

	From July 01, 2021 To September 30, 2021	From January 01, 2021 To September 30, 2021	From July 01, 2020 To September 30, 2020	From January 01, 2020 To September 30, 2020
Net profit for the period	1,908,455,771	6,006,525,301	1,797,728,335	5,642,422,298
Other comprehensive income items that will not be reclassified to the Profit or Loss:				
Net change in fair value of investments in equity instruments measured at fair value through other comprehensive income	(43,394,818)	57,335,690	74,880,515	(53,576,775)
Tax impact related to other comprehensive income that will not be reclassified to the profit or loss	(93,645)	81,351	(15,250,067)	7,599,730
Amount transferred to retained earning, net of tax	(319,163)	(319,163)	-	-
Other comprehensive income items that is or may be reclassified to the profit or loss:				
Net change in fair value of debt instruments measured at fair value through other comprehensive income	(33,258,971)	(71,930,073)	(6,465,765)	70,173,991
Tax impact related to other comprehensive income that will be reclassified to the profit or loss	1,844,159	7,993,480	1,454,797	(15,789,148)
Expected credit loss for fair value of debt instruments measured at fair value through other comprehensive income	16,085	2,662	36,120	21,370
Total other comprehensive income items for the period net of tax	(75,206,353)	(6,836,053)	54,655,600	8,429,168
Total comprehensive income for the period, net of tax	1,833,249,418	5,999,689,248	1,852,383,935	5,650,851,466
Attributable to:				
Equity holders of the Bank	1,833,249,417	5,999,689,240	1 852 383 910	5,650,858,899
Non-controlling interests	1	8	25	(7,433)
Total comprehensive income for the period, net of tax	1,833,249,418	5,999,689,248	1,852,383,935	5,650,851,466

The accompanying notes from (1) to (41) are an integral part of these Consolidated Financial Statements.

	Issued and Paid Up Capital	Legal Reserve	General Reserve	Special Reserve	Capital Reserve	Reserve for Transactions Under Common Control	Fair Value Reserve	General Banking Risk Reserve	General Risk Reserve	Retained Earnings	Net Profit for the Year/Period	Equity Attributable to Equity Holders of the Bank	Non-Controlling Interests	Total
balance at 1 January 2020	9,794,649,880	1,633,301,744	15,417,825,247	39,494,455	18,489,519	4,000,483	524,415,090	1,169,067	21,453,923	1,326,100,620	8,522,091,359	35,302,989,357	48,483	35,303,037,840
Transfer to reserves and retained earnings	-	415,932,039	2,665,720,403	-	2,890,011	-	-	-	-	2,419,573,165	(5,504,115,618)	-	-	-
Dividend distributions	-	-	-	-	-	-	-	-	-	-	(3,017,975,741)	(3,017,975,741)	-	(3,017,975,741)
Transfer from general reserve to capital increase	979,464,980	-	(979,464,980)	-	-	-	-	-	-	-	-	-	-	-
Net Change in Other Comprehensive Income	-	-	-	-	-	-	8,429,168	-	-	-	-	8,429,168	-	8,429,168
Net profit for the period	-	-	-	-	-	-	-	-	-	-	5,642,429,731	5,642,429,731	(7,433)	5,642,422,298
Balance at 30 September 2020	10,774,114,830	2,049,233,783	15,104,078,670	39,494,455	21,379,530	4,000,483	532,844,258	1,169,067	21,453,923	3,745,673,785	5,642,429,731	37,935,872,515	41,050	37,935,913,565
January 1, 2021	10,774,114,830	2,049,233,783	15,104,078,670	39,494,455	21,379,530	4,000,483	404,806,848	1,169,067	21,453,923	3,725,448,559	7,491,517,830	39,636,697,978	41,085	39,636,739,073
Transfer to reserves and retained earnings	-	369,537,152	4,428,972,276	-	7,767,605	-	-	-	-	1,845,045,955	(6,651,322,988)	-	-	-
Dividend distributions	-	-	-	-	-	-	-	-	-	-	(840,194,842)	(840,194,842)	-	(840,194,842)
Transfer from general reserve to capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Change in Other Comprehensive Income	-	-	-	-	-	-	(6,516,890)	-	-	-	-	(6,516,890)	-	(6,516,890)
Reclassification of the net change in fair value of equity instruments upon derecognition	-	-	-	-	-	-	(319,163)	-	-	319,163	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	-	-	6,006,525,293	6,006,525,293	8	6,006,525,301
Transfer to general banking risk reserve	-	-	-	-	-	-	-	391,001,732	-	-	(391,001,732)	-	-	-
Balance at 30 September 2021	10,774,114,830	2,418,770,935	19,533,050,946	39,494,455	29,147,135	4,000,483	397,970,795	392,170,799	21,453,923	5,870,613,677	5,618,523,561	44,796,511,539	41,103	44,796,552,642

The accompanying notes from (1) to (41) are an integral part of these Consolidated Financial Statements.

QNB ALAHLI S.A.E
Consolidated Statement Of Cash Flows
For Nine Months Period Ended 30 September 2021

(All amounts are shown in Egyptian Pounds)

	Note	September 30, 2021	September 30, 2020
Cash flows from operating activities			
Profit before tax		8,595,783,268	7,955,403,112
Adjusted by:			
Property and Equipment depreciation and Intangible assets amortization	(10)	289,955,043	248,908,505
Impairment credit losses	(12)	1,313,371,671	1,465,437,552
Loans written off during the period		(1,507,744,258)	(26,949,414)
Recovery from loans previously written off		25,358,840	13,657,067
Net formed / (reversed) other provisions		(76,710,701)	31,322,283
Utilized provisions other than loans provision		(5,889,482)	(518,725)
Translation differences of other provisions in foreign currencies		(94,028)	(709,322)
Translation differences resulting from monetary foreign currency investments		4,836,363	41,465,412
Amortization of premium / discount for bonds		(71,760,288)	(70,385,417)
Formed insurance policyholders' rights provisions during the period		556,958,184	438,481,393
(Gain) on sale of Property and Equipment		(3,868,500)	(3,415,417)
Dividend income	(8)	(46,377,599)	(35,191,190)
Share of results of associates applying the equity method		141,309	(181,916)
Gain on financial investments	(22)	(5,332,018)	(4,840,790)
Operating profits before changes in assets and liabilities resulting from operating activities		9,068,627,804	10,052,483,133
Net decrease / increase in assets and liabilities			
Due from banks		(3,095,539,692)	(2,148,604,197)
Treasury bills		6,288,917,855	(1,306,881,144)
Trading investments		(190,868,404)	32,965,370
Loans and credit facilities to customers		(5,099,153,908)	(11,354,143,018)
Financial derivatives		80,494,343	(36,302,558)
Financial investment recognized at fair value through profit or loss		(17,190,388)	(4,610,551)
Other assets		(1,841,631,708)	(526,196,213)
Due to banks		(710,406,525)	(8,900,831,729)
Customer deposits		41,611,921,459	24,714,000,205
Other liabilities		409,857,380	832,158,866
Defined benefits obligation		31,560,087	32,425,107
Net change Leased assets		(165,561,973)	(243,662,979)
Income tax paid		(2,453,592,492)	(2,227,999,756)
Net cash flows resulting from operating activities (1)		43,917,433,838	8,914,800,536
Cash flows from investing activities			
Acquisition of Property and Equipment and Intangible assets		(635,926,206)	(170,054,489)
Proceeds from sale of Property and Equipment		3,874,699	3,736,705
Proceeds from financial investments other than held for trading investments		7,554,574,173	4,015,572,715
Acquisition of financial investments other than held for trading investments		(43,171,406,626)	(6,142,992,231)
Proceeds from sale of investments in associates		2,539,977	-
Dividends received		39,377,599	29,191,190
Cash dividends received from investments in associates		-	393,061
Net cash flows used in investing activities (2)		(36,206,966,384)	(2,264,153,049)
Cash flows from financing activities			
Other loans		(1,091,015,415)	(1,321,529,287)
Dividends paid		(840,194,842)	(3,017,975,741)
Net cash flows used in financing activities (3)		(1,931,210,257)	(4,339,505,028)
Net increase in cash and cash equivalents during the period (1+2+3)		5,779,257,197	2,311,142,459
Cash and cash equivalents at the beginning of the period		9,185,112,960	11,286,384,895
Cash and cash equivalents at the end of the period	(37)	14,964,370,157	13,597,527,354
Cash and cash equivalents at end of the period are represented in :			
Cash and due from Central Bank of Egypt	(16)	20,357,984,250	15,193,094,454
Due from banks	(17)	11,092,682,171	8,234,981,421
Treasury bills		37,402,843,841	49,033,721,576
Balances with Central Bank of Egypt (mandatory reserve)		(16,028,501,676)	(10,023,675,554)
Balances Due from banks with maturities more than 3 months		(2,236,962,000)	(2,051,580,000)
Treasury bills with maturity more than 3 months		(35,623,676,429)	(46,789,014,543)
Cash and cash equivalents at end of the period		14,964,370,157	13,597,527,354

The accompanying notes from (1) to (41) are an integral part of these Consolidated Financial Statements.

QNB ALAHLI S.A.E
Notes to the Consolidated Financial Statements
For Nine Months Period Ended 30 September 2021

(All amounts are shown in Egyptian Pounds)

1. Background:

QNB ALAHLI "S.A.E" ("The Bank") was incorporated as an investment and commercial bank on April 13, 1978, in accordance with the provisions of the Investment Law no 43 of 1974 and its executive regulations and the amendments thereon. The Bank provides all banking services related to its activity, through its Head Office located in 5 Champlion Street - Downtown - Cairo and its 231 branches served by 6,791 staff at the date of the financial statements. The Bank is listed on the Egyptian Stock Exchange (EGX).

These consolidated financial statements were approved by the Board of Directors on October 10, 2021.

2 Summary of significant accounting policies:-

2.1 Basis of preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on December 16, 2008; and as per IFRS 9 "Financial Instruments" in accordance with the instructions of the Central Bank of Egypt (CBE) dated February 26, 2019.

These consolidated financial statements have been prepared in accordance with the applicable laws of Egypt.

2.2.1 Basis of Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method unless the transaction does not constitute an acquisition in form or substance. Application of the purchase method involves the following steps:

- Identifying an acquirer;
- Measuring the cost of the business combination;
- And allocating, at the acquisition date, the cost of the combination to the assets acquired, liabilities and contingent liabilities assumed.

On acquisition date where control is obtained, the cost of the business combination is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree, in addition to any costs directly attributable to the business combination.

Thus, the acquirer recognizes the acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, that are recognized and measured at the lower of their carrying amounts, or fair value less costs to sell.

Goodwill arising on acquisition date is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The non-controlling interest in an acquiree is initially measured at the non-controlling interest proportionate share in the fair value of the assets, liabilities and contingent liabilities recognized at acquisition date.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

A business combination agreement may allow for adjustments to the cost of the combination that are contingent on one or more future events. The acquirer usually estimates the amount of any such adjustment at the time of initially accounting for the combination, even though some uncertainty exists. If the future events do not occur or the estimate needs to be revised, the cost of the business combination is adjusted accordingly.

However, when a business combination agreement provides for such an adjustment, that adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.

In case of a business combination - made through step acquisitions for a Group reorganization purposes - involving entities or businesses under common control in which all of the combining entities or businesses are ultimately controlled by the same party or parties, both before and after the business combination, the acquirer recognizes the identifiable assets, liabilities and contingent liabilities that meet the recognition criteria at their carrying amounts previously reported at the books of the Group with common control.

Any difference between the consideration paid or transferred and the carrying amounts of the acquiree's net assets and contingent liabilities is reflected within equity as a reserve for transactions under common control. This policy is also applied in case of the groups' full or partial acquisition of shares held by the non-controlling interests in a subsidiary or the partial disposition of the Group's interest in a subsidiary while retaining control over that subsidiary.

QNB ALAHLI S.A.E
Notes to the Consolidated Financial Statements
For Nine Months Period Ended 30 September 2021

(All amounts are shown in Egyptian Pounds)

Therefore, no adjustments are made to reflect new fair value at the date of the combination; rather fair value for net assets, and contingent liabilities acquired in such cases shall be determined based on the fair value that was previously determined when control was initially obtained, as adjusted by any changes in equity components that have occurred during the period from the date when control was initially obtained up to the date when control has increased or decreased.

Since combinations of entities or businesses under common control are scoped out of the CBE basis of preparation and presentation of the banks financial statements, EAS (29) and IFRS (3) Business Combinations, management applied the requirements of EAS (5) and IAS (8), which allows it, in the absence of a specific Standard or Interpretation specifically addressing certain transaction, event or other circumstances, to set and develop an appropriate accounting policy that results in information that is more reliable and relevant to the economic decisions making needs of the financial statements users.

2.2.2 Transactions Eliminated on Consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.2.3 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments, depending on the level of influence retained.

2.2.4 Basis of presentation of consolidation

The consolidated financial statements of the Group incorporate the financial statements of QNB ALAHLI (Parent) and entities controlled by the Bank (its Subsidiaries) at the end of each reporting date.

A Subsidiary is an entity (including Special Purpose Entities) that is controlled, directly or indirectly, by the bank (Parent). Control exists when the Bank has the power, to govern the financial and operating policies of an entity to obtain benefits from its activities. This is usually achieved when the bank owns, directly or indirectly, through subsidiaries, more than half of the voting power of an entity, the existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

The Group fully consolidates its subsidiaries from the effective date in which control is obtained and deconsolidates them when such control ceases to exist.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of a Group entity to bring its accounting policies into line with those used by other members of the Group.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination. Losses applicable to owners of the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that owners of the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

Since QNB ALAHLI incorporated QNB ALAHLI Factoring Company in which it owns 99.997% of its capital, increased its interest in QNB ALAHLI Leasing Company to 100%, and increased in QNB ALAHLI Life Insurance Company to 100% instead of 25%, and increased in QNB ALAHLI Asset Management Egypt Company to 100% instead of 4.875%, therefore, the full consolidation basis has been used for the preparation of the Group accompanying consolidated financial statements which comprise the financial statements of QNB ALAHLI (the parent) and its subsidiaries, QNB ALAHLI Factoring, QNB ALAHLI Leasing Company, QNB ALAHLI Life Insurance Company and QNB ALAHLI Asset Management Egypt Company from the date in which control over each subsidiary was obtained.

Non-controlling interest in these consolidated financial statements represents interests held by investors other than QNB ALAHLI in the subsidiaries. Information on subsidiaries is set out below.

Company name	Origin Country	Year of controlling (Acquisition or Incorporation)	Group Stake %
QNB ALAHLI Factoring Company	Egypt	2012	99.997
QNB ALAHLI Leasing Company	Egypt	2012	100
QNB ALAHLI Life Insurance Company	Egypt	2014	100
QNB ALAHLI Asset Management Egypt Company	Egypt	2014	100

QNB ALAHLI S.A.E
Notes to the Consolidated Financial Statements
For Nine Months Period Ended 30 September 2021

(All amounts are shown in Egyptian Pounds)

2.2.5 Investments in associates

An associate is an entity over which the Group has significant influence that is not control or joint control. Significant influence exists where the bank holds voting rights of 20% to 50% in an entity.

Acquisitions of Associates are accounted for using the purchase method; goodwill arising on acquisition of an associate, if any, is not presented separately, but is rather included within the carrying amount of the investment. Investments in associates are accounted for subsequently in the consolidated financial statements using the equity method.

According to the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and is subsequently adjusted to recognize the Group's share in profit or loss, and other changes in the net assets, of the associate.

2.3 Segment reporting

An operating segment is a group of assets and operations providing products or services whose risks and benefits are different from those associated with products or services provided by other operating segments. A geographical segment provides products or services within a specific economic environment characterized by risks and benefits different from those related to other geographical segments operating in a different economic environment.

The Bank is divided into two main business lines, which are corporate banking and retail banking. In addition, a corporate center acts as a central funding department for the bank's core businesses. The dealing room, proprietary activity and other non-core businesses are reported under the corporate banking business line.

For the purpose of preparation of segment reporting by geographical region, segment profit or loss and assets and liabilities are presented based on the location of the branches. Given that the bank does not have any entity abroad, and unless otherwise stated in a specific disclosure, all equity and debt instruments of the bank issued by foreign institutions and credit facilities granted to foreign counterparties are reported based on the location of the domestic branch where such assets are recorded.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

The consolidated financial statements of the Group are presented in the Egyptian Pound which is the Bank's functional and presentation currency.

2.4.2 Transactions and balances in foreign currencies

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

- Net trading income from held for trading assets and liabilities;
- Other operating revenues (expenses) from the remaining assets and liabilities;
- Investments in equity instrument recognized at fair value through other comprehensive income in equity.

Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as FVTOCI assets are analyzed into differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument. Differences resulting from changes in the amortized cost are recognized and reported in the income statement in "Interest on loans and similar income" whereas differences resulting from changes in foreign exchange rates are recognized and reported in "Other operating revenues (expenses)". The remaining differences resulting from changes in fair value are recognized in equity and accumulated in the "Fair value revaluation reserve" in Other comprehensive income.

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

Leased assets denominated in foreign currency which the group leases to others are measured at historical cost and translated to Egyptian Pounds using the exchange rates prevailing at the dates of the initial recognition.

2.5 Financial assets

Financial assets are classified at 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.

QNB ALAHLI S.A.E
Notes to the Consolidated Financial Statements
For Nine Months Period Ended 30 September 2021

(All amounts are shown in Egyptian Pounds)

2.5.1 Financial assets classified as amortized cost

The financial asset is retained in the business model of financial assets held to collect contractual cash flow. The objective from this business model is to collect contractual cash flow which represented in principal and interest. The sale is an exceptional event for the purpose of this model and under the terms of the standard represented in following:

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

2.5.2 Financial assets classified as fair value through other comprehensive income

The financial asset is retained in the business model of financial assets held to collect contractual cash flows and sales. Held to collect contractual cash flows and sales are integrated to achieve the objective of the model. Sales are high in terms of turnover and value as compared to the business model retained for the collection of contractual cash flows.

2.5.3 Financial assets classified as fair value through profit or loss

The financial asset is held in other business models including trading, management of financial assets at fair value, maximization of cash flows through sale. The objective of the business model is not to retain the financial asset for the collection of contractual or retained cash flows for the collection of contractual cash flows and sales. Collecting contractual cash flows is an incidental event for the objective of the model.

The characteristics of the business model are as follows:

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

2.6 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset when the group has a legally enforceable right to offset the recognized amounts and it intends to settle these amounts on a net basis, or realize the asset and settle the liability simultaneously.

2.7 Financial derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Fair values are determined based on quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are recognized as assets when their fair value is positive and as liabilities when their fair value is negative.

Embedded derivatives, such as the conversion option in a convertible bond, are treated as separate derivatives if they meet the definition of a financial derivative, and when their economic characteristics and risks are not closely related to those of the host contract, provided that the host contract is not classified as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement "Net trading income"; unless the group chooses to designate the hybrid contract as a whole as at fair value through profit or loss.

The timing of recognition in profit or loss, of any gains or losses arising from changes in the fair value of derivatives, depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The parent bank designates certain derivatives as:

- Hedging instruments of the risks associated with fair value changes of recognized assets or liabilities or firm commitments (fair value hedge);
- Hedging of risks relating to future cash flows attributable to a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is used for derivatives designated in a hedging relationship when the following criteria are met. At the inception of the hedging relationship, the bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the bank documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

QNB ALAHLI S.A.E
Notes to the Consolidated Financial Statements
For Nine Months Period Ended 30 September 2021

(All amounts are shown in Egyptian Pounds)

2.7.1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized immediately in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of the interest rate swaps and the changes in the fair value of the hedged item attributable to the hedged risk are recognized in profit or loss. Additionally, interest differential on interest rate swaps is recognized in profit or loss as part of 'net interest income' line item in the income statement. Any ineffectiveness is recognized in profit or loss in "Net trading income".

When the hedging instrument no longer qualifies for hedge accounting, the adjustment to the carrying amount of a hedged item, measured at amortized cost, arising from the hedged risk is amortized to profit or loss from that date to maturity of the asset using the effective interest method. Adjustment to the carrying amount of a hedged equity instrument that has been deferred in equity remains in equity until the asset is derecognized.

2.7.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives designated and effective for cash flow hedge is recognized in equity while changes in fair value relating to the ineffective portion is recognized immediately in the income statement in "Net trading income".

Amounts accumulated in equity are transferred to income statement in the relevant periods when the hedged item affects the income statement. The effective portion of changes in fair value of interest rate swaps and options are reported in "Net trading income".

When a hedging item expires or is sold or if hedging instrument no longer qualifies for hedge accounting requirements, gains or losses that have been previously accumulated in equity remain in equity and are only recognized in profit or loss when the forecast transaction ultimately occurs. If the forecast transaction is no longer expected to occur any related cumulative gain or loss on the hedging instrument that has been recognized in equity shall be reclassified immediately to profit or loss.

