Translation of financial statements
Originally issued in Arabic

Abu Dhabi Commercial Bank – EGYPT (S.A.E)

FINANCIAL STATEMENTS
For the Year Ended 31 December 2021
AND AUDITORS' REPORT

Abu Dhabi Commercial Bank – EGYPT (S.A.E)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2021
AND AUDITORS' REPORT

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Translation of report originally issued in Arabic

AUDITORS' REPORT

To the Shareholders of Abu Dhabi Commercial Bank – Egypt (S.A.E)

Report on the financial statements

We have audited the accompanying financial statements of Abu Dhabi Commercial Bank – Egypt (S.A.E), which comprise the statement of financial position as at 31 December 2021, and the statements of income, other comprehensive income, change in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

KPMG Hazem Hassan
Public Accountants & Consultants

MOORE Egypt

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the bank as of December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with central bank of Egypt's rules, pertaining to the preparation and presentation & the financial statements, issued on December 16, 2008 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

According to the information and explanations given to us during the financial year ended December 31, 2021 no contravention of the Central Bank, Banking Sector Law No. 194 of 2020, taking into consideration the grace period to comply with provision 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, is in agreement with the books of the bank insofar as such information is recorded therein.

Auditors

Sherin Mourad Noureldin
Egyptian Financial Authority
Register Number 388
Moore Egypt
Public Accountants & Consultants

KPMG Hazem Hassan
Public Accountants & Consultants
KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, February 7, 2022

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ABU DHABI COMMERCIAL BANK– EGYPT (S.A.E)

Statement of Financial Position As OF December 31, 2021

Translation of financial statements Originally issued in Arabic

In Egyptian Pound	Note	31 December 2021	31 December 2020
Assets			
Cash and due from Central Bank of Egypt	(6)	4 192 587 117	1 952 423 154
Due from banks	(7)	5 648 905 303	1 447 203 128
Treasury bills at fair value through other comprehensive income	(8)	10 813 514 066	8 882 279 825
Loans and advances to customers	(9)	21 222 172 434	16 561 013 321
Financial Investments :			
– At Amortized Cost	(10)	641 223 070	2 219 313 235
– At fair value through other comprehensive income	(11)	4 808 194 852	2 297 305 057
– At fair value through profit and loss	(12)	–	1 497 639
Investments in associates	(13)	100	112 783 071
Intangible assets	(15)	44 175 274	43 341 135
Other assets	(16)	781 781 820	375 190 087
Fixed assets (net of depreciation)	(18)	203 607 583	411 593 032
Total assets		**48 356 161 619**	**34 303 942 684**
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(19)	145 530 761	887 882 799
Customers' deposits	(20)	41 109 736 634	29 084 409 218
Long term loans	(21)	–	787 560 650
Other liabilities	(22)	611 550 757	434 897 366
Other provisions	(23)	55 700 189	80 943 660
Deferred tax liabilities	(17)	20 207 933	22 999 223
Total liabilities		**41 942 726 274**	**31 298 692 916**
Shareholders' equity			
Paid–in capital	(24)	1 474 814 253	1 474 814 253
Amounts paid under capital increase		3 525 185 748	–
Treasury Stocks	(24)	–	(82 535 470)
Reserves	(24)	688 308 069	694 004 745
Retained earnings	(24)	725 127 275	918 966 240
Total shareholders' equity		**6 413 435 345**	**3 005 249 768**
Total liabilities and shareholders' equity		**48 356 161 619**	**34 303 942 684**

– The accompanying notes from (1) to (40) are an integral part of these financial statements are to be read their with.

– Auditors' report attached.

Managing Director & CEO	**Chairman**
Ihab Elsewerky	**Mohamed Dhaen Al Hamli**

In Egyptian Pound	Note	31 December 2021	31 December 2020
Interest income on loans and similar revenues	(27)	4 272 486 072	3 245 785 349
Interest expense and similar charges	(27)	(2 519 149 059)	(1 987 993 517)
Net interest income		**1 753 337 013**	**1 257 791 832**
Fees and Commissions income		317 213 609	171 327 929
Fees and Commissions expenses		(25 252 782)	(8 199 860)
Net fees and commissions income		**291 960 827**	**163 128 069**
Dividends income	(28)	2 602 855	714 285
Net trading income	(29)	1 752 008	217 999
Gains from financial investments	(30)	7 511 169	31 938 467
Expected credit losses impairment	(31)	(465 502 103)	(110 654 816)
Administrative expenses	(32)	(781 435 798)	(619 533 822)
Other operating expenses	(33)	251 950 148	5 917 075
Profit for the year before income tax		**1 062 176 119**	**729 519 089**
Income tax expenses	(17)	(351 930 272)	(238 953 795)
Net profit for the year		**710 245 847**	**490 565 294**
Earnings per share (EGP)	(34)	**2.38**	**1.68**

- The accompanying notes from (1) to (40) are an integral part of these financial statements are to be read their with.

Statement of Other Comprehensive Income for year ended December 31, 2021

In Egyptian Pound	31 December 2021	31 December 2020
Net profit for the year	**710 245 847**	**490 565 294**
Items that are not reclassified to profit or loss		
Net change in the fair value of investments in equity instruments at fair value through other comprehensive income	(54 546 234)	–
Income tax related to items that are not reclassified to profit or loss	12 272 903	–
Items that may be reclassified to profit or loss		
Net change in the fair value of investments at fair value through other comprehensive income	(24 016 693)	30 445 858
Income tax related to items that may be reclassified to profit or loss	5 403 756	(6 850 318)
Expected credit losses on debt instruments at fair value through other comprehensive income	(9 168 772)	(1 696 878)
Total other comprehensive income for the year, net after tax	**(70 055 040)**	**21 898 662**
Total comprehensive income for the year, net after tax	**640 190 807**	**512 463 956**

– The accompanying notes from (1) to (40) are an integral part of these financial statements are to be read their with.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For The year ended 31 December 2021

In Egyptian Pound	Paid–up capital	Paid under capital increase	Treasury Stock	Legal Reserve	General Reserve	Capital Reserve	General banking risk reserve	Fair value reserve – Investment through OCI	Asset Held For Sale reserve	Retained earnings	Total
Year Ended 31 December 2020											
Balance as at January 1, 2020 before distribution	**1 474 814 253**	–	–	**179 183 061**	**11 504 993**	**15 416 429**	**232 972 424**	**85 598 922**	**5 382 855**	**609 434 362**	**2 614 307 299**
Profit distribution (Staff & BOD members) - 2019	–	–	–	–	–	–	–	–	–	(42 928 314)	**(42 928 314)**
Profit distribution (shareholders) - 2019	–	–	–	–	–	–	–	–	–	–	–
Paid under capital increase	–	–	–	–	–	–	–	–	–	–	–
Transfer to legal reserve	–	–	–	37 053 164	–	–	–	–	–	(37 053 164)	–
Transfer to capital reserve	–	–	–	–	–	58 751 508	–	–	–	(58 751 508)	–
Banking Support and Development Fund	–	–	–	–	–	–	–	–	–	–	–
Transfer to General Risk Reserve	–	–	–	–	–	–	42 300 430	–	–	(42 300 430)	–
Net of change in fair value of financial investments through OCI	–	–	–	–	–	–	–	27 052 102	–	–	**27 052 102**
Asset Held For Sale reserve	–	–	–	–	–	–	–	–	(1 211 143)	–	**(1 211 143)**
Treasury Stocks	–	–	(82 535 470)	–	–	–	–	–	–	–	**(82 535 470)**
Net profit for the Year ended December 31, 2020	–	–	–	–	–	–	–	–	–	490 565 294	**490 565 294**
Balance as at December 31 2020	**1 474 814 253**	–	**(82 535 470)**	**216 236 225**	**11 504 993**	**74 167 937**	**275 272 854**	**112 651 024**	**4 171 712**	**918 966 240**	**3 005 249 768**
Year Ended 31 December 2021											
Balance as at January 1, 2021 before distribution	**1 474 814 253**	–	**(82 535 470)**	**216 236 225**	**11 504 993**	**74 167 937**	**275 272 854**	**112 651 024**	**4 171 712**	**918 966 240**	**3 005 249 768**
Profit distribution (Staff & BOD members) - 2020	–	–	–	–	–	–	–	–	–	(62 199 737)	**(62 199 737)**
Profit distribution (shareholders) - 2020	–	737 407 127	–	–	–	–	–	–	–	(737 407 127)	–
Transfer to legal reserve	–	–	–	47 551 315	–		–	–	–	(47 551 315)	–
Transfer to capital reserve	–	–	–	–	–	15 052 147	–	–	–	(15 052 147)	–
Banking Support and Development Fund	–	–	–	–	–	–		–	–	(4 332 127)	**(4 332 127)**
Transfer to General Risk Reserve	–	–	–	–	–	–	32 772 045	–	–	(32 772 045)	–
Net of change in fair value of financial investments through OCI	–	–	–	–	–	–	–	(96 900 471)	–	–	**(96 900 471)**
Asset Held For Sale reserve	–	–	–	–	–	–	–	–	(8 582 971)	–	**(8 582 971)**
Disposal loss of asset held for Sale	–	–	–	–	–	–	–	–	4,411,259.00	(4 770 314)	**(359 055)**
Treasury Stocks	–	–	82 535 470	–	–	–	–	–	–	–	**82 535 470**
Paid under capital increase	–	2 787 778 621	–	–	–	–	–	–	–	–	**2 787 778 621**
Net profit for the Year ended December 31, 2021	–	–	–	–	–	–	–	–	–	710 245 847	**710 245 847**
Balance as at December 31 2021	**1 474 814 253**	**3 525 185 748**	–	**263 787 540**	**11 504 993**	**89 220 084**	**308 044 899**	**15 750 553**	–	**725 127 275**	**6 413 435 345**

- The accompanying notes from (1) to (40) are an integral part of these financial statements are to be read their with.

In Egyptian Pound	Note	31 December 2021	31 December 2020
Cash flow from operating activities			
Net profit for the period before tax		1 062 176 119	729 519 089
Adjustments to reconcile net profit to cash flow from operating activities			
Depreciation and amortization	(18,15)	110 280 941	89 532 748
Reversed charged during the year–other provisions	(23)	23 765 471	(11 145 002)
Reversed charged during the year–due from banks	(7)	(155 821)	53 020
Foreign revaluation differences for other provisions	(23)	(243 435)	139 290
Gain on sale of fixed assets	(33)	(306 093 335)	(15 052 147)
Undistributed profit of associates	(30)	–	(25 982 996)
Dividends payable	(28)	(2 602 855)	(714 285)
Operating profit before changes in assets and liabilities from operating activities		**887 127 085**	**766 349 717**
Cash flow from operating activities			
Change in due from banks	(7)	(463 977 421)	623 721 697
Change in due from Central Bank of Egypt within reserve percentage	(6)	(2 273 374 411)	(1 583 845 871)
Change in treasury bills and other governmental notes	(8)	(2 203 326 015)	(1 071 834 815)
Financial Investments through P&L	(13)	1 497 639	18 690
Change in loans and advances to banks	(9)	(4 682 988 174)	(4 010 540 951)
Change in other assets	(16)	(79 859 159)	(23 493 620)
Change in due to bank	(19)	(742 352 038)	741 871 141
Change in customers’ deposits	(20)	12 025 327 416	3 507 573 029
Change in used from other provisions	(23)	(48 765 507)	20 111 226
Change in other liabilities	(22)	321 084 738	106 586 417
Change in income tax paid		(253 943 965)	(217 233 758)
Net cash flow used in operating activities		**2 486 450 188**	**(1 140 717 098)**

In Egyptian Pound	Note	31 December 2021	31 December 2020
Cash flow from investing activities			
Payments to purchase fixed assets and establishments of branches		(441 203 763)	(143 707 599)
Proceeds from sale of fixed assets		517 434 899	26 138 201
Retrieval of financial investments – Amortized cost	(10)	1 684 732 202	424 819 487
Purchase of financial investment – Amortized cost, net investment Fair Value through OCI and in associates	(11 12 13)	(2 587 710 701)	(1 634 213 475)
Reversed charged during the period–provision at fair value through OCI		(9 168 772)	(1 696 878)
Dividends received	(28)	2 602 855	714 285
Net cash flow (used in) provided from investing activities		**(833 313 280)**	**(1 327 945 979)**
Cash flow from financing activities			
Treasury Stocks		82 535 470	(82 535 470)
Paid under capital increase	(21)	2 787 778 621	–
Proceeds from other loans		(787 560 650)	(18 316 692)
Dividends paid		(66 531 864)	(42 928 314)
Net cash flow (used in) financing activities		**2 016 221 577**	**(143 780 476)**
Net (decrease) increase in cash and cash equivalents during the year		**3 669 358 485**	**(2 612 443 553)**
Cash and cash equivalents at the beginning of the year		1 221 195 702	3 833 639 255
Cash and cash equivalents at the end of the year		**4 890 554 187**	**1 221 195 702**
For the purpose of preparing the statement of cash flow, the cash and cash equivalent comprise of the following			
Cash and due from Central Bank of Egypt	(6)	4 192 587 117	1 952 423 154
Due from banks	(7)	5 649 583 675	1 448 037 321
Treasury bills and other governmental notes	(8)	11 476 675 268	9 308 349 253
Due from Central Bank within reserve percentage		(3 995 303 114)	(1 721 928 703)
Due from banks (over 3 months maturity)		(956 313 491)	(492 336 070)
Treasury bills and other governmental notes (over 3 months maturity)		(11 476 675 268)	(9 273 349 253)
Cash and cash equivalents at the end of the year		**4 890 554 187**	**1 221 195 702**

– The accompanying notes from (1) to (40) are an integral part of these financial statements are to be read their with.

ABU DHABI COMMERCIAL BANK– EGYPT (S.A.E)

Proposed Profits appropriation Statement

For The year Ended 31 December 2021

In Egyptian Pound	31 December 2021	31 December 2020
Net profit for the year based on the income statement	**710 245 847**	**490 565 294**
Deduct:		
Gain from sale of fixed assets transferred to capitalized reserve according to the statue of law	(237 222 335)	(15 052 147)
General Banking Reserve (Change in Loans and Advances Reserve) *	(31 785 412)	(45 212 009)
Transferred to Retained earnings (Change in Assets Revert to the bank Reserve)	(986 633)	2 911 579
Distributable net profit	**440 251 467**	**433 212 717**
Add: Retained earnings as at beginning of the year	52 423 787	470 701 376
Deduct: Disposal Loss Asset Held for sale	(4 770 314)	–
Total	**487 904 940**	**903 914 093**
Distributed as follows:		
Legal reserves	47 302 351	47 551 315
Shareholders 1st Dividend **	73 740 713	73 740 713
Employees share	71 024 585	49 056 529
B.O.D. remuneration	12 000 000	13 143 208
Shareholders 2nd Dividend	–	663 666 414
Banking Support and Development Fund ***	4 402 515	4 332 127
Retained earnings as at end of the year	279 434 776	52 423 787
Total	**487 904 940**	**903 914 093**

* Fixed Assets Profit was eliminated and transferred to the capital reserve in accordance with the provisions of the law.

** Distribution of at the rate of 5% of the paid up capital

*** Aligning to Central Bank and Banking Sector Law No. 194 period 2020, Article No (178) which includes establishment of a Banking Support and Development Fund, Considering a percentage not exceeding (1%) of the annual net profits as an amount of fund resources.

1- Background

Abu Dhabi Commercial Bank - Egypt provides retail, corporate and investment banking services in Arab Republic of Egypt and abroad through 46 branches and employs 1093 employees as at 31 December 2021.

Abu Dhabi Commercial Bank – Egypt (Union National Bank – Egypt formerly) which acquired (Alexandria Commercial and Maritime Bank formerly) is an Egyptian Joint Stock Company as a commercial Bank established in pursuance of Ministerial Decree no, 262 of 1981, published in the Official Gazette in September 12,1981 and in accordance with the provisions of Investment Law No, 43 for the year 1974 and its amendments, which was superseded by Law No, 230 for the Year 1989, cancelled by the Law No, 8 for the year 1997 concerning Investment Guarantees and Incentives. The Bank provides all banking services related to its activity and operates through its Giza - Head office, 46 branches, the bank is unlisted on Egyptian stock exchange since March 25, 2020.

Board of Directors dated February 1,2022 approved the adoption of the Financial Statements for Year Ended December 31, 2021.

2- Summary of significant accounting policies

The following are the most important accounting policies used in preparing these financial statements. These policies have been consistently followed for all the years presented, unless otherwise disclosed.

