, which is monitored daily by ADIB's risk management.

Interest rate structure risk management system

Risk assessment, limits and corrective procedures are undertaken by the Asset-Liability Committee (ALCO) under the chairmanship of the President of ADIB, the membership of the Executive Directors, the CFO, Directors pf Commercial Departments, the Branch Network Manager, the Secretary General and the President of the International Transaction Chamber. The International Transactions Chamber implements the necessary procedures determined by the Asset and Liability Committee to correct the gaps through dealing in financial markets. The Chamber prepares its reports on the development that has occurred and submits them to the Assets and Liabilities Unit and the Assets and Liabilities Committee.

Asset-Liability Committee (ALCO) Duties

-Determination of acceptable limits for sensitivity analysis purposes

-Reviewing the assumptions used to identify, measure, validate and approve risks.

-Evaluating, modifying and adopting the proposed recommendations for the adjustment of gaps (if any) in line with the previously approved limits.

ADIBs' objective of managing interest rate risk

ADIB aims to reduce its exposure to the risk structure of the interest rate to the maximum extent possible, taking into account that the residual risk value resulting from interest rates is within the limits of the sensitivity level approved by the Assets and Liabilities Committee.

Summary of accounting policies - continued

4/2/4 Interest rate risk

The table below summarises ADIB's exposure to the risk of interest rate fluctuations, which includes the financial instruments' carrying amounts distributed on the basis of the interest rate, re-pricing dates or maturity dates, whichever is earlier:

000's EGP

31 December 2020	Up to 1 month	Over 1 month to 3 month	More than 3 month up to 1 year	More than 1 year to 3 years	More than 3 years	Total
Financial Assets						
Cash and due from banks and CBE	569,571	-	-	4,060,972	-	**4,630,543**
Due from banks	2,498,721	884,113	-	-	-	**3,382,834**
Treasury bills	3,240,543	2,292,546	8,389,950	-	-	**13,923,039**
Financings and facilities to customers	7,900,223	8,981,039	17,261,313	9,698,500	4,350,424	**48,191,499**
Financial investments:						
Financial investments at FVOCI	69,781	-	-	39,859	48,516	**158,156**
Financial investments at amortized cost	15,307,611	-	-	-	-	**15,307,611**
Investments in subsidiaries and associates	-	-	-	-	314,450	**314,450**
Other financial assets	-	-	-	-	1,294,598	**1,294,598**
Total financial assets	**29,586,450**	**12,157,698**	**25,651,263**	**13,799,331**	**6,007,988**	**87,202,730**
Financial Liabilities						
Due to banks	488,998	-	26,620	26,220	-	**541,839**
Customers' deposits	6,808,997	7,496,098	7,866,695	47,047,509	493,001	**69,712,299**
Subordinated financings	-	-	-	1,254,677	499,536	**1,754,213**
Other financial liabilities	459,763	-	-	-	10,984,369	**11,444,132**
Total financial liabilities	**7,757,758**	**7,496,098**	**7,893,315**	**48,328,406**	**11,976,906**	**83,452,483**
Profit re-pricing Gap	**21,828,692**	**4,661,599**	**17,757,949**	**(34,529,076)**	**(5,968,917)**	**3,750,247**

Summary of accounting policies – continued

Interest Rate Sensitivity Analysis

- The following is sensitivity analysis on the increase or decrease in the interest rates in the market, assuming that there is no symmetric movement in the interest curves with the stability of the financial position.

Sensitivity of net income expected from interest

000's EGP

Profit rate sensitivity analysis	31 December 2020 Average	Higher	Lower	31 December 2019 Average	Higher	Lower
Sensitivity of net expected income from profit						
Increase or decrease 100 basis points	97,320	127,087	78,639	58,297	84,038	29,312
Total value at risk	**97,320**	**127,087**	**78,639**	**58,297**	**84,038**	**29,312**
Equity sensitivity to changes in profit rates						
Increase or decrease 100 basis points	54,545	81,093	18,314	47,633	83,344	6,069
Total value at risk	**54,545**	**81,093**	**18,314**	**47,633**	**83,344**	**6,069**

- Changes in interest rates affect equity in the following ways:

- Retained earnings: Increase or decrease in net income from the interest and the fair value of the financial derivatives and included within profit and loss.

  Fair value reserve: Increase or decrease in the fair value of financial assets at fair value through other comprehensive income (before 1 January 2019: available for sale) recognized directly in other comprehensive income.
- Hedging reserve: The increase or decrease in fair value of hedging instruments classified as cash flow hedging.

4/3 Liquidity risk

Liquidity risk represents difficulty encountering ADIB in meeting its financial commitments when they fall due and replace funds when they are withdrawn. This may result in failure of the settlement of ADIB's obligations to repay the depositors and fulfil financing commitments.

- **Liquidity risk management**

ADIB's liquidity management process carried out by ADIB's risk management includes:

- Daily funding is managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes replacing funds when they are due or when financing them to customers. ADIB exists in the global financial markets to ensure that this goal is achieved.
- Maintaining a portfolio of highly marketable assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flows.
- Monitoring liquidity ratios in comparison with ADIB's internal requirements and CBE requirements
- Managing concentration and financing maturity.

For monitoring and reporting purposes, cash flows for the following day, week, and month are measured and projected. Such periods are the key periods for liquidity management. The starting point of calculating these projections is analysing the contractual maturities of financial liabilities and expected financial assets collections.

The Assets and Liabilities Management Committee also monitors the incompatibility between medium-term assets, the level and type of unused portion of financing commitments, the extent to which current account facilities are used (Mudaraba), and the effect of contingent liabilities such as letters of guarantees and letters of credit.

4/4 Capital management

ADIB's objectives behind managing capital include other elements in addition to the equity shown in the statement of financial position are represented in the following:

- To comply with the legal capital requirements in the Arab Republic of Egypt and other countries in which ADIB's branches operate.
- To protect ADIB's ability to continue and enable it to continue to generate interest for shareholders and other parties dealing with ADIB.
- To maintain a strong capital base that supports growth in activity.

Capital adequacy and capital uses are reviewed in accordance with the requirements of the regulatory body (the Central Bank of Egypt in the Arab Republic of Egypt or the supervisory bodies in which the foreign branches of ADIB operate) daily through ADIB's management, through models based on Basel Committee guidelines for banking supervision. The required data are provided to the Central Bank of Egypt on a quarterly basis.

CBE requires the following from ADIB:

- Retaining EGP 500 million as a minimum limit of paid and issued capital.
- Maintaining a ratio between the capital base and the total credit risk, market and operational risks, and the value of exceeding the established limits for the 50 largest customers, and the value of exceeding the limits determined for placements with countries is equal to or more than 10%.

The numerator in capital adequacy comprises the following two tiers:

Tier 1: It is the basic capital, and it consists of paid up capital after deducting the deducting the carrying amount of treasury shares, retained earnings and reserves resulting from the dividends, except for the general banking risk reserve, less any previously recognised goodwill and any carried-forward losses.

Tier 2: It is the subordinated capital, which consists of the equivalent of the general risk provision according to the creditworthiness principles issued by CBE at no more than 1.25% of the total risk-weighted assets and contingent liabilities, and the subordinated financing / deposits with more than five years' maturity terms (amortisation of 20% of their value at each of the last five years of maturity).

When calculating the total numerator of capital adequacy criterion, subordinated capital should not exceed the basic capital, and subordinated financing (deposits) should not exceed half the basic capital.

ADIB has complied with all local capital requirements and in the countries in which its external branches operate during the past two years.

Summary of accounting policies - continued

The following table summarizes the basic and subordinated capital components and capital adequacy ratios.

