

Separate Interim Financial Statements March 2021

Together With Limited Review Report



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Report on Limited Review of Separate Interim Financial Statements

To: Members of board of directors of Egyptian Gulf Bank (S.A.E)

Introduction

We have performed a limited review for the accompanying separate interim balance sheet of **Egyptian Gulf Bank (S.A.E)** as of 31 March 2021 and the related separate interim statements of income, changes in equity and cash flows for the three-months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the separate financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and amended according to the instructions issued on 26 February 2019 and in light of the prevailing Egyptian Laws relating to the preparation of these separate interim financial statements. Our responsibility is to express a conclusion on these separate interim financial statements based on our limited review.

Scope of Limited Review

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

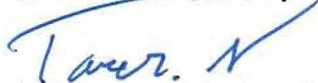
Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly, in all material respects, the separate financial position of the bank as at 31 March 2021, and of its financial performance and its separate cash flows for the three-months then ended in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements and measurement and recognition bases approved by its Board of Directors on 16 December 2008 and amended according to the instructions issued on 26 February 2019 and in light of the prevailing Egyptian Laws relating to the preparation of these separate interim financial statements.

CAIRO: 20 May 2021

AUDITORS

Tamer Mohamed Nabarawy



The Financial Supervisory Authority register of auditors no. (389)
Register of accountants and auditors no. (10074)

Tamer Nabarawy & co

KRESTON EGYPT
Public Accountant & Consultants



Nabil Akram Istanbouli



Fellow of Egyptian Society of Accountants and Auditors
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The Financial Supervisory Authority register of auditors no. (71)

Register of accountants and auditors no. (4957)

(UHY-United)
United for Audit and Tax



**SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

	Note	31 March 2021 L.E.	31 December 2020 L.E.
ASSETS			
Cash and balances with the Central bank	(16)	5,928,981,209	5,607,454,516
Due from banks	(17)	7,274,555,873	2,694,548,261
Loans, advances and morabihat to customers (net)	(18)	23,497,340,232	22,676,872,582
Financial investments:			
- Fair value through other comprehensive income	(19)	31,568,251,918	31,152,326,277
- Amortized cost	(19)	5,573,056,857	5,662,921,283
Investment in subsidiaries and associates	(20)	299,978,100	299,978,100
Employee stock ownership plan (ESOP)	(21)	89,330,723	89,001,751
Intangible assets	(22)	33,441,595	35,514,588
Other assets	(23)	2,758,120,329	3,090,862,733
Fixed assets	(24)	751,146,599	718,011,458
TOTAL ASSETS		77,774,203,435	72,027,491,549
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	(25)	2,028,769,201	2,690,925,050
Customers' deposits	(26)	67,181,485,049	60,270,072,808
Other loans and Subordinated deposits	(27)	1,900,413,571	1,941,468,107
Other liabilities	(28)	1,291,880,110	1,410,927,911
Other provisions	(29)	136,085,809	251,619,155
Deferred tax liabilities	(37)	24,429,724	--
TOTAL LIABILITIES		72,563,063,464	66,565,013,031
SHAREHOLDERS' EQUITY			
Issued and Paid-in capital	(30)	3,623,748,165	3,623,748,165
Retained for capital increase	(30)	476,874,349	--
Reserves	(31)	828,663,572	1,086,826,481
Employee stock ownership plan (ESOP)	(21)	47,483,740	45,711,839
Net profit for the period / year and retained Earnings	(31)	234,370,145	706,192,033
TOTAL SHAREHOLDERS' EQUITY		5,211,139,971	5,462,478,518
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		77,774,203,435	72,027,491,549

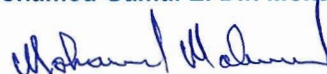
Executive Chairman & managing director

Nidal El Kassem Assar



Chairman

Mohamed Gamal El Din Mohamed Mahmoud



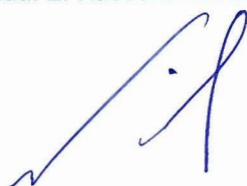
- Limited review report attached.
- The accompanying notes from (1) to (40) are an integral part of these separate financial statements and are to be read therewith.

**SEPARATE STATEMENT OF INCOME
FOR THE PERIOD ENDED 31 MARCH 2021**

	Note	31 March 2021 L.E.	31 March 2020 L.E.
Interest from loans and similar income	(6)	1,794,367,545	1,917,337,734
Interest on deposits and similar expenses	(6)	(1,132,107,554)	(1,306,571,056)
Net interest income		662,259,991	610,766,678
Fees and commissions income	(7)	109,718,438	100,179,657
Fees and commissions expenses	(7)	(41,383,688)	(29,194,236)
Net fees and commission income		68,334,750	70,985,421
Dividends income	(8)	71,336	146,336
Net trading income	(9)	26,975,252	40,116,948
Gain from sale of financial investments	(19)	11,126,470	11,937,814
Impairment (charge) release for credit losses	(12)	(259,545,585)	(154,015,996)
General and administrative expenses	(10)	(327,559,369)	(350,727,904)
Other operating income (expenses)	(11)	143,005,247	22,102,674
Profit before income tax		324,668,092	251,311,971
Income tax expenses	(13)	(165,092,302)	(94,750,347)
Net profit of the period		159,575,790	156,561,624
Earnings per share for thr period (EGP/ share)	(14)	0.38	0.37

Executive Chairman & managing director

Nidal El Kassem Assar



Chairman

Mohamed Gamal El Din Mohamed Mahmoud



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

**SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2021**

	Note	31 March 2021 L.E.	31 March 2020 L.E.
Net profit for the period		159,575,790	156,561,624
Other comprehensive income items that might be reclassified to the profit or loss:			
Net change in fair value of financial investments at fair value through OCI debt instruments	(31)	(302,310,752)	(203,960,333)
Total OCI items		(302,310,752)	(203,960,333)
Total other comprehensive income for the period		(142,734,962)	(47,398,709)

SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2021

	Note	31 March 2021 L.E.	31 March 2020 L.E.
Cash flows from Operating Activities			
Net Profits before income tax		324,668,092	251,311,971
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	(22-24)	27,822,521	21,528,887
Impairment of assets	(12)	259,545,585	154,015,996
Other provisions (charged) release	(11)	(114,866,662)	(7,887,891)
Other provisions used, other than provisions for loans	(29)	--	(3,363,239)
Translation differences for other provision in foreign currencies	(29)	(666,684)	(317,152)
Translation differences for financial assets in foreign currencies	(19)	31,832,851	52,740,860
Amortization of premium / discount for bonds	(19)	(9,665,203)	13,443,030
Dividends income	(8)	(71,336)	(146,336)
Gains from sale of financial investment	(19)	(32,111,571)	(24,949,242)
Share based payments	(21)	1,771,901	4,777,113
Operating profit before changes in assets and liabilities provided from operating activities		488,259,494	461,153,997
Net (increase) decrease in assets and liabilities			
Due from banks		(1,615,302,875)	1,518,978,685
Treasury bills		1,432,797,780	(6,776,697,552)
Financial investments Fair value through profit & loss		--	(6,336,298)
Loans, advances and morabaha to customers		(1,055,982,143)	1,404,478,980
Other assets		298,555,504	(310,088,271)
Due to banks		(662,155,849)	(3,531,996,100)
Customers' deposits		6,911,412,241	5,317,873,437
Other liabilities		(259,710,379)	66,709,906
Net cash flows provided from (used in) operating activities	(1)	5,537,873,773	(1,855,923,216)
Cash flows from Investing Activities			
Payments to purchase fixed assets and branches improvement		(36,262,057)	(35,104,457)
Proceeds from sale of fixed assets		10,000	--
Proceeds from sale/ mature of financial investments other than trading investments		2,167,192,930	438,137,663
Payments to purchase financial investment other than trading investments	(19)	(3,516,573,414)	(1,428,679,958)
Dividends received	(8)	--	75,000
Employee stock ownership plan (ESOP)	(21)	(328,972)	(4,137,552)
Net cash flows used in investing activities	(2)	(1,385,961,513)	(1,029,709,304)
Cash flows from Financing Activities			
Change in long-term loans and Subordinated deposits		(41,054,536)	(6,066,000)
Dividends paid		(83,164,761)	(89,838,744)
Net cash flows used in financing activities	(3)	(124,219,297)	(95,904,744)
Net change in cash and cash equivalents during the period	(1+2+3)	4,027,692,963	(2,981,537,264)
Cash and cash equivalents at beginning of the period		1,904,758,075	4,068,059,545
Cash and cash equivalents at the end of the period		5,932,451,038	1,086,522,281

SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2021 – CONTINUED

Cash and cash equivalents are represented in the following (note 32)

Cash and balances with the CBE	(16)	5,928,981,209	2,670,636,190
Due from banks	(17)	7,276,687,886	2,201,840,364
Treasury bills	(19)	12,310,575,594	9,061,039,937
Balance with CBE within the limit of statutory reserve		(6,514,705,461)	(3,495,876,193)
Due from banks with maturities more than 3 months		(1,500,000,000)	(290,078,080)
Treasury bills with maturity more than 3 months		(11,569,088,190)	(9,061,039,937)
Cash and cash equivalents at the end of the period		5,932,451,038	1,086,522,281

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

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 March 2021

	Note	Capital L.E.	Retained for capital increase L.E.	Reserves L.E.	General risk reserve L.E.	ESOP L.E.	Retained Earnings L.E.	Total L.E.
31 March 2020								
Balance as of 1/1/2020		3,108,455,538	--	638,558,405	208,750,579	26,603,387	756,301,390	4,738,669,299
Transferred for capital increase		--	--	--	--	--	--	--
Capital increase (stock dividends)		--	515,292,627	--	--	--	(515,292,627)	--
Distributed dividends		--	--	--	--	--	(89,838,744)	(89,838,744)
Transferred to legal reserves		--	--	67,534,204	--	--	(67,534,204)	--
Net change in other comprehensive income items		--	--	(216,971,761)	--	--	--	(216,971,761)
Transferred to general banking risk reserve		--	--	2,063,999	--	--	(2,063,999)	--
Transferred to capital reserve from retained earnings		--	--	612,468	--	--	(612,468)	--
Employee stock ownership plan (ESOP) reserve		--	--	--	--	--	--	--
Employee stock ownership plan (ESOP)		--	--	--	--	4,777,113	--	4,777,113
Net profit for the period		--	--	--	--	--	156,561,624	156,561,624
Balance as of 31/03/2020		3,108,455,538	515,292,627	491,797,315	208,750,579	31,380,500	237,520,972	4,593,197,531
31 March 2021								
Balance as of 1/1/2021		3,623,748,165	--	878,075,902	208,750,579	45,711,839	706,192,033	5,462,478,518
Capital increase (stock dividends)	(30)	--	476,874,349	--	--	--	(476,874,349)	--
Distributed dividends	(31)	--	--	--	--	--	(83,164,761)	(83,164,761)
Transferred to legal reserve	(31)	--	--	62,462,638	--	--	(62,462,638)	--
Net change in other comprehensive income items	(31)	--	--	(323,295,853)	--	--	--	(323,295,853)
Banking System Support and Development Fund		--	--	--	--	--	(6,225,624)	(6,225,624)
Transferred to general banking risk reserve	(31)	--	--	2,063,999	--	--	(2,063,999)	--
Transferred to capital reserve from retained earnings	(31)	--	--	606,307	--	--	(606,307)	--
Employee stock ownership plan (ESOP)	(21)	--	--	--	--	1,771,901	--	1,771,901
Net profit for the period	(31)	--	--	--	--	--	159,575,790	159,575,790
Balance as of 31 March 2021		3,623,748,165	476,874,349	619,912,993	208,750,579	47,483,740	234,370,145	5,211,139,971

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. General information

Egyptian Gulf Bank S.A.E was under the minister decree No, 296 at 14 October 1981 according to the Investment Law No, 43 for 1974, That was replaced by investment law No, 230 for the 1989 that was canceled by law No, 8 for 1997 which is concerned for issuance of warranties and bonus of investment and it executives, The Bank is listed in the Egyptian Stock Exchange.

Egyptian Gulf Bank provides corporate, retail banking and investment banking services in various areas of Egypt through its head office 8/10 Ahmed Nessim St., El Orman Plaza Building, Giza and fifty eight branches, and employs over 1920 employees as of the balance sheet date.

Separate financial statements were approved by the Board of Directors on 05 May 2021.

2. Summary of significant accounting policies

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

2.A Basis of preparation

The separate financial statements have been prepared in accordance with the Central Bank of Egypt regulations approved by the Board of Directors on 16 December 2008, in addition to Egyptian Financial Reporting Standards No.9 "Financial instruments" issued on 26 February 2019 by the Central Bank of Egypt.

The separate financial statements have been prepared under the historical cost convention , As modified by the revaluation of financial assets and liabilities classified as trading or held at fair value through profit or loss, available for sale investment and all derivatives contracts.

The separate and consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with the relevant domestic laws and the Egyptian financial reporting standards, the affiliated companies are entirely included in the consolidated financial statements and these companies are the companies that the Bank - directly or indirectly has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of activity, the bank's consolidated financial statements can be obtained from the bank's management. The bank accounts for investments in subsidiaries and associate companies in the separate financial statements at cost minus impairment loss.

The separate financial statements of the bank should be read with its consolidated financial statements, for the period ended on 31 March 2021 to get complete information on the bank's financial position, results of operations, cash flows and changes in ownership rights.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Summary of significant accounting policies – continued

2.B Changes in accounting policies

The Bank applied the instructions of the Central Bank of Egypt (CBE) rules IFRS 9 "Financial Instruments" dated February 26, 2019 starting from January 01, 2019, the following summarize the main accounting policies changes resulted from applying the required instructions.