2.7.3 Derivatives that do not qualify for hedge accounting

Where a derivative instrument does not qualify for hedge accounting, changes in fair value of that derivative and related interest are recognized immediately in the income statement in "Net trading income" line item. However, gains or losses arising from changes in fair value of derivatives that are managed in conjunction with financial assets or financial liabilities, designated upon initial recognition at fair value through profit or loss, are included in "net income from financial instruments designated upon initial recognition as at fair value through profit or loss".

2.8 Interest income and expense

Interest income and expense on all interest-bearing financial instruments are recognized in "Interest income" and "Interest expense" line items in the income statement using the effective interest rate method.

The effective interest rate is a method of calculating the amortized cost of a debt instrument whether a financial asset or a financial liability and of allocating its 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 debt instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating the effective interest rate, the Group estimates the future cash flows, considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income on loans is recognized on an accrual basis except for the interest income on non-performing loans, which ceases to be recognized as revenue when the recovery of interest or principal is in doubt.

Interest income on non-performing or impaired (Stage 3) loans and receivables ceases to be recognized in profit or loss and is rather recorded off balance sheet in statistical records. Interest income on these loans is recognized as revenue on a cash basis as follows:

- 1- For retail loans, personal loans, small and medium business loans, real estate loans for personal housing and small loans for businesses, when interest income is collected and after recovery of all arrears.
- 2- For corporate loans, interest income is recognized on a cash-basis after the bank collects 25% of the rescheduled installments and provided these installments continue to be paid for at least one year.

If a loan continues to be performing thereafter, interest accrued on the principal then outstanding starts to be recognized as revenues. Interest that is marginalized prior to the date when the loan becomes performing is not recognized in the profit or loss except when the total balance of loan, prior to that date, is paid in full.

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2.9 Fees and commission income

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

Commitment fees received by the bank to originate a loan are deferred if it is probable that the bank will enter into a specific lending arrangement and are regarded as a compensation for an ongoing involvement with the acquisition of the financial instrument and recognized as an adjustment to the effective interest rate. If the commitment expires without the bank making the loan, the fees are recognized as revenue on expiry.

Loan syndication fees received by the bank are recognized as revenue when the syndication has been completed, only if the bank arranges the loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

Fees and commissions that are earned on negotiating or participating in the negotiation of a transaction in favor of another entity, such as arrangements for the allotment of shares or another financial instrument or acquisition or sale of an enterprise on behalf of a client, are recognized as revenue when the transaction has been completed. Administrative consultations and other service fees are usually recognized as revenue on a straight-line basis over the period in which the service is rendered. Fees from financial planning management and custodian services provided to clients over long periods are usually recognized as revenue on a straight-line basis over the period in which these services are rendered.

Leasing revenues

Revenues from lease contracts are recognized based on the interest rate implicit in each contract plus an amount equal to depreciation of the leased asset. Debit/credit differences between revenue recognized in profit or loss and rental value for each period are recorded in "leased assets – lease contracts settlement" account in the balance sheet whose balance is to be settled against the carrying amount of leased asset at the end of the contract period.

Insurance revenues

Premium income and Claim expense is recognized on accrual basis.

2.10 Dividends income

Dividend income on investments in equity instruments and similar assets, other than investments in subsidiaries and associates, is recognized in the income statement when the bank's right to receive payment is established.

2.11 Purchase and resale agreements and sale and repurchase agreements (repos and reverse repos)

Financial instruments sold under repurchase agreements are not derecognized from the statement of financial position and cash receipts are shown in liability side in the statement of financial position.

2.12 Impairment of financial assets

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

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

- Stage 1 : Financial assets that have not experienced a significant increase in credit risk since the date of initial recognition, and the expected credit loss is calculated for 12 months.
- Stage 2 : Financial assets that have experienced a significant increase in credit risk since the initial recognition or the date on which the investments are made, and the expected credit loss is calculated over the life of the asset.
- Stage 3 : Impairment of financial assets whose expected credit loss is to be recognized over the life of the asset on the basis of the difference between the carrying amount of the instrument and the present value of expected future cash flows.

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

- The low risk financial instrument is classified at initial recognition in the first stage and credit risk is monitored continuously by the Bank's credit risk management.
- If it is determined that there has been a significant increase in credit risk since the initial recognition, the financial instrument is transferred to the second stage where it is not yet considered impaired at this stage.
- If there are indicators of impairment of the financial instrument, it is transferred to the third stage.
- The financial assets created or acquired by the Group 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.

2.12.1 Significant increase in credit risk

The Group 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.

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2.12.2 Quantitative Factors

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

2.12.3 Qualitative Factors

Retail loans, micro and small businesses

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

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

Corporate loans and Medium businesses

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

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

Nonpayments

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 year to become (30) days during (3) years from the date of application (Year 2019).

Transfer between the Three stages:

Transfer from second stage to first stage:

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

Transfer from third stage to second stage:

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

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

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2.13 Intangible assets

2.13.1 Goodwill

Goodwill, arising from the acquisition or legal merger of subsidiaries, represents the difference between the cost of the combination and the acquiree interest in the fair value of the identifiable assets, liabilities and qualifying contingent liabilities of the acquiree at the acquisition date. Goodwill is annually tested for impairment and is written-down to profit or loss at an annual amortization of 20% or impairment loss whichever is higher.

2.13.2 Software (computer programs)

Expenditure on upgrade and maintenance of computer programs is recognized as an expense in the income statement in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by the group and when it is probable that they will generate future economic benefits within more than one year that exceed its cost. Direct costs include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads.

Upgrade costs are recognized and added to the original cost of the software when it is likely that such costs will increase the efficiency or enhance the performance of the computers software beyond its original specification.

Cost of computer software recognized as an asset shall be amortized over the year of expected benefits from three to five years except for the core IT system which is amortized over ten years.

2.14 Property and Equipment

The Group's property and equipment include lands and buildings of the bank which basically comprise the head office premises and branch buildings. All property and equipment are carried at historical cost net of accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the construction or acquisition of the items. Subsequent costs are included in the assets carrying amount or recognized separately, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Repairs and maintenance expenses are recognized in profit or loss within "other operating costs" line item during the financial period in which they are incurred.

The Group considers the residual value of its property and equipment as insignificant and immaterial in relation to the depreciable amount; therefore, the depreciable amount of the group's property and equipment is determined without any deduction for residual values. Depreciation is charged so as to write off the cost of assets, other than land which is not depreciated, over their estimated useful lives, using the straight-line method based on the following annual rates:

Buildings		50 years
Fixtures	Decoration & installations	10 years
	Lifts	15 years
	Electricity & Air conditioning	10 years
	Generators	30 years
	Telephone network & CCTV	10 years
	Firefighting system & Plumbing system	10 years
	Other installations	10 years
Leasehold improvements		The shortest of 10 years or contract period

Depreciation years for property and equipment, other than buildings, depend on their useful lives which are usually estimated as specified below:

Furniture	10 years
Armored vaults	20-30 years
IT equipment	5 years
Electric appliances	5 years
Vehicles	5 years

The carrying amounts of its depreciable property and equipment are reviewed whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered. Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. Gains or losses on disposals are determined by comparing proceeds with relevant carrying amount. These are included in the profit or loss in other operating income (expenses) in the income statement.

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2.15 Impairment of non-financial assets

Non-financial assets that do not have definite useful lives, except for goodwill are not amortized. These are annually tested for impairment. Depreciable property and equipment are tested for impairment whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered. Impairment loss is recognized and the carrying amount of an asset is reduced to the extent that such carrying amount exceeds the asset's recoverable amount.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. For the purpose of estimating the impairment loss, where it is not possible to estimate the recoverable amount of an individual asset, The Group estimates the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

At the end of each period, the group reviews non-financial assets for which an impairment loss is recognized to assess whether or not all or part of such impairment losses should be reversed through profit or loss.

2.16 Leasing

Lease contracts are accounted according to Law 95 of 1995 for financial lease. All other lease contracts are recognized as operating leases.

2.16.1 As a lessee

Lease payments made under operating leases, net of any discounts received from the lessor, are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

2.16.2 As a lessor

Assets leased out under operating lease contracts are reported as part of the fixed assets in the statement of financial position and are depreciated over the expected useful lives of the assets, on the same basis as other property assets. Lease rental income is recognized in profit or loss, net of any discounts granted to the lessee, using the straight line method over the contract term.

Assets leased out under finance lease contracts, are reported in the statement of financial position within fixed assets and are depreciated over the expected useful life of the assets using the same method followed in depreciating similar assets. Lease income is recognized using the rate of return implicit in each lease contract in addition to an amount equal to depreciation charge for the period. Differences between lease income recognized in the income statement and rental receivable from lease customers are accumulated and reported in the statement of financial position in a separate account until duration of the lease contract expires, at which time offset occurs between the account balance and net book value of leased assets.

Maintenance and insurance expenses shall be charged to the income statement when incurred to the extent that they are chargeable to the lessee. If substantive evidence indicates that the group could not be able to collect all balances due from finance lease debtors, these balance are reduced to their expected realizable value.

Assets leased under finance lease arrangements, rentals In arrear and the related impairment loss allowance has been presented in financial position under the finance lease item.

Depreciation is charged so as to write off the cost of leased assets, other than land which is not depreciated, over their estimated useful lives, using the straight-line method based on the following annual rates:

Computers	2-8 years
Equipment	4-10 years
Vehicles	4-5 years
Building	17-50 years

2.17 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances due within three months from date of placement or acquisition. They include cash and balances placed with the Central Bank of Egypt (other than those required under the mandatory reserve), current accounts with Banks and treasury bills, certificates of deposits and other governmental notes.

2.18 Other provisions

Provisions for obligations, other than those for credit risk or employee benefits, due within more than 12 months from the date of consolidated financial statements are recognized based on the present value of the best estimate of the consideration required to settle the present obligation at the reporting 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 date of consolidated financial statements, provisions are calculated based on undiscounted expected cash outflows unless the time value of money is material, in which case provisions are measured at present value.

When a provision is wholly or partially no longer required, it is reversed through the profit or loss under "Other Operating Income (expenses)" line item.

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2.19 Insurance activity

2.19.1 Technical reserves

2.19.1.1 Mathematical reserve

The mathematical reserve is calculated by the actuarial expert according to the technical basis approved by the board of the Egyptian Financial Supervisory Authority (Formerly Egyptian Insurance Supervisory Authority), in addition to the portion of each certificate from the increase (decrease) in the capital value resulting from insurance premiums invested in investment portfolio for the account of policyholders.

2.19.1.2 Provision for outstanding claims

A provision for outstanding claims is established for life and personal accident insurance policies. Which were reported before the period-end but not settled at the balance sheet date.

2.19.2 Receivables arising from insurance contracts

Receivables arising from insurance contract either as installments under collection or current accounts of insured parties are carried at amortized cost which represent nominal balances, net of impairment loss.

2.19.3 Due from insurance and reinsurance companies

Insurance and reinsurance companies stated at amortized cost, which represent its book value, net of allowance for impairment loss.

2.20 Financial guarantees

A financial guarantee contract is a contract issued by the group as security for loans or overdrafts due from its clients to other entities that requires the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are generally issued by the Bank to beneficiary banks, corporations and other entities on behalf of the bank's clients.

When a financial guarantee is recognized initially, it is measured at its fair value plus, transaction costs that is directly attributable to the issue of such financial guarantee.

After initial recognition, a financial guarantee contract issued by the bank is measured at the higher of:

- (I) The amount initially recognized less, when appropriate, cumulative amortization of security fees recognized as income in profit or loss using the straight-line method over the term of the guarantee; and
 - (II) The best estimate for the payments required to settle any financial obligation resulting from the financial guarantee at the reporting date.
- Such estimates are made based on experience in similar transactions and historical losses as supported by management judgment.

Any increase in the obligations resulting from the financial guarantee, is recognized within other operating income (expenses) in the income statement.

2.21 Employee benefits

2.21.1 Post-employment benefits (defined benefit plans) and defined contribution plans:

The Bank is liable for all obligations arising from its plans for employee benefits which comply, in all material respects, with the principles set out below. Starting 1 January 2009, the Bank has fully complied with the policy referred to below, and recognized any adjustments, resulting from the first full implementation of amendments to the CBE rules, directly on retained earnings.

The Bank provides several post-employment benefits to its employees, such as the medical care scheme which qualifies as a defined-benefit plan. A defined benefit plan commits the Bank, either formally or constructively, to pay a certain amount or level of future benefits and therefore bears the medium- or long-term risk.

The Bank recognizes the defined benefit obligation as a liability in the statement of financial position under "obligations for post-retirement schemes" to cover the total value of such obligations. This is assessed regularly by independent actuary using the projected unit credit method. This valuation technique incorporates assumptions about demographics variables, staff turnover, salary growth rate and discount and inflation rates.

When these plans are financed from external funds classified as plan assets, the fair value of these funds is subtracted from the defined benefit obligation. Differences arising from changes in the actuarial assumptions and estimates are recognized in the income statement as actuarial gains or losses to the extent of the higher of the following two amounts as of the end of the previous financial period:

- 10% of the present value of the defined benefit obligation (before deducting plan assets); and
- 10% of the fair value of the plan assets.

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Actuarial gains and losses that exceed the 10 percent criteria above are amortized to profit or loss over the expected average remaining working lives of the participating employees.

Past service cost is recognized immediately to the extent that the benefits have already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. Annual cost of employee benefits plans is reported as part of general and administrative expenses (employee costs).

Defined contribution plans are pension schemes whereby the group pays defined contributions to an independent entity. The group shall not be under legal or constructive obligation to pay more contributions if this entity doesn't maintain adequate assets to pay-off the employees' benefits in return for their service in the current and previous periods.

According to the defined contribution plans, contributions are paid to private sector pension scheme under mandatory or voluntary contractual arrangement. The group shall be under no additional obligation other than the contribution payments. Contributions to defined contribution retirement benefit plans are recognized as employee benefits cost when employees have rendered service entitling them to the contributions. Prepaid contributions shall be recognized as assets to the extent that these contribution payments will reduce future payments or result in cash refunds.

2.22 Income taxes

Income tax expense on the period's profit or loss represents the sum of the tax currently payable and deferred tax and is recognized in the income statement, except when they relate to items that are recognized directly in equity, in which case the tax is also recognized in equity.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, in addition to income tax differences related to prior years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. However, when it is expected that the tax benefit will increase, the carrying amount of deferred tax assets shall increase to the extent of previous reduction.

2.23 Borrowings

Loans obtained by the bank are initially recognized at fair value net of transaction costs incurred in connection with obtaining the loan. Borrowings are subsequently measured at amortized cost, with the difference between net proceeds and the value to be paid over the borrowing period, recognized in the profit or loss using the effective interest rate method.

2.24 Capital

2.24.1 Capital issuance cost

Issued and paid up-capital (i.e. bank's own equity instruments) is initially measured at the cash proceeds received, less transaction costs directly attributable to the issuance of new shares, issuance of shares to effect business combination, or issue of share options. Transaction costs, net of tax benefits, are reported as a deduction from equity.

2.24.2 Dividends

Dividends on equity instruments issued by the group entities are recognized when the general assembly of the group's shareholders approves them. Dividends include the non-controlling interests' share in the subsidiaries' dividends, and employees' profit share and board of directors' remuneration as prescribed by the articles of incorporation of the bank and Group entities as well as the corporate law.

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2.25 Fiduciary activities

The Bank carries out fiduciary activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans and other institutions. These assets and income arising thereon are not recognized in the group's consolidated financial statements, as they are not assets or income of the Bank or the Group.

2.26 Comparative figures

Comparative figures are reclassified, where necessary, to conform to changes in the current period's financial statements presentation.

3. Management of financial risks

The Group is exposed to various financial risks, mainly as a result of activities conducted by the Bank and some subsidiaries. Since financial activities are based on the concept of accepting risks and analyzing and managing individual risks or group of risks altogether, the group aims at achieving a well-balanced risks and relevant rewards, as appropriate and to reduce the probable adverse effects on the group's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency risk, interest rate risk and other pricing risks.

For example, the Bank has laid down risk management policies to determine and analyze the risks, set limits to the risks and control them through reliable methods and up-to-date systems. The Bank regularly reviews the risk management policies and systems and amendments thereto, so that they reflect the changes in markets, products and services and the best up-to-date applications.

Risks are managed in accordance with pre-approved policies by the board of directors. The risk management department identifies, evaluates and covers financial risks, in close collaboration with the Bank's various operating units. The board of directors provides written rules which cover certain risk areas, such as credit risk, foreign exchange risk, interest rate risk and the use of derivative and non-derivative financial instruments. Moreover, the risk department is responsible for the periodic review of risk management and the control environment independently.

Risk management strategy

The bank operates in business lines, which generate a range of risks whose frequency, severity and volatility can be of different and significant magnitudes. A greater ability to calibrate its risk appetite and risk parameters, the development of risk management core competencies, as well as the implementation of a high-performance and efficient risk management structure are therefore critical undertakings for the bank.

Thus, the primary objectives of the bank's risk management framework are:

- To contribute to the development of the Bank in various business lines to reach an ideal level of general risk.
- To guarantee the Bank's sustainability as a going concern, through the implementation of a high-quality risk management infrastructure.

In defining the Bank's overall risk appetite, the bank management takes various considerations and variables into account, including:

- The relative balance between risk and reward of the bank's various activities.
- Earnings sensitivity to business, credit and economic cycles.
- The aim of achieving a well-balanced portfolio of earnings streams.

Risk management governance and risk principles

Bank's risk management governance is based on:

- i) Strong managerial involvement, throughout the entire organization, starting from the Board of Directors down to operational field management teams;
- ii) A tight framework of internal procedures and guidelines; and
- iii) Continuous supervision by business lines and support functions as well as by an independent body to monitor risks and to enforce rules and procedures.

Within the Board, the Risk and Audit Committees are more specifically responsible for examining the consistency of the internal framework for monitoring risks and compliance.

Risk categories

The following are part of the risks associated with the bank's Banking activities:

a- Credit risk:

(Including country risk): represents risk of losses arising from the inability of the Bank's customers, sovereign issuers or other counterparties to meet their financial commitments.

Credit risk also includes the replacement risk linked to market transactions. In addition, credit risk may be further increased by a concentration risk, which arises either from large individual exposures or from groups of counterparties with a high default probability.

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b- Market risk:

Represents risk of loss resulting from changes in market prices and interest rates.

c- Operational risk:

(Including legal, compliance, accounting, environmental, reputational risks, etc.): represents risk of loss or fraud or of producing inaccurate financial and accounting data due to inadequacies or failures in procedures and internal systems, human error or external events. Additionally, operational risks may also take the form of compliance risk, which is the risk of the bank incurring either legal, administrative or disciplinary sanctions or financial losses due to failure to comply with relevant rules and regulations.

d- Structural interest and exchange rate risk:

Represents risk of loss or of residual depreciation in the bank's balance sheet and off-balance sheet assets arising from changes in interest or exchange rates. Structural interest and exchange rate risk arises from banking commercial activities and on Corporate Center transactions (operations on equities, investments and bond issues).

e- Liquidity risk:

Represents the risk that the bank might not be able to meet its obligations as they become due.

The Bank dedicates significant resources to constantly adapting its risk management to its activities and ensures that its risk management framework operates in full compliance with the following fundamental principles of:

- Full independence of risk assessment departments from the operating divisions; and
- Consistent approach to risk assessment and monitoring applied throughout the Bank.

The Risk Division is independent from the bank's operating entities and reports directly to general management. Its role is to contribute to the development and profitability of the bank by ensuring that the risk management framework in place is both robust and effective. It employs various teams specializing in the operational management of credit and market risk.

More specifically, the Risk Division:

- Defines and approves the methods used to analyze, assess, approve and monitor credit risks, countries risks, market risks and operational risks; conducts a critical review of commercial strategies in high risk areas and continually seeks to improve such risk forecasting and management;
- Contributes to independent assessment by analyzing transactions implying a credit risk and by providing guidance on transactions proposed by sales managers.

Identifying a frame for all Banks' operational risks.

The Assets and Liabilities Unit under the Finance Division, for its part, is entrusted with assessing and managing other major types of risks, namely liquidity and structural risks (resulting from interest rate, exchange rate and liquidity) as well as the bank's long term financing, management of capital requirements and equity structure.

The Internal Legal Counsel deals with compliance and legal risks.

Responsibility for devising the relevant risk management structure and defining risk management operating principles lies mainly with both the Risk Division and, in particular fields, the assets and liabilities management under Finance Division.

The Bank's Risk Committee is in charge of reviewing all the bank's key risk management issues and meets at least on quarterly basis. Risk Committee's monthly meetings involve members of the Executive Committee, the heads of the business lines and the Risk Division managers and are used to review all the core strategic issues: risk-taking policies, assessment methods, material and human resources, analysis of credit portfolios and of the cost of risk, market and credit concentration limits (by product, country, sector, region, etc.)

