



**EGYPTIAN JOINT STOCK COMPANY
SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 March 2021
WITH AUDITOR'S REPORT**

Allied for Accounting and Auditing – E.Y

Public Accountants & Consultants

**United accountants (Member of Nexia
international)**

Public Accountants and Consultants

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Auditor’s Review Report

To : The Board of directors of “ARAB AFRICAN INTERNATIONAL BANK”

Introduction


We have reviewed the accompanying separate statement of financial position of Arab African International Bank (S.A.E) as of 31 March 2021 and the related separate statements of income, other comprehensive income, changes in equity and cash flows for the three months then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the rules of preparation and presentation of the banks’ financial statements issued by the Central Bank of Egypt on 16 December 2008, and as amended by the regulations issued on 26 February 2019, and with the requirements of applicable Egyptian laws and regulations, our responsibility is to express a conclusion on these interim separate financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly in all material respects- the separate financial position of the bank as at 31 March 2021 and of its financial performance and cash flows for the three months then ended in accordance with the rules of preparation and presentation of the banks’ financial statements issued by the Central Bank of Egypt on 16 December 2008, and as amended by the regulations issued on 26 February 2019 and with the requirements of applicable Egyptian laws and regulations


Central bank registration number “148”
Allied for Accounting and Auditing - E.Y
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Auditors

Central bank registration number “464”
United Accountants (Member of Nexia international)
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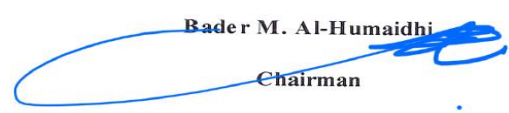
Arab African International Bank
(Egyptian joint stock company)
Separate statement of financial position
As at 31 March 2021

Note	31 March 2021 US\$ '000	31 December 2020 US\$ '000
Assets		
Cash and due from Central Banks	(15) 850,839	1,206,276
Due from banks	(16) 3,392,845	3,865,960
Treasury bills	(17) 1,751,162	1,700,135
Loans and advances to Banks	(20) 187,297	57,927
Loans and advances to customers	(21) 4,431,322	4,145,212
Financial Investments:-		
At fair value through profit or loss	(18) 17,924	24,357
At fair value through other comprehensive income	(18) 1,284,191	1,287,006
At amortized cost	(18) 1,503,315	1,538,742
Investments in subsidiaries and associates	(23) 44,499	44,499
Investments properties	(19) 2,140	2,150
Intangible assets	(27) 18,594	18,807
Other assets	(24) 236,986	250,573
Deferred tax assets	(25) 8,967	5,942
Fixed assets	(26) 117,097	118,948
Total Assets	13,847,178	14,266,534
Liabilities & owners' equity		
Liabilities		
Due to banks	(28) 990,618	1,407,983
Treasury bills sold with repurchase agreement	(35) 27,930	32,275
Customers' deposits	(29) 9,755,266	9,775,581
Other liabilities	(30) 285,202	281,757
Loans and facilities from banks	(31) 684,946	688,929
Other provisions	(32) 17,045	15,056
Current income tax liabilities	(33) 20,049	23,065
Employee benefits obligations	(34) 7,892	6,689
Total Liabilities	11,788,948	12,231,335
Owners' Equity		
Paid-in capital	(36) 500,000	500,000
Reserves	(37) 261,592	271,011
Retained earnings	(37) 1,296,638	1,264,188
Total owners' equity	2,058,230	2,035,199
Total liabilities and owners' equity	13,847,178	14,266,534

The accompanying notes from (1) to (47) form an integral part of these financial statements and to be read therewith .


 Mohamed Raef
 Group Chief Financial Officer
 Auditors' report "attached".


 Sherif Elwy
 Managing Director
 and Vice Chairman


 Bader M. Al-Humaidhi
 Chairman

Arab African International Bank
(Egyptian joint stock company)
Separate statement of income
for the period ended 31 March 2021

	Note	For the period ended at	
		31 March 2021	31 March 2020
		US\$ '000	US\$ '000
Interest Income & Similar revenues	(6)	211,568	244,168
Interest Expense & Similar costs	(6)	(130,135)	(155,414)
Net interest income		81,433	88,754
Fees & Commission income	(7)	19,622	16,639
Fees & Commission expenses	(7)	(1,018)	(763)
Net Fees & Commission income		18,604	15,876
Dividend income	(8)	4	-
Net trading income	(9)	5,259	4,609
Expected credit losses expenses	(10)	(13,647)	(22,082)
Gain on financial investments	(18)	2,042	1,614
Administrative expenses	(11)	(32,568)	(29,170)
Other operating expense	(12)	(8,615)	(8,613)
Profit before income tax		52,512	50,988
Income tax expense	(13)	(20,284)	(17,536)
Net profit for the period		32,228	33,452
Earnings per share (dollar / share)	(14)	0.29	0.32

* The accompanying notes from (1) to (47) form an integral part of these financial statements and to be read therewith .

Arab African International Bank
(Egyptian joint stock company)
Separate statement of Comprehensive Income
for the period ended 31 March 2021

	For the period ended at	
	31 March 2021	31 March 2020
	US\$ '000	US\$ '000
Net profit for the period	32,228	33,452
<u>Items that will not be reclassified to the profit or loss</u>		
Net change in fair value reserve for financial investments in equity instruments at fair value through other comprehensive income	381	(1,324)
Total	381	(1,324)
<u>Items that may be reclassified to the profit or loss</u>		
Net change in fair value reserve of debt instruments	(12,862)	6,320
Expected credit loss for fair value of debt instruments measured at fair value through other comprehensive income	328	(57)
Total	(12,534)	6,263
Tax impact related to items that is or may be reclassified to income statement	2,734	(1,124)
	(9,419)	3,815
Total comprehensive income	22,809	37,267

* The accompanying notes from (1) to (47) form an integral part of these financial statements and to be read therewith .

Arab African International Bank
(Egyptian joint stock company)
Separate statement of Changes in owners' equity
for the period ended 31 March 2021

	Paid In Capital	Legal reserve	General reserve	Fair value reserve	Special reserve credit	General banking reserve	General banking risk reserve	Other reserve(*)	Retained Earnings	Total
	US\$ '000	US\$ '000							US\$ '000	US\$ '000
Balance as at 1 January 2020 -Before appropriation	500,000	151,973	10,000	(5,966)	-	23,481	240	4,999	1,244,836	1,929,563
Transferred to legal reserve	-	19,079	-	-	-	-	5	-	(19,084)	-
Dividends of the year ended 2019	-	-	-	-	-	-	-	-	(17,708)	(17,708)
Net change in other comprehensive income items	-	-	-	3,815	-	-	-	-	-	3,815
Net Profit as at 31 March 2020	-	-	-	-	-	-	-	-	33,457	33,457
Balance as at 31 March 2020	500,000	171,052	10,000	(2,151)	-	23,481	245	4,999	1,241,501	1,949,127
Restated balance at 1 January 2021	500,000	171,052	10,000	35,064	25,782	23,481	251	5,381	1,264,188	2,035,199
Gain on sale equity instruments through other comprehensive income	-	-	-	-	-	-	-	-	222	222
Net change in other comprehensive income items	-	-	-	(9,419)	-	-	-	-	-	(9,419)
Net Profit as at 31 March 2021	-	-	-	-	-	-	-	-	32,228	32,228
Balance as at 31 March 2021	500,000	171,052	10,000	25,645	25,782	23,481	251	5,381	1,296,638	2,058,230

* Other Reserves contains the following types of reserves (special reserve , capital reserve, foreign exchange reserve) , Movement of each reserve has been disclosed separately in the financial statement disclosures
The accompanying notes from (1) to (47) form an integral part of these financial statements and to be read therewith .

Arab African International Bank
(Egyptian joint stock company)
Separate statement of cash flows
for the period ended 31 March 2021

	Note	31 March 2021 US\$ '000	31 March 2020 US\$ '000
Cash Flows from Operating Activities			
Profit before income tax		52,512	50,988
Adjustments to reconcile net profit to net cash provided from operating activities			
Depreciation and amortization	(11)	2,828	2,741
Impairment charge for credit losses	(10)	13,647	22,082
Other provision charges	(12)	1,982	1,302
Other provisions used other than loans provisions		(2)	(61)
Provision by foreign currency translation differences		9	-
Gain on sale of financial assets	(18)	(1,710)	-
Cash dividends	(8)	(4)	-
Gain on sale of fixed assets	(12)	-	(290)
Retirement benefit obligations changes	(33)	1,203	1,587
Gain / loss of monetary assets & liabilities revaluation difference	(18)	(1,923)	(25,351)
Gain Operating profit before changes in assets and liabilities provided from operating activities		68,542	52,998
Net Decrease (Increase) in Assets and Liabilities			
Due from banks		(164,833)	(72,685)
Treasury bills		(130,726)	(435,416)
Financial Investments - Fair value through profit and loss		6,433	(615)
Loans and advances to customers & banks		(404,373)	(149,289)
Other assets		8,962	(86,038)
Due to banks		(417,365)	137,499
Customers' deposits		(20,315)	225,437
Other liabilities		1,635	2,195
Income taxes paid		(23,300)	(21,763)
Net cash flows (used in) operating activities		(1,075,340)	(347,677)
Cash Flows From Investing Activities			
Purchase securities other than financial assets at fair value through profit and loss		(357,392)	(617,577)
Sale / redemption of securities other than financial assets at fair value through profit and loss		395,261	31,573
Gain on sale of Financial assets at fair value through other comprehensive income		1,679	-
Gain on sale of fixed assets / assets reverted to the bank		-	290
Proceeds from dividends paid		4	-
Purchase of fixed assets and branches equipment and improvement		43,919	(1,506)
Net cash flows (used in) investing activities		83,471	(587,220)
Cash Flows from Financing Activities			
Loans and advances from Banks		(3,983)	(4,286)
Cash dividends paid	(36)	-	(17,708)
Net cash flows (used in) resulted from financing activities		(3,983)	(21,994)
Net decrease in cash and cash equivalents during the Year		(995,852)	(956,891)
Cash and cash equivalents at the beginning of the Year		4,464,905	4,051,155
Cash and cash equivalents at the end of the Year		3,469,053	3,094,264
Cash and cash equivalents are represented in:			
Cash and due from Central Banks		850,839	595,666
Due from banks		3,392,845	2,843,027
Treasury bills		1,751,162	2,234,847
Balances with the Central Banks limited to the reserve ratio		(762,447)	(488,128)
Deposits with banks (matured over than three months)		(458,622)	(260,057)
Treasury bills (matured over than three months)		(1,304,724)	(1,831,091)
Cash and cash equivalents at the end of the Year	(44)	3,469,053	3,094,264

* The accompanying notes from (1) to (47) form an integral part of these financial statements and to be read therewith .

(An Egyptian Joint Stock Company)

Notes to the separate financial statements – for the period ended 31 March 2021

(All amounts are in thousands US dollars unless otherwise mentioned)

1. General Information

Arab African International Bank (Egyptian Joint Stock Company) is established by special law No. 45 for 1964 in the Arab Republic of Egypt. The bank carries out all commercial and banking services. The address of its Head office is as follows: 5 Midan Al-Saray Al Koubra, Garden City, and Cairo

The bank is not listed in the Egyptian stock exchange.

Arab African International Bank (Egyptian joint stock Company) provides retail, corporate banking and investment banking services in Egypt and abroad through 97 branches and units, its Head Office and network of branches in the Arab Republic of Egypt (94 branches and units), United Arab Emirates (2 branches) and (1 branch) in Lebanon and employs over 2,383 employees at the balance sheet date.

These financial statements were approved by the Board of Directors on 30 May, 2021

2. Summary of significant accounting policies

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

A. Basis of preparation

The separate financial statements have been prepared in accordance with Egyptian financial reporting standards issued in 2006 and its amendments and in accordance with the Central Bank of Egypt regulations approved by the Board of Directors on December 16, 2008.

Also according to the instructions for applying the International Standard for Financial Reports (9) issued by the Central Bank of Egypt on February 26, 2019,

B. Classification of financial assets and financial liabilities

At initial recognition, financial assets have been classified and measured according to amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The financial assets have been classified according to how they are managed (the Bank's business model) and their contractual cash flow characteristics.

B/1 Financial assets are measured at amortized cost if the following two conditions were met and it is not measured at fair value through profit or loss and:

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

B/2 Debt instruments have been measured at fair value through other comprehensive income "FVTOCI" if it is not measured at fair value through profit or loss and the following two conditions met:

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

Upon initial recognition of equity investments that are not held for trading, the Bank may elect irrevocably to present changes in fair value in other comprehensive income.

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

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

(An Egyptian Joint Stock Company)

Notes to the separate financial statements – for the period ended 31 March 2021

(All amounts are in thousands US dollars unless otherwise mentioned)

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice, specially to know whether these management policies concentrate to gain the contractual interest or reconcile financial assets with financial liabilities which finances these assets or target cash flow from selling the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model and the financial assets held within that business model and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. Meanwhile, the bank didn't scope only on information related to sales activity separately, but taking into consideration overall assessment on how achieving the goal that was announced by the bank to manage financial assets and how to achieve cash flow.

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

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

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

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

Impairment of financial assets

According to Central Bank of Egypt (CBE) instructions dated February 26, 2019, to implement IFRS9 to replace impairment loss model recognized according to previous instructions dated December 16, 2008, with expected credit loss (ECL).

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

According to IFRS 9; impairment loss will be recognized in a wide range from applying impairment loss according to Central Bank of Egypt (CBE) instructions dated December 16, 2008.

