Bank of Alexandria
"Egyptian Joint Stock Company"

Interim Financial Statements
for the period ended 30 June 2021
and
Limited Review Report

Grant Thornton – Mohamed Hilal
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Bank of Alexandria
"Egyptian Joint Stock Company"

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Translation of Auditor's Report
Originally issued in Arabic.

Limited Review Report of Interim Financial Statements

To: The Board of directors of Bank of Alexandria "S.A.E."

Introduction

We have performed a limited review for the accompanying statement of financial position of Bank of Alexandria (S.A.E) as of June 30, 2021 and the related interim statements of income, comprehensive income, cash flows and changes in shareholder's equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the rules of preparation and presentation of the banks' financial statements issued by the Central bank of Egypt on December 16, 2008 and the regulations issued on February 26, 2019 and with the related requirements of the applicable Egyptian laws and regulations to prepare these interim financial statements, our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of limited review

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

Conclusion

Based on our limited review, nothing has come to our attention which causes us to believe that the accompanying interim financial statements does not present fairly, in all material respects, the financial position of Bank of Alexandria (S.A.E) as of June 30, 2021, and its financial performance, and cash flows for the six months then ended in accordance with the rules of preparation and presentation of the banks' financial statements issued by the Central bank of Egypt on December 16, 2008 and the regulations issued on February 26, 2019 and with the related requirements of the applicable Egyptian laws and regulations related to the preparation of these interim financial statements.

Auditors

Tarek Youssef

Mohamed Tarek Youssef

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Cairo: August 3, 2021

Grant Thornton - Mohamed Hilal
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MOSTAFA SHAWKI MAZARS

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of financial position
For the period ended 30 June 2021

	Note	30 June 2021 EGP 000	31 December 2020 EGP 000
Assets			
Cash and balances at Central Bank of Egypt	(16)	4 546 869	4 475 534
Due from banks	(17)	17 763 975	13 609 262
Loans and advances to banks	(18)	49 758 985	47 964 146
Financial assets classified at fair value through profit and loss	(19)	4 654	6 829
Financial investments			
Financial assets classified at fair value through other comprehensive income	(20)	32 455 443	33 097 877
Financial assets classified at fair value through profit and loss	(20)	58 245	55 949
Investments in associates	(21)	64 686	66 296
Intangible assets	(22)	148 184	147 577
Deferred tax assets	(30)	221 560	197 693
Other assets	(23)	1 697 314	1 966 312
Fixed assets	(24)	681 286	653 810
Total assets		**107 401 201**	**102 241 285**
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(25)	297 337	498 980
Customers' deposits	(26)	89 587 975	85 010 796
Other loans	(27)	689 175	813 443
Other liabilities	(28)	2 164 473	2 204 231
Other provisions	(29)	425 503	401 980
Current income tax liabilities		380 558	576 624
Retirement benefits obligations	(31)	1 279 676	1 195 772
Total Liabilities		**94 824 697**	**90 701 826**
Shareholders' equity			
Share capital	(32)	800 000	800 000
Reserves	(33)	1 968 767	1 803 638
Retained earnings	(33)	9 807 737	8 935 821
Total Shareholders' equity		**12 576 504**	**11 539 459**
Total liabilities and Shareholders' equity		**107 401 201**	**102 241 285**

Limited Review, Report "attached"

The accompanying notes from page (6) to page (81) are an integral part of these interim financial statements and are to be read therewith.

Dante Campioni
CEO and Managing Director

Michele Formenti
Chief Financial Officer

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of income
For the period ended 30 June 2021

	Note	For the period from 1 April 2021 to 30 June 2021 EGP 000	For the period from 1 January 2021 to 30 June 2021 EGP 000	For the period from 1 April 2020 to 30 June 2020 EGP 000	For the period from 1 January 2020 to 30 June 2020 EGP 000
Interest and similar income		2 666 464	5 246 742	2 601 240	5 608 990
Interest and similar expense		(1 119 692)	(2 169 983)	(1 174 147)	(2 716 777)
Net interest income	(6)	**1 546 772**	**3 076 759**	**1 427 093**	**2 892 213**
Fee and commission income	(7)	295 189	572 869	190 748	426 580
Fee and commission expense	(7)	(69 302)	(165 639)	(80 773)	(154 261)
Net fee and commission income		**225 887**	**407 230**	**109 975**	**272 319**
Net income		**1 772 659**	**3 483 989**	**1 537 068**	**3 164 532**
Dividends' income	(8)	3 748	3 748	2 639	2 639
Net income from financial instruments classified at fair value through profit and loss	(9)	180	1 252	694	(2 133)
Change in financial assets classified at fair value through profit and loss		1 103	10 152	2 125	1 910
Net trading income	(10)	26 351	53 995	18 859	41 732
Gain / (Losses) from financial investments	(20)	3 251	4 625	647	5 832
Bank's share in undistributed (Losses) profit of associated companies		(1 610)	(1 610)	(4 247)	(3 007)
Impairment Recovery / (Charge) for credit losses	(13)	19 392	(248 535)	(165 360)	(115 396)
Administrative expenses	(11)	(672 404)	(1 348 933)	(645 794)	(1 280 341)
Other operating revenues / (expenses)	(12)	1 870	409	12 103	17 467
Net profit before income tax		**1 154 540**	**1 959 092**	**758 734**	**1 833 235**
Income tax expense	(14)	(335 332)	(601 141)	(250 198)	(463 897)
Net profit for the period		**819 208**	**1 357 951**	**508 536**	**1 369 338**
Earnings per share (EGP/share) - Basic	(15)	1.82	3.02	1.14	3.08

The accompanying notes from page (6) to page (81) are an integral part of these interim financial statements and are to be read therewith.

Dante Campioni
CEO and Managing Director

Michele Formenti
Chief Financial Officer

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of other comprehensive income
For the period ended 30 June 2021

	For the period from 1 April 2021 to 30 June 2021 EGP 000	For the period from 1 January 2021 to 30 June 2021 EGP 000	For the period from 1 April 2020 to 30 June 2020 EGP 000	For the period from 1 January 2020 to 30 June 2020 EGP 000
Net profit for the period	**819 208**	**1 357 951**	**508 536**	**1 369 338**
Other Comprehensive Income that may be reclassified to the income statement				
Net change in fair value - Debt instruments	(19 346)	(47 558)	54 001	(681)
Expected credit loss of debt instrument measured at fair value thought other comprehensive income	-	-	(2 522)	(2 522)
	(19 346)	(47 558)	51 479	(3 203)
Other Comprehensive Income that will not be reclassified to the income statement				
Net change in fair value in financial instruments (shareholders' equity) by fair value through other comprehensive income	36	11	16	1
Comprehensive income for the period after tax	(19 310)	(47 547)	51 495	(3 202)
Total comprehensive income attributable to shareholders' for the period	799 898	1 310 404	560 031	1 366 136

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Dante Campioni
CEO and Managing Director

Michele Formenti
Chief Financial Officer

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of cash flow
For the period ended 30 June 2021

	Note	For the period ended 30 June 2021 EGP 000	For the period ended 30 June 2020 EGP 000
Cash flows from operating activities			
Net profit before tax		1 959 092	1 833 235
Adjustments to reconcile net profit to cash flows from operating activities			
Depreciation and amortization	(22,24)	108 790	109 211
Impairment charge on credit losses	(13)	249 691	134 651
Other provisions charge / (recovered)	(29)	34 018	(6 660)
Impairment charge / (recovery) on credit losses (Treasury bills)		-	(2 454)
Impairment charge / (recovery) on credit losses (Treasury bonds)		-	(68)
Impairment charge / (recovery) on credit losses (Due to banks)		(1 156)	(16 733)
Net income from financial assets classified at fair value through profit and loss		(1 252)	2 133
Other provisions utilization (other than loans provision)	(29)	(12 757)	(12 264)
Foreign currencies revaluation differences of other provisions	(29)	673	(104)
Foreign currencies revaluation differences of other loans		(1 797)	3 877
Change in financial assets by fair value through profit and loss		10 152	1 910
Foreign currencies revaluation differences of financial investments		8	(136)
Foreign currencies revaluation differences of fair value reserves	(33 C)	67	8
(Gains) / Losses from selling fixed assets	(12)	(1)	-
Dividend income	(8)	(3 748)	(2 639)
Gains from selling financial investments		(129)	-
Gains of financial investments transferred from reserve of fair value		(26)	-
Issued discount amortization		(243)	(119)
Bank's share in undistributed profit of associates		1 610	3 007
Operating profits before changes in assets and liabilities provided from operating activities		**2 342 992**	**2 046 855**
Net decrease/(increase) in assets and (decrease)/increase in liabilities			
Balances with CBE within the mandatory reserve requirements		429 331	1 386 631
Due from banks		-	3 674 754
Treasury bills and other governmental notes		11 757 411	(20 199 194)
Loans and advances to customers		(2 058 489)	(3 100 537)
Financial assets by fair value through profit and loss (since inception)		3 427	797
Financial assets classified at fair value through profit and loss		2 296	3 259
Other assets		261 055	(742 542)
Due to banks		(201 643)	(20 001)
Customers' deposits		4 577 179	(971 207)
Other liabilities		(39 758)	574 508
Retirement benefits obligations		83 904	64 407
Taxes Paid		(845 655)	(734 669)
Net cash flows provided / (used in) operating activities		**16 312 050**	**(18 016 939)**
Cash flows from investing activities			
Payments of purchase of fixed assets and branches constructions		(87 559)	(51 710)
Proceeds from selling fixed assets		4	-
Proceeds from selling financial investments		9 215	5 832
Payments to purchase of financial investments		(4 000 846)	(1 231)
Payments to purchase of intangible assets		(24 480)	(20 141)
Dividends Received		3 748	4 728
Net cash flows (used in) investing activities		**(4 099 918)**	**(62 522)**
Cash flows from financing activities			
Proceeds from other loans		2 118	87 416
Payments of other loans		(124 589)	(72 837)
Dividends paid		(273 359)	(1 055 995)
Net cash flows (used in) financing activities		**(395 830)**	**(1 041 416)**
Net change in cash and cash equivalents during the period		11 816 302	(19 120 877)
Cash and cash equivalents at the beginning of the period		15 266 912	39 984 403
Cash and cash equivalents at the end of the period		**27 083 214**	**20 863 526**
Cash and cash equivalents are represented in the following (note no. 35):			
Cash and balances with Central Bank of Egypt		4 546 869	5 025 396
Due from banks		17 763 975	18 717 897
Treasury bills and other governmental notes		21 067 118	27 414 790
Balances with CBE within the mandatory reserve percentage		(2 388 553)	(2 879 567)
Deposits with banks with maturity more than three months *		-	(200)
Treasury bills and other governmental notes (with maturity more than 3 months)*		(13 906 195)	(27 414 790)
Cash and cash equivalents		**27 083 214**	**20 863 526**

Non-Cash transactions

For the purpose of preparing the statement of cash flows the following non - cash transactions were eliminated:

EGP	24 838	From both payments for intangible assets purchase, and the change in the other debit balances, being the amounts transferred from assets under construction.
EGP	13 959	From both Loans and advances to customers and the change in the other debit balances, being the value of assets reverted to the bank.
EGP	47 547	Being The movement for OCI, from both changes in fair value reserves and financial investments at fair value through OCI (investments valuation differences).

* From the date of acquisition.

The accompanying notes from page (6) to page (81) are an integral part of these interim financial statements and are to be read therewith

Dante Campioni
CEO and Managing Director

Michele Formenti
Chief Financial Officer

Bank of Alexandria

(Egyptian Joint Stock Company)

Statement of changes in shareholder's equity

For the period ended 30 June 2021

	Share capital EGP 000	Reserves EGP 000	Retained earnings EGP 000	Total EGP 000
Balance as at 31 December 2019	800 000	1 840 072	8 955 190	11 595 262
Net profit for the period ended 30 June 2020	-	-	1 369 338	1 369 338
Changes resulting from impariment of treasury bills effect	-	(2 522)	-	(2 522)
Investments Fair Value Reserve classified at Fair value Through OCI	-	(680)	-	(680)
Dividends paid for the year 2019	-	-	(2 504 681)	(2 504 681)
Net change in General Banking Risks Reserve	-	(200)	200	-
Balance as at 30 June 2020	800 000	1 836 670	7 820 047	10 456 717
Balance as at 31 December 2020	800 000	1 803 638	8 935 821	11 539 459
Net profit for the period ended 30 June 2021	-	-	1 357 951	1 357 951
Changes resulting from impariment of treasury bills effect	-	-	-	-
Investments Fair Value Reserve classified at Fair value Through OCI	-	(47 547)	-	(47 547)
Transferred to Banking Risks Reserve - Credit	-	212 641	(212 641)	-
Transferred to Special capital reserve	-	35	(35)	-
Dividends paid for the year 2020	-	-	(273 359)	(273 359)
Net profit for the period ended 30 June 2020	800 000	1 968 767	9 807 737	12 576 504

The accompanying notes from page (6) to page (81) are an integral part of these interim financial statements and are to be read therewith.

Dante Campioni
CEO and Managing Director

Michele Formenti
Chief Financial Officer

1. General information

Bank of Alexandria provides retail, corporate and investment banking services in Arab Republic of Egypt through its Head Office in Cairo (49, Kasr El Nil street) and through 213 branches and banking units and employs 4 268 staff members as of 30th of June 2021.

Bank of Alexandria (S.A.E) was established on 17 April 1957, as a State wholly owned commercial bank until 31 October 2006, SanPaolo I.M.I (Italian Bank) acquired 80% of its issued capital. On 1 January 2007, a merger was announced between SanPaolo I.M.I and Banca Intesa S.P.A., and the name of shareholder SanPaolo I.M.I has been amended to be Intesa SanPaolo S.P.A.

Bank of Alexandria currently performs its activities under the provisions of the Central Bank of Egypt, Banking Sector, and Monetary Law No. 83/2003, and on 15 September 2020, Law No. 194/2020 has been issued under the provision of the Central Bank of Egypt and Banking sector.

On 22 March 2009, the International Finance Corporation I.F.C purchased 9.75% of the bank shares, Intesa SanPaolo S.P.A capital share became 70.25%, And on 14 September 2020, the International Finance Corporation I.F.C sold 9.75% of the bank shares, so Intesa SanPaolo S.P.A capital share became 80.00%, with retention of one share to maintain the legal form of the bank.

The Bank's Board of Directors' have approved the financial statements hereunder for issuance on 3rd of August 2021.

2. Summary of accounting policies

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

2.A. Basis of preparation of financial statements

The financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) issued in 2006 and their amendments and in accordance with the instructions of the Central Bank of Egypt (CBE), approved by its Board of Directors on 16 December 2008, and starting from January 2019 IFRS 9 "Classification of Financial Instruments" has been applied in accordance with the instructions of the Central Bank of Egypt (CBE) dated February, 26 2019, that are in compliant with the standards referred to. And was prepared under the historical cost convention, as modified by revaluation of financial assets, liabilities held for trading, financial assets and liabilities classified at inception at fair value through profit and loss, financial investments at fair value through Other Comprehensive Income (FVOCI) and all financial derivatives contracts. The financial statements of the Bank have been prepared in accordance with the provisions of the relevant local laws.

2.B. Associates companies

Associates companies are entities over which the bank exercises a direct or indirect significant influence without reaching the extent of control. Normally the bank holds ownership equities ranging between 20% and 50% of the voting rights.

Purchase method of accounting has been applied for the bank's acquisition of companies. The acquisition cost is measured by fair value or the equivalent value offered by the bank for acquired assets and/or issued shareholders' equity's instruments and/or obligations the bank incurred and/or obligations the bank accepted on behalf of the acquired company, to complete the acquisition process at the date of the exchange process, plus any costs that can be directly attributed to the acquisition process. Net assets including acquired defined potential obligations are measured at fair value at the acquisition date regardless of the minority's rights existence. The excess of the acquisition cost over the fair value of the bank’s share in the net assets is considered goodwill. Moreover, if there is a decrease in the acquisition cost below the net fair value referred to, the difference shall be recorded directly in the income statement under account of “Other operating income (expenses)”.

The associate’s companies in the bank's financial statements are accounted by the equity method. In addition, dividend payouts are deducted in the carrying value of the investment when approved

2.C. Segment reporting

A business segment is a group of assets and operations related to providing products or services subject to risk and returns, different from those that are related to other business segments. A geographical segment is related to providing products and services within the same economic environment subject to risk and returns different from those that are related to other geographical segments that operate in a different economic environment.

2.D. Foreign currencies translation

2.D.1. Functional and presentation currency:

The bank's financial statements presented to the nearest thousand Egyptian pounds, which represents the bank's functional and presentation currency.

2.D.2. Transactions and balances in foreign currencies

The bank holds its accounting records in the Egyptian pound. Transactions in foreign currencies during the fiscal year are recorded using the prevailing exchange rates at the date of the transaction. Monetary assets and liabilities in foreign currency are re-evaluated at the end of the reporting year using the prevailing exchange rates at that date. The gains and losses resulting from settlement of such transactions, as well as the differences resulting from the re-evaluation, are recognized in the income statement among the following items:

- Net trading income or net income on the financial instruments classified at inception in fair value through the profit and loss of assets / liabilities held for trading or those classified at inception in fair value through profit and loss according to their type.
- Shareholders' equity for financial derivatives that are eligible for qualified hedge for cash flows or eligible for qualified hedge for net investment.
- Other operating income (expenses) for the remaining items.
- Changes in the fair value of the financial instruments with monetary nature in foreign currencies and classified as investments at fair value through Other Comprehensive Income FVOCI (debt instruments), are analyzed into evaluation differences resulting from changes in the amortized cost of the instruments, differences resulting from changes in the prevailing exchange rates or differences resulting from the changes in the instrument's fair value. The evaluation differences resulting from the changes in the amortized cost are recognized in the income statement within "Interest and similar income". The differences relating to exchange rates changes are recognized in "Other operating income (expenses)", whereas the change in the fair value (fair value reserve/financial investments at fair value through Other Comprehensive Income FVOCI) are recognized within shareholders' equity.

- The revaluation differences resulting from items other than those with monetary nature include the gains and losses resulting from the change of the fair value such as the equity instruments held in fair value through profit and loss. The revaluation differences resulting from equity instruments classified as financial investments at fair value through Other Comprehensive Income (FVOCI) are recognized within the fair value reserve in the shareholders' equity.

2.E. Financial assets

The bank classifies financial assets among the following categories:

- Financial assets classified at fair value through profit and loss (FVTPL).
- Financial Assets at amortized cost (Loans and receivables).
- Financial Assets at fair value through Other Comprehensive Income (FVOCI).

The management determines the classification of its investments at initial recognition.

2.E.1. Financial assets classified at fair value through profit and loss:

This category includes:

- Financial assets held for trading.
- Assets classified at inception at fair value through profit and loss.

A financial instrument is classified as an instrument held for trading if it is primarily acquired for the purpose of the sale in the short term or if it represents a part of a portfolio of specific financial instruments that are managed together and there is evidence of recent actual transactions that resulted in short-term profit taking. Further, derivatives are classified as held for trading (Unless hedge accounting is applied).