On the other hand, the Assets and Liabilities management committee (ALCO) is competent for matters relating to funding and liquidity policymaking and planning.

All new products and activities or products under development must be submitted to the New Product Committee.

This New Product Committee aims at ensuring that, prior to the launch of a new activity or product, all associated risks are fully understood, measured, approved and subject to adequate procedures and controls, using the available information and processing systems.

Operational risks, permanent control and audit (periodic) control process are supervised by the Audit and Accounts Committee that meets on a quarterly basis.

Finally, the Bank's risk management principles, procedures and infrastructures and their implementation are monitored by the Internal Audit team and the External Auditors.

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(A) CREDIT RISKS

The Bank is exposed to the credit risk which is the risk resulting from failure of the client to meet its contractual obligations towards the bank. The credit risk is considered to be the most significant risk for the bank, therefore requiring careful management. The credit risk manifests itself in the lending activities and debt instruments in bank's assets as well as off balance sheet financial instruments, such as letters of credit and letters of guarantee.

(A/1) Credit risk management: organization and structure

Maintaining comprehensive and efficient management and monitoring of credit risk – which constitutes the bank's primary source of risk – is vital to preserving bank financial strength and profitability. As a result, the bank implements a tight credit risk control framework, whose cornerstone is the Credit Risk Policy and Authorities defined jointly by the Risk Division and the Business Lines, and is subject to periodic review and approval by the Board of Directors.

Within the Risk Division, persons are responsible for:

- Setting credit limits by customer, customer group or transaction type;
- Approving credit score or internal customer rating criteria;
- Monitoring and surveillance of large exposures and various credit portfolios;
- Reviewing specific and general provisioning policies.

In addition, comprehensive portfolio analysis is performed in order to provide guidance to the General Management on the bank's overall credit risk exposure as well as reporting to Risk Committee.

The Risk Division also helps define criteria for measuring risk and defining appropriate provisioning practices.

Risk approval

Embedded in bank's credit policy is the concept that approval of any credit risk undertaking must be based on sound knowledge of the client and a thorough understanding of the client's business, the purpose, nature and structure of the transaction and the sources of repayment, while bearing in mind the bank's risk strategy and risk appetite.

The risk approval process is based on four core principles:

- All transactions involving replacement risk must be pre-authorized, replacement risk is bearing a loss when a bank is forced to replace a contract in case of breaching the original party's contract (debtor risk, non-settlement or non-delivery risk and issuer risk).
- Staff assessing credit risk is fully independent from the decision-making process.
- Subject to relevant credit delegations, responsibility for analyzing and approving risk lies with the most appropriate business line or credit risk unit, which reviews all authorization requests relating to a specific client or client group, to ensure a consistent approach to risk management.
- All credit decisions systematically include internal obligor risk ratings, as proposed by business lines and vetted by the Risk Division and approved by concerned Credit Committee.

Risk management and audit

Changes in the quality of outstanding commitments are reviewed on a periodic basis and at least once a quarter, as part of the "sensitive names" and provisioning procedures. This review is based on analyses performed by the business divisions and the risk function. Furthermore, the Internal Audit also carries out file reviews or risk audits in the bank's branch groups and reports its findings to the General Management.

Replacement risk

Replacement risk provides the measurement of the replacement cost of a transaction in the event of default by the original counterparty and the necessity to close the ensuing position with counterparty; hence, the replacement cost is the result of the market price between the date on which the original transaction is entered into and the default date. Transactions giving rise to replacement risk include interest rate swaps and forward FX deals.

Replacement risk management

The Bank places great emphasis on carefully monitoring its replacement risk exposure in order to minimize its losses in case of default of its counterparties and counterparty limits are, therefore, assigned to all trading counterparties, irrespective of their status (bank, other financial institution, corporate and public institutions).

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(A/2) Risk measurement and internal ratings

Bank rating system is based on three key pillars:

- The internal ratings models used to measure and quantify counterparty risk.
- A set of procedures defining guidelines for devising and using ratings (scope, frequency of rating revision, procedure for approving ratings, etc.)
- Reliance on human judgment to improve modeling results to include elements outside the scope of rating model.

Credit risk rating is supported by a set of procedures ensuring reliable, consistent and timely default and loss data detection.

Rating models are reviewed and developed when necessary. The Bank regularly evaluates performance of credit rating models and their capacity to predict default cases.

The calculations used to measure and monitor replacement risk include:

- Current Average Risk (CAR) is a calculation of the Average risk of all the future scenarios, excluding the negative scenarios, i.e., when the replacement makes a gain.
- Credit value at risk (VAR) is a calculation of the largest loss that would be incurred in 99% of cases.

Following are some risk mitigations methods:

Collaterals

The Bank designs several policies and controls for credit risk mitigation such as collaterals for funds provided. The bank lays down guidelines for specific categories of the accepted collaterals.

The main types of collaterals for Loans and credit facilities are:

- Real estate mortgage;
- Pledge on business assets like machinery and merchandise;
- Pledge in financial instruments like debt instruments and equity.

The long term financing and lending for companies are often collateralized while credit facilities for persons are not collateralized. The bank attempts to mitigate the credit risk through additional collaterals from the concerned parties immediately on arising of impairment indicators for any of the loans or facilities.

Collaterals taken to secure assets other than Loans and credit facilities are identified according to the nature of the instrument.

Debit instruments and treasury bills are often not collateralized.

Derivatives

The Bank exercise prudential strict control procedures on net open positions of derivatives. i.e. The difference between sale and purchase agreements at the level of value and duration. The amount exposed to credit risk at any time is determined at fair value of the instrument that may achieve benefit to the bank. i.e. any assets with high positive fair value which represents insignificant part of contractual imputed value used to reflect the volume of existing instruments. This credit risk is managed as part of overall lending limit granted to the customer together with the potential risk as a result of market changes.

The Bank doesn't obtain collaterals for credit risk related to such instruments except for the amounts requested by the bank as marginal deposits from other parties.

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(A/3) Provisioning policy (Measurement of expected credit losses)

The Group's policies require the identification of three stages of classifying financial assets measured at amortized cost, loan commitments and financial guarantees as well as debt instruments at fair value through other comprehensive income in accordance with changes in credit quality since initial recognition and thereafter measuring the impairment losses (expected credit losses) as follows:

The un-impaired financial asset is classified at initial recognition in the first stage and credit risk is monitored continuously by the Bank's credit risk management.

In the case of a significant increase in credit risk since the initial recognition, the financial asset is transferred to the second stage and the financial asset is not considered at this stage (the expected credit loss over the life of the asset without impairment).

In case of indications of impairment of the financial asset, it is transferred to the third stage. The Group relies on the following indicators to determine whether there is objective evidence of impairment:

- 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 financial 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.

The following table illustrates the proportional distribution of loans and credit facilities reported in the financial position for each of the four internal ratings of the Bank and their relevant impairment losses:

	September 30, 2021		December 31, 2020	
	Loans and credit facilities	Allowance for impairment loss	Loans and credit facilities	Allowance for impairment loss
1- Good debts	86.27%	8.74%	87.20%	11.18%
2- Normal watch-list	4.42%	8.92%	6.78%	15.65%
3- Special watch-list	5.47%	29.53%	3.02%	27.47%
4- Non performing loans	3.84%	52.81%	3.00%	45.70%
	100%	100%	100%	100%

(A/4) General Model for Measurements of Banking Risks:

In addition to the four categories of the bank's internal credit ratings indicated above, management classifies Loans and credit facilities based on more detailed subgroups in accordance with the CBE requirements. 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 Group calculates the allowances required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the allowance required for impairment losses as per CBE credit worthiness rules exceeds the provisions as required by the expected credit loss, that excess shall be debited from distributable net profits 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 the reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution; note (37) shows the movement (if any) on the general banking risk reserve during the financial period.

Below is a statement of credit rating for corporations as per the Bank's internal ratings compared with those of CBE's; it also includes the percentages of provisions required for impairment of assets exposed to credit risk.

CBE rating	Description	Required Provision According to % ORR	Internal Rating	Internal Description
1	Low risk	0%	1	Good debts
2	Moderate risks	1%	1	Good debts
3	Satisfactory risks	1%	1	Good debts
4	Appropriate risks	2%	1	Good debts
5	Acceptable risks	2%	1	Good debts
6	Marginally acceptable risks	3%	2	Normal watch-list
7	Watch-list	5%	3	Special watch-list
8	Substandard debts	20%	4	Non-performing loans
9	Doubtful debts	50%	4	Non-performing loans
10	Bad debts	100%	4	Non-performing loans

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(A/5) Maximum limit for credit risk before collaterals

Financial position items exposed to credit risks	September 30, 2021	December 31, 2020
Treasury bills	37,385,736,916	42,003,990,606
Loans and credit facilities to customers		
Retail loans		
- Overdrafts	3,248,702,173	3,444,193,377
- Credit cards	1,185,680,257	1,056,199,108
- Personal loans	27,580,300,842	25,174,858,319
- Real estate loans	2,519,184,111	2,114,526,363
Corporate loans		
- Overdrafts	66,464,688,533	63,420,178,536
- Direct loans	47,934,251,855	45,557,308,731
- Syndicated loans and facilities	16,638,001,962	19,064,953,752
- Other loans	3,473,229,139	3,901,049,525
Segregated interest , unearned discount and deferred income	(137,060,985)	(97,465,963)
Financial derivatives	56,597,550	106,092,208
Financial investments		
- Debt instrument	85,077,877,741	49,464,378,060
- Other Financial assets	4,135,904,217	2,971,309,301
Total	295,563,094,311	258,181,571,923

The following table provides information on the quality of financial assets during the period:

Due from banks	September 30, 2021			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Good debts	1,045,130,823	393,679,230	-	1,438,810,053
Normal watch-list	5,966,215,918	3,687,656,200	-	9,653,872,118
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	7,011,346,741	4,081,335,430	-	11,092,682,171
Allowance for impairment losses	(4,299,398)	(5,546,554)	-	(9,845,952)
Carrying amount	7,007,047,343	4,075,788,876	-	11,082,836,219

Due from banks	December 31, 2020			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Good debts	845,339,887	117,484,768	-	962,824,655
Normal watch-list	3,737,172,764	2,378,845,974	-	6,116,018,738
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	4,582,512,651	2,496,330,742	-	7,078,843,393
Allowance for impairment losses	(10,607,678)	-	-	(10,607,678)
Carrying amount	4,571,904,973	2,496,330,742	-	7,068,235,715

Treasury bills	September 30, 2021			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Good debts	-	-	-	-
Normal watch-list	37,402,843,841	-	-	37,402,843,841
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	37,402,843,841	-	-	37,402,843,841
Allowance for impairment losses	(17,106,925)	-	-	(17,106,925)
Carrying amount	37,385,736,916	-	-	37,385,736,916

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Treasury bills	December 31, 2020			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Good debts	-	-	-	-
Normal watch-list	42,021,929,253	-	-	42,021,929,253
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	42,021,929,253	-	-	42,021,929,253
Allowance for impairment losses	(17,938,647)	-	-	(17,938,647)
Carrying amount	42,003,990,606	-	-	42,003,990,606

Retail loans	September 30, 2021			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Good debts	32,262,896,765	-	-	32,262,896,765
Normal watch-list	1,951,283,494	-	-	1,951,283,494
Special watch-list	-	403,919,281	-	403,919,281
Non performing loan	-	-	740,516,811	740,516,811
	34,214,180,259	403,919,281	740,516,811	35,358,616,351
Allowance for impairment losses	(225,744,185)	(62,058,124)	(536,946,659)	(824,748,968)
Carrying amount	33,988,436,074	341,861,157	203,570,152	34,533,867,383

Retail loans	December 31, 2020			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Good debts	29,940,799,324	-	-	29,940,799,324
Normal watch-list	1,722,005,621	-	-	1,722,005,621
Special watch-list	-	385,422,772	-	385,422,772
Non performing loan	-	-	406,037,696	406,037,696
	31,662,804,945	385,422,772	406,037,696	32,454,265,413
Allowance for impairment losses	(232,464,951)	(100,481,753)	(331,541,542)	(664,488,246)
Carrying amount	31,430,339,994	284,941,019	74,496,154	31,789,777,167

Corporate loans	September 30, 2021			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Good debts	119,425,387,998	1,909,749,865	-	121,335,137,863
Normal watch-list	118,331,730	5,798,660,937	-	5,916,992,667
Special watch-list	-	9,332,912,927	-	9,332,912,927
Non performing loan	-	-	6,098,934,554	6,098,934,554
	119,543,719,728	17,041,323,729	6,098,934,554	142,683,978,011
Allowance for impairment losses	(602,494,037)	(3,356,129,207)	(4,215,183,278)	(8,173,806,522)
Carrying amount	118,941,225,691	13,685,194,522	1,883,751,276	134,510,171,489

Corporate loans	December 31, 2020			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Good debts	119,535,186,264	1,314,690,606	-	120,849,876,870
Normal watch-list	2,713,549,919	7,291,240,943	-	10,004,790,862
Special watch-list	-	4,829,009,806	-	4,829,009,806
Non performing loan	-	-	4,780,630,470	4,780,630,470
	122,248,736,183	13,434,941,355	4,780,630,470	140,464,308,008
Allowance for impairment losses	(1,076,434,961)	(3,578,274,450)	(3,866,108,053)	(8,520,817,464)
Carrying amount	121,172,301,222	9,856,666,905	914,522,417	131,943,490,544

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Debt instruments at fair value through other comprehensive income	September 30, 2021			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Good debts	1,820,923,797	-	-	1,820,923,797
Normal watch-list	9,661,894,575	-	-	9,661,894,575
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	11,482,818,372	-	-	11,482,818,372
Allowance for impairment losses	(118,849)	-	-	(118,849)
Carrying amount - fair value	11,482,818,372	-	-	11,482,818,372

Debt instruments at fair value through other comprehensive income	December 31, 2020			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Good debts	1,454,586,525	-	-	1,454,586,525
Normal watch-list	-	400,000,000	-	400,000,000
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	1,454,586,525	400,000,000	-	1,854,586,525
Allowance for impairment losses	(116,187)	-	-	(116,187)
Carrying amount - fair value	1,454,586,525	400,000,000	-	1,854,586,525

Debt instruments at amortized cost	September 30, 2021			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Good debts	-	-	-	-
Normal watch-list	73,602,165,174	-	-	73,602,165,174
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	73,602,165,174	-	-	73,602,165,174
Allowance for impairment losses	(7,105,805)	-	-	(7,105,805)
Carrying amount	73,595,059,369	-	-	73,595,059,369

Debt instruments at amortized cost	December 31, 2020			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Credit rating				
Good debts	-	-	-	-
Normal watch-list	47,612,579,495	-	-	47,612,579,495
Special watch-list	-	-	-	-
Non performing loan	-	-	-	-
	47,612,579,495	-	-	47,612,579,495
Allowance for impairment losses	(2,787,960)	-	-	(2,787,960)
Carrying amount	47,609,791,535	-	-	47,609,791,535

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

Due from banks	September 30, 2021			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Allowance for impairment losses at January 01, 2021	10,607,678	-	-	10,607,678
New financial assets purchased or issued	4,299,398	5,546,554	-	9,845,952
Financial assets have been matured or derecognised	(10,607,678)	-	-	(10,607,678)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	-	-	-	-
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the period	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the period	4,299,398	5,546,554	-	9,845,952

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Due from banks	December 31, 2020			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Allowance for impairment losses at January 01, 2020	9,125,361	-	-	9,125,361
New financial assets purchased or issued	10,607,678	-	-	10,607,678
Financial assets have been matured or derecognised	(9,125,361)	-	-	(9,125,361)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	-	-	-	-
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the year	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the year	10,607,678	-	-	10,607,678

Treasury bills	September 30, 2021			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Allowance for impairment losses at January 01, 2021	17,938,647	-	-	17,938,647
New financial assets purchased or issued	16,880,604	-	-	16,880,604
Financial assets have been matured or derecognised	(15,340,829)	-	-	(15,340,829)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	(2,371,497)	-	-	(2,371,497)
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the period	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the period	17,106,925	-	-	17,106,925

Treasury bills	December 31, 2020			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Allowance for impairment losses at January 01, 2020	14,438,799	-	-	14,438,799
New financial assets purchased or issued	17,938,647	-	-	17,938,647
Financial assets have been matured or derecognised	(14,438,799)	-	-	(14,438,799)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	-	-	-	-
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the year	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the year	17,938,647	-	-	17,938,647

Retail loans	September 30, 2021			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Allowance for impairment losses at January 01, 2021	232,464,951	100,481,753	331,541,542	664,488,246
Net impairment loss recognized during the period	(6,720,766)	(46,995,799)	247,934,697	194,218,132
Loans written-off during the period	-	-	(42,529,564)	(42,529,564)
Collections of loans previously written-off	-	8,572,170	-	8,572,170
Foreign exchange translation differences	-	-	(16)	(16)
Balance at the end of the period	225,744,185	62,058,124	536,946,659	824,748,968

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Retail loans	December 31, 2020			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Allowance for impairment losses at January 01, 2020	146,580,951	14,987,231	270,879,795	432,447,977
Net impairment loss recognized during the year	85,884,000	76,079,777	71,123,633	233,087,410
Loans written-off during the year	-	-	(10,457,191)	(10,457,191)
Collections of loans previously written-off	-	9,414,745	-	9,414,745
Foreign exchange translation differences	-	-	(4,695)	(4,695)
Balance at the end of the year	232,464,951	100,481,753	331,541,542	664,488,246

Corporate loans	September 30, 2021			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Allowance for impairment losses at January 01, 2021	1,076,434,961	3,578,274,450	3,866,108,053	8,520,817,464
New financial assets purchased or issued	159,544,012	182,438,166	-	341,982,178
Financial assets have been matured or derecognised	(130,365,698)	(209,098,388)	(387,430,187)	(726,894,273)
Transfer to stage 1	26,429,758	(26,261,362)	(168,396)	-
Transfer to stage 2	(273,454,055)	273,454,055	-	-
Transfer to stage 3	(2,300,337)	(1,303,230,337)	1,305,530,674	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	(253,723,174)	843,957,764	910,822,560	1,501,057,150
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the period	-	(954)	(1,465,213,740)	(1,465,214,694)
Collections of loans previously written-off	-	16,786,670	-	16,786,670
Foreign exchange translation differences	(71,430)	(190,857)	(14,465,686)	(14,727,973)
Balance at the end of the period	602,494,037	3,356,129,207	4,215,183,278	8,173,806,522

Corporate loans	December 31, 2020			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Allowance for impairment losses at January 01, 2020	1,195,552,396	2,510,683,999	3,180,871,259	6,887,107,654
New financial assets purchased or issued	435,922,378	1,399,701,242	275,638,712	2,111,262,332
Financial assets have been matured or derecognised	(529,499,760)	(1,099,407,181)	(197,378,651)	(1,826,285,592)
Transfer to stage 1	1,645,389	(1,645,389)	-	-
Transfer to stage 2	(867,216,184)	867,216,184	-	-
Transfer to stage 3	(108,964,469)	(174,273,545)	283,238,014	-
of failure and the balance exposed to failure	948,995,211	75,287,390	600,501,218	1,624,783,819
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the year	-	(66,421)	(284,716,591)	(284,783,012)
Collections of loans previously written-off	-	9,155,116	-	9,155,116
Foreign exchange translation differences	-	(8,376,945)	7,954,092	(422,853)
Balance at the end of the year	1,076,434,961	3,578,274,450	3,866,108,053	8,520,817,464

Debt instruments at fair value through other comprehensive income	September 30, 2021			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Allowance for impairment losses at January 01, 2021	116,187	-	-	116,187
New financial assets purchased or issued	30,534	-	-	30,534
Financial assets have been matured or derecognised	(3,975)	-	-	(3,975)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	(23,897)	-	-	(23,897)
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the period	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the period	118,849	-	-	118,849

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Debt instruments at fair value through other comprehensive income	December 31, 2020			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Allowance for impairment losses at January 01, 2020	86,639	-	-	86,639
New financial assets purchased or issued	-	-	-	-
Financial assets have been matured or derecognised	(2,667)	-	-	(2,667)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
of failure and the balance exposed to failure	32,215	-	-	32,215
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the year	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the year	116,187	-	-	116,187

Debt instruments at amortized cost	September 30, 2021			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Allowance for impairment losses at January 01, 2021	2,787,960	-	-	2,787,960
New financial assets purchased or issued	7,105,805	-	-	7,105,805
Financial assets have been matured or derecognised	(2,787,960)	-	-	(2,787,960)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in the probability of failure and loss in the event of failure and the balance exposed to failure	-	-	-	-
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the period	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the period	7,105,805	-	-	7,105,805

Debt instruments at amortized cost	December 31, 2020			Total
	Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	
Allowance for impairment losses at January 01, 2020	13,500,616	-	-	13,500,616
New financial assets purchased or issued	-	-	-	-
Financial assets have been matured or derecognised	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
of failure and the balance exposed to failure	(10,712,656)	-	-	(10,712,656)
Changes on model assumptions and methodology	-	-	-	-
Loans written-off during the year	-	-	-	-
Foreign exchange translation differences	-	-	-	-
Balance at the end of the year	2,787,960	-	-	2,787,960

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Off balance sheet items exposed to credit risks	September 30, 2021	December 31, 2020
Financial guarantees	317,500	317,500
L/Cs	2,811,144,027	2,183,629,602
Accepted papers	2,112,141,466	1,797,703,754
L/Gs	41,060,629,833	40,570,756,871
Other contingent liabilities	2,868,463	19,632,824
Total	45,987,101,289	44,572,040,551

Commitments for credit facilities have a carrying amount of EGP 30,176,993,220 at the end of current reporting period against EGP 31,497,891,864 in the prior year.