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

Stage 1: 12 months Expected Credit Loss:

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

(An Egyptian Joint Stock Company)

Notes to the separate financial statements – for the period ended 31 March 2021

(All amounts are in thousands US dollars unless otherwise mentioned)

Stage 2: Lifetime Expected Credit Loss - not credit impaired:

It includes financial assets that have a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime expected credit loss are recognised, but interest is still calculated on the gross carrying amount of the asset. Lifetime expected credit loss is the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime Expected Credit Loss - credit impaired

It includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss is recognised.

C. Subsidiaries and associates

C/1 Subsidiaries

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

C/2 Associates

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

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

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

D. Segment reporting

An operating segment is a group of assets and operations providing products or services whose risks and benefits are different from those associated with products or services provided by other operating segments. A geographical segment provides products or services within a specific economic environment characterized by risks and benefits different from those related to other geographical segments operating in a different economic environment.

(An Egyptian Joint Stock Company)

Notes to the separate financial statements – for the period ended 31 March 2021

(All amounts are in thousands US dollars unless otherwise mentioned)

E. Foreign currency translation

E/1 Transactions in foreign currencies

The bank maintains its accounts in US dollar. Foreign currency transactions are translated using the exchange rates prevailing at the date of the transactions. All monetary assets and liabilities balances in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the following items in the income statement:-

- Net trading income for trading assets and liabilities or net income from financial instruments designated at fair value through profit or loss for instruments designated at fair value through profit or loss according to its type.
- Other Operating income (expense) for the rest of items.
- Changes in the fair value of monetary instruments denominated in foreign currencies classified as available for sale investments (debt instruments) are analyzed between translation differences arising from changes in amortized cost of the instrument and differences arising from changes in exchange rates prevailing and differences arising from changes in the fair value of the instrument.
In the income statement, the difference in valuation related to the changes in amortized cost within the income of loans and similar income and with differences in exchange rate differences in other operating income (expenses). The difference in fair value is recognized in equity (Fair value reserve / financial investments available for sale).
- Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

E/2 Foreign branches

The bank translates result of business and financials for foreign branches to presentation currency (if they don't operate in accelerating inflation economy) in which different functional currency from the presentation currency of the bank as follows:

Translation of assets and liabilities at each financial statement presented to the foreign branch using the closing price on the date of this financial statement.

Translation of income & expenditure in each income statement presented using the average exchange rates, only if the average doesn't represent an acceptable approximation of the cumulative effect of the rates applicable in the date of transaction, then the translation of income & expense will be by using exchange rate at the transaction date.

Recognition of currency differences resulting in a separate item (foreign exchange transaction differences) in equity , also transfer to equity foreign exchange resulting from the assessment of net investment in foreign branches ,loans and financial instruments in foreign currency to cover the investment with the same item , recognition of these differences in the income statement on disposal of foreign branches as the part of other operating income (expense).

F. Financial assets

Financial assets classified as amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification depends on the business model that manages the financial assets and its contractual cash flow

(An Egyptian Joint Stock Company)

Notes to the separate financial statements – for the period ended 31 March 2021

(All amounts are in thousands US dollars unless otherwise mentioned)

F/1 Financial assets classified as amortized cost

The financial asset is retained in the business model of financial assets held to collect contractual cash flow. The objective from this business model is to collect contractual cash flow which represented in principal and interest.

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

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

F/2 Financial assets classified as fair value through other comprehensive income

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

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

F/3 Financial assets classified as fair value through profit or loss

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

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

The characteristics of the business model are as follows:

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

G. Offsetting of financial instruments

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

H. Financial Derivative and Hedge accounting

Derivatives are recognized at fair value at the date of the derivative contract, and are subsequently revaluated at fair value. Fair values are obtained from quoted market prices in active markets, or according to the recent market deals, or the revaluation methods as the discounted cash flow modules and the pricing lists modules, as appropriate. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The embedded financial derivatives into other financial instruments like convertible bonds should be treated as if they are separate derivatives when the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss. The embedded derivatives are measured at fair value through profit or loss. Changes in fair value are recognized in net trading income in the income statement.

The embedded derivatives are not separated if the Bank has chosen to classify the entire complex contract at fair value through profit or loss.

Recognition in profit or loss, method that is arising from changes in the fair value of derivatives, depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The parent bank designates certain derivatives as:

- Hedging instruments of the risks associated with fair value changes of recognized assets or liabilities or firm commitments (fair value hedge).
- Hedging of risks relating to future cash flows attributable to a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is used for derivatives designated in a hedging relationship when the following criteria are met. At the inception of the hedging relationship, the bank documents the relationship between the hedging instrument and the hedged item, along with its riskmanagement objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the bank documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

H/1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized immediately in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of the interest rate swaps and the changes in the fair value of the hedged item attributable to the hedged risk are recognized in profit or loss. Additionally, interest differential on interest rate swaps is recognized in profit or loss as part of "Net interest income" line item in the income statement. Any ineffectiveness is recognized in profit or loss in "Net trading income".

When the hedging instrument no longer qualifies for hedge accounting, the adjustment to the carrying amount of a hedged item, measured at amortized cost, arising from the hedged risk is amortized to profit or loss from that date to maturity of the asset using the effective interest method. Adjustment to the carrying amount of a hedged equity instrument that has been deferred in equity remains in equity until the asset is derecognized.

H/2 Cash flow hedge

The effective portion of changes in the fair value of derivatives designated and qualified for cash flow hedge is recognized in equity while changes in fair value relating to the ineffective portion is recognized immediately in the income statement in "Net trading income".

Amounts accumulated in equity are transferred to income statement in the relevant periods when the hedged item affects the income statement. The effective portion of changes in fair value of interest rate swaps and options are reported in "Net trading income".

When a hedging item expires or is sold or if hedging instrument no longer qualifies for hedge accounting requirements, gains or losses that have been previously accumulated in equity remain in equity and are only recognized in profit or loss when the forecast transaction ultimately occurs. If the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognized in equity shall be reclassified immediately to profit or loss.

H/3 Derivatives that do not qualify for hedge accounting

Derivative instruments that do not qualify for hedge accounting, changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the profit and loss under "net trading income". However, gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial assets or liabilities are included in "net income from financial instruments at fair value through profit or loss".

I. Interest income and expense:

Interest income and expense on all interest-bearing financial instruments are recognized in "Interest income" and "Interest expense" line items in the income statement using the effective interest rate method, except for those classified as held for trading or designated at fair value through profit or loss.

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

Once a financial asset or a group of similar financial assets has been classified as nonperforming or impaired, related interest income is not recognized and is recorded in marginal records apart from the financial statements, and is recognized as revenues according to cash basis as follows:

- When they are collected, after receiving all past due instalments for consumption loans, mortgage loans, and small business loans.
- For corporate loans, interest income is recognized on a cash-basis after the bank collects 25% of the rescheduled installments and provided these installments continue to be paid for at least one period. If a loan continues to be performing thereafter, interest accrued on the principal then outstanding starts to be recognized as revenues. Interest that is marginalized prior to the date when the loan becomes performing is not recognized in profit or loss except after paying all the loan balance in the balance sheet before rescheduling.

J. Fees and commission income

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

Commitment fees received by the bank to originate a loan are deferred if it is probable to be draw down and are regarded as a compensation for an ongoing involvement with the acquisition of the financial instrument and recognized as an adjustment to the effective interest rate of the loan

And in case of the commitment Period was expired without issuing the loan, fees and commission are considered as income at the end of the commitment Period,

Fees related to debt instruments is measured by fair value and recognized as profit, Loan syndication fees are recognized as revenue when the syndication has been completed and the bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognized ratably over the Period in which the service is provided. Fees from financial planning management and custodian services provided to clients over long Periods are usually recognized as revenue on a straight-line basis over the Period in which these services are rendered.

K. Dividends income

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

L. Treasury Bills and Purchase and resale agreements and sale and repurchase agreements

Treasury bills are recognized when they are bought at face value and the issuance cost which represents the unearned interest on these bills and government bonds is recognized through credit balances and other liabilities. And these treasury bills appear on the financial statement excluding the unearned interest and they are measured by the amortized cost using the effective interest rate.

Treasury bills purchase with resale agreement are presented in assets and treasury bills sold with repurchase agreement are presented in liabilities

M. Impairment of financial assets

The Bank reviews all its financial assets except for financial assets that are measured at fair value through profit or loss to assess the extent of impairment as described below.

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

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

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

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

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

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

M 1 Significant increase in credit risk

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

M 2 Quantitative factors

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

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M 3 Qualitative factors

Retail loans, micro and small businesses

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

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

Corporate loans and medium businesses

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

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

Unpayments

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

Transfer between three stages:

Transfer from second stage to first stage:

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

Transfer from third stage to second stage:

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

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

N. Intangible Assets

Intangible assets, other than goodwill, are recognized at cost of acquisition and amortized on a straight-line basis or on the basis of economic benefits expected from them over the estimated useful lives. For assets that do not have a specific useful life, they are not depreciated, but impairment is measured annually and the impairment value (if any) is recognized in the statement of income

Assets type

Useful life-

Integrated computer systems
Computer systems
Other assets

10 Periods
3 Periods
3 Periods to 5 Periods

N/I Computers

Computers' software related development and maintenance expenses are recognized in the income statement when incurred Intangible asset is recognized for specific direct costs of computer programs under The bank's control and where a probable economic benefit is expected to be generated for more than one period. Direct costs include program development staff costs, and appropriate allocation of the overhead costs.

Development costs are recognized as computer program in which lead to an increase or expansion in the performance of computer programs and are added to the original costs of the program.

These costs are amortized on the basis of the expected useful lives, and not more than six periods.

O. Fixed Assets

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

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

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

The residual value and useful lives of fixed assets are reviewed at each balance sheet date and adjusted as necessary.

<u>Assets type</u>	<u>Useful life- before amend</u>	<u>Useful life- after amend</u>
Building	30 Periods	40 Periods
Furniture	5 Periods	5 Periods
Equipment	7 Periods	7 Periods
Transportation	5 Periods	5 Periods
Computers	5 Periods	5 Periods
Installations	7 Periods	10 periods or rent period which ever is less
Safes boxes & Secured rooms	5 Periods	40 Periods

The bank reviews the carrying amounts of its depreciable property and equipment whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered. Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. Gains or losses on disposals are determined by comparing proceeds with relevant carrying amount. These are included in profit or loss in other operating income (expenses) in the income statement

P. Investment Property

Investments property are represented in lands and buildings owned by the bank for obtaining lease income or capital increase, consequently it does not include properties assets through which the bank executes its operations, or those properties which reverted to the bank in the settlements of debts, the investments properties are accounted for similarly with the same accounting method for the fixed assets.

Q. Impairment of non-financial assets

Assets that do not have definite useful lives, except for goodwill, are not amortized, and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

R. Lease

Finance lease are accounted for according to Law No. 95 of 1995 if the contract gives the right to the lessee to purchase the asset on a specified Period and with specified amount where the contract's Period represents at least 75% of the expected useful life of the asset or the present value of total lease payments represents at least 90% of the asset's value. Other lease contracts are considered operating leases.

R/1 The bank as a lessee

Finance lease contracts are recognized at the lease cost, including the cost of maintenance of the leased assets, within the expenses in the income statement for the Period in which they occurred. If the bank decided to exercise the right to purchase the leased assets, the cost of the right to purchase it as an asset are capitalized and amortized over the useful life of the expected remaining life of the asset in the same manner as similar assets.

Lease expenses are recognized in the income statement using straight line method over the term of contract, after deduction of any discount obtained by the bank at the contract. In case of Periods when the bank is exempted from paying the lease or if the lease is different (more or less) in different Periods, in that case the distribution of the total lease expected to pay over the contract and charge over income statement in equal amounts per month, including the Periods that the bank does not pay the lease.

R/2 The bank as a Lessor

For assets leased financially, asset are recorded in the fixed assets in the financial statement and amortized over the expected useful life of this asset in the same manner as similar assets. Leasing income recorded less any discount given to the lessee on a straight line method over the contract Period.

S. Cash and cash equivalents

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

T. Other provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if there is little likelihood of an outflow of cash for an item within that group.

Reversals of provisions no longer required are presented in other operating income and (expense).

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

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Financial guarantees contracts

The financial guarantees contracts are the contracts that the bank issue as a guarantee for banks customers for their loans with other parties, and it is required that the bank pays some claims for the beneficiary as a result of default in repayments. These financial guarantees are presented to banks and other financial institutions instead of the banks' customers.

These contracts are initially recognized at fair value on the contract date, and bank's liability is measured by the higher of the initial recognition value deducted by the calculated amortization of guarantee fees or the best estimated value payments required to settle any financial liability resulted from the financial guarantee on balance sheet date. And these estimated values are determined based on bank's management experience in similar transactions and any differences in bank's liabilities will be recorded in income statement in other operating income (expenses).

U. Income tax

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

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined based on the method used to realize or settle the current values of these assets and liabilities, using the tax rates prevailing as of the balance sheet date.

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

V. Employee benefits

V/1 Pension obligations

The bank has a special social fund scheme (the Fund) that is not subject to the general law (law 79 for 1975) as it was established under law 64 for 1980 and this Fund has its own alternative independent articles of insurable rights (Pension / Bonuses / one payment compensation) and according to the ministry decree 94 for 1985. This fund covers only the bank employees in the Head Quarter and branches in the Arab Republic of Egypt.

The bank is committed to pay the Fund its monthly contributions, which calculated according the Fund's articles of associations and its amendments. The Fund is generally funded through monthly contributions payments and other resources as identified in the Fund's article of associations.