Classification of financial assets and financial liabilities

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

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

The financial assets measured at amortized cost if it is not measured at fair value through profit or loss and the following two conditions met:

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

The debt instruments measured at fair value through other comprehensive income if it is not measured at fair value through profit or loss and the following two conditions met:

- The management intension maintaining the asset in business model to collect contractual cash flow or selling it and;
- This contractual conditions of financial assets will build cash flow in certain dates which limited only on payment of principle and interest (SPPI).

The Bank may choose without return to measure equity investment which not classified trading investments to be as a fair value through other comprehensive income at initial recognition. And this choice will be made per each investment.

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

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

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice, specially to know whether these management policies concentrate to gain the contractual interest or reconcile financial assets period with financial liabilities period which finance these assets or target cash flow from selling the assets.
- How the performance of the portfolio is evaluated and reported to the Bank's management.
- The risks that affect the performance of the business model and the financial assets held within that business model and how those risks are managed.
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. X Summary of significant accounting policies – continued

2.B Changes in accounting policies – continued

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

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

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

Impairment of financial assets

According to Central Bank of Egypt (CBE) instructions dated February 26, 2019 to implement IFRS 9 to replace impairment loss model recognized according to previous instructions dated December 16, 2008 with excepted credit loss (ECL).

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

According to IFRS 9; Expected credit loss will be recognized earlier than being applied by Central Bank of Egypt (CBE) instructions dated December 16, 2008.

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

Stage 1: 12 months Expected Credit Loss

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: Lifetime Expected Credit Loss - not credit impaired

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 the 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: Lifetime Expected Credit Loss - credit impaired

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Summary of significant accounting policies – continued

2.C Subsidiaries and Associates

2.C.1 Subsidiaries

Subsidiaries are all entities (including Special Purpose Entities / SPEs) over which the Bank has owned directly or indirectly the control to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights, The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity or not.

2.C.2 Associates

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

The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Bank share of the fair value of the identifiable net assets acquired is recorded as goodwill. A gain on acquisition is recognized in profit or loss if there is an excess of the bank's share of the fair value of the identifiable net assets acquired over the cost of the acquisition.

2.D Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments, A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

2.E Foreign currency translation

2.E.1 Functional and presentation currency

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

2.E.2 Transactions and balances in foreign currencies

The bank maintains its accounting records in Egyptian pound, Transactions in foreign currencies during the financial period are translated into Egyptian pound using the prevailing exchange rates on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of the reporting period at the prevailing exchange rates, Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items.

- Net trading income from held-for-trading assets and liabilities.
- Other operating revenues (expenses) from the remaining assets and liabilities.
- Other comprehensive income items for financial investments at FVTOCI.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as available for sale assets are analyzed into valuation differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value, of the instruments.

Valuation differences resulting from changes in the amortized cost are recognized and reported in the income statement in income from loans and similar revenues' whereas difference resulting from changes in foreign exchange rates are recognized and reported in 'other operating revenues (expenses)', The remaining differences resulting from changes in fair value are deferred in equity and accumulated in the 'Revaluation reserve of available-for-sale investments'.

Valuation differences resulting from the non-monetary items include gains and losses of the change in fair value of such equity instruments held at fair value through profit and loss, as for recognition of the differences of valuation resulting from equity instruments classified as financial investments available for sale within the fair value reserve in equity.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Summary of significant accounting policies – continued

2.F Financial assets

Financial Policies applied starting from January 01, 2019

Financial assets classified as amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

The classification depends on the business model of the financial assets that are managed with its contractual cash flow and is determined by management at the time of initial recognition.

Financial assets classified as amortized cost

The financial asset is retained in the business model of financial assets held to collect contractual cash flow.

The objective from this business model is to collect contractual cash flow which represented in principle and interest.

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

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

Financial assets classified as fair value through other comprehensive income

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

Held to collect contractual cash flows and sales are integrated to achieve the objective of the model.

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

Financial assets classified as fair value through profit or loss

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

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

Collecting contractual cash flows is an incidental event for the objective of the model.

The characteristics of the business model are as follows:

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

2.G Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention to be settled on a net basis, or realize the asset and settle the liability simultaneously.

Agreements of repos and reverse repos are shown by the net in the financial statement in treasury bills and other governmental notes.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Summary of significant accounting policies – continued

2.H Interest income and expense

Interest income and expense for all financial instruments except for those classified as held-for-trading or designated at fair value are recognized in “Interest income” and “Interest expense” in the income statement using the effective interest method.

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

Once loans or debts are classified as non-performing or impaired, the revenue of interest income will not be recognized and will be recorded off balance sheet, and are recognized as income subsequently based on a cash basis according to the following:

- When all arrears are collected for consumer loans, personal mortgage and micro-finance loans.
- When calculated interest For corporate are capitalized according to the rescheduling agreement condition until paying 25 % from rescheduled payments for a minimum performing period of one period, if the customer continues to perform, the calculated interest will be recognized in interest income [interest on the performing rescheduling agreement balance] without the marginalized before the rescheduling agreement which will be recognized in interest income after the settlement of the outstanding loan balance.

2.I Fees and commission income

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

Commitment fees and related direct costs for loans and advances where draw down is probable are deferred and recognized as an adjustment to the effective interest on the loans drawn, commitment fees in relation to facilities where draw down is not probable are recognized at the maturity of the term of the commitment.

Fees are recognized on the debt instruments that are measured at fair value through profit and loss on initial recognition and syndicated loan fees received by the bank are recognized when the syndication has been completed and the bank does not hold any portion of it or holds a part at the same effective interest rate used for the other participants portions.

Commission and fees arising from negotiation, or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares of other securities and the purchase or sale of properties are recognized upon completion of the underlying transaction in the income statement. Other management advisory and service fees are recognized based on the applicable service contracts, usually on accrual basis, financial planning fees related to investment funds are recognized steadily over the period in which the service is provided the same principle is applied for wealth management; financial planning and custody services that are provided on the long term are recognized on the accrual basis also.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Summary of significant accounting policies – continued

2.J Dividend income

Dividends are recognized in the income statement when the right to collect it is declared.

2.K Sale and repurchase agreements

Securities may be lent or sold according to commitment to repurchase (REPOs) are reclassified in the financial statement and deducted from Treasury Bills balance, Securities borrowed or purchased according to a commitment to resell them (reverse REPOs) are reclassified in the financial statement and added to treasury bills balance, The difference between sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest rate method.

2.L Impairment of financial assets

Financial Policies applied starting from January 01, 2019

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

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

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

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

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

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

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

Significant increase in credit risk

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Summary of significant accounting policies – continued

2.L Impairment of financial assets – continued

- **Quantitative factors**

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

- **Qualitative factors**

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

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

Corporate loans and medium businesses

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

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

Unpayments

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

Transfer between three stages (1,2,3):

- **Transfer from second stage to first stage:**

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

- **Transfer from third stage to second stage:**

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Summary of significant accounting policies – continued

2.M Intangible assets

Software (computer programs)

Expenditures related to the development or maintenance of computer programs, are to be charged on income statement, as incurred, Expenditures connected directly with specific software and which are subject to the Bank's control and expected to produce future economic benefits exceeding their cost for more than one period, are to be recognized as an intangible asset, The expenses include staff cost of the team involved in software upgrading, in addition to a portion of overhead expenses.

The expenditures that lead to the development of computer software beyond their original specifications are recognized as an upgrading cost and are added to the original software cost.

The computer software cost is recognized as an asset that is amortized over the expected useful life time not exceeding four periods, except for the main software for the bank that is amortized over 10 periods.

2.N Other assets

Non-current Assets held for Sale

Non-current assets are classified as non-current assets held for sale if it is expected to recover their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This includes assets bought for loans settlement, fixed assets which the bank suspends their use to sell it, and the subsidiaries and associates companies which the bank buy for the purpose of selling them.

The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

The asset (or disposal group) that is classified as assets held for sale based on the book value in the classification date, or the fair value deducting the sale costs whichever is less.

If the bank changes the sale plan, the book value of the asset will be modified to the amount by which the asset would have been measured in case it was not classified as an asset held for sale taking into consideration any value decline. As for assets gained against loans settlement, if the bank fails to sell them within the legally set period, the bank should form 10% from the asset value annually as a general bank risk reserve.

The changes in the value of non-current assets held for sale, the profit and loss of sale shall be acknowledged in the item other operating revenues (expenses).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Summary of significant accounting policies – continued

2.0 Fixed assets

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

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

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

- Buildings	50	Periods
- Safes	40	Periods
- Furniture	10	Periods
- Tools and Machinery	8	Periods
- Fixtures and Fitting	8	Periods
- Equipment	5	Periods
- Computers	8	Periods
- Transportation	5	Periods

The assets residual values and useful lives are reviewed, and adjusted if appropriate, on each balance sheet date, depreciable assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered, An asset's carrying amount is written down immediately to its recoverable value if the asset's carrying amount exceeds its estimated recoverable amount, The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. Gains and losses on disposals are determined by comparing the selling proceeds with asset carrying amount and charge to other operating expenses in the income statement.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Summary of significant accounting policies – continued

2.P Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized (except goodwill) and are tested annually for impairment, assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use, Assets are tested for impairment with reference to the lowest level of cash generating unit(s), a previously recognized impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstance leads to a change in the estimates used to determine the fixed asset's recoverable amount, The carrying amount of the fixed asset will only be increased up to the amount that the original impairment not been recognized.

2.Q Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.R Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has present legal or constructive obligation as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

In case of similar obligations, the related cash outflow should be determined in order to settle these obligations as a group, The provision is recognized even in case of minor probability that cash outflow will occur for an item of these obligations.

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

Provisions for obligations, other than those for credit risk or employee benefits, due within more than 12 month from the balance sheet date are recognized based on the present value of the best estimate of the consideration required to settle the present obligation on the balance sheet date, An appropriate pretax discount rate that reflects the time value of money is used to calculate the present value of such provisions, For obligations due within less than twelve months from the balance sheet date, provision are calculated based on undiscounted expected cash outflows unless the time value of money has significant impact on the amount of provision, then it is measured at the present value.

2.S Employee's benefits

2.S.1 Social insurance

The bank contributes to the social insurance scheme related to the Social Insurance Authority for the benefit of its employees; the income statement is charged with these contributions on an accrual basis and is included in the employee's benefit account.

2.S.2 Profit share

The Bank pay a percentage of the cash profits expected to be distributed as employee's profit share through item "dividends declared" in the owners' equity, and as liability when the its approved by the shareholders general assembly, There is no recorded liability for the employees share in the unpaid dividends portion.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Summary of significant accounting policies – continued

2.S Employee's benefits - continued

2.S.3 Other retirement liability

The bank provides healthcare benefits to retirees and usually the benefits are granted under the condition that the retiree has reached the retirement age when employed by the bank and completes the minimum required service period, the expected costs are accrued during the period of services rendered by the employee under the defined benefit plans accounting method.

2.S.4 Employee stock ownership plan (ESOP)

The extraordinary general assembly meeting held on 9 May 2017 approved the establishment of the employee stock ownership plan (ESOP) by granting after amending the bank's article of association according to the decision of the extraordinary general assembly meeting held on 23 March 2016 based on a proposal from the bank's board of directors on 29 February 2016, this plan will be applied on 9 August 2017 which is the date of the approval of the Egyptian Financial Supervisory Authority (EFSA) on this plan in accordance with the law.

Equity securities of this plan will be granted to the bank's executive members, departments' heads, general managers, first line managers and employees of the bank based on their annual performance and appraisal according to the bank's financial performance and personal performance report based on his functional grade.

2.T Income tax

Income tax on the profit and loss for the period and deferred tax are recognized in the income statement except for income tax relating to items of equity that are recognized directly in equity.

The income tax is recognized based on net taxable profit using the tax rates applicable on the date of the balance sheet in addition to tax adjustments for previous periods.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundation of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable on the date of the balance sheet.

Deferred taxes assets of the bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset, And is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following periods that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

2.U Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

2.V Capital

Dividends

Dividends on ordinary shares and profit sharing are recognized as a charge of equity upon the general assembly approval, Profit sharing include the employee' Profit share and the board of director' remuneration as prescribed by the bank's articles of incorporation and the corporate law.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management

The Bank's activities expose it to variety financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks, Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business, The bank's aim is therefore to achieve an appropriate balance between risk and rewards and minimize potential adverse effect on the Bank's financial performance, The most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks, Also market risk includes exchange rate risk, rate of return risk and other prices risks.

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

Risk management is carried out by risk department under policies approved by the Board of Directors; Bank treasury identifies, evaluates and hedges financial risks in close co-operation with the bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments; In addition, credit risk management is responsible for the independent review of risk management and control environment.

3.A Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the bank by failing to discharge an obligation, Management therefore carefully manages its exposure to credit risk, Credit exposures arise principally in loans and advances, dept., securities and other bills, There is also credit risk in off-balance sheet financial arrangement such as loan commitments, The credit risk management and control are centralized in a credit risk Management team in bank treasury and reported to the Board of Directors and Heads of each business unit regular.

3.A.1 Credit risk measurement

Loans and advances to banks and customers

In measuring credit risk of Loans and facilities to banks and customers at counterparty level, the bank reflect three components.

- The 'probability of default' by the client or counterparty on its contractual obligation.
- Current exposures to the counterparty and its likely future development, from which the bank derive the 'exposure at default'.
- The likely recovery ratio on the defaulted obligation (the 'loss given default').

These credit risk measurements, which reflect expected loss (expected loss model) are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee), and are embedded in the bank's daily operational management, The operational measurements can be contrasted with impairment allowance required under EAS 26, which are based on losses that have been incurred on the balance sheet data (incurred loss model) rather than expected losses.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.1 Credit risk measurement – continued

The bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty, they have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, clients of the bank are segmented into four rating classes, the bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class, this means that; In principle, exposures migrate between classes as the assessment of their probability of default changes, the rating tools are kept under review and upgraded as necessary, the bank regularly validates the performance of the rating and their predictive power with regard to default events.