The preceding table shows the maximum limit exposure to risks at the end of September, 2021 and December, 2020 without taking into consideration collaterals held by the Group, if any. For financial position items, amounts stated depend on the net carrying amount shown in the financial position.

The preceding table related to financial position items exposed to credit risks shows that 57% of the maximum limit exposed to credit risk at the end of current reporting period is attributable to Loans and credit facilities to customers against 63% at the end of the prior year, investments in debt instruments constitute 29% against 19% at the end of the prior year and treasury bills constitute 13% against 16% at the end of the prior year.

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from loan portfolio, facilities, and debt instruments based on the following facts:

- 91% of the loans and credit facilities portfolio at the end of the current reporting period comprises loans and credit facilities classified at the top 2 categories of the internal rating against 94% at the end of the prior year.
- 95% of the loans and credit facilities portfolio at the end of the current reporting period not impaired against 96% at the end of the prior year.
- Loans and credit facilities that are individually assessed for impairment (stage 3) at the end of the current reporting period have a carrying amount of EGP 6,839,451,365 Impairment on these loans and credit facilities represents 69% of their carrying amount. Loans and credit facilities, that are individually assessed for impairment at the end of the prior year had a carrying amount of 5,186,668,166 and their impairment represents 81% of such carrying amount.
- The Bank applied more prudential selection process on granting loans and credit facilities during the current reporting period ended September 30, 2021.
- 99% of investments in debt instruments and treasury bills at the end of the current reporting period comprise local sovereign debt instruments against 98% at the end of the prior year.

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(A/6) Loans and credit facilities

Balances of loans and credit facilities in terms of credit risk rating are analyzed below:

	September 30, 2021		December 31, 2020	
	Loans and credit facilities to customers	Loans and credit facilities to banks	Loans and credit facilities to customers	Loans and credit facilities to banks
Neither have arrears nor impaired	168,305,614,054	-	165,212,583,679	-
Have arrears but not impaired	2,897,528,943	-	2,519,321,576	-
Impaired	6,839,451,365	-	5,186,668,166	-
Total	178,042,594,362	-	172,918,573,421	-
Less: Allowance for impairment losses	(8,998,555,490)	-	(9,185,305,710)	-
Less: Segregated interest	(205,721)	-	(330,084)	-
Less: Unearned discount & deferred income	(136,855,264)	-	(97,135,879)	-
Net	168,906,977,887	-	163,635,801,748	-

Total credit allowance for loans and credit facilities at the end of the current reporting period amounted to EGP 8,998,555,490 (EGP 9,185,305,710 at the end of the prior year) of which EGP 4,752,129,937 represent impairment in stage three (EGP 4,197,649,595 at the end of the prior year) and EGP 4,246,425,553 represent impairment for stage one and stage two in the credit portfolio (EGP 4,987,656,115 at the end of the prior year).

Note (20-A) includes additional information on the allowance for impairment losses for Loans and credit facilities to customers during the current reporting period.

During the current accounting period, the loans and credit facilities portfolio increase by 3% due to the increase on lending activity.

Loans and credit facilities which do not have arrears and are not subject to impairment

The credit quality of Loans and credit facilities that not subject to impairment is assessed by reference to the bank's internal rating.

Loans and credit facilities to customers

Rating	September 30, 2021				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Good debts	3,248,828,520	1,045,577,805	25,673,659,362	2,294,831,078	32,262,896,765
Normal watch-list	105,108	-	-	-	105,108
Special watch-list	41,155	-	-	-	41,155
Total	3,248,974,783	1,045,577,805	25,673,659,362	2,294,831,078	32,263,043,028

Rating	Corporate				
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Good debts	62,274,406,646	39,762,538,087	16,114,481,549	2,964,066,441	121,115,492,723
Normal watch-list	3,270,760,035	1,872,843,463	633,063,047	62,699,978	5,839,366,523
Special watch-list	2,062,545,407	6,761,345,702	2,039,206	261,781,465	9,087,711,780
Total	67,607,712,088	48,396,727,252	16,749,583,802	3,288,547,884	136,042,571,026

Guaranteed loans are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees.

Rating	December 31, 2020				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Good debts	3,446,431,018	902,049,238	23,635,785,228	1,956,533,840	29,940,799,324
Normal watch-list	42,845	-	-	-	42,845
Special watch-list	164,133	-	-	-	164,133
Total	3,446,637,996	902,049,238	23,635,785,228	1,956,533,840	29,941,006,302

Rating	Corporate				
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Good debts	59,683,395,528	39,015,148,615	18,420,181,364	3,510,377,634	120,629,103,141
Normal watch-list	3,674,727,366	5,538,043,512	694,867,162	76,710,148	9,984,348,188
Special watch-list	1,331,847,052	2,748,760,845	573,794,907	3,723,244	4,658,126,048
Total	64,689,969,946	47,301,952,972	19,688,843,433	3,590,811,026	135,271,577,377

Guaranteed loans are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees.

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Loans and credit facilities which have arrears but are not subject to impairment

These are loans and credit facilities with past-due installments but are not subject to impairment, unless information has otherwise indicated. Loans and credit facilities to customers which have arrears but are not subject to impairment are analyzed below.

September 30, 2021

Retail

	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Up to 30 days	-	126,572,657	1,580,142,603	219,021,819	1,925,737,079
More than 30 – 60 days	-	25,441,307	264,798,598	13,573,053	303,812,958
More than 60 – 90 days	-	12,993,912	105,529,662	6,982,901	125,506,475
Total	-	165,007,876	1,950,470,863	239,577,773	2,355,056,512

Corporate

	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Up to 30 days	1,721,779	165,513,363	-	14,109,022	181,344,164
More than 30 – 60 days	-	106,276,664	-	280,783	106,557,447
More than 60 – 90 days	-	80,876,036	-	1,211,739	82,087,775
More than 90 days	-	-	-	172,483,045	172,483,045
Total	1,721,779	352,666,063	-	188,084,589	542,472,431

December 31, 2020

Retail

	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Up to 30 days	-	123,084,194	1,354,893,464	134,231,339	1,612,208,997
More than 30 – 60 days	-	28,602,521	218,452,027	29,919,116	276,973,664
More than 60 – 90 days	-	21,227,865	172,338,722	24,472,168	218,038,755
Total	-	172,914,580	1,745,684,213	188,622,623	2,107,221,416

Corporate

	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total
Up to 30 days	-	95,587,735	-	42,760,839	138,348,574
More than 30 – 60 days	-	24,742,361	-	19,151,152	43,893,513
More than 60 – 90 days	-	12,957,380	-	1,455,369	14,412,749
More than 90 days	-	-	-	215,445,324	215,445,324
Total	-	133,287,476	-	278,812,684	412,100,160

Past due loans and credit facilities are those amounts, or any part thereof, which have fallen due but for which no payment has been received in accordance with the contractual terms. These include arrears for periods more than one day.

Amounts shown in the note represent the whole balance of the loan or facility and not only the past due amounts. These do not include the remaining loans and credit facilities of the same customer so long default has not fully or partially occurred on those loans.

On initial recognition of Loans and credit facilities, the fair value of collaterals, if any, is assessed based on valuation methods used for similar assets but are not recognized in the financial statements since these do not represent assets of the bank at that date. In subsequent periods, the fair value is updated to reflect the market price or prices for similar assets.

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Loans and credit facilities which are individually impaired
Loans and credit facilities to customers

At the end of the current reporting period, the carrying amount of loans and credit facilities, that are assessed to be individually impaired (Stage 3) excluding any cash flows expected to arise from the associated guarantees, amounted to EGP 6,839,451,365 against EGP 5,186,668,166 at the end of the prior year.

The following table provides a breakdown of the balance of such loans and credit facilities which are individually impaired including the fair value of the collaterals shall prevail when calculating the provisions.

		September 30, 2021				
		Retail				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total	
Loans which are individually impaired	51,736,831	32,825,328	616,895,738	39,058,914	740,516,811	
Fair value of collaterals	-	8,707,455	148,371,541	7,094,687	164,173,683	
		Corporate				
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total	
Loans which are individually impaired	203,739,494	5,706,242,974	509,190	188,442,896	6,098,934,554	
Fair value of collaterals	7,893,934	84,058,133	-	-	91,952,067	
		December 31, 2020				
		Retail				
	Overdrafts	Credit cards	Personal loans	Real estate loans	Total	
Loans which are individually impaired	52,499,267	40,819,367	297,870,882	14,848,179	406,037,695	
Fair value of collaterals	-	6,686,662	46,503,363	960,226	54,150,251	
		Corporate				
	Overdrafts	Direct loans	Syndicated loans and facilities	Other loans	Total	
Loans which are individually impaired	569,445,574	3,784,612,953	509,835	426,062,109	4,780,630,471	
Fair value of collaterals	-	-	-	-	-	

Restructured loans and facilities:

The Bank applies different types of restructuring policies to its loans and credit facilities, which include extending payment terms, executing forced management programmes and applying prepayment and extension provisions to the loan. The applied restructuring policies depend on factors or criteria that indicate, in management judgment that the counterparty's continuous payment of the loan is unlikely to occur in the absence of such restructuring policies that are subject to ongoing review. Within the bank renegotiated outstanding loans relate to long-term loans made to any type of clientele (retail and corporate loans clients).

Total renegotiated loans amounted to EGP 1,793,754,942 at the end of the current reporting period against EGP 1,821,876,913 at the end of the prior year. These balances do not include any amounts whose commercial terms were renegotiated to preserve the quality of the bank's relationship with its clients, including those terms pertaining to loans interest rates and/or loans repayment periods.

The Bank practice calls for most clients whose loans have been renegotiated to be maintained in the "non-performing" category, as long as the bank remains uncertain of their ability to meet their future commitments in accordance with the definition of default under Basel II.

Loans and credit facilities to customers

Corporate loans	September 30, 2021	December 31, 2020
Overdrafts	42,347,274	53,456,549
Direct loans	1,750,898,478	1,768,420,364
Syndicated loans and facilities	509,190	-
Total	1,793,754,942	1,821,876,913

(A/7) Debt instruments, treasury bills, and other governmental notes

The following table shows a breakdown of debt instruments, treasury bills, and other governmental notes (excluding allowances for impairment) per last rating for Standard and Poor's and its equivalent:

	Rating	September 30, 2021	December 31, 2020
Egyptian Treasury Bills	B	37,402,843,841	42,021,929,253
Fair value through other comprehensive income			
Other debt instruments	unrated	383,442,606	400,000,000
Egyptian Treasury Bonds	B	9,661,894,575	-
US Treasury Bonds	AA+	1,437,481,191	1,454,586,525
Amortized cost			
Egyptian Treasury Bonds	B	73,602,165,174	47,612,579,495
Total		122,487,827,387	91,489,095,273

(A/8) Acquisition of collaterals

During the current reporting period, the Bank acquire foreclosed asset as acquisition of guarantees as following:

Nature of the asset	Book Value
Building	109,367,000

Assets acquired were classified under other Assets in the financial position. Such Assets shall be sold, if practical.

(A/9) Concentration of risks of financial assets exposed to credit risks

(Geographical segments)

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting period (excluding allowances for impairment). The gross amount of all financial assets including loans and credit facilities is segmented into the geographical regions of the bank's clients except for investments in foreign treasury bonds which are reported in the "other countries" category.

	Arab Republic of Egypt				Total	Other Countries	Total
	Great Cairo	Alex	Delta	Red Sea & Upper Egypt			
Treasury bills	37,402,843,841	-	-	-	37,402,843,841	-	37,402,843,841
Loans and credit facilities to customers							
Retail loans							
Overdrafts	2,074,245,199	1,051,007,657	117,748,912	57,709,846	3,300,711,614	-	3,300,711,614
Credit cards	923,355,468	146,488,287	119,862,099	53,705,155	1,243,411,009	-	1,243,411,009
Personal loans	19,936,437,922	2,922,813,996	4,225,916,911	1,155,857,134	28,241,025,963	-	28,241,025,963
Real estate loans	1,898,784,660	147,536,571	211,278,967	315,867,567	2,573,467,765	-	2,573,467,765
Corporate loans							
Overdrafts	49,666,259,691	9,417,058,163	5,391,868,911	3,337,986,596	67,813,173,361	-	67,813,173,361
Direct loans	36,159,678,730	7,826,082,176	8,072,083,764	2,397,791,619	54,455,636,289	-	54,455,636,289
Syndicated loans and facilities	15,550,726,012	241,113,085	800,038,713	158,215,182	16,750,092,992	-	16,750,092,992
Other loans	3,652,185,960	2,381,907	-	10,507,502	3,665,075,369	-	3,665,075,369
Financial derivatives	-	-	-	-	-	56,597,550	56,597,550
Financial Investments							
Debt instruments	83,647,502,355	-	-	-	83,647,502,355	1,437,481,191	85,084,983,546
Other financial assets	3,933,914,193	98,646,851	72,998,506	23,235,359	4,128,794,909	11,293,156	4,140,088,065
Total at the end of the current period	254,845,934,031	21,853,128,693	19,011,796,783	7,510,875,960	303,221,735,467	1,505,371,897	304,727,107,364
Total at the end of the comparative year	219,800,576,753	20,482,797,957	18,706,568,881	6,911,613,223	265,901,556,814	1,587,415,813	267,488,972,627

(Business segments)

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting period (excluding allowances for impairment). The gross amount of all financial assets is segmented into business sectors in which the bank's clients operate.

	Agricultural entities	Industrial entities	Trading institutions	Service institutions	Governmental sector	Foreign governmental	Other activities	Individuals	Total
Treasury bills	-	-	-	-	37,402,843,841	-	-	-	37,402,843,841
Loans and credit facilities to customers									
Retail loans									
Overdrafts	-	-	-	-	-	-	-	3,300,711,614	3,300,711,614
Credit cards	-	-	-	-	-	-	-	1,243,411,009	1,243,411,009
Personal loans	-	-	-	-	-	-	-	28,241,025,963	28,241,025,963
Real estate loans	-	-	-	-	-	-	-	2,573,467,765	2,573,467,765
Corporate loans									
Overdrafts	1,602,864,909	28,971,154,747	13,226,358,099	24,012,795,606	-	-	-	-	67,813,173,361
Direct loans	741,550,538	32,731,808,442	9,867,129,070	11,115,148,239	-	-	-	-	54,455,636,289
Syndicated loans and facilities	89,948,911	14,581,801,425	498,500,000	1,579,842,656	-	-	-	-	16,750,092,992
Other loans	-	1,738,377,508	709,037,827	517,055,150	-	-	700,604,884	-	3,665,075,369
Financial derivatives	-	-	-	-	-	-	56,597,550	-	56,597,550
Financial Investments									
Debt instruments	-	-	-	383,442,606	83,264,059,749	1,437,481,191	-	-	85,084,983,546
Other financial assets	14,288,295	454,349,350	138,536,356	256,358,257	3,057,728,201	9,524,708	1,768,449	207,534,449	4,140,088,065
Total at the end of the current period	2,448,652,653	78,477,491,472	24,439,561,352	37,864,642,514	123,724,631,791	1,447,005,899	758,970,883	35,566,150,800	304,727,107,364
Total at the end of the comparative year	1,919,349,600	79,594,316,492	22,470,677,013	36,717,039,679	91,894,060,802	1,477,464,928	840,618,002	32,575,448,111	267,488,972,627

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(B) Market Risk

Market risk is the risk of losses resulting from unfavorable changes in market parameters. It contains all trading book transactions as well as some banking book portfolios valued using the mark-to-market approach. The bank's policy on market risk transactions is "Prudent" in that:

- Products subject to "market risk" which are offered by the Bank to its customers are restricted to cash and simple financial derivatives such as interest rate swaps and foreign exchange swap and forward contracts.
- The only trading activity conducted by the Bank is over-night foreign exchange position, within a prudent limit that cannot be exceeded.
- Open positions must be centrally managed and matched.

The front-office managers assume primary responsibility in terms of risk exposure; however, global management lies with an independent structure being the Market Risk Controller (MRC), within Risk Division. The main function of MRC is the ongoing analysis, independently from the trading rooms, of the positions and risks linked to the market activities of the bank and the comparison of these positions to the allowed limits. The MRC carries out the following functions:

- Daily and periodic analysis and reporting (independently from the front office) of the exposures, stress tests and risks incurred by the Bank's market activities and comparison of said exposure and risks with the pre-set limits.
- Definition of the risk-measurement methods and control procedures, approval of the valuation methods used to calculate and monitor risks, including those made on a gross or nominal basis.
- Management of the approval process for limits.
- Reviewing new products or services from market risk aspect under New Product Committee to ensure that market risks are properly identified and controlled.

At the proposal of this MRC and Head of Risk Division, the Board sets the levels of authorized risk by type of market activity and makes the main decisions concerning Bank's market risk management.

(B/1) Methods of Measuring Market Risk and Defining Exposure Limits

As a part of managing market risk, the Bank has several hedging strategies and enters into interest rate swaps to balance the risks inherent in debt instruments and fixed rate long term loans, if the fair value option is applied. The Bank uses a lot of methods to control market risk such as stress testing "ST".

Stress testing gives indicator of the loss volume expected that may arise from sharp adverse circumstances. Stress testing is designed to match business using standard analysis for specific scenarios. The Bank sets set a maximum limit of expected losses of 10% from authorized limit according to internal bank rules.

(B/2) Stress test for foreign exchange risk

The following table provides FX position (whether short or long) for all balance sheet items and off balance sheet items.

Currency	Short/Long FX positions	FX short positions	FX long positions	Expected loss at 10%
USD	85,585,999	-	85,585,999	8,558,600
EUR	6,950,739	-	6,950,739	695,074
GBP	(133,927)	(133,927)	-	(13,393)
JPY	21,930	-	21,930	2,193
CHF	163,272	-	163,272	16,327
DKK	30,454	-	30,454	3,045
NOK	32,447	-	32,447	3,245
SEK	3,102	-	3,102	310
CAD	72,295	-	72,295	7,230
AUD	6,379	-	6,379	638
AED	(36,610)	(36,610)	-	(3,661)
BHD	112	-	112	11
KWD	109,618	-	109,618	10,962
OMR	12,275	-	12,275	1,228
QAR	113,082	-	113,082	11,308
SAR	83,966	-	83,966	8,397
CNY	22,953	-	22,953	2,295
EGP	(93,038,086)	(93,038,086)	-	-
Maximum expected loss at September 30, 2021				9,303,809
Maximum expected loss at December 31, 2020				12,993,220

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(B/3) Foreign exchange rate volatility risk (concentration of FX risk on financial instruments)

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The board of directors set limits for foreign exchange risk at the total value of positions at the end of the day and during the day when timely control is exercised. The following table summarizes the bank's exposure to the risks of fluctuations in foreign exchange rates at the end of the reporting period. This table includes the carrying amounts of the financial instruments in terms of their relevant currencies and in EGP equivalent.