The liability in respect of the Fund is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

The most basic assumptions used by the actuary are as follows: -

- Rates of death from the British Table A49-52ULT
- Deficit rates of Egyptian social insurance experience
- Average rates of salaries increases during the Period for Egyptian pound & American dollar.
- Method is used estimated additional unit in the calculation of the commitments and the present value of subscriptions (Unit Projected Method).

V/2 Bonuses scheme

A liability for employees and managers benefits in the form of bonus is recognized in other credit balances and other liabilities according to the bank board of directors' decisions in this respect and the payments should be determined before the time of issuing the financial statements.

V/3 Employees share in profits

The bank pays a portion of the profits expected to be distributed as a share of the bank's personnel determined by the board under the Statute of the bank, no liability is recognized for undistributed board of directors' profit sharing.

V/4 Board of directors members profit sharing

The bank pays percentage of its cash dividends as profit sharing to its Board of directors' members. Board of directors' Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the bank's shareholders. No liability is recognized for profit sharing relating to undistributed profits.

W. Capital

W/1- Cost of capital

Issue charges are presented, which is directly related to the issuance of new shares or shares for the acquisition of an entity or the issuance of options against owners' equity with the net proceeds after taxes.

W/2- Dividends

Dividends deducted from equity in the Period, which the General assembly of the shareholders acknowledges these distributions. These distributions include the share of workers in the profits and remuneration of the board of directors as per regulation and law.

3. Financial Risk management

The Bank is exposed to a variety of financial risks. Acceptance of risk is the basis of financial activity. Some risks or combination of risks are analyzed, evaluated and managed together. Therefore, the Bank aims to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance., The most important types of risk are credit risk, market risk, liquidity risk and other operational risks. Market risk includes foreign exchange risk, return price risk and other price risk

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

Risk management is carried out by a risk department under policies approved by the Board of Directors. Credit risk management identifies, evaluates and covers financial risks in close collaboration with the various operational units of the Bank. The Board provides written principles for risk management as a whole, as well as written policies covering specific risk areas such as credit risk, foreign currency risk, return risk, and derivative and non-derivative instruments. In addition, credit risk management is responsible for Periodic review of risk management and the control environment independently.

3.A. Credit risk

The Bank is exposed to credit risk, which is the risk that a party will fail to fulfill its contractual obligations. The credit risk is the most important risk to the Bank, so management carefully manages exposure to that risk. Credit risk is mainly the lending activities that result in loans, facilities and investment activities that involve the Bank's assets on debt instruments. Credit risk is also found in off-balance sheet financial instruments such as loan commitments. The credit risk management and control operations of the Credit Risk Management Group are concentrated in the Credit and Risk Management Department, which reports to the Board of Directors, senior management and heads of activity units on a regular basis.

3.A.1 : Credit risk measurement

3.A.1.1 Loans and advances to banks and customers

In measuring credit risk of loans and advances to banks and customers, the bank reflects the following component:

- Probability of default – by the client or counterparty on its contractual obligations.
- The bank assesses the probability of default of individual customers using internal rating tools tailored to the various categories of the counterparty. They have been developed internally and combine statistical analysis with credit officer judgment. Clients of The bank are segmented into four rating classes. The rating scale which is as shown below reflects the range of default probabilities-defined for each rating class. This means that in principal, exposures might migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The bank regularly valid dates the performance of the rating and their predictive power with regard to default cases.

Bank's internal ratings scale and mapping of external ratings

<u>Bank's rating</u>	<u>Description of the grade</u>
1-5	Performing loans
6	Regular watching
7	Watch list
8-10	Nonperforming loans

Exposure at default is based on the amounts the bank expects to be outstanding at the time of default. For example, for a loan this is the face value. For a commitment, the bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, if it occurred

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

3.A.1.2 Debt securities and treasury bills

For debt securities and treasury bills external rating such as (Standard & Poor's) rating or their equivalents are used by the bank for managing of the credit risk exposures. In case such ratings are unavailable, internal rating methods are used that are similar to those used for credit customers. The investment in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

3.A.2: Risk limit control and mitigation policies

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

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

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

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

Some other specific control and mitigation measures are outlined below:

3.A.2.1 : Collateral

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

- Mortgages over residential properties.
- Pledge on business assets like machinery and merchandise.
- Pledge in financial instruments like debt instruments and equity.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. The Bank attempts to mitigate the credit risk through additional collaterals from the concerned parties immediately on arising of impairment indicators for any of the loans or facilities. Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-Backed Securities and similar instruments, which are secured by portfolios of financial instruments.

3.A.2.2 : Derivatives

The bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expect future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counterparties

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counter party to cover the aggregate of all settlement risk arising from the bank market's transactions on any single day.

3.A.2.3 : Master Netting Arrangements

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

3.A.2.4 : Credit Related Commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by The bank on behalf of a customer authorising a third party to draw drafts on The bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the bank

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is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.A.3: Impairment and provisioning policies

The internal assessment systems mentioned above assessment (3.A.1) focus to a large extent on credit quality planning from the beginning of the validation of lending and investment activities. Otherwise, only impairment losses recognized on the balance sheet date for financial reporting purposes are recognized on the basis of objective evidence of impairment as described in this note. Due to the different methods applied, credit losses charged to the financial statements are usually less than the estimated loss using the expected loss model. The provision for impairment losses in the balance sheet at the end of the Period is derived from the four internal ratings.

The table below shows the percentage of the bank s on balance sheet items, relating to loans and advances and the associated impairment allowance for each of the bank internal rating categories:

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

Bank's rating	31 March 2021		31 December 2020	
	Loans and advances	Impairment Losses	Loans and advances	Impairment Losses
	%	%	%	%
1-Performing loans	57	12	60	31
2-Regular watching	24	24	21	16
3-Watch list	5	9	6	5
4-Nonperforming loans	14	55	13	48
	100	100	100	100

- Significant financial difficulties facing the counterparty;
- Breach of loan covenants as in case of default;
- Expecting the bankruptcy of the counterparty, liquidation, lawsuit, or finance rescheduling.
- Deterioration of the borrower's competitive position.
- Offering exceptions or surrenders due to economic and legal reasons related to financial difficulties encountered by the counterparty not provided by the bank in ordinary conditions.
- Deterioration in the value of collateral.
- Deterioration in credit situation.

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The bank policies require the review of individual financial assets that are above materiality threshold at least annually or more regularly when individual circumstances require. Impairment allowance on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet on case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral hold including re-confirmation of its enforceability and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for portfolios of homogenous assets using the available historical experience, experience judgment and statistical techniques

3.A.4 General Bank Risk Measurement Model

In addition to the four credit rating levels (note 3.A.1), management classifies categories that are more detailed so as to agree with the requirements of the Central Bank of Egypt (CBE). Assets subject to credit risk are classified in these categories in accordance with regulations and detailed conditions that largely depend on information related to the client, his/her activity, financial position, and regularity of repayment.

The bank calculates the required provisions for the impairment of the assets subject to credit risk, including commitments related to credit, on the basis of ratios specified by the Central Bank of Egypt. In case the impairment loss provision required by the Central Bank of Egypt exceeds that required for the purpose of financial statement preparation in accordance with the Egyptian accounting standards, retained earnings are decreased to support the General Bank risk reserve with the amount of the increase. This reserve is periodically revised for an increase or a decrease to reflect the amount of increase between the two provisions.

Following is a table of the worthiness levels for institutions in accordance with the internal assessment bases compared to the Central Bank of Egypt assessment bases and the provision ratios required for the impairment of the assets exposed to credit risk, :-

CBE rating categorization	Rating description	Provision %	Indication of internal rating
1	Low risk	0%	Good loans
2	Average risk	1%	Good loans
3	Satisfactory risk	1%	Good loans
4	Reasonable risk	2%	Good loans
5	Acceptable risk	2%	Good loans
6	Marginally acceptable risk	3%	Standard monitoring
7	Watch List	5%	Special monitoring
8	Substandard	20%	non-performing
9	Doubtful	50%	non-performing
10	Bad Debt	100%	non-performing

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3.A.5 Maximum credit risk limit before collaterals

In balance sheet credit risk exposure is shown below:

	31 March 2021	31 December 2020
Balances with the central banks limited to the reserve ratio	762,447	1,130,432
Due from banks	3,407,995	3,880,478
Treasury bills	1,758,310	1,703,905
Loans and advances to banks	190,236	59,918
Loans and advances to customers		
Retail:		
- Overdrafts	191,542	203,752
- Credit cards	16,245	15,837
- Personal loans	265,586	234,682
- Direct loans	41,647	40,232
- Mortgage Loan	62,649	61,072
-Other Loans	207,718	213,752
Corporate:		
- Overdrafts	1,293,764	1,274,744
- Direct loans	1,056,937	1,019,233
- Syndicated loans	1,645,781	1,433,266
-Other Loans	67,915	61,480
Financial investments:		
Debt instruments	2,738,890	2,763,633
Other assets	147,817	147,145
Total	13,855,479	14,243,561

Off balance sheet credit risk exposure is shown below:

	31 March 2021	31 December 2020
Letters of guarantee	1,045,209	986,277
Letter of credit	56,784	56,784
Customers Acceptances	9,912	9,912
Collaterals and cash margin	(204,423)	(196,424)
Total	907,482	856,549

Loans and credit facilities commitments valued USD 2,270,113 thousand at the end of the current Period against USD 2,422,502 thousand at the end of the comparative period

The above table represents maximum credit risk exposure to the bank at the end of 31 March 2021

As shown above, 36.38% of the total maximum exposure is derived from loans and advances to banks and customers, while the investments in debt instruments represents 19.77%.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loans and advances portfolio and debt Instruments base on the following:

- 81% of the loans and advances portfolio is categorized in the top two grades of the internal rating system.
- 76.88% of the loans and advances portfolio are considered to be neither past due nor impaired.
- Loans and advances assessed on an individual basis valued USD 696,996 thousand
- The bank has implemented more prudent processes when granting loans and advances during the financial Period ended in 31 March 2021.
- More than 93.26% of the investments in debt instruments are treasury bills are represented in debt instruments on the Egyptian government.

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The following table provides information on the quality of financial assets during the Period

Due from banks and central banks limited to reserve ratio	Stage 1 1-12 months	Stage 2 Life time	Stage 3 Life time	Total
AAA to A-	1,122,228	-	-	1,122,228
BBB+ to BBB-	178,323	344,604	-	522,927
BB+to BB-	1,782,844	729,399	-	2,512,243
WD	-	-	13,214	13,214
Total	3,083,395	1,074,003	13,214	4,170,612
Expected credit loss	(106)	(2,839)	(12,205)	(15,150)
Carrying amount	3,083,289	1,071,164	1,009	4,155,462

Treasury bills at Amortized cost	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
BB+to BB-	1,556,244	-	-	1,556,244
CCC+ to CCC-	2,757	-	-	2,757
Total	1,559,001	-	-	1,559,001
Expected credit loss	(6,610)	-	-	(6,610)
Carrying amount	1,552,391	-	-	1,552,391

Treasury bills at Fair value through other comprehensive income	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
BB+to BB-	198,762	-	-	198,762
Total	198,762	-	-	198,762
Expected credit loss	(7)	-	-	(7)
Carrying amount	198,755	-	-	198,755

Debt instruments at Fair value through other comprehensive income	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
AAA to A-	387,127	-	-	387,127
BB+to BB-	712,570	122,912	-	835,482
Total	1,099,697	122,912	-	1,222,609
Expected credit loss	(80)	(3,116)	-	(3,196)
Carrying amount	1,099,617	119,796	-	1,219,413

Debt instruments at Amortized cost	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
BB+to BB-	1,234,881	273,435	-	1,508,316
CCC+ to CCC-	-	-	7,965	7,965
Total	1,234,881	273,435	7,965	1,516,281
Expected credit loss	0	(5,001)	(7,965)	(12,966)
Carrying amount	1,234,881	268,434	-	1,503,315

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Loans to banks	stage 1	stage 2	stage 3	Total
	1-12 months	Life time	Life time	
Normal watch-list (rating 6)	189,243	-	-	189,243
Non performing loan (rating 8-10)	-	-	993	993
Total	189,243	-	993	190,236
Expected credit loss	(1,590)	-	(992)	(2,582)
Carrying amount	187,653	-	1	187,654

Retail Loans (credit cards, personal loans, mortgage loans)	stage 1	stage 2	stage 3	Total
	1-12 months	Life time	Life time	
Stage 1 (1-50 day)	353,770	-	-	353,770
Stage 2 (50 - 90 day)	-	12,022	-	12,022
stage 3 (more than 90 day)	-	-	6,176	6,176
Total	353,770	12,022	6,176	371,968
Expected credit loss	(2,934)	(6,259)	(5,039)	(14,232)
Carrying amount	350,836	5,763	1,137	357,736

Corporate Loans	stage 1	stage 2	stage 3	Total
	1-12 months	Life time	Life time	
Good debt (rating 1-5)	2,295,160	227,475	-	2,522,635
Normal watch-list (rating 6)	149,689	859,322	-	1,009,011
Special watch-list (rating 7)	-	256,383	-	256,383
Non performing loan (rating 8-10)	-	-	689,827	689,827
Total	2,444,849	1,343,180	689,827	4,477,856
Expected credit loss	(6,685)	(104,416)	(259,549)	(370,650)
Carrying amount	2,438,164	1,238,764	430,278	4,107,206