Financial assets are classified at inception at the fair value through profit and loss in the following cases:

- When such classification reduces the measurement inconsistency that could arise from handling the related derivative as held for trading at the time of the valuation of the financial instrument in the place of the derivative at amortized cost for loans and facilities to banks and customers and issued debt instruments.
- When managing some investments, such as investments in equity instruments are managed, and valuated at fair value according to the investment strategy or risk management and reports are prepared for the top management on this basis, accordingly these investments are classified as at fair value through profit or loss.
- The financial instruments such as held debt instruments, which contain one or more embedded derivatives that strongly affect cash flows are classified through fair value through profit and loss.
- Profits and losses resulting from changes in the fair value of the financial derivatives that managed in conjunction with the assets and liabilities classified at inception at fair value through profit and loss are recorded in the income statement under "Net income from financial instruments classified at inception at fair value through profit and loss".
- No reclassification for any financial derivative from the financial instruments group valuated at fair value through profit and loss is made during the period in which it is held or its validity period. In addition, any financial instrument from the group of the financial instruments valuated at fair value through profit and loss, is not reclassified if it has been classified by the bank at its initial recognition as an instrument valuated at fair value through profit and loss.

2.E.2 Loans and receivables

Loans and receivables represent non-derivative financial assets with fixed or determinable payment that are not quoted in an active market, with the exception of:

- Assets which the bank intends to sell immediately or in the short term. In which case, they are classified as assets held for trading or assets classified at inception at fair value through profit and loss.
- Assets classified by the bank at fair value through Other Comprehensive Income (FVOCI) at initial recognition.
- Assets for which the bank will not be able to substantially recover the value of its initial investment for reasons other than creditworthiness deterioration.

2.E.3 Assets at fair value through Other Comprehensive Income (FVOCI)

Investments classified at fair value through Other Comprehensive Income (FVOCI) are non-derivative financial assets held within the bank model whose objective is to hold cash flows, including principle and interest or may be sold in response to needs for liquidity or to decrease in instrument credit-worthiness or to changes in interest rates, exchange rates, or equity prices (Liquidity Management portfolio).

The following is applied to financial assets:

- Purchase and sale transactions of the financial assets classified at fair value through profit and loss (FVTPL), and financial investments classified at fair value through Other Comprehensive Income (FVOCI) shall be recognized in the ordinary way on the trade date on which the bank is committed to purchase or sell the asset.

- The financial assets which are not classified at inception at fair value through profit and loss, shall be recognized at fair value plus the transaction costs, whereas financial assets classified at inception at fair value through profit and loss are recognized only at fair value with the transaction' costs associated to those assets being reported in the income statement under "Net Trading Income" item.

- Financial assets shall be derecognized when the contractual right validity to receive cash flows from the financial asset expires or when the bank transfers most of risk and returns associated with the ownership to a third party. Financial liabilities are derecognized when they expire by either discharging, cancellation, or the expiration of the contractual period.

- Financial assets at fair value through Other Comprehensive Income (FVOCI) and financial assets classified at fair value through profit and loss (FVTPL) shall be subsequently measured at fair value. Loans and receivables are subsequently measured at amortized cost.

- Gains and losses resulting from changes in the fair value of assets classified at fair value through profit and loss shall be recognized in the income statement in the period in which they are made, while the gains and losses arising from changes in the fair value of the investments at fair value through Other Comprehensive Income (FVOCI) shall be directly recognized in shareholders' equity statement, until the asset is derecognized or impaired. In which case, the cumulative profit and losses previously recognized in shareholders' equity statement shall be recognized in the income statement.
- Income calculated at the amortized cost method and gains and losses on foreign currencies related to the assets with monetary nature classified at fair value through Other Comprehensive Income assets shall be recognized in the income statement. Dividends resulting from equity instruments classified at fair value through Other Comprehensive Income shall be recognized in the income

statement when the right of the bank to receive payment is established.

- Fair value of the investments quoted in active markets shall be defined pursuant to the current Bid Prices. In case there is no active market for the financial assets or the current Bid Prices are unavailable, the bank shall define the fair value by using one of the valuation methods. This includes either using arm's length transactions, discounted cash flow analysis, options pricing models or other valuation methods commonly used by market traders. In case the bank is unable to estimate the fair value of equity instruments classified at fair value through Other Comprehensive Income, their value shall be measured by cost after deducting any impairment in value.
- If the bank adjusts its estimates of payments or receivables, the book value of the financial asset (or the group of financial assets) shall be settled in a way that reflects the actual cash flows and the adjusted estimates, provided that the book value is recalculated by calculating the present value of estimated future cash flows by the actual return rate of the financial instrument. The result of the settlement shall be recognized as revenue or expenses in the profit and loss.
- In all cases it shall not be permissible to reclassify the financial (Debt Instruments) assets between different classifications (classified at amortized cost, classified at fair value through Other Comprehensive Income, and classified at fair value through profit and loss) except if the bank changes the business model(s), which procedures takes place infrequently and rarely, other than the first classification change when implementing the impact of IFRS 9 first time adoption for financial instruments.

2.F. Accounting Standards applied starting from January 01,2019:

The financial statements at December 31, 2018 have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors, except the effect of the instructions of the Central Bank of Egypt dated February 26, 2019 to prepare financial statements according to IFRS 9 "Financial Instruments": classification and measurements.

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

Stage 1: Includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets, expected credit loss are recognized on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date.

Stage 2: Includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime expected credit loss are recognized, but interest is still calculated on the gross carrying amount of asset. Lifetime expected credit loss are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss are recognized.

2.F.1. Definition of default: The bank applies a single definition of default for classifying assets and determining the probability of default of its obligors for risk modeling purpose.

The definition of default is based on quantitative and qualitative criteria, A counterparty is classified as default at the latest when material payments of interest, principal or fees are overdue for more than 90 days.

2.F.2. Significant increase in credit risk:

IFRS 9 doesn't specify a definition for significant income in credit risk, and the bank assessment is for significant increase in credit risk is based on range of data that is determined to be predictive including quantitative and qualitative information, taking into consideration the self-assessment and its vision to the significant increase in credit risk.

An estimate of whether there is a significant increase in credit risk includes comparing the current default risk at financial reporting date, with the initial default risk at inception lending date, during that the bank took into account all quantitative and qualitative information including historical data and prospective outlook, which are available without effort and cost is not required, which depends on the ability of the bank to provide data objectively.

The Bank considers different economic scenarios in estimating the probability of default at the initial lending date and successively in each financial reporting date, each scenario outcome has different results, and the Bank adjust weighted factor for each of the different scenarios.

The Bank calculates the expected credit loss for the entire life of the instrument when there is a significant decrease in the creditworthiness that reflects the cash flow deficit resulting from all the events and factors affecting the creditworthiness weighted by the risk of default.

The bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant decrease in credit risk and to measure the loss allowance based on lifetime rather than 12-months ECL.

2.F.3. Write-Off:

Debt is written off when all or part of the debt is uncollectible or agreed to be exempt from it. Loans, credit facilities and debt instruments are considered to be impaired when the Bank has no reasonable expectation of collection of these financial assets (in whole or in part), this scenario occurs when the Bank determines that the borrower has no other assets or resources from the cash flows to repay the loan. The Bank may continue to take legal actions to collect all or part of the debt after the debt is executed, which may lead to the collection of certain amounts granted to the borrower.

Written-off loans reduce the principle amount granted, and when collection of debts has been written off, these amounts are recognized on collection.

2.F.4. Market Risk:

Market risk represents the expected loss resulting from the negative effects of market variables. Market variables represent several factors such as interest rate, currency risk, exchange rate, equity prices, credit risk margin and commodity prices. These variables may be not reliably measurable such as volatility and bonding factors with each other.

Market risk includes risks related to the source of the financial instrument and investment risk.

- **Financial instrument risk:** The possibility of loss arising from changes in fair value due to events related to the credit loss affecting the issuer and which the Bank is exposed to through investments and derivatives derived from the source of the financial instrument.
- **Investment risk:** Risks related to the volume of held financial investments.

Market Risk Management: The Bank's objective of managing market risk is to control and manage exposure to market variables in order to maximize returns while ensuring adequate solvency.

With regard to liquidity risk, the task of the concerned committees is to ensure effective market risk management across the Bank's various sectors. The main activities for managing these risks are as follows:

- Identification of the main types of risks and their causes.
- Neutral independent measurement and evaluation of these risks and their effects.
- Use evaluation results as a basis for managing return / risk ratios.
- Risk control and reporting

2.F.5. Changes in accounting policies and significant professional estimates and assumptions:

Main Changes in Bank Accounting policies

The following is a summary of the major changes in the Bank's accounting policies resulting from the adoption of IFRS 9. As the comparative financial statements have not been modified, the accounting policies for financial instruments for comparative periods are based on IAS 39 and the Bank's applicable regulations as disclosed in the audited financial statements as at and for the year ended 31 December 2018.

Classification of financial assets and financial liabilities

IFRS 9 includes three major asset classes:

- At amortized cost
- And at fair value through comprehensive income
- And at fair value through profit and loss.

The classification of financial assets in accordance with IFRS 9 is generally based on the business model in which the financial assets and contractual cash flow characteristics are managed. The Standard eliminates current classes in accordance with IAS 39, held to maturity and loans and receivables and available for sale investments.

Impairment of financial assets

IFRS 9 replaces the "recognized losses" model in IAS 39 with the "expected credit loss" future model. The new impairment model also applies to certain loan commitments and financial guarantees contracts but does not apply to equity investments. In accordance with IFRS 9, credit losses are recognized earlier in relation to IAS 39.

Classification of financial assets and liabilities (SPPI test)

Valuation of the business model under which assets are retained and an assessment of whether the contractual terms of the financial asset are only payments of principal and interest in a specific date on the principal of the receivable.

Impairment of financial instruments

Assess whether credit risk on financial assets has increased significantly since initial recognition and inclusion of future information in measuring expected credit losses.

2.G. Offsetting of financial instruments

Financial assets and liabilities are offset in case the bank has a legal right in force to undertake the offsetting of the recognized amounts and it intends to settle the amounts on a net basis or to receive the asset and settle the liability simultaneously.

The items of the agreements for purchasing treasury bills with commitment to resell and the agreements for selling treasury bills with commitment to repurchase shall be presented based on the net basis in the financial position within the item of treasury bills and other governmental notes.

2.H. Financial Derivatives

Derivatives shall be recognized at fair value at the date of the entering into its contract and subsequently be re-measured at fair value. The fair value is defined either from the quoted market prices in the active markets, recent market transactions, or valuation techniques such as discounted cash flow models and options pricing models, as appropriate. All derivatives shall be recognized within the assets if their fair value is positive or within the liabilities if their fair value is negative.

2.I. Interest income and expense

Interest income and expense of all interest-bearing financial instruments, except those classified as held-for-trading or which been 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 is the method to calculate the amortized cost of a financial asset or liability and to distribute the interest income or expenses over the related instruments’ lifetime. The actual rate of return is the rate used to discount the estimated future cash flows of expected payments or receivables during the expected lifetime of the financial instrument or shorter period of time when appropriate in order to reach accurately the book value of a financial asset or liability. When the effective rate of return is calculated, the bank estimates cash flows by considering all the contractual terms and conditions of the financial instrument's contract (for example accelerated repayment options) and not to consider the future credit losses. The method of calculation includes all fees paid or received by and between the contract's parties, which are considered part of the effective interest rate. The cost of transaction includes any premiums or discounts.

When loans or receivables are classified as non-performing or impaired ones as the case may be, the related interest income shall not be recognized nor recorded as off-balance sheet items out of financial statements. However, such interest income shall be recognized under the revenue item pursuant to the cash basis according to the following:

2.I.1. As for consumer loans, mortgage loans for personal housing and small loans for economic activities, when the interest income is collected and after arrears are fully recovered.

2.I.2. As for corporate loans, the cash basis shall be also applied, as the return rose according to loans’ rescheduling contract terms until payment of 25% of the rescheduling installments and at a minimum of one year of regular payments. In case of the continuation of the customer to repay regularly then the calculated interest will be included in the balance of the loan which included in the income (return on the balance of regular rescheduling) without the marginal interest before the rescheduling, which is not included in the income except after the full repayment of the loan's balance in the balance sheet before rescheduling.

2.J. Fee and commission income

Due fees from servicing the loan or facility shall be recognized in the income when performing the service, while the fee and commission income related to non-performing or impaired loans or receivables shall not be recognized, as it shall be on off-balance sheet of the financial statements. Then it shall be recognized within the income pursuant to the cash basis when the interest income is recognized according to item (2.I.2). As for fees, which represent an integral part of the actual return of the financial assets in general, they shall be treated as an amendment to the effective rate of return.

Commitment fees on loans shall be postponed, if there is a probability that these loans will be withdrawn, taking into account that these fees that the bank receives are a compensation for the constant intervention to acquire the financial instrument. Then they shall be recognized by amending the effective rate of return on the loan. When the period of commitment expires without the loan being issued by the bank, these fees shall be recognized within the income at the expiry of the commitment's validity.

Fees on debt instruments measured at fair value shall be recognized within revenue at the initial recognition. Fees on the promotion of the syndicated loans shall be recognized within revenue when the promotion process is completed, and the bank does not retain any portion of the loan or if the bank retains a portion for itself earning of the actual rate return which is available to other participants as well.

Fees and commission resulting from negotiations or the participation in negotiations on a transaction in favor of a third party shall be recognized within the income statement- such as the arrangement of the acquisition of shares or other financial instruments, or the acquisition or selling of premises- when the specific transaction is completed. The administrative consultations fees and other services are normally recognized based on the distribution over time 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.

2.K. Dividend income

Dividend income shall be recognized when the right to receive such income is established.

2.L. 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 financial position. Whereas, the liability (purchase and resale agreements) is deducted from the treasury bills and other governmental notes in the financial position. 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.

2.M. Impairment of financial assets

2.M.1. Financial assets recorded at amortized cost

At reporting dates, the bank assesses whether there is objective evidence on the impairment of a financial asset or a group of financial assets. The financial asset or the group of financial assets shall be considered impaired and impairment losses shall be recognized when there is objective evidence on the impairment as a consequence of an event or more events that occurred after the initial recognition of the asset and such (Loss Event) affects the reliability of the estimated future cash flow of the financial asset or the group of financial assets which can be reliably estimated.

The indicators that the bank considers to determine the existence of objective evidence on impairment losses include the following:

- Significant financial difficulties that face the borrower / debtor.
- Breach of the terms of the loan facility, such as the stopping of repayments;
- Expectation of the declaration of the borrower's bankruptcy, the entering into the liquidation lawsuit or the restructuring of the granted finance;
- Deterioration of the competitive position of the borrower.
- Granting privileges or concessions by the bank to the borrower for legal or economic reasons related to the latter’s financial difficulties, which the bank may not accept granting the same in ordinary circumstances.
- The impairment of the collateral's value.
- The deterioration of the credit situation and positions.

Objective evidence of the impairment losses of a group of financial assets includes the existence of observable data indicating a decrease in the measurement in the future cash flows of the group since the initial recognition though it is not possible to determine the decline of each individual asset, such as the increase of default cases in regards with a bank product.

The bank estimates the period between the loss event and its identification for each specific portfolio. This period normally ranges between three and twelve months.

Further, the bank first assesses whether there is objective evidence of impairment exists for each individual financial asset if it represents significance. The assessment is made individually or collectively for the financial assets that are not significant on an individual basis. In this regard, the following shall be taken into account:

- If the bank identifies there is no objective evidence on the impairment of a financial asset assessed separately whether it has a significance of its own or not, then this asset shall be added to the group of financial assets with similar credit risk features for assessment together to estimate impairment pursuant to historic default ratios.
- If the bank identifies the existence of objective evidence of impairment of a financial asset assessed separately, then this asset shall not be included in the group of assets for which impairment losses are assessed on a collective basis.
- If the aforementioned assessment resulted in the non-existence of impairment losses, then the asset is included in the group.

The amount of impairment loss provision shall be measured by the difference between the asset's book value and the present value of expected future cash flows discounted by applying the original effective interest rate of the asset; future credit losses not incurred should not be included in the above. The book value of the asset shall be reduced by using the impairment losses provision's account and the impairment charge on credit losses, shall be recognized in the income statement.

If the loan or investment held to maturity date bears a variable interest rate, then the discount rate applied to measure any impairment losses, shall be the effective interest rate pursuant to the contract on determining the existence of objective evidence of the impairment of the asset. For practical purposes, the bank may measure the impairment loss value based on the instrument's fair value by applying the quoted market rates. As for collateralized financial assets, the present value of the future cash flows expected from the financial asset shall be credited. Besides, these flows that result from the implementation and selling of the collateral after deducting the expenses related thereto shall be credited.

For the purposes of the estimation of impairment on group basis, the financial assets are pooled in groups of similar characteristics in terms of credit risk, based on classification process conducted by the bank, taking into consideration the type of asset, the industry, the geographical location, the collateral type, the position of arrears, and the other related factors. These characteristics are related to the assessment of future cash flows of the groups of these assets, as they are deemed an indicator of the debtors' ability to repay the amounts due pursuant to the contractual conditions of the assets under consideration.

Upon estimating the impairment of a group of the financial assets based on historical default ratios, the future cash flows of the group shall be estimated based on the contractual cash flows of the banks' assets and the amount of historical losses of these assets with similar credit risk characteristics of these assets held by the bank. The amount of historical losses shall be adjusted based on the current disclosed data in a way that reflects the impact of the current conditions that did not occur in the period over which the amount of historical losses has been identified. Besides, this will cause that the effects of the conditions that existed in the historical periods but no longer exists be cancelled.

The bank seeks that the forecasts of changes in cash flows of a group of assets are reflected in line with these changes in relevant reliable data which occur from time to time; for example, changes in Macro-Economic factors like changes in unemployment rates, and changes in Micro-Economic factors like real estate prices, the position of repayments and any other factors indicating changes in the likelihood of loss in the group and its amount. The bank conducts a periodic review of the method and assumptions used to estimate future cash flows.

2.M.2. Financial investments at fair value through Other Comprehensive Income

On each reporting date, the bank estimates whether there is objective evidence on the impairment of a financial asset or a group of financial assets classified within financial investments at fair value through Other Comprehensive Income.

In the case of the existence of investments in equity instruments classified as investments at fair value through Other Comprehensive Income, the significant or prolonged decline in the fair value of the instrument below its book value shall be taken into account upon the estimation of whether there is impairment in the asset or not.

2.N. Investments Property

Investments property represent lands and buildings the bank owns in order to obtain rental revenues or capital appreciation. Consequently, these investments do not include the real estate assets where the bank practices its business and activities or the assets reverted to the bank in settlement of debts. The same accounting method applied for fixed assets, shall be applied for investments property.

2.O. Intangible assets

2.O.1. Computer software

Expenditure on the development or maintenance of the computer software shall be recognized when being incurred in the income statement. Expenditures associated directly with specific software under the bank's control that are expected to generate economic benefits exceeding their cost for more than a year shall be recognized as intangible asset. The direct expenses include the cost of the staff involved in the software development, in addition to an adequate share of related overheads.