Bank's internal ratings scale

Bank's rating	Description of the grade
1	Performing loans
2	Regular watching
3	Watch list
4	Non-performing loans

The amount of default represent the outstanding balances at the time when a late settlement occurred for example the loans expected amount of default represent its book value, for commitments the default amount represents all actual withdrawals in addition to any withdrawals that occurred till the date of the late payment if any.

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

Debt instruments, treasury bills and other bills

For Debt instruments and bills external rating such as standard and poor's rating or their equivalents are used for managing of the credit risk exposures, and if this rating is not available, then other ways similar to those used with the credit customers are uses, the investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3.A.2 Risk limit and mitigation policies

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

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.2 Risk limit and mitigation policies – continued

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

Some other specific control and mitigation measures are outlined below:

Collaterals

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

- Mortgages over residential properties.
- Mortgages Business assets such as machines and inventory.
- Mortgages financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured, in addition, in order to minimize the credit loss the bank will seek additional collaterals from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances are determined by the nature of the instrument, debt securities, treasury and other governmental securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Master netting arrangements

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

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required.

Guarantees and standby letters of credit carry the same credit risk as loans, documentary and commercial letters of credit - which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and condition - are collateralized by underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portion of authorizations to extend credit in the form of loans, guarantees or letters of credit, With respect to credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments, However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards, the bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.3 Impairment and provisioning policies

The internal rating systems focus more on credit-quality at the inception of lending and investment activities, Conversely, for only financial reporting purposes impairment losses are recognized for that has been incurred on the balance sheet date when there is an objective evidence of impairment. Due to the different methodologies applied, the amount of incurred impairment losses in balance sheet are usually lower than the amount determined from the expected loss model that is used for internal operational management and CBE regulation purposes.

The impairment provision reported in the balance sheet at the end of the period is derived from the four internal rating grades; However, the majority of the impairment provision comes from the last two rating degrees.

The following table illustrates the proportional distribution of loans and advances reported in the balance sheet for each of the four internal credit risk ratings of the bank and their relevant impairment losses:

Bank's rating	Loans and advances		Impairment provision	
	%	%	%	%
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
Performing loans	%32.31	%33.52	%3.53	%0.54
Regular watching	%54.79	%55.34	%6.12	%7.21
Watch list	%7.72	%6.34	%24.74	%27.85
Non-performing loans	%5.18	%4.80	%65.61	%64.40
	%100	%100	%100	%100

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

- Cash flow difficulties experienced by the borrower or debtor
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position.
- Bank granted concessions may not be approved under normal circumstances due to economic, legal reasons and financial difficulties facing the borrower.
- Deterioration of the collateral value.
- Deterioration of the credit situation.

The Bank's policy requires the review of all financial assets that are above materiality thresholds at least annually or more regularly when circumstances require, impairment provision on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date, and are applied to all significant accounts individually, The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipt for that individual account, collective Impairment provisions are provided portfolios of homogenous assets by using the available historical loss experience, experienced judgment and statistical techniques.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.4 Pattern of measure the general banking risk

In addition to the four categories of the bank's internal credit rating indicated in note (3.A.1) management classifies loans and advances based on more detailed subgroups in accordance with the CBE regulations, Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position and his repayment track record.

The Bank calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE, In case, the provision required for impairment losses as per CBE credit worthiness rules exceeds the required provision by the application used in balance sheet preparation in accordance with Egyptian Accounting Standards, that excess shall be debited to retained earnings and carried to the "general banking risk reserve" in the equity section, such reserve is always adjusted, on a regular basis, by any increase or decrease so, that reserve shall always be equivalent to the amount of increase between the two provisions, such reserve is not available for distribution, note no. (32.A) represents the movement of general bank risk reserve during the financial period.

Below is a statement of institutional worthiness according to internal ratings, compared to CBE ratings and rates of provisions needed for assets impairment related to credit risk:

CBE rating	Categorization	Provision %	Internal rating	Categorization
1	Low risk	0	1	Performing loans
2	Average risk	1	1	Performing loans
3	Satisfactory risk	1	1	Performing loans
4	Reasonable risk	2	2	Regular watching
5	Acceptable risk	2	2	Regular watching
6	Marginally acceptable risk	3	3	Watch list
7	Watch list	5	3	Watch list
8	Substandard	20	4	Non – performing loans
9	Doubtful	50	4	Non – performing loans
10	Bad debts	100	4	Non – performing loans

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held

Financial position items exposed to credit risks

	31/03/2021 L.E	31/12/2020 L.E
In balance sheet items exposed to credit risk		
Due from bank	7,276,687,886	2,696,610,288
Treasury bills and other government notes	12,512,200,594	7,781,477,535
Loans and advances to customers		
Retail loans		
- Overdraft	85,415,831	95,847,299
- Credit cards	84,870,234	85,144,299
- Personal loans	7,122,112,563	6,242,418,713
- Mortgage	298,713,162	289,346,377
Corporate loans		
- Overdraft	1,936,989,321	2,261,856,638
- Direct loans	8,308,910,339	7,676,369,559
- Syndicated loans	7,393,748,816	7,518,494,589
Financial investments		
- Debt instruments	21,720,326,856	20,613,827,042
Other assets	2,106,932,540	2,440,239,394
Total	68,846,908,142	57,701,631,733
Off-balance sheet items exposed to credit risk		
Letters of credit	131,575,540	269,445,000
Letters of guarantee	2,275,531,000	2,326,265,000
Total	2,407,106,540	2,595,710,000

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held

Due from banks	31 MARCH 2021			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	7,276,687,886	--	--	7,276,687,886
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total Book value	7,276,687,886	--	--	7,276,687,886
Less: Impairment provision	(2,132,013)	--	--	(2,132,013)
Book value	7,274,555,873	--	--	7,274,555,873

Due from banks	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	2,696,610,288	--	--	2,696,610,288
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total Book value	2,696,610,288	--	--	2,696,610,288
Less: Impairment provision	(2,062,027)	--	--	(2,062,027)
Book value	2,694,548,261	--	--	2,694,548,261

Treasury bills	31 MARCH 2021			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	12,512,200,594	--	--	12,512,200,594
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total Book value	12,512,200,594	--	--	12,512,200,594
Less: Impairment provision	(27,253,765)	--	--	(27,253,765)
Book value	12,484,946,829	--	--	12,484,946,829

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Treasury bills	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	7,781,477,535	--	--	7,781,477,535
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total Book value	7,781,477,535	--	--	7,781,477,535
Less: Impairment provision	(9,609,636)	--	--	(9,609,636)
Book value	7,771,867,899	--	--	7,771,867,899

Retail loans	31 MARCH 2021			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	3,153,667,407	78,578,542	18,191,962	3,250,437,911
Regular watching	3,845,242,310	--	--	3,845,242,310
Watch list	--	228,961,044	--	228,961,044
Non-performing loans	--	--	266,470,525	266,470,525
Total Book value	6,998,909,717	307,539,586	284,662,487	7,591,111,790
Less: Impairment provision	(43,362,971)	(47,593,907)	(182,008,616)	(272,965,494)
Book value	6,955,546,746	259,945,679	102,653,871	7,318,146,296

Retail loans	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	2,751,194,184	61,327,037	8,914,338	2,821,435,559
Regular watching	3,628,638,389	--	--	3,628,638,389
Watch list	--	146,229,692	--	146,229,692
Non-performing loans	--	--	116,453,048	116,453,048
Total Book value	6,379,832,573	207,556,729	125,367,386	6,712,756,688
Less: Impairment provision	(71,488,710)	(30,582,649)	(68,632,024)	(170,703,383)
Book value	6,308,343,863	176,974,080	56,735,362	6,542,053,305

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Corporate loans	31 MARCH 2021			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	4,900,831,443	4,745	8,099	4,900,844,287
Regular watching	9,860,193,399	118,111,846	--	9,978,305,245
Watch list	484,731,570	1,226,135,191	9,291,853	1,720,158,614
Non-performing loans	--	--	1,040,340,330	1,040,340,330
Total Book value	15,245,756,412	1,344,251,782	1,049,640,282	17,639,648,476
Less: Impairment provision	(165,087,337)	(332,662,218)	(961,613,449)	(1,459,363,004)
Book value	15,080,669,075	1,011,589,564	88,026,833	16,180,285,472

Corporate loans	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	5,279,019,510	9,721	181,529	5,279,210,760
Regular watching	9,332,019,396	415,184,175	--	9,747,203,571
Watch list	446,762,307	938,799,139	--	1,385,561,446
Non-performing loans	--	--	1,044,745,009	1,044,745,009
Total Book value	15,057,801,213	1,353,993,035	1,044,926,538	17,456,720,786
Less: Impairment provision	(79,607,987)	(348,555,300)	(892,646,709)	(1,320,809,996)
Book value	14,978,193,226	1,005,437,735	152,279,829	16,135,910,790

Debt instruments at fair value through OCI	31 MARCH 2021			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	16,147,024,251	--	--	16,147,024,251
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total Book value	16,147,024,251	--	--	16,147,024,251
Less: Impairment provision	(38,167,190)	--	--	(38,167,190)
Book value	16,108,857,061	--	--	16,108,857,061

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Debt instruments at fair value through OCI	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	14,950,375,221	--	--	14,950,375,221
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total Book value	14,950,375,221	--	--	14,950,375,221
Less: Impairment provision	(37,432,005)	--	--	(37,432,005)
Book value	14,912,943,216	--	--	14,912,943,216

Debt instruments at amortized cost	31 MARCH 2021			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	5,585,802,605	--	--	5,585,802,605
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total Book value	5,585,802,605	--	--	5,585,802,605
Less: Impairment provision	(12,745,748)	--	--	(12,745,748)
Book value	5,573,056,857	--	--	5,573,056,857

Debt instruments at amortized cost	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Performing loans	5,675,951,821	--	--	5,675,951,821
Regular watching	--	--	--	--
Watch list	--	--	--	--
Non-performing loans	--	--	--	--
Total Book value	5,675,951,821	--	--	5,675,951,821
Less: Impairment provision	(13,030,538)	--	--	(13,030,538)
Book value	5,662,921,283	--	--	5,662,921,283

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

The following table shows changes in ECL between the beginning and ending of the period ended as a result of these factors:

Due from banks	31 March 2021			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2021	2,062,027	--	--	2,062,027
New financial assets purchased or issued	73,185	--	--	73,185
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(3,199)	--	--	(3,199)
Ending balance	2,132,013	--	--	2,132,013

Due from banks	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	1,702,204	--	--	1,702,204
New financial assets purchased or issued	386,164	--	--	386,164
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(26,341)	--	--	(26,341)
Ending balance	2,062,027	--	--	2,062,027

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Treasury bills	31 March 2021			Total
	Stage 1	Stage 2	Stage 3	
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2021	9,609,636	--	--	9,609,636
New financial assets purchased or issued	17,763,382	--	--	17,763,382
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(119,253)	--	--	(119,253)
Ending balance	27,253,765	--	--	27,253,765

Treasury bills	31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2020	10,018,560	--	--	10,018,560
New financial assets purchased or issued	--	--	--	--
Matured or disposed financial assets	(533,084)	--	--	(533,084)
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	124,160	--	--	124,160
Ending balance	9,609,636	--	--	9,609,636

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Retail loans	31 March 2021			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2021	71,488,710	30,582,649	68,632,024	170,703,383
New financial assets purchased or issued	11,045,580	931,253	87,141	12,063,974
Matured or disposed financial assets	(3,276,078)	(1,683,327)	(1,491,026)	(6,450,431)
Transferred to stage 1	288,141	(275,466)	(12,675)	--
Transferred to stage 2	(35,264,509)	35,629,984	(365,475)	--
Transferred to stage 3	(79,133,829)	(24,644,962)	103,778,791	--
Changes in the probability of default and loss in case of default and the exposure at default	78,215,065	7,053,771	10,537,935	95,806,771
Changes in model assumption and methodology	--	--	--	--
Proceeds from bad debts	--	--	842,264	842,264
Write off during the period	--	--	--	--
Foreign currencies translation differences	(109)	5	(363)	(467)
Ending balance	43,362,971	47,593,907	182,008,616	272,965,494

Retail loans	31 December 2020			Total
	Stage 1 12 months	Stage 2 Life time	Stage 3 Life time	
Provision for credit losses on 1 January 2020	33,433,446	11,162,953	43,957,408	88,553,807
New financial assets purchased or issued	32,126,884	4,750,576	5,814,274	42,691,734
Matured or disposed financial assets	(2,556,572)	(1,657,315)	(1,288,801)	(5,502,688)
Transferred to stage 1	14,862,688	(10,189,837)	(4,672,851)	--
Transferred to stage 2	(11,903,985)	18,809,996	(6,906,011)	--
Transferred to stage 3	(3,088,824)	(6,275,744)	9,364,568	--
Changes in the probability of default and loss in case of default and the exposure at default	8,701,221	13,982,020	18,610,012	41,293,253
Changes in model assumption and methodology	--	--	--	--
Proceeds from bad debts	--	--	3,758,401	3,758,401
Write off during the period	--	--	--	--
Foreign currencies translation differences	(86,148)	--	(4,976)	(91,124)
Ending balance	71,488,710	30,582,649	68,632,024	170,703,383

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Corporate loans	31 March 2021			Total
	Stage 1	Stage 2	Stage 3	
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2021	79,607,987	348,555,300	892,646,709	1,320,809,996
New financial assets purchased or issued	814,052	886,538	140	1,700,730
Matured or disposed financial assets	(527,117)	(160,575)	(1,618,085)	(2,305,777)
Transferred to stage 1	3,758,587	(3,758,587)	--	--
Transferred to stage 2	(740,201)	740,201	--	--
Transferred to stage 3	--	(9,223,115)	9,223,115	--
Changes in the probability of default and loss in case of default and the exposure at default	82,237,596	(4,365,062)	62,226,692	140,099,226
Changes in model assumption and methodology	--	--	--	--
Proceeds from bad debts	--	--	--	--
Transferred from other provisions	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(63,567)	(12,482)	(865,122)	(941,171)
Ending balance	165,087,337	332,662,218	961,613,449	1,459,363,004