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

	stage 1	stage 2	stage 3	Total
	1-12 months	Life time	Life time	
Due from banks and central banks				
Expected credit loss at beginning of period	294	1,906	12,476	14,676
Transfer to stage 1	7	(7)	-	-
Net changes in the probability of failure	(217)	1,103	(271)	615
New financial assets purchased or issued	39	3	-	42
Financial assets have been matured or derecognised	(18)	(7)	-	(25)
Balance at the end of the period	105	2,998	12,205	15,308

	stage 1	stage 2	stage 3	Total
	1-12 months	Life time	Life time	
Treasury bills at amortized cost				
Expected credit loss at beginning of period	3,869	-	-	3,869
Net changes in the probability of failure	(1,306)	-	-	(1,306)
New financial assets purchased or issued	4,561	-	-	4,561
Financial assets have been matured or derecognised	(514)	-	-	(514)
Balance at the end of the period	6,610	-	-	6,610

	stage 1	stage 2	stage 3	Total
	1-12 months	Life time	Life time	
Treasury bills at fair value through other comprehensive income				
Expected credit loss at beginning of period	16	-	-	16
Net changes in the probability of failure	(9)	-	-	(9)
Balance at the end of the period	7	-	-	7

	stage 1	stage 2	stage 3	Total
	1-12 months	Life time	Life time	
Loans and Facilities (Corporate and banks)				
Expected credit loss at beginning of period	10,720	115,275	236,274	362,269
Transfer to stage 1	48	(48)	-	-
Transfer to stage 2	(3,376)	3,376	-	-
Transfer to stage 3	0	(24,806)	24,806	-
Net changes in the probability of failure	267	24,635	(216)	24,686
New financial assets purchased or issued	632	-	-	632
Financial assets have been matured or derecognised	(16)	(14,825)	0	(14,841)
Recoveries	-	-	965	965
Execution during the period	-	-	0	0
Foreign exchange translation differences	-	809	730	1,539
Balance at the end of the period	8,275	104,416	262,559	375,250

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Debt instruments at fair value through other comprehensive income	stage 1	stage 2	stage 3	Total
	1-12 months	Life time	Life time	
Expected credit loss at beginning of period	73	3,441	-	3,514
New financial assets purchased or issued	80	3,116	-	3,196
Financial assets have been matured or derecognised	(73)	(3,441)	-	(3,514)
Balance at the end of the period	80	3,116	-	3,196

Debt instruments at amortized cost	stage 1	stage 2	stage 3	Total
	1-12 months	Life time	Life time	
Expected credit loss at beginning of period	-	5,550	7,678	13,228
Net changes in the probability of failure	-	(154)	287	133
New financial assets purchased or issued	-	3,190	-	3,190
Financial assets have been matured or derecognised	-	(3,585)	0	(3,585)
Balance at the end of the period	-	5,001	7,965	12,966

3.A.6 Loans and advances to banks & customers

	31 March 2021	31 December 2020
Neither past due nor impaired	3,789,811	3,550,516
Past due but not impaired	544,542	468,799
Subject to impairment	705,667	598,653
Total	5,040,020	4,617,968
Deduct:		
Unearned discount for commercial papers & loans	(28,074)	(32,610)
Prepaid interest for loans	(7)	(7)
Impairment loss provision	(389,483)	(378,375)
Interest in suspense	(3,837)	(3,837)
Net	4,618,619	4,203,139



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Financial risk management (continued)**Loans and advances neither past due nor impaired**

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

Rating	Retail						31 March 2021						
	Overdrafts	Credit cards	Personal loans	Direct loans	Mortgage Loan	other loans	Corporate						
							Overdrafts	Direct loans	Syndicated loans	other loans	Total loans & advances to customer	Total loans & advances to banks	Total loans & advances to customer & banks
1.Good	150,672	7,755	68,865	-	-	207,718	630,124	60,389	1,110,395	30,510	2,266,428	189,243	2,455,671
2.Standard monitoring	40,870	4,491	92,630	41,647	52,650	-	423,649	75,549	330,874	37,388	1,099,748	-	1,099,748
3.Special monitoring	-	-	-	-	-	-	133,645	96,026	4,704	17	234,392	-	234,392
Total	191,542	12,246	161,495	41,647	52,650	207,718	1,187,418	231,964	1,445,973	67,915	3,600,568	189,243	3,789,811

Rating	Retail						31 December 2020						
	Overdrafts	Credit cards	Personal loans	Direct loans	Mortgage Loan	other loans	Corporate						
							Overdrafts	Direct loans	Syndicated loans	other loans	Total loans & advances to customer	Total loans & advances to banks	Total loans & advances to customer & banks
1.Good	195,018	7,992	71,215	-	-	213,683	842,609	81,947	764,602	22,645	2,199,711	58,927	2,258,638
2.Standard monitoring	8,734	4,162	65,434	40,232	53,284	69	341,060	190,306	282,024	38,795	1,024,100	-	1,024,100
3.Special monitoring	-	-	-	-	-	-	37,700	160,886	69,152	40	267,778	-	267,778
Total	203,752	12,154	136,649	40,232	53,284	213,752	1,221,369	433,139	1,115,778	61,480	3,491,589	58,927	3,550,516

Loans that are backed by collateral are not considered impaired for the nonperforming category, taking into consideration the collectability of the collateral



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Loans and advances past due but not impaired

These loans and advance are past due for up to 90 days but not impaired, unless the bank is otherwise informed. Loans and advance past due but not impaired and the fair values of the related collateral are as follows:

31 March 2021

	Retail				Total
	Direct loans	Credit cards	Personal Loans	Mortgage loans	
Past due up to 30 days	-	2,467	71,903	6,197	80,567
Past due 30-60 days	-	606	19,561	2,092	22,259
Past due 60-90 days	-	333	183	668	1,184
Total	-	3,406	91,647	8,957	104,010

	Corporate				Total
	Overdrafts	Direct loans	Syndicated loans	Other loans	
Past due up to 30 days	97,018	260,114	36,431	-	393,563
Past due 30-60 days	9,327	37,642	-	-	46,969
Past due 60-90 days	-	-	-	-	-
Total	106,345	297,756	36,431	-	440,532

31 December 2020

	Retail				Total
	Direct loans	Credit cards	Personal Loans	Mortgage loans	
Past due up to 30 days	-	1,982	60,379	2,914	65,275
Past due 30-60 days	-	953	17,205	1,906	20,064
Past due 60-90 days	-	353	10,830	1,369	12,552
Total	-	3,288	88,414	6,189	97,891

	Corporate				Total
	Overdrafts	Direct loans	Syndicated loans	Other loans	
Past due up to 30 days	4,329	111,345	133,071	-	248,745
Past due 30-60 days	23,779	28,690	-	-	52,469
Past due 60-90 days	25,267	44,427	-	-	69,694.00
Total	53,375	184,462	133,071	-	370,908



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Loans and advances individually impaired

Loans and advances to customers

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is USD 705,667 thousand at the end of 31 March 2021 (against USD 589,653 thousand at the end of December 2020)

The following breakdown of the gross amount of individually impaired loans and advances by class:

	Retail					
	Over Drafts	Credit cards	Personal Loans	Mortgage loans	Other loans	Total
31 March 2021						
Individually impaired loans	-	594	12,445	1,043	-	14,082
31 December 2020						
Individually impaired loans	-	395	9,619	1,599	-	11,612
	Corporate					
	Over Drafts	Direct loans	Syndicated loans	Other loans	Banks loans	Total
31 March 2021						
Individually impaired loans	-	527,216	163,377	-	992	691,585
31 December 2020						
Individually impaired loans	-	401,632	184,417	-	992	587,041

Loans and advances restructure

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans – in particular, customer finance loan. Total renegotiated loans results amounted to USD 23,276 thousand at the end of 31 March 2021 (was USD 13,319 thousand at 31 December 2020).

	31 March 2021	31 December 2020
Loans and Advances to customer		
Corporate		
Syndicated loans	9,757	9,757
Direct loans	13,355	4,129
Retail		
Credit card	-	1
Personal loans	164	32
Total	23,276	13,919



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A.7 Debt securities and treasury bills

The table below presents an analysis of debt securities & treasury bills according to the rating agencies: Based on standard poor's at Period end based on Standard & Poor assessment or equivalent at 31 March 2021

31 March 2021	Debt instruments			Total
	Treasury Bills	at fair value through other comprehensive income	Investments at amortized cost	
AA+	-	124,633	-	124,633
AA	-	81,453	-	81,453
AA-	-	79,821	-	79,821
A+	-	55,127	-	55,127
A	-	42,870	-	42,870
A-	-	3,463	-	3,463
B	1,751,162	835,242	1,503,315	4,089,719
Total	1,751,162	1,222,609	1,503,315	4,477,086

31 December 2020	Debt instruments			Total
	Treasury Bills	at fair value through other comprehensive income	Investments at amortized cost	
AA+	-	108,812	-	108,812
AA	-	65,211	-	65,211
AA-	-	81,914	-	81,914
A+	-	55,047	-	55,047
A	-	36,614	-	36,614
Less than BBB	1,700,135	864,066	1,538,742	4,102,943
Total	1,700,135	1,211,664	1,538,742	4,450,540



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A.8 Concentration of risks of financial assets with credit risk exposure

- **Geographical sectors**

The following table breaks down the bank's credit exposure at their carrying amounts by geographical regions at the end of the Period for this table, the bank has allocated exposures to regions based on the country of domicile of its clients.

	Cairo	Alex& Delta	Upper Egypt	Sinai,Red sea & Canal towns	Total	Gulf countries	Other countries	Total
Balances with the central banks limited to the	726,764	-	-	-	726,764	35,484	199	762,447
Due from banks	1,701,538	-	-	-	1,701,538	1,693,442	13,015	3,407,995
Treasury bills and other governmental papers	1,750,584	-	-	-	1,750,584	4,969	2,757	1,758,310
Loans & advances to bank	76,604	-	-	-	76,604	113,632	-	190,236
Loans and advances to customers :								
Retail:								
Overdrafts	174,840	10,138	777	1,268	187,023	4,345	174	191,542
Credit cards	11,834	3,059	417	935	16,245	-	-	16,245
Personal loans	149,059	59,099	18,466	17,698	244,322	21,264	-	265,586
Direct loans	40,291	-	-	-	40,291	-	1,356	41,647
Mortgage Loan	207,718	-	-	-	207,718	-	-	207,718
Other loans	61,473	644	72	246	62,435	214	-	62,649
Corporate:								
Overdrafts	825,016	312,178	3,746	2,071	1,143,011	148,754	1,999	1,293,764
Direct loans	846,213	41,800	-	1,922	889,935	167,002	-	1,056,937
Syndicated loans	1,356,133	128,562	-	-	1,484,695	161,086	-	1,645,781
Other loans	48,475	10,656	1,018	7,766	67,915	-	-	67,915
Investment securities:								
Debt instruments	2,635,147	-	-	-	2,635,147	95,778	7,965	2,738,890
Other assets	133,368	2,570	5,426	1,428	142,792	5,025	-	147,817
Total as at 31 March 2021	10,745,057	568,706	29,922	33,334	11,377,019	2,450,995	27,465	13,855,479
Total as at 31 Decemeber 2020	10,695,321	555,912	30,374	32,876	11,314,483	2,900,588	28,490	14,243,561



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- **Industry sectors**

The following table breaks down the bank's credit exposure at carrying amounts by industry sectors of the bank's clients.

	Manufacturing	Agriculture	Commercial	Service	Financial Institutions	Constructions	Government	Individual	Others	Total
Balances with the central banks limited to the reserve	-	-	-	-	762,447	-	-	-	-	762,447
Due from banks	-	-	-	-	3,407,995	-	-	-	-	3,407,995
Treasury bills & other governmental papers	-	-	-	-	-	-	1,758,310	-	-	1,758,310
Loans and advances to banks	-	-	-	-	190,236	-	-	-	-	190,236
Loans and advances to customers:										
<u>Retail:</u>										
Overdrafts	-	-	-	-	-	-	-	191,542	-	191,542
Credit cards	-	-	-	-	-	-	-	16,245	-	16,245
Personal Loans	-	-	-	-	-	-	-	265,586	-	265,586
Direct Loans	-	-	-	-	-	-	-	41,647	-	41,647
Mortgage Loan	-	-	-	-	-	-	-	207,718	-	207,718
Other loans	-	-	-	-	-	-	-	62,649	-	62,649
<u>Corporate:</u>										
Overdrafts	819,326	14,505	165,747	162,918	70,611	55,649	5,008	-	-	1,293,764
Direct Loans	209,616	-	61,461	522,799	124,432	72,334	66,295	-	-	1,056,937
Syndicated Loans	617,252	-	43,571	832,441	-	61,257	91,260	-	-	1,645,781
Other loans	7,706	737	17,884	23,627	12,254	2,023	3,684	-	-	67,915
<u>Investment securities</u>										
Debt instruments	-	-	-	-	387,127	-	2,351,763	-	-	2,738,890
Other assets	-	-	-	-	10,943	-	92,906	10,890	33,078	147,817
Total as at 31 March 2021	1,653,900	15,242	288,663	1,541,785	4,966,045	191,263	4,369,226	796,277	33,078	13,855,479
Total as at 31 Decemeber 2020	1,569,325	14,562	262,736	1,346,034	5,673,710	190,430	4,374,141	780,217	32,406	14,243,561



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B. Market risk

B.1 Value exposed to risk

B.1.1 Interest rate fluctuation risk

Interest rate risk is controlled by asset and liability committee (ALCO)

Financial assets in foreign currency

The interest rate is determined on the basis of (floating rate) therefore interest rate fluctuation is mitigated on foreign currency increasing or decreasing taking into consideration hedging price fluctuation risk resorting to financial derivatives Interest Rate Swap (IRS).

Financial assets in local currency

Fixed income financial assets:

The risk of fixed income assets is covered by issuing medium and long term (liability products) to meet fixed rate income risk.