Expenditure that leads to the increase or expansion in the performance of computer software beyond their original specifications shall be recognized as a development cost and shall be added to the cost of original software.

The cost of the computer software shall be amortized over their expected useful life with a maximum of three years starting from the year 2010.

2.O.2. Other intangible assets

Other intangible assets represent intangible assets other than goodwill and computer software (for example but not limited to trademark, licenses, and benefits of rental contracts).

The recognition of other intangible assets, at their acquisition cost, shall be recognized and amortized on the straight-line method or based on the economic benefits expected from these assets over their estimated useful life. Concerning the assets which do not have a finite useful life, they shall not be subject to amortization; however, they shall be annually assessed for impairment and the value of impairment, (if any), shall be charged to the income statement.

2.P. Fixed assets

Lands and buildings are mainly represented in head office premises, branches, and offices. All fixed assets shall be disclosed at historical cost minus accumulated depreciation and impairment losses. The historical cost includes expenses directly attributable to the acquisition of the fixed assets' 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 allocate the cost over the useful life of the asset in a way that the remaining carrying value would equal to its residual value as follows:

Buildings and constructions	20 years
Elevators	10 years
Leased real estate improvements	4 years or leasing period, whichever is less
Office furniture	10 years
Machinery	10 years
Means of transport	5 years
Computers and core systems	5 years
Fittings and fixtures	10 years

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 net realizable value represents the net selling value of the asset or its utilization value whichever is greater. Gains and losses from the disposal of fixed assets shall be determined by comparing the net proceeds at book value. Gains (losses) shall be included within other operating income (expenses) in the income statement.

2.Q. Impairment of non-financial assets

Assets other than goodwill, which do not have a finite useful life, shall not be subject to amortization and shall be reviewed annually to determine whether there is any indication of impairment. Impairment of depreciable assets shall be assessed, whenever there are events or changes in conditions suggesting that the book value may not be redeemable.

The impairment loss shall be recognized, and the asset's value shall be reduced by the increase in the asset's book value over its net realizable value. The net realizable value represents the net selling value of the asset or its utilization value whichever is greater. For purposes of the estimation of impairment, the asset shall be linked to the smallest available cash-generating unit. On the date of the preparing the financial statements, the non-financial assets that have been impaired shall be reviewed to assess a reversal of the impairment to the income statement.

2.R. Finance Lease

Finance lease is accounted for pursuant to Instructions Central Bank of Egypt leasing; if the lease contract gives the lessee the right to purchase the asset on a fixed date for a fixed amount and the contract's period represents more than 75% of the asset's expected useful life at least or the present value of total rental payments represents is not less than 90% of the asset value. Other leasing contracts shall be considered operational leasing ones.

2.R.1. Lease

With regard to financial leasing contracts, the lease cost including the maintenance cost of leased assets shall be recognized within the expenses in the income statement for the period in which it has been incurred. If the bank decides to exercise the right of the purchase of leased assets, then the cost of the purchasing right shall be capitalized as fixed assets and amortized over the expected remaining useful life of the asset in the same way applied to similar assets.

Payments under the operational leasing minus any discounts granted by the lessor shall be recognized within expenses in the income statement by applying the straight-line method over the period of contract.

2.S. Cash and cash equivalents

For the purpose of presentation of the statement of cash flows, cash and cash equivalents shall include the balances with maturity not exceeding three months from the date of the acquisition, and cash and balances at the Central Bank of Egypt, other than those that are deemed within the compulsory reserve, due from banks, treasury bills and other governmental notes.

2.T. Other provisions

The restructuring costs and legal claims' provision shall be recognized when there is a legal or a present indicative obligation due to previous events, and it is also likely that the situation shall require the utilization of the bank's resources to settle the mentioned obligations with the provision of a reliable estimation of the obligation’s value being possible.

When there are similar obligations, the cash outflow that can be used in settlement shall be identified, taking into consideration this set of liabilities. The related provision shall be recognized even if there is a little possibility that an outflow with respect to any one item is included in the same class of obligations.

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

2.U. Employees' benefits

2.U.1. Retirement benefits obligations

The bank manages a variety of retirement benefit plans that are often funded through payments that are defined based on periodical actuarial calculations and are made to insurance companies and other specialized funds. The bank has defined benefits and defined contribution plans.

Defined benefit plans: these are retirement rules, which specify the amount of the retirement benefits that the employee will be granted by the end of the period of service. This benefit normally depends on one factor or more such as age, years of services and income.

The recognized liability in the financial position with regards to defined benefit plans is represented in the present value of the defined benefit liabilities at the reporting date, after deducting the fair value of the retirement plans' assets and debiting (crediting) unrealized actuarial reconciliations of profits (losses), as well as the cost of additional benefits related to prior service terms.

An independent actuary who applies the Projected Unit Credit Method calculates the liability of the defined benefit plans (future cash flows expected to be paid) annually. The present value of the identified plans liability is determined through deducting these expected future cash flows to be paid by using the rate of return of high quality corporate bonds or the rate of return of the government bonds in the same currency to be used in payment of the benefits and which have almost the same maturity period of the related obligations of the retirement benefits.

Gains (losses) resulting from changes and adjustments in actuarial estimates and assumptions shall be calculated, and such gains shall be deducted from (the losses shall be added to) the income statement, if they do not exceed 10% of the plan assets' value or 10% of the defined benefits' liability whichever is higher. In case gains (losses) rise above the mentioned percentage, then the increase shall be deducted (added) in the income statements over the average of the remaining years of service.

Past service costs shall be immediately recognized in the income statement within administrative expenses, unless the introduced changes on the retirements' plans are conditional on that employees must be in service for a specified period of time (vesting period). In which case, the past service costs shall be amortized by the straight-line method over the vesting period.

Defined contribution plans: These are pension schemes pursuant to which the bank pays fixed contributions to an independent entity while there is no legal or constrictive commitment on the bank to pay further contributions, 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 retirement's insurance regulations in the public and private sectors on either mandatory or voluntary contractual basis and the bank has no further obligations following the payment of contributions. These contributions shall be recognized within the employees' benefit expenses when maturing (vesting). Paid contributions paid in advance shall be recognized within assets to the extent where the advance payment reduces future payments or cash refund.

2.U.2. Liabilities of other post-service's benefits

The bank provides health care benefits to retirees, after the end of service term. Usually, such benefits are given provided that the employee remains in the employ of the bank's service until the retirement age and completes a minimum period of service. The expected costs of these benefits are accrued (vested) over the period of employment by adopting an accounting method similar to the method adopted in the defined benefit plans previously explained in the item 2. T.1.

2.V. Income tax

The income tax on the year's profits or losses include the tax of the current year and the deferred tax and shall be recognized in the income statement, with the exception of the income tax on the items of shareholder's equity, which is directly recognized within shareholders' equity.

The income tax shall be recognized based on the net profit subject to tax through the application of the applicable tax rates at the date of preparing the financial position, in addition to the tax adjustments related to previous years.

Deferred tax arising from temporary timing differences between the book value of assets and liabilities calculated according to the accounting principles, as well as its values shall be recognized according to the tax principles. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates enacted or substantively enacted by the end of the reporting year.

The deferred tax assets shall be recognized when profits to be subject to tax in the future are likely to be generated, through which this asset can be utilized. The deferred tax shall be decreased with the portion from which the expected taxable benefit will not be achieved over the coming years. In case of the increase of the expected taxable benefits, the deferred tax assets shall be increased within the limit of previous reduction in the value of deferred tax assets.

2.W. Borrowing

Loans obtained by the bank shall be recognized at inception at fair value minus the cost of the loan obtaining. Subsequently, the loans shall be measured by amortized cost. The difference between net proceeds and the amount to be paid over the borrowing period using the effective interest rate shall be recognized to the income statement.

The fair value of the portion that represents a liability regarding bonds convertible into shares shall be defined by applying the market equivalent rate of return of non-convertible bonds. This liability shall be recognized by the amortized cost method until conversion or maturity of bonds. The remaining proceeds shall be charged to the conversion option included within shareholders' equity in net value after deduction of the income tax effect.

The preferred shares that either carry mandatory coupons or are redeemed at a defined date or according to the shareholders' option, shall be included within the financial liabilities and be presented in the item of "Other loans”. The dividends of these preferred shares shall be recognized in the income statement under “Interest expense on deposits and similar charges” item based on the amortized cost method and by using the effective rate of return.

2.X. Share capital

2.X.1. Cost of capital

The issuance expenses, directly attributable to the issuance of new shares or shares against the acquisition of an entity, or the issuance of options shall be presented as a deduction from the shareholders’ equity in net proceeds after taxes.

2.X.2. Dividends

Dividends shall be recognized through deducting from shareholders' equity in the period where the General Assembly meeting of shareholder approves these dividends. These include the employees' share in profits and the remuneration of the board of directors prescribed by the article of association of the bank and the law.

2.Y. Custody activities

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

2.Z. Comparative figures

Comparative figures shall be reclassified whenever it is necessary to conform to the changes in the adopted presentation of the current period.

3. Financial risk management

The bank is exposed to a variety of financial risks, while it practices its business and activities, and the acceptance of risk is considered the basis of financial business. Some risk aspects or a combination of risk are analyzed, assessed, and managed. The bank targets to achieve adequate balance between the risk and return, and to minimize likely adverse impacts on its financial performance. The most important types of risk are credit risk, market risk, liquidity risk and other operating risks. Market risk includes the risk of foreign exchange rates, interest rates and the other pricing risks.

The bank has developed risk management policies to define, analyze and control risk, and set, control and comply with its limits through a variety of reliable methods and up to date information systems. The bank conducts regular reviews and amendments of the risk management policies in order to reflect changes in the markets, products, and services, as well as the best up to date applications.

Risk Management Division carries out risk management in the light of the policies approved by the Board of Directors. Risk division identifies, assesses, and hedges against the financial risk in close collaboration with the different operating units of the bank. The board of directors provides written principles for risk management as a whole, in addition to written policies, which cover defined risk areas such as credit risk, foreign exchange risk, interest- rate risk, and the use of derivatives and non-derivatives financial instruments. In addition, Risk division is responsible for the periodic review of risk management and control environment independently.

3.A. Credit risk

The bank is exposed to credit risk, which is the risk of default of one party on its obligations. Credit risk is considered as the most important risk the bank faces. Thus, the top management carefully manages risk exposure. Credit risk is mainly represented in lending business from which activities of loans and facilities arise, and in investment activities which cause that the bank’s assets include debt instruments. Credit risk is also found in the financial instruments off- balance sheet, such as loan commitments. The credit risk management team in the division, which reports to the board of directors, top management as well as heads of business units, conducts mainly all operations related to the management and control of the credit risk.

3.A.1. Measurement of credit risk

- **Loans and facilities to banks and customers**

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

- Probability of default of the customer or a third party on their contractual obligations.
- The current position and the likely expected future development from which the bank can conclude the balance exposed to default (Exposure at default).
- Loss given default.

The daily activities of the bank's business involve the measurement of credit risk which reflects the expected loss (The Expected Loss Model) required by the Basel Committee on Banking Supervision. The operating measures may contradict with the impairment charge according to IFRS 9, which depends on losses realized at the reporting date (realized losses model) and not on expected losses (Note A/3).

- The bank estimates the probability of default at the level of every customer by applying internal rating methods to rate the creditworthiness of the different categories of customers in details. These methods have been developed for internal rating and the statistical analyses are taken into account together with the personal reasoning of credit officials to reach the adequate rating. The bank's customers have been divided into Three categories of creditworthiness rating. The structure of creditworthiness adopted by the bank as illustrated in the following table reflects how probable default of each category is, which mainly means that credit positions move among mentioned categories pursuant to the change in the assessment of the extent of default probability. The assessment methods are reviewed and developed whenever required. Further, the bank periodically assesses the performance of the creditworthiness rating methods and how they are able to predict default cases.

Classification	**The classification's Indication**
1	Stage 1 (Performing loans)
2	Stage 2 (Watch list)
3	Stage 3 (Non-performing loans)

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

Loss given default or loss severity each represents the bank's expectations of the loss to the extent when claiming repayment of debt if the default occurs. Expressed by the percentage of loss to the debt; this certainly differs in accordance with category of the debtor, the claim's seniority and availability guarantees or other credit mitigation.

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

  Concerning debt instruments and bills, the bank uses the external foreign rating such as the rating of “Standard and Poors” or of similar agencies to manage credit risk. If such ratings are not available, then the bank applies similar methods to those applied to credit customers. Investment in securities, financial papers, and bonds shall be considered as a way to gain a better credit quality and maintain a readily available source to meet funding requirements at the same time.

3.A.2. Risk Mitigation Policies

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

The bank structures the levels of credit risk tolerance by placing limits for the risk tolerance in relation to each borrower or a class of borrowers, and at the level of economic activities and geographical sectors. Such risk shall be constantly monitored and controlled and shall be subject to reviews on an annual basis or more frequently if necessary. Limits of credit risk at the level of borrower/ the group / producer, the sector and the country shall be quarterly approved by the board of directors.

Lines of credit for any borrower including banks shall be divided into sub-lines which include in- and off- the balance sheet amounts and daily risk limit related to trading items such as forward foreign exchange contracts. Actual amounts shall be compared daily with the mentioned limits. Credit risk exposure is also managed by the regular analysis of the present and the potential borrowers' ability to fulfill their obligations and by amendment of the lending lines when appropriate.

Following are some methods to mitigate risk:

- **Collaterals**

The bank sets a range of policies and controls to mitigate credit risk. Among these implemented methods is to obtain a security against the extended funds. The bank sets guide rules for defined types of acceptable collaterals.

Main types of collaterals against loans and facilities include the following:

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

Longer-term finance and lending to corporate are often secured, while credit facilities granted to retail customers are generally unsecured. To reduce credit loss to its minimum level, the bank seeks to get additional collateral from the concerned parties as soon as indicators of impairment in a loan or facility appear.

Collateral held as a security against assets other than loans and facilities; determined by the nature of the instrument, and debt instruments and treasury bills are normally unsecured with the exception of asset-backed securities and the similar instruments backed by a securities portfolio.

- **Derivatives**

The bank maintains control procedures over the net open positions for derivatives i.e. the difference between purchase and sale contracts at the level of value and period. The amount exposed to credit risk is at any time defined at the fair value of the instrument that achieves benefit to the bank i.e. an asset that has a positive fair value and represents a small portion of the contractual (nominal) value adopted to express for the volume of outstanding instruments. This credit risk is managed as a part of the aggregate lending line granted to the customer together with the expected risk due to market changes.

Collateral or other security is not usually obtained against credit risk exposures in these instruments, except where the bank requires that collateral be taken as margin deposits from the counterparties.

Settlement risk arises in any situation where a payment is made through cash, securities or equities, or in return for the expectation of a corresponding receipt in cash, securities, or equities. Daily settlement limits are defined for each counterparty to cover the aggregate settlement risk arising from the Bank market transactions on any single day.

- **Master Netting Arrangements**

The bank mitigates the credit risk by entering into Master Netting Arrangements with counterparties that represent a signification volume of transaction. In general, these arrangements do not result in conducting offset between balance sheet assets and liabilities at financial position because these settlements are always conducted on a gross basis. However, the credit risk associated to the contracts that serve the bank's interest is reduced through master netting arrangements, as in case of default, all amounts with the counterparty are settled by clearance.

The bank's overall exposure to credit risk resulting derivative instruments subject to master netting arrangements can be substantially changed within a short period, as it is affected by each transaction subject to these arrangements.

- **Credit related commitments**

The primary purpose of credit related commitments is to ensure the availability of funds to the customer at demand. Guarantees and standby letters of credit also carry the same credit risk related to loans. Documentary and commercial letters of credit which are issued by the bank on behalf of its customer to grant a third party the right of withdrawal from the bank within the limit of certain amounts and under predefined conditions – are collateralized by the underlying shipments of goods and consequently carry a lesser degree of risk, compared to direct loans.

The commitments for granting credit represent the unutilized part of the authorized limit to grant loans, guarantees, or documentary letters of credit. The bank is exposed to a potential loss that represents the amount equal to the total of unutilized commitments as concerning credit risk arising from credit granting commitments. Nevertheless, the amount of loss that is likely to occur is below the unutilized commitments, as most credit granting commitments represents potential liabilities of customers who have defined credit specifications. The bank monitors the duration until maturity date of credit commitments, as long-term commitments have a high degree of credit risk, compared to short-term commitments.

3.A.3. Impairment policies and provisions

The internal systems of aforementioned assessments (note no. 3.A.1) focus to a great extent on the planning of the credit quality, from the starting point of the recognition of lending and investment activities. However, the impairment losses incurred at the reporting date are only recognized for purpose of the preparation of financial statements based on objective evidence, which refers to impairment pursuant to the disclosure below in light of the implementation of different methods.

The impairment loss provision included in the financial position at the end of the fiscal year is derived from the Three internal ratings; however, the majority of the provision results from the last two ratings. The following table shows the percentage for the items within the financial position relate to loans and facilities and the relevant impairment for each of the bank's internal ratings:

Bank's Assessment	**June 30, 2021**		**Dec. 31, 2020**	
	Loans and advances %	**Impairment loss provision %**	**Loans and advances %**	**Impairment loss provision %**
1- Stage 1 (Performing loans)	83.17	43.53	85.24	44.02
2- Stage 2 (Watch list)	11.94	11.06	10.78	13.42
3- Stage 3 (Non-performing loans)	4.89	45.01	3.98	42.56
	100	**100**	**100**	**100**

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

The impairment loss provision shall be made on the basis of a group of homogeneous assets by using the available historical experience, personal judgment, and statistical methods.