A- Basis of preparation

The financial statements are prepared in accordance with Egyptian Accounting Standards issued during 2006 and its amendments and in accordance with Central Bank of Egypt instructions approved by its Board of Directors as at December 16, 2008 As well as the accompanying explanatory instructions issued in April 2009 and in conformity with the mentioned standards, and after releasing the instructions of the Central Bank of Egypt to prepare the financial statements of banks in accordance with the requirements of IFRS 9 “Financial Instruments” issued by the Central Bank of Egypt on 26 February 2019 to be effective from January ,1 2019 , Management has adjusted certain policies to comply with these instructions the following notes details the changes in accounting policies.

These financial statements were prepared according to the related local laws.

B- Changes in accounting policies :

The following is a summary of key changes in the Bank's accounting policies resulting from the implementation those instructions .

Classification of financial assets and the financial liabilities:

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

The financial assets are classified in accordance with the business model which is managed these financial assets and its contractual cash flows

A financial asset is measured at amortized cost if it meets the following conditions and is not measured at fair value through profit or loss.

- The asset is retained within a business model that aims to retain assets for contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows on specific dates that are only principal and interest payments on the principal amount payable.

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

- The asset is held within a business model that has been achieved through the collection of contractual cash flows and the sale of financial assets
- The contractual terms of the financial assets give rise to cash flows on specific dates that are only principal and interest payments on the principal amount payable.

When the first recognition of the investment in equity is held by the trading , the bank may choose irrevocably measure changes in subsequent fair value in other comprehensive income items are made this choice on the basis of each investment separately.

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

In addition ,upon initial recognition ,the bank may irrevocably identify a financial asset that meets the requirements to be measured at amortized cost or at fair value through other comprehensive income ,at fair value through profit or loss ,if doing so would be canceled or reduced in an appropriate manner. Significant accounting mismatches that may otherwise arise.

Business model evaluation:

The bank conducted assessment of the objective of the business model which the asset is held at the portfolio level because this reflects the best way of business administration and to provide information to management . Information considered includes:

- The stated policies and objectives of the portfolio and the mechanism of operation of these policies in practice ,especially to determine whether the management strategy focuses on earning contractual interest income or matching the duration of financial assets with the duration of financial obligations that finance those assets or achieving cash flows through the sale of assets:
- How to evaluate the performance of the portfolio and report to the management of the bank
- Risks affecting the performance of the business model and financial assets held by the business model of this and how to manage these risks
- The number of deals, volume and timing of sales in previous periods , the reasons for these sales and their expectations regarding future sales activity .However ,Rather, it is considered part of a comprehensive assessment of how to achieve the bank's stated goal of managing financial assets and how to achieve cash flows.

Financial assets held for trading or whose performance are valued at fair value are measured at fair value through profit or loss as they are not held to collect only contractual cash flows and are not held to collect contractual cash flows with the sale of financial assets.

Evaluate whether contractual cash flows are payments of principal and interest:

For the purpose of this valuation ,the principal amount is defined as the fair value of the financial asset at initial recognition ,interest is defined as the material consideration for the time value of money and credit risk associated with the principal amount repayable over a period of time and for other underlying lending risks and costs) such as liquidity risk and administrative costs as well as profit margin

In assessing whether contractual cash flows are payments of principal and interest ,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 time and amount of contractual cash flows, as this condition will not be met.

Impairment of financial assets:

It replaces the International Standard for Financial Reporting No .9 " in accordance with the instructions of the Central Bank issued on 26 February 2019 " model loss achieved given instructions Bank Central issued December 16, 2008 on the model credit loss expected as a form of decay applies in the new value of all financial assets, as well as some links Loan pledges and financial guarantee contracts.

Under IFRS 9, credit losses are recognized more early than in accordance with the Central Bank directives of 16 December 2008.

The Bank has a three - stages approach to measure the expected credit losses from financial assets installed at amortized cost and debt instruments at fair value through other comprehensive income are moving assets between the following three stages based on the change in credit quality since the first recognition.

Stage 1 : Expected Credit Loss for 12 months
The first stage includes financial assets at initial recognition that do not involve a significant increase in credit risk since the first recognition or involve relatively low credit risk.
For these assets ,expected credit losses over 12 months are recognized and interest is calculated on the total carrying amount of the assets)excluding provision for credit . (12-month expected credit losses are the expected credit losses that may result from potential failures within 12 months after the reporting date.

Stage 2: Lifetime credit loss - no credit impairment
The second stage includes financial assets with a significant increase in credit risk since the initial recognition, but no objective evidence of impairment .Lifetime expected credit losses are recognized for these assets but interest is still charged to the total carrying amount of the asset .Lifetime credit loss is the expected credit loss resulting from all possible failures over the life of the financial instrument

Stage 3 : Lifetime expected credit loss - impairment of credit
The third stage includes financial assets with objective evidence of impairment at the date of the financial statements: For these assets, expected lifetime credit losses are recognized.

According to the instructions of the Central Bank of Egypt on February 26, 2019 ,the IFRS 9 As of 01 January 2019, the Bank has measured the effect of applying the standard in accordance with the above instructions:

C- Investments in subsidiaries and associates

C-1 Investments in subsidiaries

Investments in subsidiaries are investments in entities with specific purposes (Special Purpose Entities / SPE's) which the bank has control. Control is presumed to exist when the parent owns, directly or indirectly the ability to influence its financial and operating policies. Usually the bank owns in subsidiaries more than half of the voting power of the investee, taking into consideration future potential voting rights that can be exercised or converted now when evaluating if the bank has the ability to control the company.

C-2 Investments in associates

- Entities over which Bank exercises significant influence directly or indirectly without exercising control or joint control over that entity. Usually significant influence exists where the bank holds 20% to 50% of voting power in the investee. Purchase method is applied to account for acquisitions of investees by the bank. Acquisition cost is measured at fair value or equivalent assets to buy or issued equity instruments and/or liabilities charged to the bank and/or obligations the bank accepts on behalf of the acquired company, at the date of exchange.

  In addition to any costs directly supports the acquisition transaction, while net assets including contingent liabilities that can be determined at its fair value in at the acquisition date, regardless of any minority rights. The increase of acquisition cost above the fair value to the bank's share represents the goodwill, but if the acquisition cost declines below the fair value for the net assets concerned, therefore the difference of recorded directly in the income statement in other revenues (expenses) caption.

- Investments in associates measured at owners' equities method in the financial statements of the bank and dividends are recorded when approved, deducted from the fair value of the assets.

D- Segment reporting

A business segment is a group of assets and operations related to providing products or services subject to risks and returns that differ from those that are related to other business segments and geographical segment which provide products or services within the same economic environment subject to specific risks and benefits that differ from those geographical segments which operate in different economic environments.

E- Foreign currency translation

E-1 Functional Currency

The bank's financial statements are published in Egyptian pound which is the currency used in the bank's transactions and publishing.

E-2 Transactions and balances in foreign currencies

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

- Net trading income of the assets / liabilities held for trading or net income of financial instruments classified at inception by fair value through profit and loss to assets / liabilities for trading.
- The other comprehensive income property rights for investments in equity instruments by fair value through comprehensive income
- Other operating revenues (expenses) for the remaining assets and liabilities.

Changes in the fair value of investments in debt instrument, which represent monetary financial instruments, denominated in foreign currencies and classified as available for sale 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.

Valuation differences relating to changes in the amortized cost are recognized in the income statement in the return on loans and similar income and differences in exchange rates are changed in other operating income (expenses), Other comprehensive income is recognized in equity as the remaining changes in fair value in the fair value reserve for investments. At fair value through other comprehensive income .

Valuation differences arising on the measurement of non-monetary items at fair value include gains and losses arising from changes in exchange rates used to translate those items and then recognition of the statement of income with total valuation differences arising from the measurement of equity instruments classified at fair value through profit or loss. while the recognition of the total resulting from the valuation differences measured at fair value of equity instruments through other comprehensive income in other comprehensive income items of property rights Ben d reserve the fair value of financial investments at fair value through other comprehensive income .

F- Financial assets

The Bank classify the financial assets between the following groups: financial assets are measured at amortized cost ,financial assets at fair value through other comprehensive income ,financial assets at fair value through profit and loss. The classification is based generally to the business model ,which is managed by financial assets and cash flows and contractual .

F-1 Financial assets at amortized cost:

The financial asset is held within the business model of financial assets held to collect contractual cash flows.

The objective of the business model is to retain financial assets to collect contractual cash flows represented by the principal of the investment amount and returns.

The sale is an exceptional incidental event in relation to the objective of this model and under the conditions of the Standard:

- A deterioration in the credit capacity of the issuer of the financial instrument.
- Less sales in terms of periodicity and value.
- Clear and certified documentation of the justification for each sale and its compliance with the requirements of the standard.

F-2 Financial assets at fair value through other comprehensive income:

The financial asset is held within the business model of financial assets held for collection of contractual cash flows and sales.

Both cash and contract collection and sale complement each other to achieve the objective of the model.

Sales are high in terms of cyclicality and value compared to the business model held to collect contractual cash flows.

F-3 Financial assets at fair value through profit and loss:

Retains the financial asset ,among other business models include trading, management of financial assets on the basis of fair value , maximizing cash flows through the sale.

The objective of the business model is not to retain the financial asset to collect the contractual cash flows or retained by the collection of contractual cash flows and sale collection of contractual cash flows occurred sideways for the goal of the model.

The characteristics of the business model are as follows:

- Structuring a set of activities designed to extract specific outputs.
- It represents a complete framework for a specific activity (inputs - activities – output) .
- A single business model can include sub-business models.

G- Treasury bills through other comprehensive income

Treasury bills are recognized at the purchase price at nominal value and the discount for the issue that represents the unearned interest on these balances is shown on credit balances and other liabilities. Treasury bills are shown in the balance sheet excluding the outstanding balance of proceeds measured at amortized cost using the effective yield rate.

H- Loans and Advances

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the bank intends to sell immediately or in the short term, which is classified as held for trading, or those that the bank upon initial recognition designates as at fair value through profit or loss.
- Those that the bank upon initial recognition designates as available for sale.
- Those for which the holder may not recover substantially all of its initial investment, for any reason other than credit deterioration.

I- Financial investments at amortized cost

Held to maturity financial investments are non-derivative financial assets which carry fixed or determinable payments, fixed maturity date and where the bank has the intention and the ability to hold to maturity.

J- Financial investments through other comprehensive income

Financial investments through other comprehensive income are non-derivatives financial assets that are intended to be held for unspecified period of time and may be sold to provide liquidity or due to changes in shares prices, foreign exchange currencies, or interest rate, and measured the listed with fair value, and due to Inactive market and low of share percent its measured with cost due to cannot be measured at fair value recognition with the subsequent changes in fair value through other comprehensive income.

K- Financial assets at fair value through profit or loss

This category consists of financial assets held for trading, these financial instruments are classified as held for trading if they are acquired or incurred principally for the purpose of selling in the short term or if it is part of financial instruments portfolio that are managed together and there is evidence resulted from recent actual transaction that profit can be recognized in the short term.

Derivatives are classified as held for trading unless it's classified as hedging instruments.

Financial assets are classified up on recognition at fair value through profit or loss in the following circumstances:

- This decreases the discrepancy arising if the derivative in concern is recognized as held for trading while its underlying financial instrument is measured at amortized cost for loans and advances, due from banks and issued debt instruments.
- When managing some investments, like investments in equity instruments and measured at fair value according to the investment policy or risk management and conducting reports to the top management on that basis. These investments are then recognized at fair value through profit or loss.
- Financial instruments like debt instruments, including one or more embedded derivatives which materially affects the cash flow, these instruments are recognized at fair value through profit or loss.
- Profit and loss from change in fair value in financial derivatives managed in conjunction with assets/liabilities initially recognized at "fair value through profit and loss" booked in income statement under "net income from financial assets classified upon recognition at fair value through profit of loss".
- Any financial derivative from the financial instruments measured at fair value through profit or loss is not reclassified during holding it or till validity, as well as any financial instrument are not reclassified transferred from the fair value through profit or loss portfolio if this instrument is designated upon recognition as a fair value instrument through profit or loss.

The following applies to financial assets:

- Purchases or sales of financial assets at fair value through profit and loss, held to maturity financial investments, and available for sale financial investments are recognized at the trade date which is the date the bank is committed to purchase or sell the financial asset.
- Financial assets that are not classified at fair value through profit and loss at initial recognition are recognized at fair value plus transaction cost, while the financial assets classified as at fair value through profit and loss are initially recognized at fair value only and the transaction cost is recognized in the income statement under "net trading income".
- Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when the bank transfer all asset risks and rewards to another party, while a financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.
- Available for sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair value, while loans and receivables and held to maturity investments are measured subsequently at amortized cost.
- Gains and losses arising from changes in fair value of financial assets designated at fair value through profit and loss are recorded in income statement during the period it occurred, while gains and losses arising from changes in fair value of available for sale financial investments are recognized in equity until the financial asset is derecognized, or impaired at this time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.
- Interest income related to monetary assets classified as available for sale is recognized based on the amortized cost method in the income statement, Dividends related to available for sale equity instruments are recognized in the income statement when they are declared.
- The fair values of quoted investments in active markets are based on current bid prices, If there is no active market for a financial asset, the bank establishes fair value using valuation techniques, These include the use of recent arm’s length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, if the bank could not assess the value of the equity classified as available for sale, these instruments should be valued at cost after deduct any impairment expense.
- It is possible to include instruments issued by the same entity or with the same characteristics within more than one item according to the business model (models) applied by the bank.

- It is possible to perform reclassifications of debt instruments listed in the various items according to the bank's business model (models) provided that the reclassification process takes place in the fiscal year following the fiscal year during which the business model (models) was expedited, and the approval of the bank must be obtained. The Central Bank of Egypt in the cases of reclassification and the accounting effect thereof with the interim or annual financial statements submitted to the Central Bank of Egypt, explaining the reasons for the reclassifications and the amendments made to the business model (models) applied to the bank.
- In case that the equity instruments recognized within the financial assets at fair value through other comprehensive income are disposed of or their recognition is canceled, the balance of the change in fair values is not carried over to profits and losses, but rather they are directly transferred to retained earnings within equity.
- In case that debt instruments recognized in financial assets at fair value through other comprehensive income are disposed or derecognized, the cumulative balance of the change in fair value registered in the other comprehensive income is transferred to the statement of profit and loss.

L- Offsetting of financial instruments

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

Treasury bills, Repos and reverse Repos agreements are netted on the balance sheet and disclosed under treasury bills and other governmental securities.

M-Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value, Fair values are obtained from quoted market prices in active markets, or according to the recent market deals, or the revaluation techniques including discounted cash flow models and options pricing models, as appropriate, Derivatives are recognized as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

N- The recognition of the first day deferred profit and loss

For the instruments measured at fair value, the best indicator on the fair value of the instruments at the date of transaction is transaction price (fair value of the return delivered or received) unless the fair value for the instrument at the same date can be known referring to the transaction prices in the published markets or using the valuation models, When the bank enters transactions that some of them are due after long period of time, their fair values are assessed using valuation models their inputs may not always be published market prices or rates, the initial recognition of this financial instrument is made using the transaction price which represent the best indicator of the fair value despite that the value from the valuation model may be different, the different between the transaction price and the value resulted from the model known as " first day profit and loss" is not recognized immediately in the profits and losses and classified as other assets in case of loss or other liabilities in case of profit.
The timing of recognition of deferred profit and loss is determined separately for every case, and that's by amortizing it over the transaction period or until the fair value of the instrument can be determined using published market inputs, or at the transaction reconciliation and the instrument is valuated later by fair value, the future changes in fair value are recognized immediately in the income statement.

O-Interest income and expense

Interest income and expense of all interest or bearing financial instruments, except these classified at inception at fair value through profit and loss shall be 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 method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period, The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, a shorter period when appropriate to reach the net carrying amount of the financial asset or liability, When calculating the effective interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument (for example, accelerate - prepayment options) not to consider the future credit losses.

The method of calculation includes all fees paid or received by and between parties of the contract that are an integral part of the effective interest rate, transaction costs include all other premiums or discounts, when loans or debts are classified as non-performing or impaired, related interest income are not recognized but rather, are carried off balance sheet in statistical records and are recognized under revenues according to cash basis as per the following:

- When collected and after recovery of all past dues for retail loans, personal loans, small and medium business loans, mortgage loans for personal housing and small loans for businesses.
- For loans granted to corporate, interest income is recognized on cash basis after the bank collects 25 % of the scheduling installments and after the installments continued to be regular for at least one year, If the client continued to be regular the return on the loan balance is classified as revenues (return on regular scheduling instrument balance) before margin return before scheduling that are not classified as revenues unless full payment of the loan balance in the financial position before scheduling.

