KPMG Hazam Hassan
Public Accountants & Consultants

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Public Accountants & Consultants

Arab Banking Corporation – Egypt
(Egyptian joint stock company)
Financial statements for the financial year ended 31 December 2021 and auditors' report thereon

Translation
Originally issued in Arabic

Auditors' Report

To the Shareholders of Arab banking Corporation – Egypt (S.A.E)

Report on the financial statements

We have audited the accompanying financial statements of Arab Banking Corporation – Egypt (S.A.E), which comprise the financial position statement as at 31st December 2021, and the related statements of income, other comprehensive income, cash flows and changes in owners' equity 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 the bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the rules of preparation and presentation of the banks' financial statements , basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008 as amended by the regulations issued on February 26, 2019 and in light of prevailing Egyptian laws and regulations, This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 Egyptian standards on auditing and in light of prevailing Egyptian laws. Those standards require planning and performing 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 auditors' judgment 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 the financial statements.

Translation
Originally issued in Arabic

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arab Banking Corporation – Egypt "S.A.E" as of 31st December 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with the rules of preparation and presentation of the banks' financial statements , basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008 as amended by the regulations issued on February 26, 2019, and in light of the prevailing Egyptian laws and regulations related to the preparation of these financial statements.

Report on other legal and regulatory requirements

There were no contravention noted during the financial year ended in December 31, 2021 of the central bank, banking sector law No.194 of 2020 - and has a significant impact on the financial statements. Taking into consideration the grace period to comply with the provisions of the law.

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

The financial information included in the Board of Directors' report which is prepared according to law no. 159 of 1981 and its executive regulations and their amendments, are in agreement with the Bank's accounting records within the limit that such information is recorded therein.

Cairo: 22th of March 2022

Auditors

Fares Amer

Fares Amer
KPMG Hazam Hassan
Public Accountants & Consultants

Iman Abdel Moneim

Iman Abd Elmoneim Mohamed
Mazars Mostafa Shawky & co. Public Accountants & Consultants

KPMG Hazem Hassan
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Statement of Financial Position
As of 31 December 2021

(EGP Thousands)

	Notes	31/12/2021	31/12/2020
Assets			
Cash and due from Central Bank	(15)	1,616,641	983,874
Due from banks	(16)	2,946,316	2,426,828
Loans and advances to customers	(17)	5,638,471	4,942,248
Financial investments :			
Fair Value through OCI	(18)	2,528,988	2,221,879
Amortized Cost	(18)	813,956	563,404
Intangible assets	(19)	12,056	18,331
Other assets	(20)	206,324	226,591
Fixed assets	(22)	432,977	482,776
Non-Current Assets held for Sale	(21)	1,163	1,163
Total assets		14,196,892	11,867,094
Liabilities & Owners' equity			
Liabilities			
Due to banks	(23)	1,283,728	641,819
Customers' deposits	(24)	10,876,032	9,069,767
Other liabilities	(25)	156,020	165,484
Current Income Tax liability	(13)	29,288	38,869
Other provisions	(26)	78,344	57,529
Deferred tax liabilities	(27)	25,658	27,575
Total Liabilities		12,449,070	10,001,043
Owners' equity			
Issued & Paid-in capital	(28)	700,000	700,000
Reserves	(29)	1,117,561	1,000,876
Retained earnings (include year's net profit)	(30)	(69,739)	165,175
Total Owners' equity		1,747,822	1,866,051
Total liabilities & Owners' equity		14,196,892	11,867,094

* The accompanying notes from (1) to (38) are an integral part of these financial statements.
* Audit Report "attached"

CFO	MD & CEO	Chairman
Ashraf Youssef Kamal	Amr Tharwat	Dr: Yousef Abdulla AlAwadi

Income Statement
For the year ended 31 December 2021

(EGP Thousands)

	Notes	31/12/2021	31/12/2020
Interest income from loans and similar revenue		1,073,336	1,126,623
Interest expenses of deposits and similar costs		(567,891)	(597,867)
Net interest income	(6)	505,445	528,756
Fees and commissions revenues		116,848	107,209
Fees and commissions expenses		(78,211)	(79,309)
Net fees and commissions income	(7)	38,637	27,900
Profits from financial investments	(8)	9,949	7,437
Net trading income	(9)	7,308	7,221
Other operating (expenses) income	(11)	(30,802)	75,472
Expected Credit Loss 'charge'	(12)	(138,646)	(71,866)
Administrative expenses	(10)	(449,552)	(447,507)
Net (loss) profits before income tax		(57,661)	127,413
Income tax expenses	(13)	(60,904)	(63,811)
Net (Loss) Profits for the year		(118,565)	63,602
Earnings per share	(14)	(1.7)	.9

* The accompanying notes from (1) to (38) are an integral part of these financial statements.

CFO
Ashraf Youssef Kamal

MD & CEO
Amr Tharwat

Chairman
Dr: Yousef Abdulla AlAwadi

Statement of Other Comprehensive Income
For the year ended 31 December 2021

(EGP Thousands)

	31/12/2021	31/12/2020
Net (Loss) Profit Of the Year	(118,565)	63,602
Other comprehensive income items that is or may be reclassified to the profit or loss		
Net change in fair value of debt instruments measured at fair value through other comprehensive income	336	(287)
Other comprehensive income items that will not be reclassified to the profit or loss		
Net change in fair value of Equity instruments measured at fair value through other comprehensive income	--	--
Transferred To Retained Earnings	--	--
Total comprehensive income items for the year	336	(287)
Total comprehensive income for the year	(118,229)	63,315

* The accompanying notes from (1) to (38) are an integral part of these financial statements.

CFO	MD & CEO	Chairman
Ashraf Youssef Kamal	Amr Tharwat	Dr: Yousef Abdulla AlAwadi

Statement of Cash Flows
For the Year ended 31 December 2021

	Notes	(EGP Thousands) 31/12/2021	31/12/2020
Cash flows from operating activities			
Net (Loss) profit before income taxes		(57,661)	127,413
Adjustments to reconcile net profit:			
Amortization for bonds' discounts & premiums	(18)	(1,257)	(3,432)
Depreciation & Amortization	(19)/(22)	59,792	60,114
Expected Credit Loss (Charge) / Release	(12)	138,646	71,866
Amounts recovered from previously written off debts	(17)	810	896
Used from Expected Credit Loss	(17)	(22,254)	(32,548)
Other Provision (Charge) / Release	(26)	38,555	26,351
Used from other provisions (Other than loans)	(26)	(17,728)	(5,030)
Revaluation differences of foreign currencies provision balances (other than loans provision)	(26)	(12)	(87)
Profits from Sale of Fixed Assets		(645)	(89,632)
Operating profits before changes in assets and liabilities used in operating activities		138,246	155,911
Net decrease (increase) in assets			
Due from banks		(880,755)	358,956
Loans and advances to customers		(814,536)	(706,733)
Other assets		21,079	(44,207)
Net increase (decrease) in liabilities			
Due to banks		641,909	66,768
Customers' deposits		1,806,265	(1,533,856)
Other liabilities		(9,464)	(13,270)
Paid income taxes		(72,402)	(38,860)
Net cash flows (used in) provided from operating activities		830,342	(1,755,291)
Cash flows from investing activities			
Payments to purchase fixed assets & preparation of branches		(3,755)	(6,143)
Proceeds from Sale of Fixed Assets		682	110,705
purchases of financial investments (FVTOCI)		(2,564,382)	(2,032,375)
Proceeds from sale of financial investment (FVTOCI)		2,258,284	1,492,834
Payments to purchase financial investment (AC)		(502,395)	(311,569)
Proceeds from financial investments(AC)		252,441	336,319
Net cash flows (used in) investing activities		(559,125)	(410,229)
Cash flows from financing activities			
Dividends paid		-	(77,353)
Net cash flows used in financing activities		-	(77,353)
Net increase (decrease) in cash and cash equivalents during the year		271,217	(2,242,873)
Beginning balance of cash & cash equivalents		2,737,286	4,980,159
Cash & cash equivalents balance at the end of the year		3,008,503	2,737,286

Statement of Cash Flows
For the Year ended 31 December 2021

(EGP Thousands)

		31/12/2021	31/12/2020
Cash and cash equivalents are represented in the following:			
Cash and due from Central Bank		1,616,641	983,874
Due from banks		2,946,482	2,427,277
Treasury bills		1,715,094	1,618,767
Balances at central bank within the mandatory reserve ratio		(1,304,620)	(673,865)
Deposits due from banks more than three months		(250,000)	-
Treasury bills more than three months		(1,715,094)	(1,618,767)
Cash & cash equivalents	(32)	3,008,503	2,737,286

* The accompanying notes from (1) to (38) are an integral part of these financial statements.

CFO	MD & CEO	Chairman
Ashraf Youssef Kamal	Amr Tharwat	Dr: Yousef Abdulla AlAwadi

Statement of Changes in Owners' Equity
For the year ended 31 December 2021

(EGP Thousands)

	Paid - in capital	Legal Reserves	Gerneral Reserve	Fair Value Reserve- OCI Investments	General Banking Risk Reserve	Capital Reserve	General Risk Reserve	Retained Earnings	Total
Restated balance at 1 January 2020	700,000	139,562	769,680	19,572	43,879	2,129	9,620	197,623	1,882,065
Transferred From retained earnings to reserves	-	17,288	42,712	-	-	-	-	(60,000)	-
Dividends paid to shareholders	-	-	-	-	-	-	-	(35,000)	(35,000)
Dividends paid to Staff & BOD	-	-	-	-	-	-	-	(44,329)	(44,329)
Net change in other comprehensive income	-	-	-	(287)	-	-	-	-	(287)
Transferred to general banking risks reserve	-	-	-	-	(43,279)	-	-	43,279	-
Net profit for the year	-	-	-	-	-	-	-	63,602	63,602
Balance as of 31 December 2020	700,000	156,850	812,392	19,285	600	2,129	9,620	165,175	1,866,051
Balance at 1 January 2021	700,000	156,850	812,392	19,285	600	2,129	9,620	165,175	1,866,051
Transferred From retained earnings to reserves	-	-	-	-	-	89,632	-	(89,632)	-
Net change in other comprehensive income	-	-	-	336	-	-	-	-	336
Transferred to general banking risks reserve	-	-	-	-	26,717	-	-	(26,717)	-
Net (Loss) for the year	-	-	-	-	-	-	-	(118,565)	(118,565)
Balance as of 31 December 2021	700,000	156,850	812,392	19,621	27,317	91,761	9,620	(69,739)	1,747,822

* The accompanying notes from (1) to (38) are an integral part of these financial statements.

CFO	MD & CEO	Chairman
Ashraf Youssef Kamal	Amr Tharwat	Dr: Yousef Abdulla AlAwadi

Statement of Proposed Profit Appropriation Account
For the Year ended 31 December 2021

(EGP Thousands)

	31/12/2021	31/12/2020
Net (Loss) profit for the year	(118,565)	63,602
Deduct		
Fixed Assets Selling gain transferred to Capital reserve as per law	(645)	(89,632)
Net profit for the year - available for appropriation	(119,210)	(26,030)
Add / Less		
Retained earnings at the beginning of the year	75,543	58,294
Transferred to / from General Banking Risk Reserve	(26,717)	43,279
Retained Earnings balance	48,826	101,573
Total	(70,384)	75,543
Appropriated as follows:		
Legal reserve	-	-
General reserve	-	-
Owners shares dividends	-	-
Staff profit share	-	-
BOD remuneration	-	-
Banking System Support and Development Fund	-	-
Retained earnings at the end of the year	(70,384)	75,543
Total	(70,384)	75,543

* The statement of proposed profit appropriation for the financial year ended 31 December 2021 was prepared subject to the approval of the Central Bank of Egypt.

1- General Information

The bank has been established on 21 August 1982 according to provisions of investment law and its amendments as an investment and business bank under the name of Egypt Arab African Bank (S.A.E) the name of the bank has been amended to become Arab Banking Corporation – Egypt (S.A.E) in the course of the amendments introduced to the articles of association of the bank promulgated by the ministerial decree No. 788 for year 2000 and published in the investment gazette, edition No. 3261 issued on 18 April 2000 in Egypt and the bank head office in Cairo.
Arab Banking Corporation – Egypt (S.A.E) provide retail, corporate banking and investment banking services in various parts of Egypt through 27 branches, and employs over 507 employees in the balance sheet date.

These financial statements have been authenticated from board of directors at 21 March 2022.

2- Summary of accounting policies

The following are the significant accounting policies applied in the preparation of these financial statements, these policies have been consistently applied to all the presented years, unless otherwise is disclosed.

A- Basis of financial statements preparation

These financial statements have been prepared in accordance with the Central Bank of Egypt's rules pertaining to the preparation and the presentation of the financial statements issued on 16 December 2008 and revised in accordance with the instructions of the Central Bank of Egypt (CBE) dated February 26, 2019.

B- Segment reporting

A Business segment is a group of assets and operations engaged in providing products or services characterized by the existence of risks and benefits different from those engaged in other business segments. The geographical segment is engaged in providing of products or services within a particular economic environment that are characterized by risks and benefits different from those related to geographical segments operating in a different economic environment.

C- Foreign currencies translation

D-1 Functional and presentation currency:

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

D-2 Foreign currencies transactions and balances

The Bank maintains its accounting records in Egyptian pounds. Transactions in foreign currencies during the period are translated into the Egyptian pounds using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at end of reporting period at the exchange rates then prevailing. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items:

- Net trading income or net income from financial instruments classified as FVTPL for assets / liabilities for trading or FVTPL according to type.
- Other operating revenues (expenses) for the remaining assets and liabilities;
- Investments in equity instrument recognized at fair value through other comprehensive income in equity.
- Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as FVTOCI assets are analyzed into differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument. Differences resulting from changes in the amortized cost are recognized and reported in the income statement in "Interest on loans and similar income" whereas differences resulting from changes in foreign exchange rates are recognized and reported in "Other operating revenues (expenses)". The remaining differences resulting from changes in fair value are recognized in equity and accumulated in the "Fair value reserve" in Other Comprehensive Income.

- Valuation differences arising on the measurement of non-monetary items at fair value include gains or losses resulting from changes in foreign currency exchange rates used to translate those items. Total fair value changes arising on the measurement of equity instruments classified as at fair value through the profit or loss are recognized in the income statement, whereas total fair value changes arising on the measurement of equity instruments classified as FVTOCI are recognized directly in equity in the "Fair value revaluation reserve" in Other comprehensive income.