Floating rate financial assets

Variable cost is free risk free due to their compatibility with the prices prevailing at the grant.

B.1.2 Foreign exchange fluctuation risk

Monitor foreign currency instantly by responsible department to keep the allowed limits with currency position, whether by the Central Bank of Egypt or bank board of directors. The bank does not open position on foreign currency except on clients' requirement.

B.2 Foreign exchange risk

The bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by level of currency and in aggregate for both overnight and intra-day positions which are monitored daily. The table below summarises the bank's exposure to foreign currency exchange rate risk at the end of the financial Period.



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The following table includes the carrying value at the financial instruments distributed by its original currencies.

Foreign currency risk concentration on financial instruments

31 March 2021	USD	EGP	EUR	GBP	OTHER	TOTAL
Financial assets						
Cash and balances with central banks	73,172	764,305	2,943	662	9,757	850,839
Due from banks	2,431,691	182,649	29,775	47,313	701,417	3,392,845
Treasury bills	1,280,150	343,141	125,113	-	2,758	1,751,162
Financial investment at fair value through profit or loss	-	17,924	-	-	-	17,924
Loans and advances to customers and banks	1,046,743	2,875,105	21,270	7	675,494	4,618,619
Financial investment at fair value through other comprehensive income	172,315	1,110,362	1,454	-	60	1,284,191
Financial investment at amortized cost	221,488	1,234,897	46,930	-	-	1,503,315
other assets	24,851	19,648	-	-	-	44,499
	105,454	68,429	13,450	5,817	43,836	236,986
Total financial assets	5,340,143	6,616,460	240,935	53,799	1,455,276	13,706,613
Financial liabilities						
Due to banks	487,821	239,020	7,760	7,989	248,028	990,618
Sales of treasury bills with comitment to repurchase	-	27,930	-	-	-	27,930
Customers deposits	3,335,439	6,226,675	39,217	30,260	123,675	9,755,266
Loans and facilities from banks	684,946	-	-	-	-	684,946
Other provision	11,348	5,697	-	-	-	17,045
Income tax liability	-	20,049	-	-	-	20,049
Employees benefits	-	7,192	-	-	700	7,892
Other financial liabilities	84,566	111,431	15,953	5,356	67,896	285,202
Total financial liabilities	4,604,120	6,637,994	62,930	43,605	440,299	11,788,948
Net on balance sheet financial position	736,023	(21,534)	178,005	10,194	1,014,977	1,917,665
Credit commitments	312,898	220,867	206,758	726	166,233	907,482
31 December 2020						
Total financial assets	5,929,844	6,863,412	237,547	50,731	1,039,153	14,120,687
Total financial liabilities	3,614,080	6,646,273	245,028	51,546	1,674,408	12,231,335
Net on balance sheet financial position	2,315,764	217,139	(7,481)	(815)	(635,255)	1,889,352
Credit commitments	76,783	343,144	261,432	31	164,242	845,632

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B.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may reduce profits in the event that unexpected movements arise. The board sets limits on the level of mismatch of interest rate reprising and value at risk that may be undertaken, which is monitored daily by the respective bank's department.

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

<u>31 March 2021</u>	Up to 1 month	1-3 months	3-12 Months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial Assets							
Cash and balances with central bank	-	-	-	-	-	850,839	850,839
Due from banks	2,266,490	611,220	479,045	-	-	36,090	3,392,845
Treasury bills	98,272	348,166	1,304,432	292	-	-	1,751,162
Financial investment at fair value through profit or loss	-	-	-	-	-	17,924	17,924
Loans and advances to customers	2,357,032	1,444,072	370,571	370,344	76,600	-	4,618,619
Financial investment at fair value through other comprehensive income	(2)	37,748	270,722	550,409	363,732	61,582	1,284,191
Financial investment at amortized cost	24,127	57,851	118,926	1,103,298	191,148	7,965	1,503,315
Total financial assets	4,745,919	2,499,057	2,543,696	2,024,343	631,480	974,400	13,418,895
Financial liabilities							
Due to banks	843,829	138,334	-	-	-	8,455	990,618
Sales of treasury bills with commitment to repurchase	-	-	27,930	-	-	-	27,930
Customers deposits	5,160,059	997,457	817,569	1,832,404	177,142	770,635	9,755,266
Loans and facilities from banks	-	437,500	247,446	-	-	-	684,946
Total financial liabilities	6,003,888	1,573,291	1,092,945	1,832,404	177,142	779,090	11,458,760
Total interest repricing gap	(1,257,969)	925,766	1,450,751	191,939	454,338	195,310	1,960,135



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C. Liquidity risk

Liquidity risk is the risk that the bank is unable to meet its obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligation to repay depositors and fulfil commitments to lend.

31 March 2021	Up to 1 month	1-3 months	3-12 Months	1-5 years	Over 5 years	Total
Financial Assets						
Cash and balances with central bank	850,839	-	-	-	-	850,839
Due from banks	2,250,237	644,466	498,142	-	-	3,392,845
Treasury bills	98,272	348,166	1,304,432	292	-	1,751,162
Financial investment at fair value through profit or loss	17,924	-	-	-	-	17,924
Loans and advances to customers	836,377	163,828	1,116,055	1,543,785	958,574	4,618,619
Investment securities						
Financial investment at fair value through other comprehensive income	61,521	-	45,654	799,856	377,160	1,284,191
Financial investment at amortized cost	27,592	57,851	118,926	1,103,298	195,648	1,503,315
Total financial assets	4,142,762	1,214,311	3,083,209	3,447,231	1,531,382	13,418,895
Financial liabilities						
Due to banks	852,284	138,334	-	-	-	990,618
Sales of treasury bills with commitment to repurchase	27,930	-	-	-	-	27,930
Customers deposits	3,874,627	1,147,714	1,135,395	3,420,388	177,142	9,755,266
Loans and facilities from banks	-	412,804	226,071	46,071	-	684,946
Total financial liabilities	4,754,841	1,698,852	1,361,466	3,466,459	177,142	11,458,760
Total liquidity gap	(612,079)	(484,541)	1,721,743	(19,228)	1,354,240	1,960,135



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Liquidity risk management process

The bank liquidity management process, as carried out within the bank and monitored by assets and liability committee, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or borrowed by customers. The bank maintains an active presence in global money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring the liquidity ratios against internal and regulatory requirements by the Central Bank of Egypt.
- Managing the concentration and profile of debt maturities.

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

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

Funding approach

Sources of liquidity are regularly reviewed by a separate team in bank's treasury to maintain a wide diversification by currency, geography, provider, product and term.

Derivatives

Derivatives settled on a gross basis

The bank's derivatives that will be settled on a gross basis include: Foreign exchange derivatives: currency forward, currency swaps.

A. Fair value of financial assets and liabilities

D.1 Financial instruments measured at fair value using valuation techniques

No change in the assessed fair value using the valuation techniques through the financial period ended on 31 March 2021 and the financial Period ended on 31 December 2020.

D.2 Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the bank's statement of financial position at their fair value:

	Book Value		Fair Value	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Financial Assets				
Due from banks	3,392,845	3,865,960	3,392,845	3,865,960
Loans and advances to banks	190,236	59,918	190,236	59,918
Loans to customers				
- Individual	785,387	769,327	785,387	769,327
- Corporate Entities	4,064,397	3,788,723	4,064,397	3,788,723
Financial Investments				
At amortized cost	1,503,315	1,538,742	1,529,054	1,581,982
Financial liabilities				
Due to banks	990,618	1,407,983	990,618	1,407,983
Customer deposits:				
- Individual	3,758,118	3,491,455	3,758,118	3,491,455
- Corporate Entities	5,997,148	6,284,126	5,997,148	6,284,126
Loans and facilities from banks	684,946	688,929	684,946	688,929



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Due from banks

The fair value of due from banks represents the book value, where all balances are current balances matured during the Period.

Loans and advances to customers

Loans and advances are recognized net of provision for impairment losses. Customer loans and facilities have been divided into current and non current balances and approximate the book value of the fair value traded balances.

Investment securities

Investment securities disclosed in the table above comprise only those financial assets classified as held to maturity. Where assets available for sale are valued at fair value and the fair value of financial assets held to maturity is determined based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Due to banks

The fair value of due to banks represents the book value, where all balances are current balances matured during the Period.

Deposits due to customers:

The customer deposits are divided into current and non current balances. The book value of the current balances is considered the fair value.

Other loans:

The other loans are divided into current and non current balances. The book value of the current balances is considered the fair value.

B. Capital management

The bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by Arab Republic of Egypt and countries in which bank branches operate.
- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To maintain a strong capital base to support the development of its business.
- Capital adequacy and capital uses are reviewed in accordance with the requirements of the regulatory capital (the Central Bank of Egypt in the Arab Republic of Egypt) through the Bank's management, through models based on the Basel Committee's guidelines. The required data are submitted and deposited with the Central Bank of Egypt on a quarterly basis

The CBE requires the bank to:

- The bank maintains a ratio of 10% or more of total regulatory capital to its risk-weighted assets and contingent liabilities.
- Bank's branches operating outside Arab Republic of Egypt subject to banking supervision rules in countries which they operate.
- On December 18, 2012, the Central Bank of Egypt (CBE) approved the minimum capital adequacy guidelines as part of the implementation of the Basel II directives. Under these instructions, the Bank is required to comply with these instructions as of December 2012



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According to the new regulations issued on 18 December 2012

Tier 1 capital:

Tier 1 capital consists of two parts **Going Concern Capital and Additional Going Concern.**

Tier 2 capital:

Gone Concern Capital consists of

- 45% of the increase in the fair value of the book value of financial investments (fair value reserve if it is positive, financial investments held to maturity, investments in subsidiaries and associates).
- 45% of the special reserve.
- 45% of the reserve foreign currency translation differences positive.
- Hybrid financial instruments.
- Loans (deposits) support.
- Provision for impairment losses for loans and advances and liabilities regular (must not exceed 1.25% of the total credit risk of the assets and liabilities of regular risk-weighted, must also be dedicated impairment losses for loans and credit facilities and contingent liabilities irregular enough to meet the liabilities component for which LCA).

Deducted 50% of the Tier 1 and 50% of the Tier 2:

- Investments in non-financial companies - each company alone, which amount to 15% or more of continuous core capital of the bank by regulatory amendments.
- The total value of the bank 's investments in non-financial companies - each individual company and that at least 15% of the basic capital continued by regulatory amendments provided that exceed those investments combined for 60% of the core capital continued by regulatory amendments
- Securitization portfolios.
- Regarding the value of the assets that devolved to the bank settlement of debts a general banking risks reserve.

When calculating the total extension of capital adequacy standard, shall not exceed loans (deposits) support for 50% of the first slide after the disposals.

And are weighted assets and contingent liabilities weighted credit risk, market risk, operational risk.

The capital adequacy criterion is composed of the following

- 1 - Credit risk
- 2 - Market risk
- 3 - Operational risk

The assets are weighted risk weights ranging from zero to 100% classified according to the nature of the debtor each asset to reflect the credit risk associated with it, and taking cash collateral account.

The treatment is used for extra-budgetary funds after making adjustments to reflect the episodic nature of the potential losses of those amounts.

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



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The below tables summarize tier 1 and tier 2 components and capital adequacy ratio

	31-March-2021 USD '000	31 December 2020 USD '000
Capital		
<u>Tier 1 Going Concern Capital (1)</u>		
Share capital (net of the treasury shares)	500,000	500,000
Reserves	184,005	184,005
Retained earnings	1,206,062	1,206,379
General risk reserve	23,481	23,481
Total other comprehensive income items	25,645	35,064
IFRS 9 Risk reserve	64,156	64,156
Total deduction from capital invested	(45,684)	(45,667)
Total Common Equity capital	1,957,665	1,967,418
<u>Tier 2 (Gone – Concern Capital) (2)</u>		
45% of the value of the Special Reserve	1,102	1,102
45 % of the increase in the fair value above the carrying amount	15,969	15,946
Provision for impairment losses for performing loans and advances and contingent liabilities	20,553	21,962
Total impairment losses from tier 2	(126)	(126)
Total (Gone – Concern Capital)	37,498	38,884
Total capital base	1,995,163	2,006,302
Total Credit Risk , Market Risk and Operational Risk		
Credit Risk	8,470,301	8,535,321
Market Risk	81,384	310,300
Operational Risk	740,256	739,173
Total Credit Risk , Market Risk and Operational Risk	9,291,941	9,584,794
Capital Adequacy Ratio %	21.47%	20.93%

NSFR ratio record 129.74% (LCY 177.32% and FCY 152.72%), and LCR ratio record 121.74% (LCY 199.81% and FCY 233.02%).

- The above consolidated balances as CBE instructions dated 24 December 2012

Financial Leverage Ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on July 14, 2015 special supervisory instructions related to leverage ratio of maintaining a minimum level of leverage ratio of 3% to be reported on a quarterly basis as follows:

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

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

Financial leverage ratio reflect the relationship between tier 1 for capital that are used in capital adequacy ratio (after exclusions) and the Bank's assets (on and off-balance Sheet items) that are no risk weighted assets



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Ratio Components

The numerator components

The numerator consists of the tier 1 for capital that are used in capital adequacy ratio (after exclusions) in accordance with the requirements of the Central Bank of Egypt

The denominator components

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

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

The Financial leverage ratio as follow:

	31-March-2021 USD '000	31 December 2020 USD '000
Tier 1 Capital after exclusion	1,957,665	1,967,418
Total Tier 1 Capital after exclusion	1,957,665	1,967,418
Total on balance sheet exposures items including derivatives contracts & financial securities	14,298,085	14,766,296
Total off-balance sheet exposures	1,062,088	1,206,990
Total exposures on and off-balance sheet	15,360,173	15,973,286
Financial leverage ratio	12.75%	12.32%

4. Critical accounting estimates and judgments

The bank makes estimates and assumptions that affect the presented amounts of assets and liabilities within the next financial Period. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events which believed to be reasonable during the current conditions and available information.