P- Fees and commission income

Fees and commissions related to loan and advances are recognized as income when the service is rendered, Fees and commission income related to non-performing or impaired loans or debts are suspended and are carried off balance sheet and are recognized under income according to the cash basis when interest income is recognized in accordance with note (2 –H) above, Fees which represent part of the financial asset's effective rate are recognized as an adjustment to the effective interest rate, Recognition of revenue related to commitment fees is postponed due to a probability that this loan will be withdrawn, as commitment fees represent compensation for the continuing interferes to own the financial asset, subsequently it's recognized as adjustments to the effective interest rate of the loan, If the commitment period passed without issuing the loan, commitment fees is recognized as income at the end of the commitment period, Fees and commission related to instruments debts measured by fair value is recognized as income at initial recognition, Fees on the promotion of the syndicated loans shall be recognized within revenue when promotion process is completed and the bank does not retain an portion of the loan or if the bank retains a portion for itself earning the actual rate return which is available to other participants as well.

Fees and commissions arising from negotiation, or participating in negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized as income when the transaction is completed.

The administrative consultations fees and other services are normally recognized based on the distribution overtime relative to the service performance period. However, 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.

Q- Dividend income

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

R- Purchase and resale agreements and sale and repurchase agreements

The financial instruments sold under repurchase agreements within the assets of the balances of treasury bills and other governmental notes in the balance sheet. Whereas, the liability (purchase and resale agreements) is deducted from the treasury bills and other governmental notes in the balance sheet. The difference between the sell price and repurchase price is recognized as a return over the period of the agreement by applying the effective interest rate method.

S- Impairment of financial assets

The bank reviews for all financial assets with the exception of financial assets that are measured at fair value through profit or loss to estimate the extent of the impairment value as described below.

Financial assets at the date of the financial statements are classified into three stages:

- **Stage 1 :** financial assets that did not witnessed a substantial increase in credit risk since the date of initial recognition, and credit loss is expected to have a 12 - month account.
- **Stage 2 :** Financial assets that have experienced a significant increase in credit risk since the initial recognition or date of recognition, and the expected credit loss is calculated over the life of the asset.
- **Stage 3 :** Financial assets that have suffered impairment and require the expected credit loss over the life of the asset based on the difference between the carrying amount of the instrument and the present value of expected future cash flows.

The measurement of credit losses and impairment losses in value relating to financial tools as follows:

- A low-risk financial instrument is classified at initial recognition in the first stage and credit risk is monitored on an ongoing basis by the Bank's credit risk department .
- 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 is any indication that the value of a financial instrument will be impaired, it will be transferred to the third stage.
- Financial assets created or acquired by the Bank are classified as having a higher credit risk rate than the Bank's low risk financial assets at the time of initial recognition of the second Stage ,and therefore the expected credit losses are measured based on the expected credit losses over the life of the asset.
- Substantial increase in the credit risk):

  The Bank considers that the financial instrument has seen a significant increase in credit risk when one or more of the following quantitative and qualitative criteria ,as well as factors relating to default are met.
- Quantitative standards:

  When the probability of failure during the remaining life of the instrument increases from the date of the financial position compared to the probability of failure during the remaining life expectancy at initial recognition in accordance with the risk structure acceptable to the bank.

- Qualitative standards:

  Bank retail loans and small and micro businesses

  If the borrower encounters one or more of the following:
  - The borrower has applied to convert the short-term to long-term repayments due to the negative effects of the borrower's cash flows .
  - Recurring previous arrears during the previous 12 months.
  - Negative future economic changes that affect the borrower' s future cash flows .

  Institutional and Medium Enterprise Loans:

  If the borrower is on the checklist and / or financial instrument and has experienced one or more of the following events:
  - 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 material or economic conditions in which the borrower operates.
- Request for scheduling due to difficulties the borrower faces.
- Significant negative changes in actual or expected operating results or cash flows.
- Future economic changes affecting the borrower's future cash flows.
- Early signs of cash flow / liquidity problems such as delays in service of creditors / commercial loans .
- The cancellation of a direct facility by the Bank due to the high credit risk of the borrower.

- Stop payment:

  The loans and facilities of institutions, medium, small and micro enterprises, and retail banking are included in the second stage if the non-payment period is more than (30) days at most and less than (90) days.

Progression between stages (1,2,3):

Progress between the second stage to the first stage:

The financial asset is not transferred from the second stage to the first stage until all the quantitative and qualitative elements of the first stage have been met and the arrears of the financial asset and the returns have been paid.

Progress from stage 3 to stage 2:

The financial asset is not transferred from the third stage to the second stage until all the following conditions are met:

- Completing all quantitative and qualitative elements of the second stage.
- Repayment of 25 % of the due balance of financial assets, including set aside / marginal returns .
- Regular repayment for at least 12 months.

T- Investment property

Investment property represents land and buildings owned by the bank and used to earn rental income or increase capital, Investment property doesn’t include properties used by the bank during its normal course of operation or assets reverted to the bank in settlement of debts, the accounting policy for investment property is the same as for fixed assets.

U- Intangible assets

Computer Software

The expenses, related to development or maintenance of computer software, shall be recognized as expense in income statement, when incurred, the expenses connected directly with specific software and which are subject to the bank's control and expected to generate economic benefits exceeding their cost for a period more than one year, shall be recognized as an intangible asset, the direct expenses include staff cost of software development, in addition to an adequate share of related expenses.

The expenses which lead to increase or expansion of computer software beyond their original specifications are recognized as a development cost and shall be added to the original software cost.

The computer software cost recognized as an asset shall be amortized over the expected useful life which is not more than three years.

V- Fixed assets

The land and buildings are mainly represented in all head office, branches and offices. fixed assets shall be disclosed at historical cost net of accumulated depreciation and impairment losses, the historical cost includes the expenses directly attributable to acquisition of fixed asset items.

Subsequent expenditures shall be recognized within the book value of the outstanding asset or as an independent asset, as appropriate, when the generation of future economic benefits to the bank from the concerned asset and the reliable determination of its cost become possible. Any maintenance and fixing expenses, during the period in which they are incurred, shall be carried to other operating expenses.

Land shall not be subject to depreciation, while depreciation of other fixed assets shall be calculated using the straight-line method to spread the cost in a way that makes residual value be distributed over the useful life of the asset as follows:

	Depreciation rate
Buildings and Constructions	2%
Integrated Automated Systems	20%
Vehicles	20%
Tools and Equipment	20%
Furniture	10%
Intangible assets	33,33%

The branches preparation expenses are depreciated over 5 years or the rent period whichever is lower.

The residual value and useful life of the fixed assets shall be reviewed on each reporting date and shall be adjusted whenever required. Depreciated assets shall be reviewed for purposes of determining the extent of impairment when an event or a change in conditions suggesting that the book value may not be redeemable occurs. Consequently, the book value of the asset shall be reduced immediately to the asset's net realizable value in case of the increase of the book value over the net realizable value.

The recoverable amount is the higher of the asset's fair value less costs to sell or value in use.

Gains and losses on disposals are determined by comparing proceeds with asset carrying amount, these gain and losses are included in other operating income (expenses) in the income statement.

W- Impairment of non-financial assets

Assets having no fixed useful life except for goodwill shall not be amortized, and their impairment shall be tested at least annually, The impairment of amortized assets is studied to determine if there are events or changes in the circumstances indicating that the book value may not be recoverable.

The impairment loss is recognized by the excess amount of book value over the realizable value, the recoverable value represents net realizable value of the asset or the usage amount whichever is higher, For the purpose of estimating the impairment, the asset is grouped with the smallest cash generating unit, At each balance sheet date, non-financial assets with impairment has to be reviewed to determine if there is impairment reversal made to the income statement.

X- Finance Leases

The accounting treatment for the finance lease is in accordance with law 95 of year 1995 regarding finance leases, if the contract entitles the lessee to purchase the asset at a specified date and amount, and the contract term is more than 75% of the asset's expected useful life, then this lease is considered finance lease, Other than that the lease has to be considered operating lease.

X-1 Leasing

Finance lease contracts recognize rent as expense in the period it occurred, including maintenance cost related to the leased assets, if the bank decides to exercise the rights to purchase the leased assets, the related costs of this right will be capitalized over the fixed asset and depreciated over the assets' remaining expected useful life in accordance with similar assets.

Operating lease payments to the lesser less any discounts granted to lessee are recognized as expenses in the income statement using the straight line method over the contract term.

X-2 Leasing out

Lease assets are accounted for in the fixed assets caption in the balance sheet and are depreciated over the assets expected useful life using the same method applicable to similar assets.
Rent revenues are recognized based on the rate of return of the lease contract in addition to an amount similar to the depreciation cost for the period, the difference between the rent revenue recognized in the income statement and total trade receivables (lease) until the end of the lease contract which is used to perform clearance with the net book value for the leased assets, maintenance and insurance expenses are charged to the income statement when incurred to the extent not endured by the lessee.

When objective evidence is obtained that the bank will not be able to collect all capital leases due balances then these balances will be reduced to the estimated recoverable values.

Operating lease asset are accounted for in the fixed assets caption in the balance sheet and is depreciated over the asset’s expected useful life using the same method applicable to similar assets, the lease rent income less any discount granted to the lessee will be recognized to the income statement using the straight line method over the contract term.

Y- Cash and cash equivalents

For the purposes of the cash flow statement presentation, cash and cash equivalents include balances due within three months from date of acquisition, cash and balances due from the Central Bank of Egypt other than the mandatory reserve, and current accounts with banks and treasury bills and other governmental securities.
The bank uses the indirect method in preparing the cash flows statement.

Z- Other provisions

Provisions for restructuring costs and legal claims are recognized when the bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determined, taking into consideration the group of obligations as a whole, a provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

refund other provisions whose purpose is totally or partially negligible under the item other operating income (expenses).

AA- Employees' benefits

AA-1 Pension benefits obligations

The bank manages a retirement benefit plan based on a defined contribution plan,

Represents commitments on the bank defined contribution plan, retirement regulations where the bank pays fixed contribution amount to a separate entity and there is no legal or imperative to pay further contribution, if the entity has not established sufficient assets to pay all the employees benefits related to their service whether in current or previous periods.

Regarding the defined contribution plans, the bank pays contributions according to the retirements insurance regulations in the public and private sectors on a contractual basis either mandatory or voluntary and the bank has no further obligations following the payment of contributions, these shall be contributions recognized within the employees' benefits expenses when maturing.

AA-2 End of service benefits obligation

The bank provides health care benefits to retirees after the end of service term, usually such benefits are given conditional on the employee remains in the service until retirement age, and completes a minimum period of service.

BB- Income tax

The income tax on the year's profit or loss includes both the current and deferred taxes, Income tax is recognized in the income statement except for income taxes related to shareholders' equity items that are recognized directly in the shareholder's equity in the balance sheet,

The income tax shall be recognized on the net taxable income, using the effective tax rate at the balance sheet date, in addition to prior year's tax adjustments.

Deferred tax arising from temporary differences resulting from between book value of assets and liabilities. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period which the liability is settled or asset is realized based on tax rates enacted or substantively enacted by the end of the reporting year. Calculated according to the accounting principles and its value according to tax principles.

Deferred tax assets are recognized whenever there is probability to make taxable income at the future can be offset by the deferred tax.

Deferred tax assets to be reduced by the portion which can't be utilized at upcoming years; and in case of increase the expected future benefits deferred tax assets should be increase again within the limit of reduced amount.

CC- Borrowings

Borrowings are initially recognized at the fair value, less cost of acquiring the loan.

After initial recognition, loans and borrowings are subsequently measured at amortized cost. The difference between proceeds and the amount to be paid over the borrowing period using effective interest rate shall be recognized in income statement.

DD- Capital

DD-1 Capital cost

Issuance cost that directly related to the issuance of new shares or the issuance of shares related to acquisition or share options is deducted from shareholders' equity net of tax proceeds.

DD-2 Dividends

Dividends are recognized as a deduction of shareholders' equity when declared by the General Assembly of shareholders, those dividends include employees' share in the profits and the Board of Directors' remuneration as prescribed by the articles of association and law.

EE- Fiduciary activities

The bank practice custody activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans and other institutions. These assets and profits arising thereon are excluded from the bank's financial statements, as they are not assets or profits of the bank.

FF- Comparative figures

The comparative figures shall be reclassified, when necessary, to be in conformity with the changes to presentation used in the current period.

GG- Subsequent Events to the date of the financial statements

The subsequent events to the date of the financial statements are those that occur between the date of the financial statements and the date of approving the issue of the financial statements, whether those events are in the interest of the entity or not. Two types of events may be identified:

- Events provide additional evidence of cases that existed on the date of the financial statements and require an adjustment to those lists.
- Events that refer to cases that arose after the date of the financial statements and do not require an amendment to those lists and may require disclosure.

3- Financial risk management

The bank is exposed to various financial risks, Since the basis of financial activity is to accept risks; some risks or group of risks are analyzed, evaluated and managed all together, Therefore the bank aims to achieve an appropriate balance between the risk and return and to reduce the probable adverse effects on the bank's financial performance.

The most important types of risks are credit risk, market risk, liquidity risk and other operating risks, the market risk comprises foreign currency exchange rates, interest rate risk and other price risks.

The risk management policies have been placed to determine and analyze the risks and to set limits to the risk and monitor them through reliable methods and updated systems.

The bank regularly reviews the risk management policies and systems and amends them in order to reflect the changes in market, products and services and the best updated applications.

Those risks are managed by risk department in the light of policies approved by Board of Directors.

The risk department determines, evaluates and covers the financial risks, in coordination with the bank's various operating units, and the Board of Directors provides written policies for management of risks as a whole, in addition to written policies covering specific risk areas, like credit risk, foreign exchange rate risk, interest rate risk, and using the financial derivative and non-derivative instruments, Moreover, the credit risk department is responsible for periodical independent review of risk management and control environment.

A- Credit risk

The bank is exposed to the credit risk which is the risk resulting from failure of a counterparty to meet its contractual obligations towards the bank, credit risk is considered to be the most significant risks for the bank's operations, the bank's management carefully manages its exposure to credit risk, Credit risks is represented in the lending and investments activities that results in loans and advances granted, and possessing debt instruments among the bank's assets, The credit risk is also found in off balance sheet financial instruments, like loan commitment, The managing and monitoring process on credit risk is centralized at credit risk team management at credit risk department that prepare reports to Board of Directors and Head units on regular basis.

A-1 Credit risk measurement

- **Loans and advances to banks and customers**

  To measure the credit risk related to loans and facilities for banks and customers, the bank considers the following: -

  - Probability of default for customers or others for settling their contractual obligations is based on the historical default rate for each homogeneous group which has similar credit characteristics (related to corporate on industrial basis and related to consumable loans on the product basis), This rate on corporate loans with credit rating is applicable from 1 - 7 and all consumable loans, Loans related to corporate loans with credit rating from 8 - 10, the present value for cash flows which are expected to be acquired from these loans is applied.
  - The current position and probable future development are used to predict the exposure at default balance as the bank assumed that the total balance is exposed to default.
  - Loss given default:

    Loss given default or severe loss represents the bank's expectations of the extent of the loss at reclaiming the debt, as the bank expects that the loss will be about 100% of the balance.

- The bank evaluates the probability of delay on customer level using internal policies to classify the credit rating for the different customers' categories, these policies are updated internally taking into consideration financial analysis and statistical analysis for each customer category in addition to the personal judgment of the credit officer to reach the appropriate credit rating, the customers of the bank were divided into four rating grades.

- The following table shows the rating classification which reflects the range of expected defaults or payment delays, by which the credit centers may transfer from one rating to another depending on the change in the expected degree of default, the customer's rating and the rating process are reviewed when necessary, the bank evaluates the rating process and their expectations regarding the customers' defaults.

Bank's internal rating grades

Rating description	**Rating**
Performing loans	1
Regular watching	2
Watch list	3
Non-performing loans	4

- **Debt instruments, treasury bills and other bills**

  The same methods used for credit customers are used for debt instruments and treasury bills.

  The bank uses external ratings such as Standard and Poor rating, or its equivalent for managing the credit risk and if these measurements weren't available, other methods like those applied on credit customers are used, Investments in securities and bills are considered a way of having better credit quality and an available source to face future finance requirements.

A-2 Limiting and preventing risks policies

The bank manages and controls credit concentrations at the borrowers' level, groups of borrowers' level, industries level and countries level,

The bank manages the credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or a group of borrowers, and to the geographical and industry segments, Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary, The credit limit is approved at loan grade / caption level by the board of directors when it exceeds a certain limit.

Credit limit is classified for every borrower including banks by subsidiary limits including values on and off the financial position and the daily risk limit of trading items as forward foreign exchange contracts, actual values are compared to daily limits, managing the risk of exposure to credit risk is made using the periodical analysis of the existing or potential borrower's ability to face their liabilities and amending the borrowing limit when considered necessary.