D-3 Treasury Bills

Treasury bills are recorded on acquisition date with face value and the issuance discount representing the unearned interest is recorded in other credit balances and the treasury bills are presented in the balance sheet net of unearned interest which is measured with amortized cost using the effective interest rate.

D- Financial assets

Recognition and initial measurement

The Bank recognizes financial assets and liabilities on the date that the Bank becomes a party to the contractual terms of the financial instrument.

The financial asset or liability is initially measured at fair value. Those that are not subsequently measured at fair value through profit or loss are measured at fair value plus transaction cost that is directly attributable to the acquisition or issue.

The Bank classifies its financial assets in the following categories:

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 of the financial assets that are managed and its contractual cash flow.

E-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 the purpose of this model and under the terms of the standard represented in following:

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

E-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. Held to collect contractual cash flows and sales are integrated to achieve the objective of the model. Sales are high in terms of turnover and value as compared to the business model retained for the collection of contractual cash flows.

E-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.

i. **Classification of financial assets and financial liabilities**

At initial recognition, financial assets have been classified and measured according to amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

The financial assets have been classified according to how they are managed (the entity's business model) and their contractual cash flow characteristics.

The financial assets are measured at amortized cost if it is not measured at fair value through the profit or loss and if the following two conditions met:
The management's intention is to maintain the asset in the business model to collect contractual cash flows and;
The contractual conditions of the financial assets will build cash flows in certain dates which are limited only on payment of principal and interest (SPPI).

Debt instruments are measured at fair value through other comprehensive income "FVTOCI" if they are not measured at fair value through the profit or loss and if the following two conditions met:

- The management's intention is to maintain the asset in the business model to collect contractual cash flows and sell; This contractual conditions of financial assets will build cash flows in certain dates which are limited only on payment of principal and interest (SPPI).
- The Bank may choose without recourse to measure equity investments which are not classified as a trading investment at fair value through other comprehensive income at initial recognition. This choice will be made per each investment.
- All other financial assets will be classified as fair value through profit or loss. In addition to that, the bank may choose without recourse a financial asset to be measured at amortized cost or fair value through other comprehensive income to be measured at fair value through the profit or loss in the initial recognition, and in such a case that this reclassification will lead to prevent or reduce to a significant degree an accounting mismatch.

ii. **Business Model Assessment**

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

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

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

Financial instrument	Methods of measurement according to business model		
	Amortized cost	Fair value	
		Through other comprehensive income	Through profit and loss
Equity instruments	N/A	One-time option upon first recognition it is irrevocable	Regular treatment of equity instruments
Debt instruments	Business model Assets held for collection Contractual cash flows	Business model for Assets held for collection Contractual cash flows and sale	Business model for Assets held for trading

2) The Bank prepares, documents and approves a business model in accordance with the requirements of IFRS 9 and reflects the Bank's strategy for managing financial assets and its cash flows as follows:

Financial assets	Business model	Basic characteristics
Financial assets at amortized cost	Business model financial assets held for collection contractual cash flows	• The objective of the business model is to retain financial assets to collect the contractual cash flows of the principal amount of the investment and the proceeds • A sale is an exceptional event for the purpose of this model and under the terms of the criterion of a deterioration in the creditworthiness of the issuer of the financial instrument • Less sales in terms of rotating and value. • The Bank performs clear and reliable documentation of the rationale for each sale and its compliance with the requirements of the Standard.
Financial assets at fair value through other comprehensive income	Business model of financial assets held for the collection of contractual cash flows and sales	• Both the collection of contractual cash flows and sales are complementary to the objective of the model. • Sales are relatively high (in terms of turnover and value) compared to the business model held for the collection of contractual cash flows
Financial assets at fair value through profit and loss	Other business models include (trading - management of financial assets at fair value - maximizing cash flows by selling)	• 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 • Management of financial assets at fair value through profit or loss to avoid inconsistencies in accounting measurement. • Classification of financial assets at fair value through profit or loss. The following conditions are met in the financial assets that the Bank classifies at acquisition at fair value through profit or loss: -To be registered on a local and foreign stock exchange. - to have an active transaction during the three months preceding the date of acquisition

- The Bank assesses the objective of the business model at the portfolio level where the financial asset is retained as reflecting the way the business is managed and the manner in which the management is provided. The information to be taken into account when evaluating the objective of the business model is as follows:

- The documented policies and objectives of the portfolio and the implementation of these policies in practice. In particular, whether the management strategy focuses only on the collection of the contractual cash flows of the asset and maintaining a specific rate of return
- to meet the maturities of the financial assets with the maturity dates of the liabilities that finance these assets or generate cash flows through the sale of these assets.
- How to evaluate and report on portfolio performance to senior management.
- Risks affecting the performance of the business model, including the nature of the financial assets held within that model and the manner in which these risks are managed.
- How to determine the performance assessment of business managers (fair value, return on portfolio, or both).
- The periodically, value and timing of sales in prior years, the reasons for such transactions, and expectations regarding future selling activities. However, information on sales activities is not taken into account separately,

but as part of a comprehensive assessment of how the Bank's objective of managing financial assets and how to generate cash flows is achieved.

- The financial assets held for trading or managed and valuated on fair value basis, is measured with fair value through profit and loss, as its not held to collect contractual cash flows or to both collect contractual cash flows and sell of financial assets.
- Assess whether the asset's contractual cash flows represent solely payments of principle and interest

For the purpose of this evaluation, the Bank defines the principal amount of the financial instrument as the fair value of the financial asset at the time of the initial recognition. The return is defined as return against time value of the money and the credit risks associated with the principal amount over a specified period of time, other underlying lending risks and costs (e.g. liquidity risk and administrative costs) as well as profit margin.

In order to assess whether the contractual cash flows of the asset consist of payments limited only to the principal of the instrument and the return, the Bank takes into account the contractual terms of the instrument. This includes an assessment of whether the financial asset contains contractual terms that may change the timing or amount of contractual cash flows, making them unable to meet that requirement. To make that assessment, the Bank takes into account:

- Possible events that may change the amount and timing of cash flows.
- Leverage characteristics (rate of return, maturities, currency type...).
- Early repayment terms and term extensions.
- Conditions that may limit the Bank's ability to claim cash flows from certain assets.
- Properties that may be adjusted against the time value of the money (periodically resetting the rate of return).

The bank doesn't reclassify between the financial asset groups unless and only when the business model is changed, this is rarely or non-recurring and non-material, or when the credit ability of one of the debt instruments at amortized cost is deteriorating

iii. <u>Assessment of whether contractual cash flows are solely payments of principal and interest</u>

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

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

E- <u>Offsetting financial instruments</u>

The offsetting financial assets and liabilities can be offset when, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to conduct a settlement based on the net amounts or to receive the asset and settle the liability simultaneously.

Treasury bills, repos and reserves repos agreements are netted and presented on the balance sheet in treasury bills and other governmental securities.

F- <u>Interest income and expenses</u>

Interest income and expenses are recognized in the income statement under "Interest income on loans and similar income" item or "Interest expenses on deposits and similar charges" by using the effective interest rate of financial instruments available for sale and treasury bills bearing interest other than those the other interest bearing or at cost financial instruments there is no significant difference between the nominal rate of return and effective rate of return of the financial instrument.

The method of calculation includes all fees paid or received between contract's parties which are considered part of the effective interest rate, the cost of dealing also includes any premiums or discounts.

When classifying loans or debts as non performing or being impaired according to the case, then the interest income related to them is not recognized and is recorded in marginal records outside the financial statements. It is recognized in the income pursuant to the cash basis, according to the following:

When it is collected after full redemption of delays as for the consumer loans, Mortgage loans of personal housing and small loans for economic activities.

As for corporate loans the cash basis is also applied, as the return will be raised according to loans' rescheduling contract terms till payment of 25% of the rescheduling installments and at a minimum of 1 year of regularly payment. In case of the continuation of the customer to repay regularly then the calculated interest will be included in the balance of the loan included in the income (return on the balance of regular rescheduling) without the marginal interest before the rescheduling which is not to be included in the income except after the full repayment of the loan's balance in the balance sheet before rescheduling.

G- Fees and commission income

Fees due for servicing the loan or facility are recognized within the income when performing the service while the fees and commissions related to non-performing or impaired loans are not recognized, instead, they are to be recorded in marginal records not included in the financial statements. Then they are recognized within the income pursuant to the cash basis when the interest income is recognized according to item (G), as for fees which represent an integral part of the actual return of the financial assets in general, they are treated as an amendment to the rate of actual return.

Engagement fees on loans are to be postponed if there is a probability that these loans will be withdrawn on the ground that these fees which the bank receives is a compensation for the constant intervention to acquire the financial instrument. Then they are recognized by amending the rate of actual return on the loan, when the period of engagement comes to end without the bank's issuance of the loan then these fees are recognized within income at the expiry of the engagement's validity.

Fees on debt instruments measured at fair value are recognized within income at the initial recognition. Fees on promoting syndicated loans are recognized within income when the promotion process is completed and the bank doesn't retain any portion of the loan or if the bank retains a portion for itself earning the rate of actual return that is made available to other participants as well.

Fees and commission resulting from negotiations or participating in negotiation on a transaction in favor of other party are recognized within the income statement- such as arranging the acquisition of shares or other financial instruments and acquiring or selling premises- at the completion of the transaction in question. The administrative consultations' fees and other services are normally recognized on the basis of distribution over time relative to period in which the service is performed whereas the financial planning management fees and conservation services fees which are provided for long periods of time are recognized over the period during which the service is performed.

H- Dividends income

Dividends are recognized in the income statement when the bank's right to collect those dividends is declared by the relevant authority.

I- Buy - resell agreements and sell – rebuy agreements

The sold financial assets under sell – rebuy agreements presented at balance sheet as an addition to treasury bills and other governmental notes on assets section on balance sheet. On the other hand, the liability (buy - resell agreements) presented as a deduction from treasury bills and other governmental notes at balance sheet. Meanwhile the difference from selling price and repurchase price is recognized as interest income during the agreement lifetime using effective interest rate method.

J- 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.
- If there are 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.

K-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.

K-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.

K-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.

Non-payments

The loans and facilities of institutions, medium, small, micro and retail banking are included in stage two if the period of non-payment is more than 60 days at most and to decrease by 10 days annually starting from 2019 until it reaches 30 days in 2022.

Measurement of expected credit losses

The Bank evaluates debt portfolio portfolios on a quarterly basis at the portfolio level for all financial assets of individuals, SMEs, and SMEs on annual basis with respect to the financial assets of institutions classified as a follow-up to control their credit risk. On an annual basis, the criteria used to determine the significant increase in credit risk are reviewed and monitored annually by the credit risk management.

The Bank assesses at each reporting date the impairment loss for financial instruments at an amount equal to the expected credit losses over the life of the financial instrument except for the following cases where the provision for impairment losses is estimated at an amount equal to the expected credit losses over the twelve months:

a) A debt instrument that has been identified as having a low credit risk at the date of the financial statements (debt instruments in the stage1).
b) Other financial instruments Credit risk at the reporting date has not increased significantly since the initial recognition (debt instruments in the stage1).

The Bank considers the expected credit losses to be a probable probability estimate of the expected credit losses, which are measured as follows:

- The expected credit losses on financial assets are measured at the initial stage based on the present value of the gross deficit calculated based on the historical probability of default scenarios adjusted by the average forecast of macroeconomic indicators for the future twelve months multiplied by the value at default, taking into account the expected recovery rates when calculating the average Loss for each group of debt instruments with similar credit risk. Given the expected credit losses taking into account the amount and timing of payments, the credit losses arise even if the enterprise expects to pay in full but later after debt becomes payable under contractual terms. The expected credit losses over the twelve months are considered to be part of the expected credit losses over a lifetime arising from the defaulting events of a financial instrument and the potential within twelve months after the date of the financial statements.
- The expected credit loss of financial assets in the second stage is measured based on the present value of the total deficit calculated based on the historical probability of default scenarios adjusted by the average forecasts of the macroeconomic indicators for the life of the financial asset multiplied by the value at default, For each group of debt instruments with similar credit risk.
- Impaired financial assets at the balance sheet date are measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows.
- In calculating the specific loss rates, the Bank calculates the expected recovery rates from the present value of expected cash flows either from cash and in kind guarantees or historical or anticipated future repayment rates as follows:

  - For debt instruments classified as part of the stage1, the value of cash and cash equivalents, cash and other financial instruments that can be easily converted into cash in a short year of time (3 months or less) and without any change (loss) in value due to credit risk, after deduction of 10% against unforeseen circumstances.
  - For the debt instruments classified in the stage 2,3, only the types of guarantees shall be considered in accordance with the rules issued by the Central Bank of Egypt on 24/5/2005 regarding the determination of the creditworthiness of the customers and the formation of the provisions, while the value of such guarantees shall be calculated according to the rules of preparing and photographing The financial statements of the banks and the recognition and measurement bases issued by the Central Bank of Egypt on December 16, 2008, after deducting 10% and 20% of the cash collateral and the present value of the future cash flows of the in-kind collateral, respectively.
  - For debt instruments held by banks operating outside Egypt, the probability of failure is determined on the basis of the credit rating of the head office of the bank operating outside Egypt and no more than the credit rating of the head office country, the loss rate is 45%.
  - For the instruments held by the banks operating in Egypt, the probability of failure is calculated on the basis of the classification of the bank by the external international rating institutions. The branches of the Egyptian banks abroad are treated as the main center. The branches of the foreign banks operating in Egypt, the loss rate is calculated at 45%.
  - For debt instruments issued by non-banks, the probability of failure is calculated on the basis of the rating of the issuer of the financial instrument by the external international rating institutions and no more than the credit rating of the issuing country in the case of external entities, the loss rate is calculated at 45%.
  - Impairment provision on financial assets recognized in the financial position is deducted from the value of the financial asset at the time the statement of financial position is drawn up, while the provision for impairment relating to loan commitments, financial guarantee contracts and contingent liabilities is recognized under other provisions of the financial position obligations.
  - For financial guarantee contracts, the Bank estimates the expected credit loss on the basis of the difference between the expected payments to the guarantee holder less any other amounts that the Bank expects to recover.