4.A. Impairment losses on loans and advances

The bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the bank makes judgments as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The method and assumptions used to estimate the amount and the timing of future cash flows are reviewed on a regular basis in order to reduce any difference between the expected and the actual loss based on experience



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4.B. Impairment of equity investments through other comprehensive income

The bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of whether they are significant or prolonged requires judgment. In making this judgment, the bank evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

4.C. Fair value of Derivatives

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and Periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4.D. Amortized cost investments

The bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the bank evaluates its intention and ability to hold such investments to maturity. If the bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the bank is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortized cost, in addition to hanging the classification of any investments in this category.

4.E. Income taxes

The bank is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the Period where the differences exist.

5. Segment reporting analysis

Segmental analysis of activities

Segment activity involves operating activities, assets used in providing banking services, and risk and return management associated with this activity, which might differ from other activities. Segment analysis for the banking operations involves the following:

Large, medium, and small enterprises:

Includes current accounts, deposits, overdraft accounts, loans, credit facilities, and financial derivatives activities.

Investment:

Includes mergers, purchase of investments and financing the restructuring of companies and financial instruments

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Retail:

includes current account, saving accounts, deposits, credit card, personal loans, and real estate loans

Other activities:

Includes other banking operations, such as money management

Transactions among segments are performed according to the bank's operating cycle, and include operating assets and liabilities as presented in the bank's statement of financial position.

5.A. Segment reporting analysis**31 March 2021****Revenues and expenses according to the sector activity**

	Corporate banking	Retail	Investment banking	Total
Revenues of the sector activity	80,916	24,317	131,258	236,491
Expenses of the sector	(18,102)	(29,153)	(98,485)	(145,740)
Result of the sector operations	62,814	(4,836)	32,773	90,751
Uncategorized expenses				(38,239)
Profit before tax				52,512
Income Tax expense				(20,284)
Net profit after tax				32,228

Assets and Liabilities according to the sector activity

Assets of the sector activity	3,844,049	733,350	8,040,325	12,617,724
Uncategorized assets				1,229,454
Total assets				13,847,178
Liabilities of the sector activity	6,111,494	3,353,549	1,367,245	10,832,288
Uncategorized liabilities				3,014,890
Total Liabilities				13,847,178

31 March 2020**Revenues and expenses according to the sector activity**

	Corporate banking	Retail	Investment banking	Total
Revenues of the sector activity	120,765	20,440	125,869	267,074
Expenses of the sector	(102,134)	(4,957)	(71,907)	(178,998)
Result of the sector operations	18,631	15,483	53,962	88,076
Uncategorized expenses				(37,088)
Profit before tax				50,988
Income Tax expense				(17,536)
Net profit after tax				33,452

Assets and Liabilities according to the sector activity

Assets of the sector activity	4,025,001	1,171,560	6,400,686	11,597,247
Uncategorized assets				793,280
Total assets				12,390,527
Liabilities of the sector activity	5,798,721	991,923	3,998,820	10,789,464
Uncategorized liabilities				1,601,063
Total Liabilities				12,390,527

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Segment analysis (continued)

b. Geographical sector analysis

Arab republic of Egypt

31 March 2021

Revenues & Expenses according to the geographical sectors

	Cairo	Alex Delta	Upper Egypt	Other	Total	Gulf	Lebanon*	Total
Revenues of the Geographical sectors	233,656	18,975	3,444	2,523	258,598	10,395	401	269,394
Expenses of the Geographical sectors	(176,000)	(27,115)	(5,321)	(4,968)	(213,404)	(3,412)	(66)	(216,882)
Result of sector operations	57,656	(8,140)	(1,877)	(2,445)	45,194	6,983	335	52,512
Profit before tax								52,512
Income tax expense								(20,284)
Profit of the year after tax								32,228

Assets & liabilities according to the geographical sectors

Geographical sectors assets	10,721,243	607,676	64,963	36,925	11,430,807	2,389,175	27,196	13,847,178
Total assets	10,721,243	607,676	64,963	36,925	11,430,807	2,389,175	27,196	13,847,178
Geographical sectors liabilities	10,721,243	607,676	64,963	36,925	11,430,807	2,389,175	27,196	13,847,178
Total liabilities	10,721,243	607,676	64,963	36,925	11,430,807	2,389,175	27,196	13,847,178

31 March 2020

Revenues & Expenses according to the geographical sectors

	Cairo	Alex Delta	Upper Egypt	Other	Total	Gulf	Lebanon*	Total
Revenues of the Geographical sectors	209,053	29,912	6,123	5,309	250,397	16,189	488	267,074
Expenses of the Geographical sectors	(176,586)	(23,831)	(5,124)	(4,443)	(209,984)	(6,021)	(81)	(216,086)
Result of sector operations	32,467	6,081	999	866	40,413	10,168	407	50,988
Profit before tax								50,988
Income tax expense								(17,536)
Profit of the year								33,452

Assets & liabilities according to the geographical sectors

Geographical sectors assets	9,787,912	587,191	63,200	38,321	10,476,624	1,891,033	22,870	12,390,527
Total assets	9,787,912	587,191	63,200	38,321	10,476,624	1,891,033	22,870	12,390,527
Geographical sectors liabilities	9,787,912	587,191	63,200	38,321	10,476,624	1,891,033	22,870	12,390,527
Total liabilities	9,787,912	587,191	63,200	38,321	10,476,624	1,891,033	22,870	12,390,527

6. Net Interest Income

	<u>31 March 2021</u>	<u>31 March 2020</u>
Interest revenue and similar items		
Loans and advances to Customers and banks	87,903	124,858
Treasury bills and bonds	99,931	78,889
Deposits and current accounts	13,298	31,568
Investments in Amortized cost and OCI bonds	10,436	8,853
	211,568	244,168
Interest expenses and similar charges		
Deposits and current accounts:		
To banks	(4,429)	(4,901)
To customers	(120,873)	(149,080)
Sales of treasury bills with comitment to repurchase	(180)	(369)
Other loans	(4,653)	(1,064)
Total	(130,135)	(155,414)
Net interest income	81,433	88,754

7. Net fees and commission income

	<u>31 March 2021</u>	<u>31 March 2020</u>
Fees and Commissions income		
Credit related fees and commissions	13,100	10,098
Funding institutions services fees	1,327	866
Book keeping fees	524	852
Western union service fees	1,412	1,924
Transfers fees	833	1,243
Fees collected of customer service	2,296	1,467
Other fees	130	189
	19,622	16,639
Fees and Commissions expense :		
Other fees and commissions paid	(1,018)	(763)
Net fees and Commissions	18,604	15,876

8. Dividend Income

	<u>31 March 2021</u>	<u>31 March 2020</u>
Equity instruments at fair value through profit and loss	4	-
Total dividend income	4	-



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9. Net trading income

	31 March 2021	31 March 2020
Foreign exchange:		
Gains from foreign currencies transactions	2,580	5,959
Trading debt instruments	(19)	(433)
Debt instrument held for trading	2,698	-
change in fair value for equity instruments held for trading	0	(917)
Net trading income	5,259	4,609

10. Expected credit losses expense

	31 March 2021	31 March 2020
Loans and advances to Customers and banks	(10,842)	(13,823)
Due from central banks limited to the reserve	-	6
Due from banks	(632)	(408)
Debt instruments at amortized cost	(2,149)	(6,408)
Other assets	(24)	(1,449)
	(13,647)	(22,082)

11. Administrative expenses

	31 March 2021	31 March 2020
Salaries, Wages & Staff Benefits	(13,967)	(12,077)
Staff medical expenses	(288)	(281)
Social insurance & pension	(2,741)	(2,852)
Merchandise supplies	(2,453)	(1,977)
Services supplies	(6,014)	(4,641)
Stamp duty taxes & Fees	(3,731)	(3,973)
Depreciation & Amortization	(2,828)	(2,741)
Donation	(23)	(37)
Comprehensive medical insurance	(523)	(591)
	(32,568)	(29,170)

12. Other Operating Expense

	31 March 2021	31 March 2020
Loss / (Gain) on revaluation of monetary assets & liabilities balances in foreign currencies other than trading	(875)	(899)
Gain from sale fixed assets	-	290
Other operating income	227	398
Other operating expenses	(5,985)	(7,100)
Other provision expense	(1,982)	(1,302)
	(8,615)	(8,613)



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13. Income Tax Expense

	31 March 2021	31 March 2020
Current income taxes-Local Branches	(19,164)	(15,611)
Current income taxes-Foreign Branches	(1,412)	(2,347)
Deferred tax	292	422
	(20,284)	(17,536)

Current income tax on profit before income tax differs from the theoretically expected current income tax when applying the average tax rate applicable to the bank profits realized from local and overseas units as follows

	31 March 2021	31 March 2020
Profit before taxes	52,512	50,988
The tax rate according to the average tax rates of local and Foreign branches	22.50%	22.50%
Income tax computed based on the average tax rates of local and Foreign branches on the profit in several tax circuits	11,815	11,472
Add/(Deduct)		
Revenues not subject to taxation	(24,605)	(22,003)
Expenses not deducted for tax purposes	19,656	17,467
Treasury Bills Taxes	13,710	11,022
Deferred tax	(292)	(422)
Income tax	20,284	17,536
Actual tax rate	38.63%	34.39%



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14. Earnings per share

	31 March 2021	31 March 2020
Net profit for the year	32,228	33,452
Expected Distributions of employees	(2,901)	(1,792)
Board of directors remuneration expected	(112)	(112)
	29,215	31,548
Weighted average for the expected number of shares	100,000	100,000
Earnings per share (Dollar / share)	0.29	0.32

15. Cash and due from Central banks

	31 March 2021	31 December 2020
Cash in hand	88,392	76,002
Balances with the Central Banks limited to the reserve ratio	762,447	1,130,274
Expected credit loss	-	-
	850,839	1,206,276
Non-interest bearing balances	850,839	1,206,276
Expected credit loss	-	-
Total	850,839	1,206,276

16. Due from banks

	31 March 2021	31 December 2020
Current accounts	222,529	259,271
Deposits	3,185,466	3,621,207
Expected credit loss	(15,150)	(14,518)
Total	3,392,845	3,865,960
Central banks other than those under Legal Reserve	435,783	471,313
Local banks	1,088,272	1,032,728
Foreign banks	1,883,940	2,376,437
Expected credit loss	(15,150)	(14,518)
Total	3,392,845	3,865,960
Non-interest bearing balances	222,529	366,608
Variable interest bearing balances	3,185,466	3,513,870
Expected credit loss	(15,150)	(14,518)
Total	3,392,845	3,865,960
Current balance	3,407,995	3,880,478
Expected credit loss	(15,150)	(14,518)
Total	3,392,845	3,865,960



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17. Treasury bills

	<u>31 March 2021</u>	<u>31 December 2020</u>
Treasury bills issued from central bank of Egypt	1,755,553	1,701,827
Treasury bills issued from central bank of Lebanon	2,757	2,078
Net treasury bills	1,758,310	1,703,905
<u>Treasury bills represent the following according to maturities:</u>		
Treasury bills, maturity 91 days	41,509	17,458
Treasury bills, maturity 182 days	23,681	18,325
Treasury bills, maturity 273 days	99,805	45,665
Treasury bills, maturity 364 days	1,637,148	1,653,654
Treasury bills, maturity more than 1 year	300	300
Total nominal value	1,802,443	1,735,402
Less: Accrued interest	(44,133)	(31,497)
Total nominal value after deducting accrued interest	1,758,310	1,703,905
Expected credit loss	(6,617)	(3,885)
Fair value through comprehensive income reserve	(531)	115
Net treasury bills	1,751,162	1,700,135
Net treasury bills at amortized cost	1,525,464	1,697,230
Net treasury bills at fair value through other comprehensive income	225,698	462,235
Total	1,751,162	2,159,465

Net treasury bills Includes in Dollar & Euro at 31 March 2021 amounting to 1,412,415 thousand U.S dollar (1,373,197 thousand USD as 31 December, 2020)



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18. Financial investments

18/1 Financial investments at fair value through profit and loss (FVTPL)

	31 March 2021	31 December 2020
Equity securities		
listed in stock exchange market	-	6,815
Total (1)	-	6,815
Mutual funds*		
Non-listed in stock exchange market	17,924	17,542
Total	17,924	17,542
Total financial investments at fair value through profit and loss	17,924	24,357

The bank's investments in mutual funds documents represent the legal percentage of no less than the minimum stipulated by the Capital Market Law No. 95 of 1992

18/2 Financial investments at fair value through other comprehensive income (FVTOCI)

	31 March 2021	31 December 2020
Debt securities – at fair value		
Listed at fair value	1,222,609	1,211,663
Total (1)	1,222,609	1,211,663
Equity securities - at fair value		
Listed securities at fair value	10,817	24,448
Non-listed securities at Cost value	50,765	50,895
Total (2)	61,582	75,343
Total financial investments at fair value through other comprehensive income (1+2)	1,284,191	1,287,006

18/3 Financial investments at amortized cost

	31 March 2021	31 December 2020
Debt instruments:		
Listed in stock exchange market	1,516,281	1,551,970
Expected credit loss	(12,966)	(13,228)
Total financial investments at amortized cost	1,503,315	1,538,742
Total financial investments	2,805,430	2,850,105
Current Balances	338,450	163,405
Non-current balances	2,466,980	2,686,700
	2,805,430	2,850,105
Debt instruments with fixed interest rates	2,462,575	2,482,380
Debt instruments with variable interest rates	263,349	268,025
	2,725,924	2,750,405