	EGP	USD	Euro	GBP	Other currencies	Total
Financial assets						
Cash and due from Central Bank of Egypt (CBE)	19,492,984,143	634,336,889	184,222,550	14,845,434	31,595,234	20,357,984,250
Due from banks	3,510,236,912	7,155,687,289	223,720,911	67,848,245	125,342,862	11,082,836,219
Treasury bills	32,970,886,546	4,414,850,370	-	-	-	37,385,736,916
Trading investments	251,970,665	-	-	-	-	251,970,665
Loans and credit facilities to customers	141,715,801,452	24,687,193,588	2,477,537,237	7,220,005	19,225,605	168,906,977,887
Financial derivatives	-	56,597,550	-	-	-	56,597,550
Financial investments						
Fair value through other comprehensive income	10,428,266,802	1,729,747,469	1,167,616	-	-	12,159,181,887
Amortized cost	72,866,349,708	728,709,661	-	-	-	73,595,059,369
Fair value through profit or loss	88,949,991	-	-	-	-	88,949,991
Other financial assets	4,101,655,262	31,395,125	2,840,266	5,030	8,534	4,135,904,217
Total financial assets	285,427,101,481	39,438,517,941	2,889,488,580	89,918,714	176,172,235	328,021,198,951
Financial liabilities						
Due to banks	3,260,588,599	129,595,872	12,375,262	25,869,387	313	3,428,429,433
Customer deposits	238,179,767,327	31,410,739,183	4,691,102,834	480,852,584	171,218,514	274,933,680,442
Financial derivatives	86,504,320	-	-	-	-	86,504,320
Other loans	188,734,610	2,480,365,997	44,520,728	-	-	2,713,621,335
Other financial liabilities	928,263,558	48,683,623	792,113	40,801	334	977,780,429
Total financial liabilities	242,643,858,414	34,069,384,675	4,748,790,937	506,762,772	171,219,161	282,140,015,959
Net financial position	42,783,243,067	5,369,133,266	(1,859,302,357)	(416,844,058)	4,953,074	45,881,182,992
At the end of the comparative year						
Total financial assets	240,066,033,587	39,488,437,040	3,321,935,206	149,327,055	143,591,023	283,169,323,911
Total financial liabilities	202,220,002,110	34,869,917,511	4,636,174,338	472,053,105	162,792,314	242,360,939,378
Net financial position	37,846,031,477	4,618,519,529	(1,314,239,132)	(322,726,050)	(19,201,291)	40,808,384,533

(B/4) Structural Interest Rate Risk

Structural interest rate risk is linked to commercial activities and corporate center transactions. Structural interest rate risk arises from residual gaps (surplus or deficit) of the bank's fixed-rate positions. The general principle is to reduce structural interest rate risk to the maximum extent.

Whenever possible, commercial operations are hedged against interest rate, either through micro-hedging (individual hedging of each commercial transaction) or macro-hedging techniques (hedging of portfolios of similar commercial transactions within the treasury department).

Consequently, structural interest rate risk only results from the residual positions remaining after hedging. The absence of interest rate derivative market in Egyptian Pound makes it difficult to hedge positions in this currency.

Organization of the management of Structural Interest Rate risks

Identification and measurement of the risk is carried out by the Assets & Liabilities Management Unit (ALMU) which comes under the authority of the Bank's finance department.

Risk assessment, limits and corrective actions are decided by the Assets & Liabilities management Committee (ALCO) headed by the Chairman with the participation of the Managing Directors, the Chief Financial Officer and the Commercial Divisions Heads, the Branch Network Head, the General Secretary and the Head of the Dealing Room.

Execution of the necessary actions decided by the ALCO for the rectification of the gaps is carried out by the dealing room through the financial market. Progress is reported and notified to the ALMU/ALCO.

Assets & Liabilities Management Committee (ALCO) duties

- Decide on the limits for the sensitivity.
- Review, validate and approve any assumptions used for the identification and measurements of the respective risks.
- Review interest rate Gap and sensitivity position reported through ALMU.
- Assess, amend and approve recommendations for bringing the Gap (if any) within the previously approved limits.

Assets & Liabilities Management Unit (ALMU) duties

- Document and maintain the respective risks management policy as approved by the ALCO.
- Construct and continuously elaborate on the models used for the identification and measurement of the respective risks.
- Report to ALCO on the respective exposures and the evolution of such exposures over time.
- Provide recommendations for bringing the gaps within limits.
- Follow up and notify ALCO of the progress made in the implementation of the ALCO decisions.

Dealing Room duties

- Provide frequent updates on markets movements.
- Execute and Report progress of ALCO approved recommendations.
- Co-ordinate with ALMU on the spontaneous hedging of special transactions according to ALCO approved policy and recommendations.

Bank's Objective of Interest Rate Risk Management

The Bank's aim is to reduce exposure to structural interest rate risk as much as possible.

Any residual interest rate risk exposure must comply with the sensitivity limits approved by the ALCO. Sensitivity is defined as the variation in the net present value of future residual fixed-rate positions for a 1% parallel increase in the yield curve. Adherence to applicable limits is closely monitored.

Measurement and monitoring of structural interest rate risks

In order to quantify the Bank's exposure to structural interest rate risks, all fixed rate assets and liabilities on future maturities are analyzed to identify any gaps.

On a quarterly basis, assets and liabilities are analyzed independently, without any prior matching. Maturities on outstanding positions are determined on the basis of the contractual terms of the transactions and models of historic client behavior (e.g. saving accounts) as well as conventional assumptions for some balance sheet items (e.g. equity).

Once the gaps have been identified for each major currency, the sensitivity is calculated as the variation of the net present value of the fixed rate position of an instantaneous parallel shift of the 1% in the yield curve of each major currency. The cumulative sensitivity for all currencies as well as for any single currency should not exceed the above mentioned limit.

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The following table summarizes the extent to which the bank is exposed to the risks of fluctuations in the interest rate including the carrying amount of the financial instruments distributed on the basis of the rate prevailing in re-pricing dates or maturity dates, whichever is earlier.

At the end of the current period	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	Interest free	Total
Financial assets							
Cash and due from Central Bank of Egypt (CBE)	-	-	-	-	-	20,357,984,250	20,357,984,250
Due from banks	4,611,706,281	3,757,915,296	1,407,732,001	684,230,000	-	621,252,641	11,082,836,219
Treasury bills	2,927,001,429	7,720,395,289	26,738,340,198	-	-	-	37,385,736,916
Trading investments	-	-	-	-	-	251,970,665	251,970,665
Loans and credit facilities to customers	132,632,481,710	4,519,821,411	7,846,562,069	18,866,629,771	5,041,482,926	-	168,906,977,887
Financial derivatives	-	-	-	-	-	56,597,550	56,597,550
Financial investments							
Fair value through other comprehensive income	-	-	478,393,393	9,968,585,265	1,035,839,713	676,363,516	12,159,181,887
Amortized cost	-	275,912,121	4,279,686,323	59,139,288,273	9,900,172,652	-	73,595,059,369
Fair value through profit or loss	-	-	-	-	-	88,949,991	88,949,991
Other financial assets	-	-	-	-	-	4,135,904,217	4,135,904,217
Total financial assets	140,171,189,420	16,274,044,117	40,750,713,984	88,658,733,309	15,977,495,291	26,189,022,830	328,021,198,951
IRS (notional amount)	-	-	1,037,005,200	1,164,666,825	-	-	2,201,672,025
Financial liabilities							
Due to banks	3,256,688,499	-	-	-	-	171,740,934	3,428,429,433
Customer deposits	110,492,333,364	24,689,562,822	20,044,610,724	77,214,102,898	42,231,194	42,450,839,440	274,933,680,442
Financial derivatives	-	-	-	-	-	86,504,320	86,504,320
Other loans	2,615,102,368	2,382,401	27,575,811	68,560,755	-	-	2,713,621,335
Other financial liabilities	-	-	-	-	-	977,780,429	977,780,429
Total financial liabilities	116,364,124,231	24,691,945,223	20,072,186,535	77,282,663,653	42,231,194	43,686,865,123	282,140,015,959
IRS (notional amount)	2,201,672,025	-	-	-	-	-	2,201,672,025
Re-pricing gap	21,605,393,164	(8,417,901,106)	21,715,532,649	12,540,736,481	15,935,264,097	(17,497,842,293)	45,881,182,992
At the end of the comparative year							
Total financial assets	131,513,160,049	24,134,159,750	41,128,737,305	52,394,515,010	12,501,987,521	21,496,764,276	283,169,323,911
IRS (notional amount)	1,699,066,809	322,508,049	322,508,049	2,204,460,506	-	-	4,548,543,413
Total financial liabilities	106,141,694,227	29,790,295,544	29,513,333,912	40,191,665,650	59,332,025	36,664,618,020	242,360,939,378
IRS (notional amount)	4,548,543,413	-	-	-	-	-	4,548,543,413
Re-pricing gap	22,521,989,218	(5,333,627,745)	11,937,911,442	14,407,309,866	12,442,655,496	(15,167,853,744)	40,808,384,533

(C) Liquidity Risk

Liquidity risk is defined as the risk of not being able to meet cash flow or collateral requirements when they fall due and at a reasonable price.

The Bank manages this exposure through modeling of its cash flow under several scenarios.

Organization of Liquidity Risk Management

Identification and measurement of the risk is carried out by the Assets & Liabilities Management Unit (ALMU) which comes under the authority of the bank's Finance Department.

Risk assessment and corrective actions are decided by the Assets & Liabilities Management Committee (ALCO) headed by the Chairman with the participation of the Managing Directors, the Chief Financial Officer and the Commercial Divisions Heads, the Branch Network Head, the General Secretary and the Head of the Dealing Room.

Execution of the necessary actions decided by the ALCO for the rectification of the gaps is carried out by the dealing room and/or the business lines. Progress is reported and notified to the ALMU/ALCO.

Assets & Liabilities Management Committee (ALCO) duties

- Review, validate and approve any assumptions and scenarios used for the identification and measurements of the respective risks.
- Review the structured liquidity Gap reported by ALMU.
- Assess, amend and approve recommendations for funding strategy and/or the portfolio composition for the remedy of the gaps.

Assets & Liabilities Management Unit (ALMU) duties

- Document and maintain the respective risks' management policy as approved by the ALCO.
- Construct and continuously elaborate on the models used for the identification and measurement of the respective risks.
- Report to ALCO on the respective exposures and the evolution of such exposures over time.
- Follow up and notify ALCO of the progress made in the implementation of the ALCO decisions.
- Co-ordinate with the various business lines for funding needs and report potential impact on the liquidity gap.
- Test and advice on the potential impact of any new product offering on the structured liquidity positions.

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Dealing Room duties

- Is responsible for managing short term liquidity.
- Provide frequent updates on markets' status and alerting signals of liquidity stretches.
- Execute and Report progress of ALCO approved recommendations.
- Communicate their funding needs to ALMU for the construction of the liquidity gap.

Bank's Objective of Liquidity Risk Management

The Bank's objective is to finance its activities at the best possible rates under normal conditions and to ensure it can meet its obligations in the event of a crisis.

To this end, the main principles of the bank's liquidity management are as follows:

- Management of the short-term liquidity in accordance with The regulatory framework;
- Diversification of funding sources;
- Maintenance of a portfolio of liquid assets.

Measurement and monitoring of structural liquidity risks

The Bank's liquidity management framework comprises the following processes:

- Regular assessment of the bank structural liquidity profile and its development over time;
- Monitoring of the diversification of funding sources;
- Assessment of the bank's funding needs on the basis of the budget forecasts in order to plan appropriate funding solutions.

Liquidity gaps are constructed by listing the respective on and off-balance sheet-items according to the currency of denomination and residual maturity. Maturities on outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models of historic client behavior patterns (e.g. savings accounts) as well as conventional assumptions relating to certain balance sheet items (e.g. equity).

Liquidity risk

Liquidity risk represents difficulty encountering the bank in meeting its financial commitments upon maturity and refurbishing amounts withdrawn. This may results in failure in fulfilling obligations related to depositors and meeting lending commitments.

Contractual maturities	September 30, 2021					Total
	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	
Financial liabilities						
Due to banks	3,440,810,823	-	-	-	-	3,440,810,823
Customer deposits	155,427,517,116	24,806,344,942	26,059,487,300	87,337,455,826	58,180,013	293,688,985,197
Other loans	197,217,981	19,281,483	907,259,969	1,638,232,730	-	2,761,992,163
Total financial liabilities	159,065,545,920	24,825,626,425	26,966,747,269	88,975,688,556	58,180,013	299,891,788,183

- All balances shown in the table above represent the undiscounted cash flows; therefore, it is not possible to match these figures with the corresponding items in the statement of financial position.
- The spot foreign exchange rate and interest rate prevailing at that date are used in the above table.

Contractual maturities	December 31, 2020					Total
	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	
Financial liabilities						
Due to banks	4,153,277,342	-	-	-	-	4,153,277,342
Customer deposits	123,488,471,856	31,147,836,523	42,672,806,737	49,951,962,354	75,459,881	247,336,537,351
Other loans	306,366,733	51,754,099	798,573,394	2,739,790,756	-	3,896,484,982
Total financial liabilities	127,948,115,931	31,199,590,622	43,471,380,131	52,691,753,110	75,459,881	255,386,299,675

- All balances shown in the table above represent the undiscounted cash flows; therefore, it is not possible to match these figures with the corresponding items in the statement of financial position.
- The spot foreign exchange rate and interest rate prevailing at that date are used in the above table.

Assets available to meet all liabilities and cover loan commitments include cash, balances with Central Banks, due from banks, treasury bills, other governmental notes and Loans and credit facilities to banks and clients. Maturity term of percentage of loans to clients that are maturing within a year is extended in the normal course of the bank's business. Moreover, some debt instruments, treasury bills and other governmental notes are pledged to cover liabilities. The Bank has the ability to meet unexpected net cash flows through selling securities, and finding other financing sources.

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Cash flow derivatives
Derivatives settled on a gross-basis

The Bank is a party to derivative contracts that are settled on a gross-basis, in particular foreign exchange derivatives. The following table shows derivative financial liabilities that shall be settled in gross distributed over the remaining period of contractual maturities at the balance sheet date. The amounts shown in the table represent the undiscounted cash flows.

Maturities for statement of financial position items	September 30, 2021					Total
	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	
Held for trading derivatives						
Foreign exchange derivatives						
Cash outflows	2,151,858,308	722,705,035	953,766,594	-	-	3,828,329,937
Cash inflows	2,130,036,960	691,939,611	888,975,344	-	-	3,710,951,915

Maturities for statement of financial position items	December 31, 2020					Total
	Up to one month	More than one month up to 3 months	More than 3 months up to one year	More than one year up to 5 years	More than 5 years	
Held for trading derivatives						
Foreign exchange derivatives						
Cash outflows	1,684,198,546	385,649,070	1,080,225,845	-	-	3,150,073,461
Cash inflows	1,677,268,363	375,195,229	1,002,865,756	-	-	3,055,329,348

Cash flow for Off-balance sheet items

Maturities for off-balance sheet items	September 30, 2021				Total
	Less than one year	More than one year and less than 5 years	More than 5 years		
Financial guarantees	317,500	-	-	-	317,500
Operating lease commitments	133,138,897	334,792,755	66,791,950	-	534,723,602
Capital commitments resulting from acquisition of property and equipment	1,036,377,365	-	-	-	1,036,377,365
Total	1,169,833,762	334,792,755	66,791,950		1,571,418,467

Maturities for off-balance sheet items	September 30, 2021				Total
	Less than one year	More than one year and less than 5 years	More than 5 years		
Commitments for credit facilities	27,813,923,407	2,348,070,075	14,999,738	-	30,176,993,220

Maturities for off-balance sheet items	December 31, 2020				Total
	Less than one year	More than one year and less than 5 years	More than 5 years		
Financial guarantees	317,500	-	-	-	317,500
Operating lease commitments	127,355,381	393,504,249	100,460,794	-	621,320,424
Capital commitments resulting from acquisition of property and equipment	997,688,233	-	-	-	997,688,233
Total	1,125,361,114	393,504,249	100,460,794		1,619,326,157

Maturities for off-balance sheet items	December 31, 2020				Total
	Less than one year	More than one year and less than 5 years	More than 5 years		
Commitments for credit facilities	28,981,512,940	2,512,030,109	4,348,815	-	31,497,891,864

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(D) Fair value of financial assets and liabilities and sources of fair value

(D/1) Financial instruments measured at fair value

Financial assets classified as trading financial assets at fair value with changes in fair value are measured in the statement of income under 'Net trading income'.

Debt instruments classified as financial assets at fair value through other comprehensive income are measured at fair value with changes in fair value recognized in the other comprehensive income statement under "fair value reserve".

For investments in equity instruments, equity securities listed on the stock exchange are measured at fair value in accordance with quoted market prices on the date of the consolidated financial statements.

For non-listed shares, except for strategic investments, they are evaluated in one of the accepted techniques: discounted cash flow method Multiples of value "and the inclusion of the valuation differences in other comprehensive income within the" fair value reserve "; for strategic investments, the nominal cost or value is the fair value of those investments.

The table below shows the financial assets and liabilities at fair value in the consolidated financial statements within the fair value hierarchy, based on the levels of inputs that are essential for measuring the fair value as a whole:

Level 1:

The first level inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access on the measurement date.

Level 2:

The inputs of the second level are all inputs other than quoted prices within the first level and these inputs are observable for the asset or liability, directly or indirectly.

Level 3:

The third level inputs are the unobservable inputs of the asset or liability.

Financial Assets	September 30, 2021			Total
	Level 1	Level 2	Level 3	
US Treasury bonds	1,437,481,191	-	-	1,437,481,191
Other debt instruments	-	383,442,606	-	383,442,606
Egyptian Treasury Bonds	9,661,894,575	-	-	9,661,894,575
Funds at fair value through other comprehensive income	43,596,435	-	-	43,596,435
Funds at fair value through profit or loss	88,949,991	-	-	88,949,991
Equity Instruments	139,490,089	-	493,276,991	632,767,080
Trading investments	251,970,665	-	-	251,970,665
Financial derivatives	-	56,597,550	-	56,597,550

Financial Assets	December 31, 2020			Total
	Level 1	Level 2	Level 3	
US Treasury bonds	1,454,586,525	-	-	1,454,586,525
Other debt instruments	-	400,000,000	-	400,000,000
Funds at fair value through other comprehensive income	41,970,650	-	-	41,970,650
Funds at fair value through profit or loss	71,759,603	-	-	71,759,603
Equity Instruments	83,418,622	-	494,406,555	577,825,177
Trading investments	61,102,261	-	-	61,102,261
Financial derivatives	-	106,092,208	-	106,092,208

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(D/2) Financial instruments not measured at fair value

The following table summarizes the carrying amount and fair value of financial assets and liabilities that are not stated in the statement of financial position at fair value:

	Carrying amount		Fair value	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Financial assets				
Due from banks	11,082,836,219	7,068,235,715	11,082,836,219	7,068,235,715
Loans and credit facilities to customers	168,906,977,887	163,635,801,748	168,054,223,389	163,810,472,925
Financial investments at amortized Cost				
Debt instruments	73,595,059,369	47,609,791,535	74,623,414,291	49,501,996,206
Financial liabilities:				
Due to banks	3,428,429,433	4,138,835,958	3,428,429,433	4,138,835,958
Customer deposits	274,933,680,442	233,321,758,983	263,698,230,664	230,382,583,949
Other loans	2,713,621,335	3,804,636,750	2,713,621,335	3,804,636,750

Due from Banks:

The carrying amount of variable interest rate placements and deposits for one day represents its fair value. For non-interest bearing balances due from banks, the carrying amount represents their fair value. The carrying amount of fixed interest rate deposits represents their fair value since the maturity of these deposits is less than one year.

Loans and credit facilities to customers:

Loans and credit facilities are stated at the statement of financial position net of allowance for impairment losses.

Debt instruments at amortized cost:

The fair value of debt instruments is determined at the cost charged on the "Egyptian Treasury Bonds" according to Reuters announced at the end of the financial period.

Customer deposits and due to other banks:

The estimated fair value for deposits of indefinite maturity, including free-interest rate deposits, represents the amount paid on demand.

(E) Capital management:

For capital management purposes, the Bank's capital includes total equity as reported in the statement of financial position 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 requirements in Egypt;
- Protecting the Bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the Bank;
- Maintaining a strong capital base to enhance growth of the Bank's operations;
- Capital adequacy and uses are reviewed by the Bank's management in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE). Data is submitted and filed with the CBE on a quarterly basis. The CBE requires the bank to comply with the following:
 - Maintaining EGP 5 Billion as a minimum requirement for the issued and paid-up capital. The Bank's paid-up capital amounted to EGP 10,774,114,830 at the end of the current period.
 - Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk-weighted average of the bank's assets and contingent liabilities. Minimum level of capital adequacy ratio reached 12.50% during current period. The Bank's capital adequacy ratio reached 22.81% at the end of the current period (December 31, 2020 : 21.46%) according to Basel II.

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The numerator in the capital adequacy ratio according to Basel II comprise the following 2 tiers:

- Tier 1: basic capital which comprises paid-up capital (net of treasury stock), plus: retained earnings and reserves resulting from profit appropriations (other than general reserve for banking risks and special reserves), less: any goodwill previously recognized and any carried forward losses, plus: the carrying amount of other comprehensive income. The interim net profit was incorporated in Tier 1 capital in accordance with the decision of Central Bank of Egypt Board of Directors held on 15 February 2017.
- Tier 2: subordinated capital which comprises with equivalent amount of the loans provision for debt instrument / Loans and credit facilities at stage 1 which does not exceed 1.25% from the total risk-weighted average of assets and contingent liabilities, plus: the carrying amount of subordinated loans/deposits maturing over more than 5 years (provided that such carrying amount shall be reduced by 20 % of its value in each of the last five years of their maturity), in addition to 45% from increase in fair value above the carrying amount of investments in subsidiaries and associates and 45% from special reserve.