The following table shows the financial assets quality based on the credit-worthiness stages during the period / year:

(a) Due from Banks: **EGP**

30 June 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1-Performing loans	2 446 982	-	-	2 446 982
2-Regular watching	14 357 556	976 835	-	15 334 391
3-Non-performing loans	-	-	-	-
	16 804 538	**976 835**	**-**	**17 781 373**
Allowances for impairment losses	(112)	(17 286)	-	(17 398)
Carrying amount	**16 804 426**	**959 549**	-	**17 763 975**

31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1-Performing loans	582 088	-	-	582 088
2-Regular watching	12 005 437	1 040 348	-	13 045 785
3-Non-performing loans	-	-	-	-
	12 587 525	**1 040 348**	**-**	**13 627 873**
Allowances for impairment losses	(201)	(18 410)	-	(18 611)
Carrying amount	**12 587 324**	**1 021 938**	-	**13 609 262**

(b) Debt Instruments at fair value through Other comprehensive income – Governmental bills:

EGP

30 June 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1-Performing loans	-	-	-	-
2-Regular watching	21 067 118	-	-	21 067 118
3-Non-performing loans	-	-	-	-
	21 067 118	**-**	**-**	**21 067 118**
Allowances for impairment losses	(2 997)	-	-	**(2 997)**
Carrying amount	**21 064 121**	**-**	**-**	**21 064 121**

31 December 2020	Stage 1	Stage 2	Stage 3	Total
1-Performing loans	-	-	-	-
2-Regular watching	25 666 613	-	-	25 666 613
3-Non-performing loans	-	-	-	-
	25 666 613	**-**	**-**	**25 666 613**
Allowances for impairment losses	(3 007)	-	-	**(3 007)**
Carrying amount	**25 663 606**	**-**	**-**	**25 663 606**

(c) Debt Instruments at fair value through Other comprehensive income – Governmental Bonds:

EGP

30 June 2021	Stage 1	Stage 2	Stage 3	Total
1-Performing loans	-	-	-	-
2-Regular watching	11 388 325	-	-	11 388 325
3-Non-performing loans	-	-	-	-
	11 388 325	**-**	**-**	**11 388 325**
Allowances for impairment losses	(83)	-	-	**(83)**
Carrying amount	**11 388 242**	**-**	**-**	**11 388 242**

31 December 2020	Stage 1	Stage 2	Stage 3	Total
1-Performing loans	-	-	-	-
2-Regular watching	7 431 264	-	-	7 431 264
3-Non-performing loans	-	-	-	-
	7 431 264	**-**	**-**	**7 431 264**
Allowances for impairment losses	(84)	-	-	**(84)**
Carrying amount	**7 431 180**	**-**	**-**	**7 431 180**

(d) Loans and Advances to customers:

EGP

30 June 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1- Corporate Loans	14 992 725	2 560 239	1 026 341	18 579 305
2- Medium Enterprise	2 624 955	553 334	352 879	3 531 168
3- Small & Micro Enterprise	5 003 868	872 794	433 063	6 309 725
4- Retail Loans	21 173 862	2 298 617	763 934	24 236 413
Total Loans and advances to customers	**43 795 410**	**6 284 984**	**2 576 217**	**52 656 611**
Allowances for impairment losses	(581 548)	(792 487)	(1 276 780)	(2 650 815)
Unearned discount	(5 528)	-	-	(5 528)
Interest under settlement from customer loans	-	(66 063)	(172 774)	(238 837)
Suspended interest	-	-	(2 446)	(2 446)
Net balance as June 30, 2021	**43 208 334**	**5 428 434**	**1 124 217**	**49 758 985**

31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1- Corporate Loans	13 132 448	3 407 713	982 476	17 522 637
2- Medium Enterprise	2 338 525	445 540	326 973	3 111 038
3- Small & Micro Enterprise	5 337 327	676 442	249 162	6 262 931
4- Retail Loans	22 353 327	926 213	454 093	23 733 633
Total Loans and advances to customers	**43 161 627**	**5 455 908**	**2 012 704**	**50 630 239**
Allowances for impairment losses	(679 895)	(665 295)	(1 077 370)	(2 422 560)
Unearned discount	(12 511)	-	-	(12 511)
Interest under settlement from customer loans	-	(52 534)	(175 982)	(228 516)
Suspended interest	-	-	(2 506)	(2 506)
Net balance as Dec. 31, 2020	**42 469 211**	**4 738 079**	**756 846**	**47 964 146**

Loans provision movement:

Corporate Loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Allowance for impairment losses at (Opening balance)	571 459	595 818	879 319	2 046 596
New financial assets purchased or issued	34 341	2 086	-	36 427
Financial assets have been matured or derecognized	(6 464)	(6 400)	-	(12 864)
Transfer to stage 1	-	(55 788)	(29)	(55 817)
Transfer to stage 2	(25 463)	-	-	(25 463)
Transfer to stage 3	(4 481)	(49 594)	-	(54 075)
Of failure and balance exposed to failure	(89 471)	138 542	153 134	202 205
Loans written-off during current period	-	-	(8 884)	(8 884)
collections of loans previously written-off	-	-	5 684	5 684
Foreign exchange translation differences	(785)	(869)	(886)	(2 540)
Balances as at end of 30-06-2021	**479 136**	**623 795**	**1 028 338**	**2 131 269**

Retail Loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Allowance for impairment losses at (Opening balance)	108 436	69 477	198 051	375 964
New financial assets purchased or issued	31 440	7 411	482	39 333
Financial assets have been matured or derecognized	(7 757)	(5 334)	(26 859)	(39 950)
Transfer to stage 1	-	(18 644)	(37 097)	(55 741)
Transfer to stage 2	(18 271)	-	(35 184)	(53 455)
Transfer to stage 3	(4 075)	(43 245)	-	(47 320)
Of failure and balance exposed to failure	(7 358)	159 027	164 742	316 411
Loans written-off during current period	-	-	(21 602)	(21 602)
collections of loans previously written-off	-	-	5 908	5 908
Foreign exchange translation differences	(3)	-	1	(2)
Balances as at end of 30-06-2021	**102 412**	**168 692**	**248 442**	**519 546**

Total Loans and advances

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for impairment losses at (Opening balance)	679 895	665 295	1 077 370	2 422 560
New financial assets purchased or issued	65 781	9 497	482	75 760
Financial assets have been matured or derecognized	(14 221)	(11 734)	(26 859)	(52 814)
Transfer to stage 1	-	(74 432)	(37 126)	(111 558)
Transfer to stage 2	(43 734)	-	(35 184)	(78 918)
Transfer to stage 3	(8 556)	(92 839)	-	(101 395)
Of failure and balance exposed to failure	(96 829)	297 569	317 876	518 616
Loans written-off during current period	-	-	(30 486)	(30 486)
collections of loans previously written-off	-	-	11 592	11 592
Foreign exchange translation differences	(788)	(869)	(885)	(2 542)
Balances as at end of 30-06-2021	**581 548**	**792 487**	**1 276 780**	**2 650 815**

3.A.4. The General Model for Measurement of Banking Risk

In addition to the three-creditworthiness ratings shown in (note no. 3.A.1), the management also prepares ratings in the form of more detailed subgroups, which are in line with the requirements of the Central Bank of Egypt (CBE). Assets exposed to credit risk shall be rated in these subgroups pursuant to detailed rules and terms, which depend largely on customer related information, business and activities, financial position and regularity of payments thereof.

The bank calculates the provision required for the impairment of these assets exposed to credit risk, including credit related commitments based on defined rates set by the Central Bank of Egypt. In case the impairment loss provision required according to Central Bank of Egypt’s rules exceeds the provisions as required for the purposes of the preparation of the financial statements in accordance with the instructions of the Central Bank of Egypt (CBE) dated 26 February 2019, that excess shall be debited to retained earnings and carried to the general reserve for banking risk in the shareholders’ equity section. Such reserves shall be regularly adjusted, by any increase or decrease so that the reserve shall always be equal to the amount of increase between the two provisions. Such provision shall not be subject to distribution.

Following is an indication of corporate credit worthiness categories according to internal rating principles, compared to the rating principles of the Central Bank of Egypt, and of the required provision percentages for the impairment of assets exposed to credit risk.

Central Bank of Egypt's rating	Rating's meaning	Provision's ratio required	Internal Rating	Meaning of Internal Rating
1	Low risk	Zero	1	Stage 1
2	Average risk	1%	1	Stage 1
3	Satisfactory risk	1%	1	Stage 1
4	Reasonable risk	2%	1	Stage 1
5	Acceptable risk	2%	1	Stage 1
6	Marginally acceptable risk	3%	2	Stage 2
7	Watch List	5%	2	Stage 2
8	Substandard	20%	3	Stage 3
9	Doubtful	50%	3	Stage 3
10	Bad debt	100%	3	Stage 3

3.A.5. The Maximum Limit for Credit Risk before Collateral

Credit Risk exposures in the statement of financial position:

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Treasury bills and other governmental notes	21 067 118	25 663 606
Loans and advances to customers		
Loans to individuals (Retail):		
Overdraft accounts	385 341	445 474
Credit cards	299 030	269 347
Personal loans	23 542 547	23 009 122
Mortgage	9 495	9 695
Corporate loans:		
Overdraft accounts	7 407 145	6 892 475
Direct loans	18 953 634	17 834 497
Syndicated loans	2 051 968	2 159 046
Other loans	7 451	10 583
Unearned Discount	(5 528)	(12 511)
Interest under settlement from customer loan	(238 837)	(228 516)
Suspended interest	(2 446)	(2 506)
Financial investments:		
Debt instruments	10 847 261	6 887 916
Other assets	833 500	1 032 178
Total	**85 157 679**	**83 970 406**

Off balance sheet items exposed to credit risk:

Financial guarantees	3 434 318	3 923 354
Non-revocable credit-related commitments for loans and other liabilities	9 140 210	7 352 204
Letters of credit	2 094 210	1 876 200
Letters of guarantee (incentive)	7 840 873	7 275 238
Total	**22 509 611**	**20 426 996**

- The previous table represents the maximum limit of exposure as at 30 June 2021 and as at 31 December 2020, without taking into consideration any financial guarantees. As for the financial position items, the enlisted amounts depend on the net book value presented in the statement in financial position.

  As illustrated in the previous table 61.6 % of the maximum limit exposed to credit risk at 30 June 2021 arises from loans and advances to banks and customers versus 60.09 % as at 31 December 2020 whereas investments in the debt instruments represent 12.7 % at 30 June 2021 versus 8.2 % as at 31 December 2020.

  The management has confidence in its abilities to continue of controlling and maintaining the minimum limit of credit risk resulted from loans, facilities, and debt instruments portfolios based on the following:

  - 0.07% of the loans and advances' portfolio is classified in the two higher categories of the internal assessment (low/average risks) as at 30 June 2021, versus 0.38% at 31 December 2020.
  - 77.8 % of the loans and advances' portfolio is free from any delays or impairment indicators at 30 June 2021 versus 80.9 % as at 31 December 2020.
  - The mortgages covered by collaterals, represent an important group in the portfolio.
  - Loans and facilities that have been assessed on an individual basis reach EGP 2 578 216 thousand as at 30 June 2021 versus EGP 2 012 704 thousand as at 31 December 2020. Formed from it an 49.56 % as a provision at 30 June 2021 versus 53.5 % as at 31 December 2020.
  - More than 99.8 % as at 30 June 2021 and as at 31 December 2020, of the investments in debt instruments and treasury bills represents debt instruments on the Egyptian government.

3.A.6. Loans and advances

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

	June 30, 2021 EGP 000 Loans and advances to customers	Dec. 31, 2020 EGP 000 Loans and advances to customers
With no past dues or impairment	40 968 479	40 965 463
With past dues but not subject to impairment	9 111 915	7 652 072
Subject to impairment	2 576 217	2 012 704
Total	**52 656 611**	**50 630 239**
Less:		
Impairment loss provision	(2 650 815)	(2 422 560)
Unearned discount	(5 528)	(12 511)
Interest under settlement from customer loans	(238 837)	(228 516)
Suspended interest	(2 446)	(2 506)
Net	**49 758 985**	**47 964 146**

The total impairment charges on loans and advances facilities; reached EGP 2 650 815 thousand as of 30 June 2021, versus EGP 2 422 560 thousand as of 31 December 2020, including EGP 1 276 780 thousand as of 30 June 2021, versus EGP 1 077 377 thousand as of 31 December 2020, of which represents the impairment of individual loans and the remaining amounting to EGP 1 374 035 thousand versus EGP 1 345 183 thousand representing the impairment charges on a group basis of the credit portfolio (Note no. 18) include further information on the impairment losses provision of loans and facilities to banks and customers.

Loans and facilities with no past dues or impairment:

The creditworthiness of the loans and facilities portfolio with no past dues or impairment is assessed with reference to the internal assessment adopted by the bank.

EGP 000

June 30, 2021

Assessment	**Retail**				**Corporate**				**Net loans and facilities to customers**
	Debit Current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit Current accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	
1- Performing	-	-	-	-	3 502 620	9 676 110	450 701	48	**13 629 479**
2- Regular Watching	183 899	203 276	17 044 490	1 871	1 974 034	5 565 818	305 645	6 854	**25 285 887**
3- Watch List	-	-	-	-	-	1 335 201	-	40	**1 335 241**
Total	**183 899**	**203 276**	**17 044 490**	**1 871**	**5 476 654**	**16 577 129**	**756 346**	**6 942**	**40 250 607**

- The guaranteed loans were subjected to impairment as for the non-performing loans category after taking into consideration the collectability of these guarantees.

EGP 000

December 31, 2020
Assessment

	Retail				Corporate				
	Debit Current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit Current accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Net loans and facilities to customers**
1- Performing	-	-	-	-	3 286 657	9 788 681	354 983	61	**13 430 382**
2- Regular Watching	255 861	182 975	18 188 609	2 048	1 746 931	5 411 486	876 460	9 799	**26 674 169**
3- Watch List	-	-	-	-	12 884	58 589	-	3	**71 476**
Total	**255 861**	**182 975**	**18 188 609**	**2 048**	**5 046 472**	**15 258 756**	**1 231 443**	**9 863**	**40 176 027**

Loans and facilities with past dues but are not subject to impairment

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

EGP 000

June 30, 2021

	Retail				Corporate				
	Debit Current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit Current accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Net loans and facilities to customers**
Past dues up to 30 days	12 158	52 174	4 704 409	1 298	104 019	1 116 060	959 606	-	**6 950 024**
Past dues more than 30 days to 60 days	-	14 919	673 121	-	-	197 722	-	-	**885 762**
Past dues more than 60 days to 90 days	5 367	7 369	296 349	150	43 449	191 765	75 521	-	**619 970**
Total	**17 525**	**74 462**	**5 674 179**	**1 448**	**147 468**	**1 505 547**	**1 035 127**	-	**8 455 756**
The fair value of Collaterals	**17 616**	**-**	**2 538 997**	**-**	**15 247**	**9 119**	**381 225**	**-**	**2 962 204**

EGP 000

December 31, 2020

	Retail				Corporate				
	Debit Current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit Current accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Net loans and facilities to customers**
Past dues up to 30 days	21 867	40 203	3 195 771	336	8 446	832 135	221 837	-	**4 320 595**
Past dues more than 30 days to 60 days	16 124	14 232	902 174	1 510	96 276	858 943	358 052	-	**2 247 311**
Past dues more than 60 days to 90 days	12 511	9 163	256 877	1 371	38 833	144 642	65 016	-	**528 413**
Total	**50 502**	**63 598**	**4 354 822**	**3 217**	**143 555**	**1 835 720**	**644 905**	-	**7 096 319**
The fair value of collaterals	**50 004**	**-**	**2 877 106**	**-**	**6 559**	**12 051**	**413 625**	**-**	**3 359 345**

At the initial recognition of loans and facilities, the fair value of collaterals is evaluated based on the same financial assets' evaluation methods used, and in subsequent periods, the fair value is updated by the market prices or the similar assets' prices.

Loans and facilities subject to impairment on an individual basis

The balance of loans and facilities which are subject to impairment on an individual basis, before taking into account the cash flow from collaterals, amounted to EGP 2 576 217 thousand as at 30 June 2021 versus EGP 2 012 705 thousand as at 31 December 2020.

Herein below, is the analysis of the net value of loans and facilities subject to impairment on individual basis including the fair value of collaterals the bank has obtained against these loans:

EGP 000

June 30, 2021

	Retail				Corporate				
	Debit Current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit Current accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Total loans and facilities to customers**
Balance	182 247	16 563	559 123	6 001	1 623 244	188 837	-	202	**2 576 217**
Provision	(125 923)	(7 431)	(111 848)	(3 015)	(911 896)	(116 491)	-	(176)	**(1 276 780)**
Net	**56 324**	**9 132**	**447 275**	**2 986**	**711 348**	**72 346**	-	**26**	**1 299 437**
The fair value of collaterals	**16 067**	-	**358 215**	-	**491 474**	**1 135**	-	-	**866 891**

EGP 000

December 31, 2020

	Retail				Corporate				
	Debit Current accounts	**Credit Cards**	**Personal Loans**	**Mortgage**	**Debit Current accounts**	**Direct Loans**	**Syndicated Loans**	**Other Loans**	**Total loans and facilities to customers**
Balance	138 738	20 858	291 102	3 395	1 492 087	66 416	-	109	**2 012 705**
Provision	(75 131)	(11 055)	(110 500)	(1 365)	(813 234)	(65 978)	-	(107)	**(1 077 370)**
Net	**63 607**	**9 803**	**180 602**	**2 030**	**678 853**	**438**	-	**2**	**935 335**
The fair value of collaterals	**1 250**	-	**124 490**	-	**502 442**	-	-	**5**	**628 187**

Restructured Loans and Facilities:

The restructuring activities include extending of repayment's arrangements, implementation of obligatory management programs, amending and postponing repayment. The policies of restructuring application depend on indicators or standards that refer to the high prospects of continuance repayment based on the management's personal judgment. These policies are reviewed on regular basis. Restructuring is usually applied on long-term loans, especially customers financing loans. Loans which have been subject to renegotiations have reached EGP 430 618 thousand as at 30 June 2021 versus EGP 427 827 thousand as at 31 December 2020.

	June 30, 2021 EGP 000	**Dec. 31, 2020 EGP 000**
Loans and facilities to customers		
Corporate		
- Direct loans	430 618	427 827
Total Corporate Loans	430 618	427 827

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

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

		EGP 000	
	Treasury bills and other governmental notes	**Investments in Securities**	**Total**
AAA	-	-	-
Less than -A	21 067 118	10 789 011	31 856 129
Unclassified	-	58 250	58 250
Total	**21 067 118**	**10 847 261**	**31 914 379**

3.A.8. Acquisition of collaterals

During the present financial period, the bank hasn't obtained assets by acquiring some collaterals.

Asset type	**EGP Book value**
Buildings	13 959
Total	**13 959**

3.A.9. The concentration of financial assets' risks exposed to credit risk

- **Geographical segments**

The following table represents an analysis of the bank's most important boundaries of credit risk at book value, distributed in accordance with the geographical segment as at 30 June 2021.

