البنك العربي الافريقي الدولي
arab african international bank

**EGYPTIAN JOINT STOCK COMPANY**
**SEPARATE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED**
**31 December 2020**
**<u>WITH AUDITOR'S REPORT</u>**

**Allied for Accounting and Auditing – E.Y**

**Public Accountants & Consultants**

**United accountants ( Member of Nexia international)**
**Public Accountants and Consultants**

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## Independent Auditors' Report

**To: The Shareholders of Arab African International Bank "S.A.E."**

### Report on the financial statements

We have audited the accompanying financial statements of Arab African International Bank "S.A.E." (the "Bank"), which comprise the financial position as at 31 December 2020 and the related statements of income, changes in equity, comperhensive income and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Auditors' responsibility

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arab African International Bank "S.A.E." as of 31 December 2020 and of its financial performance and its cash flows for the year then ended, in accordance with Central Bank of Egypt's rules, pertaining to the preparation and presentation of the bank's financial statements, issued on December 16, 2008 as amended by the regulations issued on 26 February 2019 and in the light of the Egyptian laws and regulations relating to the preparation of these financial statements.

## Report on other legal and regulatory requirements

In light of the above we didn't notice contravention – for the year ended 31 Decemeber 2020- of the Central Bank, Banking and Monetary Institution law Institution No.88 for 2003 that was operative until cancellation on 15 sepetmeber 2020 and Central Bank, Banking and Monetary Institution law Institution No.194 of 2020 for subsequent periods – Considering regulation of the fourth paragraph of the law 194 for 2020 and the grace period as per law

The Bank maintains proper financial records, which includes all that is required by the law and by the statutes of the bank, and the financial statements are in agreement therewith.

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

Auditors

**Amr Mohamed Mostafa El Shaabini**

Central bank registeration number "163"
Allied for Accounting and Auditing - E.Y

Public Accountants & Consultants

Allied for Accounting & Auditing
A Member of Ernst & Young Global
المتضامنون للمحاسبة والمراجعة

**Sayed Khalil Sayed El Deeb**

Central bank registeration number "464"
United Accountants (Member of Nexia international)
Public Accountants and Consultants

United Accountants
Nexia

Cairo, 1 April 2021

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**Arab African International Bank**

**(Egyptian joint stock company)**

**Separate statement of financial position**

**As at 31 Decemeber2020**

| | Note | 31 December 2020 US$ '000 | 31 December 2019 US$ '000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from Central Banks | (15) | 1,206,276 | 658,895 |
| Due from banks | (16) | 3,865,960 | 3,388,211 |
| Treasury bills | (17) | 1,700,135 | 2,159,465 |
| Loans and advances to Banks | (20) | 57,927 | 63,635 |
| Loans and advances to customers | (21) | 4,145,212 | 4,330,042 |
| **Financial Investments:-** | | | |
| At fair value through profit or loss | (18) | 24,357 | 16,505 |
| At fair value through other comprehensive inco | (18) | 1,287,006 | 308,910 |
| At amortized cost | (18) | 1,538,742 | 779,663 |
| Investments in subsidiaries and associates | (23) | 44,499 | 45,904 |
| Investments properties | (19) | 2,150 | 2,190 |
| Intangible assets | (27) | 18,807 | - |
| Other assets | (24) | 250,573 | 185,990 |
| Deferred tax assets | (25) | 5,942 | 3,122 |
| Fixed assets | (26) | 118,948 | 74,919 |
| **Total Assets** | | **14,266,534** | **12,017,451** |
| **Liabilities & owners' equity** | | | |
| **Liabilities** | | | |
| Due to banks | (28) | 1,407,983 | 522,553 |
| Treasury bills sold with repurchase agreement | (35) | 32,275 | 82,000 |
| Customers' deposits | (29) | 9,775,581 | 9,083,651 |
| Other liabilities | (30) | 281,757 | 267,005 |
| Loans and facilites from banks | (31) | 688,929 | 92,500 |
| Other provisions | (32) | 15,056 | 12,539 |
| Current income tax liabilities | (33) | 23,065 | 18,941 |
| Employee benefits obligations | (34) | 6,689 | 8,699 |
| **Total Liabilities** | | **12,231,335** | **10,087,888** |
| **Owners' Equity** | | | |
| Paid-in capital | (36) | 500,000 | 500,000 |
| Reserves | (37) | 271,011 | 184,727 |
| Retained earnings | (37) | 1,264,188 | 1,244,836 |
| **Total owners' equity** | | **2,035,199** | **1,929,563** |
| **Total liabilities and owners' equity** | | **14,266,534** | **12,017,451** |

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 Year ended 31 Decemeber2020**

| | Note | For the Year ended at 31 December 2020 US$ '000 | 31 December 2019 US$ '000 |
|---|---|---|---|
| Interest Income & Similar revenues | (6) | 935,185 | 1,122,240 |
| Interest Expense & Similar costs | (6) | (584,576) | (744,089) |
| **Net interest income** | | **350,609** | **378,151** |
| Fees & Commission income | (7) | 62,810 | 69,955 |
| Fees & Commission expenses | (7) | (3,962) | (2,665) |
| **Net Fees & Commission income** | | **58,848** | **67,290** |
| Dividend income | (8) | 1,410 | 712 |
| Net trading income | (9) | 23,324 | 25,903 |
| Expected credit losses expenses | (10) | (118,696) | (58,391) |
| Gain on financial investments | (19) | 2,196 | 4,635 |
| Administrative expenses | (11) | (134,887) | (113,559) |
| Other operating expense | (12) | (31,036) | (27,117) |
| **Profit before income tax** | | **151,768** | **277,624** |
| Income tax expense | (13) | (71,720) | (86,551) |
| **Net profit for the Year** | | **80,048** | **191,073** |
| **Earnings per share ( dollar / share )** | (14) | **0.72** | **1.73** |

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

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# Arab African International Bank

## (Egyptian joint stock company)

## Separate statement of Comprehensive Income

## for the Year ended 31 Decemeber2020

| | For the Year ended at | |
|---|---|---|
| | 31 December 2020 | 31 December 2019 |
| | US$ '000 | US$ '000 |
| Net profit for the Year | 80,048 | 191,073 |
| **Items that will not be reclassified to the profit or loss** | | |
| Net change in fair value reserve for financial investments in equity instruments at fair value through other comprehensive income | 37,297 | - |
| **Total** | **37,297** | **-** |
| **Items that may be reclassified to the profit or loss** | | |
| Net change in fair value reserve of debt instruments | 11,561 | 1,410 |
| Expected credit loss for fair value of debt instruments measured at fair value through other comprehensive income | 3,165 | 238 |
| **Total** | **14,726** | **1,648** |
| Tax impact related to items that is or may be reclassified to income statement | (10,993) | (318) |
| **Total other comperhensive income items for the Year** | **41,030** | **1,330** |
| **Total comprehensive income** | **121,078** | **192,403** |

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

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# Arab African International Bank
## (Egyptian joint stock company)
## Separate statement of Changes in owners' equity
## for the Year ended 31 Decemeber2020

| | Paid In Capital | Reserves | Retained Earnings | Total |
|---|---|---|---|---|
| | US$ '000 | US$ '000 | US$ '000 | US$ '000 |
| **Balance as at 31 December 2018 -Before appropriation** | 500,000 | 236,369 | 1,136,570 | 1,872,939 |
| **Transferred to legal reserve** | - | 26,428 | (26,428) | - |
| Dividends of the year ended 2018 | - | - | (74,359) | (74,359) |
| **Balance as at 31 December 2018 -After appropriation** | **500,000** | **262,797** | **1,035,783** | **1,798,580** |
| Effect of change arising from first application of IFRS 9 | - | (79,724) | 18,293 | (61,431) |
| **Restated balance at 1 January 2019** | 500,000 | 183,073 | 1,054,076 | 1,737,149 |
| Bank risk reserve | - | 55 | (34) | 21 |
| Currencies translation differences reserve | - | (10) | - | (10) |
| Capital reserve | - | 279 | (279) | - |
| Net change in other comprehensive income items | - | 1,330 | - | 1,330 |
| Net Profit as at 31 Decemeber2019 | - | - | 191,073 | 191,073 |
| **Balance as at 31 Decemeber2019** | **500,000** | **184,727** | **1,244,836** | **1,929,563** |
| **Balance as at 31 December 2019 -Before appropriation** | 500,000 | 184,727 | 1,244,836 | 1,929,563 |
| Transferred to legal reserve | - | 19,079 | (19,079) | - |
| Dividends of the year ended 2019 | - | - | (17,708) | (17,708) |
| **Balance as at 31 December 2019 -After appropriation** | **500,000** | **203,806** | **1,208,049** | **1,911,855** |
| Bank risk reserve | - | 11 | (6) | 5 |
| Foreign exchange transalation differences reserve | - | (11) | - | (11) |
| Capital reserve | - | 393 | (393) | - |
| Transferred from Retained earnings to special reserve -credit | - | 25,782 | (25,782) | - |
| Gain on sale of equity instruments through OCI | - | - | 2,272 | 2,272 |
| Net change in other comprehensive income items | - | 41,030 | - | 41,030 |
| Net Profit as at 31 Decemeber2020 | - | - | 80,048 | 80,048 |
| **Balance as at 31 Decemeber2020** | **500,000** | **271,011** | **1,264,188** | **2,035,199** |

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

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**Arab African International Bank**
**(Egyptian joint stock company)**
**Separate statement of cash flows**
**for the Year endend 31 Decemeber2020**