Corporate loans	31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2020	120,621,912	325,876,720	587,081,368	1,033,580,000
New financial assets purchased or issued	1,839,037	157,434	124,088	2,120,559
Matured or disposed financial assets	(233,117)	(12,458,045)	(8,270,690)	(20,961,852)
Transferred to stage 1	107,394,426	(107,394,426)	--	--
Transferred to stage 2	(207,250,974)	207,250,974	--	--
Transferred to stage 3	(2,385,597)	(55,521,119)	57,906,716	--
Changes in the probability of default and loss in case of default and the exposure at default	58,567,059	(7,382,671)	291,507,218	342,691,606
Changes in model assumption and methodology	--	--	--	--
Proceeds from bad debts	--	--	--	--
Transferred from other provisions	--	--	--	--
Write off during the period	--	--	(23,519,534)	(23,519,534)
Foreign currencies translation differences	1,055,241	(1,973,567)	(12,182,457)	(13,100,783)
Ending balance	79,607,987	348,555,300	892,646,709	1,320,809,996

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Debt instruments at fair value through OCI	31 March 2021			Total
	Stage 1	Stage 2	Stage 3	
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2021	37,432,005	--	--	37,432,005
New financial assets purchased or issued	1,002,303	--	--	1,002,303
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(267,118)	--	--	(267,118)
Ending balance	38,167,190	--	--	38,167,190

Debt instruments at fair value through OCI	31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2020	19,084,904	--	--	19,084,904
New financial assets purchased or issued	18,504,242	--	--	18,504,242
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(157,141)	--	--	(157,141)
Ending balance	37,432,005	--	--	37,432,005

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

Debt instruments at amortized cost	31 March 2021			Total
	Stage 1	Stage 2	Stage 3	
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2021	13,030,538	--	--	13,030,538
New financial assets purchased or issued	--	--	--	--
Matured or disposed financial assets	(207,778)	--	--	(207,778)
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(77,012)	--	--	(77,012)
Ending balance	12,745,748	--	--	12,745,748

Debt instruments at amortized cost	31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
	12 months	Life time	Life time	
Provision for credit losses on 1 January 2020	9,613,793	--	--	9,613,793
New financial assets purchased or issued	3,477,180	--	--	3,477,180
Matured or disposed financial assets	--	--	--	--
Transferred to stage 1	--	--	--	--
Transferred to stage 2	--	--	--	--
Transferred to stage 3	--	--	--	--
Changes in the probability of default and loss in case of default and the exposure at default	--	--	--	--
Changes in model assumption and methodology	--	--	--	--
Write off during the period	--	--	--	--
Foreign currencies translation differences	(60,435)	--	--	(60,435)
Ending balance	13,030,538	--	--	13,030,538

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.5 Maximum exposure to credit risk before collateral held – continued

The above table represents the maximum limit for credit risk as of 31 March 2021 and 31 December 2020, without taking into considerations any collateral, for on-balance-sheet items, amounts stated depend on net carrying amounts shown in the balance sheet.

As shown in the preceding table 41.89 % of the total maximum limit exposed to credit risk resulted from loans and advances to customers against 55.47% as at 31 December 2020; While 49.21% represents investments in debt instruments against 27.36% as at 31 December 2020 and the management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from loans and advances, and debt instruments as follows:

- 92.81% of the loans and advances portfolio are classified at the highest two ratings in the internal rating against 94.20% as at 31 December 2020.
- 86.46% of the loans and advances portfolio has no past due or impairment indicators against 86.77% as at 31 December 2020.
- The bank has applied a more conservative selection plan for the granted loans during the period ended 31 MARCH 2021.
- Investments in debt instruments and treasury bills contain more than 99.04% against 98.50% as at 31 December 2020 due from the Egyptian government.

3.A.6 Loans and advances

	31/03/2021	31/12/2020
	Loans and advances to customers L.E.	Loans and advances to customers L.E.
Neither past due nor impaired	21,813,442,155	20,972,921,376
Past due but not impaired	2,226,665,007	2,070,910,445
Individually impaired	1,190,653,104	1,125,645,653
Gross	25,230,760,266	24,169,477,474
less: expected credit loss , advances and restricted interests	(1,733,420,034)	(1,492,604,892)
Net	23,497,340,232	22,676,872,582

- As a result to the economic and political circumstances in Egypt loans and advances portfolios has decreased 4% as of 31 MARCH 2021 compared to its balance at 31 December 2020.
- Note (18) includes additional information regarding impairment loss on loans and advances to customers.
- The credit quality of the loans and advances portfolio that neither has past due nor subject to impairment is determined by the internal rating of the bank.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Loans and advances to customers (net)

	31/03/2021							
	Retail				Corporate			Total loans and advances to customers
	Overdraft	Credit cards	Personal loans	Mortgage	Overdraft	Direct loans	Syndicated loans	
L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	
Performing	81,119,876	33,853,860	3,130,455,070	--	316,144,890	963,392,158	3,565,096,777	8,090,062,631
Regular follow up	5,838	36,969,689	3,508,097,588	259,032,625	854,606,195	6,073,325,379	2,985,452,590	13,717,489,904
Watch list	3,378	3,099,894	164,028,951	14,859,578	513,222,511	551,704,748	273,681,334	1,520,600,394
Non-performing	1,044,370	2,092,569	73,742,474	9,637,720	60,479,039	3,703,048	18,488,083	169,187,303
Total	82,173,462	76,016,012	6,876,324,083	283,529,923	1,744,452,635	7,592,125,333	6,842,718,784	23,497,340,232

According to the bank's internal rating scale, the loans granted to retail customers are considered regular follow up.

	31/12/2020							
	Retail				Corporate			Total loans and advances to customers
	Overdraft	Credit cards	Personal loans	Mortgage	Overdraft	Direct loans	Syndicated loans	
L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	
Performing	89,542,670	36,001,655	2,688,936,715	--	670,863,002	854,609,854	3,752,577,593	8,092,531,489
Regular follow up	20,808	39,697,428	3,267,383,060	253,724,499	1,008,580,601	5,757,560,535	2,941,335,241	13,268,302,172
Watch list	2,253	2,104,016	104,090,438	12,279,294	296,561,363	426,086,154	275,337,985	1,116,461,503
Non-performing	199,418	1,342,429	38,258,485	8,367,321	72,268,080	60,637,033	18,504,652	199,577,418
Total	89,765,149	79,145,528	6,098,668,698	274,371,114	2,048,273,046	7,098,893,576	6,987,755,471	22,676,872,582

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless there is an objective evidence of impairment:

Retail	31/03/2020			
	Credit cards	Personal loans	Mortgage	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	1,812,412	847,258,371	84,522	849,155,305
Past due from 30 to 60 days	1,490,538	200,898,326	36,460	202,425,324
Past due from 60 to 90 days	1,522,394	67,982,832	12,153,772	81,658,998
Total	4,825,344	1,116,139,529	12,274,754	1,133,239,627

Corporate	31/03/2021			
	Overdraft	Direct loans	Syndicated loans	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	--	254,964,772	--	254,964,772
Past due from 30 to 60 days	85,651,240	42,524,374	--	128,175,614
Past due from 60 to 90 days	127,312,067	189,587,285	393,385,642	710,284,994
Total	212,963,307	487,076,431	393,385,642	1,093,425,380

Retail	31/12/2020			
	Credit cards	Personal loans	Mortgage	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	2,990,318	757,314,876	68,699	760,373,893
Past due from 30 to 60 days	3,402,221	293,208,652	58,114	296,668,987
Past due from 60 to 90 days	897,645	108,043,245	12,109,938	121,050,828
Total	7,290,184	1,158,566,773	12,236,751	1,178,093,708

Corporate	31/12/2020			
	Overdraft	Direct loans	Syndicated loans	Total
	L.E.	L.E.	L.E.	L.E.
Past due up to 30 days	4,119,380	18,188,067	91,569,395	113,876,842
Past due from 30 to 60 days	--	6,221,155	--	6,221,155
Past due from 60 to 90 days	126,363,121	230,892,314	415,463,305	772,718,740
Total	130,482,501	255,301,536	507,032,700	892,816,737

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.A Credit risk – continued

3.A.6 Loans and advances – continued

Individually impaired loans

Loans and advances to customers

Loans and advances subject to individual impairment before taking into consideration cash flows from guarantees in 31 MARCH 2021 amounted to EGP 1,125,645,653 against EGP 900,536,583 as of 31 December 2020. The breakdown of the total loans and advances subject to individual impairment including fair value of collateral obtained by the bank against these loans is as follows:

	Individual				Corporate			Total L.E.
	Overdraft	Credit card	Personal loans	Mortgage	Overdraft	Direct Loans	Syndicated Loans	
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	
Individually impaired loans 31/03/2021	3,132	5,457,353	144,806,866	45,422	170,700,874	555,457,457	314,182,000	1,190,653,104
Individually impaired loans 31/12/2020	2,138	1,699,264	79,177,668	21,574	169,176,590	560,926,419	314,642,000	1,125,645,653

Loans and advances Restructured

Restructuring activities include renegotiating in terms of payments terms extension, restructure of mandatory management policies, and adjusting ,postponing repayment terms, renegotiating policies depend on indicators or standards in addition to the management personal judgment to show that regular payments are of high probability, these policies are subject to regular review, Long-term loans, especially loans to customers are usually subject to renegotiation, total renegotiated loans reached EGP **770,127** thousand against EGP 792,073 thousand at 31 December 2020.

	31/03/2021 In thousand EGP	31/12/2020 In thousand EGP
Loans and advances to customers		
Corporate		
- Overdraft	287,170	287,857
- Direct Loans	482,957	504,216
Total	770,127	792,073

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

The table below shows an analysis of debt instruments, treasury bills and other governmental notes by rating agency designation at end of financial period, based on standard & Poor's and their equivalent.

	Treasury bills L.E.	Investments securities L.E.	Total L.E.
From A to +AA	--	337,396,083	337,396,083
B	34,630,297,005	--	34,630,297,005
Total	34,630,297,005	337,396,083	34,967,693,088

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.B Market risk

The bank is exposed to market risks of the fair value or future cash flow fluctuation resulting from changes in market prices, Market risks arise from open market related to interest rate, currency, and equity products represented in each of which is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices such as interest rates, foreign exchange rates and equity instrument prices, the bank divides its exposure to market risk into trading and non-trading portfolios.

The market risk management department is responsible for managing the market risks arising from trading and non-trading activities which are monitored by two separate teams, regular reports are submitted to the Board of Directors and each business unit head, trading portfolios include transactions where the Bank deals direct with clients or with the market; Non-trading portfolios include positions that primarily arise from the interest rate management of the group's retail and commercial banking assets and liabilities, non-trading portfolios also includes foreign exchange risk and equity instruments risks arising from the bank's held to maturity and available for sale investments.

3.B.1 Market risk measurement techniques

As part of market risk management the bank undertakes various hedging strategies and enters into swaps to match the interest rate risk associated with the fixed-rate long-term loans if the fair value option has been applied, the major measurement techniques used to control market risk are outlined below:

Stress Testing

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances, stress testing is designed to match business using standard analysis for specific scenarios, the stress testing is carried out by the bank treasury and includes risk factor stress testing where sharp movements are applied to each risk category and test emerging market stress, as emerging market are subject to sharp movements, and subject to special stress testing including possible events effect specific positions or regions - for example the stress outcome to a region applying a free currency rate, The results of the stress testing are reviewed by Top Management and the Board of Directors.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.B Market risk – continued

3.B.2 Foreign exchange volatility risk

The bank is exposed to foreign exchange volatility risk in terms of the financial position and cash flows, The Board of Directors set aggregate limits for foreign exchange for each position at the end of the day, and during the day which is controlled on timely basis, the following table summarizes the bank' exposure to foreign exchange volatility risk at the end of the financial period and includes the carrying amounts of the financial instruments in currencies:

Amount to the nearest EGP equivalent

	EGP	USD	GBP	EUR	Other currencies	Total
Financial assets as of 31/03/2021						
Cash and balances with the CBE	5,696,549,608	154,763,131	2,062,106	39,685,348	35,921,016	5,928,981,209
Due from Banks	4,003,791,578	2,045,915,201	9,940,347	1,207,501,857	7,406,890	7,274,555,873
Treasury bills	12,168,097,315	2,937,770,061	--	342,905,979	--	15,448,773,355
Loans and advances to customers	19,438,694,293	4,044,958,976	15,009	13,665,868	6,086	23,497,340,232
Financial investments:						
- Fair value through other omprehensive income	12,959,791,642	2,718,099,420	--	441,587,501	--	16,119,478,563
- Amortized cost	4,351,425,242	1,108,945,814	--	112,685,801	--	5,573,056,857
Total financial assets	58,618,349,678	13,010,452,603	12,017,462	2,158,032,354	43,333,992	73,842,186,089
Financial liabilities 31/03/2021						
Due to banks	500,000,000	294,826,650	10,813,350	1,223,125,160	4,041	2,028,769,201
Customer deposits	55,457,266,579	10,771,959,806	135,404,051	799,354,470	17,500,143	67,181,485,049
Other loans / Subordinated deposits	800,776,571	1,099,637,000	--	--	--	1,900,413,571
Total financial liabilities	56,758,043,150	12,166,423,456	146,217,401	2,022,479,630	17,504,184	71,110,667,821
Net financial position 31/03/2021	1,860,306,528	844,029,147	(134,199,939)	135,552,724	25,829,808	2,731,518,268
Financial assets as of 31/12/2020						
Total financial assets	53,021,063,126	13,351,328,462	5,914,778	1,339,898,329	75,918,224	67,794,122,919
Total financial liabilities	51,144,552,454	12,477,267,136	110,485,543	1,143,982,474	26,178,358	64,902,465,965
Net financial position 31/12/2020	1,876,510,672	874,061,326	(104,570,765)	195,915,855	49,739,866	2,891,656,954

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.B Market risk – continued

3.B.3 Interest rate risk

The bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Cash flow interest rate risk is the risk of fluctuation in future cash flows of a financial instrument due to changes in market interest rates. Fair value interest rate risk is the risk whereby the value of a financial instrument fluctuates because of changes in market interest rates. Interest margins may increase as a result of such changes but profit may decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken and is monitored daily by Bank Treasury.