According to Basel II	31 December 2020 000's EGP	31 December 2019 000's EGP
Tier 1 after disposals		
Basic going concern capital		
Issued and paid up capital	2,000,000	2,000,000
Paid under capital increase	1,861,418	1,861,418
Reserves	282,563	282,563
Fair value reserve	59,864	68,899
Retained earnings / (Retained losses)	928,702	(233,199)
Less: The bank's investments in financial companies (banks or companies) and insurance companies (shares and investment funds)	(61,578)	(48,342)
Deferred Tax	(6,908)	-
Intangible assets	(25,646)	-
Total basic going concern capital after disposal	**5,038,415**	**3,931,339**
Additional basic capital		
Difference between FV and PV for subordinated financing	44,767	57,741
Total additional basic capital	**44,767**	**57,741**
Total Tier 1 after disposal (basic capital)	**5,083,182**	**3,989,080**
Tier 2 after disposals		
Equivalent of required provisions balances against debt instruments / loans and credit facilities incorporated in stage 1	532,008	402,705
Subordinated financing	934,512	1,085,557
45 % of the increase in fair value over the carrying amount of investments in subsidiaries and associates	130,859	140,198
45% of special reserve	9,602	10,147
Total Tier 2 after disposal	**1,606,981**	**1,638,607**
Total capital base after disposal	**6,690,163**	**5,627,687**
Total credit risks	42,568,727	32,223,469
The value of overriding the top 50 clients over the prescribed limits is weighted by risk weights	-	2,655,551
Capital requirements for market risks	20,172	44,829
Capital requirements for operating risks	5,497,249	4,985,317
Total assets and contingent liabilities weighted by credit, market, operational risks	**48,086,148**	**39,909,166**
Capital adequacy ratio of tier 1	**10.57%**	**10.00%**
Capital adequacy ratio	**13.91%**	**14.10%**

According to the CBE's publication no. 68 issued on April 22, 2020, it is decided to exempt ADIBs for one year as of the resolution issuance date from applying the resolution of the CBE's Board of Directors dated January 6, 2016 issued under the periodic letter dated January 11, 2016 regarding the concentration limits of ADIBs' credit portfolios at the largest 50 customers and their associated parties.

Summary of accounting policies - continued

4/5 Leverage ratio

- The Board of Directors of the Central Bank of Egypt (CBE) at its session dated 7 July 2015 issued a resolution approving the supervisory instructions for the financial leverage, with the banks' commitment to the minimum rate of 3% on a quarterly basis as a binding control ratio starting from 2019.

In preparation for consideration of the first pillar of Basel (Minimum Capital Adequacy) in order to preserve the strength and integrity of the Egyptian banking system and to comply with the best international supervisory practices in this regard. The leverage reflects the relationship between the first tier of capital used in the standard of capital adequacy (after exclusions), and bank assets (both within and outside the financial position) are not weighted by risk weights.

Ratio components:

The numerator components

The numerator consists of tier 1 of capital (after exclusions) that is used in the numerator of capital adequacy standard currently applied in accordance with the instructions of the Central Bank of Egypt.

The denominator elements

The denominator consists of all ADIB's assets on and off-the financial position items according to the financial statements, called "Bank Exposures" including the following totals:

1- On-the financial position exposure items after deducting Tier 1 exclusions for capital base.

2- Exposures resulting from derivatives contracts.

3- Exposures resulting from financing securities.

4- Off-the financial position exposures (weighted exchange transactions).

Summary of accounting policies - continued

The following table summarizes the leverage ratio:

	31 December 2020 000's EGP	31 December 2019 000's EGP
Tier 1 capital after disposals (1)	**5,083,182**	**3,989,080**
Cash and due from CBE	5,514,473	5,790,977
Due from Banks	2,952,611	718,894
Treasury bills and other government securities	10,584,576	12,548,817
Financial investments at FVPL	8,228	18,974
Financial investments at FVOCI	142,187	163,124
Financial investments at amortized cost	10,915,535	7,609,479
Investments in subsidiaries and associates	224,015	192,698
Total financings and credit facilities to customers	40,757,997	31,206,544
Fixed assets (net of impairment loss provision & accumulated depreciation)	533,689	569,770
Other assets	2,631,386	1,657,507
Deducted amounts from exposures (some of tier 1 exclusions for capital base)	(94,133)	(48,342)
Total on-balance sheet exposures items after deducting tier 1 disposals	**74,170,565**	**60,428,442**
Replacement cost	2,909	3,940
Expected future value	6,174	3,119
Derivatives contracts exposures	**9,083**	**7,059**
Treasury bills sale with repurchase commitment	9,783	10,548
Exposure resulting from securities financing	**9,783**	**10,548**
Total on-balance sheet exposures, financial derivatives contracts and financing financial securities	**74,189,431**	**60,446,049**
Letters of credit -import	279,067	818,761
Letters of credit -export	35,456	1,085
letters of guarantee	2,904,084	1,936,988
letters of guarantee requested or guaranteed by external banks	204,998	341,461
Contingent liabilities for general collaterals for financing facilities and similar collaterals	9,768	6,658
Bank acceptance	988,980	1,303,388
Total contingent liabilities	**4,422,353**	**4,408,341**
Capital commitments	14,102	122,096
Operating lease commitments	352,255	371,495
financing commitments to clients /banks (unutilized part) original maturity period	3,073,838	2,316,053
Total commitments	**3,440,195**	**2,809,644**
Total exposures off-balance sheet	**7,862,549**	**7,217,985**
Total exposures on-balance sheet and off-balance sheet (2)	**82,051,979**	**67,664,034**
Financial leverage ratio (1/2)	**6.20%**	**5.90%**

4- Significant accounting estimates and assumptions

ADIB uses estimates and assumptions that affect the amounts of assets and liabilities disclosed during the next fiscal period / year. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and information available.

A) **Estimates:**

Information on estimates used in applying accounting policies that have a material impact on the amounts recognized in the financial statements:

- **Classification of financial assets**: Valuation of the business model in which the asset shall be retained and evaluated whether contractual terms of the financial asset shall result in the generating of cash flows in the form of payment of profit and installments on the outstanding balances of those assets.

B) **Uncertainty Related with Assumptions and Estimates:**

Uncertainties related with assumptions and estimates of significant risks that may result in material adjustments in the financial period ended on 30 September 2020 shall be appeared in the following notes:

- **Impairment of financial instruments**: An assessment of whether there has been a significant increase in credit risk on financial assets since the initial recognition, taking into account, the impact of future information upon measuring the expected credit losses.
- **Determination of the fair value of financial instruments**: using unobservable inputs upon measuring.
- **Measurement of defined benefit liabilities**: Key actuarial assumptions.
- **Recognition of deferred tax assets**: The existence of future taxable profits that may be benefited from forward tax losses.

5- Segment analysis

The activity segments include the operations, assets used in the provision of banking services, the management of the risks surrounding them, and the profit related with this activity, which may differ from other activities. The segment analysis of operations in accordance with the banking business include:

Large, medium and small enterprises

These include the activities of current accounts, deposits, current accounts receivable (Mudaraba), financing and credit facilities, and financial derivatives.

Investment

This includes activities of corporate mergers, investment purchasing, financing of corporate restructuring and financial instruments.

Retail

This includes activities of current accounts, savings, deposits, credit cards, personal finance and real estate finance.

Other activities

These include other banking activities as the management of funds and transactions between activity segments in accordance with the normal course of business of ADIB; assets and liabilities shall include operating assets and liabilities as presented in ADIB's financial position.

000's EGP

31 December 2020	Wholesale	Investment	Retail	Other activities	Total
Revenues and expenses by activity segment					
Revenues of activity segment	1,347,777	715,024	1,430,513	308,330	**3,801,644**
Expenses of activity segment	(728,426)	(31,784)	(1,145,221)	(197,699)	**(2,103,130)**
Net profit for the year before tax	619,351	683,240	285,292	110,631	**1,698,514**
Tax	(142,965)	(498,909)	(95,969)	190,681	**(547,162)**
Net profit for the year	**476,386**	**184,331**	**189,323**	**301,312**	**1,151,352**
Assets and liabilities by activity segment					
Assets of activity segment	29,325,405	24,882,368	11,996,102	-	**66,203,875**
Un-classified assets	-	-	-	6,565,498	**6,565,498**
Total assets	**29,325,405**	**24,882,368**	**11,996,102**	**6,565,498**	**72,769,373**
Liabilities of activity segment	20,231,856	1,473,516	41,753,411	-	**63,458,783**
Un-classified liabilities	-	-	-	4,151,727	**4,151,727**
Total liabilities	**20,231,856**	**1,473,516**	**41,753,411**	**4,151,727**	**67,610,510**

000's EGP

31 December 2019	Wholesale	Investment	Retail	Other activities	Total
Revenues and expenses by activity segment					
Revenues of activity segment	1,541,466	379,274	2,016,313	(187,058)	**3,749,995**
Expenses of activity segment	(755,648)	(38,287)	(1,417,586)	35,712	**(2,175,809)**
Net profit for the year before tax	**785,818**	**340,987**	**598,727**	**(151,346)**	**1,574,186**
Tax	(176,809)	(76,722)	(134,714)	(83,312)	**(471,557)**
Net profit for the year	**609,009**	**264,265**	**464,013**	**(234,658)**	**1,102,629**
Assets and liabilities by activity segment					
Assets of activity segment	22,644,560	21,255,974	9,109,984	-	**53,010,518**
Un-classified assets	-	-	-	6,708,347	**6,708,347**
Total assets	**22,644,560**	**21,255,974**	**9,109,984**	**6,708,347**	**59,718,865**
Liabilities of activity sectors	16,351,065	1,299,831	34,190,874	-	**51,841,770**
Non-classified liabilities	-	-	-	3,887,118	**3,887,118**
Total liabilities	**16,351,065**	**1,299,831**	**34,190,874**	**3,887,118**	**55,728,888**