| | Note | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | | US$ '000 | US$ '000 |
| **Cash Flows from Operating Activities** | | | |
| Profit before income tax | | 151,768 | 277,624 |
| **Adjustments to reconcile net profit to net cash provided from operating activities** | | | |
| Depreciation and amortization | (11) | 8,807 | 10,365 |
| Impairment charge for credit losses | (10) | 118,696 | 58,391 |
| Other provision charges | (12) | 2,556 | 1,124 |
| Other provisions used other than loans provisions | | (156) | (4,101) |
| Provision by foreign currency translation differences | | 117 | - |
| Impairment charge in Investments in subsidiaries and associates | (23) | 1,403 | (731) |
| Gain on sale of Investments in subsidiaries and associates | (23) | - | (646) |
| Gain on sale of financial assets | (18) | (552) | (908) |
| Cash dividends | (8) | (1,410) | (712) |
| Gain on sale of fixed assets | (12) | (414) | (279) |
| Retirement benefit obligations changes | (33) | 10,662 | 8,687 |
| Employee benefits | (33) | (12,672) | (4,568) |
| Gain / loss of monetary assets & liabilities revaluation difference | (18) | (42,539) | (67,408) |
| **Gain Operating profit before changes in assets and liabilities provided from operating activities** | | **236,266** | **276,838** |
| **Net Decrease (Increase) in Assets and Liabilities** | | | |
| Due from banks | | (588,831) | (183,931) |
| Treasury bills | | 221,109 | 409,740 |
| Financial Investments - Fair value through profit and loss | | (7,852) | (3,784) |
| Loans and advances to customers & banks | | 236,624 | (83,898) |
| Other assets | | (74,648) | (16,533) |
| Due to banks | | 885,430 | 72,517 |
| Customers' deposits | | 691,930 | 305,181 |
| Other liabilities | | 20,313 | 20,113 |
| Income taxes paid | | (78,945) | (92,570) |
| **Net cash flows (used in) operating activities** | | **1,541,396** | **703,673** |
| **Cash Flows From Investing Activities** | | | |
| Purchase securities other than financial assets at fair value through profit and loss | | (1,978,796) | (641,639) |
| Sale / redemption of securities other than financial assets at fair value through profit and loss | | 315,920 | 64,182 |
| Gain on sale of Financial assets at fair value through other comprehensive income | | 551 | 908 |
| Impairment charge in Investments in subsidiaries and associates | | (1,403) | - |
| Gain on sale of fixed assets / assets reverted to the bank | | 414 | 279 |
| Proceeds from dividends paid | | 1,410 | 712 |
| Purchase of fixed assets and branches equipment and improvement | | (44,463) | (29,421) |
| **Net cash flows (used in) investing activities** | | **(1,706,367)** | **(604,979)** |
| **Cash Flows from Financing Activities** | | | |
| Loans and advances from Banks | | 596,429 | (25,000) |
| Cash dividends paid | (36) | (17,708) | (74,359) |
| **Net cash flows (used in) resulted from financing activities** | | **578,721** | **(99,359)** |
| Net decrease in cash and cash equivalents during the Year | | **413,750** | **(665)** |
| Cash and cash equivalents at the beginning of the Year | | **4,051,155** | **4,051,820** |
| **Cash and cash equivalents at the end of the Year** | | **4,464,905** | **4,051,155** |
| **Cash and cash equivalents are represented in:** | | | |
| Cash and due from Central Banks | | 1,206,276 | 658,934 |
| Due from banks | | 3,865,960 | 3,389,380 |
| Treasury bills | | 1,700,135 | 2,162,154 |
| Balances with the Central Banks limited to the reserve ratio | | (1,130,432) | (576,834) |
| Deposits with banks (matured over than three months) | | (222,723) | (187,372) |
| Treasury bills (matured over than three months) | | (954,311) | (1,395,107) |
| **Cash and cash equivalents at the end of the Year** | (44) | **4,464,905** | **4,051,155** |

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

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## Arab African International Bank
## (Egyptian joint stock company)
## Statement of proposed appropriation for the year ended 31 December 2020

| | 31 December 2020 USD | 31 December 2019 USD |
|---|---|---|
| Net profit | 80,048 | 191,073 |
| Add / Deduct: | | |
| General banking risk reserve | (6) | (34) |
| Gain from sale - fixed assets transferred to capital reserve | (393) | (279) |
| **Net profit** | **79,649** | **190,760** |
| Add / Deduct: | | |
| Retained earnings at the beginning of the year modified with IFRS9 application | 1,208,049 | 1,054,076 |
| Transferred to capital reserve | (25,782) | - |
| Gain on sale of equity instruments through OCI | 2,272 | - |
| **Total** | **1,264,188** | **1,244,836** |
| Distributed as follows: | | |
| legal reserve | 7,966 | 19,079 |
| Shareholders dividends (part 1) | - | 100 |
| Employee distribution | 7,168 | 17,158 |
| Remuneration of board members | 450 | 450 |
| Banking sector development and support fund (*) | 797 | - |
| **Retained earnings at the end of the year** | 1,247,807 | 1,208,049 |
| | **1,264,188** | **1,244,836** |

*According to article 178 -CBE law no 194 to deduct an amount not exceeding 1% from net distributable income for banking sector development and support fund

## 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 2,361 employees at the balance sheet date.
These financial statements were approved by the Board of Directors on 29 March 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 Year 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 intented 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 intented 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.

**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 Year with financial liabilities Year 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 Years, 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 Year 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 excepted credit loss (ECL).

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

According to IFRS 9; 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 six 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 six 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.

**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.

**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

***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 Years 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 Year. 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 Year 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 year. 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 Year was expired without issuing the loan, fees and commission are considered as income at the end of the commitment Year,

Fees related to debt instruments is mearsured 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 Year in which the service is provided. Fees from financial planning management and custodian services provided to clients over long Years are usually recognized as revenue on a straight-line basis over the Year 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 sod 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.

***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 Year of non-payment is more than (60) days and less than (90) days. Note that this Year (60 days) will be reduced by (10) days per year to become (30) days during (3) years from the date of application.

***Transfer between six 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. <u>Intangible Assets</u>**

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

***N/1 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 year. 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 years.

## 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 Year 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.

| Assets type | Useful life-before amend | Useful life-after amend |
|---|---|---|
| Building | 30 Years | 40 Years |
| Furniture | 5 Years | 5 Years |
| Equipment | 7 Years | 7 Years |
| Transportation | 5 Years | 5 Years |
| Computers | 5 Years | 5 Years |
| Installations | 7 Years | 10 years or rent period which ever is less |
| Safes boxes & Secured rooms | 5 Years | 40 Years |

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 Year and with specified amount where the contract's Year 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 Year 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 Years when the bank is exempted from paying the lease or if the lease is different (more or less) in different Years, 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 Years 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 Year.

**S. Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than six 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 year 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 year the estimated value of the obligation is calculated The impact of which is substantially calculated at present value.

***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 Year'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 Year.

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 years. 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 Year 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 Year, 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.

## X. Comparative Figures

Comparative figures for financial assets and liabilities are reclassified but not re-measured to comply with the current Year's financial statements presentation according to CBE instructions issued on 26 February 2020 for IFRS9 implementation starting January 01, 2020.

## 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 analysis 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 Yearic 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

| Bank's rating | Description of the grade |
|---|---|
| 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 occured
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.

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 Year, 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

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

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 Year 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:

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Loans and advances | Impairment Losses | Loans and advances | Impairment Losses |
| **Bank's rating** | % | % | % | % |
| 1-Performing loans | 60 | 31 | 68 | 23 |
| 2-Regular watching | 21 | 16 | 15 | 10 |
| 3-Watch list | 6 | 5 | 9 | 5 |
| 4-Nonperforming loans | 13 | 48 | 8 | 62 |
| | 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.

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 Yearically 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 |

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

***3.A.5 Maximum credit risk limit before collaterals***

**In balance sheet credit risk exposure is shown below:**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Balances with the central banks limited to the reserve ratio | 1,130,432 | 576,834 |
| Due from banks | 3,880,478 | 3,389,380 |
| Treasury bills | 1,703,905 | 2,248,279 |
| Loans and advances to banks | 59,918 | 67,392 |
| Loans and advances to customers | | |
| **Retail:** | | |
| - Overdrafts | 203,752 | 248,177 |
| - Credit cards | 15,837 | 15,679 |
| - Personal loans | 234,682 | 161,966 |
| - Direct loans | 40,232 | 39,889 |
| - Mortgage Loan | 61,072 | 47,671 |
| -Other Loans | 213,752 | 176,146 |
| **Corporate:** | | |
| - Overdrafts | 1,274,744 | 1,082,939 |
| - Direct loans | 1,019,233 | 1,433,752 |
| - Syndicated loans | 1,433,266 | 1,407,639 |
| -Other Loans | 61,480 | 52,653 |
| **Financial investments:** | | |
| Debt instruments | 2,763,633 | 1,080,031 |
| Other assets | 147,145 | 67,894 |
| **Total** | **14,243,561** | **12,096,321** |

| **Off balance sheet credit risk exposure is shown below:** | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Letters of guarantee | 986,277 | 1,008,463 |
| Letter of credit | 56,784 | 79,615 |
| Customers Acceptances | 9,912 | 25,846 |
| Collaterals and cash margin | (196,424) | (221,395) |
| **Total** | **856,549** | **892,529** |

Loans and credit facilities commitments valued USD 2,422,502 thousand at the end of the current Year against USD 2,203,862 thousand at the end of the comparative year

The above table represents maximum credit risk exposure to the bank at the end of 30 December 2020
As shown above, 32.42% of the total maximum exposure is derived from loans and advances to banks and customers, while the investments in debt instruments represents 19.40%.
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 598,653 thousand
- The bank has implemented more prudent processes when granting loans and advances during the financial Year ended in 31 December 2020.

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

- More than 93.16% of the investments in debt instruments are treasury bills are represented in debt instruments on the Egyptian government.

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

| 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- | 1,537,236 | - | - | 1,537,236 |
| BBB+ to BBB- | 168,038 | 469,845 | - | 637,883 |
| BB+to BB- | 2,027,102 | 795,158 | - | 2,822,260 |
| WD | - | - | 13,531 | 13,531 |
| Total | 3,732,376 | 1,265,003 | 13,531 | 5,010,910 |
| Expected credit loss | (294) | (1,906) | (12,476) | (14,676) |
| **Carrying amount** | **3,732,082** | **1,263,097** | **1,055** | **4,996,234** |

| Treasury bills at Amortized cost | stage 1 1-12 months | stage 2 Life time | stage 3 Life time | Total |
|---|---|---|---|---|
| BB+to BB- | 1,566,252 | - | - | 1,566,252 |
| CCC+ to CCC- | 2,107 | - | - | 2,107 |
| Total | 1,568,359 | - | - | 1,568,359 |
| Expected credit loss | (3,869) | - | - | (3,869) |
| **Carrying amount** | **1,564,490** | **-** | **-** | **1,564,490** |

| 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- | 135,661 | - | - | 135,661 |
| Total | 135,661 | - | - | 135,661 |
| Expected credit loss | (16) | - | - | (16) |
| **Carrying amount** | **135,645** | **-** | **-** | **135,645** |

| 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- | 347,595 | - | - | 347,595 |
| BB+to BB- | 737,564 | 126,504 | - | 864,068 |
| Total | 1,085,159 | 126,504 | - | 1,211,663 |
| Expected credit loss | (74) | (3,441) | - | (3,515) |
| **Carrying amount** | **1,085,085** | **123,063** | **-** | **1,208,148** |

| Debt instruments at Amortized cost | stage 1 1-12 months | stage 2 Life time | stage 3 Life time | Total |
|---|---|---|---|---|
| BB+to BB- | 1,268,688 | 275,605 | - | 1,544,293 |
| CCC+ to CCC- | - | - | 7,677 | 7,677 |
| Total | 1,268,688 | 275,605 | 7,677 | 1,551,970 |
| Expected credit loss | 0 | (5,551) | (7,677) | (13,228) |
| **Carrying amount** | **1,268,688** | **270,054** | **-** | **1,538,742** |