The table below summarizes the bank's exposure to interest rate risks. It includes the bank's financial instruments at carrying amounts, categorized by the earlier of re-pricing or contractual maturity dates:

	Up to one Month	1-3 Months	3-12 Months	1-5 periods	Over 5 periods	Total
Financial assets as of 31/03/2021						
Cash and balances with the CBE	3,544,273,694	1,211,458,961	--	--	--	4,755,732,655
Due from Banks	2,495,594,129	64,883,777	--	--	--	2,560,477,906
Treasury bills	726,596,357	946,658,790	15,179,911,687	--	--	16,853,166,835
Bonds and other financial instruments	469,751,734	193,717,922	3,117,682,615	22,541,424,925	2,699,283,078	29,021,860,274
Regular loans and advances to customers	19,695,556,461	772,769,295	2,175,687,760	3,801,839,009	1,044,386,726	27,490,239,250
Net Loans and advances to customers	--	--	--	--	316,929,537	316,929,537
Other Assets	--	5,000,000	--	--	--	5,000,000
Total financial assets	26,931,772,375	3,194,488,745	20,473,282,062	26,343,263,934	4,060,599,341	81,003,406,457
Financial liabilities 31/03/2021						
Due to banks	2,076,029,371	--	--	--	--	2,076,029,371
Demand deposits	10,337,840,797	1,359,835,395	4,079,506,185	5,852,716,178	--	21,629,898,555
Saving deposits	638,624,815	120,683,470	362,050,411	603,263,251	--	1,724,621,947
Time and call deposits	11,874,062,195	2,366,564,641	12,478,391,215	8,785,361,499	429,303	35,504,808,853
Certificates of deposits	2,911,815,519	190,861,396	718,600,705	7,956,770,053	15,629,870	11,793,677,543
Other loans / Subordinated deposits	--	821,730,438	37,167,086	181,705,755	941,664,511	1,982,267,790
Total financial liabilities	27,838,372,697	4,859,675,340	17,675,715,602	23,379,816,736	957,723,684	74,711,304,059
Re-pricing gap	(906,600,322)	(1,665,186,595)	2,797,566,460	2,963,447,198	3,102,875,657	6,292,102,398
Financial assets as of 31/12/2020						
Total financial assets	20,480,491,983	8,543,114,947	14,153,037,235	26,289,598,937	4,104,795,632	73,571,038,734
Total financial liabilities	26,666,684,578	10,905,965,491	15,498,689,897	15,926,263,707	1,524,659,958	70,522,263,631
Re-pricing gap	(6,186,192,595)	(2,362,850,544)	(1,345,652,662)	10,363,335,230	2,580,135,674	3,048,775,103

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.C Liquidity risk

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

Liquidity risk management

The bank's liquidity management process carried out by the market risk management department includes:

- Daily funding is managed by monitoring future cash flows to ensure that all requirements can be met, this includes availability of liquidity when due or borrowed by customers, to ensure that the Bank reaches its objective it maintains an active presence in global money markets.
- The Bank maintains a portfolio of highly marketable that ,are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow
- Monitoring liquidity ratios are according to internal requirements and Central Bank of Egypt requirements,
- Managing loans concentration and dues.

For monitoring and reporting purposes, the Bank calculates the expected cash flow and liquidity are expected and monitored on the next day, week and month basis, which are the main times to manage liquidity the starting point to calculate these expectations is through analyzing the financial liabilities dues and expected financial assets collections.

The market risk management department monitors the mismatch between medium term assets, the level and nature of unused loans limits, overdraft utilizations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.C Liquidity risk – continued

Funding approach

Sources of liquidity are regularly reviewed by separate team in the bank to maintain a wide diversification according to currency, geographic locations, sources, products and terms.

	Up to one Month L.E.	1-3 Months L.E.	3-12 Months L.E.	1-5 periods L.E.	Over 5 period L.E.	Total L.E.
Financial liabilities 31/03/2021						
Due to banks	2,028,769,201	--	--	--	--	2,028,769,201
Customer deposits	11,816,044,448	4,751,007,899	21,208,435,325	21,319,483,213	8,086,514,164	67,181,485,049
Other loans / Subordinated deposits	--	129,429	129,429	517,714	1,899,637,000	1,900,413,572
Total financial liabilities	13,844,813,649	4,751,137,328	21,208,564,754	21,320,000,927	9,986,151,164	71,110,667,822
Total financial assets	27,673,807,415	6,655,930,562	18,066,231,041	12,386,860,915	9,059,356,155	73,842,186,089
Financial liabilities 31/12/2020						
Due to banks	2,690,925,050	--	--	--	--	2,690,925,050
Customer deposits	14,459,295,516	8,030,897,923	14,843,232,545	15,596,168,259	7,340,478,565	60,270,072,808
Other loans \ Subordinated deposits	--	114,286	258,857	517,714	1,940,577,250	1,941,468,107
Total financial liabilities	17,150,220,566	8,031,012,209	14,843,491,402	15,596,685,973	9,281,055,815	64,902,465,965
Total financial assets	28,774,360,539	8,784,797,715	9,349,541,167	13,104,813,362	7,780,610,136	67,794,122,919

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.D Fair value of financial assets and liabilities

3.D.1 Financial instruments not measured at fair value

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

	Book value		FMV*	
	31/03/2021 L.E.	31/12/2020 L.E.	31/03/2021 L.E.	31/12/2020 L.E.
Financial assets				
Due from banks	7,274,555,873	2,694,548,261	7,274,555,873	2,694,548,261
Loans and advances to customers				
A- Retail				
- Overdraft	82,173,462	89,765,149	82,173,462	89,765,149
- Credit cards	76,016,012	79,145,528	76,016,012	79,145,528
- Personal loans	6,876,324,083	6,098,668,698	6,876,324,083	6,098,668,698
- Mortgage	283,529,923	274,371,114	283,529,923	274,371,114
B- Corporate				
- Overdraft	1,744,452,635	2,048,273,046	1,744,452,635	2,048,273,046
- Direct loans	7,592,125,333	7,098,893,576	7,592,125,333	7,098,893,576
- Syndicated loans	6,842,718,784	6,987,755,471	6,842,718,784	6,987,755,471
Financial investments				
- Fair value through OCI	10,621,501	10,621,501	10,621,501	10,621,501
- Amortized cost	5,573,056,857	5,662,921,283	5,820,801,599	5,984,862,572
Financial liabilities				
Due to banks	2,028,769,201	2,690,925,050	2,028,769,201	2,690,925,050
Customers deposits				
- Corporate	49,803,279,257	43,997,088,594	49,803,279,257	43,997,088,594
- Retail	17,378,205,792	16,272,984,214	17,378,205,792	16,272,984,214
Other loans / Subordinated deposits	1,900,413,571	1,941,468,107	1,900,413,571	1,941,468,107

* Some assets and liabilities were not measured at their FMV 31 MARCH 2021.

Due from banks

Fair value of placements and deposits bearing variable interest rate for one day is its current value, the expected fair value for deposits bearing variable interest is based on the discounted cash flow using rate of similar loans of similar credit risk and due dates.

Loans and advances to banks

Loans and advances to banks are represented in loans other than deposits hold in banks, fair value expected for loans and advances represents the discounted value of future cash flows expected to be collected and cash flows are discounted using the current market interest rate to determine the fair value.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.D Fair value of financial assets and liabilities – continued

3.D.1 Financial instruments not measured at fair value – continued

Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Financial investments

Financial investments shown in the above schedule includes only held to maturity assets investments; as available for sale investments are measured at fair value except for equity instruments for which the market value can't be reliably determined, Fair value of held-to-maturity investments is based on market prices or broker prices, Fair value is estimated using quoted market prices for securities with similar credit and maturity and yield characteristics where information is not available.

Due to banks and customers

The estimated fair value of deposits of indefinite maturity which includes interest-free deposits is the amount paid on call.

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

Issued debt instrument

Total Fair value is calculated based on current financial markets' rates. As for securities that have no active market, discounted cash flows model is used in the first time according to the current rate applicable to the remaining period till maturity date.

3.E Capital management

For capital management purpose, the bank's capital includes total equity as reported in the balance sheet plus some other elements that are managed as capital; the bank manages its capital to ensure that the following objectives are achieved:

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

Capital adequacy and the use of regulatory capital are monitored on a daily basis by the bank's management. Employing techniques based on the guidelines developed by the Basel committee as implemented by the banking supervision unit in the central bank of Egypt on a quarterly basis.

The CBE requires the bank to comply with the following:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-up capital.
- Maintaining a minimum level of capital adequacy ratio of 11.875%, calculated as the ratio between total value of the capital elements, and the risk weighted average of the bank's assets and contingent liabilities.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.E Capital management – continued

According to new instructions issued in 18 December 2012:

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

Tier One:

Consists of two parts which are continuous basic paid in capital and additional basic paid in capital.

Tier Two:

Is the supported paid in capital and consist of:

- 45% from positive foreign currencies translation reserve.
- 45% from special reserve.
- 45% from fair value increment over the book value for financial investments. (Positive portion only)
- 45% from fair value reserve balance for financial investment available for sale.
- 45% from fair value increment over the book value for financial investments held for maturity.
- 45% from fair value increment over the book value for financial investments in associates and affiliates.
- Financial instruments with embedded derivative.
- Loans (Supportive deposits with 20% amortization from its value each period from the last five periods from its maturity).
- Impairment loss provision for loans, advances and performing contingent liabilities with maximum 1.25% from total weighted assets and weighted contingent liabilities.
- 50% disposals from tier 1 and 2.
- Assets reverted to the bank value in general banking risk reserve.
- When calculating the numerator of capital adequacy ratio, the rules limits the subordinated deposits to no more than 50% of tier1 after exclusion.
- Assets and contingent liabilities are weighted by credit risk, market risk and operational risk.

For denominator of capital adequacy ratio consists of:

- Credit risk
- Market risk
- Operational risk

Assets risk weight scale ranging from zero to 100% is based on the counterparty risk to reflect the related credit risk scheme, taking into consideration the cash collaterals.

Similar criteria are used for off balance sheet items after adjustments to reflect the nature of contingency and the potential loss of those amounts.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.E Capital management – continued

The tables below summarize the capital adequacy ratio according to Basel II for the current and previous periods:

	31/03/2021 In thousand EGP	31/12/2020 In thousand EGP
Tier 1 capital		
Issued and paid up capital	4,100,622	3,623,749
Legal reserve	420,479	358,016
Other reserves	30,394	29,788
General risk reserve	208,750	208,750
Retained earnings	70,683	71,552
Additional capital	100,013	539,956
Total other comprehensive income	156,227	479,523
Total deductions from tier 1 capital	(164,503)	(157,779)
Total qualifying tier 1 capital	4,922,665	5,153,555
Tier 2 capital		
Impairment provision for loans and regular contingent liabilities and debt instruments stage 1	310,514	305,627
Subordinated deposits	1,664,001	1,665,266
Total qualifying tier 2 capital	1,974,515	1,970,893
Total capital 1+2	6,897,180	7,124,448
Risk weighted assets and contingent liabilities		
Total Credit risk	24,841,124	24,450,156
Total Market risk	--	--
Total Operation risk	3,708,422	3,708,422
The value of exceeding the limits set for employment in countries is weighted by risk weights	359,354	342,008
Top 50 concentration	--	--
Total risk weighted assets and contingent liabilities	28,908,900	28,500,586
Capital Adequacy Ratio (%)	%23.86	%25.00

- In the case of calculating the concentration of the largest 50 clients, the capital adequacy ratio decreases from 23.86% to 22.26%.

3.F Leverage Financial Ratio

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

- Guidance ratio starting from reporting period September 2015 till 2017.
- Obligatory ratio started from period 2018.

This ratio will be included in Basel requirement tier 1 in order to maintain the Egyptian Banking System strong and safe, as long to keep up with the best international regulatory treatments. Leverage financial ratio reflect relationship between tier 1 for capital that is used in capital adequacy ratio (After Exclusions) and other assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Financial risk management – continued

3.G Leverage Financial Ratio – continued

Ratio Elements:

A- The numerator elements

The numerator consists of tier 1 for capital that is used in capital adequacy ratio (After Exclusions) in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE).

B-The denominator elements

The denominator consists of all bank assets (on balance sheet and off-balance sheet) according to financial statements called "Bank Exposure" which include total the following:

- 1- On the balance sheet exposure items after deducting some of tier 1 exclusions for capital base.
- 2- Financing financial papers operations exposures.
- 3- Off-balance sheet items (weighted by credit conversion factor).

The table below summarizes the leverage financial ratio:

	31/03/2021 In thousand EGP	31/12/2020 In thousand EGP
Tier 1 capital after exclusions	4,922,665	5,153,555
On-balance sheet items, derivatives and financing securities	77,757,816	71,713,586
Off-balance sheet items	2,013,893	2,111,173
Total exposures	79,771,709	73,824,759
Leverage Financial Ratio (%)	%6.17	%6.98

Liquidity coverage ratio and net stable fund ratio:

- Liquidity coverage ratio (LCR):

Liquidity coverage ratio aims to ensure that the bank maintains sufficient non-encumbered high quality liquid assets to meet the net outflows within the next 30 days under an unfavorable conditions scenario, and is calculated as follow:

Liquidity coverage ratio (LCR) = High quality liquid assets / Net outflows within 30 days.