6- Net profit income

	31 December 2020 000's EGP	31 December 2019 000's EGP
Income from Murabaha, Musharaka, Mudaraba and other similar income		
Financing and facilities		
To customers	4,562,818	4,339,090
Total	**4,562,818**	**4,339,090**
Financial investments in debt instruments at AC and FVOCI	2,352,992	2,387,945
Deposits and current accounts	251,799	162,471
Total	**7,167,609**	**6,889,506**
Cost of deposits and similar costs		
Deposits and current accounts:		
To banks	(140,649)	(56,339)
To customers	(3,708,314)	(3,629,365)
other financings	(99,901)	(89,372)
Financing financial instruments and sales transactions of financial instruments with a repurchase commitment	(80,381)	(4,282)
Total	**(4,029,245)**	**(3,779,358)**
Net profit income	**3,138,364**	**3,110,148**

The net interest income includes interest income and expenses calculated using the effective interest method which related to the following items:

	31 December 2020 000's EGP	31 December 2019 000's EGP
Financial investments at AC	13,548,163	10,291,070
Financial investments at FVOCI	8,085,902	10,027,927
Financing and facilities to customers	40,353,574	31,140,760
Financial assets that are not measured at FVPL	3,713,519	1,251,303
Net profit income	**65,701,158**	**52,711,060**

7- Net fees and commissions income

	31 December 2020 000's EGP	31 December 2019 000's EGP
Fees and commissions income:		
Credit related fees and commissions	287,041	284,175
Fees of corporate financing	106,163	27,974
Other fees	210,002	213,942
Total	**603,206**	**526,091**
Fees and commissions expenses:		
Paid brokerage fees	(365)	(221)
Various banking commission	(9,491)	(6,145)
Credit cards paid commissions	(93,659)	(84,465)
Other fees and commissions paid	(41,908)	(28,687)
Total	**(145,423)**	**(119,518)**
Net fees and commission income	**457,783**	**406,573**

8- Dividends

	31 December 2020 000's EGP	31 December 2019 000's EGP
Equity instruments at FVOCI	1,393	3,135
Financial investments in subsidiaries and associates	12,480	1,094
Total	**13,873**	**4,229**

9- Net trading income

	31 December 2020 000's EGP	31 December 2019 000's EGP
Foreign exchange operations:		
Gains from fx deals	181,616	219,415
(Losses) / gains of Islamic forward contracts revaluation	(1,296)	2,816
Gains / (Losses) of currency option contracts revaluation	3	(5)
Total	**180,323**	**222,226**

10- Administrative expenses

	31 December 2020 000's EGP	31 December 2019 000's EGP
Employees' cost		
Salaries and wages and benefits	(635,758)	(707,858)
Social insurance	(33,161)	(30,731)
Pension cost		
Defined contribution plans	(19,182)	(17,751)
Defined benefit plans	(73,315)	(41,089)
Depreciation and amortization	(120,946)	(84,999)
Other administrative expenses	(377,006)	(402,726)
Total	**(1,259,368)**	**(1,285,154)**

11- Other operating expenses

	31 December 2020 000's EGP	31 December 2019 000's EGP
Gain / (Loss) on translation of monetary assets and liabilities denominated in foreign currencies other than those held for trading or initially designated at FVPL	(65,772)	(306,621)
Gain (Loss) on sale of assets reverted to bank	404	-
Gain on sale of fixed assets	3,698	1,140
Software cost	(86,937)	(89,851)
operating lease expense	(100,560)	(78,470)
Restructuring costs	(16,875)	(83,591)
Gain / (loss) on impairment of assets reverted to the bank	-	(36,819)
(Charge) / release of impairment other assets	(7,601)	(614)
Other provisions (net of reversed provision)*	(87,764)	195,643
Other income (expense)	(48,479)	(27,881)
Total	**(409,886)**	**(427,064)**

Other provisions (net of reversed provision)*

	31 December 2020 000's EGP	31 December 2019 000's EGP
Contingent claims provision	39,823	267,497
Tax provision	(1,513)	(17,238)
Contingent liabilities provision	(126,074)	(54,616)
Total	**(87,764)**	**195,643**

12- Impairment credit losses

	31 December 2020 000's EGP	31 December 2019 000's EGP
Financing and facilities to customers	(433,456)	(450,280)
Due from banks	(75)	5
Financial investments at amortized cost	(345)	(13,316)
Total	**(433,876)**	**(463,591)**

13- Income tax expenses

	31 December 2020 000's EGP	31 December 2019 000's EGP
Current tax	(606,062)	(458,836)
Deferred tax	58,900	(12,721)
Total	**(547,162)**	**(471,557)**

Additional information on deferred income tax was presented in Note (30). Taxes on ADIB's profits are different from the valu e resulting from the application of tax rates as follows:

Reconciliation to calculate effective tax rate:

	31 December 2020 000's EGP	31 December 2019 000's EGP
Net profit for the year before tax	1,698,514	1,574,186
Applicable tax rate	22.50%	22.50%
Income tax (expenses) based on applied tax rate	382,166	354,192
Tax impact for		
Non-taxable revenues	(414,466)	(154,250)
Non-deductible tax expenses	231,924	144,892
Tax of treasury bills and bonds and dividends	347,538	126,722
Income tax expenses according to effective tax rate	**547,162**	**471,557**
Effective tax rate	**32.21%**	**29.96%**

14- Net basic earnings per share for the year

	31 December 2020 000's EGP	31 December 2019 000's EGP
Net distributable profit for the year	1,131,721	1,102,629
Banking system development fund	(9,031)	-
Emplyees' profit share	(90,311)	-
Board of directors' remuneration	(11,196)	-
Shareholders' profit share	**1,021,183.122**	**1,102,629.000**
Weighted average of shares outstanding during the year	200,000	200,000
Earnings Per Share	**5.11**	**5.51**

15- Cash and balances with the Central Bank of Egypt

	31 December 2020 000's EGP	31 December 2019 000's EGP
Cash	569,333	739,462
Balances with CBE within mandatory reserve ratio	4,060,971	4,337,191
Total	**4,630,304**	**5,076,653**
Non-Profit bearing balances	4,630,304	5,076,653
Variable profit bearing balances	-	-
Fixed profit bearing balances	-	-
Total	**4,630,304**	**5,076,653**

16- Due from banks

	31 December 2020 000's EGP	31 December 2019 000's EGP
Current accounts	498,474	242,912
Bank deposits*	3,215,100	1,008,415
Murabaha due from local banks*	23,729,428	-
Restricted wakala due to local banks*	(23,729,428)	-
	3,713,574	**1,251,327**
(less) Impairment loss provision	(55)	(24)
Total	**3,713,519**	**1,251,303**
Balances with CBE other than mandatory reserve ratio	884,113	714,184
Local banks	2,034,201	336,353
Murabaha due from local banks*	23,729,428	-
Restricted wakala due to local banks*	(23,729,428)	-
Foreign Banks	795,260	200,790
(less) Impairment loss provision	(55)	(24)
Total	**3,713,519**	**1,251,303**
Non-Profit bearing balances	498,474	242,912
Variable profit bearing balances	2,330,987	294,231
Fixed profit bearing balances	884,113	714,184
(less) Impairment loss provision	(55)	(24)
Total	**3,713,519**	**1,251,303**
Due from banks' impairment loss provision analysis		
Balance at beginning of the period	24	-
Impact of IFRS 9 first implementation	-	33
Adjusted balance as of Jan 1, 2019	**24**	**33**
Net (charge)/release of impairment during the year	75	(5)
Foreign exchange translation differences	(44)	(4)
Total	**55**	**24**

*Balances at banks include an amount of EGP 23,729,428 representing a Wakala with a local bank corresponding to an investment-restricted Wakala due to the same bank for the same amount to invest the amount of the restricted Wakala in government debt instruments, An offset was conducted between both Wakalas as they fulfil the requirements of offsetting between the assets and liabilities mentioned in the rules of preparing and presenting the financial statements issued by the Central Bank of Egypt on 16 December 2008.