June 30, 2021			EGP 000	
	Cairo	**Alex, Delta and Sinai**	**Upper Egypt**	**Total**
Treasury bills and other governmental notes	21 067 118	-	-	**21 067 118**
Loans and facilities to customers:				
- Loans to individuals (Retail):				
Debit current accounts	137 095	162 872	85 374	**385 341**
Credit cards	299 030	-	-	**299 030**
Personal loans	6 985 013	10 777 271	5 780 263	**23 542 547**
Mortgage	8 539	533	423	**9 495**

- Loans to corporate				
Debit current accounts	5 368 183	1 468 791	570 171	**7 407 145**
Direct loans	12 170 676	4 914 777	1 868 181	**18 953 634**
Syndicated loans	2 051 968	-	-	**2 051 968**
Other loans	6 442	948	61	**7 451**
Unearned discount	(5 528)	-		**(5 528)**
Interest under settlement from customer loans	(218 249)	(20 588)	-	**(238 837)**
Suspended interest	(2 446)	-	-	**(2 446)**
Financial Investments				
Debt instruments	10 847 261	-	-	**10 847 261**
Other assets	711 425	85 180	36 895	**833 500**
Total as at 30 June 2021	**59 426 527**	**17 389 784**	**8 341 368**	**85 157 679**
Total as at 31 Dec. 2020	**58 925 797**	**16 894 570**	**8 150 039**	**83 970 406**

- **Business Segment**

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

EGP 000

June 30, 2021	Financial Institutions	Industrial Institutions	Real estate Activity	Wholesale and retail trade	Governmental sector	Other activities	Individuals	Total
Treasury bills and other governmental notes	-	-	-	-	21 067 118	-	-	**21 067 118**
Loans & facilities to customers:								
Loans to individuals (Retail)								
Debit current account	-	-	-	-	-	-	385 341	**385 341**
Credit cards	-	-	-	-	-	-	299 030	**299 030**
Personal loans	-	-	-	-	-	-	23 542 547	**23 542 547**
Mortgage	-	-	-	-	-	-	9 495	**9 495**
Loans to Corporate								
Debit current account	-	1 307 578	1 618 783	1 276 554	1 776 706	1 427 524	-	**7 407 145**
Direct loans	-	4 985 643	302 028	1 789 065	7 650 438	4 226 460	-	**18 953 634**
Syndicated loans	-	581 422	71 509	-	624 665	774 372	-	**2 051 968**
Other loans	-	75	44	5 058	166	2 108	-	**7 451**
Unearned discount	-	(5 528)	-	-	-	-	-	**(5 528)**
Interest under settlement from customer loans	-	(55 890)	(139 412)	(2 012)	(22 679)	(18 844)	-	**(238 837)**
Suspended interest	-	(2 446)	-	-	-	-	-	**(2 446)**
Financial Investments								
Debt instruments	58 245	-	-	-	10 789 016	-	-	**10 847 261**
Other assets	6 169	-	-	-	477 906	243 619	105 806	**833 500**
Total as at 30 June 2021	**64 415**	**6 810 854**	**1 852 952**	**3 068 665**	**42 363 336**	**6 655 238**	**24 342 219**	**85 157 679**
Total as at 31 Dec. 2020	**63 867**	**7 281 164**	**1 785 773**	**2 949 032**	**41 939 092**	**6 121 550**	**23 829 928**	**83 970 406**

3.B. Market Risk

3.B.1. Methods of Measuring Market Risk

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

- **Value at Risk**

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

Value at risk is a statistical estimate of the potential movements of the present portfolio due to market's adverse moves. It is an expression of the maximum value the bank can lose using a defined confidence factor (99%) consequently there is a statistical probability of (1%) that the actual loss may be greater than the expected value at risk. The value at risk model assumes a defined retention period (ten days) before closing of the open positions. It also assumes that the market movement during the retention period will follow the same pattern of movement that occurred during the previous ten days. The bank should assess these historical changes in rates, prices, and indicators directly on current positions, a method known as historical simulation. Actual outputs should be monitored and controlled on a regular basis to measure the integrity of the assumptions and factors applied to calculate value at risk.

The use of this method does not prevent the losses over these limits and within the limits of large movements in the market. Since the value at risk is an essential part of the banks' system in control of the market risk. The Board of Directors set the value at risk limits annually for each of the trading and non-trading and split on units of activity. The actual values at risk; are compared with limits set by the Bank and reviewed daily by the bank's risk management. The average daily value at risk during the financial period ended 30 June 2021 amounted to EGP 39 014 thousand, versus EGP 86 265 thousand during the comparative period.

The quality of value at risk model is continuously monitored by reinforcing testing to reinforce the results of value at risk of the trading portfolio and the results of such tests are usually reported to senior management and board of directors.

- **Stress Testing**

Stress testing gives an indicator of the potential size of losses, which may arise from extremely adverse conditions. Stress testing is designed in a way that suites business and activity by applying typical analysis of defined scenarios. The market risk department undertakes Stress testing to include the stress testing of risk factors where a set of extreme movements is applied on each risk category. There is also stress testing applied on emerging markets, which are subject to extreme movements, and special stress testing that includes potential events, which may affect certain centers or regions such as what can happen in a region currency peg break. The senior management and board of director's monitor and review the results of stress testing.

3.B.2. Summary of value at risk

- **Total value at risk according to the risk type**

EGP 000

	6 Months till June 30,2021			6 Months till June 30,2020		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	39 014	51 460	47 728	86 265	96 698	76 997
Total value at risk	**39 014**	**51 460**	**47 728**	**86 265**	**96 698**	**76 997**

The bank did not estimate exchange rate risk and equity instruments risk as the data is not available.

- **Value at risk of the trading portfolio according to the risk type.**

EGP 000

	6 Months till June 30,2021			6 Months till June 30,2020		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	-	-	-	-	-	-
Total value at risk	**-**	**-**	**-**	**-**	**-**	**-**

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

EGP 000

	6 Months till June 30,2021			6 Months till June 30,2020		
	Medium	**Higher**	**Lower**	**Medium**	**Higher**	**Lower**
Interest rate risk	39 014	51 460	47 728	86 265	96 698	76 997
Total value at risk	**39 014**	**51 460**	**47 728**	**86 265**	**96 698**	**76 997**

The bank did not estimate exchange rate risk and equity instruments risk as the data is not available.

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

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

3.B.3. The risk of fluctuations in foreign exchange rates

The bank is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows and the board of directors have set limits of foreign currencies in total value for each position at the end of the day and during the day, which are monitored on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in foreign exchange rates risk at 30 June 2021. The following table includes the book value of financial instruments distributed into its component currencies:

The concentration of currency risk of financial instruments

Equivalent in EGP 000

	EGP	USD	Euro	GBP	Other Currencies	Total
As at June 30, 2021						
Financial assets:						
Cash and balances with Central Bank of Egypt	4 322 381	183 787	19 790	4 864	16 047	**4 546 869**
Due from banks	13 605 968	3 716 501	224 972	139 638	76 896	**17 763 975**
Treasury bills and other governmental notes	20 901 142	165 976	-	-	-	**21 067 118**
Loans and facilities to customers	43 073 896	5 594 701	1 090 385	3	-	**49 758 985**
Financial assets classified at fair value through profit and loss	-	-	4 654	-	-	**4 654**
Financial Investments:						
- Financial Inv. classified at Fair Value through Other Comprehensive Income	11 383 088	4 673	564	-	-	**11 388 325**
- Financial Inv. classified at Fair Value through profit and loss	58 245	-	-	-	-	**58 245**
Total financial assets	**93 344 720**	**9 665 638**	**1 340 365**	**144 505**	**92 943**	**104 588 171**
Financial liabilities:						
Due to banks	83 286	208 510	5 046	294	201	**297 337**
Customers' deposits	79 414 704	8 965 877	1 254 298	142 698	80 398	**89 587 975**
Other loans	213 136	476 039	-	-	-	**689 175**
Total financial liabilities	**79 711 126**	**9 380 426**	**1 259 344**	**142 992**	**80 599**	**90 574 487**
Net of financial position	**13 633 594**	**285 212**	**81 021**	**1 513**	**12 344**	**14 013 684**
Credit related commitments	**6 020 365**	**3 053 742**	**3 973 657**	**274 746**	**49 891**	**13 369 401**
As at 31 December 2020						
Total financial assets	**87 934 969**	**9 688 517**	**1 338 079**	**156 194**	**88 747**	**99 206 506**
Total financial liabilities	**75 385 718**	**9 463 870**	**1 232 855**	**153 459**	**87 317**	**86 323 219**
Net of financial position	**12 549 251**	**224 647**	**105 224**	**2 735**	**1 430**	**12 883 287**
Credit related commitments	**5 651 255**	**2 634 853**	**4 490 728**	**257 146**	**40 810**	**13 074 792**

3.B.4. Interest rate risk

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

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

As at June 30, 2021	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial assets:							
Cash and balance with Central Bank of Egypt	-	-	-	-	-	4 546 869	**4 546 869**
Due from banks	13 455 663	4 256 818	-	-	-	51 494	**17 763 975**
Treasury bills and other governmental notes	6 074 571	1 141 449	13 851 098	-	-	-	**21 067 118**
Loans and facilities to customers	33 702 365	1 684 664	4 284 644	7 840 439	2 140 937	105 936	**49 758 985**
Financial assets classified at fair value through profit and loss	4 654	-	-	-	-	-	**4 654**
Financial Investments:							
- Financial Inv. classified at Fair Value through Other Comprehensive Income	-	2 000 000	2 000 006	7 352 122	36 197	-	**11 388 325**
- Financial Inv. classified at Fair Value through profit and loss	-	-	-	58 245	-	-	**58 245**
Other financial Inv.	-	-	-	-	-	884 984	**884 984**
Total financial assets	**53 237 253**	**9 082 931**	**20 135 748**	**15 250 806**	**2 177 134**	**5 589 283**	**105 473 155**
Financial liabilities:							
Due to banks	65 033	-	-	-	-	232 304	**297 337**
Customers' deposits	32 908 744	18 362 935	2 528 906	23 658 644	13 865	12 114 881	**89 587 975**
Other loans	28 240	75 651	119 162	452 189	13 933	-	**689 175**
Other financial liabilities	-	-	-	-	-	316 100	**316 100**
Total financial liabilities	33 002 017	18 438 586	2 648 068	24 110 833	27 798	12 663 285	**90 890 587**
The interest gap re-pricing	20 235 236	(9 355 655)	17 487 680	(8 860 027)	2 149 336	(7 074 002)	**14 582 568**
As at 31 December 2020							
Total financial assets	**52 285 133**	**22 713 026**	**7 977 981**	**10 068 318**	**1 558 956**	**5 685 971**	**100 289 385**
Total financial liabilities	**34 716 432**	**21 882 409**	**2 841 881**	**15 453 249**	**50 606**	**11 657 802**	**86 602 379**
Interest gap re-pricing	**17 568 701**	**830 617**	**5 136 100**	**(5 384 931)**	**1 508 350**	**(5 971 831)**	**13 687 006**

3.C. Liquidity risk

The liquidity risk is the risk that the bank is unable to meet its commitments associated with its financial obligations at maturity date and replacing the funds that withdrawn; and that may result of failure in meeting obligations related to repayment of the depositor's funds or meeting the borrowing commitments.

- **Liquidity risk management**

  The processes of liquidity risk control carried by Assets and Liabilities management department in the bank include the following:

  - The daily funding is managed by monitoring and controlling the future cash flows to ensure the ability to fulfill all obligations and requirements. This includes replenishment of funds as they mature or is borrowed by customers. The bank maintains an active presence in the global money markets to ensure achievement of this target.

- Maintaining a portfolio of highly marketable assets, which can easily be liquidated to meet any unexpected interruption in cash flows.
- Monitoring liquidity ratios compared to the internal requirements of the bank and the Central Bank of Egypt's requirements.
- Management of concentration and list of the debt maturities.

For the purpose of monitoring and reporting take the form of cash flow measurement and projections for the next day, week, and month respectively, which is main period for managing liquidity. The starting point for these projections represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.

Assets and Liabilities management department controls the unmatched medium-term assets, the level and type of the unutilized portion of loans' commitments, the extent of utilizing overdraft accounts advances and the impact of contingent liabilities such as letters of guarantees and letters of credit.

- **Financing approach**

Liquidity resources, reviewed by a separate team in the Assets and Liabilities management department of the bank to provide a wide variety of currencies, geographical regions, resources, products, and maturities.

- **Non-derivative cash flows**

The following table represents the cash flows payable by the method of non-derivative financial liabilities distributed based on remaining period from the contractual maturities on the financial position date. The amounts presented in the table represent the undiscounted contractual cash flows while the bank manages the liquidity risk based on "expected" instead of contractual undiscounted cash flows.

EGP 000

June 30, 2021	**Up to 1 month**	**1-3 months**	**More than 3 months -1 year**	**1-5 years**	**More than 5 years**	**Total**
Financial liabilities (According to original amount + Interest)						
Due to banks	307 603	24	-	-	-	**307 627**
Customers' deposits	44 408 473	4 603 690	7 729 672	42 721 481	20 148	**99 483 464**
Other loans	265 993	27 795	79 380	337 841	14 171	**725 180**
Other financial liabilities	316 100	-	-	-	-	**316 100**
Total financial liabilities according to contractual maturity date	**45 298 169**	**4 631 509**	**7 809 052**	**43 059 322**	**34 319**	**100 832 371**
Total financial assets according to contractual maturity date	**34 416 127**	**13 974 578**	**30 918 148**	**31 745 838**	**8 372 211**	**119 426 902**

EGP 000

Dec. 31, 2020	Up to 1 month	1-3 months	More than 3 months -1 year	1-5 years	More than 5 years	Total
Financial liabilities (According to original amount + Interest)						
Due to banks	471 989	42	-	-	-	**472 031**
Customers' deposits	41 870 856	4 985 359	10 056 832	36 631 371	30 250	**93 574 668**
Other loans	328 627	28 439	80 932	402 648	28 618	**869 264**
Other financial liabilities	279 160	-	-	-	-	**279 160**
Total financial liabilities according to contractual maturity date	**42 950 632**	**5 013 840**	**10 137 764**	**37 034 019**	**58 868**	**95 195 123**
Total financial assets according to contractual maturity date	**34 982 152**	**26 511 160**	**16 650 778**	**26 921 850**	**7 536 407**	**112 602 347**

The assets available to meet all liabilities and to hedge commitments related to loans include cash and balances with Central Bank, due from banks, treasury bills and other governmental bills and loans and facilities to banks and customers. In the normal course of business, a proportion of customer loans contractually repayable within one year extended through normal business of bank. The bank has the ability to meet unexpected net cash flows through selling financial securities as well as raising other funding resources.

- **Off-balance sheet items**

  The following is according to Note no. (36.C.)

EGP 000

June 30, 2021	**Less than 1 year**	**1-5 years**	**Total**
Commitments of loans and facilities for customers	9 140 210	-	**9 140 210**
Financial guarantees, accepted bills and other financial facilities	13 369 401	-	**13 369 401**
Capital commitments due to fixed assets' acquisition	63 768	-	**63 768**
Total	**22 573 379**	**-**	**22 573 379**

EGP 000

Dec. 31, 2020	**Less than 1 year**	**1-5 years**	**Total**
Commitments of loans and facilities for customers	7 352 204	-	**7 352 204**
Financial guarantees, accepted bills and other financial facilities	13 074 792	-	**13 074 792**
Capital commitments due to fixed assets' acquisition	117 630	-	**117 630**
Total	**20 544 626**	**-**	**20 544 626**

3.D. The fair value of financial assets and liabilities

3.D.1. Financial instruments measured at fair value by applying valuation methods

The change in estimated fair value by applying valuation methods has reached EGP 3.6 million in the fiscal year ended 31 December 2020.

Financial instruments not measured at fair value

The following table summarizes the present value and the fair value of financial assets and liabilities, not presented in the bank's statement of financial position at fair value:

EGP 000

	June 30, 2021		Dec. 31, 2020	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial Assets:				
Due from banks	17 763 975	17 763 975	13 609 262	13 609 262
Loans and facilities to customers:				
Current balances	27 220 646	27 220 646	26 013 898	26 013 898
Financial liabilities:				
Due to banks	297 337	297 337	498 980	498 980
Customers' deposits:				
Current balances	22 300 064	22 300 064	23 966 745	23 966 745
Other loans	689 175	689 175	813 443	813 443

- **Due from banks**
  The fair value of the Due from banks is the book value where all Due from banks mature within a year.

- **Loans and facilities to banks**
  Loans and facilities to banks represented in loans other than deposits with banks. The expected fair value for loans and facilities represents the discounted value of future cash flows expected for collection. Cash flows discounted by adopting the current market rate to determine the fair value.

- **Loans and facilities to customers**
  Loans and facilities presented in net after discounting the impairment loss provision. Loans and facilities to customers; are divided to current and non-current balances and the book value of current balances is equal to the fair value but it is difficult to obtain the fair value of non-current balances.

- **Due to banks**
  The fair value of the due to banks is the book value where all due to banks mature within a year.

- **Customers' deposits**
  Customers' deposits are divided to current and non-current balances and the book value of current balances is equal to the fair value while could not obtain the present value of non-current balances.

3.E. Capital Management

For capital management purposes, the bank's capital includes total equity as reported in the financial position in addition to other elements that are managed as capital. The bank manages its capital to ensure the following objectives are achieved:

- Comply with the legal capital requirements in Arab Republic of Egypt and in countries where the bank's branches operate.
- Protect the bank's ability to continue as going concern and enabling it to continue in generating return to shareholders and other parties dealing with the bank.
- Maintain a strong capital base that supports the growth of business.
- Capital adequacy and capital utilizations according to the regulator requirements (the Central Bank of Egypt in Arab Republic of Egypt); are reviewed and monitored by the bank's management through models, which depend on the guidelines developed by the Basel Committee as implemented by the Banking Supervision. Required information is submitted to the Central Bank of Egypt on a quarterly basis.

Central Bank of Egypt requires each bank to do the following:

- Maintaining an amount of EGP 500 million as a minimum requirement for the issued and paid-up-capital.
- Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk-weighted assets and contingent liabilities of the Bank.

The overseas bank's branches outside Arab Republic of Egypt are subject to the supervision rules regulating banking business in the countries where they operate.

In accordance with the requirements of Basel II, the numerator of the capital adequacy ratio consists of the following two tiers:

Tier One:

A. Ongoing capital:

Consists of issued and paid-up share capital, legal, statutory and capital reserve and retained earnings (retained losses) and approved interim earnings excluding the following: -

- Treasury Shares
- Good Will
- Bank investments in financial companies (Banks and Companies) and insurance companies [more than 10% or more of the company's issued capital].
- Increase in all bank investments where each investment individually is less than 10% of the company's issued capital for the value of 10% of ongoing capital after regulatory amendments (capital base before excluding investments in financial companies and insurance companies).

The following elements are not considered: -

- Fair value reserve of financial investments available for sale (If negative).
- Foreign currency translation differences reserve (If negative).
- Where the above items are deducted from Basic capital if the balance is negative while it's not considered if it is positive.

B. Additional ongoing capital:

It consists of permanent non-cumulative preferred shares, interim quarterly profit (loss), minority rights and the difference between the nominal value and the current value of supplementary loans (deposits).

Interim profits are recognized only after approval of the auditor and the General Assembly approval of the distributions and the approval of CBE, banks are permitted to include the periodical net profits to the capital base after a limited review performed by the external auditors for the financial statements of the bank, interim losses are deducted without conditions.

Tier Two:

Consists of the following: -

- 45% of the increase in fair value above the book value of financial investments (FVOCI fair value reserve if positive, and investments in associates and subsidiaries).
- 45% of the special reserve.
- 45% of positive foreign currency translation differences reserve.
- Hybrid financial instruments.
- Supplementary loans (deposits).
- Impairment loss provision of loans and contingent liabilities (must not exceed 1.25% of the total credit risk of performing assets and contingent liabilities weighted by risk weights, thus, the impairment loss provision should be sufficient to meet the obligations for which the provision is allocated).