In calculating the numerator of the capital adequacy ratio, total value of Tier 2 should not exceed total value of Tier 1. Also, total value of subordinated loans (deposits) should not exceed 50 % of Tier 1.

Assets are risk weighted at a range of 0 to 200%. Risk classification of these assets is based on the type of the debtor as to reflect the associated credit risk and after consideration of cash collaterals. The same treatment is applied for the off-balance sheet items which shall be adjusted to reflect the contingent nature of and potential loss on these amounts.

Capital adequacy Standard had been prepared based on Basel II requirements, and Central Bank of Egypt Board of Directors had approved in its meeting held on December 18, 2012, which had been issued on December 24, 2012 and in accordance with the instructions of the Central Bank of Egypt for the capital adequacy ratio (Basel II) issued during May 2019.

The tables below summarizes the compositions of Tier 1, Tier 2 and the capital adequacy ratio based on Basel II:

According to Basel II	September 30, 2021	December 31, 2020 Restated*
Tier 1 capital		
Share capital	10,774,114,830	10,774,114,830
General reserve	19,533,050,946	19,533,050,946
Legal reserve	2,418,770,935	2,418,770,935
Other reserves	29,147,135	29,147,135
Retained earnings	4,894,488,751	4,894,169,588
Interim profit	5,387,879,323	-
General risk reserve	21,453,923	21,453,923
Other comprehensive income	397,851,943	404,690,659
Total deductions from capital invested	(644,314,060)	(596,771,221)
Total tier 1 capital	42,812,443,726	37,478,626,795
Tier 2 capital		
45% from special reserve	16,761,150	16,761,150
Impairment provision for loans, debt instruments and contingent liabilities in stage one*	989,497,260	1,506,781,410
Total tier 2 capital	1,006,258,410	1,523,542,560
Total capital	43,818,702,136	39,002,169,355
Risk weighted assets and contingent liabilities:		
Credit Risk	169,129,849,924	158,727,240,641
Market Risk	1,729,679	15,363,994
Operational Risk	22,983,763,606	22,983,763,606
Total risk weighted assets and contingent liabilities	192,115,343,209	181,726,368,241
Capital adequacy ratio for Tier 1	22.28%	20.62%
Capital adequacy ratio	22.81%	21.46%

* Provided it does not exceed 1.25% from total value of risk weighted assets and contingent liabilities.

** After 2020 profit distribution.

- Based on Consolidated financial statement after the disposal of insurance activity.

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 maintaining a minimum level of leverage ratio of 3% to be reported in quarterly basis to be obligatory ratio started from year 2018.

This ratio will be included in Basel requirement Tier1 in order to maintain Egyptian Banking system strong and safe, as long to keep up with 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.

Ratio Elements

I- 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).

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II- The denominator elements

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

- 1- On balance sheet items after deducting some of Tier I Exclusions for capital base;
- 2- Derivatives contracts exposures;
- 3- Financing Financial papers operations exposures;
- 4- Off-balance sheet items (weighted by credit conversion factor).

The tables below summarizes the leverage financial ratio:	September 30, 2021	December 31, 2020 Restated*
Tier 1 capital after exclusions	42,812,443,726	37,478,626,795
Total on-balance sheet exposures, derivatives contracts and financial papers operations.	332,551,098,243	287,795,705,007
Total exposures off-balance sheet	27,639,541,667	27,144,100,711
Total exposures on-balance sheet and off-balance sheet	360,190,639,910	314,939,805,718
Leverage financial ratio	11.89%	11.90%

* After 2020 profit distribution.

- Based on Consolidated financial statements after the disposal of insurance activity.

4- Significant accounting estimates and assumptions :

In the application of the bank's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

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

a. Impairment of Loans and credit facilities (Expected Credit Loss)

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

This evidence includes data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default. On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having similar credit risks. Such experience refers to 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 management given experience.

b. Fair value of derivatives

Fair value of derivative financial instruments not quoted in an active market is determined using valuation techniques. When these techniques (such as the pricing models) are used to determine fair value, periodic tests and review are performed on them using competent independent personnel other than those responsible for the preparation of such techniques. All such models have been approved and tested prior to use to ensure that their results reflect reliable data and prices that can be compared to the market. These models use market observable data only to the extent it is practical to obtain such data, however, some areas such as credit risk related to the bank and counterparties, volatility and correlations requires management judgement. Changes in assumptions about these factors can affect the fair value of the financial instrument's disclosure.

c. Debt instrument at amortized cost:

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

If classification of investments as amortized cost – other than stakes required to be retained by the Group in accordance with the provisions of the law – were suspended by the bank, the carrying amount of the outstanding amortized cost investments at the end of the current reporting period would have increased by EGP 1,021,249,117 to reach the fair value with a corresponding increase in the fair value through other comprehensive income.

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5- Segmentation analysis
(5/A) Segmental analysis by activity

Segment activity includes operational processes, assets used in offering banking services, management of surrounding risks and related yield. Such activity may be different from other activities. Segmentation analysis of operations according to banking activities includes:

Corporate: This includes current account activities, deposits, overdrafts, loans, credit facilities, and financial derivatives to large, medium, and small entities.

Individuals: This includes current account activities, deposits, savings, credit cards, personal loans, and real estate loans.

Other businesses: They include other Banking activities such as fund management and insurance activity.

Inter-segment activities are affected within the bank's normal course of business. Assets and liabilities of each segment include operating assets and liabilities as shown in the bank's balance sheet.

At the end of the current period

Income and expenses according to segmental activities

(September 30, 2021)	Corporate	Investments	Individuals	Other businesses	Total
Net interest income	4,212,256,611	1,366,415,889	2,927,004,371	2,727,241,599	11,232,918,470
Net fee and commission income	911,625,758	68,418	510,227,141	56,733,454	1,478,654,771
Dividend income	-	46,377,599	-	-	46,377,599
Net trading income	260,381,028	-	33,517,106	(216,223,347)	77,674,787
Gain on financial investments	-	5,332,018	-	-	5,332,018
Impairment credit losses	(1,116,145,055)	(3,488,785)	(194,218,132)	480,301	(1,313,371,671)
Administrative expenses	(1,312,820,449)	(3,248,203)	(1,794,060,887)	65,740,737	(3,044,388,802)
Other operating revenues (expenses)	240,302,040	31,968,632	(149,902,042)	(9,641,225)	112,727,405
Share of profits of associates	-	(141,309)	-	-	(141,309)
Profit before income tax	3,195,599,933	1,443,284,259	1,332,567,557	2,624,331,519	8,595,783,268
Income tax expense	(974,303,422)	(441,819,479)	(407,722,674)	(765,412,392)	(2,589,257,967)
Net profit for the current period	2,221,296,511	1,001,464,780	924,844,883	1,858,919,127	6,006,525,301

Assets and liabilities according to segmental activities

(September 30, 2021)	Corporate	Investments	Individuals	Other businesses	Total
Segment activity assets	137,383,257,592	120,661,643,882	34,532,201,963	29,972,832,004	322,549,935,441
Unclassified assets	-	-	-	-	13,619,940,381
Total assets	137,383,257,592	120,661,643,882	34,532,201,963	29,972,832,004	336,169,875,822
Segment activity liabilities	153,082,015,113	-	122,902,535,887	8,981,978,340	284,966,529,340
Unclassified liabilities	-	-	-	-	6,406,793,840
Total liabilities	153,082,015,113	-	122,902,535,887	8,981,978,340	291,373,323,180

At the end of comparative period

Income and expenses according to segmental activities

(September 30, 2020)	Corporate	Investments	Individuals	Other businesses	Total
Net interest income	3,803,180,434	899,382,541	2,804,616,207	3,580,831,385	11,088,010,567
Net fee and commission income	922,052,936	2,619,829	368,271,937	(7,760,163)	1,285,184,539
Dividend income	-	35,191,190	-	-	35,191,190
Net trading income	1,092,041	-	18,651	88,506,047	89,616,739
Gain on financial investments	-	4,840,790	-	-	4,840,790
Impairment credit losses	(1,320,260,754)	(14,512,795)	(130,971,239)	307,236	(1,465,437,552)
Administrative expenses	(1,195,908,334)	(3,253,444)	(1,622,712,173)	3,712,337	(2,818,161,614)
Other operating revenues (expenses)	38,078,662	21,357,395	(150,897,415)	(172,562,105)	(264,023,463)
Share of profits of associates	-	181,916	-	-	181,916
Profit before income tax	2,248,234,985	945,807,422	1,268,325,968	3,493,034,737	7,955,403,112
Income tax expense	(531,925,523)	(212,855,758)	(285,373,343)	(1,282,826,190)	(2,312,980,814)
Net profit for the comparative period	1,716,309,462	732,951,664	982,952,625	2,210,208,547	5,642,422,298

At the end of comparative year

Assets and liabilities according to segmental activities

(December 31, 2020)	Corporate	Investments	Individuals	Other businesses	Total
Segment activity assets	134,689,925,305	90,608,037,140	31,788,111,955	22,101,949,407	279,188,023,807
Unclassified assets	-	-	-	-	10,974,950,204
Total assets	134,689,925,305	90,608,037,140	31,788,111,955	22,101,949,407	290,162,974,011
Segment activity liabilities	123,603,277,942	-	110,874,549,149	10,090,244,861	244,568,071,952
Unclassified liabilities	-	-	-	-	5,958,162,986
Total liabilities	123,603,277,942	-	110,874,549,149	10,090,244,861	250,526,234,938

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(5/B) Segmental analysis by geographic area

At the end of current period

Income and expenses according to geographical segments (September 30, 2021)

	Great Cairo	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Net interest income	5,465,070,607	894,119,979	750,861,248	311,360,893	3,811,505,743	11,232,918,470
Net fee and commission income	806,671,771	144,427,314	138,657,181	70,550,400	318,348,105	1,478,654,771
Dividend income	-	-	-	-	46,377,599	46,377,599
Net trading income	202,570,751	40,887,103	42,233,985	5,215,618	(213,232,670)	77,674,787
Gain on financial investments	2,720	-	-	-	5,329,298	5,332,018
Impairment credit losses	(761,545,590)	(56,682,645)	(433,376,611)	(58,758,341)	(3,008,484)	(1,313,371,671)
Administrative expenses	(2,206,522,357)	(398,007,125)	(374,154,079)	(179,496,179)	113,790,938	(3,044,388,802)
Other operating revenues (expenses)	90,484,129	(20,331,178)	(28,612,795)	(9,432,553)	80,619,802	112,727,405
Share of profits of associates	-	-	-	-	(141,309)	(141,309)
Profit before income tax	3,596,732,031	604,413,448	95,608,929	139,439,838	4,159,589,022	8,595,783,268
Income tax expense	(1,059,487,695)	(184,931,012)	(29,253,247)	(42,664,091)	(1,272,921,922)	(2,589,297,967)
Net profit for the current period	2,537,244,336	419,482,436	66,355,682	96,775,747	2,886,667,100	6,006,525,301

Assets and liabilities according to geographical segments (September 30, 2021)

	Great Cairo	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Assets of geographical segments	133,979,696,366	21,341,065,347	17,744,900,704	7,241,938,160	155,511,613,796	335,819,214,373
Unclassified assets	-	-	-	-	-	350,661,449
Total assets	133,979,696,366	21,341,065,347	17,744,900,704	7,241,938,160	155,511,613,796	336,169,875,822
Liabilities of geographical segments	223,434,892,910	31,682,131,527	21,008,912,999	6,201,465,464	6,551,101,327	288,878,504,227
Unclassified liabilities	-	-	-	-	-	2,494,818,953
Total liabilities	223,434,892,910	31,682,131,527	21,008,912,999	6,201,465,464	6,551,101,327	291,373,323,180

At the end of comparative period

Income and expenses according to geographical segments (September 30, 2020)

	Great Cairo	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Net interest income	4,972,700,966	820,350,777	673,896,087	306,280,008	4,314,782,729	11,088,010,567
Net fee and commission income	763,316,832	128,677,041	118,716,616	68,465,903	206,008,147	1,285,184,539
Dividend income	-	-	-	-	35,191,190	35,191,190
Net trading income	177,792,273	40,321,151	60,308,015	6,404,144	(195,208,844)	89,616,739
Gain on financial investments	2,376	-	-	-	4,838,414	4,840,790
Impairment credit losses	(873,245,160)	(256,314,769)	(214,516,717)	(107,155,346)	(14,205,560)	(1,465,437,552)
Administrative expenses	(2,007,614,891)	(356,011,858)	(327,676,417)	(162,706,423)	35,847,975	(2,818,161,614)
Other operating revenues (expenses)	(127,290,813)	(31,153,621)	(29,490,232)	(7,106,279)	(68,982,518)	(264,023,463)
Share of profits of associates	-	-	-	-	181,916	181,916
Profit before income tax	2,905,661,583	345,868,721	281,237,352	104,182,007	4,318,453,449	7,955,403,112
Income tax expense	(659,096,787)	(77,820,462)	(63,278,404)	(23,440,952)	(1,489,344,209)	(2,312,980,814)
Net profit for the comparative period	2,246,564,796	268,048,259	217,958,948	80,741,055	2,829,109,240	5,642,422,298

At the end of comparative year

Assets and liabilities according to geographical segments (December 31, 2020)

	Great Cairo	Alex	Delta	Red Sea / Upper Egypt	Head office	Total
Assets of geographical segments	129,525,884,992	19,760,250,380	17,759,147,218	6,628,293,258	116,178,996,909	289,852,572,757
Unclassified assets	-	-	-	-	-	310,401,254
Total assets	129,525,884,992	19,760,250,380	17,759,147,218	6,628,293,258	116,178,996,909	290,162,974,011
Liabilities of geographical segments	187,659,679,644	29,213,379,696	18,394,732,412	5,373,858,065	7,428,539,642	248,070,189,459
Unclassified liabilities	-	-	-	-	-	2,456,045,479
Total liabilities	187,659,679,644	29,213,379,696	18,394,732,412	5,373,858,065	7,428,539,642	250,526,234,938

Geographical Segmental analysis is based on the locations of branches through which the bank provides its services.

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	September 30, 2021	September 30, 2020
6- Net interest income		
Interest from loans and similar income:		
Loans and credit facilities:		
- Customers	12,506,078,871	13,119,265,795
Total	12,506,078,871	13,119,265,795
Treasury bills and bonds	10,380,743,581	9,852,640,916
Other debt instruments	32,439,104	8,726,795
Deposits and current accounts	330,935,623	232,676,971
Net interest differential on hedging instruments (IRS contracts)	47,347,059	61,328,168
Total	23,297,544,238	23,274,638,645
Cost of deposits and similar expense :		
Deposits and current accounts:		
- Banks	(134,588,963)	(609,414,981)
- Customers	(11,848,545,580)	(11,252,281,091)
Total	(11,983,134,543)	(11,861,696,072)
Repo arrangements	(26,292,576)	(222,496,773)
Other loans	(55,198,649)	(102,435,233)
Total	(12,064,625,768)	(12,186,628,078)
Net	11,232,918,470	11,088,010,567
7- Net fee and commission income:		
Fee and commission income :		
Credit fees and commission	1,228,654,254	1,066,501,748
Custody fees	26,760,628	25,331,690
Investment commission	19,392,589	16,433,683
Other fees	894,991,546	510,163,336
Total	2,169,799,017	1,618,430,457
Fee and commission expense:		
Brokerage fees	(5,632,329)	(5,282,470)
Other fees	(685,511,917)	(327,963,448)
Total	(691,144,246)	(333,245,918)
Net	1,478,654,771	1,285,184,539
8- Dividend income		
Equity instruments at fair value through other comprehensive income	46,377,599	35,191,190
Total	46,377,599	35,191,190
9- Net trading income:		
Forex operations:		
Foreign exchange trading gains (loss)	99,831,189	93,167,770
Investment funds held for trading	6,473,820	10,464,685
Changes in fair value of currency forward contracts	(17,670,406)	(15,760,389)
Changes in fair value of currency swap contracts	(13,329,279)	2,025,991
Changes in fair value IRS contracts	2,369,463	(281,318)
Total	77,674,787	89,616,739
10- Administrative expenses		
Staff cost:		
Salaries and wages	1,283,761,554	1,176,336,382
Social insurance	76,559,666	68,296,533
Pension cost:		
Defined contribution scheme	67,440,180	69,933,047
Other retirement benefits (Defined benefit scheme)	48,043,434	48,255,125
Total	1,475,804,834	1,362,821,087
Depreciation and amortization	289,955,043	248,908,505
Other administrative expenses	1,278,628,925	1,206,432,022
Total	3,044,388,802	2,818,161,614

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11- Other operating revenues (expenses)	September 30, 2021	September 30, 2020
Foreign exchange differences from translation of foreign currency monetary assets and liabilities other than held for trading items and those classified as at fair value through profit or loss at initial recognition	(4,841,694)	(68,925,956)
Gain on sale of property and equipment	3,868,500	3,415,417
Software cost	(119,381,836)	(133,195,593)
Operating lease rental expense	(107,951,606)	(93,505,744)
Other provisions (net of reversed amounts)	76,710,701	(31,322,283)
Finance leases revenue, net	260,361,698	314,704,267
Other leasing revenues	16,464,693	16,593,647
Impairment loss on leased assets	10,461,454	(215,403,459)
Net return received from insurance activity*	(54,611,305)	(73,673,467)
Other income (expense)	31,646,800	17,289,708
Total	112,727,405	(264,023,463)

* The following table summarise the net return received from insurance activity:	September 30, 2021	September 30, 2020
Direct premium	764,798,204	564,837,797
Re-insurance premium ceded	(78,825,393)	(66,365,728)
Technical reserve during the period	(545,216,260)	(429,303,792)
Outgoing re-insurance commissions	664,508	675,136
Other revenues	22,864,822	9,539,851
Claims paid	(227,600,389)	(146,434,709)
Re-insurance pay-back claim	36,766,151	22,532,642
Change in Provision for Outstanding Claims Balance	(11,741,924)	(9,177,601)
Impairment on receivable arising from insurance contracts	(16,321,024)	(19,977,063)
Total	(54,611,305)	(73,673,467)

12- Impairment credit losses	September 30, 2021	September 30, 2020
Loans and credit facilities to customers	(1,310,363,187)	(1,451,231,993)
Due from banks	761,726	48,167
Treasury bills	831,722	(21,674,046)
Debt instruments at fair value through other comprehensive income	(2,662)	(21,370)
Debt instruments at amortized cost	(4,317,845)	7,182,622
Other assets	(281,425)	259,068
Total	(1,313,371,671)	(1,465,437,552)

13- Income tax expense	September 30, 2021	September 30, 2020
Current tax	(2,543,407,429)	(2,312,148,862)
Deferred tax	(45,850,538)	(831,952)
Total	(2,589,257,967)	(2,312,980,814)

Additional data on deferred tax is disclosed in note (33). Income tax expense is different from the tax that would have arisen had the statutory tax rate been applied on pre-tax accounting profit as shown below:

Profit before tax	8,595,783,268	7,955,403,112
Income tax calculated at 22.5 % tax rate	1,934,051,235	1,789,965,700
Tax impact for:		
Non-taxable income	(68,806,664)	(77,580,212)
Non-deductible expenses for tax purposes	622,076,060	516,801,248
Recognize of deferred tax assets	(13,804,915)	(959,158)
Prior-years' tax settlements	33,134,631	(25,073,476)
Provision and segregated interest	32,254,810	105,478,970
Tax deductible (10% on dividend income)	4,502,272	3,515,790
Effective income tax expense	2,543,407,429	2,312,148,862

Tax Position

A) QNB ALAHLI Position:

A-1) Corporate Tax

- The Bank's accounts were tax-inspected and settled with respect to tax since the beginning of activity till the end of December 31, 2010.
- Years 2011 and 2012 transferred to tax dispute resolution committee.
- Years 2013 till 2018 have been inspected, and the due tax was paid.
- Year 2019 under inspection with the tax authority.
- Year 2020 the Bank submitted its tax return in the due date and books have not been inspected yet.

A-2) Salaries Taxes

- The Bank's books have been inspected, and the due tax was paid until year 2018.
- Year 2019 and 2020 the Bank submitted its tax return in the due date and books have not been inspected yet.

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A-3) Stamp duties

- The Bank's books have been inspected, for all branches until July 31, 2006 and all tax was paid.
- Period from August 01, 2006 till December 31, 2018 have been inspected, and the due tax was paid.
- Year 2019 under inspection with the tax authority.
- Year 2020 the Bank submitted its tax return in the due date and books have not been inspected yet.

(B) EX-MIBank Position:

B-1) Corporate Tax

- The Bank's accounts were tax- inspected, and settled since the beginning of activity till November 30, 2006.

B-2) Salaries Taxes

- The Bank's books have been inspected, and the due tax was paid till November 30, 2006.