The following are other controls used by the bank to limit the credit risk: -

Collaterals:-

The bank uses different methods to limit its credit risk, one of these methods is accepting collaterals against loans and advances granted by the bank, the bank formulated specific rules and guidelines for the types of collaterals that can be accepted, the major types of collateral against loans and advances are: -

- Real estate.
- Business assets, such as machines and goods.
- Financial instruments, such as debt and equity instruments.

The bank is keen to obtain the appropriate guarantees against corporate entities of long term finance and corporate loans, while individual credit facilities are generally unsecured.

In addition, in order to minimize the credit loss that the bank may incur to minimum, the bank seeks additional collaterals from all counterparties when impairment indicators are noticed for loans or advances.

The bank determines the type of collaterals held as securities for financial assets with an exception to loans and advances classified according to the nature of the instrument, generally, debt securities and treasury bills are unsecured, except for asset-backed securities and similar instruments are secured by a financial instrument portfolio.

A-3 Impairment and provisioning policies

The internal rating systems described in note (A/1) focus more on credit-quality at the inception of lending and investment activities, Otherwise, impairment provisions recognized at the balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment as will be mentioned below, Due to the different methodologies applied, despite different methods are applied there was no material impact for potential credit loss in the financial statement by the amount of loss estimated using expected loss model used as at 31 December 2021 for the purpose of compliance to the rules of the CBE in note (A/4).

The impairment loss provision appeared in the balance sheet at the end of the period is derived from the four internal rating grades, However, the majority of the impairment provision comes from the last two ratings, the table below shows the percentage of in-balance sheet items relating to loans and advances and the related impairment loss provision for each rating: -

Bank's rating	31/12/2021		31/12/2020	
	Loans advances %	Impairment loss provision %	Loans advances %	Impairment loss provision %
Performing loans	84.8	6.6	88.2	9.1
Regular watching	5.1	1.9	4.0	2.4
Watch list	3.9	30.2	0.4	0.9
Non-performing loans	6.2	61.3	7.4	87.6
	100	100	100	100

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

- Payment delinquency of debtor or loan beneficiary.
- Breach of loan agreement such as a default in payment.
- Possibility of bankruptcy or entering liquidation procedures or financial restructures of granted credit.
- Deterioration of the borrower's competitive position.
- Due to economical or legal reasons, the bank agrees to grant the borrower additional benefits that would not normally be granted in normal circumstances.
- The impairment of the value of collateral.
- Deterioration of customer credit status.

The bank policies require the review of all financial assets that exceed defined relative importance at least annually or more when necessary, the impairment loss is determined on individual basis by assessing the realized loss at the reporting date on each individual case & to be applied individually to all account that have relative importance, Valuation usually includes the outstanding collateral, the related enforcements on these collaterals and the expected collections from those accounts.

Impairment loss provision is formed based on group of similar assets using the historical experience available, personal judgment and statistical methods,

A-3 General module to measure banking general risk

In addition to the four categories of credit rating indicated in note (A/1) the management makes more detailed groups in accordance with the Central Bank of Egypt (CBE) requirements.

Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on information related to the customer, it's activities, financial position and payment performance.

The bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE, In the case, the provision required for impairment losses as per CBE regulations exceeds the provision required for financial statements preparation purposes according to the Egyptian Accounting Standards, this increase shall be debited from the retained earnings to and credited to the "general banking risk reserve" under the equity caption, This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase and decrease in the two provisions, This reserve is not distributable.

The rating categories based on internal evaluation techniques and their comparative figures used by the Central Bank of Egypt and the required provisions percentage for impairment of the assets exposed to credit risk are as follows:-

CBE classification	Description	Required provision percentage	Internal classification	Description
1	Low risk	Zero	1	Performing debts
2	Average risk	1	1	Performing debts
3	Satisfactory risk	1	1	Performing debts
4	Reasonable risk	2	1	Performing debts
5	Acceptable risk	2	1	Performing debts
6	Marginal acceptable risk	3	2	Regular follow up
7	Watch list	5	3	Special follow up
8	Sub standard	20	4	Non performing debts
9	Doubtful	50	4	Non performing debts
10	Bad debt	100	4	Non performing debts

A-5 Maximum limits for credit risk before collaterals

Balance sheet items exposed to credit risks

In Egyptian pound	31 December 2021	31 December 2020
Treasury bills and other governmental securities	11 476 675 268	9 308 349 253
Financial Assets held for trading		
– Debt instruments	–	1 497 639
Customers loans and advances		
Retail loans:		
Overdraft Accounts	108 542 687	103 110 532
Personal loans	7 020 431 192	5 793 756 869
Real Estate Finance loans	196 280 110	204 399 214
Credit cards	59 395 009	27 407 869
Corporate loans:		
Overdraft Accounts	4 430 732 523	2 666 483 236
Syndicated loans	1 770 149 952	1 776 100 766
Direct loans	8 205 940 481	6 814 147 340
Discounted commercial bills	499 366 709	–
Financial investments:		
Debt instruments at amortized cost	641 223 070	2 219 442 202
Debt instruments at fair value through other comprehensive	4 957 027 684	2 215 254 355
Total	**39 365 764 685**	**31 129 949 275**
Credit risk exposures of off balance sheet items		
Credit commitments	372 309 558	131 132 000
Letters of guarantees	4 008 252 978	2 147 803 048
Letters of guarantees based on other banks requests	5 272 430 178	2 232 131 228
Letters of credit	981 156 136	758 056 087
Other financial liabilities	556 084 935	15 264 139
Total	**11 190 233 785**	**5 284 386 502**

The above table represents the maximum limit for credit risk as of 31 December 2021, without taking into considerations any collateral for balance-sheet items.

As shown in the preceding table, 57 % of the total maximum limit exposed to credit risk resulted from loans and advances to customers and banks, while 43 % represents investments in debt instruments.

A-5-1 **Items at credit risk in accordance with the requirements of IFRS9 - IFRS 9**

According to the instructions of the Central Bank of Egypt to prepare financial statements for banks in accordance with the requirements of the International Standard for و .Financial Reports (9) “Financial Instruments” issued by the Central Bank of Egypt on February 26, 2019

31 December 2021

In Egyptian pound	The first stage	The second stage	The third stage	Total
Due from banks	506 393 938	-	-	506 393 938
Financial investments	2 693 073 232	-	-	2 693 073 232
Loans and facilities - corporate	12 270 020 966	1 854 020 760	782 147 939	14 906 189 665
Loans and facilities - retail	6 496 888 343	723 007 905	164 752 750	7 384 648 998
Contingent liabilities	9 643 392 636	25 724 104	9 509 077	9 678 625 817
Loan commitments and facilities - corporate clients	372 309 558	-	-	372 309 558
Total	**31 982 078 672**	**2 602 752 769**	**956 409 766**	**35 541 241 208**

31 December 2020

In Egyptian pound	The first stage	The second stage	The third stage	Total
Due from banks	492 447 803	-	-	492 447 803
Financial investments	3 659 214 269	-	-	3 659 214 269
Loans and facilities - corporate	9 507 848 199	881 757 449	867 125 694	11 256 731 342
Loans and facilities - retail	5 560 282 739	453 450 283	114 941 462	6 128 674 484
Contingent liabilities	4 568 081 951	50 257 748	9 302 198	4 627 641 897
Loan commitments and facilities - corporate clients	310 010 157	41 762 378	-	351 772 535
Total	**24 097 885 118**	**1 427 227 858**	**991 369 354**	**26 516 482 330**

A-5-1 **Expected credit losses in accordance with the requirements of IFRS9 - IFRS 9**

According to the instructions of the Central Bank of Egypt to prepare financial statements for banks in accordance with the requirements of the International Standard for Financial Reports (9) "Financial Instruments" issued by the Central Bank of Egypt on February 26, 2019.

		31 December 2021		
In Egyptian pound	The first stage	The second stage	The third stage	Total
Due from banks	678 372	-	-	678 372
Financial investments	8 798 501	-	-	8 798 501
Loans and facilities - corporate	11 746 369	334 531 982	458 640 311	804 918 662
Loans and facilities - retail	55 038 255	19 088 407	90 165 693	164 292 355
Contingent liabilities	8 752 880	352 061	7 446 492	16 551 433
Loan commitments and facilities - corporate	328 537	-	-	328 537
Total	**85 342 914**	**353 972 450**	**556 252 496**	**995 567 860**

Impairment provision of loans and contingent liabilities	The provision for impairment is in accordance with the requirements of IFRS9	Provision for impairment in accordance with the basis of creditworthiness	The difference between risk rating and IFRS 9
In Egyptian pound	31 December 2021	31 December 2021	
Loan provision (regular / irregular)	969 211 017	1 187 390 467	218 179 450
Provision Contingent liabilities	16 551 433	88 981 332	72 429 899
	985 762 450	**1 276 371 799**	**290 609 349**

		31 December 2020		
In Egyptian pound	The first stage	The second stage	The third stage	Total
Due from banks	834 193	-	-	834 193
Financial investments	18 010 514	-	-	18 010 514
Loans and facilities - corporate	8 616 834	22 089 487	552 013 210	582 719 531
Loans and facilities - retail	63 825 247	12 888 110	87 333 466	164 046 823
Contingent liabilities	2 690 523	1 862 292	6 622 545	11 175 360
Loan commitments and facilities - corporate	317 200	1 174 736	-	1 491 936
Total	**94 294 511**	**38 014 625**	**645 969 221**	**778 278 357**

Impairment provision of loans and contingent liabilities	The provision for impairment is in accordance with the requirements of IFRS9	Provision for impairment in accordance with the basis of creditworthiness	The difference between risk rating and IFRS 9
In Egyptian pound	31 December 2020	31 December 2020	
Loan provision (regular / irregular)	746 766 354	973 145 818	226 379 464
Provision Contingent liabilities	11 175 360	43 619 834	32 444 474
	757 941 714	**1 016 765 652**	**258 823 938**

A-5-2 Movement of expected credit losses in accordance with the requirements of IFRS9 - IFRS 9

According to the instructions of the Central Bank of Egypt to prepare financial statements for banks in accordance with the requirements of the International Standard for Financial Reports (9) "Financial Instruments" issued by the Central Bank of Egypt on February 26, 2019.

31 December 2021

Notice	Note	Balance at the beginning of the period	Provision for impairment losses	refund of loans previously written off	Amounts written off during the period	Foreign currencies revaluation differences	Negated the purpose	Balance at the end of the period
Due from banks	(7)	834 193	-	-	-	-	(155 821)	678 372
Financial investments at amortized cost	(10)	43 241	-	-	-	-	(43 241)	-
Loans and facilities - corporate clients	(9)	582 719 531	382 736 405	4 177 560	(164 409 534)	(305 300)	-	804 918 662
Loans and facilities - retail clients	(9)	164 046 823	92 133 532	30 640 442	(122 528 442)	-	-	164 292 355
Total provision for expected credit losses (1)		**747 643 788**	**474 869 937**	**34 818 002**	**(286 937 976)**	**(305 300)**	**(199 062)**	**969 889 389**

Notice	Note	Balance at the beginning of the period	Provision for impairment losses	refund of loans previously written off	Amounts written off during the period	Foreign currencies revaluation differences	Negated the purpose	Balance at the end of the period
Financial investments at fair value through other comprehensive income statement	(23)	17 967 273	-	-	-	-	(9 168 772)	8 798 501
Total provision for expected credit losses (2)		**17 967 273**	**-**	**-**	**-**	**-**	**(9 168 772)**	**8 798 501**

Notice	Note	Balance at the beginning of the period	Provision for impairment losses	refund of loans previously written off	Amounts written off during the period	Foreign currencies revaluation differences	Negated the purpose	Balance at the end of the period
Contingent liabilities	(22)	11 175 360	5 428 870	190 638	-	(243 435)		16 551 433
Loan commitments and facilities - corporate clients	(22)	1 491 936	-	-	-	-	(1 163 399)	328 537
Total provision for expected credit losses (3)		**12 667 296**	**5 428 870**	**190 638**	**-**	**(243 435)**	**(1 163 399)**	**16 879 970**
Total expected credit losses (1 + 2 + 3)		**778 278 357**	**480 298 807**	**35 008 640**	**(286 937 976)**	**(548 735)**	**(10 531 233)**	**995 567 860**

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from the portfolio of loans and advances, and debt instruments as follows:

- 33.1% of the loans and advances portfolio is classified at the highest two ratings in the internal rating.
- 81.3% of the loans and advances portfolio having no past due or impairment indicators.
- Mortgage loans, which represent a significant part of the portfolio, are covered by guarantees.
- Loans and advances that have been evaluated on an individual basis of total amount EGP 766 M which represent 3.4 % and the provision formed and interest in suspense amount EGP 541 M represent 70.7% of it.
- The bank applies a more conservative way in granting loans and advances to customers during the period.

A-6 Loans and advances

Loans and advances are summarized according to their credit rating as follows: -

Loans and advances to customers

In Egyptian Pound	**31/12/2021**	**31/12/2020**
Neither past dues nor impaired	**18,128,146,748**	**14,087,816,730**
Past dues but not impaired	**2,791,755,658**	**2,006,782,001**
Past dues are subjected to impairment	**1,370,936,257**	**1,290,807,095**
Total	**22,290,838,663**	**17,385,405,826**
(Less):		
Unearned revenue and discount	**(7,655,264)**	**(6,350,809)**
Impairment loss provision	**(969,211,017)**	**(746,766,354)**
Interest in suspense	**(91,799,948)**	**(71,275,342)**
Net	**21,222,172,434**	**16,561,013,321**

Note (9) include additional information regarding impairment loss provision on loans and advances to customers and banks.

The credit quality of the loans and advances portfolio that are neither having past due nor subject to impairment are evaluated by the internal rating of the bank.

A-6 Loans and advances neither having past due nor subject to impairment

31 December 2021

Valuation			Retail				Corporate			
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Total Corporate	Total
1-Performing loans	108 542 687	51 156 850	6 240 148 049	173 270 301	**6 573 117 887**	4 930 099 232	1 410 853 752	3 200 628 994	**9 541 581 978**	**16 114 699 865**
2-Regular follow up	–	–	–	–	–	–	221 624 014	923 659 774	**1 145 283 788**	**1 145 283 788**
3-Watch list	–	–	–	–	–	–		868 163 095	**868 163 095**	**868 163 095**
Total	**108 542 687**	**51 156 850**	**6 240 148 049**	**173 270 301**	**6 573 117 887**	**4 930 099 232**	**1 632 477 766**	**4 992 451 863**	**11 555 028 861**	**18 128 146 748**

31 December 2020

Valuation			Retail				Corporate			
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Total Corporate	Total
1-Performing loans	103 110 532	19 678 724	5 129 153 735	192 944 656	**5 444 887 647**	2 666 483 236	1 403 215 904	3 808 097 031	**7 877 796 171**	**13 322 683 818**
2-Regular follow up	–	–	–	–	–	–	214 899 168	475 569 555	**690 468 723**	**690 468 723**
3-Watch list	–	–	–	–	–	–	–	74 664 189	**74 664 189**	**74 664 189**
Total	**103 110 532**	**19 678 724**	**5 129 153 735**	**192 944 656**	**5 444 887 647**	**2 666 483 236**	**1 618 115 072**	**4 358 330 775**	**8 642 929 083**	**14 087 816 730**

The non performing segments of secured loans are not subject to impairment after considering the collectability of the guarantees.

Loans and advances having past due and not subject to impairment

Loans and advances having past due up till 30 days and are not subject to impairment, unless there is information to the contrary. Loans and advances having past due and not subject to impairment are as follows:

31 December 2021

Valuation	Retail					Corporate				
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Total Corporate	Total
Past due less than 30 days	–	–	198 538 739	7 999 219	**206 537 958**	–	–	2 585 217 700	**2 585 217 700**	**2 791 755 658**
Total	–	–	**198 538 739**	**7 999 219**	**206 537 958**	–	–	**2 585 217 700**	**2 585 217 700**	**2 791 755 658**

31 December 2020

Valuation	Retail					Corporate				
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Total Corporate	Total
Past due less than 30 days	–	–	231 392 812	11 388 533	**242 781 345**	–	–	1 764 000 656	**1 764 000 656**	**2 006 782 001**
Total	–	–	**231 392 812**	**11 388 533**	**242 781 345**	–	–	**1 764 000 656**	**1 764 000 656**	**2 006 782 001**

Loans and advances subject to individual impairment

Loans and advances subject to individual impairment regardless any cash flows from collaterals amounted to LE 1,285,861,828

The breakdown of the total loans and advances subject to individual impairment including fair value of collaterals obtained by the bank in respect of loans granted are as follows:

31 December 2021

Valuation	Retail					Corporate					
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Net loans and advances	Total Corporate	Total
Balance	-	8 238 159	581 744 404	15 010 590	**604 993 153**	-	137 672 186	628 270 918	-	**765 943 104**	**1 370 936 257**
Fair value of collaterals	-	-	-	-	-	-	**44 325 294**	**40 749 135**	-	**85 074 429**	**85 074 429**

31 December 2020

Valuation	Retail					Corporate					
In Egyptian Pound	Overdraft Accounts	Credit cards	Personal loans	Real Estate Finance	Total Retail	Overdraft Accounts	Syndicated loans	Direct loan	Net loans and advances	Total Corporate	Total
Balance	-	7 729 145	433 210 322	66 025	**441 005 492**	-	157 985 694	691 815 909	-	**849 801 603**	**1 290 807 095**
Fair value of collaterals	-	-	-	-	-	-	**46 341 465**	**29 928 966**	-	**76 270 431**	**76 270 431**

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

The following table represents the analysis of debt instruments, treasury bills, and other government papers, based on the ratings of Moody's credit rating agency.