Exclusions of 50% of Tier I and 50% Tier II:

- Investments in non-financial companies (each individual) 15% or more of Basic ongoing capital of the bank before the regulatory amendments.
- Total value of bank investments in non-financial companies (each individual) less than 15% of base ongoing capital before regulatory amendments, these investments must exceed (collectively) 60% of ongoing base capital of the bank before the regulatory amendments.
- Securitization portfolio.
- The share (in general banking risks reserve) of assets reverted to the Bank in settlement of debts.

When calculating the total numerator of capital adequacy, it should be noted that supplementary loans (deposits) must not exceed 50% of Tier I after exclusions.

Assets and contingent liabilities are likely weighted by credit risk weights, market risk and operating risks.

The bank has committed all of the domestic capital requirements over the past two years, the following table summarizes the components of basic and additional capital ratios and capital adequacy according to Basel II requirements at the end of 30 June 2021, 31 December 2020:

Capital	**June 30, 2021**	**Dec. 31, 2020**
Tier one (Ongoing basic capital)	**EGP 000**	**EGP 000**
Share capital	800 000	800 000
General reserve	29 312	29 312
Legal reserve	400 000	400 000
Other reserves	707 346	707 311
General Risks' Reserve	35 135	35 135
Retained earnings	8 236 507	6 049 340
Total Accumulated Other Comprehensive income	581 252	628 789
Profit for the Q2\ year	274 874	2 211 719
Total ongoing basic capital	**11 064 426**	**10 861 606**

	June 30, 2021	**Dec. 31, 2020**
	EGP 000	**EGP 000**
Tier two (Supplementary basic capital)		
Equivalent to general risks provisions	583 680	556 017
Total supplementary basic capital	**583 680**	**556 017**
Total capital	**11 648 106**	**11 417 623**
Risk weighted assets and contingent liabilities:		
Credit Risk	46 694 447	44 481 339
Market Risk	32 190	23 188
Operation Risk	10 076 648	10 076 648
Total risk weighted assets and contingent liabilities	**56 803 285**	**54 581 175**
Capital adequacy ratio (%)	**20.51 %**	**20.92 %**

3.E.1. Financial leverage ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on July 7, 2015 special supervisory instructions related to leverage ratio of maintaining a minimum level of leverage ratio of 3% to be reported on a quarterly basis as follows:

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

This ratio will be included in Basel requirement tier1 (minimum limit of capital adequacy ratio) in order to maintain the effectiveness of the Egyptian Banking system, as well as keep up with the best international regulatory practices.

Financial leverage ratio reflects the relationship between tier I for capital that are used in capital adequacy ratio (after Exclusions) and the bank's assets (on and off-balance sheet items) that are not risk weighted assets.

Ratio Components

The numerator components

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

The denominator components

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

1- On balance sheet exposure items after deducting Tier I Exclusions for capital base.
2- Derivatives contracts exposure.
3- Financing Financial securities operations exposures.
4- off-balance sheet exposures "weighted exchange transactions".

The Financial leverage ratio as of 30 June 2021 and 31 December 2020 is summarized in the following table:

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
First: Tier I capital after exclusions	11 064 426	10 861 606
Total on-balance sheet exposures items (1)	**104 932 943**	**100 120 171**
Total contingent liabilities	6 889 845	6 665 820
Total commitments	1 996 365	1 680 403
Total exposures off-balance sheet (2)	**8 886 210**	**8 346 223**
Total exposures on and off-balance sheet (1+2)	**113 819 153**	**108 466 394**
Financial leverage ratio	**9.72 %**	**10.01 %**

4. The significant accounting estimates and assumptions

The bank applies estimates and assumptions, which affect the amounts of assets and liabilities disclosed in the next fiscal year. The estimates and assumptions are continuously assessed based on historical experience and other factors as well, including expectations of future events, which are considered reasonable in light of the available information and surrounding circumstances.

4.A. Impairment loss on loans and facilities (Expected Credit Losses)

The bank reviews the portfolio of loans and facilities to assess the impairment on a quarterly basis at least. The bank determines at its own discretion whether the impairment charges should be recorded in the income statement, in order to know if there is any reliable data referring to the existence of a measurable decline in the expected future cash flows of the loan portfolio, before identifying the decline of the level of each loan in the portfolio. Such evidence may include observable data referring to a negative change in the ability of a borrower's portfolio to repay the bank, or to local or economic circumstances related to default in the bank's assets.

Upon scheduling the future cash flows, the management use estimates based on prior loss experience for assets with same credit risk characteristics, in the presence of objective evidence, which refers to impairment similar to those included in the portfolio. The method and assumptions used in estimating both the amount and timing of future cash flows are reviewed on a regular basis to minimize any differences between estimated and actual losses based on experience. If the net present value of estimated cash flows differs by +/-5%, then the estimated impairment loss provision will increase or decrease by EGP 51 428 thousand of the formed provisions.

4.B. Fair value of derivatives

Fair values of derivative financial instruments not quoted in active markets are determined by using valuation methods. When these methods are used to determine the fair value, they are tested and reviewed periodically by qualified personnel who are independent of the body that prepared them. All such models have been approved before being used and after being tested to ensure that their results reflect actual data and prices that can be compared with the market to the extent that is deemed practical. Reliable data is only used in these models; however; areas such as credit risk related to the bank and counterparties, volatility or correlations require the management to use estimates. Changes in assumptions surrounding these factors may affect the fair value of the disclosed financial instruments.

4.C. Income tax

The bank records the liabilities of the expected results of tax examination according to the estimates of the probability of the emergence of additional tax. When there is a discrepancy between the final result of the Tax Authority and the amounts previously recorded, then these discrepancies will affect the income tax and deferred tax provision for the period, in which the discrepancy has been identified.

5. Segment analysis

5.A. Business segment analysis

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

Large, medium and small enterprises (SMEs)
They include the activities of current accounts, deposits, overdraft accounts, loans, credit facilities and financial derivatives.

Investments
It includes the activities of companies' mergers, the purchase of investments; the financing of company restructuring and financial instruments.

Retail
They include the activities of current and savings accounts, deposits, credit cards, personal loans, and mortgage loans.

Other activities
They include other types of banking business activities such as treasury management.

Transactions between the segmental activities are made in accordance with the bank's ordinary course of business and include operational assets and liabilities as presented in the bank's statement of financial position.

June 30, 2021	**Corporate**	**Medium and small enterprises**	**Investment**	**Retail**	**Other activities**	**Total**
Income and expenses according to segmental business activity						
Business activity income	933 120	747 189	20 589	4 554 192	(272 791)	**5 982 299**
Business activity expenses	(593 027)	(483 918)	(30 368)	(3 782 526)	1 524 355	**(3 365 484)**
Results of activity business	340 093	263 271	(9 779)	771 666	1 251 564	**2 616 815**
Unclassified expenses	-	-	-	-	(657 523)	**(657 723)**
Profit before income tax of the period	340 093	263 271	(9 779)	771 666	593 841	**1 959 092**
Income tax	(104 355)	(80 784)	3 000	(236 784)	(182 218)	**(601 141)**
Profit for the period	**235 738**	**182 487**	**(6 779)**	**534 882**	**411 623**	**1 357 951**
Assets and liabilities according						
To segmental business activity as at June 30, 2021						
Business activity Assets	18 164 167	8 190 369	726 247	23 404 449	56 915 969	**107 401 201**
Business activity liabilities	7 564 648	7 325 938	-	74 795 044	17 715 571	**107 401 201**
Results of activity business						
Depreciations	-	-	-	-	(108 790)	**(108 790)**
Impairment for other provisions on income statement	-	-	-	-	(281 397)	**(281 397)**

June 30, 2020	**Corporate**	**Medium and small enterprises**	**Investment**	**Retail**	**Other activities**	**Total**
Income and expenses according to segmental business activity						
Business activity income	929 562	668 040	10 231	5 093 824	(567 371)	**6 134 286**
Business activity expenses	(592 860)	(463 238)	(37 873)	(4 195 279)	1 621 530	**(3 667 720)**
Results of activity business	336 702	204 802	(27 642)	898 545	1 054 159	**2 466 566**
Unclassified expenses	–	–	–	–	(633 331)	**(633 331)**
Profit before income tax of the period	336 702	204 802	(27 642)	898 545	420 828	**1 833 235**
Income tax	(85 202)	(51 825)	6 994	(227 375)	(106 489)	**(463 897)**
Profit for the period	**251 500**	**152 977**	**(20 648)**	**671 170**	314 339	**1 369 338**
Assets and liabilities according						
to segment business activity as at Dec. 31, 2020						
Business activity Assets	17 046 545	7 687 865	727 736	23 229 737	53 549 402	**102 241 285**
Business activity liabilities	5 835 924	6 822 337	–	72 320 963	17 262 061	**102 241 285**
Other items of business segment						
Depreciations	–	–	–	–	(109 211)	**(109 211)**
Impairment for other provisions on income statement	–	–	–	–	(108 736)	**(108 736)**

5.B. Geographical Segment Analysis

EGP 000

June 30, 2021	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Income and expenses according to geographical segment analysis				
Geographical segment Income	4 272 181	1 123 118	587 000	**5 982 299**
Geographical segment expense	(2 279 110)	(1 148 356)	(595 741)	**(4 023 207)**
Profit before income tax of the period	1 993 071	(25 238)	(8 741)	**1 959 092**
Income tax	(611 567)	7 744	2 682	**(601 141)**
Profit for the period	**1 381 504**	**(17 494)**	**(6 059)**	**1 357 951**
Assets and liabilities according to geographical segment as at June 30, 2021				
Geographical segment assets	82 122 277	17 034 526	8 244 398	**107 401 201**
Geographical segment liabilities	48 859 134	37 935 336	20 606 731	**107 401 201**
Other items of geographical segment items				
Depreciations	(108 790)	-	-	**(108 790)**
Impairment and other provisions on income statement	(281 397)	-	-	**(281 397)**

June 30, 2020	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Income and expenses according to geographical segment analysis				
Geographical segment Income	4 585 914	1 025 801	522 571	**6 134 286**
Geographical segment expense	(2 193 796)	(1 358 350)	(748 905)	**(4 301 051)**
Profit before income tax of the period	2 392 118	(332 549)	(226 334)	**1 833 235**
Income tax	(605 321)	84 151	57 273	**(463 897)**
Profit for the period	**1 786 797**	**(248 398)**	**(169 061)**	**1 369 338**
Assets and liabilities according to geographical segment as at Dec. 31, 2020				
Geographical segment assets	77 533 510	16 627 787	8 076 897	**102 238 194**
Geographical segment liabilities	46 041 070	36 091 939	20 105 185	**102 238 194**
Other items of geographical segment				
Depreciations	(109 211)	-	-	**(109 211)**
Impairment and other provisions on income statement	(108 736)	-	-	**(108 736)**

6. Net interest income

	For the period from 1/4/2021 to 30/6/2021 EGP 000	For the period from 1/1/2021 to 30/6/2021 EGP 000	For the period from 1/4/2020 to 30/6/2020 EGP 000	For the period from 1/1/2020 to 30/6/2020 EGP 000
Interest income on loans and similar income:				
Loans and advances to:	1 267 688	2 493 522	1 132 744	2 402 781
Treasury bills and bonds	1 080 584	2 141 667	1 031 424	1 884 968
Current accounts and Term deposits	318 192	611 553	437 072	1 321 241
Total	**2 666 464**	**5 246 742**	**2 601 240**	**5 608 990**
Interest expense on deposits and similar expenses:				
Current accounts and deposits to:				
– Banks	(1 715)	(4 488)	(53)	(1 205)
– Customers	(1 112 084)	(2 153 218)	(1 164 174)	(2 695 600)
Total	**(1 113 799)**	**(2 157 706)**	**(1 164 227)**	**(2 696 805)**
Other loans	(5 893)	(12 277)	(9 920)	(19 972)
Total	**(1 119 692)**	**(2 169 983)**	**(1 174 147)**	**(2 716 777)**
Net Interest Income	**1 546 772**	**3 076 759**	**1 427 093**	**2 892 213**

7. Net fee and commission income

	For the period from 1/4/2021 to 30/6/2021 EGP 000	For the period from 1/1/2021 to 30/6/2021 EGP 000	For the period from 1/4/2020 to 30/6/2020 EGP 000	For the period from 1/1/2020 to 30/6/2020 EGP 000
Fee and commission income:				
- Fee and commissions related to credit	134 192	274 151	79 697	180 105
- Financing services fee (corporate)	-	2	14	31
- Custody fee	753	2 406	1 177	4 368
- Other fee	160 244	296 310	109 860	242 076
Total	**295 189**	**572 869**	**190 748**	**426 580**
Fee and commission expense				
- Other fee paid	(69 302)	(165 639)	(80 773)	(154 261)
Total	**(69 302)**	**(165 639)**	**(80 773)**	**(154 261)**
Net income from fee and commission	**225 887**	**407 230**	**109 975**	**272 319**

8. Dividend income

	For the period from 1/4/2021 to 30/6/2021	For the period from 1/1/2021 to 30/6/2021	For the period from 1/4/2020 to 30/6/2020	For the period from 1/1/2020 to 30/6/2020
Net income from:	**EGP 000**	**EGP 000**	**EGP 000**	**EGP 000**
- Investments at fair value through other comprehensive income	3 738	3 738	2 639	2 639
- Investments at fair value through profit and loss	10	10	-	-
	3 748	**3 748**	**2 639**	**2 639**

9. Net income from Financial assets classified at Fair Value through profit and loss

	For the period from 1/4/2021 to 30/6/2021 EGP 000	For the period from 1/1/2021 to 30/6/2021 EGP 000	For the period from 1/4/2020 to 30/6/2020 EGP 000	For the period from 1/1/2020 to 30/6/2020 EGP 000
Net income (losses) from:				
- Equity instruments	180	1 252	694	(2 133)
Total	**180**	**1 252**	**694**	**(2 133)**

10. Net trading income

	For the period from 1/4/2021 to 30/6/2021 EGP 000	For the period from 1/1/2021 to 30/6/2021 EGP 000	For the period from 1/4/2020 to 30/6/2020 EGP 000	For the period from 1/1/2020 to 30/6/2020 EGP 000
Foreign currency transactions:				
- Profit from Foreign exchange trading	26 993	55 429	19 396	42 776
- (Loss) from currency forward deals revaluation	(642)	(1 434)	(537)	(1 044)
Total	**26 351**	**53 995**	**18 859**	**41 732**

11. Administrative expenses

	For the period from 1/4/2021 to 30/6/2021 EGP 000	For the period from 1/1/2021 to 30/6/2021 EGP 000	For the period from 1/4/2020 to 30/6/2020 EGP 000	For the period from 1/1/2020 to 30/6/2020 EGP 000
Employees cost:				
- Salaries and Wages	(258 926)	(521 606)	(248 278)	(494 003)
- Social Insurance	(17 841)	(35 190)	(16 920)	(33 874)
Pension cost:				
- Defined-benefit plans (Note no.31)	(67 579)	(134 415)	(59 567)	(119 134)
- Other Retirement benefits *	-	-	-	-
	(344 346)	**(691 211)**	**(324 765)**	**(647 011)**
Other administrative expenses	(328 058)	(657 722)	(321 029)	(633 330)
Total	**(672 404)**	**(1 348 933)**	**(645 794)**	**(1 280 341)**

12. Other operating revenues / (expenses)

	For the period from 1/4/2021 to 30/6/2021 EGP 000	For the period from 1/1/2021 to 30/6/2021 EGP 000	For the period from 1/4/2020 to 30/6/2020 EGP 000	For the period from 1/1/2020 to 30/6/2020 EGP 000
- Revaluation gain of assets and liabilities balances in foreign currencies with monetary nature other than held for trading or classified at inception at fair value through profit and loss	25 951	51 146	20 490	37 413
- Gains from the disposal of the assets reverted to the Bank	-	9 445	-	7 991
- Gains from sale of fixed assets	-	1	-	-
- Rents	(28 664)	(56 100)	(20 404)	(40 162)
- Operating and finance lease	-	-	(387)	(387)
- Recovery / (Charges) of Impairment on other provisions (Note 29)	(12 741)	(34 018)	8 470	6 660
- Others	17 324	29 935	3 934	6 339
Total	**1 870**	**409**	**12 103**	**17 467**

13. Impairment (Charge) / Recovery for Credit losses

	For the period from 1/4/2021 to 30/6/2021 EGP 000	For the period from 1/1/2021 to 30/6/2021 EGP 000	For the period from 1/4/2020 to 30/6/2020 EGP 000	For the period from 1/1/2020 to 30/6/2020 EGP 000
- Loans and advances to customers (Note no. 18)	19 055	(249 691)	(184 043)	(134 651)
- Recovery of Impairment of due from banks balances	337	1 156	16 161	16 733
- Recovery of Impairment on government treasury bonds	-	-	68	68
- Recovery of Impairment on government treasury bills	-	-	2 454	2 454
Total	**19 392**	**(248 535)**	**(165 360)**	**(115 396)**

14. Income tax expenses

	For the period from 1/4/2021 to 30/6/2021 EGP 000	For the period from 1/1/2021 to 30/6/2021 EGP 000	For the period from 1/4/2020 to 30/6/2020 EGP 000	For the period from 1/1/2020 to 30/6/2020 EGP 000
- Current taxes	(346 150)	(625 010)	(245 074)	(557 253)
- Deferred income taxes (Note no. 31)	10 818	23 869	(5 124)	93 356
Total	**(335 332)**	**(601 141)**	**(250 198)**	**(463 897)**

Tax Position

Bank Tax Policy

The Bank calculates and pay tax due in accordance with the applicable laws, rules and regulations issued from Egyptian Tax Authority, and create provisions for all tax liabilities after conducting the required study considering the actual and forecast tax claims.

Following is the Bank's tax position:

A. Corporate Income Tax:

- Financial years till Y2016; Inspections had been finished and the bank received Form (9) without any tax liability.
- Financial Y2017; Inspection had been finished and received Form (19) and bank is following up with Large Tax Payers center to receive Form (9).
- Financial Y2018; Tax declaration presented to tax authority after tax due got paid in legal dates as well as comprehensive health insurance, currently following up with Large tax payers center to start inspection.
- Financial Y2019; Tax declaration presented to tax authority after tax due got paid in legal dates as well as comprehensive health insurance, currently following up with Large tax payers center to start inspection (after enforcement of law no.10 for year 2019 for treasury bills and bonds has been subject to independent tax pool and calculating their costs according to the law and applying IFRS 9 regarding provision that diverted from reserves of tax due and comprehensive health insurance law is paid).
- Financial Y2020 tax declaration presented to tax authority after tax due got paid in legal dates as well as comprehensive health insurance.
- Period ended in 30 June 2021; Tax due has been calculated according to Law No.91 for year 2005 and its amendments and affect the financial statements.

B. WHT "Withholding tax"

- In light of tax authority instructions, withholding tax must be submitted digitally the date of third quarter 2019 Starting from that taxes get paid from 1 OCT 2019 without submitting any paper forms.

C. Offshore tax on non-Resident

- The bank committed to apply deducting tax due at rate of 20% to tax authority on rendered services to nonresident and issuing certificate from International tax treaties to each supplier to apply double tax convention agreement.