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

| Loans to banks | stage 1<br>1-12 months | stage 2<br>Life time | stage 3<br>Life time | Total |
|---|---|---|---|---|
| Normal watch-list (rating 6) | 58,926 | - | - | 58,926 |
| Non performing loan (rating 8-10) | - | - | 992 | 992 |
| Total | 58,926 | - | 992 | 59,918 |
| Expected credit loss | (853) | - | (992) | (1,845) |
| **Carrying amount** | **58,073** | **-** | **-** | **58,073** |

| **Retail Loans**<br>(credit cards, personal loans, mortgage loans) | stage 1<br>1-12 months | stage 2<br>Life time | stage 3<br>Life time | Total |
|---|---|---|---|---|
| Stage 1 (1-60 day) | 311,359 | - | - | 311,359 |
| Stage 2 (60 - 90 day) | - | 13,697 | - | 13,697 |
| stage 3 (more than 90 day) | - | - | 8,475 | 8,475 |
| Total | 311,359 | 13,697 | 8,475 | 333,531 |
| Expected credit loss | (5,550) | (7,605) | (4,973) | (18,128) |
| **Carrying amount** | **305,809** | **6,092** | **3,502** | **315,403** |

| Corporate Loans | stage 1<br>1-12 months | stage 2<br>Life time | stage 3<br>Life time | Total |
|---|---|---|---|---|
| Good debt (rating 1-5) | 1,979,443 | 564,051 | 1,004 | 2,544,498 |
| Normal watch-list (rating 6) | 260,133 | 509,022 | 42,618 | 811,773 |
| Special watch-list (rating 7) | - | 282,212 | - | 282,212 |
| Non performing loan (rating 8-10) | - | - | 586,039 | 586,039 |
| Total | 2,239,576 | 1,355,285 | 629,661 | 4,224,522 |
| Expected credit loss | (9,867) | (115,173) | (233,362) | (358,402) |
| **Carrying amount** | **2,229,709** | **1,240,112** | **396,299** | **3,866,120** |

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

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

| Due from banks and central banks | stage 1<br>1-12 months | stage 2<br>Life time | stage 3<br>Life time | Total |
|---|---|---|---|---|
| Expected credit loss at beginning of Year | 115 | 832 | 265 | 1,212 |
| Transfer to stage 1 | 35 | (35) | - | - |
| Net changes in the probability of failure | 82 | 810 | 12,211 | 13,103 |
| New financial assets purchased or issued | 65 | 918 | - | 983 |
| Financial assets have been matured or derecognised | (3) | (619) | - | (622) |
| **Balance at the end of the year** | **294** | **1,906** | **12,476** | **14,676** |

| Treasury bills at amortized cost | stage 1<br>1-12 months | stage 2<br>Life time | stage 3<br>Life time | Total |
|---|---|---|---|---|
| Expected credit loss at beginning of Year | 3,592 | - | - | 3,592 |
| Net changes in the probability of failure | 0 | - | - | 0 |
| New financial assets purchased or issued | 3,869 | - | - | 3,869 |
| Financial assets have been matured or derecognised | (3,592) | - | - | (3,592) |
| **Balance at the end of the year** | **3,869** | **-** | **-** | **3,869** |

| Treasury bills at fair value through other comprehensive income | stage 1<br>1-12 months | stage 2<br>Life time | stage 3<br>Life time | Total |
|---|---|---|---|---|
| Expected credit loss at beginning of Year | 191 | - | - | 191 |
| New financial assets purchased or issued | 16 | - | - | 16 |
| Financial assets have been matured or derecognised | (191) | - | - | (191) |
| **Balance at the end of the year** | **16** | **-** | **-** | **16** |

| Loans and Facilities (Corporate and banks) | stage 1<br>1-12 months | stage 2<br>Life time | stage 3<br>Life time | Total |
|---|---|---|---|---|
| Expected credit loss at beginning of Year | 19,075 | 98,786 | 176,126 | 293,987 |
| Transfer to stage 1 | 5,060 | (5,060) | - | - |
| Transfer to stage 2 | (3,807) | 3,807 | - | - |
| Transfer to stage 3 | (507) | (37,083) | 37,590 | - |
| Net changes in the probability of failure | (5,901) | 54,406 | 37,332 | 85,837 |
| New financial assets purchased or issued | 1,653 | - | - | 5,182 |
| Financial assets have been matured or derecognised | (4,853) | (389) | (4,954) | (10,196) |
| Recoveries | - | - | 968 | 968 |
| Execution during the year | - | - | (17,070) | (17,070) |
| Foreign exchange translation differences | - | 808 | 731 | 1,539 |
| **Balance at the end of the year** | **10,720** | **115,275** | **234,252** | **360,247** |

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

| Debt instruments at fair value through other comprehensive income | stage 1<br>1-12 months | stage 2<br>Life time | stage 3<br>Life time | Total |
|---|---|---|---|---|
| Expected credit loss at beginning of Year | 47 | - | - | 47 |
| Net changes in the probability of failure | (1) | - | - | (1) |
| New financial assets purchased or issued | 43 | 3,441 | - | 3,484 |
| Financial assets have been matured or derecognised | (16) | - | - | (16) |
| **Balance at the end of the year** | **73** | **3,441** | - | **3,514** |

| Debt instruments at amortized cost | stage 1<br>1-12 months | stage 2<br>Life time | stage 3<br>Life time | Total |
|---|---|---|---|---|
| Expected credit loss at beginning of Year | - | 4,502 | 88 | 4,590 |
| Net changes in the probability of failure | - | (265) | 7,590 | 7,325 |
| New financial assets purchased or issued | - | 5,506 | - | 5,506 |
| Financial assets have been matured or derecognised | - | (4,193) | 0 | (4,193) |
| **Balance at the end of the year** | - | **5,550** | **7,678** | **13,228** |

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

**loans and facilities to banks and customers**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Neither past due nor impaired | 3,550,516 | 3,914,607 |
| Past due but not impaired | 468,799 | 430,605 |
| Subject to impairment | 598,653 | 388,691 |
| **Total** | **4,617,968** | **4,733,903** |
| **Deduct:** | | |
| Unearned discount for commercial papers & loans | (32,610) | (34,923) |
| Prepaid interest for loans | (7) | (10) |
| Impairment loss provision | (378,375) | (302,688) |
| Interest in suspense | (3,837) | (2,605) |
| **Net** | **4,203,139** | **4,393,677** |

arab african international bank

**(An Egyptian Joint Stock Company)**

**Notes to the separate financial statements – For the year ended 31 Decemebr 2020**

(**All amounts are in thousand US Dollars unless otherwise mentioned**)

## 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.

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

**31 December 2020**

| | Retail | | | | | | Corporate | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rating | Overdrafts | Credit cards | Personal loans | Direct loans | Mortgage Loan | other loans | 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 | - | 0 | - | - | - | - | 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** |

**31 December 2019**

| | Retail | | | | | | Corporate | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rating | Overdrafts | Credit cards | Personal loans | Direct loans | Mortgage Loan | other loans | 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 | 242,949 | 7,199 | 70,091 | 4,044 | 396 | 176,146 | 760,284 | 536,256 | 916,185 | 50,276 | 2,763,826 | 66,400 | 2,830,226 |
| 2.Standard monitoring | 5,228 | 5,798 | 75,244 | 35,845 | 39,189 | - | 113,516 | 246,369 | 9,757 | 2,377 | 533,323 | - | 533,323 |
| 3.Special monitoring | - | 54 | - | - | - | - | 165,579 | 197,872 | 187,553 | - | 551,058 | - | 551,058 |
| **Total** | **248,177** | **13,051** | **145,335** | **39,889** | **39,585** | **176,146** | **1,039,379** | **980,497** | **1,113,495** | **52,653** | **3,848,207** | **66,400** | **3,914,607** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

**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 December 2020 | Retail | | | | |
|---|---|---|---|---|---|
| | Direct loans | Credit cards | Personal Loans | Mortgage loans | Total |
| 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 | | | | |
|---|---|---|---|---|---|
| 31 December 2020 | Overdrafts | Direct loans | Syndicated loans | Other loans | Total |
| 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 |
| **Total** | 53,375 | 184,462 | 133,071 | - | 370,908 |

| 31 December 2019 | Retail | | | | |
|---|---|---|---|---|---|
| | Direct loans | Credit cards | Personal Loans | Mortgage loans | Total |
| Past due up to 30 days | - | 1,446 | 6,292 | 5,298 | 13,036 |
| Past due 30-60 days | - | 560 | 2,785 | 1,803 | 5,148 |
| Past due 60-90 days | - | 251 | 3,289 | 637 | 4,177 |
| **Total** | **-** | **2,257** | **12,366** | **7,738** | **22,361** |

| | Corporate | | | | |
|---|---|---|---|---|---|
| 31 December 2019 | Overdrafts | Direct loans | Syndicated loans | Other loans | Total |
| Past due up to 30 days | 34,121 | 111,489 | 253,195 | - | 398,805 |
| Past due 30-60 days | 9,439 | - | - | - | 9,439 |
| Past due 60-90 days | - | - | - | - | - |
| **Total** | **43,560** | **111,489** | **253,195** | **-** | **408,244** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 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 389,374 thousand at the end of 30 December 2020 (against USD 388,691 thousand at the end of December 2019)

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 December 2020** | | | | | | |
| Individually impaired loans | - | 395 | 9,619 | 1,599 | - | 11,612 |
| **31 December 2019** | | | | | | |
| Individually impaired loans | - | 371 | 4,265 | 348 | - | 4,984 |

| | Corporate | | | | | |
|---|---|---|---|---|---|---|
| | Over Drafts | Direct loans | Syndicated loans | Other loans | Banks loans | Total |
| **31 December 2020** | | | | | | |
| Individually impaired loans | - | 401,632 | 184,417 | - | 992 | 587,041 |
| **31 December 2019** | | | | | | |
| Individually impaired loans | - | 341,766 | 40,949 | - | 992 | 383,707 |

### 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 13,919 thousand at the end of 31 December 2020 (was USD 14,405 thousand at 31 December 2019 ).