In Egyptian Pound	Treasury bills and other governmental notes	Financial assets held for trading	Other Financial Investments	Total
Classification of B2	11 476 675 268	-	3 857 801 387	15 334 476 655
Classification of Aa1 - Aa2	-	-	1 099 226 297	1 099 226 297
Total	**11 476 675 268**	**-**	**4 957 027 684**	**16 433 702 952**

A-8 Concentration of risks of financial assets exposed to credit risk

The following table provides a breakdown of the bank's significant credit risk concentration at their carrying amounts, distributed by geographical sector as at the end of the period:

In Egyptian Pound	Cairo	Alexandria, Delta and Canal	Upper Egypt & Red Sea	Total
Treasury bills and other governmental notes	11 476 675 268	–	–	11 476 675 268
Financial assets held for trading				
Debt instruments	–	–	–	–
Loans and advances to customers:				
Retail:				
Overdraft Accounts	51 146 434	51 881 345	5 514 908	108 542 687
Personal loans	3 498 138 480	2 919 293 013	602 999 699	7 020 431 192
Real Estate Finance loans	164 875 357	30 265 944	1 138 809	196 280 110
Credit cards	29 654 387	22 623 011	7 117 611	59 395 009
Corporate:				
Overdraft Accounts	3 122 659 014	1 280 450 465	27 623 044	4 430 732 523
Syndicated loans	1 310 551 148	459 598 804	–	1 770 149 952
Direct loans	5 114 664 082	3 017 145 677	74 130 722	8 205 940 481
Discounted commercial bills	27 865 709	471 501 000	–	499 366 709
Other Financial investments				
Debt instruments at amortized cost	641 223 070	–	–	641 223 070
Debt instruments at fair value through other comprehensive income	4 957 027 684	–	–	4 957 027 684
Total as at the end of year	**30 394 480 633**	**8 252 759 259**	**718 524 793**	**39 365 764 685**

A-9 Concentration of risks of financial assets exposed to credit risk

The following table provides a breakdown of the most significant credit risk limits at their carrying amounts categorized according to the customer's line of business:

In thousand Egyptian pound	Financial institutions	Manufacturing institutions	Trading activity	Governmental sector/General	Others	Retail	Total
Treasury bills and other governmental notes	–	–	–	11 476 675	–	–	11 476 675
Financial assets held for trading							
Debt instruments	–	–	–		–	–	
Loans and advances to customers	204 450	5 909 353	3 706 250	1 789 311	3 296 826	7 384 649	22 290 839
Financial investments							
Debt instruments at amortized cost	–	–	–	641 223		–	641 223
Debt instruments at fair value through other comprehensive	–	–	–	3 857 801	1 099 226	–	4 957 028
Total as at the end of year	**204 450**	**5 909 353**	**3 706 250**	**17 765 010**	**4 396 052**	**7 384 649**	**39 365 765**

B- Market risk

The bank is exposed to market risks that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market prices, Market risks emerges from open markets unsealed to interest rate, currency, and equity instruments; each is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices such as interest rates, foreign exchange rates and equity instrument prices. The bank classifies its exposure to market risk into trading and non-trading portfolios.

The bank market risk department is responsible for managing the market risks arising from trading and non-trading activities.

Trading portfolios include transactions where the bank directly deals with clients or with the market; while non-trading portfolios primarily arise from managing assets and liabilities interest rate related to retail transactions. Non-trading portfolios also includes foreign currency exchange risk and equity instruments risks arising from the available-for-sale investments.

B-1 Market risk measurement techniques

As part of market risk management, the bank undertakes various hedging strategies as well as entering into fixed interest rate swap agreements. The significant measurement techniques used to control market risk are outlined below.

- **Value at Risk**

The bank applies a ‘value at risk’ methodology (VAR) for trading and non-trading portfolios to estimate the market risk of outstanding positions and the maximum expected losses based on a number of scenarios for various changes in market conditions. The board of director sets limits for the value at risk that may be classified separately by the bank as for trading and non-trading portfolios and the process is daily monitored by the risk management department.

Value at risk is a statistical expectation of the expected losses on the current portfolio resulting from adverse market movements. It represents the ‘maximum’ loss the bank is expected to incur. When using a specified confidence level, there is statistical probability that the actual losses exceed the estimated VAR. The VAR module assumes that there is a specified holding period (1 day) before closing the opened position. It also assumes that market movements during the holding period will be consistent with the previous day pattern The bank assesses the past movement based on data from previous periods, and applies these historical changes in rates, prices and indicators directly to its current positions this approach is known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

The quality of the value at risk model is continuously monitored through assurance tests to the VAR results for trading portfolio and results are reported to the top management and board of directors,

- **Stress Testing**

Stress testing provides an indication of the expected losses that may arise from sharp adverse circumstances. Stress testing is designed to match business using standard analysis for specific scenarios. The stress testing carried out by the bank market risk department includes: risk factor stress testing where sharp movements are applied to each risk category, emerging market stress test where emerging market are subject to sharp movements, and special stress test including possible material stress events affecting specific locations or regions, for example the stress outcome to a region applying a free currency rate.

The results of the stress testing are reviewed by top management and board of directors.

B-2 VAR summary

The total value at risk for trading in addition to the active and listed shares for non-trading according to the type of risk as at :

In Egyptian Pounds

31 December 2021

	Average	Maximum	Minimum
Foreign exchange risk	45,795	86,206	4,031
Interest rate risk	32,984,907	34,749,750	30,939,161
Equity instruments risk	-	-	-

31 December 2020

	Average	Maximum	Minimum
Foreign exchange risk	219,663	439,049	60,833
Interest rate risk	29,306,307	31,506,785	26,210,969
Equity instruments risk	-	-	-

The increase in VAR especially the interest rate risk is directly proportional to the increase in market interest rates volatility in the global financial markets.

The above three VAR results are calculated independently from the underlying positions and historical market movements with a simple way without using complex quantitative techniques. The aggregate of the trading and non-trading VAR results does not represent the bank’s value at risk due to correlations between risk types and portfolio types and their various resulted effects.

B-3 The risk of fluctuation in foreign exchange rates

The bank is exposed to the risk of fluctuations in foreign exchange rates on the financial position and cash flows, and the Board of Directors has set limits for foreign currencies by the total value of each of the centers at the end of the day as well as during the day that is monitored at the moment. The following table summarizes the extent of the bank's exposure to the risk of fluctuations in the foreign exchange rate At the end of the financial position, the following table includes the book value of the financial instruments distributed in the currencies that make up them:

In thousand Egyptian pound	EGP	USD	Euro	GBP	Other currencies	Total
Financial assets						
Cash and due from central banks	4 157 044	27 868	6 072	836	768	4 192 588
Due from banks	4 639 518	957 446	31 980	9 747	10 214	5 648 905
Treasury bills and other governmental notes	9 222 361	1 573 408	17 745	–	–	10 813 514
Loans and advances to customers	18 809 518	2 345 505	67 016	83	50	21 222 172
Financial investments						
- Amortized cost	641 223		–	–	–	641 223
- At fair value through other comprehensive income	4 808 195		–	–	–	4 808 195
Fixed and intangible assets	44 175	–	–	–	–	44 175
Other financial assets	984 849	412	128	–	–	985 389
Total financial assets	**43 306 883**	**4 904 639**	**122 941**	**10 666**	**11 032**	**48 356 161**
Financial liabilities						
Due to banks	4 159	141 371	–	–	–	145 530
Customer's deposits	36 131 238	4 839 456	119 215	10 088	9 740	41 109 737
Other financial liabilities	581 164	50 375	219	1	–	631 759
Other provisions	49 403	3 456	2 841	–	–	55 700
Total share holder's equity	6 413 435	–	–	–	–	6 413 435
Total financial liabilities	**43 179 399**	**5 034 658**	**122 275**	**10 089**	**9 740**	**48 356 161**
Net financial position	**127 484**	**(130 019)**	**666**	**577**	**1 292**	–
Purchasing						
Selling	–	–	–	–	–	–
Net financial position	**127 484**	**(130 019)**	**666**	**577**	**1 292**	–
Loan Commitments – Irrevocable	298 001	74 308	–	–	–	372 309
Letters of credit	–	253 371	100 712	2 384	–	356 467
Letters of guarantees	3 532 749	272 043	21 155	–	–	3 825 947
Other financial liabilities	556 085	–	–	–	–	556 085
Total	**4 386 835**	**599 722**	**121 867**	**2 384**	–	**5 110 808**

B-4 Interest rate risk

The bank is exposed to the impact of the fluctuation in interest rate prevailing in the market; this risk is defined as "cash flows interest rate risk" which is the risk of fluctuation in the future cash flows of a financial instrument due to changes in interest rates of the instrument. Fair value interest rate risk is the risk of fluctuation in the fair market value of a financial instrument due to changes in market interest rates. Yield margins may increase as a result of such changes but it may cause profits to decrease when unexpected movements occur. The table below summarizes the bank's exposure to interest rate risks including the financial instruments at carrying amounts classified according to its maturities

In thousand Egyptian pound	Up to one month	1-3 months	3-12 months	1-5 periods	Financial Non-interest bearing	Total
Financial assets						
Cash and due from central banks	-	-	-	-	4 192 588	4 192 588
Due from banks	3 105 068	2 205 634	250 000	-	88 203	5 648 905
Treasury bills and other governmental notes	1 398 263	1 309 106	7 959 713	146 432	-	10 813 514
Loans and advances to customers	5 383 213	2 283 094	5 402 935	7 850 660	302 271	21 222 173
Financial investments						
- Amortized cost	-	53 698	491 862	95 663	-	641 223
- At fair value through other comprehensive income	140 254		50 125	4 590 311	27 504	4 808 194
Intangible assets	-	-	-	-	44 175	44 175
Other financial assets	-	-	-	-	781 782	781 782
Fixed assets	-	-	-	-	203 607	203 607
Total financial assets	**10 026 798**	**5 851 532**	**14 154 635**	**12 683 066**	**5 640 130**	**48 356 161**
Financial liabilities						
Due to banks	-	-	-	-	145 531	145 531
Customer's deposits	10 635 577	8 787 634	5 368 802	16 036 048	281 675	41 109 736
Share holder's equity	-	-	-	-	6 413 435	6 413 435
Other financial liabilities	-	-	-	-	687 459	687 459
Total financial liabilities	**10 635 577**	**8 787 634**	**5 368 802**	**16 036 048**	**7 528 100**	**48 356 161**
Interest re-pricing gap	**(608 779)**	**(2 936 102)**	**8 785 833**	**(3 352 982)**	**(1 887 970)**	-

C- Liquidity risk

Liquidity risk represents difficulty the bank faces in meeting its financial obligations when they fall due and replace funds when they are withdrawn. This may result in failure in fulfilling the bank's obligation to repay to the depositors and fulfilling lending commitments.

- **Liquidity risk management process**

  The bank`s liquidity risk monitoring process carried out by the bank's assets and liabilities management includes:

  - Daily funding are managed by monitoring future cash expenditure to ensure that all requirements can be met when due. This includes availability of liquidity as they become due or to be lent to customers. The bank maintains an active presence in global money markets to ensure achievement of such objective.

  - The bank maintains a portfolio of highly marketable securities that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flows.

  - Monitoring liquidity ratios in relation with internal requirements and Central Bank of Egypt requirements.

  - Managing loans concentration and maturities.
    For monitoring and reporting purposes, the bank calculates the expected cash flows for the next day, week and month which are the primary periods for liquidity management, the starting point to calculate these projections is analyzing the financial liabilities maturities and expected financial assets collections.
    Assets and liabilities management monitors the mismatch between medium term assets, the value and nature of the unutilized portion of loans commitments, overdraft utilizations, and the impact of contingent liabilities such as letters of guarantees and letters of credit.

- **Funding approach**

  Liquidity Sources are regularly reviewed by independent team in the bank Assets and liabilities management for the purpose of maintaining a wide diversification by currency geography source of products and maturities.

D- Fair value of financial assets and liabilities

D-1 Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values for those financial assets and liabilities not presented in the bank's balance sheet at their fair value:

In thousand Egyptian pound	31/12/2021 Book value	31/12/2021 Fair value	31/12/2020 Book value	31/12/2020 Fair value
Financial assets				
Loans and advances to customers				
-Retail	7,384,649	7,384,649	6,128,674	6,128,674
-Corporate	14,906,190	14,906,190	11,256,731	11,256,731
Financial Statement at amortized cost	641,223	641,223	2,219,313	2,219,313
Financial liabilities				
Due to banks	145,531	145,531	887,883	887,883
Customer's deposits				
-Retail	10,409,172	10,409,172	8,558,474	8,558,474
-Corporate	30,700,564	30,700,564	20,525,941	20,525,941

E- Capital management

The bank's objectives behind capital management, which include items in addition to equity section reported in the balance sheet, are represented in the following:

- Compliance with capital legal requirements in Egypt.
- Protecting the bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance business growth.

Capital adequacy and uses are reviewed daily in accordance with the regulatory authority's requirements (Central Bank of Egypt) by the bank's management through models based on Basel Committee on Banking Supervision; these data are submitted to the Central Bank of Egypt on quarterly basis.

CBE requires the following from the bank:

- Maintaining LE 5 billion as a minimum requirement for the issued and paid up capital.
- Maintaining a percentage of 12.50 % or more between capital elements and risk-weighted asset and contingent liability elements.

The Bank is recognized as a single group that includes the Bank in all its branches at home and abroad and all other financial companies in which owned its or related parties hold more than 50% of the shareholders' equity or any percentage that enables it to control.

F- Capital management (continue)

The numerator of the capital adequacy comprises the following 2 tiers:

Tier 1:

Core capital: it is the basic capital which comprises paid up capital (after deducting the carrying amount of the treasury stocks) and retained earnings and reserves resulting from dividends except the general banking risks reserve, any previously recognized goodwill and any accumulated deficit are to be deducted.

Additional capital: it is carried forward profit & loss and minority rights and difference between nominal value and fair value for subordinated loan.

Tier 2:

It includes 45% of each of (foreign exchange reserve, value reserve for financial investments in Associates companies), subordinated loan and impairment provisions against debt instruments, facilities and contingent obligations for the first stage, with no more than 1.25% of the trade credit of the contingent assets and liabilities weighted by risk. When applying the standard method.

When calculating the total numerator of capital adequacy, continued capital after deductions should not be less than 4.5 % from total credit risk, operating risk and market risk. And tier I capital should not be less than 8.50 % from total credit risk, operating risk and market risk; and subordinated loan should not exceed 50% of tier 1.

The bank has complied with all local capital requirements during the last two years. The following schedule summarizes the components of Tier I capital, Tier II capital and capital adequacy ratio as of 31 December 2021.