D. Stamp Tax Duty

First: The status of Stamp Tax Duty before the period from the application of Law No. 143 of 2006.

In light of Tax law, No.79 for year 2016 regarding ending of tax disputes, Alex bank` s Legal department provided requests for ending disputes in legal dates regarding the outstanding disputes in the competent courts. The law has been renewed by law No. 14

for FY 2018 which is effective from the date of Feb 28, 2018, noting that the bank has not signed the protocol between Ministry of Finance and Federation of Egyptian banks.

Second: **The status of Stamp Duty Tax after the period from the application of Law No. 143 of 2006.**

As per the signed protocol between the Federation of the Egyptian Banks and the tax authority, executive instructions No.61 for the year 2015 were issued on 16 December 2015 regarding Stamp duty for banks as follows:

1- Calculate stamp duty for non-Performing clients on Bank portion only not on client's portion, in case the bank made a settlement with their non-performing clients at any later stage; the bank commits to pay tax due on the reimbursement from these debtors from the first quarter the debt arose or since the application of law no. 143 of 2006 abreast of each repayment according to settlement.
2- Calculate stamp duty regarding balances of payments that bank granted to their clients by the provision of article 10 and 41 of Investment law no.72 of 2017 on the bank portion with any exemption for client portion.

Therefore, the following actions were taken:

- FY from 1-8-2006 till 31-3-2013: Tax inspection has been finished.
- FY from 1-4-2013 till 31-12-2018: Tax inspection has been finished.
- FY ended 31 Dec 2019: all stamp tax due at this year has been paid in accordance with the law and the inspection requirement were provided to large tax payers center, currently following up the inspection result.
- FY ended 31 Dec 2020; all stamp duty tax till end of the period has been paid in legal dates.
- Period from 1 Jan 2021 to 31 June 2021; all stamp duty tax declarations has been presented digitally and has been paid within legal dates.

Third: **Fiscal stamp**

- Alex bank has calculated the fiscal stamp tax due automatically upon the creation current accounts, saving accounts, certificates deposits and time deposits issuance for clients instead of attaching stamp on the forms and stamp tax due get paid quarterly to large tax payers.

E. Real estate tax

- Regarding to the Real estate tax law no. 196 of 2008 that was amended with law no. 117 of 2014 as the following:
- In respect of Property tax on owned building, Alex bank paid real estate tax according to tax claims therefore the real estate tax of owned building has been paid from 1/07/2013 till 30/6/2021 in accordance with Real estate tax law that comply with the housing and development bank`s estimates.
- The bank appealed in legal dates on the overestimated claims with Housing and Development bank estimates.
- In respect of the leased premises, which the lease agreement provides for the bank to burden real estate tax, all the claims received from these buildings have been paid till 30/6/2021.

- The bank has been submitted real estate tax return for all premises (rented – owned) to real estate tax authority that's before 31-12-2020.

F. Value Added Tax

- In accordance with Law No. 67 of 2016 and agreed between the Federation of Egyptian bank and The Central Bank of Egypt, the banks aren't subject to Value added tax as The Central Bank has the right to determine the taxable activities. The Banks pays value added tax for imported services from abroad (reverse charges) and pay tax due in legal dates till 30/06/2021.
- The bank received a letter from Large tax payers requires a detailed statement of the value of the transactions to which applies on article rule No. 32 special for reverse charges for period from Dec.2016 till Dec.2019, and the data were provided to large tax payers center to start the inspection process.

G. Payroll Tax

- Large tax payers center re-inspected payroll tax for Y2005 till Y2014 and reinspection result has been approved for FY from 2005 till 2012 and inspected FY from Y2013 till Y2014 and receiving paper forms, Alex bank received tax research department letter which indicating the bank`s right to benefit from applying law no.174 for 2018 regarding late penalties of Y2005 Till Y2012 and the letter has been submitted to Large Tax payers center.
- Period from Y2015 till Y2019: Alex bank has received inspection request from Large tax payers center, currently following up with inspection requirements.

15. Basic earnings per share

	For the period from 1/4/2021 to 30/6/2021 EGP 000	**For the period from 1/1/2021 to 30/6/2021** EGP 000	**For the period from 1/4/2020 to 30/6/2020** EGP 000	**For the period from 1/1/2020 to 30/6/2020** EGP 000
Net profit for the period	819 208	1 357 951	508 536	1 369 338
Banking System Support and Development Fund share	(8 192)	(13 579)	-	-
Staff profit share (from the period net profit)	(81 921)	(135 795)	(50 854)	(136 934)
Shareholders' share in net profit of the period (1)	**729 095**	**1 208 577**	**457 682**	**1 232 404**
The weighted average of the ordinary issued shares (2) "shares in thousands"	**400 000**	**400 000**	**400 000**	**400 000**
Basic earnings per share (in EGP) (1:2)	**1.82**	**3.02**	**1.14**	**3.08**

16. Cash and balances with Central Bank of Egypt

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Cash	2 158 316	1 657 650
Balances at Central bank within the mandatory reserve ratio*	2 388 553	2 817 884
	4 546 869	**4 475 534**
Non-interest-bearing balances	4 546 869	**4 475 534**

* Represented in the amounts deposited with the Central Bank of Egypt in the context of the rules of the calculation of 14% as a mandatory reserve, which is non-bearing interest.

17. Due from Banks

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Current accounts	121 670	130 141
Deposits	17 659 703	13 497 732
Less: Allowance for impairment loss provision	(17 398)	(18 611)
Total	**17 763 975**	**13 609 262**
Central banks other than the obligatory reserve ratio *	14 580 634	11 014 348
Local banks	644 557	246 617
Foreign banks	2 556 182	2 366 908
Less: Allowance for impairment loss provision **	(17 398)	(18 611)
Total	**17 763 975**	**13 609 262**
Balances without interest	51 494	39 565
Balances with fixed return	4 112 481	3 595 697
Balances with variable return	13 600 000	9 974 000
Total	**17 763 975**	**13 609 262**
Current balances	16 787 140	12 568 914
Non-current balances	976 835	1 040 348
Total	**17 763 975**	**13 609 262**

* Including the amount of EGP 976 835 thousand, as the Bank shall maintain, as per the instructions of the Central Bank of Egypt, 10% of the customers' deposits in foreign currencies as a return-generating reserve with the CBE.

Analysis for impairment provision of due from banks balances:

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Beginning Balance for the period / year	18 611	34 462
Recovery of impairment of provision during the period / year (Note no. 13)	(1 156)	(15 554)
Foreign currencies revaluation differences	(57)	(297)
Closing Balance	**17 398**	**18 611**

18. Loans and advances to customers

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Retail		
- Debit current accounts	385 341	445 474
- Credit cards	299 030	269 347
- Personal loans	23 542 547	23 009 122
- Mortgage loans	9 495	9 695
Total (1)	**24 236 413**	**23 733 638**
Corporate including small loans for economic activities		
- Debit current accounts	7 407 145	6 892 475
- Direct loans	18 953 634	17 834 497
- Syndicated loans	2 051 968	2 159 046
- Other loans	7 451	10 583
Total (2)	**28 420 198**	**26 896 601**
Total loans and facilities to customers (1+2)	**52 656 611**	**50 630 239**
Less:		
Impairment loss provision	(2 650 815)	(2 422 560)
Unearned discount	(5 528)	(12 511)
Interest under settlement from customer loans	(238 837)	(228 516)
Suspended interest	(2 446)	(2 506)
Net	**49 758 985**	**47 964 146**
Distributed to:		
- Current balances	27 220 646	26 013 898
- Non-current balances	22 538 339	21 950 248
	49 758 985	**47 964 146**

Impairment loss provision

An analysis of the movement in the impairment loss provision for loans and advances to customers according to types:

June 30, 2021	Overdraft accounts EGP 000	Credit Cards EGP 000	Retail Personal Loans EGP 000	Mortgage loans EGP 000	Total EGP 000
Balance at the beginning of the period	**75 504**	**12 971**	**285 089**	**2 400**	**375 964**
Impairment charge during the period	67 453	4 410	86 625	790	**159 278**
Amounts written-off during the period	(15 361)	(5 716)	(525)	-	**(21 602)**
Amounts recovered during the period *	-	494	5 414	-	**5 908**
Differences in revaluation of foreign currencies	(2)	-	-	-	**(2)**
Balance at the period end	**127 594**	**12 159**	**376 603**	**3 190**	**519 546**

	Overdraft accounts EGP 000	Direct Loans EGP 000	Corporate Syndicated Loans EGP 000	Other Loans EGP 000	Total EGP 000
Balance at the beginning of the period	**1 023 596**	**739 583**	**282 698**	**719**	**2 046 596**
Impairment charge during the period	52 336	59 781	(21 469)	(235)	**90 413**
Amounts written-off during period	(8 884)	-	-	-	**(8 884)**
Amounts recovered during period *	5 684	-	-	-	**5 684**
Differences in revaluation of foreign currencies	(1 055)	(749)	(736)	-	**(2 540)**
Balance at the period end	**1 071 677**	**798 615**	**260 493**	**484**	**2 131 269**
Total provision					**2 650 815**

Dec. 31, 2020	Overdraft accounts EGP 000	Credit Cards EGP 000	Retail Personal Loans EGP 000	Mortgage loans EGP 000	Total EGP 000
Balance at the beginning of the year	**70 985**	**2 591**	**218 572**	**999**	**293 147**
Impairment charge during the year	91 966	11 208	54 711	1 401	**159 286**
Amounts written-off during the year	(87 437)	(1 675)	(552)	-	**(89 664)**
Amounts recovered during the year *	-	847	12 385	-	**13 205**
Differences in revaluation of foreign currencies	(10)	-	-	-	**(10)**
Balance at the year end	**75 504**	**12 971**	**285 089**	**12 971**	**375 964**

	Overdraft accounts EGP 000	Direct Loans EGP 000	Corporate Syndicated Loans EGP 000	Other Loans EGP 000	Total EGP 000
Balance at the beginning of the year	**1 073 828**	**512 289**	**320 359**	**188**	**1 906 664**
Impairment charge / (recovery) during the year	157 902	228 411	(33 505)	531	**353 339**
Amounts written-off during year	(234 614)	-	-	-	**(234 614)**
Amounts recovered during the year *	31 921	-	-	-	**31 921**
Differences in revaluation of foreign currencies	(5 441)	(1 117)	(4 156)	-	**(10 714)**
Balance at the year end	**1 023 596**	**739 583**	**282 698**	**719**	**2 046 596**
Total provision					**2 422 560**

* From amounts that have been previously written off.

19. Financial assets classified at fair value through profit and loss

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Equity instruments at fair value:		
- Listed in the market	4 654	6 829
Total Equity instrument at fair value	**4 654**	**6 829**
Total Financial assets classified at fair value through profit and loss	**4 654**	**6 829**

The value represents 107 202 shares of ISP equity shares owned by the bank with the dividends to be credited to the bank account. The amount due to Italian employee's beneficiary of these shares under the Parent Company's Remuneration System for Top Management is recorded under credit balance.

20. Financial investments

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Financial assets classified at Fair Value through Other Comprehensive Income		
Debt instruments at fair value:		
Listed in the market (treasury bills and other governmental notes)	10 789 099	6 832 052
Unlisted in the market (treasury bills and other governmental notes)	21 067 118	25 666 613
Equity instruments at fair value:		
Unlisted in the market	599 212	599 212
Total financial assets classified at Fair Value through Other Comprehensive Income (1)	**32 455 443**	**33 097 877**
Financial assets classified at Fair Value through profit and loss		
Debit instruments:		
Unlisted in the market	58 245	55 949
Financial assets classified at Fair Value through profit and loss (2)	**58 245**	**55 949**
Total of Financial investments (1+2)	**32 513 688**	**33 153 826**
Current balances	31 856 217	32 498 665
Non-current balances	657 471	655 161
	32 513 688	**33 153 826**
Debt instruments with fixed interest	31 856 217	32 498 665
Debt instruments with variable interest	58 250	55 953
	31 914 467	**32 554 618**

Treasury bills and other governmental notes

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Treasury bills due 91 days	-	-
Treasury bills due 182 days	-	9 148 700
Treasury bills due 273 days	13 263 450	-
Treasury bills due 364 days	8 779 988	16 892 807
Unearned interest	(976 320)	(374 894)
Total	**21 067 118**	**25 666 613**

	Financial Assets at FVOCI EGP 000	Financial Assets at FVTPL EGP 000	Total EGP 000
Balance as at January 1, 2020	33 097 877	55 949	**33 153 826**
Additions	51 926 637	-	**51 926 637**
Disposals (sale / redemption)	(52 529 219)	-	**(52 529 219)**
Differences of valuation of assets of monetary nature in foreign currencies	(551)	-	**(551)**
Gains from changes in fair value	(47 508)	-	**(47 508)**
Fair Value Through profit and Loss	-	2 296	**2 296**
Amortized cost	8 450	-	**8 450**
Amortization of issuance discount	(243)	-	**(243)**
Balance as at June 30, 2021	32 455 443	58 245	32 513 688
Balance as at Dec. 1, 2019	**23 001 037**	**49 851**	**23 050 888**
Additions	64 860 158	1 350	**64 861 508**
Disposals (sale/redemption)	(54 745 875)	-	**(54 745 875)**
Differences of valuation of assets of monetary nature in foreign currencies	(3 327)	-	**(3 327)**
(Losses) from changes in fair value	(33 598)	-	**(33 598)**
Fair Value Through profit and Loss – Our bank Mutual funds	-	4 748	**4 748**
Amortized cost	19 508	-	**19 508**
Amortization of issuance discount	(26)	-	**(26)**
		-	
Balance as at Dec. 31, 2020	**33 097 877**	**55 949**	**33 153 826**

20.A. Gains / (Losses) from financial investments

	For the period from 1/4/2021 to 30/6/2021 EGP 000	For the period from 1/1/2021 to 30/6/2021 EGP 000	For the period from 1/4/2020 to 30/6/2020 EGP 000	For the period from 1/1/2020 to 30/6/2020 EGP 000
Gains from financial investments				
Gain (Losses) on sale of Financial assets classified at Fair Value through Profit and loss Income	129	129	-	-
Gain (Losses) on sale of Financial assets – Governmental Bills	3 122	4 496	647	5 832
Total	**3 251**	**4 625**	**647**	**5 832**

21. Investments in associates

The Bank contributions in associates are as follows:

June 30, 2021	Total shareholders' equity EGP 000	Bank's share percentage	Bank's share in shareholders' equity EGP 000
Misr International Towers Co.	199 747	27.86%	55 642
Misr Alexandria Mutual Fund Company for Financial Investments	36 178	25.00%	9 044
	235 925		**64 686**

Dec. 31, 2020	Total shareholders' equity EGP 000	Bank's Share Percentage	Bank's share in shareholders' equity EGP 000
Misr International Towers Co.	205 528	27.86%	57 252
Misr Alexandria Mutual Fund Company for Financial Investments	36 178	25.00%	9 044
	241 706		**66 296**

The financial data of associates are as follows:

June 30, 2021	Country of the Company's Head Office	Balance Sheet date	Company's Assets EGP 000	**Company's Liabilities (without shareholders' equity) EGP 000	Company's Revenues EGP 000	*Profits of the company EGP 000	Share Percentage %
Misr International Towers Co.	Egypt	31/12/2020	361 209	161 462	5 865	(19 906)	27.86%
Misr Alex Fund Co. For Fin. Inv.	Egypt	30/09/2020	46 069	9 891	5 053	(10 666)	25.00%
			407 278	**171 353**	**10 918**	**(30 572)**	

Dec. 31, 2020	*Country of the Company's Head Office	Balance Sheet date	Company's Assets	**Company's Liabilities (without shareholders' equity)	Company's Revenues	* Profits (losses) of the company	Share Percentage
			EGP 000	EGP 000	EGP 000	EGP 000	%
Misr International Towers Co.	Egypt	30/9/2020	329 581	124 053	4 378	(14 126)	27.86%
MisrAlex Fund Co. For Fin. Inv.	Egypt	30/9/2020	46 069	9 891	5 053	(10 666)	25.00%
			375 650	**133 944**	**9 431**	**(24 792)**	

** It includes the effect of decision of dividend payout (The Board members' and the employees' share).

22. Intangible assets

June 30, 2021	Computer software programs	Benefits of rental contracts	Total
	EGP 000	EGP 000	EGP 000
Cost at the beginning of the period	**646 105**	**655**	**646 760**
Additions	49 318	-	49 318
Total cost	**695 423**	**655**	**696 078**
Amortization at the beginning of the period	(498 542)	(642)	(499 184)
Amortization for the period	(48 697)	(13)	(48 710)
Accumulated amortization	**(547 239)**	**(655)**	**(547 894)**
Net book value at the end of the period	**148 184**	**-**	**148 184**

December 31, 2020	Computer Software Programs	Benefits of rental contracts	Total
	EGP 000	EGP 000	EGP 000
Cost at the beginning of the year	**543 401**	**655**	**544 056**
Additions	102 704	-	102 704
Total cost	**646 105**	**655**	**646 760**
Amortization at the beginning of the year	(391 440)	(615)	(392 055)
Amortization for the year	(107 102)	(26)	(107 128)
Accumulated amortization	**(498 542)**	**(641)**	**(499 183)**
Net book value at the year end	**147 563**	**14**	**147 577**

23. Other assets

	June 30, 2021	Dec. 31, 2020
	EGP 000	EGP 000
Accrued revenues	750 301	489 566
Prepaid expenses	153 658	100 724
Payments under purchase of fixed assets	205 706	134 631
Assets reverted to the Bank in settlement of debts (after deducting impairment)	31 325	17 622
Insurance and custodies	6 712	4 485
Others	673 300	1 345 908
Total	**1 821 002**	**2 092 936**
Less: Provisions for doubtful debts	(123 688)	(126 624)
Closing balance	**1 697 314**	**1 966 312**

24. Fixed assets

	Land and Buildings	Improvements on leased assets	Machinery and Equipment	Others	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance as at 1/1/2020					
Cost	393 653	89 869	273 535	631 990	**1 389 047**
Accumulated depreciation	(161 660)	(62 059)	(109 300)	(422 262)	**(755 281)**
Net book value at 1/1/2020	**231 993**	**27 810**	**164 235**	**209 728**	**633 766**
Additions	39 007	7 665	41 099	45 955	**133 726**
Disposals	-	-	(115)	-	**(115)**
Impairment	(1 203)	-	-	-	**(1 203)**
Depreciation for the year	(17 788)	(9 276)	(25 364)	(60 051)	**(112 479)**
Disposals' accumulated depreciation	-	-	115	-	**115**
Net Book value as at 31/12/2020	**252 009**	**26 199**	**179 970**	**195 632**	**653 810**
Balance as at 1/1/2021					
Cost	431 457	97 534	314 519	677 945	**1 521 455**
Accumulated depreciation	(179 448)	(71 335)	(134 549)	(482 313)	**(867 645)**
Net book value at 1/1/2021	**252 009**	**26 199**	**179 970**	**195 632**	**653 810**
Additions	15 943	14 395	31 421	25 800	**87 559**
Disposals	-	(1 348)	-	(10)	**(1 358)**
Depreciation for the period	(9 115)	(5 536)	(13 965)	(31 464)	**(60 080)**
Disposals' accumulated depreciation	-	1 348	-	7	**1 355**
Net Book value as at 30/06/2021	**258 837**	**35 058**	**197 426**	**189 965**	**681 286**
Balance as at 30/06/2021					
Cost	447 400	110 581	345 940	703 735	**1 607 656**
Accumulated depreciation	(188 563)	(75 523)	(148 514)	(513 770)	**(926 370)**
Net book value	**258 837**	**35 058**	**197 426**	**189 965**	**681 286**

25. Due to banks

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Current accounts	297 337	419 856
Deposits	-	79 124
Total	**297 337**	**498 980**
Local banks	27 441	58 328
Foreign banks	269 896	440 652
Total	**297 337**	**498 980**
Balances without interest	232 304	393 501
Balances with fixed interest	65 033	105 479
Total	**297 337**	**498 980**
Closing balance	**297 337**	**498 980**

26. Customers' deposits

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Demand deposits	22 612 702	19 756 359
Term and notice deposits	6 050 458	6 175 252
Certificates of deposits and savings	42 756 102	40 554 141
Savings deposits	17 699 258	18 028 038
Other deposits	469 455	497 006
	89 587 975	**85 010 796**
Corporate deposits	14 442 419	12 329 116
Retail deposits	75 145 556	72 681 680
	89 587 975	**85 010 796**
Balances without interest	12 114 881	10 985 141
Balances with variable interest	64 088 215	61 816 140
Balances with fixed interest	13 384 879	12 209 515
	89 587 975	**85 010 796**
Current balances	22 300 064	23 966 745
Non-current balances	67 287 911	61 044 051
	89 287 975	**85 010 796**

Customers' accounts include deposits amounted to EGP 990 151 thousand as at 30 June 2021 versus EGP 1 300 781 thousand as at 31 December 2020 Which represent collateral of customer loans, letters of credit, and letters of guarantee. Deposits' fair value approximately equals the present value of such deposits.