This ratio shouldn't be less than 80% in 2017 and to gradually reach 100% by 2019.

For March 2021 LCR ratio record LCY 268.03% FCY 150.45% and total of 214.18%

- Net stable fund ratio (NSFR):

Net stable fund ratio represents the relation between the available stable funding (the numerator) and the required stable funding (the denominator), this ratio seeks to face the mismatch of the long-term financing structure by encouraging banks to use a stable long-term fund sources for at least one period in order to cover assets' investments and any financing claims resulting from off-balance sheet commitments to help the bank to structure its fund sources. This ratio shouldn't be less than 100%, and is calculated as follow:

Net stable fund ratio (NSFR) = Available stable funding / required stable funding \geq 100%

For March 2021 NSFR ratio record LCY 209.11%, FCY 208.59% and total of 209.03%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

4. Significant accounting estimates and assumptions

The bank makes subjective estimates and judgments that affect the reported amounts of assets and liabilities for the following financial period consistent estimations and judgments are continually evaluated based on historical experience and other factors including the expectations of future events that are believed to be reasonable.

4.A Impairment losses for loans and advances

The bank reviews the portfolio of loans and advance sat least quarterly to evaluate their impairment, the bank uses discretionary judgment on determining whether it is necessary to record impairment loss in the income statement, the bank has to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis, this evidence includes data indicating negative changes in a borrower's portfolio ability to repay to the bank or local or economic circumstances related to default, on scheduling future cash flows the management uses the past experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio in question.

The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on experience.

4.B Amortized cost investments

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

If classification of investments as held to maturity is suspended the carrying amount shall increase by EGP 321,941,289 to reach its fair value by increasing the valuation reserve available for sale within the equity caption.

4.C Income tax

The bank is subject to income tax which requires the use of important estimates to calculate the income tax provision, there are a number of complicated processes and calculations to determine the final income tax, the bank records a liability related to the tax inspection estimated results, according to estimates of probabilities of extra taxes ,when there is a difference between the final result of the actual tax inspection and the amounts previously recorded by the bank such, differences affect the income and deferred tax provision at the period which the differences were noted.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

5. By activity segment

Activity segment include operations and assets used in providing banking services and managing related risks and yields which may differ from other activities, the segmentation analyses of operations according to the banking activities are as follows:

- **Large enterprises medium and small ones**
Activities include current accounts, deposits, overdrafts, loans, credit facilities and financial derivatives.
- **Investments**
Include merging companies, purchasing investments, financing company's restructure and financial instruments.
- **Individuals**
Activities include current accounts, savings, deposits, credit cards, personal loans and mortgage loans.
- **Other activities**
Include other banking activities such as fund management.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6. Net interest income

	31 March 2021 L.E.	31 March 2020 L.E.
Interest from loans and similar income from:		
Loans and advances to banks	--	--
Loans and advances to customers	625,569,343	666,376,855
Treasury bills and treasury bonds	880,474,712	527,268,854
Reverse rebo	154,105,684	686,354,698
Deposits and current accounts	122,811,626	27,965,971
Investments in debt instruments	11,406,180	9,371,356
Total	1,794,367,545	1,917,337,734
Interest on Deposits and similar expenses from:		
Deposits and current accounts from banks	(29,727,038)	(134,976,548)
Deposits and current accounts from customers	(1,069,348,090)	(1,099,970,380)
REPOs	(4,597,132)	(48,177,553)
Subordinated deposits	(28,435,294)	(23,446,575)
Total	(1,132,107,554)	(1,306,571,056)
Net interest income	662,259,991	610,766,678

7. Net fees and commission income

	31 March 2021 L.E.	31 March 2020 L.E.
Fees and commission income		
Fees and commissions related to credit banking services	80,876,774	87,407,493
Custody fees	711,771	664,785
Other fees	28,129,893	12,107,379
Total	109,718,438	100,179,657
Fees and commission expenses		
Brokerage fees paid	(2,734,148)	(919,447)
Other fees paid	(38,649,540)	(28,274,789)
Total	(41,383,688)	(29,194,236)
Net fees and commission income	68,334,750	70,985,421

8. Dividends income

	31 March 2021 L.E.	31 March 2020 L.E.
Investment funds	71,336	146,336
Total	71,336	146,336

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

9. Net trading income

	31 March 2021 L.E.	31 March 2020 L.E.
Profit from foreign exchange	22,436,224	37,452,784
Profit from selling trading equity instruments	478,436	486,590
Revaluation of financial investments held for trading	4,060,592	2,177,574
Total	26,975,252	40,116,948

10. General and administrative expenses

	31 March 2021 L.E.	31 March 2020 L.E.
Staff costs		
Wages and salaries	(124,222,961)	(104,278,091)
Social insurance	(7,180,770)	(6,819,256)
Other	(30,823,413)	(87,083,214)
Pension cost		
Retirement benefits	(324,354)	(84,429)
Total	(162,551,498)	(198,264,990)
Other administrative expenses	(165,007,871)	(152,462,914)
Total	(327,559,369)	(350,727,904)

11. Other operating income (expenses)

	31 March 2021 L.E.	31 March 2020 L.E.
Release of other provisions	114,866,662	7,887,891
Other	28,138,585	14,214,783
Total	143,005,247	22,102,674

12. Impairment (charge) for credit losses

	31 March 2021 L.E.	31 March 2020 L.E.
Loans and advances to customers (note 18)	(240,914,493)	(130,252,411)
Due to banks	(73,185)	(127,836)
Treasury bills	(17,763,382)	(18,041,096)
Fair value through other comprehensive income	(1,002,303)	(2,255,008)
Amortized cost	207,778	(3,339,645)
Total	(259,545,585)	(154,015,996)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

13. Income tax expenses

	31 March 2021 L.E.	31 March 2020 L.E.
Current tax	(140,662,578)	(94,750,347)
Deferred tax liabilities	(24,429,724)	--
Total	(165,092,302)	(94,750,347)

	31 March 2021 L.E.	31 March 2020 L.E.
Profit before tax	324,668,092	251,311,971
Income tax calculated at 22.5% tax rate	73,050,321	56,545,193
Non-taxable income	(156,924,683)	(57,250,732)
Non-deductible expenses for tax purposes	86,883,029	45,688,668
Extra payments on interest from treasury bills and treasury bonds	137,653,911	49,767,217
Current tax	140,662,578	94,750,346
Effective tax rate	%43.33	%37.70

14. Earnings per share

	31 March 2021 L.E.	31 March 2020 L.E.
Net profit of the period	159,575,790	156,561,624
Shares	422,740,271	422,740,271
Earnings per share (EGP/ share)	0.38	0.37

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

15. Classification and measurement of financial assets and financial liabilities

The following table shows the gross financial assets and financial liabilities (excluding allowances for impairment) according to the business model classification:

31 March 2021	Amortized cost	Debt instruments at fair value through OCI	Equity instruments at fair value through OCI	Fair value through profit and loss	Total Carrying amount
Cash and balances with the CBE	5,928,981,209	--	--	--	5,928,981,209
Due from banks	7,276,687,886	--	--	--	7,276,687,886
Treasury bills	--	15,476,027,120	--	--	15,476,027,120
Loans and credit facilities to customers	25,230,760,266	--	--	--	25,230,760,266
Fair value through other comprehensive income	--	16,147,024,251	10,621,502	--	16,157,645,753
Amortized cost	5,585,802,605	--	--	--	5,585,802,605
Other financial assets	1,407,467,150	--	--	--	1,407,467,150
Total financial assets	45,429,699,116	31,623,051,371	10,621,502	--	77,063,371,989
Due to banks	2,028,769,201	--	--	--	2,028,769,201
Customer deposits	67,181,485,049	--	--	--	67,181,485,049
Other loans	1,900,413,571	--	--	--	1,900,413,571
Other financial liabilities	314,448,657	--	--	--	314,448,657
Total financial liabilities	71,425,116,478	--	--	--	71,425,116,478

31 December 2020	Amortized cost	Debt instruments at fair value through OCI	Equity instruments at fair value through OCI	Fair value through profit and loss	Total Carrying amount
Cash and balances with the CBE	5,607,454,516	--	--	--	5,607,454,516
Due from banks	2,696,610,288	--	--	--	2,696,610,288
Treasury bills	--	16,238,371,195	--	--	16,238,371,195
Loans and credit facilities to customers	24,169,477,474	--	--	--	24,169,477,474
Fair value through other comprehensive income	--	14,950,375,221	10,621,502	--	14,960,996,723
Amortized cost	5,675,951,821	--	--	--	5,675,951,821
Other financial assets	1,728,563,693	--	--	--	1,728,563,693
Total financial assets	39,878,057,792	31,188,746,416	10,621,502	--	71,077,425,710
Due to banks	2,690,925,050	--	--	--	2,690,925,050
Customer deposits	60,270,072,808	--	--	--	60,270,072,808
Other loans	1,941,468,107	--	--	--	1,941,468,107
Other financial liabilities	417,505,816	--	--	--	417,505,816
Total financial liabilities	65,319,971,781	--	--	--	65,319,971,781

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. Cash and balances with the Central Bank of Egypt (CBE)

	31/03/2021	31/12/2020
	L.E.	L.E.
Cash	625,494,485	727,730,647
Due from the CBE (within the required limit of statutory reserve percentage)	5,303,486,724	4,879,723,869
Total	5,928,981,209	5,607,454,516
Non-interest bearing balances	5,928,981,209	5,607,454,516
Total	5,928,981,209	5,607,454,516

17. Due from banks

	31/03/2021	31/12/2020
	L.E.	L.E.
Current accounts	231,814,099	98,773,697
Deposits	7,044,873,787	2,597,836,591
Less: Provision for impairment losses	(2,132,013)	(2,062,027)
Total	7,274,555,873	2,694,548,261
Balance with CBE otherwise the required limit of statutory reserve percentage	4,711,218,737	1,730,297,416
Local banks	2,309,294,234	784,773,289
Foreign banks	256,174,915	181,539,583
Less: Provision for impairment losses	(2,132,013)	(2,062,027)
Total	7,274,555,873	2,694,548,261
Non-interest bearing balances	231,814,099	98,773,697
Variable Interest bearing balances	7,044,873,787	2,597,836,591
Less : Provision for impairment losses	(2,132,013)	(2,062,027)
Total	7,274,555,873	2,694,548,261
Current balance	7,276,687,886	2,696,610,288
Less: Provision for impairment losses	(2,132,013)	(2,062,027)
Total	7,274,555,873	2,694,548,261

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

18. Loans, advances and morabihat to customers (net)

	31/03/2021 L.E.	31/12/2020 L.E.
Retail		
Overdraft	85,415,831	95,847,299
Credit cards	84,870,234	85,144,299
Personal loans	7,122,112,563	6,242,418,713
Mortgage	298,713,162	289,346,377
Total (1)	7,591,111,790	6,712,756,688
Corporate		
Overdraft	1,936,989,321	2,261,856,638
Direct loans	8,308,910,339	7,676,369,559
Syndicated loans	7,393,748,816	7,518,494,589
Total (2)	17,639,648,476	17,456,720,786
Total loans and advance to customers (1+2)	25,230,760,266	24,169,477,474
Less:		
Provision for impairment losses	(1,732,328,498)	(1,491,513,379)
Interest in suspense	(1,091,536)	(1,091,513)
Net loans, advances and morabihat to customers	23,497,340,232	22,676,872,582

Provision for impairment losses

Retail	31/03/2021				
	Overdraft L.E.	Credit cards L.E.	Personal loans L.E.	Mortgage L.E.	Total L.E.
Beginning balance	6,082,150	5,998,771	143,647,199	14,975,263	170,703,383
Impairment losses	(2,839,318)	2,834,165	101,242,077	183,390	101,420,314
Proceeds from bad debts	--	21,286	796,392	24,586	842,264
Forex revaluation provision	(463)	--	(4)	--	(467)
Ending balance	3,242,369	8,854,222	245,685,664	15,183,239	272,965,494

Corporate	31/03/2021			
	Overdraft L.E.	Direct loans L.E.	Syndicated loans L.E.	Total L.E.
Beginning balance	212,594,895	577,475,983	530,739,118	1,320,809,996
Impairment losses	(20,930,410)	139,696,341	20,728,248	139,494,179
Bad debts	--	--	--	--
Forex revaluation provision	(116,519)	(387,318)	(437,334)	(941,171)
Ending balance	191,547,966	716,785,006	551,030,032	1,459,363,004

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

18. Loans, advances and morabihat to customers (net) - continued

Retail	31/12/2020				
	Overdraft L.E.	Credit cards L.E.	Personal loans L.E.	Mortgage L.E.	Total L.E.
Beginning balance	10,786,658	3,312,791	61,861,958	12,592,400	88,553,807
Impairment losses	(4,614,574)	2,409,471	78,357,539	2,329,863	78,482,299
Bad debts	--	276,509	3,428,892	53,000	3,758,401
Forex revaluation provision	(89,934)	--	(1,190)	--	(91,124)
Ending balance	6,082,150	5,998,771	143,647,199	14,975,263	170,703,383

Corporate	31/12/2020			
	Overdraft L.E.	Direct loans L.E.	Syndicated loans L.E.	Total L.E.
Beginning balance	223,638,151	566,631,064	243,310,785	1,033,580,000
Impairment losses	17,421,743	18,368,308	288,060,262	323,850,313
Transferred from other provisions	(23,519,534)	--	--	(23,519,534)
Forex revaluation provision	(4,945,465)	(7,523,389)	(631,929)	(13,100,783)
Ending balance	212,594,895	577,475,983	530,739,118	1,320,809,996