Capital adequacy ratio as per Basel II requirements

In thousand Egyptian pound	31 December 2021	31 December 2020
Capital		
Tier I Capital		
Core capital after deductions		
Share capital (net of treasury stocks)	5 000 000	1 474 814
Reserves	–	(82 535)
IFRS9 risk reserve	649 037	301 909
Retained earnings	15 750	101 730
Total cumulative other comprehensive income after control adjustments	279 435	428 401
Additional Going Concern		
Quarterly interim profit / (losses)	–	490 565
Deduct from Common Equity		
(–) Deduct 100% from 10% excess standalone investment in case of the investment is 10% or more from the investee capital	–	(56 392)
(–) Deduct 100% from net of Intangible assets(Other than goodwill)	(44 175)	(43 341)
Deferred tax Assets	–	(9 229)
(–) Deduct total the fair value for investment FVOCI Which have been reclassified to Amortized cost investments	(662)	(2 875)
Total core capital after deductions	5 899 385	2 603 047
Total Tier I	**5 899 385**	**2 603 047**
Tier 2 Capital (subordinated capital)		
Provision for performing loans, facilities & Off BS within 1.25% of total credit risk for assets and weighted average potential liabilities when applying standardize approach amount for financial investments (FVOCI, Amortized cost and in subsidiaries and associates)	85 343	94 295
Subordinated loans	–	786 605
Total Tier 2 capital	**85 343**	**880 900**
Total capital based after deductions	**5 984 728**	**3 483 947**
Total Assets and potential liabilities weighted by credit risk	25 074 181	18 914 378
Capital requirements for market risk	–	1 573
Capital requirements for operating risk	2 400 803	1 941 541
Total Assets and potential liabilities weighted by credit, market and operating risk	**27 474 984**	**20 857 492**
Capital adequacy ratio (%)	**21.8%**	**16.7%**

Leverage Ratio

	In Thousand Egyptian Pounds	31 December 2021	31 December 2020
First	**Tier 1 capital after Exclusions**	**5 899 385**	**2 603 047**
Second	**On-Off balance sheet exposures items**		
1	**Exposures on-balance sheet and financial derivatives and securities finance**		
	Cash and due from Central Bank of Egypt (CBE)	8 568 846	2 694 760
	Due from Banks	1 273 325	705 701
	Treasury bills and other Government securities	10 868 384	8 949 471
	REPO	(54 871)	(66 403)
	Financial assets Fair Value through Profit and loss	-	1 498
	Financial investments Fair Value through OCI	4 984 531	2 297 306
	Financial investments Amortized Cost	641 223	2 219 442
	Investments in associates	-	112 783
	Loans and credit facilities to customers	22 290 839	17 385 406
	Fixed Assets (after deducting depreciation and impairment losses)	203 608	411 593
	Other assets	783 842	427 772
	Deducted amounts from exposures (after deducting Tier I Exclusions for capital base)	(946 601)	(784 460)
	Total on-balance sheet exposures items after deducting after Tier I Exclusions for capital base.	**48 613 126**	**34 354 869**
2	**Exposures off-balance sheet**		
	Contingent liabilities (1)		
	Import L/Cs	71 293	21 967
	L/Gs	1 912 974	1 028 675
	L/Gs according to foreign banks	2 636 215	1 116 066
	Accepted papers	148 391	172 217
	Re-discounted Commercial paper	75 391	53 716
	Commitments (2)		
	Operating lease commitments	556 085	15 264
	Loan commitments to clients/banks (unutilized part) within original maturity	500 401	65 616
	Total Exposures off-balance sheet	**5 900 750**	**2 473 521**
	Total On-Off balance sheet exposures items (1) + (2)	**54 513 876**	**36 828 390**
	Leverage financial ratio	**10.82%**	**7.07%**

4- Significant accounting estimates and assumptions

The bank applies estimates and assumptions that affect the amounts of assets and liabilities disclosed in the next financial period. Estimates and assumptions are continuously assessed based on past experience and other factors including the expectations of future events that are believed to be reasonable in light of the available circumstances and information.

A - Impairment losses for loans and advances (expected credit losses)

The Bank reviews its loan portfolios to assess impairment on quarterly basis at least, In determining whether impairment loss should be recorded in the income statement, The bank has to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis, This evidence include data indicating negative changes in a borrower's portfolio ability to repay to the bank or local or economic circumstances related to default of bank assets, Upon scheduling future cash flows the management use estimates based on prior loss experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio. 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 differences between the estimated loss and actual loss based on experience.

B - Impairment of investments in equity instruments at fair value through other comprehensive income

The bank determine the impairment loss relating to available for sale equity investments when there is a significant or prolonged decline in the fair value below its cost, A judgment is required to determine that the decline is significant or prolonged, In making this judgment the bank evaluates among other factors the usual volatility of the share price, In addition impairment loss may be recognized when there is evidence of deterioration in the investee financial condition or operating/finance cash flow industry or sector performance, or in changes in technology.

C - Impairment of Financial investment at amortized cost

The non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held to maturity, This classification requires high degree of judgment; in return the bank assesses the intention and ability to hold such investments to maturity, If the bank fails to hold such investments till maturity except for certain circumstances (selling an insignificant amount of held-to-maturity investments near to maturity date) then all held to maturity investment portfolio should be reclassified as available for sale which will be measured at fair value instead of amortized cost, In addition the bank should cease classifying investments as held to maturity caption.

5- A-Segment analysis

	Corporate & Treasury	Retail	Total
Revenues and expenses according to business segment			
Segment revenues	6 011 972 473	2 533 805 189	8 545 777 662
Segment expenses	(5 045 802 963)	(2 437 798 580)	(7 483 601 543)
Profit for the period before taxes	966 169 510	96 006 609	1 062 176 119
Taxes	(327 384 163)	(24 546 109)	(351 930 272)
Profit (Loss) for the period	**638 785 347**	**71 460 500**	**710 245 847**
Assets and Liabilities according to business segment			
Segment assets	40 586 248 443	7 769 913 176	48 356 161 619
Total assets	40 586 248 443	7 769 913 176	48 356 161 619
Segment liabilities	25 504 648 334	22 851 513 285	48 356 161 619
Total liabilities	25 504 648 334	22 851 513 285	48 356 161 619
Other business segment items			
Depreciations	(32 906 823)	(77 374 118)	(110 280 941)
Impairment	(373 368 571)	(92 133 532)	(465 502 103)

B-Geographic analysis

	Greater Cairo	Alex , Delta , Canal and Upper Egypt & Red Sea	Total
Geographical analysis of revenues and expenses			
Geographical sector revenues	7 365 049 915	1 866 207 398	9 231 257 313
Geographical sector expenses	(6 347 072 621)	(1 822 008 573)	(8 169 081 194)
Profit for the period before taxes	1 017 977 294	44 198 825	1 062 176 119
Taxes	(373 969 036)	22 038 764	(351 930 272)
Profit for the period	**644 008 258**	**66 237 589**	**710 245 847**
Assets and Liabilities			
Total assets	39 099 715 023	9 256 446 596	48 356 161 619
Total liabilities	37 996 545 289	10 359 616 330	48 356 161 619
Other Geographical sector items			
Depreciations	(56 027 831)	(54 253 110)	(110 280 941)
Impairment	(192 479 946)	(273 022 157)	(465 502 103)

6- Cash and due from Central Bank of Egypt

In Egyptian Pound	31 December 2021	31 December 2020
Cash on hand	197 284 003	230 494 451
Due from Central Bank of Egypt within reserve ratio	3 995 303 114	1 721 928 703
	4 192 587 117	**1 952 423 154**

7- Due from banks

In Egyptian Pound	31 December 2021	31 December 2020
The Central Bank of Egypt		
Current accounts	19 945 562	-
Time Deposits	4 356 313 491	742 336 070
	4 376 259 053	**742 336 070**
Local Banks		
Current accounts	24 517 595	36 451 587
Time Deposits	1 047 900 600	631 486 399
	1 072 418 195	**667 937 986**
Foreign Banks		
Current accounts	43 739 427	37 763 265
Time Deposits	157 167 000	-
	200 906 427	**37 763 265**
Total due from banks	**5 649 583 675**	**1 448 037 321**
Expect credit loss provision	(678 372)	(834 193)
Net due from banks	**5 648 905 303**	**1 447 203 128**
Non-interest bearing balances	88 202 584	74 214 852
Interest bearing balances	5 561 381 091	1 373 822 469
Expect credit loss provision	(678 372)	(834 193)
	5 648 905 303	**1 447 203 128**

8- Treasury bills at fair value through other comprehensive income

In Egyptian Pound	31 December 2021	31 December 2020
Treasury bills		
Treasury bills maturing to 91 days	-	35 000 000
Treasury bills maturing from 92 to 182 days	75 000 000	964 600 000
Treasury bills maturing grater than 182 to 364 days	11 456 545 830	8 375 940 550
	11 531 545 830	**9 375 540 550**
(Less):		
Unearned interest	(654 686 523)	(431 220 913)
REPO *	(54 870 562)	(67 191 297)
	10 821 988 745	**8 877 128 340**
Net change in fair value	**(8 474 679)**	**5 151 485**
Net of Treasury bills after change in fair value	**10 813 514 066**	**8 882 279 825**

In Egyptian Pound	31 December 2021	31 December 2020
* Against the the amount granted by the Central Bank of Egypt within the mortgage finance initiative for low-income people	42 232 421	45 396 194
Against the the amount granted by the Central Bank of Egypt within SMEs initiative	12 638 141	21 795 103
	54 870 562	**67 191 297**

9- Loans and advances to customers and banks

In Egyptian Pound	31 December 2021	31 December 2020
Discounted commercial bills	499 366 709	-
Customers loans	21 791 471 954	17 385 405 826
	22 290 838 663	**17 385 405 826**
(Less):		
Prepaid and Unearned discount revenue	(7 655 264)	(6 350 809)
Expect credit loss provision	(969 211 017)	(746 766 354)
Interest in suspense	(91 799 948)	(71 275 342)
	(1 068 666 229)	**(824 392 505)**
	21 222 172 434	**16 561 013 321**

9-1 Loans and Advances to customers

In Egyptian Pound	31 December 2021	31 December 2020
Retail		
Overdraft Accounts	108 542 687	103 110 532
Personal loans	7 020 431 192	5 793 756 869
Credit cards	59 395 009	27 407 869
Real Estate Finance loans	196 280 110	204 399 214
Total (1)	**7 384 648 998**	**6 128 674 484**
Corporate		
Overdraft Accounts	4 430 732 523	2 666 483 236
Syndicated loans	1 770 149 952	1 776 100 766
Direct loans	8 205 940 481	6 814 147 340
Discounted commercial bills	499 366 709	-
Total (2)	**14 906 189 665**	**11 256 731 342**
Total loans and Advances to customers (1+2)	**22 290 838 663**	**17 385 405 826**
(Deduct):		
Prepaid and Unearned discount revenue	(7 655 264)	(6 350 809)
Expect credit loss provision	(969 211 017)	(746 766 354)
Interest in suspense	(91 799 948)	(71 275 342)
Net	**21 222 172 434**	**16 561 013 321**

9-2 **Expect credit loss provision**

In Egyptian Pound	31 December 2021	31 December 2020
Provision balance at the beginning of the year	**746 766 354**	**701 340 801**
Expect credit loss Impairment Change	474 869 937	112 476 748
Proceeds from loans previously written off	34 818 002	47 119 023
Transferred from Other Credit Balances	-	3 317 937
Foreign currencies revaluation differences	(305 300)	(4 654 708)
	1 256 148 993	**859 599 801**
Amounts written off during the year	(286 937 976)	(112 833 447)
ECL provisions at the end of the year	**969 211 017**	**746 766 354**

Classification of impairment loss provision of loans and facilities to customers

31 December 2021

Retail

In Egyptian Pound	Credit cards	Personal loans	Real Estate Finance loans	Total
Balance at the beginning of the period	**1 508 640**	**157 531 326**	**5 006 857**	**164 046 823**
Impairment	3 458 348	84 207 958	4 467 226	92 133 532
Proceeds from loans previously written off	303 102	30 337 340	-	30 640 442
Provisions used	(3 533 806)	(118 994 636)	-	(122 528 442)
Balance at the end of the period	**1 736 284**	**153 081 988**	**9 474 083**	**164 292 355**

Corporate

In Egyptian Pound	Overdraft Accounts	Direct loans	Syndicated loans	Total
Balance at the beginning of the period	**452 771 769**	**22 955 993**	**106 991 769**	**582 719 531**
Impairment	143 303 599	234 061 532	5 371 274	382 736 405
Proceeds from loans previously written off	4 177 560	-	-	4 177 560
Foreign currencies revaluation differences	(165 409)	(655)	(139 236)	(305 300)
Provisions used	(164 409 534)	-	-	(164 409 534)
Balance at the end of the period	**435 677 985**	**257 016 870**	**112 223 807**	**804 918 662**

31 December 2020

Retail

In Egyptian Pound	Credit cards	Personal loans	Real Estate Finance loans	Total
Balance at the beginning of the period	**1 022 615**	**92 402 656**	**10 391 096**	**103 816 367**
Impairment	49 303	59 646 092	(12 024 802)	47 670 593
Proceeds from loans previously written off	443 677	33 737 470	7 098 568	41 279 715
Transferred from Other Credit Balances	-	3 317 937	-	3 317 937
Provisions used	(6 955)	(31 572 829)	(458 005)	(32 037 789)
Balance at the end of the period	**1 508 640**	**157 531 326**	**5 006 857**	**164 046 823**

Corporate

In Egyptian Pound	Overdraft Accounts	Direct loans	Syndicated loans	Total
Balance at the beginning of the period	**436 658 910**	**34 340 564**	**126 524 960**	**597 524 434**
Impairment	47 475 051	(11 374 580)	28 705 684	64 806 155
Proceeds from loans previously written off	5 839 308	-	-	5 839 308
Foreign currencies revaluation differences	(2 521 879)	(9 991)	(2 122 838)	(4 654 708)
Provisions used	(34 679 621)	-	(46 116 037)	(80 795 658)
Balance at the end of the period	**452 771 769**	**22 955 993**	**106 991 769**	**582 719 531**

Financial investments

10- Financial investments at amortized cost

Governmental debt instruments

In Egyptian Pound	31 December 2021	31 December 2020
Quoted governmental debt instruments	641 223 070	2 219 442 202
Total governmental debt instruments	**641 223 070**	**2 219 442 202**
Expect credit loss provision	–	(43 241)
	641 223 070	**2 219 398 961**
Less		
Unearned Income	–	(85 726)
Net Governmental debt instruments	**641 223 070**	**2 219 313 235**

Movement of Financial investments at amortized cost

In Egyptian Pound	31 December 2021	31 December 2020
Balance at the beginning of the year	**2 219 313 235**	**2 641 413 695**
Net amortization(issuing discount & issuing premium)	458 936	(438 534)
Retrieval – Treasury Bonds & Financial Investments	(1580 890 762)	(424 510 087)
Net change in fair value	2 213 194	2 374 235
Expect credit loss provision	43 241	178 074
Foreign currencies revaluation differences	(500)	(309 400)
Balance	**641 137 344**	**2 218 707 983**
Unearned Income	85 726	605 252
Balance at the end of the year	**641 223 070**	**2 219 313 235**

11- Financial investments at fair value through other comprehensive income

In Egyptian Pound	31 December 2021	31 December 2020
Quoted governmental debt instruments at fair value	3 857 801 387	1 547 854 355
Quoted Non governmental debt instruments at fair value	1 099 226 297	667 400 000
Total	**4 957 027 684**	**2 215 254 355**
Unearned Income governmental debt instruments	(176 337 300)	-
Net Financial investments in debt instruments	**4 780 690 384**	**2 215 254 355**
Unquoted equity instruments	27 504 468	82 050 702
	27 504 468	**82 050 702**
Financial investments at fair value through other comprehensive income	**4 808 194 852**	**2 297 305 057**
Current balances	4 780 690 384	2 215 254 355
Non-current balances	27 504 468	82 050 702
	4 808 194 852	**2 297 305 057**

Movement of Financial investments at fair value through other comprehensive income

In Egyptian Pound	31 December 2021	31 December 2020
Balance at the beginning of the year	**2 297 305 057**	**636 075 327**
Net amortization(issuing discount & issuing premium)	(67 240 372)	2 645 781
Buy – Treasury Bonds & Financial Investments	3 265 915 311	1 871 175 710
Retrieval – Treasury Bonds & Financial Investments	(608 266 859)	(235 776 244)
Net change in fair value	(76 318 728)	26 755 796
Foreign currencies revaluation differences	(3 199 557)	(3 571 313)
Balance at the end of the year	**4 808 194 852**	**2 297 305 057**

Financial investments at fair value through profit or loss

12-

In Egyptian Pound	31 December 2021	31 December 2020
Debt instrument		
Governmental bonds	–	1 497 639
Total Debt instrument	–	**1 497 639**
Total Financial assets at fair value through profit or loss	–	**1 497 639**

13-

Investments in associates **	31 December 2021	31 December 2020
Unquoted equity instrument	100	112 783 071
Total Investments in associates	**100**	**112 783 071**

Associates

	31 December 2021	31 December 2020
Orient Takaful Insurance	–	112 782 971
EL Fouadeya Development Company	100	100
	100	**112 783 071**

**

Company Name	Assets	Liabilities	Paid in Capital	Income	Net profit /(loss)	Last financial statement date	Headquarter country
EL Fouadeya Development Company	12 247 925	15 774 324	3 668 000	–	(115 313)	31 December 2020	Egypt

14 **Assets held for sale**

The bank's management took a decision to sell its entire share of its shareholding in the Orient Takaful Insurance Company (Investments in associates), and accordingly, those investments were excluded fromInvestments in associates companies and included in financial assets held for the purpose of sale until the implementation and completion of the relevant procedures with all Concerned entities and sale has been executed at 24 November 2021.