27. Other loans

	Interest Rate %	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Loan within the framework of The Agricultural Sector Development Program	3.5: 5.0	28 651	51 952
Long-term loans from CBE	3%	184 485	210 796
Sanad Loan Fund for MSME	Libor 6 month+2.85%	99 796	114 417
Loan Green for Growth Fund Tranche one amounted to USD 15 million	Libor 6 month+2.95 %	152 211	166 579
Loan Green for Growth Fund Tranche two amounted to USD 5 million	Libor 6 month+2.95%	22 409	33 717
European Bank Loan For reconstruction and development Tranche amounted USD 15 million	Libor 6 month+3.25%	201 623	235 982
Total long-term loans		**689 175**	**813 443**
Current balances		223 053	229 571
Non-current balances		466 122	583 872
		689 175	**813 443**

- The bank has fulfilled all of its loan obligations in terms of the principal, interest or any other terms and conditions during the current period and the comparative year.

28. Other liabilities

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Accrued interest	316 100	279 160
Prepaid revenues (*)	282 229	236 319
Accrued expenses	563 828	792 811
Creditors	198 129	233 163
Remittances of Egyptian workers in Iraq – due to customers	58 077	58 110
Other credit balances	746 110	604 798
	2 164 473	**2 204 231**

(*) Including an amount of EGP 965 in June 2021, represents the value of governmental grants related to Central Bank of Egypt initiatives.

29. Other provisions

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Balance at the beginning of the period / year	401 980	275 609
Differences in valuation of foreign currencies	(673)	827
Charge to income statement - (Note 13)	34 018	146 337
Used amounts during the period/year	(12 757)	(13 035)
Recovery /Transfers to doubtful amounts provisions (other assets)	2 935	(7 758)
Balance at the end of the period / year	**425 503**	**401 980**

Other provisions include of an amount of EGP 123 798 thousand at 30 June 2021 to meet contingent liabilities and contractual commitments that amount to EGP 13 369 401 thousand, versus to EGP 132 138 thousand as at 31 December 2020 to meet contingent liabilities and contractual commitments that amount to EGP 13 074 792 thousand.

30. Deferred tax liabilities

- The deferred income tax has been calculated in full on the deferred tax differences according to the liabilities method by applying the actual tax rate of 22.5% for the current financial year.

Following are the balances and the movement in deferred tax assets and liabilities:

30.A. Recognized deferred tax

	Deferred tax assets		Deferred tax liabilities	
	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Fixed assets (depreciation)	-	-	(50 161)	(54 735)
Fair value differences	-	-	(118 506)	(118 504)
Other provisions	101 380	101 073	-	-
Medical plan and pilgrimage	288 847	269 859	-	-
Total deferred tax assets (liabilities)	**390 227**	**370 932**	**(168 667)**	**(173 239)**
Net balance of (DTL) DTA	**221 560**	**197 693**		

30.B. Movement of deferred tax

	Deferred tax assets		Deferred tax liabilities	
	June 30, 2021 EGP 000	**Dec. 31, 2020 EGP 000**	**June 30, 2021 EGP 000**	**Dec. 31, 2020 EGP 000**
Balance at the Beg. of the period / year	370 932	-	(173 239)	(172 596)
Additions through profit and loss	19 295	370 932	4 575	-
Additions through equity	-	-	-	792
Excluded through profit and loss	-	-	-	(1 435)
Excluded through equity	-	-	(3)	-
Total deferred tax assets (liabilities)	**390 227**	**370 932**	**(168 667)**	**(173 239)**
Net balance of (DTL) DTA	**221 560**	**197 693**		

31. Retirement benefits obligations

	June 30, 2021 EGP 000	**Dec. 31, 2020 EGP 000**
Liabilities included in the financial position statement for:		
Post-retirement medical benefits	1 279 676	1 195 772
Total	**1 279 676**	**1 195 772**

Amounts recognized in the income statement:	**For the period from 1/4/2021 to 30/6/2021 EGP 000**	**For the period from 1/1/2021 to 30/6/2021 EGP 000**	**For the period from 1/4/2020 to 30/6/2020 EGP 000**	**For the period from 1/1/2020 to 30/6/2020 EGP 000**
Post-retirement medical benefits (Note no. 11)	67 579	134 415	59 567	119 134
Closing Balance	**67 579**	**134 415**	**59 567**	**119 134**

The balances in the financial position statement are presented as follows:

	June 30, 2021 EGP 000	**Dec. 31, 2020 EGP 000**
The present value of funded obligations	1 716 530	1 569 499
Unrealized actuarial (losses) *	(436 854)	(373 727)
The liabilities in the financial position statement	**1 279 676**	**1 195 772**

The movement in liabilities during the period / year is represented in the following:

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
The balance at the beginning of the period / year	1 195 772	1 064 549
Current service cost	5 232	10 612
Interest cost	117 244	200 481
Actuarial losses	11 939	28 485
Paid benefits	(50 511)	(108 355)
Balance at the end of the period / year	**1 279 676**	**1 195 772**

The recognized amounts in the income statement are presented as follows:

	For the period from 1/4/2021 to 30/6/2021 EGP 000	For the period from 1/1/2021 to 30/6/2021 EGP 000	For the period from 1/4/2020 to 30/6/2020 EGP 000	For the period from 1/1/2020 to 30/6/2020 EGP 000
Current service cost	2 630	5 232	2 638	5 277
Interest cost	58 946	117 244	49 847	99 693
Actuarial losses	6 003	11 939	7 082	14 164
	67 579	**134 415**	**59 567**	**119 134**

The principal actuarial assumptions used are presented as follows:

	June 30, 2021	Dec. 31, 2020
Discount rate	13.8%	13.8%
Previous service cost inflation rate	10%	10%
Future service assumption cost inflation rate	11%	11%
Mortality assumption	92 mortality cases every year	92 mortality cases every year
Employee turnover	15% pa at age 20 decreasing to 0.1% after age 50.0% after age 54	15% pa at age 20 decreasing to 0.1% after age 50.0% after age 54

* Whereas actuarial losses are higher than 10% of the defined benefits liability, then the amortized amount has been recognized in the income statement.

32. Share capital

	No. of Shares (In millions)	Ordinary Shares EGP 000	Total EGP 000
Balance at the beginning of the period / year	400	800 000	800 000
Balance at the end of the period / year	**400**	**800 000**	**800 000**

- The bank's authorized capital amounts to EGP 1 000 million.
- The issued and subscribed capital amounts to EGP 800 million, divided into 400

million shares with a par value of EGP 2 each and it has been fully subscribed and paid.

- On February 23rd, 2007, the Ministry of Investment (State owned assets management program) invited investment banks to submit their proposals for the public offering of 15% of the issued share capital and the remaining 5% to Alex Bank's employees and the subscription program is not implemented yet.
- On 14 September 2020, the International Finance Corporation I.F.C sold 9.75% of the bank shares, so Intesa SanPaolo S.P.A capital share became 80.00%, with retention of one share to maintain the legal form of the bank, and the registration in the legal records is underway.

Therefore, the bank's issued and subscribed capital is divided as follows:

Name	**Shareholding %**	**No. of Shares (000)**	**Nominal value Shares**
			EGP 000
Intesa Sanpaolo S.P. A	80.00 %	320 000	640 000
Ministry of finance (Share of State)	20.00 %	80 000	160 000
	100%	**400 000**	**800 000**

33. Reserves and retained earnings

	June 30, 2021	**Dec. 31, 2020**
	EGP 000	**EGP 000**
Legal reserve	400 000	400 000
General reserve	29 312	29 312
Special capital reserve	418 158	418 123
Other reserves	289 188	289 188
General Banking Risks Reserve	212 641	-
Specific reserve General Risk Reserve *	35 135	35 135
Fair value reserve for investments through OCI	584 333	631 880
Total reserves	**1 968 767**	**1 803 638**

* No amounts shall be distributed from the balance of the special capital reserve (including specific reserve, IFRS9 risk reserve and banking – credit risk reserve) except after obtaining the approval of the Central Bank of Egypt (CBE).

The movement in reserves is as follows:

33.A. Legal reserve

	June 30, 2021	**Dec. 31, 2020**
	EGP 000	**EGP 000**
Balance at the beginning of the period / year	400 000	400 000
Balance at the end of the period / year	**400 000**	**400 000**

- According to the Bank's Articles of Association, 5% of the annual net profit shall be retained to make the legal reserve and retaining profit shall stop for the legal reserve balance when it reaches 50% of the share capital.

33.B. Special capital reserve

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Balance at the beginning of the period / year	418 123	418 123
Formed from the financial year 's profits 2019, 2020	35	-
Balance at the end of the period / year	**418 158**	**418 123**

33.C. Fair value reserve/ financial investments

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Balance at the beginning of the period / year	631 880	668 114
Impairment recovery loss treasury bonds (Note no.13)	-	(2 522)
FX valuation Differences of treasury bonds and bills impairment provisions in foreign currency	(10)	(45)
Net Gains / (Losses) from change in fair value	(47 575)	(34 469)
Net (Losses) transferred to income statement due to disposals	(26)	-
Fair value reserve revaluation differences	67	10
Deferred tax liability (Note no.30)	(3)	792
Balance at the end of the period / year	**584 333**	**631 880**

33.D. Retained earnings

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Balance at the beginning of the period / year	8 935 821	8 955 190
Transferred to general banking risk reserve	-	200
Net profits of the current period / year	1 357 951	2 485 112
Transferred to general banking risk reserve - Credit	(212 641)	-
Employees' share in financial year 2020/2019 profit	(248 508)	(333 957)
Banking development system fund	(24 851)	-
Transferred to Special capital reserve	(35)	-
Shareholders' dividends in financial year 2020/2019	-	(2 170 724)
Balance at the end of the period / year	**9 807 737**	**8 935 821**

34. Dividends

Dividend is not recorded until it is approved by the General Assembly of Shareholders. And the dividend recorded for shareholders' and employees' share in profits and Board of Directors members' remuneration in equity distribution of retained earnings in the year ended 31 December 2021.

35. Cash and cash equivalents

For the presentation of the cash flows statement, cash and cash equivalents include the following balances with maturities of no later than three months from the acquisition date.

	June 30, 2021 EGP 000	June 30, 2020 EGP 000
Cash and balances at Central Bank of Egypt (Note no.16)	2 158 316	2 145 829
Due from banks (Note no. 17)	17 763 975	18 717 697
Treasury bills and other governmental notes (Note no. 20)	7 160 923	-
	27 083 214	**20 863 526**

36. Contingent liabilities and commitments:

36.A. Legal Claims

There are a number of cases filed against the bank on 30 June 2021, and the balance of the claims' provision amounted to EGP 108 905 thousand.

36.B. Capital commitments

Fixed assets and fittings and fixtures of branches

The value of the commitments related to the purchase contracts of fixed assets and the fittings and fixtures of the branches that has not yet been made till the reporting date amounted to EGP 63 768 thousand on 30 June 2021, versus EGP 117 630 thousand on 31 December 2020. The Top Management has sufficient confidence in generating revenues and providing the finance required to cover these commitments.

36.C. Commitments related to loans, guarantees, and facilities

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

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Loan commitments	9 140 210	7 352 204
Accepted documentation	1 041 865	863 938
Letters of guarantee	11 275 191	11 198 592
Letters of credit “import”	591 066	592 060
Letters of credit “export”	461 279	420 202
Total	**22 509 611**	**20 426 996**

37. Transactions with related parties

- The bank is a subsidiary of the Parent Bank (Intesa Sanpaolo Bank - Italy), in which it owns 80% of the ordinary shares, whereas the remaining percentage 20% is owned by Ministry of finance (Share of State) and other shareholder.

- The bank has entered into many transactions with the related parties within the context of its normal business. These transactions include loans, deposits, as well as foreign currency swaps.
- The transactions and the balances of the related parties at the end of the financial period are as follow:

37.A. Transactions with related Parties (Associate companies)

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Statement of financial position		
Loans and Advances	111 933	106 750
Customers' Deposits	2 890	5 700

	For the period ended 30/06/2021 EGP 000	For the period ended 30/06/2020 EGP 000
Income statements		
Interest Expenses	3	148
Interest Revenues	5 599	3 925

37.B. Transactions with the Parent Bank (Intesa Sanpaolo Bank)

	June 30, 2021 EGP 000	Dec. 31, 2020 EGP 000
Statement of financial position		
Due from banks	4 249	-
Debit balances and other assets	12 285	11 843
Due to banks	6	90 144
Credit balances and other liabilities	42 096	35 810

	For the period ended 30/06/2021 EGP 000	For the period ended 30/06/2020 EGP 000
Income statements		
Revenues	1 321	1 254
Expenses	34 188	35 623

38. Mutual funds

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations.

These funds, which are managed by EFG- Hermes Fund Management Company, are as follows:

38.A. Bank of Alexandria Mutual Fund (with periodical return and capital growth)

The certificates of the fund reached 3 million with an amount of EGP 300 million (after increasing the capital of the mutual fund on March 26th, 2006 with an amount of EGP 100 million). The bank has allocated 2% from the size of the fund which represent at least EGP 5 million to continue the activity.

The Bank investment in the fund amounted to 20 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 6.7 million as at 30 June 2021.

The redeemable value of the certificate as at 30 June 2021 amounted to EGP 335.1 and the outstanding certificates at that date reached 90.5 thousand certificates.

According to the fund’s management contract and its prospectus, the Bank shall be paid fees and commissions in return for its supervision of the fund and other administrative services rendered thereby. Total commissions amounted to EGP 63 thousand as at 30 June 2021, which were presented under the item of “Fee and commission income” in the income statement.

38.B. Bank of Alexandria's Monetary Mutual Fund (with daily-accumulated return in Egyptian Pound)

The certificates of the fund reached 20 million certificates with an amount of EGP 200 million. As the fund is an open fund, the Bank adjusts its allocated percentage on a daily basis. The bank has allocated 2% from the size of the fund which represent at least EGP 5 million to continue the activity.

The Bank investments in the fund amounted to a number of 987 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 43.5 million as at 30 June 2021.

The redeemable value of the certificate amounted to EGP 44.1 as at 30 June 2021, and the outstanding certificates at that date reached 38 329 thousand certificates.

According to the fund’s management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 3 470 thousand as at 30 June 2021, which were presented under the item of "Fee and commission income" in the income statement.

38.C. Bank of Alexandria Fixed Income Fund (with quarterly return)

The certificates of the fund reached 10 million certificates with an amount of EGP 100 million. It is worth mentioning that the fund is an open fund with a quarterly return. The bank has allocated 2% from the size of the fund which represent at least EGP 5 million to continue the activity.

The Bank investment in the fund amounted to 250 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 8 million as at 30 June 2021.

The redeemable value of the certificate amounted to EGP 32.19 as at 30 June 2021 and the outstanding certificates at that date reached 7 414 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby.

Total commissions amounted to EGP 331 thousand as at 30 June 2021 which were presented under the item of "Fee and commission income" in the income statement.

39. Significant Events

The outbreak of the coronavirus "Novel COVID-19 pandemic" has spread across geographies globally, causing disruption to business and economic activities, which brought uncertainties in the local and global economic environment. Both domestic and global financial and monetary authorities have announced various support measures across the globe to address potential negative impacts.

Due to of the above, there is a tangible business disruption in many business sectors in the economic environment. The bank is closely monitoring the situation, as the bank has activated the business continuity plan and remote working have been implemented and as per the government directions some staff are working from home and other risk management procedures to manage the potential business disruption due to this outbreak and its impact on the banking operations and financial performance of the bank.

Due to the uncertainty resulting from the outbreak and in anticipation of the expected economic slowdown. The bank is closely monitoring its portfolio of financial instruments to determine the impact of this outbreak on the various quantitative and qualitative factors to identify significant increases in credit risks (SICR) related to the sectors most affected by the crisis according to the best estimates, in light of the available information on previous events and current conditions, and based on the assumptions related to the expected economic performance.

Accordingly, the bank has started studying the potential impacts of the current economic volatility in determination of the reported amounts of the financial and non-financial assets of the bank at the end of June 2021 and the ECL calculated for the period ended 30 June 2021 were mainly increased as result of the COVID-19 impact and these are considered to represent management's best assessment based on observable information. However, the markets remain volatile and the amounts disclosed remain sensitive to market fluctuations. And on March 16, 2020 the moratorium had been ended, except for the postponement of collecting the fees and commission income from ATM withdrawals for an additional three months, and the issuer bank will bear such fees.

The Bank's approach is to maintain a prudent Liquidity position with a Liability driven strategy, as almost the entire funding base is customer based; which is a core component of the Risk Appetite. The Bank has a well-established Contingency Funding Plan (CFP), where Liquidity Risk is assessed in line with all Regulatory and Internal Liquidity Measurements, and Basel II requirements; including Liquidity Stress Testing; Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR).

40. Comparative figures

The comparative figures have been reclassified to conform to the changes in the approved presentation for the current period.

Dante Campioni
CEO and Managing Director

Michele Formenti
Chief Financial Officer