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Loans and Advances to customer** | | |
| **Corporate** | | |
| Syndicated loans | 9,757 | 9,757 |
| Direct loans | 4,129 | 4,625 |
| **Retail** | | |
| Credit card | 1 | 1 |
| Personal loans | 32 | 22 |
| **Total** | **13,919** | **14,405** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 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 Year end based on Standard & Poor assessment or equivalent at 30 December 2020

| 31 December 2020 | Treasury Bills | Debt instruments at fair value through other comprehensive income | Investments at amortized cost | Total |
|---|---|---|---|---|
| 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** |
| B | 1,700,135 | 864,066 | 1,538,742 | **4,102,943** |
| **Total** | **1,700,135** | **1,211,663** | **1,538,742** | **4,450,540** |

| 31 December 2019 | Treasury Bills | Debt instruments at fair value through other comprehensive income | Investments at amortized cost | Total |
|---|---|---|---|---|
| AA+ | - | 98,640 | - | 98,640 |
| AA | - | 62,708 | - | 62,708 |
| AA- | - | 11,065 | - | 11,065 |
| A+ | - | 26,999 | - | 26,999 |
| A | - | 53,985 | - | 53,985 |
| Less than BBB | 2,159,465 | 42,381 | 773,243 | 2,975,089 |
| Less than CCC | - | - | 6,420 | 6,420 |
| **Total** | **2,159,465** | **295,778** | **779,663** | **3,234,906** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

*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 Year 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 | 929,258 | - | - | - | 929,258 | 200,975 | 199 | **1,130,432** |
| Due from banks | 1,812,285 | - | - | - | 1,812,285 | 2,054,861 | 13,332 | **3,880,478** |
| Treasury bills and other governmental papers | 1,696,900 | - | - | - | 1,696,900 | 4,927 | 2,078 | **1,703,905** |
| Loans & advances to bank | 992 | - | - | - | 992 | 58,926 | - | **59,918** |
| **Loans and advances to customers :** | | | | | | | | |
| **Retail:** | | | | | | | | |
| Overdrafts | 187,944 | 11,694 | 1,410 | 2,704 | 203,752 | - | - | **203,752** |
| Credit cards | 11,651 | 2,928 | 396 | 862 | 15,837 | - | - | **15,837** |
| Personal loans | 127,598 | 50,691 | 18,045 | 16,030 | 212,364 | 22,318 | - | **234,682** |
| Direct loans | 40,232 | - | - | - | 40,232 | - | - | **40,232** |
| Mortgage Loan | 59,813 | 668 | 83 | 250 | 60,814 | 258 | - | **61,072** |
| Other loans | 213,752 | - | - | - | 213,752 | - | - | **213,752** |
| **Corporate:** | - | - | - | - | - | - | - | **-** |
| Overdrafts | 829,818 | 283,614 | 3,850 | 3,065 | 1,120,347 | 152,223 | 2,174 | **1,274,744** |
| Direct loans | 806,290 | 44,000 | - | 640 | 850,930 | 166,947 | 1,356 | **1,019,233** |
| Syndicated loans | 1,143,339 | 150,932 | - | - | 1,294,271 | 138,995 | - | **1,433,266** |
| Other loans | 43,729 | 8,789 | 1,080 | 7,882 | 61,480 | - | - | **61,480** |
| **Investment securities:** | - | - | - | - | - | - | - | **-** |
| Debt instruments | 2,659,044 | - | - | - | 2,659,044 | 96,898 | 7,691 | **2,763,633** |
| Other assets | 132,676 | 2,596 | 5,510 | 1,443 | 142,225 | 3,260 | 1,660 | **147,145** |
| **Total as at 31 Decemeber2020** | **10,695,321** | **555,912** | **30,374** | **32,876** | **11,314,483** | **2,900,588** | **28,490** | **14,243,561** |
| **Total as at 31 December 2019** | **9,820,230** | **451,483** | **21,736** | **30,249** | **10,323,698** | **1,752,484** | **20,139** | **12,096,321** |

**(All amounts are in thousand US Dollars unless otherwise mentioned)**

- ***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 | - | - | - | - | 1,130,432 | - | - | - | - | **1,130,432** |
| Due from banks | - | - | - | - | 3,880,478 | - | - | - | - | **3,880,478** |
| Treasury bills & other governmental papers | - | - | - | - | - | - | 1,703,905 | - | - | **1,703,905** |
| Loans and advances to banks | - | - | - | - | 59,918 | - | - | - | - | **59,918** |
| **Loans and advances to customers:** | | | | | | | | | | |
| **Retail:** | | | | | | | | | | |
| Overdrafts | - | - | - | - | - | - | - | 203,752 | - | **203,752** |
| Credit cards | - | - | - | - | - | - | - | 15,837 | - | **15,837** |
| Personal Loans | - | - | - | - | - | - | - | 234,682 | - | **234,682** |
| Direct Loans | - | - | - | - | - | - | - | 40,232 | - | **40,232** |
| Mortgage Loan | - | - | - | - | - | - | - | 61,072 | - | **61,072** |
| Other loans | - | - | - | - | - | - | - | 213,752 | - | **213,752** |
| **Corporate:** | | | | | | | | | | |
| Overdrafts | 760,009 | 13,907 | 162,145 | 177,727 | 105,235 | 54,438 | 1,283 | - | - | **1,274,744** |
| Direct Loans | 212,479 | - | 55,696 | 477,031 | 127,089 | 80,368 | 66,570 | - | - | **1,019,233** |
| Syndicated Loans | 590,187 | - | 27,360 | 670,523 | - | 53,936 | 91,260 | - | - | **1,433,266** |
| Other loans | 6,650 | 655 | 17,535 | 20,753 | 10,234 | 1,688 | 3,965 | - | - | **61,480** |
| **Investment securities** | | | | | | | | | - | |
| Debt instruments | - | - | - | - | 349,381 | - | 2,414,252 | - | - | **2,763,633** |
| Other assets | - | - | - | - | 10,943 | - | 92,906 | 10,890 | 32,406 | **147,145** |
| **Total as at 30 Decemeber2020** | **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** |
| **Total as at 31 December 2019** | **1,583,265** | **12,125** | **179,914** | **1,441,185** | **4,556,501** | **177,996** | **3,387,610** | **689,831** | **67,894** | **12,096,321** |

## 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 Year.

(All amounts are in thousand US Dollars unless otherwise mentioned)

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

**Foreign currency risk concentration on financial instruments**

| 31 December 2020 | USD | EGP | EUR | GBP | OTHER | TOTAL |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and balances with central banks | 23,001 | 1,176,398 | 3,675 | 908 | 2,294 | 1,206,276 |
| Due from banks | 2,804,285 | 119,635 | 27,942 | 42,884 | 871,214 | 3,865,960 |
| Treasury bills | 1,238,970 | 328,728 | 130,359 | - | 2,078 | 1,700,135 |
| Financial investment at fair value through profit or loss | - | 24,357 | - | - | - | 24,357 |
| Loans and advances to customers and banks | 1,384,436 | 2,632,709 | 23,933 | 114 | 161,947 | 4,203,139 |
| Financial investment at fair value through other comprehensive income | 183,769 | 1,101,656 | 1,521 | - | 60 | 1,287,006 |
| Financial investment at amortized cost | 220,835 | 1,268,688 | 49,219 | - | - | 1,538,742 |
| other assets | 24,572 | 19,927 | - | - | - | 44,499 |
| | 49,976 | 191,314 | 898 | 6,825 | 1,560 | 250,573 |
| **Total financial assets** | **5,929,844** | **6,863,412** | **237,547** | **50,731** | **1,039,153** | **14,120,687** |
| **Financial liabilities** | | | | | | |
| Due to banks | 547,812 | 492,777 | 28,024 | 3,776 | 335,594 | 1,407,983 |
| Sales of treasury bills with comitment to repurchase | - | 32,275 | - | - | - | 32,275 |
| Customers deposits | 2,232,374 | 5,952,584 | 214,832 | 46,767 | 1,329,024 | 9,775,581 |
| Loans and facilities from banks | 688,929 | - | - | - | - | 688,929 |
| Other provision | 8,958 | 6,096 | 2 | - | - | 15,056 |
| Income tax liability | - | 18,595 | - | - | 4,470 | 23,065 |
| Employees benefits | 6,689 | - | - | - | - | 6,689 |
| Other financial liabilities | 129,318 | 143,946 | 2,170 | 1,003 | 5,320 | 281,757 |
| **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** |
| **31 December 2019** | | | | | | |
| **Total financial assets** | **5,026,345** | **5,990,856** | **248,917** | **54,854** | **618,958** | **11,939,930** |
| **Total financial liabilities** | **3,041,277** | **5,978,654** | **247,662** | **54,846** | **765,449** | **10,087,888** |
| **Net on balance sheet financial position** | **1,985,068** | **12,202** | **1,255** | **8** | **(146,491)** | **1,852,042** |
| **Credit commitments** | **157,478** | **275,616** | **268,352** | **-** | **191,083** | **892,529** |

(**All amounts are in thousand US Dollars unless otherwise mentioned**)

***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.

| 31 December 2020 | 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 | 200,846 | - | - | - | - | 1,005,430 | 1,206,276 |
| Due from banks | 2,649,098 | 975,482 | 222,723 | - | - | 18,657 | 3,865,960 |
| Treasury bills | 235,439 | 510,385 | 954,311 | - | - | - | 1,700,135 |
| Financial investment at fair value through profit or loss | - | - | - | - | - | 24,357 | 24,357 |
| Loans and advances to customers | 2,078,773 | 783,692 | 703,999 | 432,646 | 203,771 | 258 | 4,203,139 |
| Financial investment at fair value through other comprehensive income | 230,277 | 16,520 | 32,241 | 574,086 | 350,539 | 83,343 | 1,287,006 |
| Financial investment at amortized cost | 3,178 | 30,736 | 117,625 | 1,186,097 | 193,428 | 7,678 | 1,538,742 |
| **Total financial assets** | 5,397,611 | 2,316,815 | 2,030,899 | 2,192,829 | 747,738 | 1,139,723 | 13,825,615 |
| Financial liabilities | | | | | | | |
| Due to banks | 1,263,329 | 142,606 | - | - | - | 2,048 | 1,407,983 |
| Sales of treasury bills with comitment to repurchase | 32,275 | - | - | - | - | - | 32,275 |
| Customers deposits | 4,540,753 | 927,575 | 603,941 | 1,565,346 | 170,240 | 1,967,726 | 9,775,581 |
| Loans and facilities from banks | 21,429 | 30,000 | 637,500 | - | - | - | 688,929 |
| **Total financial liabilities** | **5,857,786** | **1,100,181** | **1,241,441** | **1,565,346** | **170,240** | **1,969,774** | **11,904,768** |
| **Total interest repricing gap** | **(460,175)** | **1,216,634** | **789,458** | **627,483** | **577,498** | **(830,051)** | **1,920,847** |

(**All amounts are in thousand US Dollars unless otherwise mentioned**)

## 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 December 2020 | 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 | 1,206,276 | - | - | - | - | **1,206,276** |
| Due from banks | 2,663,155 | 980,082 | 222,723 | - | - | **3,865,960** |
| Treasury bills | 235,439 | 510,385 | 954,311 | - | - | **1,700,135** |
| Financial investment at fair value through profit or loss | 24,357 | - | - | - | - | **24,357** |
| Loans and advances to customers | 818,880 | 91,046 | 1,047,865 | 1,330,252 | 915,096 | **4,203,139** |
| Investment securities | | | | | | |
| Financial investment at fair value through other comprehensive income | 75,282 | - | 19,191 | 828,585 | 363,948 | **1,287,006** |
| Financial investment at amortized cost | 3,178 | 30,736 | 120,803 | 1,186,097 | 197,928 | **1,538,742** |
| **Total financial assets** | **5,026,567** | **1,612,249** | **2,364,893** | **3,344,934** | **1,476,972** | **13,825,615** |
| **Financial liabilities** | | | | | | |
| Due to banks | 1,265,377 | 142,606 | - | - | - | **1,407,983** |
| Sales of treasury bills with comitment to repurchase | 32,275 | - | - | - | - | **32,275** |
| Customers deposits | 5,828,708 | 1,178,991 | 1,118,812 | 1,478,830 | 170,240 | **9,775,581** |
| Loans and facilities from banks | 4,286 | - | 629,286 | 55,357 | - | **688,929** |
| **Total financial liabilities** | **7,130,646** | **1,321,597** | **1,748,098** | **1,534,187** | **170,240** | **11,904,768** |
| **Total liquidity gap** | **(2,104,079)** | **290,652** | **616,795** | **1,810,747** | **1,306,732** | **1,920,847** |

**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 Years 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.1Financial instruments measured at fair value using valuation techniques***

No change in the assessed fair value using the valuation techniques through the financial Year ended on 30 December 2020 and the financial Year ended on 30 December 2019.