17- Financing and facilities to banks (net of impairment losses)

	31 December 2020 000's EGP	31 December 2019 000's EGP
Debit current accounts	60	92
Syndicated financing	123,676	194,225
Total	**123,736**	**194,317**
less:		
Profit in suspense	(5,530)	(13,399)
Total	**(5,530)**	**(13,399)**
Net	**118,206**	**180,918**

18- Financing and facilities to customers (net of impairment losses)

18/1 Total balances of financing and facilities to customers (net of deferred profit)

	31 December 2020 000's EGP	31 December 2019 000's EGP
Retail		
Debit current accounts	6,394	3,721
Credit cards	562,847	479,164
Personal financing	11,420,441	8,644,499
Real estate Financing	40	40
Total	**11,989,722**	**9,127,424**
Corporate (including SMEs)		
Debit current accounts	7,553,934	6,334,670
Direct financing	22,353,197	17,260,169
Syndicated financing	540,265	280,052
Credit cards	133	155
Total	**30,447,529**	**23,875,046**
Total financing and facilities to customers	**42,437,251**	**33,002,470**
Deduct:		
Impairment loss provision	(2,133,607)	(1,994,434)
Profit in suspense	(68,276)	(48,194)
Total	**(2,201,883)**	**(2,042,628)**
Net	**40,235,368**	**30,959,842**
Classified in balance sheet as follow		
Conventional financing to customers (net of impairment losses)	10,434	8,000
Financing to customers (net of impairment losses)	40,224,934	30,951,842
Net	**40,235,368**	**30,959,842**

* Set-aside interests that were previously formed according to creditworthiness principles issued by the Central Bank of Egypt.

18- Financing and facilities for customers - continued

18/2 Total balances of financing and facilities to customers

	31 December 2020 000's EGP	31 December 2019 000's EGP
Retail		
Debit current accounts	6,394	3,721
Credit cards	1,622,316	2,022,426
Personal financing	14,455,176	11,293,938
Real estate Financing	40	40
Total	**16,083,926**	**13,320,125**
Corporate (including SMEs)		
Debit current accounts	7,553,934	6,334,670
Direct financing	22,359,051	17,148,121
Syndicated financing	546,307	415,382
Credit cards	133	155
Total	**30,459,425**	**23,898,328**
Total financing and facilities	**46,543,351**	**37,218,453**
Less:		
Impairment loss provision	(2,133,607)	(1,994,434)
Profit in suspense*	(68,276)	(48,194)
Deferred profit	(4,106,100)	(4,215,983)
Total	**(6,307,983)**	**(6,258,611)**
Net	**40,235,368**	**30,959,842**
Classified in the interim balance sheet as follows:		
Conventional financing to customers (net of impairment losses)	**10,434**	**8,000**
Financing to customers (net of impairment losses)	40,224,934	30,951,842
Net	**40,235,368**	**30,959,842**

Financing and Facilities to customers' impairment loss provision analysis

	31 December 2020 000's EGP	31 December 2019 000's EGP
Balance at beginning of the year	**1,994,434**	**1,355,613**
Impact of IFRS 9 first implementation	-	217,878
Adjusted balance as of Jan 1, 2019	**1,994,434**	**1,573,491**
Net impairment loss during the year	433,456	450,280
Recoveries from previously written-off financings	9,031	11,072
Used from provision during the year	(298,440)	(29,405)
Foreign exchange translation differences	(4,874)	(11,004)
Total	**2,133,607**	**1,994,434**

* Set-aside interests that were previously formed according to creditworthiness principles issued by the Central Bank of Egypt.

Financing and facilities for customers - continued

The analysis of movement of the provision for impairment losses for financings and facilities to customers classified according to their types is as follows:

000's EGP

31 December 2020	Retail Debit current accounts	Credit cards	Personal financing	Real estate Financing	Total
Balance at beginning of the year	-	36,065	279,586	-	315,651
Net impairment charge during the year	-	29,207	141,716	-	170,923
Recoveries from previously written-off financings	-	3,696	1,127	-	4,823
Used from provision during the year	-	(9,824)	(20,858)	-	(30,682)
Balance at 31 December 2020	-	59,144	401,571	-	460,715

31 December 2020	Corporate Debit current accounts	Direct financing	Syndicated financing	Other financings	Total
Balance at beginning of the year	100,540	1,570,056	8,187	-	1,678,783
Net impairment charge during the year	11,505	238,690	12,338	-	262,533
Recoveries from previously written-off financings	-	4,207	-	-	4,207
Used from provision during the year	-	(267,759)	-	-	(267,759)
Foreign exchange translation differences	-	(4,872)	-	-	(4,872)
Balance at 31 December 2020	112,045	1,540,322	20,525	-	1,672,892

000's EGP

31 December 2019	Retail Debit current accounts	Credit cards	Personal financing	Real estate Financing	Total
Balance at beginning of the year	-	2,046	159,180	-	161,226
Impact of IFRS 9 first implementation	-	30,350	43,007	-	73,357
Adjusted balance as of Jan 1, 2019	-	32,396	202,187	-	234,583
Net impairment charge during the year	-	14,832	79,503	-	94,335
Recoveries from previously written-off financings	-	2,468	1,361	-	3,829
Used from provision during the year	-	(13,631)	(3,465)	-	(17,096)
31 December 2019	-	36,065	279,586	-	315,651

31 December 2019	Corporate Debit current accounts	Direct financing	Syndicated financing	Other financings	Total
Balance at beginning of the year	41,640	1,144,742	8,005	-	1,194,387
Impact of IFRS 9 first implementation	2,116	142,956	(551)	-	144,521
Adjusted balance as of Jan 1, 2019	43,756	1,287,698	7,454	-	1,338,908
Net impairment charge during the year	56,861	298,351	733	-	355,945
Recoveries from previously written-off financings	-	7,243	-	-	7,243
Used from provision during the year	(77)	(12,232)	-	-	(12,309)
Foreign exchange translation differences	-	(11,004)	-	-	(11,004)
31 December 2019	100,540	1,570,056	8,187	-	1,678,783

18- Financial investments

19/1 Financial investments at fair value through other comprehensive income

15/1 Financial investments at FVOCI	31 December 2020 s EGP'000	31 December 2019 s EGP'000
A) Treasury bonds - at FV		
Listed in stock exchange market	51,631	63,605
Total Treasury bonds	**51,631**	**63,605**
B) Government treasury bills - at FV		
Un-Listed in stock exchange market	7,945,355	9,875,767
Total Government treasury bills	**7,945,355**	**9,875,767**
Detailed T-bills maturities as the following:		
Treasury bills of 91 days maturity	1,706,075	140,550
Treasury bills of 182 days maturity	1,634,725	1,581,225
Treasury bills of 273 days maturity	2,983,000	4,968,450
Treasury bills of 364 days maturity	2,100,000	3,874,800
Total	**8,423,800**	**10,565,025**
Unearned revenues	(504,355)	(722,757)
Valuation differences of treasury bills at FV	25,910	33,499
Net	**7,945,355**	**9,875,767**
C) Equity instruments at FV		
Un-Listed in stock exchange market	69,484	70,090
Total equity instruments	**69,484**	**70,090**
D) Mutual funds certificates at FV		
Un-Listed in stock exchange market	19,432	18,465
Total mutual funds certificates	**19,432**	**18,465**
Total financial investments at FVOCI (1)	**8,085,902**	**10,027,927**

19- Financial investments – continued

19/2 Financial investments at amortised cost

15/2 Financial investments at AC	31 December 2020 000's EGP	31 December 2019 000's EGP
A) Government treasury bonds		
Listed in stock exchange market	10,721,520	7,419,132
Un-Listed in stock exchange market	194,015	190,347
Less: Impairment loss provision	(1,605)	(1,607)
Total government treasury bonds	**10,913,930**	**7,607,872**
B) Government treasury bills		
Un-Listed in stock exchange market	2,805,847	2,853,959
Less: Impairment loss provision	(16,668)	(16,611)
Total government treasury bills	**2,789,179**	**2,837,348**
Detailed T-bills maturities as the following:		
Treasury bills of 91 days maturity	1,777,727	-
Treasury bills of 182 days maturity	78,661	-
Treasury bills of 273 days maturity	675,000	355,000
Treasury bills of 364 days maturity	342,128	2,539,664
Total	**2,873,516**	**2,894,664**
Unearned revenues	(67,669)	(40,705)
Less: Impairment loss provision	(16,668)	(16,611)
Net (1)	**2,789,179**	**2,837,348**
REPOs		
Treasury bills sold with repurchase commitment within one week	(150,409)	(153,024)
Total	**(150,409)**	**(153,024)**
Unearned revenues	(4,537)	(1,126)
Less: Impairment loss provision	-	-
Net (2)	**(154,946)**	**(154,150)**
Net (1+2)	**2,634,233**	**2,683,198**
Total financial investments at AC (2)	**13,548,163**	**10,291,070**
Total financial investments (1+2)	**21,634,065**	**20,318,997**
Non-profit bearing balances	88,916	88,555
Fixed-profit bearing balances	21,545,149	20,230,442
Total financial investments	**21,634,065**	**20,318,997**

19- Financial investments _ continued

- **Mutual funds**
- **Sanabel Mutual Fund**

- The financial investments at fair value through other comprehensive income include ADIB's contribution in Sanabel Mutual Fund between ADIB and the Arab International Banking Company under the management of HC company for managing mutual funds.