Transfer between The Three stages:

Transfer from Second stage to first stage:

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

Transfer from Third stage to second stage:

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

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

The year of recognition of the financial Asset within the latter category of the stage2

The year of recognition (classification) of the financial asset within the last category of the stage2 shall not exceed nine months from the date of its conversion to that stage.

Restructured financial assets:

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

- If the restructuring will not lead to the disposal of the current asset, the expected cash flows from the adjusted financial asset are used when calculating the cash deficit in the current asset. The expected credit losses are calculated on the life of the instrument.
- If the restructuring will result in the disposal of the present asset, the expected fair value of the new asset is treated as final cash flows from the current financial asset when derecognized. This value is used to calculate the cash deficit from the current financial asset, which is deducted from the expected date of derecognition of the asset at the reporting date using the original effective interest rate of the current financial asset.

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

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

- Financial assets measured at amortized cost as a deduction from the total book value of the assets.
- Commitments for loans and financial guarantee contracts: Generally, as a provision.
- When the financial instrument includes both the user and non-user of the permitted amount of the instrument, and the Bank cannot determine the expected credit losses of the unused portion separately, the Bank presents a provision for collective loss to the user and non-user. The aggregate amount is presented as a deduction from the total book value of the user and any increase in the loss provision is shown on the total amount of the user as a provision for the unused portion.
- Debt instruments at fair value through other comprehensive income A provision for impairment is not recognized in the statement of financial position because the book value of such assets is their fair value. However, the provision for impairment is disclosed and recognized in the fair value reserve.

K- Intangible assets

L-1 Computer software programs

Expenses associated with the development or maintenance of the computer software programs are recognized when incurred in the income statement. The expenses associated directly with specific programs under the bank's control and expected to generate economic benefits exceeding their cost for more than a year are recognized as intangible asset. The direct expenses include the cost of the staff working in the software development team in addition to fair share of related general expenses.

The cost of computer software the programs is amortized over their expected useful life with a maximum of five years.

L- Fixed assets

Lands and buildings are mainly represented in head office premises, branches and offices. All fixed assets are disclosed at historical cost less depreciation and impairment losses. The historical cost includes expenses directly related to the acquisitions of the fixed assets' items.

Subsequent expenses are recognized within the book value of the existing asset or as an independent asset, if appropriate, this is the case when it is possible to generate future economic benefits to the bank from the concerned asset and it is also possible to reliably determine its cost. Any maintenance and fixing expenses during the period in which they are incurred are carried over to other operating expenses.

Land is not subject to depreciation while depreciation of other fixed assets is calculated by adopting the straight-line method starting from acquisition month to spread the cost in such a way to reach residual value over the useful life of the asset as follows:

Premises & Buildings	50 years
Furniture & Safes	10 years
Machinery & Equipment	8 years
Vehicles	5 years
Computers and core systems	5 years
Large Fixtures and fittings	5 - 20 Years

ABCE board has reconsidered the fixed assets management & accounting depreciation estimations, in 18/12/2018 the board has approved to change of depreciation policy (depreciation pattern of assets economic benefits "change in estimate") from annual basis to monthly basis for the new head office building in New Cairo, and apply this change from the month at which the assets is used and applied on all its related assets starting from 2018 which was estimated by 3 months and starting from 2019 for all new acquired assets.

The residual value and useful lives of the fixed assets are reviewed periodically on each balance sheet date and they are adjusted whenever it is necessary. Assets to be depreciated are reviewed for purposes of determining extent of impairment when an event or change in conditions occurs suggesting that the book value may not be recoverable. Consequently, the book value of the asset is reduced immediately to the asset's recoverable value in case increasing the book value over the recoverable value.

The recoverable value represents the net selling value of the asset or its in-use value whichever is greater. Gains and losses from the disposal of fixed assets are defined by comparing the net receipts at book value. Gains (losses) are included within other operating income (expenses) in the income statement.

Impairment of non-Financial Assets

- 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. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.
- An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, the net realizable value represents the net selling value of the asset or its utilization value which is greater. For the purposes of estimation impairment, assets shall be linked to at the smallest available cash unit. Non-financial assets that have been impaired shall be reviewed to assess a reversal of the impairment to the income statement at each reporting date.

M- Rentals

With regard to capital leasing contracts, the lease cost including the rental costs and maintenance cost of leased assets are recognized within the expenses in the income statement for the period in which it was incurred. If the bank decides to exercise the right of purchasing leased assets, then the cost of purchasing right is being capitalized considering it a fixed assets and amortized over the expected remaining useful life of the asset in the same way applied on similar assets.

Payments under the operational leasing account less any discounts granted by the lesser are recognized within expenses in the income statements by applying the straight line method over the period of contract.

N- Cash and cash equivalent

For the cash flow statement purposes, cash and cash equivalent Including balances due within three months from the date of acquisition. The above include cash, balances at Central Bank of Egypt outside the context of required reserve ratio, due from banks and finally treasury bills and other governmental securities.

O- Financial guarantees contracts

Financial guarantees contracts are those contracts that bank issues for its clients as a collateral for loans or overdrafts for withdrawn from other parties. Those kinds of collateral require bank to settle certain amounts to beneficiary to compensate him from the losses burden from debtor default at settlement date according to terms and condition of financial instrument. Those kinds of collateral provided to banks, financial institutions and other parties instead of its clients.

At initial recognition, the fair value of collateral recognized at grant date at financial statements to reflect fees. Later on, bank liability assessed depending on the initial value deducting the recognized amortization of that fees on income statement using the effective interest rate method over the guarantee lifetime, or the best estimate for the projected cash out flow to settle any liability that will be raise from such financial guarantee at balance sheet date whatever higher. Those projected cash out flows determined based on the experience in similar transactions and historical losses supported by management judgement.

Any increase in liabilities recognized at other operating gains (losses) at in income statement.

P- Provisions

Provisions recognized when there is a legal obligation or a present constructive due to previous events while it is also more likely that the situation shall require the utilization of the bank's resources to settle said liabilities with the availability for the amount to be reliably estimated.

When there are similar liabilities the cash outflow that can be used in settlement is determined taking into consideration this set of liabilities. The provision should be recognized even if there is a small possibility in the presence of cash outflow regarding an item from within this set.

When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income (expense) item.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation which become due after one year from the financial statement date using appropriate rate for the due date (without being affected by effective tax rate) which reflect time value of money, and if the due date is less than one year we calculate the estimated value of obligation but if it have significant impact then it calculated using the present value.

Q- Employee's Benefits

Social insurance

The Bank pays contributions to Social Insurance Authority and the Bank has no further payment obligations once the contributions have been paid. These regular contributions are recognized as employee benefit through the income statement when they are due.

Employees profit share

The Bank pays a percentage of the expected profit in cash dividends as employee profit share; the employee profit share is recognized as part of dividends in the equity and as a liability when it is approved by the general assembly of the Bank, and no obligation is recognized for the employees share in the undistributed profits retained earnings.

Staff Pension Funds

The bank and employees contributes to a special saving fund to cover pension and end-of service bonus for permanent bank's employees by a given percentage of the employees' salaries. The monthly contributions are deducted while the bank has no further payment obligations once the contributions have been paid, thus recognized within the Employee benefits expenses when accrued and the fund covers the banks' permanent employees.

R- Income Taxes

The income taxes on the year's profits or losses include the tax of the current year and the deferred tax and they are recognized in the income statement with the exception of the income tax on the items of shareholder's equity which is immediately recognized within equity.

The income tax is recognized on the basis of the net profit subject to tax through the application tax rates prevailing at the date of preparing the financial statements in addition to the tax adjustments related to previous years.

Deferred taxes arising from temporary timing differences between the book value of assets and liabilities according to accounting bases and their values according to tax rules are to be recognized. So the value of the deferred tax is defined according to the method expected to realize or adjusted the value of assets and liabilities by applying the tax rates in force at the date of preparing the balance sheet.

The deferred tax assets are recognized when there is likelihood to achieve taxable profits in the future through which this asset can be beneficial. The value of deferred tax assets is reduced by the portion which will not realize the expected taxable benefit in the coming years whereas in case of the increase in expected taxable benefits the deferred tax assets should be increased within the limit of previous reduction.

S- Borrowing

Loans which the bank obtains are recognized at inception at fair value less the cost of obtaining the loan. Later the loan is measured by amortized cost. The difference between net proceeds and the amount to be paid over the borrowing period using the effective interest rate method is to be charged to the income statement.

T- Dividends

Dividends are charged to shareholders' equity in the period the shareholders general assembly approves these dividends and they include the employees' share in profits and the remuneration of the board of directors established by the statue of association of the bank and the law.

U- Trustee activities (custody)

The bank practices trustee services (custody) which leads to owning or managing private assets of individuals, trust funds or post service benefits funds. These assets and the resulting profits are to be excluded from the financial statements as they are not considered among the bank's assets.

3 - Financial risk management

The bank is exposed to a variety of financial risks while it practices its business and activities; Acceptance of risks is considered the basis of financial business. Some of the risks or a set of risks combined together are to be analyzed evaluated and managed. The bank targets at achieving the adequate balance between the risk and return as well as minimizing possible negative impacts on its financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks, Market risk includes the risks of foreign exchange rates, interest rate risk and the other rate risks.

The bank has established risk management policies to define, analyze, set the limits of and control risk. Controlling risks and complying with limits are done through a variety of reliable techniques and updated information systems plans. The bank conducts periodical reviews and amendments of the risk management policies and plans so as to reflect changes in the markets, products and services besides the best modern applications as well.

Risk management is conducted through risk department in the light of policies approved by the board of directors; Risk department defines, assesses and covers against the financial risks in close cooperation with the different operating units of the bank. The board of directors provides written principles for risk management as a whole in addition to written policies which cover defined risk areas such as credit risk, foreign exchange risk, interest- rate risks and the use of derivatives and non-derivatives financial instruments, Also, risk department is responsible for the periodic review of risk management and control environment in an independent way.

A- Credit risk

The bank is exposed to credit risk which is the risk of failure of one party to fulfill its obligations. Credit risk is considered the most important among the bank's risks thus the management carefully manages the exposure to this risk. Credit risk is mainly represented in lending business and activities which result in extending loans, facilities and investment activities and thus leading to the inclusion of debt instruments in the bank's assets. Credit risk also exists in off- balance sheet financial instruments such as loans commitments. The credit risk management team in the department conducts all operation related to management and controls of the credit risk meanwhile the team of management periodically reports to the board of directors, senior management as well as heads of business units.

A-1 Measuring credit risk

Loans and advances to banks and customers

To measure credit risk related to loans and advances extended to banks and customers the bank examines the following three components:

- Probability of default of the customer or the other in fulfilling his contractual obligations.
- The current position and the likely expected future development from which the bank can conclude the balance exposed to default (Exposure at default).
- Loss given default.

The daily activities of the bank's business involve the above measures for credit risk which reflect the expected loss (The Expected Loss Model) required by the Basel Committee on Banking Supervision. The operating measures may interfere with the impairment charge pursuant to the Egyptian Accounting Standard no. (26), which depends on losses realized at the balance sheet's date (realized losses models) and not on expected losses (disclosure A/3).

The bank estimates the probability of default at the level of every customer by applying internal rating methods to classify the creditworthiness in details of the different categories of customers. These internal methods for evaluation have been developed and the statistical analyses are to be taken into consideration together with the personal discretion reasoning of credit officials so as to reach the adequate creditworthiness classification. The bank's customers are divided into four categories for purposes of credit worthiness classification. The structure of credit worthiness adopted by the bank as illustrated in the following table reflects the extent of the probability of default of each category which mainly means that credit positions move between said categories pursuant to change in the assessment of the extent of default probability.

The assessment methods are reviewed and developed whenever it is necessary. The bank also periodically assesses the performance of the credit worthiness classification methods and the extent of their capacity on prediction of default cases.

The bank's internal four classifications' categories:

The classification's meaning
Performing loans
Regular watching
Watch list
Non-performing loans

The position exposed to default depends on the amounts that the bank expects to be outstanding when the default takes place, for example, as for a loan this position is the nominal value while for commitments the bank enlists all already drawn amounts besides these amounts expected to be withdrawn till the date of default, if it happens.

The expected or severe loss each represents the bank's expectations of the loss extent when claiming repayment of debt if the default occurs. This is expressed by the percentage of loss to the debt; this certainly differs in accordance with category of the debtor, the claim's priority and extent of the availability of guarantees or other methods for securing the credit.

Debt instruments, treasury bills and other bills

As concerning debt instruments and bills the bank adopts the external foreign classifications such as that of Standard and Poor's or similar agencies or to manage credit risk. If such assessments are not available, then the bank applies methods similar to those applied on credit customers. Investment in securities, financial papers and bills are considered a way to obtain a better credit quality and at the same time to provide an available source to meet funding requirements.

A-2 Risk limit control and Mitigation Policies

The bank manages, mitigates and controls credit risk concentration at the level of debtor, groups, industries and countries.

The bank organizes levels of acceptable credit risk by setting the limits for the risk amount and extent to be accepted at the level of each borrower or a class of borrowers, or at the level of economic activities and geographical sectors. These risks are constantly monitored and controlled while they are also subject to annual reviews or more frequently if necessary. Limits of credit risks are quarterly approved by the board of directors at the level of borrower/ group / producer, the sector and the country.

Limits of credit for any borrower including banks are divided into sublimit which include amounts in and off the balance sheet and daily risk limit related to trading items such as forward foreign exchange contracts and actual amounts are compared daily with determined limits.

Also credit risk exposure is managed by the periodical analysis of the present as well as the possible borrower's ability on fulfilling their obligations and also by amendment of the lending limits if appropriate.

The following are some means of mitigating risk:

Collaterals

The bank employs a range of policies and controls to mitigate credit risk. Among the methods implemented is to obtain collateral against the extended funds.
The bank has set guiding rules for defined types of acceptable collaterals.
Among the main types of collaterals to loans and advances are the following:

- Mortgage
- Mortgage of business assets such as equipment and goods.
- Mortgage of financial instruments such as debt instruments and equity.

Usually corporate lending is for a longer term and secured whereas credit facilities extended to individuals are unsecured. To reduce credit loss to its minimum, the bank seeks to get additional collaterals from the concerned parties as soon as indicators of a loan or facility impairment appear.

Collaterals held as a security for assets other than loans and advances are determined by the nature of the instrument and normally debt instruments and treasury bills are unsecured with the exception of asset-backed securities and the similar backed instruments by the securities portfolio.