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

19. Financial investments

	31/03/2021 L.E.	31/12/2020 L.E.
Fair value through other comprehensive income (FVTOCI)		
Debt instruments at FV (listed)	16,147,024,251	14,950,375,221
Treasury Bills (19-1)	15,476,027,120	16,238,371,195
Equity instruments (unlisted)	10,621,501	10,621,501
Investment management by other	1	1
Total investments at fair value through OCI	31,633,672,873	31,199,367,918
Expected Credit losse	(65,420,955)	(47,041,641)
Net investments at Fair value through other comprehensive income (1)	31,568,251,918	31,152,326,277
Amortized cost		
Debt instruments (listed)	5,573,302,605	5,663,451,821
Egyptian Gulf Bank Mutual fund's CDs	5,000,000	5,000,000
Egyptian Gulf Bank Tharaa fund (money market)	7,500,000	7,500,000
Total Amortized cost	5,585,802,605	5,675,951,821
Expected Credit losse	(12,745,748)	(13,030,538)
Net Amortized cost (2)	5,573,056,857	5,662,921,283
Total financial investments (1+2)	37,141,308,775	36,815,247,560

	Fair value through other comprehensive income L.E.	31/12/2021 Amortized cost L.E.	Total L.E.
Beginning balance	14,960,996,723	5,675,951,821	20,636,948,544
Additions	3,467,447,062	49,126,352	3,516,573,414
Disposals	(2,018,563,980)	(137,502,480)	(2,156,066,460)
Monetary assets foreign currencies differences	(25,212,762)	(6,964,219)	(32,176,981)
(Loss) from change in FV (note 31)	(231,495,362)	--	(231,495,362)
Amortized cost	4,474,072	5,191,131	9,665,203
Total	16,157,645,753	5,585,802,605	21,743,448,358
Expected Credit losse	(38,167,190)	(12,745,748)	(50,912,938)
Ending balance	16,119,478,563	5,573,056,857	21,692,535,420

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

19. Financial investments – continued

	31/12/2020		Total L.E.
	Fair value through comprehensive income L.E.	Amortized cost L.E.	
Beginning balance	3,101,009,773	6,019,091,254	9,120,101,027
Additions	13,716,806,035	805,355,250	14,522,161,285
Disposals	(2,162,374,122)	(1,161,878,150)	(3,324,252,272)
Monetary assets foreign currencies	7,861,513	(16,360,899)	(8,499,386)
(Loss) from change in FV (note 31)	285,890,611	--	285,890,611
Amortized cost	11,802,913	29,744,366	41,547,279
Total	14,960,996,723	5,675,951,821	20,636,948,544
Expected Credit losse	(37,432,005)	(13,030,538)	(50,462,543)
Ending balance	14,923,564,718	5,662,921,283	20,586,486,001

19.1 Treasury bills and other governmental notes*

	31/03/2021 L.E.	31/12/2020 L.E.
Treasury bills 91 days	730,825,000	100,000
Treasury bills 182 days	408,075,000	250,000
Treasury bills 273 days	1,250,600,000	618,025,000
Treasury bills 365 days	10,958,794,580	7,654,960,900
Total	13,348,294,580	8,273,335,900
Less/ Add:		
Unearned Revenue	(813,332,341)	(501,109,381)
Changes in fair value	(22,761,645)	9,251,016
Total (1)	12,512,200,594	7,781,477,535
Purchase and resale agreements		
Reverse rebo 91 days	--	--
Reverse rebo 182 days	--	1,312,340,048
Reverse rebo 273 days	516,740,391	2,164,980,434
Reverse rebo 365 days	2,646,533,117	5,145,342,431
Add:		
Changes in fair value	2,178,018	40,980,747
Total (2)	3,165,451,526	8,663,643,660
Sale and repurchase agreements	(201,625,000)	(206,750,000)
Total (3)	(201,625,000)	(206,750,000)
Total (1+2+3)	15,476,027,120	16,238,371,195
Expected Credit losse	(27,253,765)	(9,609,636)
Ending balance	15,448,773,355	16,228,761,559

* Treasury bills include EGP 2,940,743,520 (equivalent to USD187.2 million) as in USD Treasury bills and EGP 342,651,060 (equivalent to EUR 18.6 million) as in EUR Treasury bills.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

Profit (losses) from sale of financial investments

	31 March 2021	31 March 2020
	L.E.	L.E.
Gains from sale of financial assets fair value through other comprehensive income	11,126,470	11,937,814
Total	11,126,470	11,937,814

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

20. Investment in subsidiaries and associates

The banks share of investment in subsidiaries and associates is as follows:

31/03/2021	Country	Company's assets L.E.	Company's liabilities less owners' equity L.E.	Company's revenues L.E.	Company's profits / (losses) L.E.	Book value L.E.	Share %
Subsidiaries							
Egyptian gulf holding	Egypt	340,227,101	40,413,622	73,842	(334,915)	299,970,000	%99.99
Associates							
First Gas**	Egypt	37,367,943	17,735,123	25,409,489	(6,877,796)	5,000	
Prime holding for financial investments**	Egypt	524,331,658	143,129,960	9,916,828	(24,256,418)	3,100	
Total		901,926,702	201,278,705	35,400,159	(31,469,129)	299,978,100	

31/12/2020	Country	Company's assets L.E.	Company's liabilities less owners' equity L.E.	Company's revenues L.E.	Company's profits / (losses) L.E.	Book value L.E.	Share %
Subsidiaries							
Egyptian gulf holding	Egypt	343,598,105	40,029,604	1,103,835	5,623,271	299,970,000	%99.99
Associates							
First Gas**	Egypt	42,860,853	16,350,237	37,266,870	1,473,043	5,000	
Prime holding for financial investments**	Egypt	598,444,935	210,065,180	7,443,802	(17,275,245)	3,100	
Total		984,903,893	266,445,021	45,814,507	(10,178,931)	299,978,100	

** First Gas (indirect shareholding 19.99%) and Prime Holding Company (indirect shareholding 10.25%) were included in the investments in associates (through the company Egyptian Gulf Holding for Financial Investments of the Bank), in addition to influential influence represented by Membership of the boards of directors of that company.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

21. Employee stock ownership plan (ESOP)

The extraordinary general assembly meeting held on 9 May 2017 approved the establishment of the employee stock ownership plan (ESOP) by granting after amending the bank's article of association according to the decision of the extraordinary general assembly meeting held on 23 March 2016 based on a proposal from the bank's board of directors on 29 February 2016, this plan will be applied starting from 9 August 2017 which is the date of the approval of the Egyptian Financial Supervisory Authority (EFSA) on this plan in accordance with the law.

Equity securities of this plan will be granted to the bank's executive members, departments' heads, general managers, first line managers and employees of the bank based on their annual performance and appraisal according to the bank's financial performance and personal performance report based on his functional grade.

The balance of the employee stock ownership plan amounted EGP **89,330,723** at 31 March 2021 according to the number of **8,126,659** shares. The fair value for the shares amounted EGP 52,341,625 and the revaluation differences amounted EGP(36,989,098) for the period ended 31 MARCH 2021.

ESOP movement during the period as follows:

	31/03/2021		31/12/2020	
	Shares	L.E.	Shares	L.E.
Beginning balance	8,076,659	89,001,751	6,247,194	83,011,999
*Purchased during the period	50,000	328,972	1,829,465	5,989,752
Ending balance	8,126,659	89,330,723	8,076,659	89,001,751

* Additions during the period of 31 December 2020 include 610,296 shares represented in bonus dividends for the profits of 2019 in accordance with the decision of the General Assembly on 30 March 2020.

* Additions during the period of 31 December 2020 include 435,169 shares represented in bonus dividends for the profits of 2018 in accordance with the decision of the General Assembly on 31 March 2019.

ESOP movement in equity during the period as follows:

	31/03/2021	31/12/2020
	L.E.	L.E.
Beginning balance	45,711,839	26,603,387
Amortization during the period	1,771,901	19,108,452
Ending balance	47,483,740	45,711,839

22. Intangible assets

Computer software

	31/03/2021	31/12/2020
	L.E.	L.E.
Net book value at the beginning of the period	35,514,588	19,913,273
Additions during the period	--	22,990,282
Amortization during the period	(2,072,993)	(7,388,967)
Accumulated depreciation of Reclassification assets	--	--
Net book value at the end of the period	33,441,595	35,514,588

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

23. Other assets

	31/03/2021	31/12/2020
	L.E.	L.E.
Unearned revenues	1,407,467,150	1,728,563,693
Prepaid expenses	193,204,049	170,006,987
Advances to purchase fixed assets	457,983,740	480,616,352
Assets reverted to bank (after deducting the impairment)	201,264,020	206,664,020
Impress & Guarantee	17,091,203	11,617,794
Assets held for sale - investments reverted to the bank*	98,497,888	98,497,888
Other	382,612,279	394,895,999
Total	2,758,120,329	3,090,862,733

* Investments reverted to the bank represented "Hamenz Co" amounted to EGP 20,639,987, on 1 July 2019 the bank's share in the company's capital was increased to 99.99% from 71.50%, knowing that this investment meets all the conditions listed in the standards for classifying this investment as an asset held for sale.

* After the CBE board assembly on 8th of September, 2009 the following was stated:

"In the event that a bank that owns shares in a non-financial company with more than 40% of its issued capital, the bank must dispose of any extra ownership within a period of acquiring the shares, Impairment loss of the shares accumulated will then be calculated according to accounting principles so as not to understate the value of these losses relative to any marginal increase above the 40%, Losses should then be reflected in the bank's income statement under investment losses, or as other expenses depending on the circumstances in exchange for a decrease in the book value of share price by the same amount". The bank has calculated impairment account to each of the following: Misr America for medical supplies, and Hamenz for German technological Industries.

* Due to the inability to sell the asset within the legally specified period, a general bank risk reserve was formed at 10% of the asset value annually in accordance with the instructions of the CBE.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

24. Fixed assets

	Land & Buildings L.E.	Fixtures and Fitting L.E.	Tools and Machinery L.E.	Computers L.E.	Furniture L.E.	Vehicles L.E.	Other L.E.	Total L.E.
Cost, 1/1/2020	417,977,164	301,923,974	22,410,117	157,606,044	62,236,748	13,209,240	119,452,158	1,094,815,445
Accumulated depreciation	(44,596,212)	(126,805,764)	(10,877,218)	(82,027,512)	(18,489,221)	(9,949,394)	(60,954,319)	(353,699,640)
Net book value	373,380,952	175,118,210	11,532,899	75,578,532	43,747,527	3,259,846	58,497,839	741,115,805
31/12/2020								
Net book value at the beginning of the period	373,380,952	175,118,210	11,532,899	75,578,532	43,747,527	3,259,846	58,497,839	741,115,805
Additions	919,500	12,757,530	958,065	21,654,607	11,836,043	8,272,500	15,705,809	72,104,054
Disposals	--	(572,181)	(32)	(135,156)	(557,760)	(463,100)	(1,779,283)	(3,507,512)
Depreciation	(8,147,005)	(39,121,993)	(2,049,683)	(13,014,739)	(9,581,971)	(2,406,574)	(20,064,440)	(94,386,405)
Accumulated depreciation of disposal assets	--	572,179	--	135,145	554,447	463,100	960,645	2,685,516
Net book value	366,153,447	148,753,745	10,441,249	84,218,389	45,998,286	9,125,772	53,320,570	718,011,458
Cost, 1/1/2021	418,896,664	314,109,323	23,368,150	179,125,495	73,515,031	21,018,640	133,378,684	1,163,411,987
Accumulated depreciation	(52,743,217)	(165,355,578)	(12,926,901)	(94,907,106)	(27,516,745)	(11,892,868)	(80,058,114)	(445,400,529)
Net book value	366,153,447	148,753,745	10,441,249	84,218,389	45,998,286	9,125,772	53,320,570	718,011,458
31/03/2021								
Net book value at the beginning of the period	366,153,447	148,753,745	10,441,249	84,218,389	45,998,286	9,125,772	53,320,570	718,011,458
Additions	--	41,258,442	15,440	1,120,763	10,537,031	2,200,000	3,762,993	58,894,669
Disposals	--	--	--	--	--	(740,880)	(10,000)	(750,880)
Depreciation	(2,002,648)	(10,027,276)	(657,395)	(3,884,365)	(2,776,479)	(820,915)	(5,580,450)	(25,749,528)
Accumulated depreciation of disposal assets	--	--	--	--	--	740,880	--	740,880
Net book value	364,150,799	179,984,911	9,799,294	81,454,787	53,758,838	10,504,857	51,493,113	751,146,599
Cost 31/03/2021	418,896,664	355,367,765	23,383,590	180,246,258	84,052,062	22,477,760	137,131,677	1,221,555,776
Accumulated depreciation	(54,745,865)	(175,382,854)	(13,584,296)	(98,791,471)	(30,293,224)	(11,972,903)	(85,638,564)	(470,409,177)
Net book value	364,150,799	179,984,911	9,799,294	81,454,787	53,758,838	10,504,857	51,493,113	751,146,599

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

25. Due to banks

	31/03/2021 L.E.	31/12/2020 L.E.
Current accounts	273,392,051	162,602,084
Deposits	1,755,377,150	2,528,322,966
Total	2,028,769,201	2,690,925,050
Local banks	1,755,377,150	2,528,322,966
Foreign banks	273,392,051	162,602,084
Total	2,028,769,201	2,690,925,050
Non-interest bearing balances	273,392,051	162,602,084
Interest bearing balances	1,755,377,150	2,528,322,966
Total	2,028,769,201	2,690,925,050
Current balances	2,028,769,201	2,690,925,050
Total	2,028,769,201	2,690,925,050

26. Customers' deposits

	31/03/2021 L.E.	31/12/2020 L.E.
Demand deposits	21,706,513,089	21,163,847,818
Time and call deposits	32,198,934,041	27,075,024,046
Certificates of deposits	10,997,569,268	9,751,796,348
Saving deposits	1,710,185,030	1,560,336,313
Other deposits	568,283,621	719,068,283
Total	67,181,485,049	60,270,072,808
Corporate deposits	49,803,279,257	43,997,088,594
Retail deposits	17,378,205,792	16,272,984,214
Total	67,181,485,049	60,270,072,808

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

27. Other loans / Subordinated deposits

	31/03/2021	31/12/2020
	L.E.	L.E.
Commercial International Bank loan	776,571	890,857
European Investment Bank	235,636,500	275,311,750
Subordinated Deposits*	1,664,000,500	1,665,265,500
Total	1,900,413,571	1,941,468,107

* The bank entered into an agreement with Misr Insurance Company (S.A.E.) on 13 November 2017, whereby the company deposited an amount of EGP 800 million divided into 5 deposits where the last deposit should be made within one month and a half from the date of signing the contract, the term of each deposit will be seven years and six months starting from the date of each deposit separately.