- The total number of documents invested in by ADIB is 25,000 documents at market value of EGP 116,14 at 2.5% of total number of documents outstanding to reach total amount of EGP 2,903 thousand as at 31 December 2020 (31 December 2019: EGP 3,253 thousand).
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- **Abu Dhabi Islamic Bank - Egypt Monetary Fund with Accumulative Daily Return (El-Naharda)**

- ADIB has established Abu Dhabi Islamic Bank - Egypt Monetary Fund with Accumulative Daily Return (El-Naharda) compatible with the principles of Islamic Sharia law, as the fund is managed by Beltone for managing investment funds.
- The total number of documents invested in by ADIB is 87,165 documents at market value of EGP 189.6 at 3% of the fund's total number of documents outstanding, so the total amount is EGP 16,527 thousand as at 31 December 2020 (31 December 2019: EGP 15,212 thousand).

The following is a summary of the movement of financial investments during the year:

000's EGP

31 December 2020	FVOCI	Amortized cost	Total
Balance at beginning of the year	10,027,927	10,291,070	20,318,997
Additions	18,183,924	7,828,370	26,012,294
Premium / discount Amortization	1,506,165	521,734	2,027,899
Disposals (Sale / redemption)	(21,627,971)	(5,053,037)	(26,681,008)
Translation difference of monetary assets in foreign currencies	(560)	(39,919)	(40,479)
Changes in fair value reserve	(3,583)	-	(3,583)
Less: impairment loss provision	-	(55)	(55)
Balance at 31 December 2020	8,085,902	13,548,163	21,634,065

31 December 2019	FVOCI	Amortized cost	Total
Balance at beginning of the year	5,938,128	10,879,156	16,817,284
Impact of IFRS 9 first implementation	(4,417)	-	(4,417)
Additions	16,372,445	6,106,411	22,478,856
Premium / discount Amortization	1,039,938	467,551	1,507,489
Disposals (Sale / redemption)	(13,377,180)	(6,936,002)	(20,313,182)
Translation difference of monetary assets in foreign currencies	(3,669)	(212,205)	(215,874)
Changes in fair value reserve	62,682	4,377	67,059
Less: impairment loss provision	-	(18,218)	(18,218)
Balance at 31 December 2019	10,027,927	10,291,070	20,318,997

19- Financial investments – continued

19/3 Gains / (losses) from financial investments

	31 December 2020 000's EGP	31 December 2019 000's EGP
Gains on sale of debt instruments at FVOCI	11,301	6,832
Charge of impairment losses of investments in subsidiaries and associates	-	(13)
Total	**11,301**	**6,819**

20- Investments in subsidiaries and associates (net)

	31 December 2020 000's EGP	31 December 2019 000's EGP
Contribution in subsidiaries		
National Company for Crystal and Glass	10,036	10,036
Cairo National Company for Investment	76,797	76,797
National Company for Trading and Development (Entad)	19,207	19,207
Assuit Islamic National for Trading and Development	23,477	23,477
ADI holding company	4,980	4,980
ADI Capital	11,575	11,575
ADI Properties	13	13
ADIB Investment	4,900	4,900
Cairo National Company for Brokerage and Securities	1,413	1,413
Alexandria National Company for Financial Investments	2,181	2,181
ADI Lease for Financial Lease	154,315	102,127
Total	**308,894**	**256,706**
Contribution in associates		
Orient Takaful Insurance Company - Egypt	20,000	20,000
Total	**20,000**	**20,000**
Total financial investments in subsidiaries and associates	**328,894**	**276,706**
Impairment losses in financial investments in subsidiaries and associates	**(14,444)**	**(14,444)**
Net financial investments in subsidiaries and associates	**314,450**	**262,262**

As per ADIB's board of director's decision on 9/2015 and CBE approval on 11/2015, incorporation procedures of Abu Dhabi Islamic Company for the Management of the Portfolios of Securities and Investment Funds were completed, and ADIB has established the Company on 3/2016 and no invitation is sent to convene the constituent assembly to date.

- Financial investments in subsidiaries were determined according to a study carried out by ADIB, which identified the companies in which ADIB directly and indirectly owns the ability to control their financial and operational policy.

20- Investments in subsidiaries and associates (net) _ continued

ADIB's shareholding in subsidiaries and associates is as follows

000's EGP

31 December 2020	Country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's profits/(losses)	% Ownership
Contribution in subsidiaries						
National Company for Crystal and Glass	Egypt	293,667	525,284	138,048	(11,055)	5.42%
Cairo National Company for Investment	Egypt	100,738	13,097	5,085	(1,064)	64.75%
National Company for Trading and Development (Entad)	Egypt	81,240	11,952	3,627	2,189	40.00%
Assuit Islamic National for Trading and Development	Egypt	104,739	13,529	10,744	4,838	40.00%
ADI holding company	Egypt	9,199	230,489	514	(14,291)	99.60%
ADI Capital	Egypt	22,063	7,179	19,500	2,481	92.86%
ADI Properties	Egypt	30,586	86,818	1,846	173	5.00%
ADIB Investment	Egypt	7,406	45	578	578	98.00%
Cairo National Company for Brokerage and Securities	Egypt	7,833	6,451	1,025	(674)	46.16%
Alexandria National Company for Financial Investments	Egypt	17,363	87	7,350	5,933	9.04%
ADI Lease for Financial Lease	Egypt	1,234,339	1,106,694	74,946	15,111	97.94%
Contribution in associates						
Orient Takaful Insurance Company - Egypt	Egypt	1,852,251	1,255,759	218,575	138,348	20.00%
Total		**3,761,424**	**3,257,384**	**481,837**	**142,568**	

31 December 2019	Country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's profits/(losses)	% Ownership
Contribution in subsidiaries						
National Company for Crystal and Glass	Egypt	284,434	500,733	61,520	967	5%
Cairo National Company for Investment	Egypt	89,965	131	1,948	(2,709)	65%
National Company for Trading and Development (Entad)	Egypt	72,894	9,233	1,624	273	40%
Assuit Islamic National for Trading and Development	Egypt	98,676	12,185	9,930	5,269	40%
ADI holding company	Egypt	8,741	212,034	-	(11,108)	100%
ADI Capital	Egypt	37,527	13,298	21,768	7,336	93%
ADI Properties	Egypt	43,731	99,659	1,230	(3,261)	5%
ADIB Investment	Egypt	6,826	45	593	593	98%
Cairo National Company for Brokerage and Securities	Egypt	4,054	1,373	1,079	(806)	46%
Alexandria National Company for Financial Investments	Egypt	14,125	108	441	(422)	9%
ADI Lease for Financial Lease	Egypt	850,564	739,706	57,620	8,413	98%
Contribution in associates						
Orient Takaful Insurance Company - Egypt	Egypt	1,573,087	1,133,238	216,889	99,903	20%
Total		**3,084,625**	**2,721,743**	**374,642**	**104,450**	

*According to last signed financial statements.