(**All amounts are in thousand US Dollars unless otherwise mentioned**)

***D.2Financial 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 December 2020** | **31 December 2019** | **31 December 2020** | **31 December 2019** |
| **Financial Assets** | | | | |
| Due from banks | 3,865,960 | 3,388,211 | 3,865,960 | 3,388,211 |
| Loans and advances to banks | 59,918 | 67,392 | 59,918 | 67,392 |
| **Loans to customers** | | | | |
| - Individual | 769,327 | 689,528 | 769,327 | 689,528 |
| - Corporate Entities | 3,788,723 | 3,976,983 | 3,788,723 | 3,976,983 |
| **Financial Investments** | | | | |
| At amortized cost | 1,538,742 | 779,663 | 1,581,982 | 818,181 |
| **Financial liabilities** | | | | |
| Due to banks | 1,407,983 | 522,553 | 1,407,983 | 522,553 |
| **Customer deposits:** | | | | |
| - Individual | 3,491,455 | 3,465,331 | 3,491,455 | 3,465,331 |
| - Corporate Entities | 6,284,126 | 5,618,320 | 6,284,126 | 5,618,320 |
| **Loans and facilities from banks** | 688,929 | 92,500 | 688,929 | 92,500 |

***Due from banks***

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

***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 Year.

***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

**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 Year.

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

| | 31-December-2020<br>USD '000 | 31 December 2019<br>USD '000 |
|---|---|---|
| **Capital** | | |
| **Tier 1 Going Concern Capital (1)** | | |
| Share capital (net of the treasury shares) | 500,000 | 500,000 |
| Reserves | 184,005 | 164,533 |
| Retained earnings | 1,206,379 | 1,072,663 |
| General risk reserve | 23,481 | 23,481 |
| Total other comprehensive income items | 35,064 | (6,626) |
| IFRS 9 Risk reserve | 64,156 | - |
| Total deduction from capital invested | (45,667) | (11,741) |
| **Total Common Equity capital** | **1,967,418** | **1,742,310** |
| **Tier 2 (Gone – Concern Capital) (2)** | | |
| 45% of the value of the Special Reserve | 1,102 | 1,224 |
| 45 % of the increase in the fair value above the carrying amount | 15,946 | 15 |
| Provision for impairment losses for performing loans and advances and contingent liabilities | 21,962 | 30,158 |
| Total impairment losses from tier 2 | (126) | (120) |
| **Total ( Gone – Concern Capital)** | **38,884** | **31,277** |
| **Total capital base** | **2,006,302** | **1,773,587** |
| **Total Credit Risk , Market Risk and Operational Risk** | | |
| Credit Risk | 8,535,321 | 7,475,927 |
| Market Risk | 310,300 | 88,144 |
| Operational Risk | 739,173 | 750,417 |
| **Total Credit Risk , Market Risk and Operational Risk** | **9,584,794** | **8,314,488** |
| **Capital Adequacy Ratio %** | **20.93%** | **21.33%** |

According to consolidated financial statements balances and according to central bank of Egypt regtulations on 24 December 2012
NSFR ratio record 149% (LCY 132% and FCY 165%), and LCR ratio record 366% (LCY 135% and FCY 253%).

**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 year 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

**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-December-2020 USD '000 | 31-December-2019 USD '000 |
|---|---|---|
| Tier 1 Capital after exclusion | 1,967,418 | 1,742,310 |
| **Total Tier 1 Capital after exclusion** | **1,967,418** | **1,742,310** |
| Total on balance sheet exposures items including derivatives contracts & financial securities | 14,766,296 | 12,047,525 |
| Total off-balance sheet exposures | 1,206,990 | 1,127,407 |
| **Total exposures on and off-balance sheet** | **15,973,286** | **13,174,932** |
| **Financial leverage ratio** | **12.32%** | **13.22%** |

## 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 Year. 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

***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 Yearcally 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 Year 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

(All amounts are in thousand US Dollars unless otherwise mentioned)

***Retail:***
includes current account, saving accounts, deposits, credit card, personal loans, and real estate loans activities,
***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 December 2020** | **Corporate banking** | **Retail** | **Investment banking** | **Total** |
|---|---|---|---|---|
| **Revenues and expenses according to the sector activity** | | | | |
| Revenues of the sector activity | 404,313 | 75,496 | 1,063,020 | 1,542,829 |
| Expenses of the sector | (352,803) | (12,881) | (836,961) | (1,202,645) |
| Result of the sector operations | **51,510** | **62,615** | **226,059** | **340,184** |
| Uncategorized expenses | | | | (188,416) |
| Profit before tax | | | | 151,768 |
| Income Tax expense | | | | (71,720) |
| Net profit after tax | | | | **80,048** |
| **Assets and Liabilities according to the sector activity** | | | | |
| Assets of the sector activity | 3,476,020 | 716,231 | 8,593,625 | 12,785,876 |
| Uncategorized assets | | | | 1,480,658 |
| Total assets | | | | **14,266,534** |
| Liabilities of the sector activity | 6,273,869 | 3,201,258 | 1,979,273 | 11,454,400 |
| Uncategorized liabilities | | | | 2,812,134 |
| Total Liabilities | | | | **14,266,534** |

| **31 December 2019** | **Corporate banking** | **Retail** | **Investment banking** | **Total** |
|---|---|---|---|---|
| **Revenues and expenses according to the sector activity** | | | | |
| Revenues of the sector activity | 583,947 | 101,335 | 540,485 | **1,225,767** |
| Expenses of the sector | (460,598) | (42,416) | (305,673) | **(808,687)** |
| Result of the sector operations | **123,349** | **58,919** | **234,812** | **417,080** |
| Uncategorized expenses | | | | (139,456) |
| Profit before tax | | | | 277,624 |
| Income Tax expense | | | | (86,551) |
| Net profit after tax | | | | **191,073** |
| **Assets and Liabilities according to the sector activity** | | | | |
| Assets of the sector activity | 3,875,946 | 1,126,804 | 6,152,510 | **11,155,260** |
| Uncategorized assets | | | | **862,191** |
| Total assets | | | | **12,017,451** |
| Liabilities of the sector activity | 5,571,236 | 947,168 | 3,850,974 | 10,369,378 |
| Uncategorized liabilities | | | | 1,648,073 |
| Total Liabilities | | | | **12,017,451** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## Segment analysis (continued)

### b. Geographical sector analysis

Arab republic of Egypt

| 31 December 2020 | Cairo | Alex Delta | Upper Egypt | Other | Total | Gulf | Lebanon* | Total |
|---|---|---|---|---|---|---|---|---|
| **Revenues & Expenses according to the geographical sectors** | | | | | | | | |
| Revenues of the Geographical sectors | 1,330,121 | 116,938 | 20,649 | 18,018 | 1,485,726 | 54,522 | 1,431 | 1,541,679 |
| Expenses of the Geographical sectors | (1,220,807) | (107,265) | (18,421) | (16,763) | (1,363,256) | (26,355) | (300) | (1,389,911) |
| Result of sector operations | **109,314** | **9,673** | **2,228** | **1,255** | **122,470** | **28,167** | **1,131** | **151,768** |
| Profit before tax | | | | | | | | **151,768** |
| Income tax expense | | | | | | | | **(71,720)** |
| Profit of the year after tax | | | | | | | | **80,048** |
| **Assets & liabilities according to the geographical sectors** | | | | | | | | |
| Geographical sectors assets | 10,677,903 | 592,513 | 66,303 | 35,499 | **11,372,218** | **2,867,683** | **26,633** | **14,266,534** |
| Total assets | 10,677,903 | 592,513 | 66,303 | 35,499 | **11,372,218** | **2,867,683** | **26,633** | **14,266,534** |
| Geographical sectors liabilities | 10,677,903 | 592,513 | 66,303 | 35,499 | **11,372,218** | **2,867,683** | **26,633** | **14,266,534** |
| Total liabilities | 10,677,903 | 592,513 | 66,303 | 35,499 | **11,372,218** | **2,867,683** | **26,633** | **14,266,534** |

| 31 December 2019 | Cairo | Alex Delta | Upper Egypt | Other | Total | Gulf | Lebanon* | Total |
|---|---|---|---|---|---|---|---|---|
| **Revenues & Expenses according to the geographical sectors** | | | | | | | | |
| Revenues of the Geographical sectors | 1,061,714 | 68,134 | 7,384 | 9,402 | 1,146,634 | 78,251 | 882 | 1,225,767 |
| Expenses of the Geographical sectors | (876,567) | (36,517) | (4,637) | (6,425) | (924,146) | (23,684) | (313) | (948,143) |
| Result of sector operations | **185,147** | **31,617** | **2,747** | **2,977** | **222,488** | **54,567** | **569** | **277,624** |
| Profit before tax | | | | | | | | **277,624** |
| Income tax expense | | | | | | | | **(86,551)** |
| Profit of the year | | | | | | | | **191,073** |
| **Assets & liabilities according to the geographical sectors** | | | | | | | | |
| Geographical sectors assets | **9,729,560** | **482,651** | **58,785** | **33,710** | **10,304,706** | **1,692,611** | **20,134** | **12,017,451** |
| Total assets | **9,729,560** | **482,651** | **58,785** | **33,710** | **10,304,706** | **1,692,611** | **20,134** | **12,017,451** |
| Geographical sectors liabilities | **9,729,560** | **482,651** | **58,785** | **33,710** | **10,304,706** | **1,692,611** | **20,134** | **12,017,451** |
| Total liabilities | **9,729,560** | **482,651** | **58,785** | **33,710** | **10,304,706** | **1,692,611** | **20,134** | **12,017,451** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

### 6. Net Intrest Income

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Interest Income and similar revenues from:** | | |
| Loans and advances to customers and banks | 432,738 | 616,749 |
| Treasury bills and bonds | 262,658 | 373,800 |
| Deposits and current accounts | 78,972 | 112,716 |
| Investments in amortized cost and OCI bonds | 160,817 | 18,975 |
| | **935,185** | **1,122,240** |
| **Interest expenses and similar charges from:** | | |
| Deposits and current accounts: | | |
| To banks | (33,178) | (26,214) |
| To customers | (535,171) | (698,756) |
| Sales of treasury bills with comitment to repurchase | (1,150) | (906) |
| Other loans and advances | (15,077) | (18,213) |
| **Total** | **(584,576)** | **(744,089)** |
| **Net** | **350,609** | **378,151** |