* The bank entered into an agreement with Misr Insurance Company (S.A.E.) on 5 May 2020 , whereby the company deposited an amount of EGP 35 million, deposit should be made within one month from the date of signing the contract the term of deposit will be seven starting from the date of deposit separately.

* The bank entered into an agreement with Misr Live Insurance Company (S.A.E.) on 5 May 2020 , whereby the company deposited an amount of EGP 20 million, deposit should be made within one month from the date of signing the contract the term of deposit will be seven starting from the date of deposit separately

This deposit is subject to the terms and conditions of the Central Bank of Egypt and the bank can use this deposit in all areas that deem appropriate for investment.

As this deposit is subject to the conditions of the Central Bank of Egypt and meets the requirements to be included in tier (2) of the capital base as it is not designated for specific activity or to meet specific assets and is issued and fully paid, this deposit follows the rights of the depositors and creditors at liquidation and is not guaranteed from the issuer and not subject to any legal or economic arrangements and does not include conditions to be recoverable before the due date.

28. Other liabilities

	31/03/2021	31/12/2020
	L.E.	L.E.
Accrued interest	314,448,657	417,505,816
Unearned revenue	23,511,626	16,261,174
Accrued expenses	466,457,441	503,990,953
Creditors	410,541,363	388,670,997
Other credit balances	76,921,023	84,498,971
Total	1,291,880,110	1,410,927,911

29. Other Provisions

	31/03/2021	31/12/2020
	L.E.	L.E.
Beginning balance	251,619,155	69,902,411
Translations for foreign currency balances	(666,684)	461,447
Release (charged) during the period to statement of income	(114,866,662)	209,729,005
Provisions no longer required	--	(22,361,250)
Used during the period	--	(6,112,458)
Ending balance	136,085,809	251,619,155

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	31/03/2021	31/12/2020
	L.E.	L.E.
Provision for legal claims	10,227,518	9,627,706
Provision for other claim	19,018,781	19,018,781
Provision for tax claims	2,576,098	2,576,098
Provision for contingent liabilities	104,263,412	220,396,570
Ending balance	136,085,809	251,619,155

30. Capital

Authorized capital

The authorized capital amounted to USD 500,000,000, or its equivalent in EGP.

Issued and paid up capital

The issued and paid up capital amounted to USD 422,740,271 (equivalent to EGP 3,623,748,165) represented in 422,740,271 shares at par value of USD 1 each.

Retained for capital increase

The ordinary general assembly of the bank, held on 07 March 2021 decided to increase the issued and paid up capital by issuing free shares financed from the earning distribution shown in the financial statements for the year ending on 31 December 2020 amounting to EGP 476,874,349 and all procedures for this capital increase are being completed to register the increase shares on the Egyptian Stock Exchange.

31. Reserves and retained earnings

31.A Reserves during the period as follows

	31/03/2021	31/12/2020
	L.E.	L.E.
Legal reserve	420,478,666	358,016,028
Differences from foreign balances translation	2,684,997	2,684,997
Fair value reserve	156,227,159	479,523,012
General reserve	17,529,143	17,529,143
General banking risk reserve	10,127,998	8,063,999
Capital reserve	12,865,030	12,258,723
General risk reserve	208,750,579	208,750,579
Ending balance	828,663,572	1,086,826,481

* In accordance with the instructions of the Central Bank of Egypt to apply IFRS 9 as of 1 January 2019, the special reserve - credit and general bank risk reserve – credit and IFRS 9 credit risk are consolidated in one reserve under the name of general risk reserve.

31.A.1 General bank risk reserve

	31/03/2021	31/12/2020
	L.E.	L.E.
Beginning balance	8,063,999	6,000,000
Transferred from retained earnings	2,063,999	2,063,999
Ending balance	10,127,998	8,063,999

In accordance with the Central Bank of Egypt instructions general bank risk reserve is formed to meet unexpected risks; and this reserve is un-distributable except after obtaining the approval of the Central Bank of Egypt.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31.A.2 Legal reserve

	31/03/2021	31/12/2020
	L.E.	L.E.
Beginning balance	358,016,028	290,481,824
Transferred from retained earnings 2019	62,462,638	67,534,204
Ending balance	420,478,666	358,016,028

In accordance with local laws, 10% of the net period's profit is transferred to reserve not available for distribution until this reserve reaches 100% of the capital.

31. Reserves and retained earnings – continued

31.A.3 Reserve for financial assets at fair value through OCI

	31/03/2021	31/12/2020
	L.E.	L.E.
Beginning balance	479,523,012	310,216,186
(Losses) / Gain from changes in FV	(302,310,752)	184,022,439
Total reclassification and remeasurement impact	(20,985,101)	(14,715,613)
Net (losses) gains transferred to the income statement resulted from disposal	156,227,159	479,523,012
Ending balance	479,523,012	310,216,186

31.A.4 Special reserve

Special reserve was formed in accordance with Central Bank of Egypt instruction issued on 16 December 2008 and can't be used but with the approval of Central Bank of Egypt.

31.A.5 Capital reserve

	31/03/2021	31/12/2020
	L.E.	L.E.
Beginning balance	12,258,723	11,646,255
Transferred from retained earnings 2019	606,307	612,468
Ending balance	12,865,030	12,258,723

31.B Retained earnings

Retained earnings movement

	31/03/2021	31/12/2020
	L.E.	L.E.
Beginning balance	706,192,033	756,301,390
Net profit for the period	159,575,790	625,232,685
Retained for capital increase (Free shares)	(476,874,349)	(515,292,627)
Employees profit share	(62,523,269)	(67,534,204)
Board of directors remuneration	(20,641,492)	(22,304,540)
Transferred to general banking risk reserve	(2,063,999)	(2,063,999)
Transferred to legal reserve	(62,462,638)	(67,534,204)
Transferred to other reserves	(606,307)	(612,468)
Banking System Support and Development Fund	(6,225,624)	--

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Ending balance	234,370,145	706,192,033
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32. Cash and cash equivalents

For the purpose of preparing the statement of cash flow, the cash and cash equivalent includes the following balance of maturity dates within less than three months from the date of acquisition

	31/03/2021	31/12/2020
	L.E.	L.E.
Cash and due from CBE	5,928,981,209	5,607,454,516
Due from banks	7,276,687,886	2,696,610,288
Treasury bills	12,310,575,594	7,574,727,535
Balance with CBE within the limit of statutory reserve	(6,514,705,461)	(6,110,021,285)
Due from banks with maturities more than 3 months	(1,500,000,000)	(289,384,500)
Treasury bills maturity more than 3 months	(11,569,088,190)	(7,574,628,479)
Cash and cash equivalent at the end of the period	5,932,451,038	1,904,758,075

33. Commitment and contingent liabilities

35.A Capital Commitment

The Bank's total capital commitments related to building and completing new branches and purchase of assets and equipment amounted to EGP 201,164,453 which has not been finished as at 31 March 2021.

35.B Commitments for loans, guarantees and facilities

Bank commitments for loans guarantees and facilities are represented as follows:

	31/03/2021	31/12/2020
	L.E.	L.E.
Letter of credit (import & export)	131,575,540	269,445,000
Letter of guarantee	2,275,531,000	2,326,265,000
Total	2,407,106,540	2,595,710,000

34. Salaries & Bonus of top management

	31/03/2021	31/12/2020
	L.E.	L.E.
Short term salaries & bonuses	33,494,497	92,509,167
Total	33,494,497	92,509,167

The top twenty salaries and bonuses in the bank reached EGP 33,494,497 and the monthly average is EGP 11,164,832 for the period ended 31 March 2021.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

35. Related parties transactions

Number of transactions with related parties has been conducted in the normal course of business including loans and deposits. Related parties transactions and balances at the end of the period are as follows:

35.A Loans and advances to related parties

	Top Management		Subsidiaries and associates	
	31/03/2021	31/12/2020	31/03/2021	31/12/2020
	L.E.	L.E.	L.E.	L.E.
Existing loans at the beginning of the period	68,715,170	41,339,700	840,000	381,000
Loans issued during the period	3,529,309	36,511,687	--	1,853,000
Loans collected during the period	(4,626,518)	(9,136,217)	(840,000)	(1,394,000)
Existing loans at the end of the period	67,617,962	68,715,170	--	840,000

35.B Deposits from related parties

	Top Management	
	31/03/2021	31/12/2020
	L.E.	L.E.
Deposits at the beginning of the period	14,335,242	30,024,762
Deposit received during the period	14,733,970	30,789,129
Deposit redeemed during the period	(1,489,185)	(46,478,649)
Existing deposits at the end of the period	27,580,027	14,335,242

	31/03/2021	31/12/2020
	EGP	EGP
	Call deposits	15,935,753
Saving accounts	5,961,026	4,997,905
Saving and deposit certificates	5,683,248	6,773,050
Time and call deposits	--	399,383
Ending balance	27,580,027	14,335,242

36. Mutual funds

Mutual fund established by the bank - Egyptian Gulf Bank

The Fund is one of the licensed banking activities of the Bank under the Capital Market Law No. 95 of 1992 and its Executive Regulations. The Fund is managed by Hermes Investment Fund Management Company. The Fund has a total investment of 100 million Egyptian pounds. Assigned 50,000 certificates (amounting to Five million Egyptian pounds) to start the activity of the Fund.

The recoverable amount of the certificates as at 31 March 2021 was EGP 242.55 and the Fund's certificates on the same date were 117611 certificates.

The Thraa Fund cash

The Fund is one of the licensed banking activities of the Bank under the Capital Market Law no.95 for 1992 and its Executive Regulations. The fund is managed by Prime Company for mutual fund management, The number of certificates at the initial offering was 34,944,491 million certificates with a total amount of EGP 375 million of which 713359 certificates (amounting to EGP 7,5 million) were designated to the fund operation.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

The recoverable amount of each certificate as of 31 March 2021 amounted EGP 21.0904 and the Fund's certificates on the same date were 16075394 certificates.

37. Deferred income tax

	Deferred tax assets		Deferred tax liabilities	
	31/03/2021 L.E.	31/12/2020 L.E.	31/03/2021 L.E.	31/12/2020 L.E.
Fixed assets	--	--	9,586,473	11,151,752
Provisions (excluded loans impairment losses)	30,039,685	56,034,688	--	--
Total tax	30,039,685	56,034,688	9,586,473	11,151,752
Net tax derived from asset	20,453,212	44,882,936	--	--

Movement of deferred Assets and Liabilities

	31/03/2021 L.E.	31/12/2020 L.E.
Beginning balance	44,882,936	9,134,875
Additions during the period	(24,429,724)	35,748,061
Disposal during the period	--	--
Ending balance	20,453,212	44,882,936

In accordance with the Central Bank of Egypt instructions and Egyptian Accounting Standards No. (24) "income taxes" deferred tax assets are not recognized if no future benefits are expected and/or the existence of deferred tax liabilities at the same time. Accordingly, tax assets were not recognized during the financial period ended 31 March 2021 as well as the financial period ended 31 December 2020.

38. Tax situation

Corporate income tax

Periods 2005 to 2007:

Tax inspection was performed for this period and all disputes have been finalized.

Periods 2008 and 2009:

Tax inspection was performed for this period and all disputes have been finalized in the internal committee.

Periods 2010 and 2011:

Tax inspection and assessment was performed for this period and a part of the tax liability was paid and all disputes will be transferred to appealing committee.

Period 2012:

Tax inspection was performed for this period and there was no tax liability resulted.

Periods 2013 and 2014:

Tax inspection was performed for this period and all disputes have been finalized.

Periods 2015 to 2016 to 2017:

Tax returns were provided and there was no tax liability resulted.

Payroll tax

From inception till 2004:

Tax inspection was performed and paid for this period.

Periods 2005 and 2006:

Tax inspection was performed in accordance with the new law and there were no tax differences.

Periods 2007 to 2012:

Tax inspection was performed and paid for this period and there were no tax differences.

Periods 2013 to 2015:

Taxes deducted from the bank's employees were paid.

Period 2016:

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Taxes deducted from the bank's employees were paid.

Period 2017:

Taxes deducted from the bank's employees were paid.

39. Important Events

The outbreak of the coronavirus "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 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.

The bank's management started to study the formation of the necessary provisions expected to reduce the impact of this outbreak on the portfolio of financial instruments, loans and receivable during the current period.

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 March 2020, 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 with the possibility of creating additional provisions as a precautionary step with the end of repayment holidays announced by the Central Bank of Egypt on 16 March 2020 to all borrowers in particular classes of financial instruments until the clarity of the actual performance of the portfolio.

40. Comparative figures

Comparative figures have been reclassified to conform to changes in presentation used in the current period.