21- Intangible Assets (after deducting accumulated depreciation)

	31 December 2020 000's EGP	31 December 2019 000's EGP
Net book value at the beginning of the year	60,487	48,437
Additions	7,005	26,471
Amortization for the year	(41,846)	(14,421)
Net book value ate the end of the year	**25,646**	**60,487**

22- Other assets

	31 December 2020 000's EGP	31 December 2019 000's EGP
Accrued revenues	957,762	481,876
prepaid expenses	247,202	227,829
Advance payments for purchase of fixed assets	153,741	144,290
Assets reverted to the bank in settlement of debts (Net of impairment losses)	40,873	41,231
Deposits and custodies	4,398	5,108
Due from related parties	2,486	708
Accounts under settlement with correspondents	74,015	174,066
Other debit balances	83,177	27,324
Total	**1,563,654**	**1,102,432**
Provision for impairment of other assets	(4,327)	(3,928)
Net other assets	**1,559,327**	**1,098,504**

23- Fixed assets

				000's EGP
31 December 2019	Lands & Premises	Machinery & Equipment	Other assets	Total
Cost	173,463	6,226	877,065	**1,056,754**
Accumulated Depreciation	(41,652)	(4,403)	(503,616)	**(549,671)**
Net Book Value	**131,811**	**1,823**	**373,449**	**507,083**
Net Book Value at the beginning of the year	123,324	1,990	359,282	**484,596**
Additions	13,800	222	79,144	**93,166**
Disposals	(336)	(80)	(174)	**(590)**
Depreciation for the year	(5,213)	(389)	(64,888)	**(70,490)**
Disposals' Accumulated Depreciation	236	80	85	**401**
Net Book Value	**131,811**	**1,823**	**373,449**	**507,083**

31 December 2020	Lands & Premises	& Machinery Equipment	Other assets	Total
Cost	172,594	6,844	945,417	**1,124,854**
Accumulated Depreciation	(46,512)	(4,598)	(542,168)	**(593,278)**
Net Book Value	**126,082**	**2,246**	**403,249**	**531,576**
Net Book Value at the beginning of the year	131,811	1,823	373,449	**507,083**
Additions	-	866	163,213	**164,079**
Disposals	(869)	(248)	(94,862)	**(95,979)**
Depreciation for the year	869	248	34,373	**35,490**
Disposals' Accumulated Depreciation	(5,730)	(443)	(72,925)	**(79,098)**
Net Book Value	**126,082**	**2,246**	**403,249**	**531,576**

- Fixed assets on 31 December 2020 include an amount of EGP 23 million (31 December 2019: EGP 23 million) representing the cost of assets not yet registered in the name of ADIB. The required legal procedures to register these assets are being taken.

24- Due to banks

	31 December 2020 000's EGP	31 December 2019 000's EGP
Current Accounts	386,738	240,550
Deposits	300,000	42,343
Total	**686,738**	**282,893**
Local Banks	310,178	46,816
Foreign Banks	376,560	236,077
Total	**686,738**	**282,893**
Non-profit bearing balances	386,738	240,549
Variable profit bearing balances	300,000	42,344
Total	**686,738**	**282,893**

25- Customers' deposits

	31 December 2020 000's EGP	31 December 2019 000's EGP
Demand deposits	18,920,375	16,074,064
Time and call deposits	13,775,005	13,998,165
Saving and deposit certificates	18,047,999	11,284,004
Saving deposits	10,892,792	9,349,202
Other deposits	1,188,856	580,279
Total	**62,825,027**	**51,285,714**
Corporate deposits	23,481,771	18,575,225
Retail deposits	39,343,256	32,710,489
Total	**62,825,027**	**51,285,714**
Non-profit bearing balances	6,036,030	4,741,324
Fixed profit bearing balances	56,788,997	46,544,390
Total	**62,825,027**	**51,285,714**

26- Islamic forward contracts / Islamic currency swap contracts

Currency forwards contracts represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Future foreign currency exchange contracts and/or interest rates are contractual obligations to receive or pay a net amount based on changes in currency rates, interest rates and/or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an active financial market.
Credit risk at ADIB is considered low. Forward interest rate agreements represent future exchange rate contracts negotiated on a case-by-case basis. These agreements require financial settlements on a future date for the difference between the contractual interest rate and the interest rate prevailing in the market on the basis of an agreed contractual amount/ nominal value.

000's EGP

	31 December 2020		
	/ Contractual nominal amount	Assets	Liabilities
Islamic forward exchange contracts	411,352	-	1,296
Islamic currency swap contracts	124,207	3	-
Total	**535,559**	**3**	**1,296**

	31 December 2019		
	/ Contractual nominal amount	Assets	Liabilities
Islamic forward exchange contracts	237,669	2,816	-
Islamic currency swap contracts	87,351	-	5
Total	**325,020**	**2,816**	**5**

27- Subordinated financing

	31 December 2020 000's EGP	31 December 2019 000's EGP
Subordinated Financing without coupon*	499,536	475,667
Subordinated Financing with coupon**	755,141	769,992
Other Financing	52,440	-
Total	**1,307,117**	**1,245,659**
Subordinated Financing without coupon*		
Balance at the beginning of the financial year- face value of subordinated financing	475,667	496,065
Subordinated financing cost using effective interest rate method	33,283	32,491
Foreign currency valuation differences	(9,414)	(52,889)
Total	**499,536**	**475,667**

Non-interest subordinated financing represents an amount of USD 39 million granted by Abu Dhabi Islamic Bank, UAE under Wakala Investment Framework Agreement for 6 years starting from 27 December 2012. On 27 March 2016, a supplementary agreement to the subordinated financing contract has been made to increase the tenor period for three tranches of the contract to end on 27 December 2023 instead of 27 December 2018 for an amount of USD 29,250 thousands. Further, another supplementary agreement has been made on 27 December 2016 to extend the fourth tranche of the same finance to end on 27 December 2023 instead of 27 December 2018 for an amount of USD 9,750 thousand. ADIB has recorded the first three tranches at the present value using discount rate of 7.51% and the fourth tranche at discount rate of 5.88% . These supplementary agreements resulted in charging equity by a net amount of LE 54,581 thousand, which represents the difference between the face value and the present value of the financing as at the date of term extension agreement.

27- Subordinated financings - continued

**On 29 September 2016, ADIB was granted an additional subordinated financing of USD 9 million from Abu Dhabi Islamic Bank, UAE under Wakala Investment Framework Agreement for 7 years starting from 29 September 2016 with an expected profit rate of 6.50% from the investment amount, which is not significantly different from the market discount rate.

**On 29 September 2016, ADIB was granted an additional subordinated financing of USD 9 million from Abu Dhabi Islamic Bank, UAE under Wakala Investment Framework Agreement for 7 years starting from 29 September 2016 with an expected profit rate of 5.88% from the investment amount, which is not significantly different from the market discount rate.

**On 28 March 2019, ADIB was granted an additional subordinated financing of USD 30 million from Abu Dhabi Islamic Bank, UAE under Wakala Investment Framework Agreement for 7 years starting from 28 March 2019 with an expected profit rate of 9.88% from the investment amount, which is not significantly different from the market discount rate.

Other Financings

- On 21 May 2020, ADIB obtained a financing in the amount of USD 5 million from the Arab Trade Finance Corporation for a period of one and a half years, starting from 1 June 2020, and it entails an expected profit in the first six months at LIBOR + 1.25% of the investment amount.

28- Other liabilities

	31 December 2020 000's EGP	31 December 2019 000's EGP
Accrued revenues	112,456	199,979
Accrued expenses	346,172	501,861
Other Credit Balances	569,056	446,575
Total	**1,027,684**	**1,148,415**

29- Other provisions

000's EGP

31 December 2020	Provisions for Contingent Claims*	Tax Provision	Provision for Contingent Liabilities	Total
Balance at beginning of the year	**1,288,239**	**36,538**	**113,674**	**1,438,451**
Charged during the year	63,954	3,696	166,741	**234,391**
Provisions no longer required	(103,777)	(2,183)	(40,667)	**(146,627)**
Used provision during the year	(5,167)	(1,172)	-	**(6,339)**
Foreign exchange translation differences	(14)	-	3,599	**3,585**
Balance at 31 December 2020	**1,243,235**	**36,879**	**243,347**	**1,523,461**

31 December 2019	Provisions for Contingent Claims*	Tax Provision	Provision for Contingent Liabilities	Total
Balance at beginning of the year	**1,556,897**	**26,866**	**77,651**	**1,661,414**
Impact of IFRS 9 first implementation	-	-	**(8,384)**	**(8,384)**
Charged during the year	**8,680**	**17,238**	**62,310**	**88,228**
Provisions no longer required	**(276,177)**	-	**(7,694)**	**(283,871)**
Used provision during the year	**(1,155)**	**(7,566)**	**(4,207)**	**(12,928)**
Foreign exchange translation differences	**(6)**	-	**(6,002)**	**(6,008)**
Balance at 31 December 2019	**1,288,239**	**36,538**	**113,674**	**1,438,451**

In reference to what was stated in the minutes of the Ordinary General Assembly of ADIB dated 18 October 2015, different opinions were expressed regarding the basis of calculation of the USD amounts paid under the Capital Increase Account by ADIB - UAE as amounts paid in Egyptian Pounds, which results a potential claim from ADIB – UAE. Based on the estimation of the external legal advisor of ADIB - Egypt as regards the possible loss resulting from change in the exchange rate, ADIB has provided a provision for potential claims in an amount of EGP 1,229 million (31 December 2019: EGP 1,273 million), fo rthe effect of the movement of exchange rates as of 31 December 2014.

30- Deferred tax liabilities

Deferred tax was calculated on all temporary tax differences using the liabilities method and using the effective tax rate for the current financial year.