	31 December 2021	31 December 2020
Orient Takaful Insurance	–	–
	–	–

15- **Intangible assets**

In Egyptian Pound	31 December 2021	31 December 2020
Computer program		
Net balance at beginning of the year	**43 341 135**	**26 536 942**
Additions	23 165 736	35 525 146
Total	**66 506 871**	**62 062 088**
Amortization (during the year	(22 331 597)	(18 720 953)
Net	**44 175 274**	**43 341 135**

16- **Other assets**

In Egyptian Pound	31 December 2021	31 December 2020
Accrued revenues	297 230 144	250 990 342
Prepaid expenses	32 109 762	11 232 647
Down payments to purchase of fixed assets	356 136 635	29 404 068
Assets reverted to the bank in settlement of debts *	51 116 301	52 568 353
Deposits and imprest	4 887 095	1 880 578
Other debit balances **	40 301 883	29 114 099
	781 781 820	**375 190 087**

* **The nature and analysis of the assets reverted to the bank is as follows:**

In Egyptian Pound	31 December 2021	31 December 2020
Buildings and flat units reverted to bank in settlement of debt of customers	51 116 301	52 568 353
	51 116 301	**52 568 353**

** **The other debit balances include the following:**

In Egyptian Pound	31 December 2021	31 December 2020
ATM outstanding balances	29 228 150	20 891 319
Others	11 073 733	8 222 780
	40 301 883	**29 114 099**

17-A Deferred Tax Liabilities

31 December 2021

In Egyptian Pound	Assets	Liabilities	Total
Deferred Tax (Provision)	-	-	-
Deferred Tax (Fixed assets depreciation)	-	(20 207 933)	(20 207 933)
Total Deferred Tax Assets (Liabilities)	**-**	**(20 207 933)**	**(20 207 933)**

31 December 2020

In Egyptian Pound	Assets	Liabilities	Total
Deferred Tax (Provision)	9 228 710	-	9 228 710
Deferred Tax (Fixed assets depreciation)	-	(32 227 933)	(32 227 933)
Total Deferred Tax Assets (Liabilities)	**9 228 710**	**(32 227 933)**	**(22 999 223)**

17-B Income tax expenses

In Egyptian Pound	31 December 2021	31 December 2020
Corporate Tax Expenses	38 500 000	9 000 000
Treasury bills and bonds revenues taxes	315 961 276	227 382 366
Dividend tax	260 286	71 429
Deferred tax - Expenses	(2 791 290)	2 500 000
	351 930 272	**238 953 795**

18- Fixed assets - Net

31 December 2021

In Egyptian Pound	Land	Buildings and constructions	Integrated automated systems	Vehicles	Tools And equipment	Leasehold fixtures	Furniture	Other fixtures	Total
Cost at 1/1/2021	52 021 263	174 722 341	146 290 554	1 520 001	96 680 210	274 972 736	35 839 141	9 987 731	792 033 977
Additions during the Year	-	-	66 362 131	-	3 562 475	17 823 687	3 557 167	-	91 305 460
Disposals	(52 021 263)	(117 765 873)	-	-	(25 337 780)	(108 278 601)	(19 032 400)	-	(322 435 917)
Cost as at 31/12/2021	-	56 956 468	212 652 685	1 520 001	74 904 905	184 517 822	20 363 908	9 987 731	560 903 520
Accumulated depreciation at 1/1/2021	-	27 019 489	81 305 984	389 988	63 094 404	177 289 995	21 353 354	9 987 731	380 440 945
Depreciation for the Year	-	3 095 248	25 464 771	481 608	14 624 844	40 004 366	4 278 507	-	87 949 344
Disposals accumulated depreciation	-	(11 801 915)	-	-	(20 591 599)	(69 107 451)	(9 593 387)	-	(111 094 352)
Accumulated depreciation as at 31/12/2021	-	18 312 822	106 770 755	871 596	57 127 649	148 186 910	16 038 474	9 987 731	357 295 937
Net book value as at 31/12/2021	-	38 643 646	105 881 930	648 405	17 777 256	36 330 912	4 325 435	-	203 607 583

18- Fixed assets – Net

31 December 2020

In Egyptian Pound	Land	Buildings and constructions	Integrated automated systems	Vehicles	Tools And equipment	Leasehold fixtures	Furniture	Other fixtures	Total
Cost at 1/1/2020	52 021 263	186 147 561	125 216 533	1 520 001	76 722 044	253 801 141	36 874 877	9 987 731	742 291 151
Additions during the year	-		21 074 021		22 052 952	36 103 708	2 050 302	-	81 280 983
Disposals	-	(11 425 220)	-		(2 094 786)	(14 932 113)	(3 086 038)	-	(31 538 157)
Cost as at 31/12/2020	52 021 263	174 722 341	146 290 554	1 520 001	96 680 210	274 972 736	35 839 141	9 987 731	792 033 977
Accumulated depreciation at 1/1/2020	-	25 027 092	62 405 290	130 380	54 104 667	157 416 375	21 009 718	9 987 731	330 081 253
Depreciation for the year	-	3 620 454	18 900 694	259 608	11 084 523	33 516 842	3 429 674		70 811 795
Disposals accumulated depreciation	-	(1 628 057)	-		(2 094 786)	(13 643 222)	(3 086 038)	-	(20 452 103)
Accumulated depreciation as at 31/12/2020	-	27 019 489	81 305 984	389 988	63 094 404	177 289 995	21 353 354	9 987 731	380 440 945
Net book value as at 31/12/2020	52 021 263	147 702 852	64 984 570	1 130 013	33 585 806	97 682 741	14 485 787		411 593 032

19- Due to banks

In Egyptian Pound	31 December 2021	31 December 2020
Local banks		
Current accounts	1 059	1 061
Time deposits	–	489 350 100
	1 059	**489 351 161**
Foreign banks		
Current accounts	145 529 702	62 091 338
Time deposits		336 440 300
	145 529 702	**398 531 638**
	145 530 761	**887 882 799**
Non-interest bearing balances	145 530 761	62 092 399
Interest bearing balances	–	825 790 400
	145 530 761	**887 882 799**

20- Customers' deposits

In Egyptian Pound	31 December 2021	31 December 2020
Demand deposits	11 448 124 020	8 257 603 997
Time and callable deposits	21 308 652 067	13 989 470 525
Saving and deposit certificates	6 091 835 684	5 197 526 602
Saving deposits	1 981 509 893	1 344 422 436
Other deposits	281 675 026	295 398 767
Total Customer' Deposits	**41 111 796 690**	**29 084 422 327**
Interest in Advance on USD deposits for retail	(2 060 056)	(13 109)
Net Customer' Deposits	**41 109 736 634**	**29 084 409 218**
Corporate & SMEs deposits	30 700 564 179	20 525 940 994
Retail deposits	10 409 172 455	8 558 468 224
	41 109 736 634	**29 084 409 218**
Non-interest bearing balances	2 255 232 480	2 249 094 076
Interest bearing balances	38 854 504 154	26 835 315 142
	41 109 736 634	**29 084 409 218**

21- Long term loans

In Egyptian Pound	31 December 2021	31 December 2020
A loan contract was signed between the Social Fund for Development (SFD) and the bank amounting to LE 10 million to relend the loan amount to the small project included in the new small project development program with simple	-	955 650
Subordinated Loan with the Union National Bank of Abu Dhabi was signed in the amount of $ 50 million, which was disbursed on two tranches - A first tranche of 35 million US dollars was disbursed on 28 September 2017. - A second tranche of 15 million US dollars was disbursed on 3 December 2017. At the LIBOR rate of three months stated in each repayment period in accordance with the contract plus a 5% margin. This margin has been adjusted to 3% effective June 2018. - Agreed to use the subordinated loan to increase paid capital and the amount presented under equity , paid under caital increase from ADCB-UAE.	-	786 605 000
	-	**787 560 650**

22- Other liabilities

In Egyptian Pound	31 December 2021	31 December 2020
Accrued interest	150 574 424	101 562 084
Unearned revenue	10 238 156	-
Accrued expenses	67 295 830	53 843 674
Creditors	18 631 555	25 215 069
Other credit balances *	364 810 792	254 276 539
	611 550 757	**434 897 366**

* **The other credit balances includes the following:**

in Egyptian pounds	31 December 2021	31 December 2020
Stamp duty	13 189 162	13 681 007
Treasury bills taxes	136 890 284	73 862 531
Income Corporate Tax	47 500 000	9 000 000
Taxes under settlement	1 576 788	1 099 357
Staff Taxes and Insurance	12 576 187	8 781 166
Amount of contractors Insurance being held until paid Social Insurance	2 666 086	2 253 894
Amounts discounted from retail customers until the paid to insurance companies	11 400 336	4 543 252
Clearance cheques (Are to be settled in next day)	117 144 953	130 055 954
Letters of credit deductibles	840 800	528 490
ATM suspense amounts	6 641 302	4 359 605
Coupons of Certificates Deposits accrued did not paid to their owners	158 623	158 623
Amounts paid under debts settlements of some customers	830 225	830 225
Payments under sold assets revert to the bank	588 649	720 719
Banking Support and Development Fund	4 332 127	-
Payments under sold assets revert to the bank	8 475 270	4 401 717
	364 810 792	**254 276 539**

23- Other provisions

31 December 2021

In Egyptian Pound	Balance at the beginning of the yaer	Charged during the year	Foreign currencies revaluation differences	Utilized during the year	Refunds from utilized provisions previously	Negated the purpose	Balance at year end
Provision for potential claims **	**62 434 098**	19 500 000	–	(48 936 145)	–	–	**32 997 953**
Contingent liabilities provision	**11 175 360**	5 428 870	(243 435)	–	190 638	–	**16 551 433**
Other provisions *	**5 842 266**	–	–	(20 000)	–	–	**5 822 266**
Loans commitment provisions	**1 491 936**	–	–	–	–	(1 163 399)	**328 537**
	80 943 660	**24 928 870**	**(243 435)**	**(48 956 145)**	**190 638**	**(1 163 399)**	**55 700 189**

31 December 2020

In Egyptian Pound	Balance at the beginning of the year	Charged during the year	Foreign currencies revaluation differences	Utilized during the year	Refunds from utilized provisions previously	Negated the purpose	Balance at year end
Provision for potential claims	**53 217 136**	11 453 439	–	(2 236 477)	–	–	**62 434 098**
Contingent liabilities provision	**11 202 425**	–	139 290	(799)	2 055 353	(2 220 909)	**11 175 360**
Other provisions	**6 325 752**	–	–	(483 486)	20 776 635	(20 776 635)	**5 842 266**
Loans commitment provisions	**1 092 833**	399 103	–	–	–	–	**1 491 936**
Total Provisions	**71 838 146**	**11 852 542**	**139 290**	**(2 720 762)**	**22 831 988**	**(22 997 544)**	**80 943 660**

*The other provisions balance as at 31 December 2021 is as follows

Banking risk provision	1 394 000
Operational risk provision	558 515
Assets revert to the bank provision	3 869 751
	5 822 266

**The provision for potential claims balance as at 31 December 2021is as follows:

Tax disputes provision	24 442 755
Legal claims provision	8 555 198
Provisions for leave balances	–
	32 997 953

24- Shareholders' equity

A- Authorized capital

The authorized capital amounted to LE 5 billion as at December 31, 2021 ,the extra ordinary general assembly dated January 13 2007 approved the increase in the authorized capital from LE 500 million to LE 5 billion and the acceptance from the head of the General Authority for Free Zones and Investment was dated June 3 2007 the annotation in the commercial register on June 4 2007 and published in the investment gazette in the issue number 5277 dated June 23 2007 the annotation in the banks register on June 27 2007. The extraordinary general assembly held on March 14, 2021 decided to increase the Authorized Capital to 10 billion Egyptian pounds, and measures are being taken with the concerned authorities to amend the articles of the bank's articles of association.

And in the subsequent period the annotation in the commercial register on January 12,2022 with Authorized capital and in process to obtain the investment gazette after amending the related articles of association.

B- Issued and paid-up capital

The issued and paid-up capital amounted to LE 1,474 Billion as at December 31, 2021 distributed among 263,359 shares with par value of LE 5.60.

The Extraordinary General Assembly held on November 6, 2019 decided to delisting the bank's shares from trading tables on the Egyptian stock exchange in exchange for the purchase of the shares of the shareholders at the fair value specified in the report of the independent financial advisor of 9.92 Egyptian pounds per share.

The Egyptian Stock Exchange's Listing Committee decided on March 25, 2020 to delisting the bank's shares from the Egyptian stock exchange trading tables.

The extraordinary general assembly held on March 14, 2021 decided to increase the issued and paid-up capital to five billion Egyptian pounds.

And in the subsequent period the annotation in the commercial register on January 12,2022 with Issued and paid-up capital and in process to issuse capitail increse shares and obtain the investment gazette after amending the related articles of association.

31 December 2021

In Egyptian pound	Number of shares	Ordinary shares value	Total
Balance at the beginning of the year	263 359 688	1 474 814 253	1 474 814 253
Changes during the year	-	-	-
Balance at the end of the year	263 359 688	1 474 814 253	1 474 814 253

31 December 2020

In Egyptian pound	Number of shares	Ordinary shares value	Total
Balance at the beginning of the year	263 359 688	1 474 814 253	1 474 814 253
Changes during the year	-	-	-
Balance at the end of the year	263 359 688	1 474 814 253	1 474 814 253

C- Treasury Stocks

The Extraordinary General Assembly held on November 6, 2019 decided to delisting the bank's shares from trading tables on the Egyptian stock exchange in exchange for the purchase of the shares of the shareholders at the fair value specified in the report of the independent financial advisor of 9.92 Egyptian pounds per share.

The Egyptian Stock Exchange's Listing Committee decided on March 5, 2020 to begin the procedures of delisting the bank's shares from trading schedules and the OPR screen of the Egyptian Stock Exchange was opened from March 15, 2020 to Devember 31, 2020, 8,248,928 shares were purchased during that period with total amount EGP 82,535,470 .

The Egyptian Stock Exchange's Listing Committee decided on March 25, 2020 to delisting the bank's shares from the Egyptian stock exchange trading tables, with the bank obliging to purchase the shares of the opposing shareholders and others at fair value of 9.92 Egyptian pounds per share for a period of six months ending on August 24, 2020 and extended to September 24, 2020 , also executing purchasing shares of the opposing shareholders and others till December 2020.

The Extraordinary General Assembly, held on March 14, 2021, also approved the sale of treasury shares to the shareholders' number (8,248,928) shares with a total value of 82,535,470 Egyptian pounds (delisting shares account), and authorizing Mr. Managing Director to take the necessary legal procedures in this regard, including This includes signing sales orders and contracts with securities trading companies, and it was announced in Al-Alam Al-Youm and Al-Borsa newspapers on 16/3/2021 to apply for the purchase of those shares. Procedures for transferring ownership of those shares to Abu Dhabi Commercial Bank - UAE on 23/3/2021.

In Egyptian pound	31 December 2021	31 December 2020
Treasury Stocks	-	82 535 470
	-	82 535 470

D- Reserves

According to the bank's article of association 10% of the annual net profit is retained to form the legal reserve which ceases when the reserve balance reaches 50% of the issued capital.