### 7. Net fees and commission income

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Fees and Commissions income :** | | |
| Credit related fees and commissions | 36,886 | 43,410 |
| Funding institutions services fees | 4,022 | 5,206 |
| Book keeping fees | 2,763 | 1,737 |
| Western union service fees | 6,999 | 8,317 |
| Transfers fees | 4,121 | 5,338 |
| Fees collected of customer service | 7,236 | 5,156 |
| Other fees | 783 | 791 |
| | **62,810** | **69,955** |
| **Fees and Commissions expense :** | | |
| Other fees and commissions paid | (3,962) | (2,665) |
| **Net fees and Commissions** | **58,848** | **67,290** |

### 8. Dividend Income

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Equity instruments at fair value through profit and loss | 993 | 10 |
| Equity instruments at fair value through other comprehensive income | 417 | 289 |
| Subsidiaries and associates companies | - | 413 |
| **Total dividend income** | **1,410** | **712** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 9. Net trading income

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Foreign exchange:** | | |
| Gains from foreign currencies transactions | 20,768 | 24,147 |
| Loss / Gain from SWAPs | (56) | 76 |
| Trading debt instruments | - | 5 |
| change in fair value for equity instruments held for trading | 2,612 | 1,675 |
| **Net trading income** | **23,324** | **25,903** |

## 10. Expected credit losses expense

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Loans and advances to Customers and banks | (88,695) | (50,084) |
| Due from central banks limited to the reserve | (118) | (25) |
| Due from banks | (13,304) | (625) |
| Debt instruments | (12,206) | (7,067) |
| Other assets | (4,373) | (590) |
| | **(118,696)** | **(58,391)** |

## 11. Administrative expenses

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Salaries, Wages & Staff Benefits | (54,759) | (42,309) |
| Staff medical expenses | (1,671) | (1,342) |
| Social insurance & pension | (16,413) | (13,478) |
| Merchandise supplies | (9,167) | (7,343) |
| Services supplies | (22,039) | (20,991) |
| Stamp duty taxes & Fees | (14,406) | (12,515) |
| Depreciation &Amortization | (8,807) | (10,365) |
| Donation | (5,233) | (2,575) |
| Comprehensive medical insurance | (2,392) | (2,641) |
| | **(134,887)** | **(113,559)** |

## 12. Other Operating Expense

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Loss on revaluation of monetary assets & liabilities balances in foreign currencies other than trading | (1,186) | (3,836) |
| Gain from sale fixed assets | 414 | 279 |
| Other operating income | 6,464 | 2,043 |
| Other operating expenses | (34,172) | (24,479) |
| Other provision expense | (2,556) | (1,124) |
| | **(31,036)** | **(27,117)** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 13. Income Tax Expense

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Current income taxes-Local Branches | (77,028) | (73,741) |
| Current income taxes-Foreign Branches | (4,673) | (11,813) |
| Deferred tax | 9,981 | (997) |
| | **(71,720)** | **(86,551)** |

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 December 2020 | 31 December 2019 |
|---|---|---|
| Profit before taxes | 151,768 | 277,624 |
| **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 | 34,148 | 62,465 |
| **Add/(Deduct)** | | |
| Revenues not subject to taxation | (86,645) | (62,272) |
| Expenses not deducted for tax purposes | 69,896 | 44,479 |
| Treasury Bills Taxes | 64,302 | 40,882 |
| Deferred tax | (9,981) | 997 |
| Income tax | 71,720 | 86,551 |
| **Actual tax rate** | **47.26%** | **31.18%** |

## 14. Earnings per share

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Net profit for the year | 80,048 | 191,073 |
| Expected Distributions of employees | (7,168) | (17,158) |
| Board of directors remuneration expected | (450) | (450) |
| | **72,430** | **173,465** |
| Weighted average for the expected number of shares | 100,000 | 100,000 |
| **Earnings per share (Dollar / share)** | **0.72** | **1.73** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 15. cash and due from Central banks

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash in hand | 76,002 | 82,100 |
| Balances with the Central Banks limited to the reserve ratio | 1,130,432 | 576,834 |
| Less : Expected credit loss | (158) | (39) |
| | **1,206,276** | **658,895** |
| Non-interest bearing balances | 1,206,434 | 658,934 |
| Less : Expected credit loss | (158) | (39) |
| **Total** | **1,206,276** | **658,895** |

## 16. Due from banks

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Current accounts | 259,271 | 95,968 |
| Deposits | 3,621,207 | 3,293,412 |
| Less : Expected credit loss | (14,518) | (1,169) |
| **Total** | **3,865,960** | **3,388,211** |
| Central banks other than those under Legal Reserve | 471,313 | 677,089 |
| Local banks | 1,032,728 | 1,025,205 |
| Foreign banks | 2,376,437 | 1,687,086 |
| Less : Expected credit loss | (14,518) | (1,169) |
| **Total** | **3,865,960** | **3,388,211** |
| Non-interest bearing balances | 366,608 | 95,968 |
| Variable interest bearing balances | 3,513,870 | 3,293,412 |
| Less : Expected credit loss | (14,518) | (1,169) |
| **Total** | **3,865,960** | **3,388,211** |
| Current balance | 3,880,478 | 3,389,380 |
| Less : Expected credit loss | (14,518) | (1,169) |
| **Total** | **3,865,960** | **3,388,211** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 17. Treasury bills

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Treasury bills issued from central bank of Egypt | 1,701,827 | 2,157,907 |
| Treasury bills issued from central bank of Lebanon | 2,078 | 4,247 |
| **Net treasury bills** | **1,703,905** | **2,162,154** |
| **Treasury bills represent the following according to maturities:** | | |
| Treasury bills, maturity 91 days | 17,458 | 31,571 |
| Treasury bills, maturity 182 days | 18,325 | 208,283 |
| Treasury bills, maturity 273 days | 45,665 | 286,764 |
| Treasury bills, maturity 364 days | 1,653,654 | 1,721,181 |
| Treasury bills, maturity more than 1 year | 300 | 480 |
| **Total nominal value** | 1,735,402 | 2,248,279 |
| Less: Accrued interest | (31,497) | (86,125) |
| **Total nominal value after deducting accrued interest** | **1,703,905** | **2,162,154** |
| Less : Expected credit loss | (3,885) | (3,783) |
| Fair value through comprehensive income reserve | 115 | 1,094 |
| **Net treasury bills** | **1,700,135** | **2,159,465** |

| | | |
|---|---|---|
| **Net treasury bills at amortized cost** | **1,564,490** | **1,697,230** |
| **Net treasury bills at fair value through other comprehensive income** | **135,645** | **462,235** |
| **Total** | **1,700,135** | **2,159,465** |

* Net treasury bills Includes in Dollar & Euro at 31 December 2020 amounting to 1,373,197 thousand U.S dollar (1,282,471 thousand USD as 31 December, 2019)

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 18. Financial investments

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

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Equity securities** | | |
| listed in stock exchange market | 6,815 | - |
| **Total (1)** | **6,815** | **-** |
| **Mutual funds*** | | |
| Non-listed in stock exchange market | 17,542 | 16,505 |
| **Total** | **17,542** | **16,505** |
| **Total financial investments at fair value through profit and loss** | **24,357** | **16,505** |

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 December 2020 | 31 December 2019 |
|---|---|---|
| **Debt securities – at fair value** | | |
| Listed at fair value | 1,211,663 | 295,778 |
| **Total (1)** | **1,211,663** | **295,778** |
| **Equity securities - at fair value** | | |
| Listed securities at fair value | 24,448 | 102 |
| Non-listed securities at Cost value | 50,895 | 13,030 |
| **Total (2)** | **75,343** | **13,132** |
| **Total financial investments at fair value through other comprehensive income (1+2)** | **1,287,006** | **308,910** |

### 18/3 Financial investments at amortized cost

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Debt instruments:** | | |
| Listed in stock exchange market | 1,551,970 | 784,253 |
| Less : Expected credit loss | (13,228) | (4,590) |
| **Total financial investments at amortized cost** | **1,538,742** | **779,663** |
| | | |
| **Total financial investments** | **2,850,105** | **1,105,078** |
| Current Balances | 163,405 | 151,166 |
| Non-current balances | 2,686,700 | 953,912 |
| | **2,850,105** | **1,105,078** |
| Debt instruments with fixed interest rates | 2,482,380 | 912,442 |
| Debt instruments with variable interest rates | 268,025 | 167,589 |
| | **2,750,405** | **1,080,031** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

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

| | Fair value through other comprehensive income | Amortized cost | Total |
|---|---|---|---|
| **Balance at 1 January 2019** | 58,277 | 380,234 | 438,511 |
| Additions | 1,173 | 6,109 | 7,282 |
| Disposals (sale / redemption) | 282,118 | 359,521 | 641,639 |
| Reclassification for applying IFRS 9 | (38,916) | (23,841) | (62,757) |
| Impairment losses for financial investments held to maturity | (6,936) | 6,936 | - |
| Impairment losses for financial investments available for sale | 12,386 | 55,022 | 67,408 |
| Translation differernces resulting from monetary forein currency assets | 808 | - | 808 |
| Net changes in fair value - financial investments available for sale | - | (4,590) | (4,590) |
| **Balance at 31 December 2019** | **308,910** | **779,391** | **1,088,301** |
| **Balance at 1 January 2020** | 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 differernces resulting from monetary forein currency assets | 20,201 | 22,338 | 42,539 |
| Net changes in financial investments fair value through other comprehensive income | 40,670 | - | 40,670 |
| Less : Expected credit loss | - | (8,638) | (8,638) |
| **Balance at 31 Decemeber2020** | **1,287,006** | **1,538,742** | **2,825,748** |

Gain /loss from financial investments represented in :

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Gain on sale investment bonds | 552 | 908 |
| Gain on sale Treasury bills | 3,047 | 2,350 |
| Gain on sale of associate companies investment | - | 646 |
| Refund /charges impairment on associate companies investments | (1,403) | 731 |
| | **2,196** | **4,635** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 19. Investment properties:

| | Land | Buildings | Total |
|---|---|---|---|
| **Balance at 1 January 2019** | | | |
| Cost | 958 | 2,177 | 3,135 |
| Accumulated Depreciation | - | (945) | (945) |
| Net book value as of 1 January 2019 | 958 | 1,232 | 2,190 |
| Depreciation expense | - | (40) | (40) |
| **Net book value as of 31 Decemeber 2020** | **958** | **1,192** | **2,150** |
| **Net book value as of 31 December 2019** | **958** | **1,232** | **2,190** |

## 20. Loans & Advances to banks

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Loans | 30,993 | 992 |
| other loans | 28,925 | 66,400 |
| **Less:** | | |
| Unearned discount for commercial papers and loans | (146) | (545) |
| Expected credit loss | (1,845) | (3,212) |
| | **57,927** | **63,635** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 21. Loans & Advances to customers