Credit related Commitments

The main reason for credit related commitments is to ensure availability of funds upon client's request. Also the financial guarantees contract bears the same loans credit risk. Letters of credit that bank issued instead of its clients to grant a third party the right to withdraw a certain value according to terms and conditions usually guaranteed with goods traded so it bear a less risk degree than direct loan.
Credit related commitments represent the unused portion from approved limit to provide loan, financial guarantees contracts or letters of credit. The bank bear expected losses with amount of total unused commitments and that is because most credit risk resulted from grant credit. Although the more viable loss actually is less than unused commitments and that is for credit related commitments are potential liabilities for clients with specific credit nature. Bank is observing the commitments until maturity and that is for the long-term commitments have more credit risk degrees than short-term commitments.

A-3 Impairment policies and provisions

The Bank internal policies require three stages to categorize financial assets that was measured at amortized cost and loans commitment and financial guarantees and also debt instruments at fair value through other comprehensive income according to the changes in credit quality since initial recognition and then measurement of impairment loss (Expected credit loss) in the value related to each instrument according to the following:
The unimpaired financial asset at initial recognition is categorized at stage 1 and credit risk is continuously monitored by the banks' credit risk department.

In case of a significant increase in credit risk since initial recognition; the financial asset is then transferred to stage 2 and is not considered impaired at this stage (Expected credit loss over the lifetime given an unimpaired credit value).

In case there are indicators of impairment in the financial assets value it will be moved to stage three. And the bank relies on the following indicators to decide whether there is objective evidence pointing at:

- Significant increase in the financial assets interest rate as a result of increase in its credit risk.
- Significant adverse changes in the operation and financial or economic situation that the borrower operates in.
- Requesting rescheduling as a result of difficulties facing the borrower.
- Significant adverse changes in the cash flows or expected or actual operation results.
- Future adverse economic changes that affect the borrowers' future cash flows.
- Early signs of cash flow troubles / liquidity as late payment to lenders / commercial loans.
- Canceling a direct facility by the bank as a result of increase in the borrowers' credit risk.

The impairment losses provision included in the balance sheet at the end of the fiscal year is derived from the four internal assessment categories however, The majority of the provision result from the last two categories of the assessment. The following table shows the percentage to items within the balance sheet relates to loans and advances for each of the bank's internal assessment categories:

Bank's Assessment	**31-12-2021** **Loans & advances %**	**31-12-2020** **Loans & advances %**
1-Performing loans	**76.12**	81.17
2-Regular watching	**13.89**	7.04
3-Watch List	**4.20**	5.83
4-Non performing loans	**5.79**	5.96
	100%	100%

The tools of internal assessments help management to define whether there are objective evidences on the presence of impairment pursuant to the Egyptian Accounting Standard and depending on the following indicators, the Central bank of Egypt has defined:

- Great financial difficulties facing the borrower or debtor.
- Breach of the loan agreements' terms such as non-payment.
- Expectation of the borrower's bankruptcy, entrance into liquidity claim or restructuring the finance extended to him
- Deterioration of the competitive position for the borrower.
- For economic or legal reasons related to the borrower's financial difficulties the bank is obliged to grant him privileges and concessions which the bank may not approve of granting in normal circumstances.
- The impairment of the collateral's value.
- Deterioration of the credit situation.

The bank's policies require review of all financial assets which exceed a defined relative importance at least annually or more if necessary. The impairment charge to accounts that have been assessed on an individual basis is to be defined by evaluating the loss realized at the balance sheet's date on each individual case separately and is to be applied individually on all accounts that have relative importance, the evaluation usually includes the outstanding collateral, security with a reconfirmation of the possibility to appropriate the collateral as well as the expected collections from these said accounts.

The impairment loss provision is formed on basis of a group of homogeneous assets by using the available historical expertise, personal discretion and statistical methods.

Impairment loss provision recognition and measurement for performing and non-performing loans portfolios: -

Impairment is measured as following: -

A. Historical loss ratios: - This method is implemented on performing corporate clients based on type of industry for each client beside retail client (performing and non-performing) and this method is based on calculating historical loss ratio for each product separately with adjusting the mentioned ratio according to the relevant economic circumstances based on credit analysis to conclude the provision needed for each group has the similar credit characteristics.

B. Discounted cash flows: - This method is implemented on non-performing corporate clients and this method is based on calculating expected cash flow that will be collected from the client and calculating its present value according to original effective interest rate implemented on the original loan before the client being a non-performing by recognizing the impairment as the difference between the loan's book value and the present value of expected cash flows.

- On the other hand the excess of the provisions calculated based on risk rating over the provisions impairment kept according to central bank of Egypt instructions issued for provisions formation at 2005 and central bank of Egypt instructions issued for financial statements preparation and presentation at 2008 not allocate that excess through transferring that amount to general banking risk reserve account that would be added back to retained earnings when it is finish up its purpose.

A-4 The General Model for Measuring Banking Risks

In addition to the four creditworthiness classification categories shown in (note no. a-1), the management also prepares classification in the form of more detailed subgroups which cope with the requirements of the Central Bank of Egypt. Assets exposed to credit risk are classified in these subgroups pursuant to detailed rules and terms, which depend largely on customer related information, his business and activities, financial position and the extent of his regularity in payment.

The bank calculates the provisions required for the impairment of these assets exposed to credit risk including credit related commitments on the basis of defined ratios set by the Central Bank of Egypt. In case of the increase in the impairment loss provision, required according to the Central Bank of Egypt's rules, over that required for purposes of preparing the financial statements according to Egyptian accounting standards, the general banking risks reserve is to be set aside within the shareholders' equity debited to retained earnings within this increase. This reserve is periodically adjusted by increase or decrease as to be equaled to the amount of increase between the two provisions. And this reserve is un-distributable and note (30/B) shows the movement of Banking risks general reserve during the year.

The following is an indication of corporate creditworthiness categories according to internal assessment bases compared to the assessment bases of The Central Bank of Egypt and the required provision rations for the impairment of assets exposed to credit risk:

CBE Classification	The Classification's Meaning	Provision's Ratio Required	Internal Classification	Meaning of Internal Classification
1	Low risks	Zero	1	Performing loans
2	Average risks	1%	1	Performing loans
3	Satisfactory risks	1%	1	Performing loans
4	Reasonable risks	2%	1	Performing loans
5	Acceptable risks	2%	1	Performing loans
6	Marginally acceptable risks	3%	2	Regular follow up
7	Watch List	5%	3	Special follow up
8	Sub Standard	20%	4	Non performing loans
9	Doubtful	50%	4	Non performing loans
10	Bad debt	100%	4	Non performing loans

A-5 The Maximum Limit for Credit Risk before Collaterals

Credit Risk exposures in the Balance Sheet items:

	31/12/2021	31/12/2020
Due from banks	2,946,482	2,427,277
Loans and advances to customers		
Loans to individuals:		
- Overdrafts	80,163	81,436
- Credit cards	86,463	82,754
- Personal loans	1,331,081	1,476,011
- Auto loans	824,936	872,563
Corporate loans :		
- Overdrafts and direct loans	3,216,370	2,504,311
- Syndicated loans	513,739	224,452
- Discounted bills	8,413	5,247
Financial investments :		
- Debt instruments	3,313,326	2,759,814
- Other Assets	145,725	164,268
Total	12,466,698	10,598,133

Credit risk exposures of off-balance sheet items:

Loans Commitment Non-cancelable Credit related commitments for other liabilities	41,986	4,042
Letter of guarantee	1,114,704	523,383
Letter of credit – Import	393,767	218,238
Letter of credit – Export	59,020	15,963
Contingent liabilities bills of exchange	144,761	132,937
Total	1,754,238	894,563

- The pervious table represent the maximum limit of exposure as of 31 December 2021 without taking into consideration any financial guarantees. As for the balance sheet items, the enlisted amounts depend on the net book value presented in the balance sheet.
- As illustrated in the previous table 42.62% of the maximum Limit exposed to credit risk arises from loans and advances to customers whereas investments in the debt instruments represent 23.30%. The management has confidence in its abilities to continue controlling and maintaining the minimum limit of credit risk resulted from loans, facilities and debt instruments portfolios depending on the following:
- The bank has applied more conservative selection processes when extending loans and advances during the year ended 31 December 2021.
- More than 81.61%, of the investments in debt instruments and treasury bills represents debt instruments from the Egyptian Government.

A-6 Loans and advances

The following is the position of loans and advances' balances as regarding creditworthiness:

Notes no. (17) Includes further information on the impairment losses provision of loans and facilities to banks and customers.

Loans and advances to customers	**31/12/2021**	**31/12/2020**
With no delays or impairment	5,335,482	4,807,488
With delays but not subject to impairment	374,899	126,375
Subject to impairment	350,784	312,911
Total	6,061,165	5,246,774
Less: Unearned discount for discounted commercial bills & other loans	(8)	(136)
Less: Expected Credit Losses provision	(422,553)	(304,257)
Less: Suspended interest	(133)	(133)
Net	5,638,471	4,942,248

Loans and advances with no delays or impairment:

The credit worthiness of the loans and advances portfolio with no delays or impairment is evaluated with reference to the internal evaluation used by the bank.

Loans and advances to banks and customers

31/12/2021

	Retail			Corporate				
Assessment	**Overdrafts**	**Credit Cards**	**Personal loans**	**Overdrafts**	**Direct Loans**	**Syndicated Loans**	**Discounted Bills**	**Total loans and advances to customers**
Performing Regular	80,163	82,376	2,038,330	432,156	1,691,528	186,665	8,413	4,519,631
Watching	-	-	-	101,024	389,006	325,821	-	815,851
Watch List	-	-	-	-	-	-		-
Total	80,163	82,376	2,038,330	533,180	2,080,534	512,486	8,413	5,335,482

31/12/2020

	Retail			Corporate				
Assessment	**Overdrafts**	**Credit Cards**	**Personal loans**	**Overdrafts**	**Direct Loans**	**Syndicated Loans**	**Discounted Bills**	**Total loans and advances to customers**
Performing Regular	81,436	79,381	2,264,384	420,566	1,249,142	74,988	5,247	4,175,144
Watching	-	-	-	105,855	112,081	147,840	-	365,776
Watch List	-	-	-	141,089	125,479	-	-	266,568
Total	81,436	79,381	2,264,384	667,510	1,486,702	222,828	5,247	4,807,488

Loans and advances with delays but are not subject to impairment

Loans and advances to customers

These are loans and advances with delays up to 90 days but are not subject to impairment unless there is other information to the contrary a loan and advances to customers with delays but not subject to impairment and the fair value of their collaterals are represented in the following:

Loans and advances to banks and customers.

31\12\2021	Retail		
	Credit Cards	Personal Loans	Total
Past due up to 30 days	278	3,277	3,555
Past due more than 30 days to 60 days	380	4,838	5,218
Past due more than 60 days to 90 days	1,046	28,758	29,804
Total	1,704	36,873	38,577

31\12\2021	Corporate			
	Overdrafts	Direct Loans	Syndicated Loans	Total
Past due up to 30 days	127,414	111,917	1,253	240,584
Past due more than 30 days to 60 days	-	169	-	169
Past due more than 60 days to 90 days	-	5,772	-	5,772
Past due more than 90 days	82,310	7,487		89,797
Total	209,724	125,345	1,253	336,322

31/12/2020	Retail		
	Credit Cards	Personal Loans	Total
Past due up to 30 days	435	6,515	6,950
Past due more than 30 days to 60 days	1,039	4,616	5,655
Past due more than 60 days to 90 days	218	437	655
Total	1,692	11,568	13,260

31/12/2020	Corporate			
	Overdrafts	Direct Loans	Syndicated Loans	Total
Past due up to 30 days	47,505	27,500	1,624	76,629
Past due more than 30 days to 60 days	-	11,106	-	11,106
Past due more than 60 days to 90 days	24,891	489	-	25,380
Total	72,396	39,095	1,624	113,115

At initial recognition of loans and advances, the fair value of collaterals is evaluated on the basis of the same assets evaluation methods used for similar assets, and in subsequent periods, the fair value will be updated by the market prices or the similar assets' prices.

Loans and advances subject to impairment on an individual basis

The balance of loans & advances which are subject to impairment on an individual basis, before taking into consideration the cash flow from collaterals, amounted to EGP 350,784 thousand in DEC-21 compared by EGP 312,911 thousand in DEC-2020. Herein below is the analysis of the total value of loans and advances subject to impairment on individual basis including the fair value of collaterals the bank has obtained against these loans:

31/12/2021 Assessment	Retail		Corporate	
	Credit Cards	Personal Loans	Direct Loans & Overdrafts	Total
Loans and advances subject to impairment on an individual basis	2,383	80,814	267,587	350,784

31/12/2020 Assessment	Retail		Corporate	
	Credit Cards	Personal Loans	Direct Loans & Overdrafts	Total
Loans and advances subject to impairment on an individual basis	1,681	72,622	238,608	312,911

Acquisition of collaterals

Acquired assets are classified under the "Other Assets" item in the financial position; the accounting policy disclosed is followed in the first recognition and subsequent measurement. These assets are sold or used for the purposes of the Bank whenever practicable and in accordance with the legal years set by the Central Bank of Egypt to dispose acquired assets.

A-7 Debt instruments, treasury bills and other governmental notes:

The following table represents an analysis of debt instruments, treasury bills and other governmental notes based on the assessment of Standard & Poor's rating or the equivalent:

31/12/2021	Treasury bills & other Governmental notes	Investments in Securities	Total
Less than - A	1,715,094	988,966	2,704,060
Unclassified	-	638,895	638,895
Total	1,715,094	1,627,861	3,342,955

31/12/2020	Treasury bills & other Governmental notes	Investments in Securities	Total
Less than - A	1,618,766	716,205	2,334,971
Unclassified	-	450,339	450,339
Total	1,618,766	1,166,544	2,785,310

A-8 The concentration of financial assets' risks exposed to credit risk

Geographical segments

The following table represents an analysis of the bank's most important boundaries of credit risk at book value, distributed in accordance with the geographical segment at 31 December 2021 when preparing this table; the risks are distributed into the geographical segments which related to the geographical locations of the bank customers'.