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

	Fair value through other comprehensive income	Amortized cost	Total
Balance at 1 January 2021	308,910	779,391	1,088,301
Additions	1,215,934	762,862	1,978,796
Disposals (sale / redemption)	(298,709)	(17,211)	(315,920)
Translation differences resulting from monetary foreign currency assets	20,201	22,338	42,539
Net changes in financial investments fair value through other comprehensive income	40,670	-	40,670
Expected credit loss	-	(8,638)	(8,638)
Balance at 31 December 2020	1,287,006	1,538,742	2,825,748
Balance at 1 January 2021	1,287,006	1,538,742	2,825,748
Additions	356,269	1,123	357,392
Disposals (sale / redemption)	(358,082)	(37,179)	(395,261)
Translation differences resulting from monetary foreign currency assets	1,557	366	1,923
Net changes in financial investments fair value through other comprehensive income	(2,559)	-	(2,559)
Expected credit loss	-	263	263
Balance at 31 March 2021	1,284,191	1,503,315	2,787,506

Gain /loss from financial investments represented in :

	31 March 2021	31 March 2020
Gain on sale investment bonds	1,710	211
Gain on sale Treasury bills	332	1,403
	2,042	1,614

19. Investment properties:

	Land	Buildings	Total
Balance at 1 January 2020			
Cost	958	2,177	3,135
Accumulated Depreciation	-	(985)	(985)
Net book value as of 1 January 2021	958	1,192	2,150
Depreciation expense	-	(10)	(10)
Net book value as of 31 March 2021	958	1,182	2,140
Net book value as of 31 December 2020	958	1,192	2,150



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20. Loans & Advances to banks

	31 March 2021	31 December 2020
Loans	992	30,993
other loans	189,244	28,925
Less:		
Unearned discount for commercial papers and loans	(357)	(146)
Expected credit loss	(2,582)	(1,845)
	187,297	57,927

21. Loans & Advances to customers

	31 March 2021	31 December 2020
Retail		
Overdrafts	191,542	203,752
Credit cards	16,245	15,837
Personal Loans	265,586	234,682
Direct Loans	41,647	40,232
Mortgage Loan	62,649	61,072
Other Loans	207,718	213,752
Total (1)	785,387	769,327
Corporate		
Overdrafts	1,293,764	1,274,744
Direct Loans	1,056,937	1,019,233
Syndicated loans	1,645,781	1,433,266
Other Loans	67,915	61,480
Total (2)	4,064,397	3,788,723
Total Loans and advances (1+2)	4,849,784	4,558,050
less:		
unearned discount for commercial papers and loans	(27,718)	(32,464)
prepaid interest for loans	(7)	(7)
Expected credit loss	(386,900)	(376,530)
suspense interest	(3,837)	(3,837)
Net distributed as follows:	4,431,322	4,145,212
Current Balances	1,970,380	1,972,591
Non-Current Balances	2,460,942	2,172,621
	4,431,322	4,145,212

Expected credit losses

Movement of expected credit losses on loans and advances to banks and customers by class is as follows:

	31 March 2021			31 December 2020		
	Retail	Corporate	Total	Retail	Corporate	Total
Balance at the beginning of the Year	18,128	360,247	378,375	8,701	293,987	302,688
Expected credit loss	(3,901)	14,743	10,842	9,192	79,503	88,695
Proceeds from written off debts	32	0	32	104	883	987
Provision uses during financial Year	(45)	0	(45)	(17)	(17,070)	(17,087)
Foreign currencies revaluation differences	18	260	278	148	2,944	3,092
Balance at the end of Year	14,232	375,250	389,482	18,128	360,247	378,375



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22. Financial Derivatives

Derivatives

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

Credit risk is considered low, and future interest rate contract represents future exchange rate contracts negotiated for case by case, These contracts require financial settlements of any differences in contractual interest rates and prevailing market interest rates on future interest rates on future dates based on contractual amount (nominal value) pre agreed upon.

Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

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

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

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

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



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23. Investment in subsidiaries and associates

The bank's interest in its subsidiary and associates is as follows:

31 March 2021	Nature of relation	Country	Company assets	Company liabilities (without owners' equity)	Company revenues	Company profit/loss	Participation value	Participation percentage
Universal for investment and development company(S.A.E)	Subsidiary	Egypt	717	50	1,313	131	224	90%
Arab African Holding company (S.A.E)	Subsidiary	Egypt	13,243	3,953	1,024	(50)	9,498	89.63%
Arab African Real estate mortgage company (S.A.E)	Subsidiary	Egypt	46,977	26,920	1,027	590	17,787	95.46%
Arab African financial leasing	Subsidiary	Egypt	36,878	19,994	809	436	14,086	99%
Sandah Micro-Finance company	Subsidiary	Egypt	20,351	18,564	1,140	(242)	2,904	67%
Nuun Fund Services	Associates	Egypt	92	14	28	(8)	-	20%
Total			118,258	69,495	5,341	857	44,499	

- Created for Sanda microfinance impairment with total USD 1,403 thousands
- Created for the bank's contribution to Nuun Fund Services was impaired by 33 thousand USD
- Created for the bank's contribution to Universal for Investment and Development Company (S.A.E) was impaired by 280 thousand
- Investments in subsidiaries and associates are not-listed in the stock exchange.



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31 December 2020	Nature of relation	Country	Company assets	Company liabilities	Company revenues	Company profit/Loss	Participation value	Participation percentage
				(without owners' equity)		s		
			USD '000	USD '000	USD '000	USD '000	USD '000	%
Universal for investment and development company(S.A.E)	Subsidiary	Egypt	717	50	1,313	131	224	90%
Arab African Holding company (S.A.E)	Subsidiary	Egypt	12,348	2,805	3,304	22	9,498	89.63%
Arab African Real estate mortgage company (S.A.E)	Subsidiary	Egypt	46,026	26,074	6,858	2,784	17,787	95.46%
Arab African financial leasing	Subsidiary	Egypt	36,100	19,745	6,357	2,310	14,086	99%
Sandah Micro-Finance company	Associates	Egypt	18,408	16,261	6,532	(1,332)	2,904	67%
Nuun Fund Services			92	14	28	(8)	-	20%
Total			113,691	64,949	24,392	3,907	44,499	-

- Created for the bank's contribution to Sandah micro finance was impaired by 1,403 thousand USD
- Created for the bank's contribution to Nuun Fund Services was impaired by 33 thousand USD
- Created for the bank's contribution to Universal for Investment and Development Company (S.A.E) was impaired by 280 thousand
- Investments in subsidiaries and associates are not-listed in the stock exchange.



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24. Other assets

	31 March 2021	31 December 2020
Accrued revenues	147,817	147,145
Prepaid expenses	9,786	11,532
Advance payments for purchase of fixed assets	22,718	19,112
Assets reverted to the bank in settlement of	35,051	35,000
Insurance and Covenant	13,159	5,625
Miscellaneous Debit Balances	14,454	38,134
allowance for impairment loss	(5,999)	(5,975)
Total	236,986	250,573

Assets reverted to the bank item includes about 382 million shares from palm hills for development company amounting to 544.2 million EGP to become second largest shareholders in the company with a percentage 12.3% and it was recorded on 13 July 2021

25. Deferred tax assets

	31 March 2021		31 December 2020	
	Assets	Liabilities	Assets	Liabilities
Fixed assets	-	(2,710)	-	(2,706)
Other provisions	16,094	-	16,060	-
Employee benefits obligations	1,776	-	1,515	-
Change in investments at fair value through other comprehensive income	-	(8,580)	-	(11,314)
Impact of adopting IFRS 9	2,494	(107)	2,494	(107)
Total tax assets (liabilities)	20,364	(11,397)	20,069	(14,127)
Net deferred tax assets	8,967	-	5,942	-

Deferred tax assets resulting from tax differences of the assets and liabilities items comprise the following:

	31 March 2021	31 December 2020
Balance at the beginning of the year	5,942	3,122
Deferred tax movement during the year	3,025	2,820
Balance at the end of the year	8,967	5,942

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26. Fixed Assets

	Land & building	& Machinery equipment	Other	Total
Balance as of 1 January 2020				
Cost	82,532	19,083	44,208	145,823
Accumulated Depreciation	(40,655)	(8,427)	(21,822)	(70,904)
Net book value as of 1 January 2020	41,877	10,656	22,386	74,919
Additions	46,063	4,164	2,411	52,638
Disposal	-	-	-	-
Depreciation expense	(721)	(2,889)	(4,999)	(8,609)
Net book value as of 31 December 2020	87,219	11,931	19,798	118,948
Balance as of 1 January 2021				
Cost	128,595	23,247	46,619	198,461
Accumulated Depreciation	(41,376)	(11,316)	(26,821)	(79,513)
Net book value as of 1 January 2021	87,219	11,931	19,798	118,948
Additions *	-	252	509	761
Depreciation expense	(255)	(773)	(1,154)	(2,182)
Net book value as of 31 March 2021	86,964	11,410	18,723	117,097
Balance as of end of year				
Cost	128,595	23,499	46,698	198,792
Accumulated Depreciation	(41,631)	(12,089)	(27,975)	(81,695)
Net book value as of 31 March 2021	86,964	11,410	18,723	117,097

27. Intangible assets :

	31 March 2021	31 December 2020
Cost	18,965	18,965
Accumulated depreciation	(371)	(158)
Net book value as of 31 Decemeber2020	18,594	18,807



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28. Due to banks

	31 March 2021	31 December 2020
Current accounts	557,163	687,064
Deposits	433,455	720,919
	990,618	1,407,983
Central Banks	39,656	41,704
Local banks	287,002	526,240
Foreign banks	663,960	840,039
	990,618	1,407,983
Non-interest bearing balances	557,163	687,064
Interest bearing balances	433,455	720,919
	990,618	1,407,983
Current Balances	990,618	1,407,983

29. Customers' deposits

	31 March 2021	31 December 2020
Demand deposits	1,547,418	1,893,414
Time and call deposits	5,560,787	5,373,031
Certificates of deposits	1,168,879	1,047,245
Saving accounts	1,344,230	1,344,352
Other deposits	133,952	117,539
	9,755,266	9,775,581
Corporate Deposits	5,997,148	6,284,126
Retail Deposits	3,758,118	3,491,455
	9,755,266	9,775,581
Non-interest bearing balances	1,680,188	1,967,726
Interest bearing balances	1,324,415	1,735,586
Fixed rate interest balances	6,750,663	6,072,269
	9,755,266	9,775,581
Current Balances	6,157,736	8,126,511
Non-current balances	3,597,530	1,649,070
	9,755,266	9,775,581

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30. Other liabilities

	31 March 2021	31 December 2020
Accrued interest	174,063	165,823
Deferred revenue	641	851
Accrued expenses	16,350	18,413
Creditors	46,324	45,485
Miscellaneous credit balances	47,824	51,185
Total	285,202	281,757

31. Loans and Facilities from banks

	Interest Rate	31 March 2021	31 December 2020
Loan for a Year of 1 years from AFREXIM bank	2.88%	400,000	400,000
Loan for a Year of 1.5 years from AFREXIM bank	2.78%	200,000	200,000
Loan for a Year of 5 years from EBRD	2.9% over Libor for 6 months	17,446	21,429
Loan for a Year of 5 years from IFC renewable	3.15% over Libor for 6 months	37,500	37,500
Loan for a Year of 5 years from EBRD	3.1% over Libor for 6 months	15,000	15,000
Loan for a Year of 5 years from IFC renewable	2.9% over Libor for 6 months	15,000	15,000
Total		684,946	658,929
Current balances		563,000	563,000
Non Current Balance		121,946	125,929
Total		684,946	688,929

32. Other Provisions

<u>31 March 2021</u>	Balance at the beginning of the year	Impact of adopting IFRS 9	Formed/ Released during the year	Foreign exchange currency difference	Transferred from other accounts	Used during the year	Balance at the end of the year
Claims provision	2,182	-	140	4	-	(2)	2,324
Contingent liabilities provision	12,874	-	1,842	5	-	-	14,721
Total	15,056	-	1,982	9	-	(2)	17,045
<u>31 December 2020</u>	Balance at the beginning of the year	Impact of adopting IFRS 9	Formed/ Released during the year	Foreign exchange currency difference	Transferred from other accounts	Used during the year	Balance at the end of the year
Claims provision	1,718	-	586	34	-	(156)	2,182
Contingent liabilities provision	10,821	-	1,970	83	-	-	12,874
Employees' incentive provision	-	-	-	-	-	-	-
Total	12,539	0	2,556	117	-	(156)	15,056

33. Current income tax liabilities

	31 March 2021	31 December 2020
Current tax obligation for bills and treasury	18,657	18,595
Current tax obligation foreign branches	1,392	4,470
	20,049	23,065

34. Employment benefit obligation

The Department of Social Fund for employees in the Arab African International Bank to conduct an actuarial study to determine the net present value of the obligations of the fund. Thus, determine the surplus or deficit in the fund as at 31 December 2019 under which the bank will compensate any shortfall that may arise from the investment fund.

The most important was the basic assumptions used by the actuary are as follows: -

- Death rates from the British Table A49-52 ULT
- Disability rates from the experience of the Egyptian Social Security.
- Unity method is used in the calculation of the estimated additional commitments and the present value of subscriptions (Unit Projected method).