B-3) Stamp duties

- The Bank's books have been inspected for all branches until July 31, 2006 and all due tax was paid.
- Period from August 01, 2006 till November 30, 2006 have been inspected, and the due tax was paid.

(C) QNB ALAHLI Leasing Position (subsidiary company):

C-1) Corporate Tax

- Years from start of activity incepted until 2016, the Company was tax inspected and the tax assessment was carried out and the payment thereof was made.
- Years from 2017 to 2020, the company submitted its tax return on the due date and the books have not been inspected yet.

C-2) Salary tax

- Years from the start of activity incepted until December 31, 2016, the Company was tax inspected and the tax assessment was carried out and the payment thereof was made.
- Years from 2017 to 2019, no tax inspection has been carried out up till date.
- Year 2020, the company submitted its tax return on the due date and the books have not been inspected yet.

C-3) Stamp duties

- Years from activity inception until 2017, the Company was tax inspected and the tax assessment was carried out and the payment thereof was made.
- Year 2018 and 2020, no tax inspection has been carried out up till date.

(D) QNB ALAHLI Factoring Company Position (subsidiary company):

D-1) Corporate Tax

- The Company is subject to income tax law No. 91 of 2005 and its executive statute and law No. 44 of 2014.
- Year from 2012 till 2020 the company submitted its tax return on the due date.
- Year 2012 till 2016 under inspection with tax authority.

D-2) Salary tax

- The Company is not abided by deducting and delivering salary taxes, as the company's employees are seconded by QNB ALAHLI (Major Shareholder), While the company with holds and transfers the tax for the employees appointed to the company .

D-3) Stamp duties

- The Company is subject to stamp duty tax law No. 111 of 1980 and amended by law 143 of period 2006 and the company not have been inspected till now.

D-4) Withholding tax

- The Company is committed to withholding tax and delivering it to tax authority on due dates.

(E) QNB ALAHLI Life Insurance Company Position (subsidiary company):

E-1) Corporate Tax

- The Company has received deemed tax claim from inception till 30 June 2005. The company objected the deemed tax at the due date and transferred to appeal committee.
- Years from 1 July 2005 to 30 June 2008, the company submitted its tax return, no tax inspection has taken place.
- Years from 1 July 2008 to 30 June 2012, the tax authority inspection and settlement took place and the final settlement have been made.
- Years from 1 July 2012 to 30 June 2016, Tax inspection had taken place and The company approve partially on inspection result and objections point had been transferred to internal committee.
- Years from 1 July 2016 to 30 June 2020, the company submitted its tax return on the due dates.

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E-2) Salary tax

- The tax authority inspection and settlement took place for the period since inception till 2017.

E-3) Stamp duties

- The Company's accounts were tax-inspected and settled with respect to Tax since the beginning of activity till June 2019.

(F) QNB ALAHLI Asset Management Egypt Company Position (subsidiary company):

F-1) Corporate Tax

- Years from 2002 till 2004, the Company has been inspected, and the due tax was paid for some items and remaining items was have been transferred to the internal committee.
- Years from 2005 till 2006 have been transferred to the internal committee.
- Years from 2007 till 2010, the Company have been inspected, and the due tax was paid for some items and remaining items have been transferred to the internal committee.
- Years from 2011 till 2014, prepare to inspection.
- Years 2015 till 2020, the Company submitted its tax return in the due date and the books have not been inspected yet.

F-2) Salaries Taxes

- periods from 2002 till 2004, the tax inspection was took place and internal committee was agreed and tax claim was paid.
- periods from 2005 till 2014 were inspected and finalized with no tax due.
- periods from 2015 till 2018, the company received the tax dues and objected at the official legal dates and awaiting for internal Committee.
- Year 2019 and 2020 have not been inspected yet.

F-3) Stamp duty tax:

- Years from 2002 till 2010 have been inspected, and the due tax was paid.
- Years from 2011 till 2016 have been inspected and the company objected the results within the legal periods.
- Years 2017 till 2020, the Company submitted its tax return in the due date and the books have not been inspected yet.

14- Earnings per share

	September 30, 2021	September 30, 2020
Net profit for the period**	5,694,189,441	5,572,224,979
Remuneration for the Board Members (from the period net profit)*	(12,750,000)	(12,000,000)
Staff profit share (from the period net profit)*	(540,016,950)	(556,892,498)
Profit available to shareholders	5,141,422,491	5,003,332,481
Weighted average number of the shares outstanding during the period	2,154,822,966	2,154,822,966
Earning Per Share	2.39	2.32

* Estimate amount based on bank approved budget. The actual amount will be subject to the ordinary AGM approval at the end of year.

** Based on separate financial statements.

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:

September 30, 2021	Amortized cost	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial instruments at fair value through profit or loss	Total Carrying amount
Cash and due from Central Bank of Egypt (CBE)	20,357,984,250	-	-	-	20,357,984,250
Due from banks	11,092,682,171	-	-	-	11,092,682,171
Treasury bills	37,402,843,841	-	-	-	37,402,843,841
Trading investments	-	-	-	251,970,665	251,970,665
Loans and credit facilities to customers	178,042,594,362	-	-	-	178,042,594,362
Financial derivatives	-	-	-	56,597,550	56,597,550
Fair value through other comprehensive income	-	11,482,818,372	676,363,515	-	12,159,181,887
Amortized cost	73,602,165,174	-	-	-	73,602,165,174
Fair value through profit or loss	-	-	-	88,949,991	88,949,991
Other financial assets	4,140,088,065	-	-	-	4,140,088,065
Total financial assets	324,638,357,863	11,482,818,372	676,363,515	397,518,206	337,195,057,956
Due to banks	3,428,429,433	-	-	-	3,428,429,433
Customer deposits	274,933,680,442	-	-	-	274,933,680,442
Financial derivatives	-	-	-	86,504,320	86,504,320
Other loans	2,713,621,335	-	-	-	2,713,621,335
Other financial liabilities	977,780,429	-	-	-	977,780,429
Total financial liabilities	282,053,511,639	-	-	86,504,320	282,140,015,959

December 31, 2020	Amortized cost	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Financial instruments at fair value through profit or loss	Total Carrying amount
Cash and due from Central Bank of Egypt (CBE)	17,166,858,582	-	-	-	17,166,858,582
Due from banks	7,078,843,393	-	-	-	7,078,843,393
Treasury bills	42,021,929,253	-	-	-	42,021,929,253
Trading investments	-	-	-	61,102,261	61,102,261
Loans and credit facilities to customers	172,918,573,421	-	-	-	172,918,573,421
Financial derivatives	-	-	-	106,092,208	106,092,208
Fair value through other comprehensive income	-	1,854,586,525	619,795,827	-	2,474,382,352
Amortized cost	47,612,579,495	-	-	-	47,612,579,495
Fair value through profit or loss	-	-	-	71,759,603	71,759,603
Other financial assets	2,975,211,725	-	-	-	2,975,211,725
Total financial assets	289,773,995,869	1,854,586,525	619,795,827	238,954,072	292,487,332,293
Due to banks	4,138,835,958	-	-	-	4,138,835,958
Customer deposits	233,321,758,983	-	-	-	233,321,758,983
Financial derivatives	-	-	-	55,504,635	55,504,635
Other loans	3,804,636,750	-	-	-	3,804,636,750
Other financial liabilities	1,040,203,052	-	-	-	1,040,203,052
Total financial liabilities	242,305,434,743	-	-	55,504,635	242,360,939,378

	September 30, 2021	December 31, 2020
16- Cash and due from Central Bank of Egypt (CBE)		
Cash	4,329,482,574	3,841,124,598
Balances with CBE (mandatory reserve)	16,028,501,676	13,325,733,984
Total	20,357,984,250	17,166,858,582
Interest free balances	20,357,984,250	17,166,858,582
Total	20,357,984,250	17,166,858,582
17- Due from Banks		
Current accounts	867,340,874	650,130,667
Deposits	10,225,341,297	6,428,712,726
	11,092,682,171	7,078,843,393
Less : Allowance for impairment losses	(9,845,952)	(10,607,678)
Total	11,082,836,219	7,068,235,715
Balances at CBE other than those under the mandatory reserve	5,966,215,918	3,737,172,764
Local banks	3,781,929,399	2,378,845,974
Foreign Banks	1,344,536,854	962,824,655
Less : Allowance for impairment losses	(9,845,952)	(10,607,678)
Total	11,082,836,219	7,068,235,715
Interest free balances	621,252,641	499,846,494
Balances at floating interest rates	246,088,233	150,284,173
Balances at fixed interest rates	10,225,341,297	6,428,712,726
Less : Allowance for impairment losses	(9,845,952)	(10,607,678)
Total	11,082,836,219	7,068,235,715
Current balances	10,398,606,219	5,918,745,715
Non-current balances	684,230,000	1,149,490,000
Total	11,082,836,219	7,068,235,715
18- Treasury bills		
91 days maturity	1,807,250,000	110,025,000
182 days maturity	10,101,450,000	5,006,875,000
More than 182 days maturity	27,139,424,680	38,938,771,770
Less : Unearned interest	(1,645,280,839)	(2,033,742,517)
	37,402,843,841	42,021,929,253
Less : Allowance for impairment losses	(17,106,925)	(17,938,647)
Total	37,385,736,916	42,003,990,606
19- Trading investments		
Mutual Fund certificates	251,970,665	61,102,261
Total	251,970,665	61,102,261

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21- Financial derivatives

September 30, 2021			
	Notional amount	Assets	Liabilities
(A) Held for trading			
- Forward foreign exchange contracts	1,937,864,429	-	73,687,190
- Swap foreign exchange contracts	1,890,465,508	-	12,817,130
Total	3,828,329,937	-	86,504,320
(B) Fair value hedge			
- Interest rate swap contracts	2,201,672,025	56,597,550	-
Total	2,201,672,025	56,597,550	-
Total	6,030,001,962	56,597,550	86,504,320

December 31, 2020			
	Notional amount	Assets	Liabilities
(A) Held for trading			
- Forward foreign exchange contracts	1,820,739,958	-	56,016,784
- Swap foreign exchange contracts	1,329,333,503	-	(512,149)
Total	3,150,073,461	-	55,504,635
(B) Fair value hedge			
- Interest rate swaps contracts	4,548,543,413	106,092,208	-
Total	4,548,543,413	106,092,208	-
Total	7,698,616,874	106,092,208	55,504,635

Forward exchange contracts represent commitments to purchase local and foreign currencies including the unexecuted part of regular-way transactions. Interest rate swap contracts represent commitments to swap fixed interest rate with variable interest rate where the physical exchange of funds is not required except in foreign exchange swaps. The Bank's credit risk represents the cost of potential replacement of the swaps in case other parties fail to meet their obligations. This risk is controlled on an ongoing basis in terms of fair value and percentage of contracted amounts. To control the outstanding credit risk, the Bank assesses counterparties to the contract in the same manner used in lending activities.

- **Fair value hedge**

The Bank uses interest rate swap contracts to mitigate part of the risk of potential increase in fair value of its fixed rate customer deposits in foreign currencies to the extent caused by declining market interest rates.

Net fair value of hedging instruments (Interest rate swap) asset amounted to EGP 56,597,550 as of September 30, 2021 (EGP 106,092,208 in the prior year). Loss resulting from hedging instruments amounted to EGP 49,494,657 (Gain of EGP 22,633,349 in the prior year) and Gain arose from the hedged items reached EGP 51,864,120 (Loss of EGP 28,467,034 in the prior year).

22- Financial investments

Fair value through other comprehensive income (FVTOCI)	September 30, 2021	December 31, 2020
(A) Debt instruments at fair value:		
Listed Instruments in Egyptian Stock Exchange Market	10,045,337,181	400,000,000
Listed instruments in foreign stock exchange market	1,437,481,191	1,454,586,525
Total debt instruments measured at fair value through other comprehensive income	11,482,818,372	1,854,586,525
(B) Equity instruments at fair value:		
Listed instruments in Egyptian stock exchange market	139,490,089	83,418,622
Unlisted instruments in stock exchange market	493,276,991	494,406,555
Total equity instruments measured at fair value through other comprehensive income	632,767,080	577,825,177
(C) Money market funds and balanced funds:		
Unlisted instruments in stock exchange market*	43,596,435	41,970,650
Total financial investments measured at fair value through other comprehensive income (1)	12,159,181,887	2,474,382,352
Amortized cost		
(A) Debt instruments:		
Listed instruments in stock exchange market	72,873,455,513	46,853,808,339
Unlisted instruments in stock exchange market	728,709,661	758,771,156
Less : Allowance for impairment losses	(7,105,805)	(2,787,960)
Total Debt instruments measured at amortized cost (2)	73,595,059,369	47,609,791,535
Fair value through profit or loss (FVTPL)		
(A) Mutual funds:		
Unlisted instruments in stock exchange market	88,949,991	71,759,603
Total equity instruments measured at fair value through profit or loss (3)	88,949,991	71,759,603
Total Financial investments (1+2+3)	88,843,191,247	50,155,933,490
Current balances	5,033,991,837	8,190,961,534
Non-current balances	80,809,199,410	41,964,971,956
Total financial investment	88,843,191,247	50,155,933,490
Fixed interest debt instruments	84,694,435,135	49,064,378,060
Variable interest debt instruments	383,442,606	400,000,000
Total debt instruments	88,077,877,741	49,464,378,060

The following table analyzes the movements on financial investments during the period:

	Fair value through other comprehensive income	Amortized cost
Balance at the beginning of the current year	2,474,382,352	47,609,791,535
Additions	10,045,595,774	33,125,810,852
Amortization of premium / discount	(22,241,772)	94,002,060
Disposals (sale/redemption)	(319,755,331)	(7,229,183,800)
Translation differences resulting from monetary foreign currency denominated assets	(3,792,930)	(1,043,433)
Changes in fair value reserve	(14,594,383)	-
Transferred to Retained Earnings	(411,823)	-
Change in Allowance for impairment during the period	-	(4,317,845)
Balance at the end of the current period	12,159,181,887	73,595,059,369

The following table analyzes the movements on financial investments during the comparative year:

	Fair value through other comprehensive income	Amortized cost
Balance at the beginning of the comparative year	2,463,888,129	40,937,627,601
Additions	400,000,000	13,386,778,875
Amortization of premium / discount	(31,034,062)	114,838,988
Disposals (sale/redemption)	(176,874,016)	(6,825,673,000)
Translation differences resulting from monetary foreign currency denominated assets	(31,094,318)	(14,493,585)
Changes in fair value reserve	(150,503,381)	-
Change in Allowance for impairment during the year	-	10,712,656
Balance at the end of the comparative year	2,474,382,352	47,609,791,535
Gain on financial investments	September 30, 2021	September 30, 2020
Gain on financial investments at fair value through profit or loss	5,223,219	4,840,790
Gain from selling associate companies	108,799	-
Total	5,332,018	4,840,790

* The Bank's equity instruments classified in the fair value through other comprehensive income category represent Bank subscribed stake at 5% from the total certificates' number of its QNB ALAHLI First Fund with cumulative daily return (THEMAR Money Market Fund) upon its initial offering, in addition to the Bank subscribed stake at 20% from the total certificates' number of its QNB ALAHLI Second Fund with yearly / cumulative return (Tawazon Balanced Fund), in addition to the 20% from the total certificates' number of its QNB ALAHLI Third Fund with yearly / cumulative return (Tadawol Equity Fund) upon its initial offering. All stakes required to be retained by the Bank until maturity of the funds in accordance with the provisions of the law, had a nominal value of EGP 5 million each.

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23- Investments in associates

The following table summarizes the Bank's holdings in its associates:

September 30, 2021	Country of residence	Investee's assets	Investee's liabilities (excluding equity)	Investee's revenues	Investee's profit (loss)	Carrying amount	The Bank's stake
Senouhi Company for Construction Materials (Associate)	Egypt	-	-	-	-	-	0.00%
Total		-	-	-	-	-	

December 31, 2020	Country of residence	Investee's assets	Investee's liabilities (excluding equity)	Investee's revenues	Investee's profit (loss)	Carrying amount	The Bank's stake
Senouhi Company for Construction Materials (Associate)	Egypt	15,463,865	4,322,738	23,415,050	(949,347)	2,572,487	23.09%
Total		15,463,865	4,322,738	23,415,050	(949,347)	2,572,487	

* Senouhi Company for Construction Materials have been sold during a current reprting period.

24- Intangible assets

	September 30, 2021	December 31, 2020
Software		
Net book value at the beginning of the year	195,249,569	209,802,791
Additions	134,325,274	54,010,700
Amortization	(56,382,032)	(68,563,922)
Net book value at the end of the period	273,192,811	195,249,569

25- Other assets

	September 30, 2021	December 31, 2020
Accrued revenues	4,140,088,065	2,975,211,725
Pre-paid expenses	137,983,495	106,508,731
Advance payments for acquisition of property and equipment	1,000,184,138	709,507,587
Foreclosed assets reverted to the group in settlement of debts	138,728,687	11,469,071
Deposits held with others and custody	20,754,244	18,685,386
Advance payments to tax authority	31,955,325	31,917,652
Receivables arising from insurance contracts, net	12,470,030	5,078,147
Others	598,975,912	374,129,889
	6,081,139,896	4,232,508,188
Less : Allowance for impairment losses	(4,183,848)	(3,902,424)
Total	6,076,956,048	4,228,605,764

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26- Property and Equipment

	Lands and buildings	Renovations of leased assets	Machinery & equipment	Others	Total
January 1, 2020					
Cost	2,662,524,230	257,637,570	981,618,276	280,190,708	4,181,970,784
Accumulated depreciation	(749,384,473)	(134,382,418)	(638,680,392)	(146,540,583)	(1,668,987,866)
Net book value	1,913,139,757	123,255,152	342,937,884	133,650,125	2,512,982,918
December 31, 2020					
Net book value at the beginning of the year	1,913,139,757	123,255,152	342,937,884	133,650,125	2,512,982,918
Additions	121,875,571	60,312,086	140,989,922	25,670,901	348,848,480
Disposals from property and equipment	(1)	(1,338,782)	(228,055)	(7,235,415)	(8,802,253)
Disposals from accumulated depreciation	1	1,315,802	187,105	6,968,232	8,471,140
Depreciation for the year	(109,893,212)	(17,370,831)	(116,695,325)	(22,722,329)	(266,681,697)
Net book value	1,925,122,116	166,173,427	367,191,531	136,331,514	2,594,818,588
January 1, 2021					
Cost	2,784,399,800	316,610,874	1,122,380,143	298,626,194	4,522,017,011
Accumulated depreciation	(859,277,684)	(150,437,447)	(755,188,612)	(162,294,680)	(1,927,198,423)
Net book value	1,925,122,116	166,173,427	367,191,531	136,331,514	2,594,818,588
September 30, 2021					
Net book value at the beginning of the year	1,925,122,116	166,173,427	367,191,531	136,331,514	2,594,818,588
Additions	190,022,058	19,662,695	277,636,454	14,279,725	501,600,932
Disposals from property and equipment	(1,690,078)	(1,035,452)	(8,245,986)	(11,341,111)	(22,312,627)
Disposals from accumulated depreciation	1,690,078	1,035,452	8,239,787	11,341,111	22,306,428
Depreciation for the period	(88,144,833)	(16,857,372)	(109,736,833)	(18,833,973)	(233,573,011)
Net book value	2,026,999,341	168,978,750	535,084,953	131,777,266	2,862,840,310
Balances at September 30, 2021					
Cost	2,972,731,780	335,238,117	1,391,770,611	301,564,808	5,001,305,316
Accumulated depreciation	(945,732,439)	(166,259,367)	(856,685,658)	(169,787,542)	(2,138,465,006)
Net book value	2,026,999,341	168,978,750	535,084,953	131,777,266	2,862,840,310