	Arab Republic of Egypt						
31/12/2021	**Cairo**	**Alex., Delta and Sinai**	**Upper Egypt**	**Total**	**Gulf Countries**	**Other Countries**	**Total**
Due from Banks	2,365,969	-	-	2,365,969	61,509	519,004	2,946,482
Loans & advances to customers							
Loans to individuals (Retail)							
- Overdrafts	74,471	4,223	1,469	80,163	-	-	80,163
- Credit cards	72,156	11,469	2,838	86,463	-	-	86,463
- Personal loans	1,004,202	214,023	112,856	1,331,081	-	-	1,331,081
- Car loans	783,973	36,814	4,149	824,936	-	-	824,936
Loans to corporate							
- Overdrafts	451,926	291,196		743,122	-	-	743,122
- Direct loans	2,286,444	172,421	14,383	2,473,248	-	-	2,473,248
- Syndicated loans	453,842	59,897	-	513,739	-	-	513,739
- Discounted bills	8,413			8,413	-	-	8,413
Financial Investments							
- Debt instruments	3,313,326	-	-	3,313,326	-	-	3,313,326
Total as of 31/12/2021	10,814,722	790,043	135,695	11,740,460	61,509	519,004	12,320,973

31/12/2020	**Cairo**	**Alex., Delta and Sinai**	**Upper Egypt**	**Total**	**Gulf Countries**	**Other Countries**	**Total**
Due from Banks	1,486,172	-	-	1,486,172	75,736	865,369	2,427,277
Loans & advances to customers							
Loans to individuals (Retail)							
- Overdrafts	76,278	4,758	400	81,436	-	-	81,436
- Credit cards	67,902	11,977	2,875	82,754	-	-	82,754
- Personal loans	1,063,859	315,393	96,759	1,476,011	-	-	1,476,011
- Car loans	827,447	39,637	5,479	872,563	-	-	872,563
Loans to corporate							
- Overdrafts	465,276	251,322	23,306	739,904	-	-	739,904
- Direct loans	1,600,688	153,645	10,074	1,764,407	-	-	1,764,407
- Syndicated loans	149,465	74,987	-	224,452	-	-	224,452
- Discounted bills	5,247	-	-	5,247	-	-	5,247
Financial Investments							
- Debt instruments	2,759,814	-	-	2,759,814	-	-	2,759,814
Total as of 31/12/2020	8,502,148	851,719	138,893	9,492,760	75,736	865,369	10,433,865

Business Segment

The following table represents an analysis of the most important boundaries of credit risk at book value, distributed according to the customers' business.

31/12/2021	Financial Institutions	Industrial Institutions	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Due from banks	585,229	-	-	2,361,253	-	-	2,946,482
Loans & advances to customers							
Loans to individuals (Retail)							
- Overdrafts	-	-	-	-	-	80,163	80,163
- Credit cards	-	-	-	-	-	86,463	86,463
- Personal loans	-	-	-	-	-	1,331,081	1,331,081
- Car loans	-	-	-	-	-	824,936	824,936
Loans to Corporate							
- Overdrafts	-	122,819	212,248	69,308	338,747	-	743,122
- Direct loans	-	893,806	601,227	98	978,117	-	2,473,248
- Syndicated loans	-	-	-	248,295	265,444	-	513,739
- Discounted bills	8,413	-	-	-	-	-	8,413
Financial Investments							
- Debt instruments	609,265	-	-	2,704,061	-	-	3,313,326
Total as of 31/12/2021	1,202,907	1,016,625	813,475	5,383,015	1,582,308	2,322,643	12,320,973

31/12/2020	Financial Institutions	Industrial Institutions	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Due from banks	2,268,241	-	-	159,036	-	-	2,427,277
Loans & advances to customers							
Loans to individuals (Retail)							
- Overdrafts	-	-	-	-	-	81,436	81,436
- Credit cards	-	-	-	-	-	82,754	82,754
- Personal loans	-	-	-	-	-	1,476,011	1,476,011
- Car loans	-	-	-	-	-	872,563	872,563
Loans to Corporate							
- Overdrafts	-	125,046	225,777	89,672	299,409	-	739,904
- Direct loans	-	776,524	343,228	-	644,655	-	1,764,407
- Syndicated loans	-	-	-	6,996	217,456	-	224,452
- Discounted bills	5,247	-	-	-	-	-	5,247
Financial Investments							
- Debt instruments	424,844	-	-	2,334,970	-	-	2,759,814
Total as of 31/12/2020	2,698,332	901,570	569,005	2,590,674	1,161,520	2,512,764	10,433,865

B- Market Risk

The bank is exposed to market risk represented in volatility in fair value or in future cash flows resulted from changes in market prices. The market risk is due to the open positions of interest rates, currency rates and equity instruments as each of them is exposed to the market's public and private movements as well as to the changes in the sensitivity level of market prices or rates such as interest rates, foreign exchange rates and the prices of equity instruments. The bank separates the level of its exposure to market risk to portfolios either held for trading or portfolios held for a non-trading purpose.

The management of market risk resulted from trading and non-trading activities are centralized in the department of risk management in the bank and it is followed up by two separate teams. There is also periodic reporting on market risks to the board of directors and heads of business units.

The trading portfolios include these positions resulting from the bank's direct dealing with customers or with the market. Whereas, the portfolios held for a non-trading purpose, arise mainly from management of the rate of return of assets and liabilities related to retail transactions. These portfolios include the foreign exchange risks and equity instruments resulted from investments either amortized cost or TOCI.

B-1 Methods of Measuring Market Risk

As part of the market risk management the bank enters into many hedging strategies also interest rate swaps in order to balance the risk associated with the debt instruments and long term loans with fixed interest rate in case the fair value option is applied. The following are the most important measurement methods applied to control the market risk.

Value at Risk

The bank adopts the method of "value at risk" for trading and non-trading portfolios in order to estimate the market risk of outstanding positions and the maximum limit of expected loss based on a number of assumptions for the various changes of market conditions. The board of directors sets limits for "value at risk" which the bank can accept for trading or non-trading separately and they are monitored daily by Risk Management department in the bank.

Value at risk is a statistical expectation for the potential loss resulted from market's adverse moves on the current portfolio. It is an expression of the maximum value the bank can lose using a defined confidence factor (98%) consequently there is a statistical probability of (2%) that the actual loss may be greater than the expected value at risk. The value at risk model assumes a defined retention period (ten days) before closing of the open positions. It also assumes that the market movement during the retention period will follow the same pattern of movement that occurred during the previous ten days. The bank should assess the past movement based on the data of the previous five years and applies these historical changes in rates, prices and indicators directly on current positions, and this method known as historical simulation. Actual outputs are monitored on a regular basis to measure the soundness of assumptions and factors applied to calculate value at risk.

The use of this approach does not prevent losses outside these limits in case of there is more significant market movement.

As value at risk constitutes an integral part of bank's market risk control, the value at risk limits are established by the board annually for all trading and non-trading operations and allocate it to business units, the actual values at risk are compared with the established limits on daily basis by the risk management unit at the bank. The daily average value at risk has reached during the present year EGP 6,212 thousand.

The quality of value at risk model is monitored on a continuous basis through tests that reinforce the results of value at risk of the trading portfolio and the results of such tests are reported to senior management and board of directors.

Stress Testing

Stress testing gives an indicator of the volume of expected loss which may arise from extremely adverse conditions. Stress testing is designed in a way that suites business and activity by applying typical analyses of defined scenarios. Stress testing which the risk department undertakes includes the stress testing of risk factors where a set of extreme movements is to be applied on each risk category. There is also stress testing applied on developing markets which are subject to extreme movements and special stress testing that includes significant potential events which may affect certain centers or regions such as what can happen in a region due to liberalization of restrictions on a currency. The senior management and board of directors always monitor and review the results of stress testing.

B-2 Summary of value at risk

Total value at risk according to the risk type

	31/12/2021			31/12/2020		
	Middle	Highest	Lowest	Middle	Highest	Lowest
Exchange rate risks	6,003	6,035	5,955	4,769	4,777	4,760
Interest rate risks	209	223	196	108	117	98
Total value at risks	6,212	6,258	6,151	4,877	4,894	4,858

Value at risk of the trading portfolio according to the risk type

	31/12/2021			31/12/2020		
	Middle	Highest	Lowest	Middle	Highest	Lowest
Exchange rate risks	6,003	6,035	5,955	4,769	4,777	4,760
Total value at risks	6,003	6,035	5,955	4,769	4,777	4,760

Value at risk of the non-trading portfolio according to the risk type

	31/12/2021			31/12/2020		
	Middle	Highest	Lowest	Middle	Highest	Lowest
Interest rate risk	209	223	196	108	117	98
Total value at risks	209	223	196	108	117	98

The increase in the value at risk is related, especially interest rate risk, to the increase in the sensitivity of interest rates in international financial markets.

The three previous results of value at risk have been calculated independently from the concerned positions and historical movements of markets. Total values at risk for trading and non-trading don't form the bank's value at risk given the correlation between the types of risks and types of portfolios and the associated diverse impacts.

B-3 The risk of fluctuations in foreign exchange rates

The bank is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows. The board of directors has set limits to foreign currencies in total value for each position at the end of the day and also intraday which are monitored on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in exchange rates risk at the end of the fiscal year. The said table includes the book value of financial instruments broken down into its component currencies:

The concentration of currency risk of financial instruments

31/12/2021	EGP	USD	Euro	GBP	Other CCY	Total
Financial assets						
Cash and due from Central Bank of Egypt	3,458,029	305,478	198,097	2,991	13,299	3,977,894
Due from banks	3,341	483,758	79,181	14,089	4,860	585,229
Loans and advances to customers (Gross)	5,530,203	514,998	15,964		-	6,061,165
Financial Investments						
- Fair value through OCI	2,006,359	522,629	-	-	-	2,528,988
- Amortized Cost	804,879	9,089	-	-	-	813,968
Total financial assets	11,802,811	1,835,952	293,242	17,080	18,159	13,967,244
Financial liabilities						
Due to banks	675,138	484,632	123,955	-	3	1,283,728
Customers' deposits	9,324,809	1,357,145	169,411	17,144	7,523	10,876,032
Total financial liabilities	9,999,947	1,841,777	293,366	17,144	7,526	12,159,760
Net of financial position	1,802,864	(5,825)	(124)	(64)	10,633	1,807,484

31/12/2020	EGP	USD	Euro	GBP	Other CCY	Total
Financial assets						
Cash and due from Central Bank of Egypt	785,916	272,709	64,783	7,331	12,171	1,142,910
Due from banks	1,255,928	797,984	200,708	10,105	3,516	2,268,241
Loans and advances to customers (Gross)	4,921,113	325,661	-	-	-	5,246,774
Financial Investments						
- Available for sale	1,699,081	522,798	-	-	-	2,221,879
- Held to maturity	554,044	9,387	-	-	-	563,431
Total financial assets	9,216,082	1,928,539	265,491	17,436	15,687	11,443,235
Financial liabilities						
Due to banks	58	502,054	139,704	-	3	641,819
Customers' deposits	7,510,282	1,410,506	122,075	17,363	9,541	9,069,767
Total financial liabilities	7,510,340	1,912,560	261,779	17,363	9,544	9,711,586
Net of financial position	1,705,742	15,979	3,712	73	6,143	1,731,649

B-4 Interest rate risk

The bank is exposed to the impact of fluctuations in the levels of interest rates prevailing in the market that is the cash flow risk of interest rate represented in the volatility of future cash flow of a financial instrument due to changes in the interest rate of said instrument. Whereas the interest rate's fair value risk is the risk of fluctuations in the value of the financial instrument due to changes in interest rates in the market. The interest margin may rise due to these changes but still the profits may decrease if unexpected movements occur. The board of directors sets limits for the level of difference in the re-pricing of interest rate which the bank can maintain and this is daily monitored by risk department in the bank.

The following table summarizes the extent of the bank's exposure to the risk of fluctuations in interest rates which includes the book value of financial instruments divided on the basis of the price of re-pricing dates or maturity dates whichever is sooner:

31-12-2021	Up to one month	One to three months	Three months to one year	One year to five years	Over five years	Non –Interest bearing	Total
Financial assets							
Cash and due from Central Bank of Egypt	1,000,000	944,814	250,000	-	-	1,783,080	3,977,894
Due from banks	546,211	-	-	-	-	39,018	585,229
Loans and advances to customers	1,203,640	2,267,817	748,464	1,277,895	212,565	350,784	6,061,165
Financial Investments:							
- Fair value through OCI	295,719	1,186,738	688,167	329,781	-	28,583	2,528,988
- Amortized Cost	-	-	50,012	763,956	-	-	813,968
Total financial assets	3,045,570	4,399,369	1,736,643	2,371,632	212,565	2,201,465	13,967,244
Financial liabilities							
Due to banks	1,196,427		87,301	-	-	-	1,283,728
Customers' deposits	6,308,129	1,180,230	319,920	1,694,544	-	1,373,209	10,876,032
Total financial liabilities	7,504,556	1,180,230	407,221	1,694,544	-	1,373,209	12,159,760
The interest re-pricing gap	(4,458,986)	3,219,139	1,329,422	677,088	212,565	828,256	1,807,484

31-12-2020	Up to one month	One to three months	Three months to one year	One year to five years	Over five years	Non –Interest bearing	Total
Financial assets							
Cash and due from Central Bank of Egypt	-	159,036	-	-	-	983,874	1,142,910
Due from banks	2,146,924	-	-	-	-	121,317	2,268,241
Loans and advances to customers	1,158,391	748,592	1,309,222	1,346,218	371,440	312,911	5,246,774
Financial Investments:							
- Available for sale	152,947	736,976	1,008,076	298,384	-	25,496	2,221,879
- Held to maturity	-	9,387	241,893	312,151	-	-	563,431
Total financial assets	3,458,262	1,653,991	2,559,191	1,956,753	371,440	1,443,598	11,443,235
Financial liabilities							
Due to banks	314,640	94,708	-	-	-	232,471	641,819
Customers' deposits	5,499,917	980,752	153,784	1,464,162	-	971,152	9,069,767
Total financial liabilities	5,814,557	1,075,460	153,784	1,464,162	-	1,203,623	9,711,586
The interest re-pricing gap	(2,356,295)	578,531	2,405,407	492,591	371,440	239,975	1,731,649

C- Liquidity risk

The liquidity risk is the risk that the bank will be unable to meet its commitments associated with its financial obligations at maturity date and replacing the amounts that have been withdrawn; and that may result failure in meeting obligations related to repayment of the depositors' funds or meeting the lending commitments.