The following table shows the movement on the statement of income: -

<u>Employee benefits obligations</u>	31 March 2021	31 December 2020
Balance at the beginning of the year	6,689	8,699
Formed during the year	1,203	10,662
Provided during the year	-	(12,672)
Balance at the end of the year	7,892	6,689

Amounts recognized in the Balance Sheet

	31 March 2021	31 December 2020
The present value of funded obligations	25,767	24,986
The fair value of the assets system	13,119	12,253
Deficit of funded system	12,648	12,733
Unrealized actuarial losses	(11,193)	(13,617)
The liabilities in the Financial Position statement	1,455	(884)

Amounts recognized in the Balance Sheet

	31 March 2021	31 December 2020
Liabilities	1,455	(884)
Assets	-	-
The liabilities in the Financial Position statement	1,455	(884)

The bank is liable to pay the difference amounting to USD 70 thousand related to monthly pension for employees who receive their pension in USD



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	EGP '000	EGP '000
	31 December 2020	31 December 2019
The present value of funded obligations	943,671	1,323,617
The fair value of the assets system	769,021	548,091
Deficit of funded system	174,650	775,526
Unrealized actuarial losses	(16,036)	(575,210)
The liabilities in the Financial Position statement	158,614	200,316
	31 December 2020	31 December 2019
Amounts recognized in the Balance Sheet		
Liabilities	158,614	200,316
Assets	-	-
The liabilities in the Financial Position statement	158,614	200,316

The pension and remuneration system for employees who receive their salaries in Egyptian pounds.

	EGP %	USD %
Average assumptions for the determination of benefits obligations		
Discount rate%	14.99	2.25
Rate of increase in compensation%	5	2
Rate of price inflation%	5.4	2
Rate of increase in pension%	5.5	2
Average assumptions to determine the net cost		
Discount rate%	14.00	2.83
Expected long-term rate of return on the assets during the financial year	9.58	3.39
Rate of increase in compensation%	9	2
Rate of price inflation%	7.8	2.2
Rate of increase in pension%	6	2

35. Sales of Treasury Bills with a commitment to repurchase

	31 March 2021	31 December 2020
Sales of Treasury Bills with a commitment to repurchase maturity 91 days	27,930	32,275
Sales of Treasury Bills with a commitment to repurchase maturity 182 days	-	-
	27,930	32,275



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36. Capital

A. Authorized capital

The authorized capital for the bank is 1 Billion USD.

B. Issued and Paid-in capital

The issued, subscribed and paid-in capital amounts to 500 million USD represented in 100 million shares of 5 USD par value.

On September 12, 2017, the Extraordinary General Meeting of Arab African International Bank shareholders approved the increase of the bank's authorized capital from 500 million USD to 1 billion USD and amended the provisions of Article (6) of the Bank's Articles of Association. Also, the increase of the issued and paid in capital from 100 million USD to 500 million USD of the retained earning represented in 100 million shares of 5 USD par value.

C. Shareholders

	<u>Ownership Interest</u>
Central Bank of Egypt	49.37%
Kuwait General Investment Authority	49.37%
Others	1.26%
	<u>100%</u>

37. Reserves and Retained earning

	<u>31 March 2021</u>	<u>31 December 2020</u>
Legal reserve	171,052	171,052
General reserve	10,000	10,000
Special reserve	2,448	2,448
General banking risks reserve	251	251
Capital reserve	2,953	2,953
Currencies translation reserve	(20)	(20)
Fair value reserve	25,645	35,064
Special reserve credit	25,782	25,782
General risk reserve	23,481	23,481
Total reserves at the end of the Year	<u>261,592</u>	<u>271,011</u>

*special reserve credit – was formulated by the difference between the current expected credit losses for a period of 5 periods and the calculated on a period of 7 periods and amounting to 25,782 Million USD by end of Dec 2020

Movements in reserves were as follows:

a. Legal reserve	31 March 2021	31 December 2020
Balance at the beginning of the Year	171,052	151,973
Transferred from retained earning	0	19,079
Balance at the end of the Year	171,052	171,052

b. General reserve	31 March 2021	31 December 2020
Balance at the beginning of the Year	10,000	10,000
Balance at the end of the Year	10,000	10,000

c. Special reserve	31 March 2021	31 December 2020
Balance at the beginning of the Year	2,448	2,448
Transfer to general risk reserve	-	-
Balance at the end of the Year	2,448	2,448

In compliance with the Central Bank of Egypt guidelines, the balance of the special reserve is not to be disposed off without recourse to the Central Bank of Egypt

d. Banking risk reserve	31 March 2021	31 December 2020
Balance at the beginning of the Year	251	240
Transferred from retained earning	-	6
Foreign Exchange differences	-	5
Balance at the end of the Year	251	251

In compliance with the Central Bank of Egypt guidelines, the balance of the banking risk reserve is not to be disposed off without recourse to the Central Bank of Egypt

e. Capital reserve	31 March 2021	31 December 2020
Balance at the beginning of the Year	2,953	2,560
Transferred from retained earning	-	393
Balance at the end of the Year	2,953	2,953



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f. Currencies translation reserve

	31 March 2021	31 December 2020
Balance at the beginning of the Year	(20)	(9)
Foreign exchange difference	-	(11)
Balance at the end of the Year	(20)	(20)

In accordance with the Central Bank of Egypt guidelines, the results of the business and budget of the foreign branches are translated into the presentation currency, which is different from the presentation currency of the Bank. Exchange differences arising from a separate item (foreign currency translation differences) are recognized in equity as currencies translation reserve

g. Fair value reserve

	31 March 2021	31 December 2020
Balance at the beginning of the Year	35,064	(5,966)
Impact of adopting IFRS 9	-	-
Net change in treasury bills fair value	(645)	115
Net change in fair value through other comprehensive income investments	(11,508)	52,269
Net change in fair value through other comprehensive income reclassified investments	-	(361)
Deferred income tax during the Year	2,734	(10,993)
Balance at the end of the Year	25,645	35,064

h. General risk reserve

	31 March 2021	31 December 2020
Balance at the beginning of the Year	23,481	23,481
Balance at the end of the Year	23,481	23,481

g. Special reserve - credit

	31 March 2021	31 December 2020
Balance at the beginning of the Year	25,782	-
Transferred to general risk reserve	-	25,782
Balance at the end of the Year	25,782	25,782

Retained earnings

	31 March 2021	31 December 2020
Balance at the beginning of the Year	1,264,188	1,244,836
Distributions of cash dividends of the Year profit 2019/2020	-	(17,708)
Transferred to legal reserve	-	(19,079)
Transferred to capital reserve	-	(393)
transferred to banking risk reserve	-	(6)
Transferred to special reserve- credit	-	(25,782)
Impact of adopting IFRS 9	-	-
Gain on sale of FVOCI investments	222	2,272
Profit of the Year	32,228	80,048
Balance at the end of the Year	1,296,638	1,264,188



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38. Contingent liabilities and commitments

Items subject to credit risk outside the financial position

	31 March 2021	31 December 2020
Letters of guarantee	1,045,209	986,277
Commercial letters of credit (import and export)	56,784	56,784
Letters of acceptances	9,912	9,912
Collaterals and cash margin	(204,423)	(196,424)
Total	907,482	856,549

39. Tax status

First: Corporate tax according to law for the period 2005

1-Periods until 2016

The tax return has been submitted according to law number 91 for the period 2005, and the tax authority has performed the tax examination for these periods, the bank's declarations were approved and the dispute was settled by agreement with the tax authority. The bank paid the tax differentials and there is no dispute between the bank and the tax authority, Bank received final clearance for these periods

2-Periods 2017

Tax examination has been finished for this Period and tax payments has been agreed upon, no dispute for that Period, tax settlement is being processed in order to receive final clearance

3-Period 2018/2019

The tax return for this Period has been submitted. Documents and analysis required for the examination of this Period are being presented, tax examination is being followed up with tax authority

4-Period 2020:

Tax return is being prepared for this period to be submitted to tax authority

Second: Salary tax:

1-Periods until 2016

The bank has been examined by the tax authority until the period 2016 and the bank has submitted an approval for the examination result and paid any tax differences

2-Period 2017 /2019

Monthly taxes has been paid in due time as per bank's calculation, tax differences has been paid, tax examination is being followed up with tax authority

3-Period 2021

Monthly taxes has been paid in due time as per bank's calculation, tax differences has been paid, also bank's has finished presentation of tax returns

Third: Stamp Duty Tax:

1-Periods until 2019

The tax examination for these periods has been completed in accordance with referred to laws and all tax liabilities has been fully paid and all disputes with the Authority have been settled, bank has received a final clearance for these tax Periods.



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2- From 1/1/2020 till 31/12/2020 :

Tax examination is being processed for period 2020 and all taxes has been paid until final settlement from tax authority

3-Period 2021

The tax due for this period has been paid quarterly in due time ,

40. Related party transactions

A. Related parties include the major shareholders, subsidiaries and associates. During the Period the bank has dealt with related parties within its ordinary operations. The nature of these transactions and balances on the financial position date are as follows:

	31 March 2021	31 December 2020
Due from banks -Central Bank of Egypt (shareholder)	435,783	471,313
Obligatory reserve - Central Bank of Egypt (shareholder)	762,447	1,130,432
Investments in subsidiaries and associates	44,499	44,499
Loans to customers (subsidiaries and associates)	23,193	23,127
Customers' deposits (subsidiaries and associates)	5,941	3,218
Due to banks -Central Bank of Egypt (shareholder)	39,656	41,704
Financial investment (mutual fund certificates) "Shield"	1,631	1,631
Financial investment (mutual fund certificates) "Juman"	2,791	2,791
Financial investment (mutual fund certificates) "Gozor"	1,680	1,680
Financial investment (mutual fund certificates) "Guard"	279	279
	31 March 2021	30 March 2020
Fees and commission income (AAIB mutual fund)" Shield"	42	32
Fees and commission income (AAIB mutual fund)"Juman"	142	147
Fees and commission income (AAIB mutual fund)"Gozor"	10	5
Financial investment (mutual fund certificates) "Guard"	1	-



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Board of directors and top management benefits*

	31 March 2021	30 March 2020
Salaries and employee benefit	961	980
Employee bonuses	153	165
	1,114	1,145

The value of the remuneration of the biggest twenty owners of bonuses and salaries in the bank together, including senior management and staff branches of the bank inside and outside Egypt (on the basis of monthly average for the Period), according to the stated rules to strengthen corporate governance and internal control of banks and issued by the Central Bank of Egypt on 23/8 /2011 amount to U.S. 747 thousand on 31 March 2021 (636 thousand U.S.dollars in 31 December 2019).

41. Arab African International Bank Mutual Fund “shield”

The bank owns “shield” mutual fund which was established in accordance with the capital law No. 95 of 1992 and its executive regulations. The bank shares are currently amounting 322,839 certificates equivalent to 55.97 MM EGP and the value per certificates at the Balance Sheet date was 173.36 EGP.

42. Arab African International Bank Mutual Fund “Juman”

The bank owns “Juman” mutual fund which was established in accordance with the capital law No. 95 of 1992 and its executive regulations. The bank shares are currently amounting 439,259 certificates equivalent to 144.61 MM EGP and the value per certificates at the balance sheet date was 329.23 EGP.

43. Arab African International Bank Mutual Fund Fixed debt instrument”Gozor”

The bank owns “Fixed debt instrument mutual fund which was established in accordance with the capital law No. 95 of 1992 and its executive regulations. The bank shares are currently amounting 2,807,009 certificates equivalent to 74.4 MM EGP and the certificates value per certificates at the balance sheet date was 26.49 EGP.

44. Arab African International Bank Mutual Fund Fixed debt instrument”Guard”

The bank owns “Fixed debt instrument mutual fund which was established in accordance with the capital law No. 95 of 1992 and its executive regulations. The bank shares are currently amounting 500,000 certificates equivalent to 6.6MM EGP and the certificates value per certificates at the balance sheet date was 13.28 EGP.

45. Cash and cash equivalents

For the purposes of the cash flow statement presentation, cash and cash equivalents comprise the following balances with a maximum maturity of six months from the date of acquisition.

	31 March 2021	30 March 2020
Cash and balances with central banks	850,839	595,666
Due from banks	3,392,845	2,843,027
Treasury bills	1,751,162	2,234,847
Due from the central banks “obligatory reserve ratio”	(762,447)	(488,128)
Deposits at banks	(458,622)	(260,057)
Treasury bills (maturity more than 3 months)	(1,304,724)	(1,831,091)
Cash and cash equivalents	3,469,053	3,094,264



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46.Important events

Due to the current uncertainty resulting from the Corona Virus (Covid-19) pandemic, locally and globally, and the resulting tangible interruption in many business sectors in the economic environment, as well as in banking operations and activities, the bank management has set and activated a continuity plan business and procedures for managing potential risks related to business interruption as a result of that pandemic and its effects on banking operations and the bank's financial performance.

The bank management also monitors the credit losses (ECL) of its portfolio of financial instruments carefully to evaluate the impact of this pandemic on the qualitative and quantitative factors to determine any additional significant increase expected in the credit risk (SICR) and particularly related to the economic sectors most affected by the pandemic according to the best estimates in light of information Available on previous events and current conditions and based on assumptions related to expected economic performance

Accordingly, the bank has studied the expected potential effects of the current economic fluctuations in determining the disclosed amounts of the financial and non-financial assets of the bank and it represents the best evaluation of management based on the information that can be observed, however, the markets remain volatile and the amounts remain The disclosure is sensitive to market fluctuations, with the possibility of creating additional provisions as a precautionary step

47.Translation

These financial statements are translated into English from the original Arabic statements. The original Arabic statements are the official financial statements.