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Retail** | | |
| Overdrafts | 203,752 | 248,177 |
| Credit cards | 15,837 | 15,679 |
| Personal Loans | 234,682 | 161,966 |
| Direct Loans | 40,232 | 39,889 |
| Mortgage Loan | 61,072 | 47,671 |
| Other Loans | 213,752 | 176,146 |
| **Total (1)** | **769,327** | **689,528** |
| **Corporate** | | |
| Overdrafts | 1,274,744 | 1,082,939 |
| Direct Loans | 1,019,233 | 1,433,752 |
| Syndicated loans | 1,433,266 | 1,407,639 |
| Other Loans | 61,480 | 52,653 |
| **Total (2)** | **3,788,723** | **3,976,983** |
| **Total Loans and advances (1+2)** | **4,558,050** | **4,666,511** |
| **less:** | | |
| unearned discount for commercial papers and loans | (32,464) | (34,379) |
| prepaid interest for loans | (7) | (10) |
| Expected credit loss | (376,530) | (299,476) |
| suspense interest | (3,837) | (2,604) |
| **Net distributed as follows:** | **4,145,212** | **4,330,042** |
| Current Balances | 1,972,591 | 1,611,758 |
| Non-Current Balances | 2,172,621 | 2,718,284 |
| | **4,145,212** | **4,330,042** |

### Expected credit losses

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

| | 31 December 2020 | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|
| | Retail | Corporate | Total | Retail | Corporate | Total |
| Balance at the beginning of the Year | 8,701 | 293,987 | 302,688 | 3,604 | 306,373 | 309,977 |
| Impact of adopting IFRS 9 | - | - | - | 561 | 78,020 | 78,581 |
| Modified balance at 1 January 2019 | **8,701** | **293,987** | **302,688** | **4,165** | **384,393** | **388,558** |
| Expected credit loss | 9,192 | 79,503 | 88,695 | 1,730 | 48,354 | 50,084 |
| Proceeds from written off debts | 104 | 883 | 987 | 171 | 5,692 | 5,863 |
| Provision uses during financial Year | (17) | (17,070) | (17,087) | (290) | (151,499) | (151,789) |
| Foreign currencies revaluation differences | 148 | 2,944 | 3,092 | 2,925 | 7,047 | 9,972 |
| **Balance at the end of Year** | **18,128** | **360,247** | **378,375** | **8,701** | **293,987** | **302,688** |

## 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.

## 23. Investment in subsidiaries and associates

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

| **31 December 2020** | **Nature of relation** | **Country** | **Company assets** | **Company liabilities (without owners' equity)** | **Company revenues** | **Company profit/loss** | **Participation value** | **Participation percentage** |
|---|---|---|---|---|---|---|---|---|
| | **USD '000** | **USD '000** | **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 | Subsidiary | Egypt | 18,408 | 16,261 | 6,532 | (1,332) | 2,904 | 67% |
| Nuun Fund Services | Associates | Egypt | 92 | 14 | 28 | (8) | - | 20% |
| **Total** | | | **113,691** | **64,949** | **24,392** | **3,907** | **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.

| 31 December 2019 | Nature of relation | Country | Company assets | Company liabilities (without owners' equity) | Company revenues | Company profit/Loss | Participation value | Participation percentage |
|---|---|---|---|---|---|---|---|---|
| | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 | USD '000 | % |
| Universal for investment and development company(S.A.E) | Subsidiary | Egypt | 676 | 100 | 901 | 113 | 224 | 90% |
| Arab African Holding company (S.A.E) | Subsidiary | Egypt | 10,789 | 1,386 | 1,001 | 50 | 9,498 | 89.63% |
| Arab African Real estate mortgage company (S.A.E) | Subsidiary | Egypt | 34,503 | 17,275 | 6,555 | 2,339 | 17,787 | 95.46% |
| Arab African financial leasing | Subsidiary | Egypt | 44,044 | 29,890 | 11,322 | 2,131 | 14,086 | 99% |
| Sandah Micro-Finance company | Subsidiary | Egypt | 14,007 | 10,588 | 3,090 | (1,911) | 4,309 | 67% |
| Nuun Fund Services | Associates | | 92 | 14 | 28 | (8) | - | 20% |
| **Total** | | | **104,111** | **59,253** | **22,897** | **2,714** | **45,904** | **-** |

- 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.

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 24. Other assets

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Accrued revenues | 147,145 | 67,894 |
| Prepaid expenses | 11,532 | 4,976 |
| Advance payments for purchase of fixed assets | 19,112 | 46,252 |
| Assets reverted to the bank in settlement of | 35,000 | 412 |
| Insurance and Covenant | 5,625 | 720 |
| Miscellaneous Debit Balances | 38,134 | 67,300 |
| allowance for impairment loss | (5,975) | (1,564) |
| **Total** | **250,573** | **185,990** |

Assets reverted to the bank item includes about 382 million shares from palm hills for deveploment company amounting to 544.2 million EGP to become second largest shareholders in the company with a perectage 12.3% and it was recorded on 13 July 2020

## 25. Deferred tax assets

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

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Fixed assets | - | (2,706) | - | (2,176) |
| Other provisions | 16,060 | - | 1,272 | - |
| Employee benefits obligations | 1,515 | - | 1,957 | - |
| Change in investments at fair value through other comprehensive income | - | (11,314) | - | (318) |
| Impact of adopting IFRS 9 | 2,494 | (107) | 2,494 | (107) |
| **Total tax assets (liabilities)** | 20,069 | (14,127) | 5,723 | (2,601) |
| **Net deferred tax assets** | **5,942** | - | **3,122** | - |

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Balance at the beginning of the year | 3,122 | 2,151 |
| Impact of adopting IFRS 9 | - | 2,287 |
| Deferred tax movement during the year | 2,820 | (1,316) |
| **Balance at the end of the year** | **5,942** | **3,122** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 26. Fixed Assets

| | Land & building | & Machinery equipment | Other | Total |
|---|---|---|---|---|
| **Balance as of 1 January 2019** | | | | |
| Cost | 70,883 | 16,680 | 42,856 | 130,419 |
| Accumulated Depreciation | (39,430) | (7,345) | (20,181) | (66,956) |
| **Net book value as of 1 January 2019** | **31,453** | **9,335** | **22,675** | **63,463** |
| Additions | 11,649 | 3,774 | 6,379 | 21,802 |
| Disposal | - | (21) | - | (21) |
| Depreciation expense | (1,225) | (2,432) | (6,668) | (10,325) |
| **Net book value as of 31 December 2019** | **41,877** | **10,656** | **22,386** | **74,919** |
| **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 |
| Depreciation expense | (721) | (2,889) | (4,999) | (8,609) |
| **Net book value as of 31 Decemeber2020** | **87,219** | **11,931** | **19,798** | **118,948** |
| **Balance as of end of year** | | | | |
| Cost | 128,595 | 23,247 | 46,619 | 198,461 |
| Accumulated Depreciation | (41,376) | (11,316) | (26,821) | (79,513) |
| **Net book value as of 31 Decemeber2020** | **87,219** | **11,931** | **19,798** | **118,948** |

*Additions : amount of 45.86 million USD to purchase a land in fifth settlement area for the new Head office establishment

## 27. Intangible assets :

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cost | 18,965 | - |
| Accumlated depreciation | (158) | - |
| **Net book value as of 31 Decemeber2020** | **18,807** | **-** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 28. Due to banks

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Current accounts | 687,064 | 156,628 |
| Deposits | 720,919 | 365,925 |
| | **1,407,983** | **522,553** |
| Central Banks | 41,704 | 32,301 |
| Local banks | 526,240 | 173,677 |
| Foreign banks | 840,039 | 316,575 |
| | **1,407,983** | **522,553** |
| Non-interest bearing balances | 687,064 | 156,628 |
| Interest bearing balances | 720,919 | 365,925 |
| | **1,407,983** | **522,553** |
| **Current Balances** | **1,407,983** | **522,553** |

## 29. Customers' deposits

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Demand deposits | 1,893,414 | 2,380,776 |
| Time and call deposits | 5,373,031 | 4,399,419 |
| Certificates of deposits | 1,047,245 | 813,277 |
| Saving accounts | 1,344,352 | 1,337,620 |
| Other deposits | 117,539 | 152,559 |
| | **9,775,581** | **9,083,651** |
| Corporate Deposits | 6,284,126 | 5,618,320 |
| Retail Deposits | 3,491,455 | 3,465,331 |
| | **9,775,581** | **9,083,651** |
| Non-interest bearing balances | 1,967,726 | 1,210,126 |
| Interest bearing balances | 1,735,586 | 1,489,299 |
| Fixed rate interest balances | 6,072,269 | 6,384,226 |
| | **9,775,581** | **9,083,651** |
| Current Balances | 8,126,511 | 7,438,910 |
| Non-current balances | 1,649,070 | 1,644,741 |
| | **9,775,581** | **9,083,651** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 30. Other liabilities

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Accrued interest | 165,823 | 179,851 |
| Deferred revenue | 851 | 1,344 |
| Accrued expenses | 18,413 | 10,091 |
| Creditors | 49,344 | 35,714 |
| Miscellaneous credit balances | 47,326 | 40,005 |
| **Total** | **281,757** | **267,005** |

## 31. Loans and Facilities from banks

| | Interest Rate | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Loan for a Year of 1 years from AFREXIM bank | 2.77% | 400,000 | - |
| Loan for a Year of 1.5 years from AFREXIM bank | 2.87% | 200,000 | - |
| Loan for a Year of 5 years from EBRD | 2.9% over Libor for 6 months | 21,429 | 30,000 |
| Loan for a Year of 5 years from IFC renewable | 3.15% over Libor for 6 months | 37,500 | 62,500 |
| Loan for a Year of 5 years from EBRD | 3.1% over Libor for 6 months | 15,000 | - |
| Loan for a Year of 5 years from IFC renewable | 2.9% over Libor for 6 months | 15,000 | - |
| **Total** | | **688,929** | **92,500** |
| Current balances | | 563,000 | 25,000 |
| Non Current Balance | | 125,929 | 67,500 |
| **Total** | | **688,929** | **92,500** |

## 32. Other Provisions

| 31 December 2020 | 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 |
| Total | 12,539 | - | 2,556 | 117 | - | (156) | 15,056 |

| 31 December 2019 | 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 | 3,824 | - | (1,814) | 415 | - | (707) | 1,718 |
| Contingent liabilities provision | 17,659 | (10,752) | 3,116 | 798 | - | - | 10,821 |
| Employees' incentive provision | 3,572 | - | (178) | - | - | (3,394) | - |
| Total | 25,055 | (10,752) | 1,124 | 1,213 | - | (4,101) | 12,539 |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 33. Current income tax liabilities

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Current tax obligation for bills and treasury | 18,595 | 7,267 |
| Current tax obligation local branches | - | - |
| Current tax obligation foreign branches | 4,470 | 11,674 |
| | **23,065** | **18,941** |