Liquidity risk management

The processes of liquidity risk control applied by risk department in the bank include the following:

- The daily finance is managed by monitoring and controlling the future cash flows to ensure the ability to fulfill all obligations and requirements. This includes providing and replacing funds when due or when lending to customers. The bank is always present in active international money markets to ensure achievement of this target.
- Maintaining a portfolio of highly marketable assets which can easily be liquidated to meet any unexpected interruption in cash flows.
- Monitoring liquidity ratios compared to the internal requirements of the bank and the Central Bank of Egypt's requirements.
- Management of concentration and stating the loans maturities.

For control and reporting purposes the cash flows are measured and forecast for the day, the week as well as and the next month which are considered the main periods for liquidity management. The starting point for these expectations is represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.

The risk management department controls the mismatch between medium term assets, the level and type of the unutilized portion of loans' commitments, the extent of utilizing overdraft facilities and the impact of contingent liabilities such as letters of guarantees and letters of credit.

Funding approach

The liquidity resources are reviewed by a separate team in the risk management department of the bank to provide a wide variety of currencies, geographical regions, resources, products and maturities.

Non derivative cash flows

The following table represents the cash flows to be paid by the bank through method of non-derivative financial liabilities distributed on the basis of remaining period from the contractual maturities on the balance sheet's date. The amounts enlisted in the table represent the undiscounted contractual cash flows while the bank manages the liquidity risk on the basis of expected undiscounted cash flows and not the contractual ones.

31/12/2021	Up to one month	One to three months	Three months to one year	One year to five years	Over five years	Total
Financial liabilities						
Due to banks	1,197,159	-	87,301	-	-	1,284,460
Customers' deposits	7,857,618	968,634	596,901	1,849,357	-	11,272,510
Total financial liabilities according to contractual maturity date	9,054,777	968,634	684,202	1,849,357	-	12,556,970
Total financial assets according to contractual maturity date	5,137,538	4,797,419	1,866,713	2,584,723	248,011	14,634,404

31/12/2020	Up to one month	One to three months	Three months to one year	One year to five years	Over five years	Total
Financial liabilities						
Due to banks	547,120	94,708	-	-	-	641,828
Customers' deposits	6,681,355	235,332	674,336	1,912,987	-	9,504,010
Total financial liabilities according to contractual maturity date	7,228,475	330,040	674,336	1,912,987	-	10,145,838
Total financial assets according to contractual maturity date	4,992,080	1,326,475	2,425,059	3,124,448	490,988	12,359,050

The assets available to meet all liabilities and to hedge commitments related to loans include cash, balances at CBE, due from banks, treasury bills and other governmental notes at gross and Loans and advances to banks and customers at gross. Within the bank's normal business, a percentage of loans provided to customers who are due within a year are prolonged. In addition to that there are pledging for some of debt instruments, treasury bills and other governmental notes to guarantee liabilities. The bank has the ability to meet unexpected net cash flows through selling financial securities as well as raising other funding resources.

Off-balance sheet items:

The following is according Note no. (33)

31/12/2021	**Less than one year**	**One year to five years**	**Over five years**	**Total**
Financial guarantees, accepted bills of exchange and other financial facilities (33-C)	681,485	-	-	681,485
Capital commitments due to fixed assets' acquisition (33-B)		-	-	-
Total	681,485	-	-	681,485

31/12/2020	**Less than one year**	**One year to five years**	**Over five years**	**Total**
Financial guarantees, accepted bills of exchange and other financial facilities	473,862	-	-	473,862
Capital commitments due to fixed assets' acquisition	336	-	-	336
Total	474,198	-	-	474,198

D- The fair value of financial assets and liabilities

D-1 Financial instruments not measured at fair value

The following table summarizes the present value and the fair value of financial assets and liabilities which are not presented in the bank's balance sheet at fair value:

	Book value		**Fair value**	
	31/12/2021	31/12/2020	**31/12/2021**	31/12/2020
Financial Assets				
Due from banks	2,946,482	2,427,277	2,946,482	2,427,277
Loans & advances to customers				
-Retail	2,322,643	2,512,764	2,322,643	2,512,764
-Corporate	3,738,522	2,734,010	3,738,522	2,734,010
Financial investments				
-Amortized Cost (Treasury bonds)	813,968	563,431	815,308	563,431
Financial liabilities				
Due to banks	1,283,728	641,819	1,283,728	641,819
Customers' deposits				
-Retail	4,141,466	4,328,143	4,141,466	4,328,143
-Corporate	6,734,566	4,741,624	6,734,566	4,741,624

* It is not expected to have a major difference between Book and Fair Value.

Due from banks

The fair value of floating rate placements and overnight deposits is their present value. The estimated fair value of deposits bearing floating interest rate is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to banks

Loans and advances are representing loans other than deposits at banks. The expected fair value of loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted by applying the current market rate of return to determine the fair value.

Loans and advances to customers

Loans and advances are recognized in their net value after deducting the impairment loss provision. The expected fair value of loans and advances represents the discounted value of future cash flows expected to be collected. Cash flows are discounted by applying the current market rate of return to determine the fair value.

Investments in financial securities

Investments in financial securities in the prior table include only the assets which bear interest and held to maturity date. Available for sale assets are assessed at fair value with the exception of equity instruments which the bank has been unable to evaluate their fair value with a reliable extent. The fair value of financial assets held to maturity is determined on the basis of market rates or prices obtained from brokers. If these data are unavailable then the fair value is assessed by applying the financial markets' rates for negotiable financial securities with similar credit features, maturity dates as well as similar rates.

Due to other banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, represents the amount repayable on demand.

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

Issued debt instruments

The aggregate fair value is calculated in accordance with the prevailing financial markets rates. As for securities which do not have active markets, the model of discounted cash flows which is based on the present rate that suite the period remaining to maturity date is applied for the first time.

E- Capital Management

The bank's objectives, when managing capital that includes other elements besides the shareholders' equity disclosed in the balance sheet, are represented in the following:

- Compliance with the capital's legal requirements in Egypt and in countries where the bank's branches operate.
- Protection of the bank's ability on continuity as ongoing concern and enabling it to continue in generating return to shareholders and other parties that deals with the bank.
- Maintenance of a sound strong capital base that supports the growth of business.

Capital adequacy and capital utilizations prepared according to the Basel requirements issued from Central Bank of Egypt through models which depend on the guidelines of Basel Committee for Banking Supervision. Required data are submitted to the Central Bank of Egypt on a quarterly basis.

Central bank of Egypt except for foreign banks branches requires maintaining an amount of EGP 500 million as a minimum limit of issued and paid in capital.

Banks working in Egypt should maintain a minimum 12.75% between capital base elements (numerator) and between risk weighted assets (denominator). for facing the credit risk, market risk also operational risk.

The numerator of the capital adequacy ratio consists of the following two tiers:

Tier One:

Basic continuing capital: Which is consists of paid in capital (after deducting any treasury stocks), Retained earnings & Reserves except for Banks general risk reserve.

Additional capital: Which consists of period profit and loss and minority rights and the difference between the nominal and current value of the supporting loan.

Tier Two:

is the supported paid in capital and consist of: -

1) 45% from positive foreign currencies translation reserve.
2) 45% from special reserve.
3) 45% from fair value increase over the book value for financial investments held for maturity.
4) 45% from fair value increase over the book value for financial investments in associates and affiliates.
5) Financial instruments with embedded derivative.
6) Loans (Supportive deposits with 20% amortization from its value each year from the last five years from its maturity).
7) Impairment loss provision for loans, advances and performing contingent liabilities with maximum 1.25% from total risk weighted assets and risk weighted contingent liabilities.

*** Denominator of capital adequacy ratio consist of**

1) Credit risk.
2) Market risk.
3) Operational risk.
4) Top 50 clients' concentration breach from the regulatory limits.

Assets weighted by risk associated weights from zero to 100% classified on the nature of debtor for each asset which reflect credit risk associated taking into consideration cash collaterals. For off balance amounts the same treatment performed after making adjustments to reflect contingent nature in addition to expected losses for those amounts also bank should comply with all local capital requirements.

The following table summarizes calculations for capital adequacy ratio according to Basel II requirements at 31/12/2021:

	31/12/2021	31/12/2020
Capital		
Tier one (Base Capital)		
Capital shares	700,000	700,000
Legal reserve	156,850	156,850
Other reserves	913,773	824,141
Retained earnings	(69,739)	165,175
Intangible Assets	(12,056)	(18,331)
Fair Value reserve – Financial Investment through Other comprehensive income	19,621	19,285
50% from investments balances in non-financials companies (items to be deducted)	-	-
Total Tier one after deductions	1,708,449	1,847,120
Tier Two (Supportive Capital)		
required provisions for debt instruments, loans, advances and performing contingent liabilities included in stage 1	24,859	33,264
50% from investment at non-financial entities (deducted items)	-	-
Total Supportive capital	24,859	33,264
Total Capital	1,733,308	1,880,384
Assets and contingent liabilities risk weighted :		
Assets on balance sheet / Contingent liabilities	6,538,733	5,906,031
Risk weighted assets for top 50 client's concentration breach from the regulatory limits.	-	-
Capital requirement for other parties risks	-	-
Total credit risk	6,538,733	5,906,031
Capital requirements for Market risk	-	-
Capital requirements for Operational risk	922,420	962,346
Total Assets and contingent liabilities risk weighted	7,461,153	6,868,377
Capital adequacy ratio (%)*(excluding the effect of top 50 clients' concentration)	23.23%	27.38%

The following table summarizes capital financial leverage ratio at end of fiscal year: -

		31/12/2021	**31/12/2020**
Tier one (Capital after deductions)	(1)	1,708,449	1,847,120
On balance sheet, derivatives and financial instruments financing exposure		14,227,854	11,585,361
Off balance sheet exposure		711,699	594,359
Total exposure	(2)	14,939,553	12,179,720
Financial leverage ratio	(1)/(2)	11.44%	15.17%

4- The significant accounting estimates and assumptions:

In the application of the bank's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated
assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

A- Impairment of Loans and credit facilities (Expected Credit Loss)

The Bank reviews its Loans and credit facilities portfolio, at least, on a quarterly basis to assess impairment. Management uses its personal judgment in determining whether it is necessary to recognize impairment loss in the income statement. This requires it to identify any reliable evidence indicating measurable decline in the expected future cash flows from loan portfolio before identifying any decline for each individual loan.

This evidence might include data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default. On scheduling future cash flows, the management use estimates based on previous experience and the presence of objective evidence related to impairment of assets having similar credit risks to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on management given experience.

B- Debt instrument at amortized cost

Non-derivative financial assets with fixed or determinable payments and maturity dates are classified as debt instruments at amortized cost "within the business model of financial assets held to collect contractual cash flows".

5- Segmental analysis

A- Business segment analysis

Business segment includes operational processes, assets used in providing banking services and management of their surrounding risks and return related to this business that are different from those of other business segments. Also it includes related to segment analysis of these operations in accordance with type of banking business as mentioned in the following:

Large, medium and small Corporate

It includes the activities of current accounts, deposits, overdrafts, loans, credit facilities and financial derivatives.

Investment

It includes the activities of companies' merging, purchasing investments; financing companies restructuring and financial instruments.

Retail

It includes the activities of current accounts, savings, deposits, credit cards, personal loans, Mortgage and housing loans.

Other activities

They include other types of banking businesses such as treasury management. Dealings and transactions between the segmental activities are done in accordance with the bank's normal course of business both assets and liabilities include operational assets and liabilities as presented in the bank's balance sheet.

31/12/2021	Corporate	SMEs	Investments	Retail	Other Activities	Total
Income & Expense according to segmental activity						
Net Interest Income	52,775	9,453	168,701	180,216	94,300	505,445
Net Income from Fees & Commission	48,236	3,792	(3,742)	(9,649)	-	38,637
Gain on financial investments	-	-	9,949	-	-	9,949
Net trading income	-	-	7,308	-	-	7,308
Other operating revenues (expenses)	(5,177)	(1,003)	1,687	(7,631)	(18,678)	(30,802)
Impairment credit losses	(119,499)	(1,858)	298	(17,587)	-	(138,646)
Administrative expenses	(116,098)	(24,194)	(80,893)	(155,521)	(72,846)	(449,552)
Profit before income tax	(139,763)	(13,810)	103,308	(10,172)	2,776	(57,661)
Income tax expense	-	-	(62,821)	-	1,917	(60,904)
Net Profit as of 31/12/2021	(139,763)	(13,810)	40,487	(10,172)	4,693	(118,565)
Assets and liabilities according to segmental activity						
Assets according to business segment	3,539,340	457,267	7,296,636	2,251,129	-	13,544,372
Unallocated assets	-	-	-	-	652,520	652,520
Total Assets	3,539,340	457,267	7,296,636	2,251,129	652,520	14,196,892
Liabilities according to business segment	(870,618)	(77,176)	(1,155,219)	(10,056,746)	-	(12,159,759)
Unallocated Liabilities	-	-	-	-	(289,311)	(289,311)
Total Liabilities	(870,618)	(77,176)	(1,155,219)	(10,056,746)	(289,311)	(12,449,070)
Other items of business segment						
Capital expenditures	-	-	-	-	3,755	3,755
Depreciation	(4,086)	(708)	(3,749)	(7,735)	(43,514)	(59,792)
Impairment	(119,499)	(1,858)	298	(17,587)	-	(138,646)

31/12/2020	Corporate	SMEs	Investments	Retail	Other Activities	Total
Income & Expense according to segmental activity						
Net Interest Income	39,634	6,513	207,499	180,889	94,221	528,756
Net Income from Fees & Commission	45,084	4,104	(4,459)	(16,829)	-	27,900
Gain on financial investments	-	-	7,437	-	-	7,437
Net trading income	-	-	7,221	-	-	7,221
Other operating revenues (expenses)	(9,092)	(1,371)	7,305	(6,980)	85,610	75,472
Impairment credit losses	(43,791)	(4,601)	123	(23,597)	-	(71,866)
Administrative expenses	(110 432)	(25,135)	(83,057)	(157,010)	(71,873)	(447,507)
Profit before income tax	(78,597)	(20,490)	142,069	(23,527)	107,958	127,413
Income tax expense	-	-	(51,833)	-	(11,978)	(63,811)
Net Profit as of 31/12/2020	(78,597)	(20,490)	90,236	(23,527)	95,980	63,602
Assets and liabilities according to segmental activity						
Assets according to business segment	2,621,652	269,380	5,771,142	2,476,060	-	11,138,234
Unallocated assets	-	-	-	-	728,860	728,860
Total Assets	2,621,652	269,380	5,771,142	2,476,060	728,860	11,867,094
Liabilities according to business segment	(761,211)	(61,040)	(641,822)	(8,247,513)	-	(9,711,586)
Unallocated Liabilities	-	-	-	-	(289,457)	(289,457)
Total Liabilities	(761,211)	(61,040)	(641,822)	(8,247,513)	(289,457)	(10,001,043)
Other items of business segment						
Capital expenditures	-	-	-	-	7,249	7,249
Depreciation	(4,289)	(745)	(3,935)	(7,973)	(43,172)	(60,114)
Impairment	(43,791)	(4,601)	123	(23,597)	-	(71,866)