Pursuant to the Central Bank of Egypt instructions the balance of the special reserve cannot be utilized without recourse to the Central Bank of Egypt

The reserves balance comprises of the following as at December 31 2021:

In Egyptian pound	31 December 2021	31 December 2020
Legal reserve formed in accordance with the bank's article of association	263 787 540	216 236 225
General reserve to be used whenever in favor of the bank and the shareholders in accordance with the General Assembly approval	11 504 993	11 504 993
Capital reserve	89 220 084	74 167 937
General banking risk reserve	275 272 854	232 972 424
Revaluation differences for available for sale investments	15 750 553	112 651 024
The Bank's share in the extraordinary revenues reserve of Orient Takaful Insurance Company	-	4 171 712
General bank risk reserve transferred from retained earnings	32 772 045	42 300 430
Balance at the end of the year	**688 308 069**	**694 004 745**

The changes in the reserves are represented in the following:

A– General banking risk reserve

In Egyptian pound	31 December 2021	31 December 2020
Balance at the beginning of the year	**275 272 854**	**232 972 424**
Transferred from Retained earnings	32 772 045	42 300 430
Balance at the end of the year	**308 044 899**	**275 272 854**

B– Legal reserve

In Egyptian pound	31 December 2021	31 December 2020
Balance at the beginning of the year	**216 236 225**	**179 183 061**
Transferred from the profit of the period	47 551 315	37 053 164
Balance at the end of the year	**263 787 540**	**216 236 225**

C– Fair value reserve – Investment through OCI

In Egyptian pound	31 December 2021	31 December 2020
Balance at the beginning of the year	**112 651 024**	**85 598 922**
Net change in the fair value	(87 731 699)	28 748 980
Expected Credit loss imapct	(9 168 772)	(1 696 878)
Balance at the end of the year	**15 750 553**	**112 651 024**

D– Asset Held For Sale reserve

In Egyptian pound	31 December 2021	31 December 2020
Balance at the beginning of the year	**4 171 712**	**5 382 855**
The Bank's share in the extraordinary revenues reserve of Orient Takaful Insurance Company	–	(1 211 143)
Change in fair value of Orient Takaful Insurance Company and Disposal losses	**(4 171 712)**	–
Balance at the end of the year	–	**4 171 712**

F– Retained earnings

In Egyptian pound	31 December 2021	31 December 2020
Movement on retained earnings		
Balance at the beginning of the year	**918 966 240**	**609 434 362**
– Transferred to legal reserve	(47 551 315)	(37 053 164)
– Employees share in the profit	(49 056 529)	(42 928 314)
– Board of directors remuneration	(13 143 208)	–
– Transferred to Capital reserve	(15 052 147)	(58 751 508)
– Dividend shareholders – bonus shares	(737 407 127)	–
–Transformer of the Banking System Support and Development Fund	(4 332 127)	–
Balance at the beginning of the year	**52 423 787**	**470 701 376**
Net profit for the period\period	710 245 847	490 565 294
–Transferred to General Banking Risk reserve	(31 785 412)	(45 212 009)
–Transferred From (to) General Banking Risk reserve	(986 633)	2 911 579
–Transferred to Asset Held For Sale reserve and disposal losses	(4 770 314)	–
Balance at the end of the year	**725 127 275**	**918 966 240**

25- Cash and cash equivalents

For the purpose of presenting the cash flow statement cash and cash equivalents include the following balances maturing within less than 3 months from the date of acquisition.

In Egyptian Pound	31 December 2021	31 December 2020
Cash and due from Central Bank of Egypt (Note no 6)	197 284 003	230 494 451
Due from banks (Note no 7)	4 693 270 184	955 701 251
Treasury bills and the governmental notes (Note no 8)	-	35 000 000
	4 890 554 187	**1 221 195 702**

26- Contingent liabilities and commitments

In Egyptian Pound	31 December 2021	31 December 2020
Loan Commitments – Irrevocable	372 309 558	131 132 000
Letter of guarantee	3 825 947 096	2 065 833 594
Letter of credit	356 466 615	109 833 803
Other contingent liabilities	556 084 935	15 264 139
	5 110 808 204	**2 322 063 536**

27- Net income from revenue

In Egyptian Pound	31 December 2021	31 December 2020
Loans interest and similar revenues		
Loans, facilities and deposits at banks		
Deposits at banks	234 665 640	68 452 418
Loans and facilities to clients	2 336 621 675	1 918 185 271
Total loans & banks	**2 571 287 315**	**1 986 637 689**
Treasury bills	1 079 875 623	821 522 993
Investment in available for sale and held to maturity debt instruments	621 323 134	437 624 667
Total Debt instruments	**1 701 198 757**	**1 259 147 660**
Total	**4 272 486 072**	**3 245 785 349**
Interest expense and similar charges		
Deposits and current accounts:		
To banks	(17 106 945)	(36 786 765)
To clients	(2 497 175 020)	(1 917 573 540)
Other Loans & REPO	(4 867 094)	(33 633 212)
Total	**(2 519 149 059)**	**(1 987 993 517)**
Net	**1 753 337 013**	**1 257 791 832**

28- Dividends income

In Egyptian Pound	31 December 2021	31 December 2020
Financial securities available for sale	2 602 855	714 285
	2 602 855	**714 285**

29- Net trading income

In Egyptian Pound	31 December 2021	31 December 2020
Revaluation differences of Debt instruments & equity instruments	(16 898)	(18 790)
Dividends from debt instruments for trading	74 646	236 789
Gains from debt and equity instruments held for trading	1 694 260	-
	1 752 008	**217 999**

30- Gains from financial investments

In Egyptian Pound	31 December 2021	31 December 2020
Gains on sale of treasury bills and bonds	7 511 169	5 955 471
Undistributed profit of associates	-	25 982 996
	7 511 169	**31 938 467**

31- Charge of impairment for expected credit losses

In Egyptian Pound	31 December 2021	31 December 2020
Loans and advances - Impairment charge	474 869 937	112 476 748
Due from banks - Impairment charge (reverse)	(155 821)	53 020
Financial investments at amortized cost - Impairment charge (reverse)	(43 241)	(178 074)
Financial investments at fair value through OCI - Impairment charge (reverse)	(9 168 772)	(1 696 878)
	465 502 103	**110 654 816**

32- Administrative expenses

In Egyptian Pound	31 December 2021	31 December 2020
Labor cost		
Wages and salaries	345 338 924	288 151 768
Social insurance	19 477 584	16 463 427
Total Labor cost	**364 816 508**	**304 615 195**
Other administrative expenses*	416 619 290	314 918 627
	781 435 798	**619 533 822**

* Other administrative expenses

In Egyptian Pound	31 December 2021	31 December 2020
Depreciation and amortization	110 280 941	89 532 748
Subscriptions	31 883 726	26 452 568
Taxes and fees	72 771 356	44 548 874
Repair and maintenance	64 641 282	50 480 978
Insurance	5 253 975	3 900 064
Advertising	12 874 445	14 845 145
Security and cleaning	22 590 936	16 796 315
Electricity water mail swifts & Gas	19 395 224	19 003 164
Hospitality	2 242 534	1 465 835
Stationary & Prints	2 058 924	3 854 195
Expenses and commissions for sales and customer service representatives	48 888 320	21 359 000
Community Contribution and Donations	5 000 000	10 000 000
Others	18 737 627	12 679 741
	416 619 290	**314 918 627**

33- Other operating revenues (expenses)

In Egyptian Pound	31 December 2021	31 December 2020
Gains from revaluation of assets and liabilities in foreign currencies and foreign exchange earnings	41 122 567	28 475 807
Gains from sale of fixed assets	306 093 335	15 052 147
Other provision formed	(23 765 471)	11 298 441
Assets rent expense	(70 390 429)	(52 043 283)
Gains from assets reverted to the bank	(1 109 854)	3 133 963
	251 950 148	**5 917 075**

34- Profit per share

The portion of the share in the profit is calculated by dividing the net profits of the shareholders of the bank by ordinary shares.

	In Egyptian Pound	31 December 2021	31 December 2020
	Net profit for the period	710 245 847	490 565 294
Deduct:	*Employees share*	(71 024 585)	(49 056 529)
Deduct:	*B.O.D. remuneration*	(12 000 000)	(13 143 208)
	distributed net profit	**627 221 262**	**428 365 557**
	Weighted average number of shares	**263 359 688**	**255 110 760**
	profit per share	**2.38**	**1.68**

35- Capital commitments

The uncalled capital commitments related to the financial investments at the balance sheet date amounted to EGP 556,084,935 as follows:

In Egyptian Pound	Commitments	Amount Paid	Unclaimed / unpaid amount
Obligations for leases	556 084 935	-	556 084 935
	556 084 935	**-**	**556 084 935**

36- Effective average interest rates during the period

The average interest rates on assets 11.38٪ and liabilities 7.94٪ during the period.

37- Transactions with related parties

The bank deals with its related parties on the same basis as with other parties In the balance sheet date the nature of these significant transactions and its balances represented in are as follows:-

In Egyptian Pound	31 December 2021	31 December 2020
Nature of transactions		
Due from banks	9 488 104	9 423 084
Investments in associates	-	112 782 971
Customers' deposits	-	6 618 542
Subordinated loan from ADCB-Abu Dhabi	-	786 605 000
Contingent liabilities and commitment	3 850 545 766	2 208 305 000

38- Tax status

First : Corporate income tax

Years from establishment till 2004

- The taxes due for this period were fully paid according to the petition committees assessments and Dispute settlement committees

Year 2005/2006

- The bank was notified with form 19 with a tax amounted EGP 537 thousands an appeal was conducted and decision of internal committee has been finalized with an amount of EGP 145 thousands has been fully paid, in addition to 44 MEGP resulting deported losses that will be utilized for the next five years.

Year 2007/2008

- The bank was notified with form 19 with a tax amounted 107.50 MEGP, which was challenged and referred to the petition committee, which issued its decision to re investigate the opinion of the dispute regarding the loan allocation, and notify the committee. The dispute was settled with the Center, resulting deported losses amounted 47 MEGP after the transfer of losses for the years 2005/2006, the bank has the right to deport them for the following years, as well as tax amount on separate tax pool amounted EGP 142 thousand pounds, this amount was paid out of the 10 MEGP which was paid to finalize years 2007-2014.

Year 2009/2014

- The bank was notified with a form 19 with a tax amounted of 189 MEGP pounds, Petition was conducted and currently pending for the decision of internal committee, and It issued its decision to re-examine it to express its opinion on some points of disagreement in light of the documents submitted by the bank , A defense memorandum and a document portfolio were submitted, and the dispute was handled and concluded in conciliation with the tax center for major financiers, which resulted in a tax of 8.7 MEGP after effect the losses of the years 2007/2008 as well as tax on separate pool with an amount of 11.8 MEGP.
- As well as what is being calculated by the ETA in return for delay penalties in accordance with Article 110 and penalties for delay in accordance with Article 87 of Law 91 of 2005 and its amendments, which the bank's tax advisor estimated at about 30 MEGP and it is expected to decrease the amount to be 15 MEGP in case of dispute that in the event of entering into a dispute regarding it About the amount of 15 MEGP..

- The bank paid an amount of 20 MEGP from the tax account for the 2009/2017 years, thus the surplus amount for years 2007/2014 is 30 MEGP.

Year 2015\2018

- The bank was notified with a form 19 with a tax amounted of EGP 520.37 million, appeal was conducted so the inspection results expected to be 11 M EGP in addition to tax on separate pool with an amount of 4 MEGP.

Year 2019/2020

- The bank submitted the tax return for these years and not inspected till date noting that the expected tax amount will be 6 MEGP from inspection in addition to 2 MEGP tax on separate pool.

Note that the bank has paid an amount of 20 M EGP payments for the years 2015 / 2020.

The tax rate for the year 2021 reached 33.1%

Second : <u>Tax on movable capitals</u>

Years from establishment till 2004

- The taxes due for this period were fully paid according to the appeal committees decision.

Year 1/1/2005- 30/6/2005

- The bank was notified with form 18 with a tax amounted EGP 132 thousand It was objected in front of the internal committee, the litigation ended with an amount of EGP 84 thousand.

Delay penalties from 1994/2002

- The delay penalties regarding the year 1994/2002 amounted to 24.7 MEGP the due amount was fully paid.

Third : <u>Stamp duty tax</u>

Years till 2006

Stamp duty tax calculated and paid in accordance with stamp duty tax law, the tax authority inspected the branches' records and documents and an agreement was reached between the bank and the tax authority in the internal committee the bank paid according to the internal committee and transfer the disputes to appeal committee.

The tax advisor expects that the tax dispute will result in tax differences due amounting to 7,865 M EGP; and fully provision provided.

From August 2006 till March 2013

All branches were inspected in accordance with the regulations of law 111 for year 1980 and its amendments law 143 for year 2006.

After the tax authority inspection the tax differences was 35.42 MEGP and the bank object against it and a reconciliation was reached between the bank and the tax authority with a tax amount of 4 MEGP and it was fully paid.

From April 2013 to December 2015

All branches were inspected in accordance with the regulations of law 111 for year 1980 and its amendments law 143 for year 2006.

After the tax authority inspection the tax differences was 1.5 MEGP, noting that the bank has paid the amount of 2 million pounds under the calculation of that tax.

From January 2016\2018

All branches were inspected in accordance with the regulations of law 111 for year 1980 and its amendments law 143 for year 2006.

After the tax authority inspection, the tax differences were 9.6 MEGP was fully paid in addition to delay penalties 3.1 MEGP and it was fully provisioned.

Year 2019\2020

Not Investigated yet, and provisions charged about 9 million EGP according to the opinion of the tax consultant.

Fourth : <u>Salaries taxes</u>

Years from 1981 till 1998

The taxes due for the period were fully paid according to the internal and appeal committees' assessments.

Years from 1999 till 2005

The taxes assessed by the internal committee amounted to 4.6 million EGP the bank object against it infront of internal committee, which's ended with a tax amount 2.3 MEGP it was fully paid during Q2-2013.

Years 2006 till 2019

The bank was notified with estimated tax differences with an amount of 106 MEGP the bank object against it in front of internal committee which's decided to re-inspect theses period which's ended with tax amount 19.5 MEGP and it was fully paid in addition to delay penalties 27 M EGP the bank object against it and in a continues process to allocate the needed provisions.

39- Material Events

❖ The Extraordinary General Assembly held on March 14, 2021 approved the following:

- Increasing the authorized capital from five billion Egyptian pounds to become the authorized capital amounting to ten billion Egyptian pounds, and authorizing the board of directors to amend Article (7) of the bank's articles of association in light of the approval of the Central Bank of Egypt.
- Increasing the issued and paid-up capital from EGP 1,474,814,252.80 to EGP 5,000,000,000.80, with an increase of EGP 3,525,185,748 distributed on (629,497,455) shares as the following: -

➢ Issuance of (131,679,844) shares for the old shareholders to be financed from the retained earnings carried over from previous years and realized for the fiscal year ending on 31/12/2020 as bonus shares amounted (737,407,126.40) Egyptian pounds at the nominal value of the share at the rate of one free share for every 2 original shares according to the financial statements on 31/12/2020.

➢ Issuance of up to (497,817,611) shares for the old shareholders to be paid in cash with a cash increase of (2,787,778,621.6) Egyptian pounds at the nominal value of the share.

➢ In accordance with the letter of the Financial Regulatory Authority dated 20/05/2021, which includes the approval of publishing the invitation to the old shareholders to subscribe to the shares of the capital increase of the bank, with a value of 2,787,778,621,60 Egyptian pounds for 497,817.611 shares, with a nominal value of 5.60 Egyptian pounds per share, The announcement was published in Al Borsa and Al-Alam Al-Youm newspapers on 23/5/2021, and the subscription was opened during the period from 3/6/2021 until 4/7/2021, and not all the shares offered for subscription were covered, and In accordance with the letter of the Financial Regulatory Authority dated 8/7/2021, which includes the approval to publish the invitation to the old shareholders to subscribe to the shares of the capital increase of the bank to open a second phase for subscribing to the uncovered shares amounting to 1,114,349 shares at a value of 6,240,354,40 Egyptian pounds, The announcement was published in Al Borsa and Al-Alam Al-Youm newspapers on 11/7/2021, and the subscription was opened during the period from 12/7/2021 until 13/7/2021, and only Abu Dhabi Commercial Bank - UAE applied for subscription in the two mentioned subscription phases.

- The approval of the Financial Regulatory Authority was obtained on January 9, 2022, and the commercial registry was entered on January 12, 2022 with the increase the authorized and issued capital, and in process to obtain the investment gazette amending the related articles of the articles of association , Also, procedures are being taken with the Misr for Central Clearing, Depository and Registry to issue capital increase shares, and then annotation in the Banks Register at the Central Bank of Egypt.

❖ The Extraordinary General Assembly, held on March 14, 2021, also approved the sale of treasury shares to the shareholders' number (8,248,928) shares with a total value of 82,535,470 Egyptian pounds (delisting shares account), and authorizing Mr. Managing Director to take the necessary legal procedures in this regard, including This includes signing sales orders and contracts with securities trading companies, and it was announced in Al-Alam Al-Youm and Al-Borsa newspapers on 16/3/2021 to apply for the purchase of those shares. Procedures for transferring ownership of those shares to Abu Dhabi Commercial Bank - UAE on 23/3/2021.

❖ Coronavirus (“COVID-19”) has spread across different geographic regions worldwide, causing disruption to commercial and economic activities. The COVID-19 outbreak has created uncertainty in the global economic environment. The bank is monitoring the situation closely, and has activated a business continuity plan and other practices for managing risks related to potential business disruption as a result of the COVID-19 outbreak and its impact on banking operations and financial performance.

As a result of the uncertainty resulting from the outbreak of the Coronavirus (“COVID-19”) and in anticipation of the expected economic slowdown, the bank is monitoring the loan portfolio closely to determine the impact of the virus on various quantitative and qualitative factors to identify large increases in credit and debt risks related to the sectors most affected by the crisis.

Accordingly, the bank has taken proactive measures and measures by forming the necessary allocations to mitigate the impact of COVID-19 on the loan portfolio at the end of September 2020 with the possibility of forming other additional allocations as a precautionary step until the end of the period of postponing clients' entitlements until the actual performance of the credit loan portfolio is clear.

40- Comparative figures

Comparative figures that are presented in the notes have been reclassified.