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

ADIB reassesses the position of deferred tax assets unrecognized at each date of the financial position and recognizes the deferred tax assets that were not previously recognized to the extent that it becomes probable in the future that there will be a tax profit that allows the absorption of the value of the deferred tax asset.

Deferred tax assets and liabilities balances

	Deferred Tax Assets		Deferred Tax Liabilities	
	31 December 2020 000's EGP	31 December 2019 000's EGP	31 December 2020 000's EGP	31 December 2019 000's EGP
Fixed Assets Depreciation	-	-	(55,053)	(59,111)
Provisions (other than provision for loans impairment loss)	61,972	6,255	-	-
Differences of changes in fair value for financial investments at FVOCI	-	994	(15,373)	(17,173)
Profit in suspense	15,362	8,450	-	-
Total Deferred Tax Assets / (Liabilities)	**77,334**	**15,699**	**(70,426)**	**(76,284)**
Net Deferred Tax Assets / (Liabilities)	**6,908**	**(60,585)**		

Movement of deferred tax assets and liabilities:

	Deferred Tax Assets		Deferred Tax Liabilities	
	31 December 2020 000's EGP	31 December 2019 000's EGP	31 December 2020 000's EGP	31 December 2019 000's EGP
Balance at the beginning of the year	15,699	22,874	(76,284)	(54,560)
Impact of IFRS 9 first implementation	-	994	-	-
Additions	61,635	2,822	(0)	(21,724)
Disposals	-	(10,991)	5,858	-
Total balance at the end of the period	**77,334**	**15,699**	**(70,427)**	**(76,284)**

30- Deferred tax liabilities - continued

Deferred tax assets (liabilities) balances recognized directly within equity

	31 December 2020 000's EGP	31 December 2019 000's EGP
Differences of changes in fair value for financial investments at FVOCI	(15,373)	(16,179)
Total reserves at the end of the year	**(15,373)**	**(16,179)**

- Deferred tax assets resulting from carried forward tax losses are not recognised unless it is probable that there are future tax profits to utilise the carried forward tax losses in the short term.

31- Capital

31/1- Authorised capital

The authorized capital amounted to EGP 4 billion (31 December 2019: EGP 4 billion).

31/2- Issued and paid up capital

The total issued and paid-up capital amounted EGP 2 billion (31 December 2019: EGP 2 billion) represented in 200 million shares with a nominal value of EGP 10 per share.

31/3- Amounts paid under capital increase account

Until 2012, ADIB - UAE deposited an amount of EGP 1,662 million under the capital increase account. On 28 December 2011, ADIB – UAE has approved the transfer of ADIB's total amount of the subordinated finance granted to ADIB in amount of EGP 199 million to the capital increase account, so the total amount paid under the capital increase account amounted to EGP 1,861 million as at 31 March 2020 (31 December 2019: EGP 1,861 million).

32- Reserves

	31 December 2020 000's EGP	31 December 2019 000's EGP
Legal Reserve	22,878	22,878
General Reserve	42,522	42,522
Special Reserve	17,165	17,165
General Banking Risk Reserve	52,265	3,049
General Risk Reserve	158,088	158,088
Fair value reserve	52,951	55,727
Total reserves at the end of the year	**345,869**	**299,429**

Reserves movements are as follows:

32/1- Special Reserve

	31 December 2020 000's EGP	31 December 2019 000's EGP
Adjustments resulting from the effect of change in the measurement policy of AFS financial investments for previous years	17,165	17,165
Total	**17,165**	**17,165**
Balance at the beginning of the year	17,165	26,257
Impact of IFRS 9 first implementation	-	(9,092)
Total	**17,165**	**17,165**

This reserve is not available for distribution unless approved by the Central Bank of Egypt.

32/2- General Banking Risk Reserve

	31 December 2020 000's EGP	31 December 2019 000's EGP
Balance at the beginning of the year	3,049	174,516
Impact of IFRS 9 first implementation	-	(174,516)
Transferred from (to) retained losses	49,216	3,049
Total	**52,265**	**3,049**

32/3- General Risk Reserve

	31 December 2020 000's EGP	31 December 2019 000's EGP
Balance at the beginning of the year	158,088	-
Transferred from special reserve - credit	-	9,092
Transferred from general banking risk reserve	-	174,516
Transferred from IFRS9 risk reserve	-	190,095
Impact of IFRS 9 first implementation	-	(215,615)
Total	**158,088**	**158,088**

This reserve is not available for distribution unless approved by the Central Bank of Egypt.

31- Reserves – continued

32/-4-Fair value reserve

	31 December 2020 000's EGP	31 December 2019 000's EGP
Balance at the beginning of the year	55,727	9,264
Impact of IFRS 9 first implementation	-	(4,417)
Impact of IFRS 9 first implementation for deferred tax	-	994
Net change in fair value of equity instruments during the year	920	17,902
Net change in fair value of debt instruments during the year	(4,503)	49,157
Deferred income tax recognized during the year	807	(17,173)
Total	**52,951**	**55,727**

33- Retained earnings/ accumulated losses

	31 December 2020 000's EGP	31 December 2019 000's EGP
Balance at the beginning of the year	(228,611)	(1,360,681)
Net profit for the year	1,151,352	1,102,629
Transferred from general banking risk reserve	(49,216)	(3,050)
Amortization of subordinated financing cost using effective interest rate	33,283	32,491
Total	**906,808**	**(228,611)**

34- Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include the following balances with original maturities not exceeding three months from the date of acquisition:

	31 December 2020 000's EGP	30 June 2019 000's EGP
Cash and Due from CBE	4,630,304	5,076,653
Due from banks with less than 3 months maturity*	498,474	242,912
Treasury bills of 91 days maturity	3,302,450	4,939,158
Total	**8,431,228**	**10,258,723**

35- Contingent liabilities and commitments

35/1- Liabilities of LGs, LCs and other commitments

	31 December 2020 000's EGP	31 December 2019 000's EGP
Letters of Credit (import / enhanced export)	1,579,373	4,108,611
Letters of guarantee	5,821,334	3,885,045
Accepted notes for suppliers facilities	996,388	1,304,934
Financial guarantees	409,996	682,923
Total	**8,807,091**	**9,981,513**

35/2- Commitments for operating leases and capital commitments

000's EGP

31 December 2020	less than and up to 1 year	More than 1 year & less than 5 years	More than 5 years	Total
Operating lease commitments	78,028	253,558	20,669	**352,255**
Capital commitments resulting from purchase of fixed assets	14,102	-	-	**14,102**

31 December 2019	less than and up to 1 year	More than 1 year & less than 5 years	More than 5 years	Total
Operating lease commitments	70,135	259,831	41,529	**371,495**
Capital commitments resulting from purchase of fixed assets	122,096	-	-	**122,096**

36- Transactions with related parties

36/1- Transactions with related parties' balances included during the period are as follows:

Relationship Nature	Account Nature	Transaction Nature	31 December 2020 000's EGP	31 December 2019 000's EGP
Major Shareholders	Assets	Due from banks	16,083	25,505
Major Shareholders	Assets	Other Assets	1,742	9
Major Shareholders	Liabilities	Due to banks	8,115	11,873
Major Shareholders	Liabilities	Subordinated financing	1,254,677	1,245,659
Major Shareholders	Liabilities	Other Liabilities	-	35,692
Major Shareholders	Liabilities	Management fees	86,531	99,768
Major Shareholders	Shareholders equity	Difference between face value and present value for subordinated financing	44,767	57,741
Major Shareholders	Shareholders equity	Paid under capital increase	1,861,418	1,861,418
Subsidiaries Companies	Assets	Other Assets	2,392	4,066
Subsidiaries Companies	Liabilities	provision for impairment of other assets	1,053	654
Subsidiaries Companies	Assets	Financing and facilities to customers	498,350	741,761
Subsidiaries Companies	Assets	provision for impairment on credit losses	502,973	513,803
Subsidiaries Companies	Liabilities	Customers deposits	109,415	167,294
Associates Companies	Liabilities	Customers deposits	142,257	28,196

36/2- Transactions with related parties' balances included during the period are as follows:

Relationship Nature	Account Nature	Transaction Nature	31 December 2020 000's EGP	31 December 2019 000's EGP
Major Shareholders	Revenues	Income from Murabaha, Musharaka, Mudaraba and other similar income	15	1,881
Major Shareholders	Expenses	Cost of subordinated financing with no coupon using EIR method	(65,836)	(56,880)
Major Shareholders	Expenses	Cost of subordinated financing with coupon	(33,283)	(32,492)
Major Shareholders	Expenses	Cost of deposits and current accounts paid to banks	(5)	(304)
Major Shareholders	Expenses	Fees and commissions expenses	-	(24,601)
Subsidiaries Companies	Revenues	Fees and commissions income	3,575	8,024
Subsidiaries Companies	Revenues	Other operating income	837	803
Subsidiaries Companies	Revenues	Income from Murabaha, Musharaka, Mudaraba and other similar income	27,475	40,624
Subsidiaries Companies	Expenses	Cost of deposits and similar expenses	(6,649)	(9,209)
Subsidiaries Companies	Expenses	Fees and commissions expenses	(2,502)	(4,972)
Subsidiaries Companies	Expenses	Impairment charge on credit losses	10,830	(163,213)

*The wages, salaries and benefits in kind on 31 December 2020 include an amount of EGP 44,034 thousand, which represents the total amount of the twenty largest employees who earn bonuses, salaries, and benefits in ADIB altogether.