B- Geographical Segment Analysis

31/12/2021	Arab Republic of Egypt			
	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Income & Expense according to Geographical segmental				
Net Interest Income	458,012	38,963	8,470	505,445
Net Income from Fees & Commission	21,939	13,056	3,642	38,637
Gain on financial investments	9,949	-	-	9,949
Net trading income	7,308	-	-	7,308
Other operating revenues (expenses)	(30,802)	-	-	(30,802)
ECL charge	(138,742)	96	-	(138,646)
Administrative expenses	(423,390)	(19,929)	(6,233)	(449,552)
Profit before income tax	(95,726)	32,186	5,879	(57,661)
Income tax expense	(60,904)	-	-	(60,904)
Net Profit as of 31/12/2021	(156,630)	32,186	5,879	(118,565)
Assets and liabilities according to Geographical segment				
Assets according to Geographical segment	12,562,286	831,682	150,404	13,544,372
Unallocated assets	652,520	-	-	652,520
Total Assets	13,214,806	831,682	150,404	14,196,892
Liabilities according to Geographical segment	(10,467,163)	(1,118,357)	(574,239)	(12,159,759)
Unallocated Liabilities	(289,311)	-	-	(289,311)
Total Liabilities	(10,756,474)	(1,118,357)	(574,239)	(12,449,070)

31/12/2020	Arab Republic of Egypt			
	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Income & Expense according to Geographical segmental				
Net Interest Income	481,435	39,036	8,285	528,756
Net Income from Fees & Commission	11,467	13,302	3,131	27,900
Gain on financial investments	7,437	-	-	7,437
Net trading income	7,221	-	-	7,221
Other operating revenues (expenses)	75,472	-	-	75,472
ECL charge	(71,974)	106	2	(71,866)
Administrative expenses	(420,895)	(20,392)	(6,220)	(447,507)
Profit before income tax	90,163	32,052	5,198	127,413
Income tax expense	(63,811)	-	-	(63,811)
Net Profit as of 31/12/2020	26,352	32,052	5,198	63,602
Assets and liabilities according to Geographical segment				
Assets according to Geographical segment	10,091,539	889,838	156,857	11,138,234
Unallocated assets	728,860	-	-	728,860
Total Assets	10,820,399	889,838	156,857	11,867,094
Liabilities according to Geographical segment	(8,194,245)	(1,306,867)	(210,474)	(9,711,586)
Unallocated Liabilities	(289,457)	-	-	(289,457)
Total Liabilities	(8,483,702)	(1,306,867)	(210,474)	(10,001,043)

6- Net Interest Income

	For the year ended 31/12/2021	31/12/2020
Interest income on loans and similar income		
Loans and advances to customers	601,456	560,796
Total	601,456	560,796
Treasury bills and bonds	375,865	263,261
Income on current accounts and deposits (Banks)	96,015	302,566
Total	1,073,336	1,126,623
Interest expenses on deposits and similar charges		
Current accounts & deposits to:		
. Banks	(7,334)	(2,792)
. Customers	(560,557)	(595,075)
Total	(567,891)	(597,867)
Net	505,445	528,756

7- Net Fees & Commissions Income

	For the year ended 31/12/2021	31/12/2020
Fees & commissions income:		
Fees & commissions related to credit	47,529	34,929
Fees on trade finance	47,769	48,616
Other fees	21,550	23,664
Total	116,848	107,209
Fees & commissions expenses:		
Commission paid	(29,399)	(36,902)
Other paid fees	(48,812)	(42,407)
Total	(78,211)	(79,309)
Net	38,637	27,900

8- Gain on financial investments

	For the year ended 31/12/2021	31/12/2020
Gain on Financial investments in fair value through OCI	9,949	7,437

9- Net Trading Income

	For the year ended 31/12/2021	31/12/2020
Foreign currency operations:		
Gains from dealing in foreign currencies	7,275	7,274
Gains (Losses) from forward contracts valuation	33	(53)
	7,308	7,221

10- General & administrative expenses

	For the year ended 31/12/2021	31/12/2020
Staff cost		
- Wages and salaries	(206,097)	(203,275)
- Social Insurance	(7,722)	(7,377)
	(213,819)	(210,652)
Other administrative expenses	(235,733)	(236,855)
	(449,552)	(447,507)

The monthly average for top 20 annual income and bonuses is EGP 2,676 thousand for year ended 2021.

11- Other operating (Expenses) income

	For the year ended 31/12/2021	31/12/2020
(Charge) Release of other provisions (Note 26)	(38,555)	(26,351)
Gains from financial assets & liabilities revaluation	7,283	12,423
Profits from Sale of Fixed Assets	645	89,632
Other Income and (Expenses)	(175)	(232)
	(30,802)	75,472

12- ECL (charge) release

	For the year ended 31/12/2021	31/12/2020
Loans & advances to customers (Note no. 17)	(139,757)	(71,661)
Due from Banks (Note no. 16)	283	7
Debt Securities AC (note no. 18)	15	114
Other Assets (note no. 20)	813	(326)
	(138,646)	(71,866)

13/1- Income Tax Expenses

	For the year ended 31/12/2021	31/12/2020
Current Tax	(62,821)	(66,122)
Deferred Tax	1,917	2,311
	(60,904)	(63,811)

13/2 Income Tax Obligations

	31/12/2021	31/12/2020
Balance as of Beginning of year	38,869	11,607
Charge on the income Statement	62,821	66,122
Paid during the year	(72,402)	(38,860)
Balance at of end of year	29,288	38,869

13/3 Adjustments to calculate income tax effective rate

	For the year ended 31/12/2021	31/12/2020
Income before income tax	**(57,661)**	**127,413**
Tax rate	**22,5%**	**22,5%**
Income tax according to accounting income	-	**(28,668)**
Add/Less		
Non Taxable income effect	**62,055**	**40,793**
Non – deductible expenses effect	**(46,869)**	**(29,321)**
ECL & suspended interest	**(15,186)**	**(8,445)**
Taxable profits differences	-	**(1,416)**
Usage of deferred tax assets	-	**(3,443)**
Charge / Release Temporary tax differences (depreciation)	**1,917**	**2,312**
Tax on Treasury Bills & Bonds "Separate pool"	**(62,821)**	**(35,623)**
Income Tax Expense	**(60,904)**	**(63,811)**
Effective tax rate	**(105,62%)**	**50,08%**

14- Earnings per share

Earnings per share are calculated by dividing net profit attributable to shareholders by the weighted average of ordinary shares issued during the year.

	For the year ended	
	31/12/2021	31/12/2020
Net profit distributable to shareholders	(118,565)	63,602
Shareholders' share from the year net profit (1)	(118,565)	63,602
The weighted average of the ordinary shares issued (2)	70,000	70,000
Basic earnings per share (1:2)	(1.7)	0.9

15- Cash and Due from Central Bank

	31/12/2021	31/12/2020
Cash	312,021	310,009
Balances at central bank within the mandatory reserve ratio	1,304,620	673,865
Total	1,616,641	983,874
Non-Interest bearing balances	1,616,641	983,874

16- Due from banks

	31/12/2021	31/12/2020
Current accounts	311,601	326,029
Deposits	2,634,881	2,101,248
Total	2,946,482	2,427,277
Less: ECL	(166)	(449)
Due from banks 'net'	2,946,316	2,426,828
Central banks other than the mandatory reserve ratio	2,361,253	159,036
local banks	4,716	1,264,208
Foreign banks	580,513	1,004,033
Total	2,946,482	2,427,277
Less: ECL	(166)	(449)
Due from banks 'net'	2,946,316	2,426,828
Non-Interest bearing balances	205,457	121,317
Interest bearing balances (Fixed rate)	2,741,025	2,305,960
Total	2,946,482	2,427,277
Less: ECL	(166)	(449)
Due from banks 'net'	2,946,316	2,426,828
Current balances	2,696,482	2,427,277
Non-Current balances	250,000	-
Total	2,946,482	2,427,277
Less: ECL	(166)	(449)
Due from banks 'net'	2,946,316	2,426,828

Analysis of the Expected Credit loss provision for due from banks:	**31/12/2021**	31/12/2020
Balance as of Beginning of year	449	464
ECL charge during the year	(283)	(7)
Foreign currencies valuation differences	-	(8)
Balance at of end of year	166	449

17- Loans & advances to customers

	31/12/2021	31/12/2020
Individuals		
- Overdrafts	80,163	81,436
- Credit cards	86,463	82,754
- Personal loans	1,331,081	1,476,011
- Auto loans	824,936	872,563
Total (1)	2,322,643	2,512,764
Corporate including small loans for economic activities		
- Overdrafts	743,122	739,904
- Direct loans	2,473,248	1,764,407
- Syndicated loans	513,739	224,452
- Discounted bills	8,413	5,247
Total (2)	3,738,522	2,734,010
Total loans and advances to customers (1+2)	6,061,165	5,246,774
Distributed to:		
- Current Balances	3,283,384	2,483,315
- Non-current Balances	2,777,781	2,763,459
	6,061,165	5,246,774
Less:		
Unearned Revenue for Discounted Bills & other loans	(8)	(136)
ECL provision	(422,553)	(304,257)
Suspended Interest	(133)	(133)
Net loans & advances to customers	5,638,471	4,942,248

Analysis of the Expected Credit loss for customers' loans & advances:	31/12/2021	31/12/2020
Balance as of Beginning of year	304,257	264,196
ECL charge during the year	139,757	71,661
Amounts written-off during the year	(22,254)	(32,548)
Amounts recovered during the year	810	896
Foreign currencies valuation differences	(17)	52
Balance at of end of year	422,553	304,257

Expected Credit loss provision

An analysis of the movement of the ECL provision for loans and advances to customers according to types:

31/12/2021

	Retail				
	Credit cards	**Personal loans**	**Auto loans**	**OVD**	**Total**
Balance at 1/1/2021	3,729	47,660	24,887	523	76,799
ECL charge / (release) during the year	4,099	10,513	3,388	(414)	17,586
Amounts written-off during the year	(4,535)	(1,739)	(45)	-	(6,319)
Amounts recovered during the year	691	89	30	-	810
Balance at 31/12/2021	3,984	56,523	28,260	109	88,876

31/12/2021

	Corporate		
	Direct loans	**Syndicated loans**	**Total**
Balance at 1/1/2021	224,536	2,922	227,458
ECL charge / (release) during the year	123,924	(1,753)	122,171
Amounts written-off during the year	(15,935)	-	(15,935)
Amounts recovered during the year	-	-	-
Foreign currencies valuation differences	(17)	-	(17)
Balance at 31/12/2021	332,508	1,169	333,677

31/12/2020

	Retail				
	Credit cards	Personal loans	Auto loans	OVD	Total
Balance at 1/1/2020	2,504	35,045	15,011	427	52,987
ECL charge / (release) during the year	1,164	12,460	9,876	96	23,596
Amounts written-off during the year	(680)	-	-	-	(680)
Amounts recovered during the year	741	155	-	-	896
Balance at 31/12/2020	3,729	47,660	24,887	523	76,799

31/12/2020

	Corporate		
	Direct loans	Syndicated loans	Total
Balance at 1/1/2020	205,377	5,832	211,209
ECL charge / (release) during the year	50,975	(2,910)	48,065
Amounts written-off during the year	(31,868)	-	(31,868)
Amounts recovered during the year	-	-	-
Foreign currencies valuation differences	52	-	52
Balance at 31/12/2020	224,536	2,922	227,458

18- Financial investments

	31/12/2021	31/12/2020
Financial Investments with fair value through OCI		
Debt instruments Fair value		
* Treasury Bills 'unlisted Egyptian stock market '		
T.Bills 91 days	-	-
T.Bills 182 days	-	-
T.Bills 273 days	-	-
T.Bills 364 days	1,755,288	1,684,102
Total	1,755,288	1,684,102
Unearned Income	(42,809)	(67,637)
Revaluation of financial investments FVTOCI	2,615	2,301
Net	1,715,094	1,618,766
Bonds Instruments 'Listed Egyptian stock market '	784,264	577,617
Mutual Funds unlisted	29,630	25,496
Total Investments with fair value through OCI	2,528,988	2,221,879
Financial Investments Amortized Cost		
Debt Instruments 'Listed Governmental bonds '	813,968	563,431
Less : ECL	(12)	(27)
Total Investments Amortized Cost	813,956	563,404
Total financial investments	3,342,944	2,785,283
Current Investments	1,828,584	2,099,405
Non-Current Investments	1,514,360	685,878
Total	3,342,944	2,785,283
Fixed interest debt instruments	353,808	200,350
Floating interest debt instruments	2,959,506	2,559,437
Total	3,313,314	2,759,787

	Financial investments		
	Fair value through other comprehensive income	**Amortized cost**	**Total**
Balance at 1/1/2020	1,680,937	586,436	2,267,373
Additions	2,032,376	311,569	2,343,945
Disposals (sale/redemption)	(1,463,109)	(336,462)	(1,799,571)
Amortization of premium / discount	1,501	1,931	3,432
Foreign currency translation loss	(29,539)	(186)	(29,725)
Net Change in fair value reserve	(287)		(287)
ECL provision		116	116
Balance at 31/12/2020	2,221,879	563,404	2,785,283
Additions	2,564,879	502,405	3,067,284
Disposals (sale/redemption)	(2,258,284)	(252,441)	(2,510,725)
Amortization of premium / discount	674	583	1,257
Foreign currency translation loss	(497)	(10)	(507)
Net Change in fair value reserve	337	-	337
ECL provision	-	15	15
Balance at 31/12/2021	2,528,988	813,956	3,342,944