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	September 30, 2021	December 31, 2020
27- Due to banks		
Current accounts	215,570,885	273,078,309
Deposits	1,944,051,013	2,317,092,762
Repos transactions	1,268,807,535	1,548,664,887
Total	3,428,429,433	4,138,835,958
Central banks	1,268,807,535	1,548,664,887
Local banks	35,321,006	300,012,410
Foreign banks	2,124,300,892	2,290,158,661
Total	3,428,429,433	4,138,835,958
Non-interest bearing balances	171,740,934	240,642,492
Variable interest rate balances	43,829,951	32,435,817
Fixed interest rate balances	3,212,858,548	3,865,757,649
Total	3,428,429,433	4,138,835,958
Current balances	3,428,429,433	4,138,835,958
Total	3,428,429,433	4,138,835,958
28- Customer deposits		
Demand deposits	81,233,880,007	51,519,705,098
Time deposits and call accounts	90,689,241,443	89,785,421,119
Term saving certificates	68,190,037,685	59,244,487,077
Saving deposits	28,520,320,090	25,588,901,501
Other deposits*	6,300,201,217	7,183,244,188
Total	274,933,680,442	233,321,758,983
Corporate deposits	152,031,144,555	122,447,209,834
Retail deposits	122,902,535,887	110,874,549,149
Total	274,933,680,442	233,321,758,983
Non-interest bearing balances	42,450,839,440	35,328,267,841
Variable interest rate balances	78,908,508,871	62,980,113,147
Fixed interest rate balances	153,574,332,131	135,013,377,995
Total	274,933,680,442	233,321,758,983
Current balances	196,414,089,469	189,418,429,446
Non-current balances	78,519,590,973	43,903,329,537
Total	274,933,680,442	233,321,758,983
* Other deposits include deposits covering irrevocable letters of credit in the total of EGP 294,154,593 as of September 30, 2021 (December 31, 2020 EGP 354,045,886). The fair value of these deposits approximates its carrying amount.		
29- Other loans		
National Bank of Egypt	2,618,112	911,308
Commercial International Bank	9,911,111	33,905,556
European Investment Bank	-	156,602,702
Qatar National Bank	186,975,180	412,967,625
European Bank for Reconstruction and Development	2,335,648,989	2,947,872,338
Banque Misr	1,680	1,275
National Bank of Kuwait	90,037,196	139,926,879
The Micro, Small and Medium Enterprises Development Agency	88,429,067	112,449,067
Total	2,713,621,335	3,804,636,750
Current balances	1,091,676,262	1,109,612,373
Non-current balances	1,621,945,073	2,695,024,377
Total	2,713,621,335	3,804,636,750
30- Other liabilities		
Accrued interest	977,780,429	1,040,203,052
Unearned revenues	101,808,158	98,709,675
Accrued expenses	816,421,106	818,115,220
Due to insurance and re-insurance companies	99,189,616	69,552,007
Sundry credit balances	1,916,775,578	1,475,537,553
Total	3,911,974,887	3,502,117,507

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31- Other provisions

Description	Balance at the beginning of the year	Formed during the period	Released during the period	September 30, 2021		Used during the period	Balance at the end of the period
				Foreign currencies translation differences + (-)			
Provision for tax claims	59,530,067	4,776,641	-	-	-	(4,251,106)	60,055,602
Provision for legal claims	17,588,419	2,135,346	-	-	(34,781)	(811,886)	18,877,098
Provision for contingent liabilities	490,565,335	-	(83,629,863)	(20,387)	-	-	406,915,085
Provision for fidelity	31,241,400	3,337	-	-	(38,860)	(523,750)	30,682,127
Provision for operational risk	713,902	3,838	-	-	-	(302,740)	415,000
Total	599,639,123	6,919,162	(83,629,863)	(94,028)	(5,889,482)	(5,889,482)	516,944,912

Description	Balance at the beginning of the year	Formed during the year	Released during the year	December 31, 2020		Used during the year	Balance at the end of the year
				Foreign currencies translation differences + (-)			
Provision for Tax claims	219,597,223	5,172,425	(157,872,105)	-	-	(7,367,476)	59,530,067
Provision for Legal claims	18,712,516	1,755,212	(276,638)	(142,283)	-	(2,460,388)	17,588,419
Provision for contingent liabilities	472,545,493	18,038,419	-	-	(18,577)	-	490,565,335
Provision for fidelity	32,262,862	-	(417,279)	(604,183)	-	-	31,241,400
Provision for operational risk	731,024	-	-	-	-	(17,122)	713,902
Total	743,849,118	24,966,056	(158,566,022)	(765,043)	(9,844,986)	(9,844,986)	599,639,123

32- Insurance policyholders' rights

	September 30, 2021	December 31, 2020
Technical Reserves for Insurance activities	3,697,353,643	3,152,137,383
Provision for outstanding claims	106,940,167	95,198,243
Total	3,804,293,810	3,247,335,626

33- Deferred income tax

Deferred tax has been calculated on all temporary tax differences using the balance sheet method and using the expected tax rate at the time that the bank will recognize a benefit from assets / incurred liabilities at a tax rate of (22.5%) for the current financial period. The Group does not offset deferred tax assets and deferred tax liabilities unless the Bank has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Deferred tax assets and liabilities

Below are the balances and movements of deferred tax assets and liabilities:

Balances of deferred tax assets and liabilities:

	Deferred tax assets		Deferred tax liabilities	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Tax impact on temporary differences arising from:				
Property and equipment	-	-	(121,588,427)	(105,849,280)
Provisions (other than the provision for loan impairment)	279,492,635	306,881,271	-	-
Differences in fair value of financial investments at fair value through other comprehensive income	-	-	(91,468,700)	(99,636,191)
Others	11,033,130	13,755,885	-	-
Deferred tax assets (liabilities)	290,525,765	320,637,156	(213,057,127)	(205,485,471)
Net balance of DTA (DTL)	77,468,638	115,151,685		

Movement of deferred tax assets and liabilities:

	Deferred tax assets		Deferred tax liabilities	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Beginning balance	320,637,156	350,521,888	(205,485,471)	(221,755,581)
DT recognized / utilized during the period	(30,111,391)	(29,884,732)	(7,571,656)	16,270,110
Closing balance	290,525,765	320,637,156	(213,057,127)	(205,485,471)

Balances of deferred tax assets (liabilities) recognized directly in equity

	September 30, 2021	December 31, 2020
Differences in fair value of financial investments at fair value through other comprehensive income	(91,468,700)	(99,636,191)

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34- Defined benefits obligation	September 30, 2021	December 31, 2020
Amounts recognized in the statement of financial position:		
Liability for post-retirement medical benefits	544,788,307	513,228,220
Amounts recognized in the income statement:		
Post-retirement medical benefits	48,043,434	64,340,167
Post-retirement medical benefits obligation constitutes of:		
Balances shown in the statement of financial position are represented as follows:		
Present value of unfunded liabilities	389,419,814	365,975,012
Unrecognized actuarial gain	155,368,493	147,253,208
	544,788,307	513,228,220
Liability movements during the period are represented as follows:		
Balance at the beginning of the financial year	513,228,220	482,288,384
Current service cost	3,292,900	11,498,593
Interest cost	36,635,250	55,233,903
Actuarial gain/losses	8,115,284	(2,392,329)
Benefits paid	(16,483,347)	(33,400,331)
	544,788,307	513,228,220
Amounts recognized in the income statement are shown below:		
Current service cost	3,292,900	11,498,593
Interest cost	36,635,250	55,233,903
Actuarial gain/losses recognized during the period	8,115,284	(2,392,329)
	48,043,434	64,340,167
The main actuarial assumptions used by the Bank are outlined below:		
	September 30, 2021	December 31, 2020
Discount rate (two plans):		
A-QNB ALAHLI current employees plan	14.50%	14.50%
B-Ex-MIBank retirees plan	14.50%	14.50%
QNB ALAHLI long term increase in the cost of medical care (on top of inflation)	8.00%	8.00%
Ex-MIBank long term increase in the cost of medical care (on top of inflation)	8.00%	8.00%
Sensitivities to +1% in discount rate (duration of the plan):		
	Service cost	DBO
Post-retirement medical benefits	7.88%	7.37%

35- Issued and paid-up capital

(A) Authorized Capital

- The authorized capital amounts to EGP 15 billion.

(B) Issued and Paid up Capital

- The issued and paid up capital amounted to EGP 9,794,649,850 on December 31, 2018 representing 979,464,985 shares with a nominal value of EGP 10 each, of which 854,141,985 shares were paid in Egyptian pound and 125,323,000 shares were paid in foreign currency according to the exchange rates prevailing on the payment date.
- The Extraordinary General Assembly held on February 28, 2019 decided to increase the capital from EGP 9,794,649,850 to EGP 10,774,114,830, an increase of EGP 979,464,980 by transferring from the general reserve, and decided to split the face value of each share of the Bank's capital from EGP 10 to be EGP 5 .
- The issued and paid up capital amounted to EGP 10,774,114,830 on September 30, 2021 representing 2,154,822,966 shares with a nominal value of EGP 5 each, of which 1,904,176,966 shares were paid in Egyptian pound and 250,646,000 shares were paid in foreign currency according to the exchange rates prevailing on the payment date.

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36- Reserves and retained earnings

(1) Reserves	September 30, 2021	December 31, 2020
General reserve (a)	19,533,050,946	15,104,078,670
General banking risk reserve (b)	392,170,799	1,169,067
Legal reserve (c)	2,418,770,935	2,049,233,783
Fair value reserve (d)	397,970,795	404,806,848
Special reserve (e)	39,494,455	39,494,455
Capital reserve	29,147,135	21,379,530
General risk reserve	21,453,923	21,453,923
Reserve for transactions under common control	4,000,483	4,000,483
Total reserves at the end of the period	22,836,059,471	17,645,616,759

Reserve movements are as follows:

(a) General reserve	September 30, 2021	December 31, 2020
Balance at the beginning of the financial year	15,104,078,670	13,417,823,247
Transferred from retained earnings	4,428,972,276	2,665,720,403
Transferred to capital increase	-	(979,464,980)
Balance at the end of the period	19,533,050,946	15,104,078,670

(b) General banking risk reserve	September 30, 2021	December 31, 2020
Balance at the beginning of the year	1,169,067	1,169,067
Transferred from distributable net profits	391,001,732	-
Balance at the end of the period	392,170,799	1,169,067

General bank risk reserve represent the difference between the allowance required for impairment losses as per CBE credit worthiness rules and the allowance as required by the expected credit loss which recognized in financial statements .

In accordance with the instructions of the Central Bank of Egypt, the general banking risk reserve is supported annually by 10% of the value of the assets owned by the Bank in return for debt if these assets are not disposed of within the period specified in the law.

(c) Legal Reserve	September 30, 2021	December 31, 2020
Balance at the beginning of the year	2,049,233,783	1,633,301,744
Transferred from the net profit of the prior year	369,537,152	415,932,039
Balance at the end of the period	2,418,770,935	2,049,233,783

According to the provisions of local laws, 5% of net profit of the year shall be transferred to a non-distributable statutory reserve until it reaches 100% of the bank's capital.

(d) Fair Value Reserve	September 30, 2021	December 31, 2020
Balance at the beginning of the year	404,806,848	524,415,090
Net change in fair value (Note 22)	(14,594,383)	(150,503,381)
Impairment losses on debt instruments at fair value through other comprehensive income	2,662	29,548
Transferred to retained earnings	(411,823)	-
Deferred tax recognized during the period (Note 33)	8,167,491	30,865,591
Balance at the end of the period	397,970,795	404,806,848

(e) Special Reserve

The application of the CBE new basis rules of preparation and presentation of financial statements as well as the modified principles of recognition and measurement requires to restate the comparative figures of the first financial year that have been impacted by this change, including comparative figures in the balance sheet and the income statements for the previous year. as the impact of adjustment is positive, such impact was carried directly to retained earnings then transferred to the special reserve in equity and shall not be used except by approval from CBE. The following is a breakdown of the items that generated the special reserve amount:

	September 30, 2021	December 31, 2020
Amortized cost method using EIR for held to maturity investments	253,607	253,607
Amortized cost method using EIR for Available-for-sale investments	393,930	393,930
Applying the equity method on investments in associates	26,637,789	26,637,789
Deferred tax (Tax impact on adjustments)	(4,249,739)	(4,249,739)
Available-for-sale investments (Equity instruments)	16,458,868	16,458,868
Total	39,494,455	39,494,455

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(2) Profit for the period/year and retained earnings	September 30, 2021	December 31, 2020
Movements on retained earnings:		
Balance at the beginning of year	11,216,966,389	9,848,191,979
Net profit of the financial period/year	6,006,525,293	7,491,517,830
Previous year's profit distribution	-	(2,154,822,966)
Employees' profit share	(750,139,296)	(866,118,001)
Board of directors' remuneration	(16,148,116)	(17,260,000)
Banking System Support and Development Fund	(73,907,430)	-
Transferred to capital reserve	(7,767,605)	(2,890,011)
Transferred to general reserve	(4,428,972,276)	(2,665,720,403)
Transferred to the legal reserve	(369,537,152)	(415,932,039)
Transferred from fair value reserve, net of tax	319,163	-
Transferred to general banking risk reserve	(391,001,732)	-
Balance at the end period	11,186,337,238	11,216,966,389

37- Cash and cash equivalents

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

	September 30, 2021	September 30, 2020
Cash and balances with central banks	4,329,482,574	5,169,418,900
Due from banks in less than 3 months	8,855,720,171	6,183,401,421
Treasury bills and other governmental notes (91 days)	1,779,167,412	2,244,707,033
Total	14,964,370,157	13,597,527,354

38- Contingent liabilities and other commitments

(a) Legal claims (litigation)

Several lawsuits were brought against the Bank and are still outstanding as of September 30, 2021. No provision has been formed since it is not probable that the Bank will incur losses in regard of these lawsuits.

(b) Capital commitments:

The Bank is a party to contracts for capital commitments amounting to EGP 1,036,377,365 as of September 30, 2021 (EGP 997,688,233 on December 31, 2020). These represent commitments by the Bank for the purchases of buildings and equipment. Management is sufficiently confident that net profit shall be realized and finance shall be made available to cover these commitments.

(c) Commitments for guarantees

The Bank's commitments for loans, guarantees and facilities are set out below:

	September 30, 2021	December 31, 2020
Financial guarantees	317,500	317,500
Accepted papers	2,112,141,466	1,797,703,754
L/Gs	41,060,629,833	40,570,756,871
Import L/Cs	2,494,173,482	1,957,494,838
Export L/Cs	316,970,545	226,134,764
Other contingent liabilities	2,868,463	19,632,824
Total	45,987,101,289	44,572,040,551

(d) Commitments for credit facilities

	September 30, 2021	December 31, 2020
Commitments for credit facilities	30,176,993,220	31,497,891,864

(e) Commitments under operating lease contracts

Total minimum rental payments for the irrevocable operating lease contracts are as follows:

	September 30, 2021	December 31, 2020
Not more than one year	133,138,897	127,355,381
More than one year and less than 5 years	334,792,755	393,504,249
More than 5 years	66,791,950	100,460,794
Total	534,723,602	621,320,424

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39- Related-party transactions

Qatar National Bank (Q.P.S.C.) is the ultimate parent and controlling party as at the end of the reporting period which owns 94.97% of the bank's ordinary shares whereas the remaining 5.03% are held by other shareholders.
A number of transactions have been conducted during the reporting period with related parties within the Bank's normal course of business. These include loans, deposits, and foreign currency transactions.

Related party transactions with the parent company other than the payment of dividends on ordinary shares:

QNB Group	September 30, 2021	December 31, 2020
Due from banks	5,578,375	419,726
Due to banks	2,053,205,256	2,130,717,038
Export LC	-	2,513,234
LGs for banks	5,727,031,929	6,856,553,603
Foreign exchange derivative	1,890,465,508	1,329,333,503
Interest rate swap contracts	2,201,672,025	4,548,543,413
Other loans	186,975,180	412,967,625
Administrative expenses	121,868,549	-

A- Loans and credit facilities to related parties

	Directors and other key management personnel (and close family members)		Associates	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Outstanding loans at the beginning of the financial year	111	111	-	1,119
Loans issued during the financial period	-	-	-	-
Loans repayment during the financial period	-	-	-	(1,119)
Loans outstanding at the end of the financial period	111	111	-	-
Interest income on loans	-	15	16	57

* No provisions have been recognized in respect of loan provided to related parties.

Loans and credit facilities to related parties can be analyzed below	Directors and other key management personnel (and close family members)		Associates	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Overdrafts	111	111	-	-
Total	111	111	-	-

B- Deposits from related parties

	Directors and other key management personnel (and close family members)		Associates	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Deposits outstanding at the beginning of the financial year	73,059,484	62,923,605	5,054,947	10,683,248
Deposits for sold associates companies	-	-	(5,054,947)	-
Deposits placed during the period	16,573,578	11,381,135	-	186,507
Deposits repaid during the period	(8,037,540)	(1,245,256)	-	(5,814,808)
Deposits outstanding at the end of the financial period	81,595,522	73,059,484	-	5,054,947
Interest expense on deposits	1,627,052	2,174,975	95,337	232,950
Deposits from related parties can be analyzed below	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Demand deposits	24,759,724	10,310,095	-	1,270,166
Saving accounts	668,564	91,110	-	-
Certificates of deposits	7,276,000	6,000,000	-	-
Time deposits	48,891,234	56,658,279	-	3,784,781
Total	81,595,522	73,059,484	-	5,054,947

C- Other transactions with related parties

	Directors and other key management personnel (and close family members)		Associates	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Fee and commission income	-	566	12,469	32,575
Guarantees issued by the bank	-	-	-	22,929
The above guarantees comprise:				
LGs	-	-	-	22,929
Total	-	-	-	22,929

The pricing for related parties' transactions are the same for other parties.

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40- Money Market and balanced Funds

A- QNB ALAHLI First Fund with cumulative daily return (THEMAR Money Market Fund)

The Bank has set up an investment fund under the name of "THEMAR" with daily accumulated interest as one of the banking activities authorized in accordance with the provisions of the Capital Market Law 95 of 1992.

THEMAR initial offering was for one million certificates at nominal value of EGP 100 million, of which 50,000 certificates worth of EGP 5 million were subscribed by the bank at that time. EFG HERMES is managing this fund.

Total number of the outstanding certificates at September 30, 2021 reached 12,762,242 at a total value of EGP 5,530,121,941 The Group currently holds 836,766 certificates worth of EGP 362,586,606 of which EGP 21,665,950 are classified as fair value through other comprehensive income and represent 5% from the total number of certificates that were initially issued, whereas the remaining value of EGP 88,949,991 are classified as fair value through profit or loss and EGP 251,970,665 are classified as trading investments.

According to the management agreement and the fund's prospectus, the Bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current period amounting to EGP 19,180,862 have been reported in the "fees and commission income" line item in the consolidated income statement.

B- QNB ALAHLI Second Fund with periodically / cumulative return (Tawazon Balanced Fund)

The Bank has set up an investment fund under the name of Tawazon Fund with periodic income as one of the banking activities authorized in accordance with the provisions of the Capital Market Law 95 of 1992.

Tawazon initial offering was for two hundred and fifty thousand certificates amounting to EGP 25 million, of which 50,000 certificates worth of EGP 5 million were subscribed by the bank at that time. Beltone Asset Management is managing this fund.

Total number of the outstanding certificates at September 30, 2021 reached 62,259 at a total value of EGP 13,037,122 The Bank currently holds 50,000 certificates worth of EGP 10,470,070 that are classified as fair value through other comprehensive income and represent 20% of the total number of certificates that were initially issued.

According to the management agreement and the fund's prospectus, the Bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current period amounting to EGP 70,920 have been reported in the "fees and commission income" line item in the consolidated income statement.

C- QNB ALAHLI Third Fund with periodically / cumulative return (Tadawol Equity Fund)

The Bank has set up an investment fund under the name of Tadawol Fund with periodic accumulated income as one of the banking activities authorized in accordance with the provisions of the Capital Market Law 95 of 1992.

Tadawol certificates were offered in a public offering amounting to EGP 25 million distributed over two hundred and fifty thousand certificates with a nominal value of EGP 100 each, subscriptions have only covered a number of one hundred and twenty five thousand certificates amounting to EGP 12.5 million, of which 50,000 certificates worth of EGP 5 million were subscribed at by the bank at that time. HC Fund Manager Asset Management is managing this fund.

Total number of the outstanding certificates at September 30, 2021 reached 91,054 at a total value of EGP 20,870,330 . The Bank currently holds 50,000 certificates worth of EGP 11,460,415 that are classified as fair value through other comprehensive income and represent 40% from the total number of certificates that were initially issued.

According to the management agreement and the fund's prospectus, the Bank shall receive fees and commissions for supervising the fund and other administrative services. Total commissions for the current period amounting to EGP 140,061 have been reported in the "fees and commission income" line item in the income statement.

41- Important Events

The coronavirus ("COVID-19") pandemic is continuing across the various geographies globally, causing disruption to business and economic activities. Albeit to a lesser degree, by strengthening vaccinations and succeeding to vaccinate citizens in many countries, including Egypt. However, the continued spread of the Corona virus COVID-19 and the emergence of mutated strains, led to the continuing uncertainty in the global economic environment . QNBAA is closely monitoring the situation through the business continuity planning and other risk management practices to manage the business disruption caused by COVID-19 outbreak on its operations and financial performance.

Based on the uncertainties caused by COVID-19 and following the actions taken by the state regarding the co-existence procedures, QNBAA is closely following up the loan portfolio considering the relevant impact of COVID-19 on the qualitative and quantitative factors where determining the significant increase in Credit Risk is specifically done for the whole portfolio with its different economic sectors.

Accordingly, QNBAA is continuing its internal protective action started in Q1 2020 by monitoring and reviewing the level of provisions as well as the portfolio coverage ratio as a mitigation plan for the COVID-19 impact on the loan portfolio. Further precautionary actions might be taken progressively in the light of the pandemic is not over yet.