37- Retirement benefits obligations

Liabilities recognised in the statement of financial position:

Amounts recognised in the statement of income:

Unrealized actuarial losses are amortized over the remaining average working years, and the amortization for the period amounted to EGP 11,297 million.

The main assumptions used by ADIB are as follows:

Liabilities recognized in statement of financial position:	31 December 2020 000's EGP	31 December 2019 000's EGP
post-retirement medical benefits	137,966	92,153
Total	**137,966**	**92,153**
Existing balances in balance sheet comprise:		
Present value of financed liabilities	356,942	328,172
Unrealized actuarial losses	(218,976)	(236,019)
Liabilities in balance sheet	**137,966**	**92,153**
Movement of liabilities during the year is as follows		
Estimated obligation at the beginning of year	328,172	180,898
Cost of current service	3,044	1,832
cost of income	44,478	31,420
Actuarial losses / (Gains)	8,750	137,956
Benefits paid	(27,502)	(23,934)
Estimated obligations during the year	**356,942**	**328,172**
Balance sheet settlement		
Liabilities (assets) in balance sheet	92,153	74,998
Calculation of recognized pension in profits or losses in the financial year	73,315	41,089
Paid benefit directly by the company in financial year	(27,502)	(23,934)
Liabilities (assets) in balance sheet the end of year	**137,966**	**92,153**

Amounts recognized in income statements	31 December 2020 000's EGP	31 December 2019 000's EGP
post-retirement medical benefits	(73,315)	(41,089)
Total	**(73,315)**	**(41,089)**
Amounts recognized in income statements comprise:		
Cost of current service	73,315	41,089
Cost of early retirement recognized in profit or loss	**73,315**	**41,089**

The main actuarial assumptions used by the bank are as follows:

	31 December 2020 000's EGP	31 December 2019 000's EGP
Average assumptions for defining benefits obligations		
Discount on medical benefits post retirement rate	14%	14%
Increase of compensation rate	10%	10%
Inflation rate	3%	3%

Notes to the separate financial statements

For the year ended 31 December 2020

Retirement benefits obligations - continued

37/1 Savings Insurance Fund for Employees

On 1 July 2013, ADIB established the Private Social Security Fund (the Fund) under Law No. 54 of 1975, regarding "The Private Insurance Funds Law and its Executive Regulations". ADIB registered the Fund on 14 January 2014 under registration number with the Financial Regulatory Authority (FRA) (884). The Fund started as of 1 April 2014. The provisions of this Fund and its amendments shall apply to all employees of the main office of ADIB and its branches in the Arab Republic of Egypt.
ADIB is obliged to pay the due contributions to the Fund for each month as calculated in accordance with the Fund's Regulations and its Amendments. The Fund is generally financed through monthly contributions and some other resources specified in the Fund's Regulations.
Insurance benefits are paid in the case of termination of service due to the member reaching the age of retirement, death, permanent disability or permanent partial disability that terminates the service. In the event that the term of membership is less than (3) three years, the member of the Fund will be paid the final balance of his account corresponding to the contributions paid by him to the Fund on the date of termination of service or membership.

The approval of FRA has been taken to start investing the employees' monthly contributions and depositing them in the investment account of the Fund Manager.

37/2 System of defined benefits for the medical care of the senior employees during the period of service and after retirement

ADIB has a defined benefit system for medical care for senior employees during the period of service and after retirement. ADIB has assigned an independent actuarial expert to estimate the liabilities arising from the above-mentioned medical care system using the projected unit credit method in calculating liabilities.
The most important assumptions used by the actuarial expert are as follow: -

- Mortality Rate Based on British table A49-52ULT for death rates
- The rate of inflation of medical care costs 3%.
- Profit rate used as a basis for deduction 18%.
- (Projected Unit Credit Method) is used in the calculation of liabilities.

37- Tax position

Tax on Corporate Profits

Years until 2017

- All taxes due for that period were reviewed and paid.

Year 2018/ 2019

- Tax return has been submitted on the specified legal date.

Tax on Proceeds of Treasury Bills

Years 2009 /2012

- The decision of the appeal committee was issued for that period and was appealed. A case was filed and the first hearing was not set up to date. All taxes due for that period were settled and paid in accordance with the decision of the appeal committee after benefiting from the law of overriding penalties.

Years 2013/ 2014

- The decision of the appeal committee was issued with lack of jurisdiction and that period has been re-inspected and all taxes due for that period were settled and paid in accordance with the re-inspection decision. The decision of re-inspection was appealed and transferred to the appeal committee.

Years 2015/ 2016/ 2017

- That period was inspected, and all taxes due for that period were paid and settled according to the results of the inspection. Objection was made to the result of inspection, and ADIB received the form 9 until 2017, for which the tax was fully paid.

Salaries tax

- Years 2013/ 2014 were inspected and an internal committee has been constituted, and the inspection result was approved and the inspection differences were paid.
- Years 2015/ 2016/ 2017 are under inspection.
- The Tax authority has not been notified of the inspection of years 2018/ 2019.
- ADIB pays the monthly salaries tax at the legal deadlines.

Stamp duty

Years until 2015

- The tax inspection for that period was completed and all due taxes were paid.

Years 2016-2017-2018-2019

- ADIB has not been notified of the inspection yet.

Sales tax

- The sales tax inspection and payment were completed from the beginning of registration until 2015
- Year 2016/ 2017/ 2018 were not inspected.

Real Estate tax

- Real estate tax on buildings owned by ADIB is paid each year periodically and all due taxes were paid till 2018.

38- Subsequent events

Impact of COVID-19

The coronavirus (COVID-19) pandemic has spread across different geographic regions globally, causing disruption to commercial and economic activities. Covid-19 created doubts in the global economic environment, as both local and international financial and monetary authorities announced various financial and incentive measures around the world to counter the potential negative effects.

Risk Management and Business Continuity Strategy:

ADIB has formed a permanent committee consisting of some key management personnel, and the committee is concerned with everything related to ensuring the continuity of business and managing all risks related to Covid-19, and the most important themes on which Abu Dhabi Islamic Bank relies on for facing this pandemic are as follows: -

- **Operating risk management**

ADIB has activated business continuity plans to ensure the safety, health and security of employees by activating remote work for some bank employees, whether from home or from different locations in line with the precautionary measures adopted by the State. ADIB emphasized on the continuity of providing services to customers, whether through bank branches or through modern technological means.

ADIB focused on providing and using all available communication channels to communicate with customers, including social media, in a way that ensures the continuity of the quality of services as in normal situations.

- **Credit risk management:**

For the purpose of measuring expected credit losses, including the impact of the Covid-19 pandemic according to available information, ADIB has carried out the following: -

- ADIB has reassessed the expected credit loss models, and the underlying assumptions including the available relevant macroeconomic data.
- ADIB has implemented the Central Bank's initiative to postpone the customers owed instalments for a period of six months.
- The incentive, compensation and insurance measures and packages that were approved by both the government and the Central Bank of Egypt

The impact of the current uncertain economic environment is discretionary and the management will continue to regularly assess the current situation and its related impact. It should also be taken into consideration that the assumptions used about the economic forecast are subject to a high degree of uncertainty and thus the actual result may significantly differ from the expected information. ADIB has taken into consideration the possible effects of the current economic fluctuations in determining the amounts offered for the financial and non-financial assets of ADIB, which represent the best evaluation of management based on the available information and thus the markets remain volatile and the recorded amounts remain sensitive to market fluctuations.

- **Liquidity management**

Liquidity risk is monitored and evaluated in accordance with internal rules, including conducting liquidity stress tests, value at risk, compliance with liquidity ratios, and meeting the requirements of the Basel Committee (Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR)).

- **Capital management**

ADIB implements and follows a prudent capital management policy by conducting periodic stress tests, as well as periodically, and continuously conducting an internal capital adequacy assessment process (ICAAP) using stress tests.