Analysis of the Expected Credit loss provision for financial Investment	**31/12/2021**	31/12/2020
Balance as Beginning of year	27	143
ECL charge during the year	(15)	(114)
Foreign currencies valuation differences	-	(2)
Balance at of end of year	12	27

19- Intangible assets

	31/12/2021	31/12/2020
Software		
Net book value at the beginning of the year	18,331	24,645
Additions	1,133	1,106
Amortization	(7,408)	(7,420)
Net book value at the end of the year	12,056	18,331

20- Other assets

	31/12/2021	31/12/2020
Accrued revenues	105,742	123,917
Prepaid expenses	10,426	12,764
Payments under purchase of fixed assets	43,253	43,452
Assets reverted to the Bank in settlement of debts (after deducting impairment)	7,222	7,222
Deposits with others and imprests	1,087	1,022
Others	38,896	39,329
Total	206,626	227,706
Less: ECL reserve for Accrued revenues	(302)	(1,115)
	206,324	226,591

Analysis of the Expected Credit loss provision for Other assets	31/12/2021	31/12/2020
Balance as of Beginning of year	1,115	791
ECL charge / (release) during the year	(813)	326
Foreign currencies valuation differences	-	(2)
Balance at of end of year	302	1,115

21- Non-Current Assets held for Sale

	31/12/2021	31/12/2020
Alexandria Building	978	978
Nasr City Building	150	150
Mohandessin Building	35	35
Total	1,163	1,163

22- Fixed Assets

	Lands	Premises & Buildings	Automated systems	Vehicles	Fittings & Fixture	Machinery & Equipments	Furniture	Total
Cost at 1/1/2020	94,500	184,498	80,422	8,251	299,075	19,145	57,594	743,485
Additions during the year	-	-	4,108	-	1,005	459	571	6,143
Disposals during the year	-	-	-	-	-	-	-	-
*transfer to Non-Current Assets held for sale	-	(36,530)	-	-	-	-	-	(36,530)
Cost at 31/12/2020	94,500	147,968	84,530	8,251	300,080	19,604	58,165	713,098
Additions during the year	-	-	1,248	-	842	415	117	2,622
Disposals during the year	-	-	-	-	-	-	(3,437)	(3,437)
Cost at 31/12/2021	94,500	147,968	85,778	8,251	300,922	20,019	54,845	712,283
Accumulated depreciation at 1/1/2020	-	27,507	48,602	8,010	79,800	14,288	13,715	191,922
Depreciation for the year	-	3,495	10,305	168	32,556	1,112	5,058	52,694
Disposals accumulated depreciation	-	-	-	-	-	-	-	-
*transfer to Non-Current Assets held for sale	-	(14,294)	-	-	-	-	-	(14,294)
Accumulated depreciation at 31/12/2020	-	16,708	58,907	8,178	112,356	15,400	18,773	230,322
Depreciation for the year	-	2,957	10,459	43	32,757	1,078	5,090	52,384
Disposals accumulated depreciation	-	-	-	-	-	-	(3,400)	(3,400)
Accumulated depreciation at 31/12/2021	-	19,665	69,366	8,221	145,113	16,478	20,463	279,306
Net assets Value								
Net assets Value as of 31/12/2021	94,500	128,303	16,412	30	155,809	3,541	34,382	432,977
Net assets Value as of 31/12/2020	94,500	131,260	25,623	73	187,724	4,204	39,392	482,776

23- Due to Banks

	31/12/2021	31/12/2020
Current accounts	128,510	232,469
Deposits	1,155,218	409,350
Total	1,283,728	641,819
Foreign banks	215,810	327,177
Local banks	1,067,918	314,642
Total	1,283,728	641,819
Non-interest bearing balances	5,549	5,927
Interest bearing Balances (fixed rate)	1,278,179	635,892
Total	1,283,728	641,819
Current balances	1,196,427	641,819
Non-Current Balances	87,301	-
Total	1,283,728	641,819

24- Customers' Deposits

	31/12/2021	31/12/2020
Demand deposits	4,808,574	3,882,645
Term and notice deposits	2,947,810	1,871,741
Certificates of deposits	2,180,310	2,219,005
Savings deposits	794,334	923,029
Other deposits	145,004	173,347
	10,876,032	9,069,767
Corporate deposits	6,734,566	4,741,624
Individuals deposits	4,141,466	4,328,143
	10,876,032	9,069,767
Non-interest bearing balances	1,337,180	1,326,067
Interest bearing Balances (floating rate)	4,683,356	4,418,164
Interest bearing Balances (fixed rate)	4,855,496	3,325,536
	10,876,032	9,069,767
Current balances	9,135,241	7,170,291
Non-current balances	1,740,791	1,899,476
	10,876,032	9,069,767

25- Other Liabilities

	31/12/2021	31/12/2020
Accrued interest	22,239	16,037
Deferred revenues	2,663	-
Accrued expenses	50,322	45,138
Creditors	32,562	35,669
Sundry credit balances	48,234	68,640
	156,020	165,484

26- Other Provisions

	31/12/2021	31/12/2020
Beginning Balance	57,529	36,283
Foreign currencies valuation differences	(12)	(75)
Impairment (Release) Charge to income statement	38,555	26,351
The utilization during the year	(17,728)	(5,030)
Balance at 31/12/2021	78,344	57,529
Contingent liabilities provisions	4,652	4,267
Other Provisions	73,692	53,262
Total	78,344	57,529

27- Deferred Income Taxes

The deferred income taxes have been calculated in full on the deferred tax differences at the end of financial year.

Deferred tax assets and liabilities balances	**Deferred Tax liabilities 31/12/2021**	Deferred Tax liabilities 31/12/2020
Fixed assets	(25,658)	(27,575)
Total deferred tax asset / (liability)	(25,658)	(27,575)
Net deferred tax asset / (liability)	(25,658)	(27,575)

The movement of deferred tax liabilities:

	Deferred Tax liabilities 31/12/2021	Deferred Tax liabilities 31/12/2020
Balance at 1/1/2021	27,575	29,886
Charge / (release) to income statement	(1,917)	(2,311)
Balance at 31/12/2021	25,658	27,575

28- Capital

The bank's authorized capital amounted to EGP 1 billion and the issued and paid up capital amounted to EGP 700 million and are represented in 70 million shares with a par value of EGP 10 each.

29- Reserves

	31/12/2021	31/12/2020
General Risks reserve	9,620	9,620
Banking risks general reserve	27,317	600
Legal reserve	156,850	156,850
Capital reserve	91,761	2,129
Fair value reserve for financial investments TOCI	19,621	19,285
General reserve	812,392	812,392
Total reserves	1,117,561	1,000,876

The movement on reserves is as follows:

(29/A) General Risks reserve *

	31/12/2021	31/12/2020
Balance at beginning of the year	9,620	9,620
Balance at the end of the year	9,620	9,620

*according to the Central Bank's instructions issued in 26 Feb 2019 this reserve to remain untouched and only acted upon after returning to the Central Bank of Egypt

(29/B) Banking risks general reserve

	31/12/2021	31/12/2020
Balance at beginning of the year	600	43,879
Transferred from Retained Earnings	26,717	(43,279)
Transferred to general risks reserve	-	-
Balance at end of the year	27,317	600

(29/C) Legal reserve

	31/12/2021	31/12/2020
Balance at beginning of the year	156,850	139,562
Transferred from the net profit	-	17,288
Balance at end of the year	156,850	156,850

(29/D) Capital reserve

	31/12/2021	31/12/2020
Balance at beginning of the year	2,129	2,129
Transferred from the net profit	89,632	-
Balance at end of the year	91,761	2,129

(29/E) Fair value reserve for financial investments TOCI

	31/12/2021	31/12/2020
Balance at beginning of the year	19,285	19,572
Net change in fair value during the year	336	(287)
Balance at end of the year	19,621	19,285

(29/F) General reserve

	31/12/2021	31/12/2020
Balance at beginning of the year	812,392	769,680
transferred from net profits	-	42,712
Balance at end of the year	812,392	812,392

30- Retained earnings

Retained earnings movement	31/12/2021	31/12/2020
Balance at the beginning of the year	165,175	197,623
net profit for the year	(118,565)	63,602
Transferred to reserves	(89,632)	(60,000)
Transferred from banking risks reserve Loans and advances to customers	(26,717)	43,279
Paid dividends to employees	-	(44,329)
Paid dividends to shareholders	-	(35,000)
Balance at the end of the year	(69,739)	165,175

31- Employees saving fund

The bank share amount in the subscriptions of employees' pension fund recorded into the general and administrative expenses account in income statement.

32- Cash and cash equivalent

For purposes of cash flow statement presentation, cash and cash equivalent include the following balances which do not exceed the maturity dates of three months from the date of acquisition:

	31/12/2021	31/12/2020
Cash and balances at the central bank (included in Note 15)	312,021	310,009
Due from banks (included in Note 16)	2,696,482	2,427,277
	3,008,503	2,737,286

33- Contingent Liabilities and Correlations:

A) Legal Claims

There are a number of existing cases filed against the bank on 31 December 2021 and no provision for these cases has been established as it is not expected that the bank shall suffer any losses from it.

B) Capital Commitments

The banks has No capital commitment as of 31 December 2021, While The value of the capital commitments amounted to EGP 336 thousand as of 31 December 2020 according to the purchases of fixed assets and tangible assets and the management has a sufficient trust that the bank would approach net profits to finance and cover these commitments.

C) Loans, guarantees and facilities commitments (net)

The bank's commitments related to loans, guarantees and facilities are represented in the following:

	31/12/2021	31/12/2020
Loans and un-cancelable loans commitment and other liabilities credit related	41,986	4,042
Letters of guarantees	384,059	374,434
Letter of credits "import"	60,236	2,168
Letter of credits "export"	59,020	15,962
Acceptance notes	136,184	77,256
Total	681,485	473,862

34- Transactions with related parties

-The bank follows the parent company Arab Banking Corporation – Bahrain (Head office, branches and affiliates) which owns 99.83% of ordinary shares where as the remaining percentage 0.17% is owned by other shareholders.

-The bank has entered into many transactions with the related parties within the context of its normal business, the transactions and its balances at the end of year are as follow:

(A) Other transactions with related parties	31/12/2021	31/12/2020
Nature of transactions		
Due from banks	164,740	274,456
Due to banks	214	134
contingents liabilities	115,271	78,426

(B) Board of directors and senior management remunerations	31/12/2021	31/12/2020
Short term benefits (transportation expenses and board of directors committees allowances and other expenses)	4,077	3,527
	4,077	3,527

35- Mutual funds

The First Mutual Fund of Arab Banking Corporation (with capital growth in EGP)

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations. These funds are managed by AZIMUT Egypt investments fund management company, the certificates of the fund reached 206,573 certificate the bank has purchased a number of 50,000 certificates (their nominal value amounted to EGP 100) for continuing the fund activity.

The redeemable value of the certificate as at the balance sheet date amounted to EGP 137.42 and the banks share in the outstanding certificates at that date reached to 85,500 certificates.

The Second Mutual Fund of Arab Banking Corporation (with daily-accumulated return - Mazaya in LE)

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations. These funds are managed by Belton investments fund management company, the certificates of the fund reached 6,071,187 certificate the bank has purchased a number of 500,000 certificates (their nominal value amounted to EGP 10) for continuing the fund activity.

The redeemable value of the certificate as at the balance sheet date amounted to EGP 35.76069 and the banks share in the outstanding certificates at that date reached to 500,000 certificates.

36- Tax position

Corporate income tax

Inspection and tax determination is done until 2015 and The Income tax declaration has been provided within the required dates for years 2016 till 2020.

Salaries tax

Inspection, tax determination and final settlement is done and no differences exist until 2017. And the bank pays this tax every month to the Senior Financiers Authority and the quarterly bills of settlement have been provided within the required dates till September 2021.

Stamp duty tax

Inspection is done and due tax settled until 2016 and all conflicts were transferred to appeal courts to judge for periods before the issuance of law no:143 for year 2006 and inspection for the years from 2017 until 2020 is currently in process. And the bank pays this tax every three months to the Senior Financiers Authority.

37- Important Events

A- The coronavirus (COVID-19) pandemic has spread across various geographic regions globally, disrupting most commercial and economic activities and the spread of COVID-19 has created uncertainty in the global economic environment.

As a result of the uncertainty caused by the outbreak of coronavirus (COVID-19), and in anticipation of the expected economic slowdown, ABC bank is closely monitoring the loan portfolio to determine the impact of the virus on the business environment, which may result in a change in credit risk for the sectors most affected by the crisis, both in the corporate and retail credit sectors. Knowing that the final impact of the Corona pandemic on the macro-economy, both inside Egypt and internationally, is not yet known.

Accordingly, ABC bank has taken proactive measures by creating the necessary allocations to mitigate the impact of coronavirus (COVID-19) on the loan portfolio at the end of December 2021. The Bank takes all necessary measures to mitigate the negative effects of the coronavirus by strengthening credit allocations as a precautionary step until the end of the forbearance period for client dues and actual performance of the loans portfolio. In addition, our bank periodically conducts stress tests in several scenarios to reach the expected impact on ECL.

The Bank also monitors the situation closely and takes health measures to ensure the safety and security of the bank's employees without interrupting the provision of services to customers, where arrangements were implemented to work remotely and part of the bank employees work from home in line with the government directions, also plans for business continuity has been made and the necessary measures were taken to ensure the maintenance of service levels. A complete plan has also been developed to include all procedures for dealing with the coronavirus, where the presence of bank employees has been reduced simultaneously to 50%, taking into account the availability of the same expertise and management levels in each department so that we have the appropriate alternative to continue work if there is any infections.

B- On 15th January 2021, Arab Banking Corporation (B.S.C) – Bahrain entered into a sale and purchase agreement with Blom Bank Lebanon (S.A.L) to acquire Blom Bank (S.A.E) - Egypt, provided that the process of the acquisition is subject to a number of conditions and approvals from the relevant regulatory authorities in Egypt, Bahrain & Lebanon. On 9th August 2021, the acquisition deal was executed on the Egyptian Stock exchange through a compulsory purchase offer, and accordingly Arab Banking Corporation (B.S.C) – Bahrain acquired what represented 99.45% of the capital of Blom Bank (S.A.E) - Egypt.

Arab Banking Corporation (B.S.C) – Egypt and Blom Bank (S.A.E) – Egypt will continue to operate independently until the completion of the legal merger process after obtaining the approval of the relevant regulatory authorities.

38- Translation

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