## 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: -

| Employee benefits obligations | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Balance at the beginning of the year | 8,699 | 4,580 |
| Formed during the year | 10,662 | 8,687 |
| Provided during the year | (12,672) | (4,568) |
| **Balance at the end of the year** | **6,689** | **8,699** |

**Amounts recognized in the statement of financial position**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| The present value of funded obligations | 25,767 | 24,986 |
| The fair value of the assets system | 13,119 | 12,253 |
| Deficit / surplus of funded system | 12,648 | 12,733 |
| Unrealized actuarial losses | (11,193) | (13,617) |
| **The liabilities in the statement of Financial Position** | **1,455** | **(884)** |

| Amounts recognized in the statement of Financial Position | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Liabilities | 1,455 | (884) |
| Assets | - | - |
| **The liabilities in the statement of Financial Position** | **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

| | EGP '000<br>31 December 2020 | EGP '000<br>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 Gain/ losses | (16,036) | (575,210) |
| **Net liabilities ( Assets )** | 158,614 | 200,316 |
| | **31 December 2020** | **31 December 2019** |
| **Amounts recognized in the Balance Sheet** | | |
| Liabilities | 158,614 | 200,316 |
| Assets | - | - |
| **Net liabilities ( Assets )** | 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 December 2020 | 31 December 2019 |
|---|---|---|
| Sales of Treasury Bills with a commitment to repurchase maturity 91 days | 32,275 | 31,801 |
| Sales of Treasury Bills with a commitment to repurchase maturity 182 days | - | 50,199 |
| | **32,275** | **82,000** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 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

| | Ownership Interest |
|---|---|
| Central Bank of Egypt | 49.37% |
| Kuwait General Investment Authority | 49.37% |
| Others | 1.26% |
| | 100% |

## 37. Reserves and Retained earning

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Legal reserve | 171,052 | 151,973 |
| General reserve | 10,000 | 10,000 |
| Special reserve | 2,448 | 2,448 |
| General banking risks reserve | 251 | 240 |
| Capital reserve | 2,953 | 2,560 |
| Currencies translation reserve | (20) | (9) |
| Fair value reserve | 35,064 | (5,966) |
| Special reserve - credit | 25,782 | - |
| General risk reserve | 23,481 | 23,481 |
| **Total reserves at the end of the Year** | **271,011** | **184,727** |

In accordance with the instructions of the Central Bank of Egypt to apply IFRS 9, the special reserve - credit and general bank risk reserve and IFRS 9 reserve are consolidated in one reserve under the name of general risk reserve. The difference between the expected credit losses required under IFRS 9 and the provisions required in accordance with previous instructions will be deducted from general risk reserve

(All amounts are in thousand US Dollars unless otherwise mentioned)

**Movements in reserves were as follows:**

**a.Legal reserve**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Balance at the beginning of the Year | 151,973 | 125,545 |
| Transferred from retained earning | 19,079 | 26,428 |
| **Balance at the end of the Year** | **171,052** | **151,973** |

In accordance with the bank's statute of association, 10% of annual net profit is transferred to the legal reserve. Such transfer will be stopped when the legal reserve reaches 100% of the issued capital and this reserve is not able for distribution.

**b.General reserve**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| 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 December 2020 | 31 December 2019 |
|---|---|---|
| Balance at the beginning of the Year | 2,448 | 13,583 |
| Transfer to general risk reserve | - | (11,135) |
| **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 December 2020 | 31 December 2019 |
|---|---|---|
| Balance at the beginning of the Year | 240 | 185 |
| Transferred from retained earning | 6 | 34 |
| Foreign Exchange differences | 5 | 21 |
| **Balance at the end of the Year** | **251** | **240** |

In compliance with the Central Bank of Egypt guidelines, the balance of the banking risk reserve should be increased by 10 % from total assets that was reverted to the bank in payemnts of debts if it wasnot disposed in the specifc period.

**e.Capital reserve**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Balance at the beginning of the Year | 2,560 | 2,281 |
| Transferred from retained earning | 393 | 279 |
| **Balance at the end of the Year** | **2,953** | **2,560** |

(All amounts are in thousand US Dollars unless otherwise mentioned)

**f. Currencies translation reserve**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Balance at the beginning of the Year | (9) | 1 |
| Foreign exchange difference | (11) | (10) |
| **Balance at the end of the Year** | **(20)** | **(9)** |

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 December 2020 | 31 December 2019 |
|---|---|---|
| Balance at the beginning of the Year | (5,966) | 1,730 |
| Impact of adopting IFRS 9 | - | (9,026) |
| Net change in treasury bills fair value | 115 | 1,245 |
| Net change in fair value through other comprehensive income investments | 52,269 | 853 |
| Net change in fair value through other comprehensive income reclassified investments | (361) | (450) |
| Deferred income tax during the Year | (10,993) | (318) |
| **Balance at the end of the Year** | **35,064** | **(5,966)** |

**h.General risk reserve**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Balance at the beginning of the Year | 23,481 | - |
| Transferred from IFRS 9 reserve | - | 83,044 |
| Transferred from credit special reserve | - | 11,135 |
| Deficit from IFRS 9 application | - | (70,698) |
| **Balance at the end of the Year** | **23,481** | **23,481** |

According to the central bank regualtion the amount of general risk reserve shall not be disposed off without recourse to the central bank

**g.Special reserve - credit**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Balance at the beginning of the Year | - | - |
| Transferred to general risk reserve | 25,782 | - |
| **Balance at the end of the Year** | **25,782** | **-** |

**Retained earnings**

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Balance at the beginning of the Year | 1,244,836 | 1,136,570 |
| Distributions of cash dividends of the Year profit 2017/2018 | (17,708) | (74,359) |
| Transferred to legal reserve | (19,079) | (26,428) |
| Transferred to capital reserve | (393) | (279) |
| transferred to banking risk reserve | (6) | (34) |
| Transferred to special reserve- credit | (25,782) | - |
| Impact of adopting IFRS 9 | - | 18,293 |
| Gain on sale of FVOCI investments | 2,272 | - |
| Profit of the Year | 80,048 | 191,073 |
| **Balance at the end of the Year** | **1,264,188** | **1,244,836** |

**(All amounts are in thousand US Dollars unless otherwise mentioned)**

## 38. Contingent liabilities and commitments

Items subject to credit risk outside the financial position

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Letters of guarantee | 986,277 | 1,008,463 |
| Commercial letters of credit (import and export) | 56,784 | 79,615 |
| Letters of acceptances | 9,912 | 25,846 |
| Collaterals and cash margin | (196,424) | (221,395) |
| **Total** | **856,549** | **892,529** |

## 39. Tax status

**First: Corporate tax according to law for the year 2005**

**1-Years until 2016**

The tax return has been submitted according to law number 91 for the year 2005, and the tax authority has performed the tax examination for these years, 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 years

**2-Years 2017**

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

**3-Year 2018/2019**

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

**4-Year 2020:**

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

**Second: Salary tax:**

**1-Years until 2016**

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

**2-Year 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-Year 2020**

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-Years until 31/7/2006 (according to law number 111 for the Year 1980)**

The tax examination of all branches of the Bank has been terminated and only the disputed items have been followed up with the IRS in the various courts of justice. The remaining obligations have been hedged within the amounts included in the provision for potential claims.

**2-Years from 1/8/2006 till 31/12/2019 (according to law number 143 for the year 2006 and law number 115 for the year 2008 and law number 9 for the year 2013):**

The tax examination for these years has been completed in accordance with refered 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 Years .

(**All amounts are in thousand US Dollars unless otherwise mentioned**)

**3- From 1/1/2020 till 31/12/2020 :**
The tax due for this Year has been paid quarterly in due time , tax provision has been considered ( in other credit balances ) in case any tax amounts has been put into dispute until tax examination

## 40. Related party transactions

**A.** Related parties include the major shareholders, subsidiaries and associates. During the Year 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 December 2020 | 31 December 2019 |
|---|---|---|
| Due from banks -Central Bank of Egypt (shareholder) | 471,313 | 558,292 |
| Obligatory reserve - Central Bank of Egypt (shareholder) | 1,130,432 | 477,113 |
| Investments in subsidiaries and associates | 44,499 | 45,904 |
| Loans to customers (subsidiaries and associates) | 23,127 | 23,508 |
| Customers' deposits (subsidiaries and associates) | 3,218 | 5,204 |
| Due to banks -Central Bank of Egypt (shareholder) | 41,704 | 32,301 |
| 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 December 2020 | 31 December 2019 |
|---|---|---|
| Fees and commission income (AAIB mutual fund)" Shield" | 137 | 124 |
| Fees and commission income (AAIB mutual fund)"Juman" | 593 | 535 |
| Fees and commission income (AAIB mutual fund)"Gozor" | 26 | 17 |
| Financial investment (mutual fund certificates) "Guard" | 4 | 3 |

(All amounts are in thousand US Dollars unless otherwise mentioned)

Board of directors and top management benefits*

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Salaries and employee benefit | 3,990 | 3,195 |
| Employee bonuses | 1,394 | 1,061 |
| | **5,384** | **4,256** |

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 Year), 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 December 2020 (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 52.7 MM EGP and the value per certificates at the Balance Sheet date was 169.14 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 137.92 MM EGP and the value per certificates at the balance sheet date was 321.66 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 70.4 MM EGP and the certificates value per certificates at the balance sheet date was 25.89 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 7.3MM EGP and the certificates value per certificates at the balance sheet date was 14.85 EGP.

(All amounts are in thousand US Dollars unless otherwise mentioned)

## 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 December 2020 | 31 December 2019 |
|---|---|---|
| Cash and balances with central banks | 1,206,276 | 658,934 |
| Due from banks | 3,865,960 | 3,389,380 |
| Treasury bills | 1,700,135 | 2,162,154 |
| Due from the central banks "obligatory reserve ratio" | (1,130,432) | (576,834) |
| Deposits at banks | (222,723) | (187,372) |
| Treasury bills ( maturity more than 3 months) | (954,311) | (1,395,107) |
| **Cash and cash equivalents** | **4,464,905** | **4,051,155** |

## 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

The bank management has made the necessary allocations to reduce the impact of the pandemic on the loan and advances portfolio at the end of the financial Year on December 30, 2020 and any other additional allocations are being made until the end of the postponement Year announced by the Central Bank of Egypt on March 16, 2020 for all borrowers in certain categories From financial instruments to the clarity of the actual performance of the portfolio or the failure to pay the installments
The magnitude of the impact of the pandemic depends on the expected extent and the time Year at which the impact of that pandemic is expected to end and its effects. It is highly likely that this will lead to a significant decrease in economic activities during the coming Year until the end of that pandemic and the clarity of the actual performance of the various economic sectors. And its effects on the values of elements of assets and liabilities and the recoverable value of them, as well as business results in the financial statements of the bank.

- On 13 July 2020 bank acquired about 382 million shares from palm hills for deveploment company amounting to 544.2 million EGP to become second largest shareholders in the company with a perectage 12.3%

## 47.Translation

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