



Financial Statements

For The Period Ended
31 December 2022
Crédit Agricole Egypt

**WORKING EVERY DAY
IN YOUR INTEREST**



**AND
FOR SOCIETY**

CREDIT AGRICOLE - EGYPT
Egyptian Joint Stock Company
Separate Financial Statements
And Auditors' Report
For The Year Ended 31 December 2022

Allied for Accounting & Auditing
EY

MAZARS Mostafa Shawki
Public Accountants & Consultants

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Auditors' Report

To : The Shareholders of Credit Agricole Egypt (S.A.E)

Report on the separate financial statements

We have audited the accompanying separate financial statements of **Credit Agricole Egypt (S.A.E)** represented in the separate statement of financial position as of 31 December 2022 and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the separate financial statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the separate financial statements.

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of **Credit Agricole Egypt (S.A.E)** as of 31 December 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with the rules of preparation and presentation of banks' financial statements, and basis of recognition and measurement issued by the Central Bank of Egypt on 16 December 2008 as amended by the regulation issued on February 26, 2019 and in light of the related prevailing Egyptian laws and regulations.

Report on Other Legal and Regulatory Requirements

No Significant contravention to any of the provisions of the Central Bank of Egypt and Banking Sector Law No. 194 for 2020 was noted during the financial year ended 31 December 2022.

The Bank maintains proper financial records, which include all that is required by law and the Bank's statute, and the accompanying separate financial statements are in agreement thereto.

The financial information included in the Board of Directors' report, prepared according to Law No. 159 of 1981 and its executive regulations are in agreement with the Bank's accounting records.

Cairo: 26 February 2023

Auditors


Egyptian Financial Supervisory Authority Register no.83
Cairo Festival City (CFC) No. PA
Allied for Accounting & Auditing EY


Rashad Hosny

Egyptian Financial Supervisory Authority Register no.73

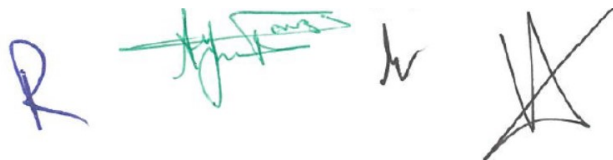
MAZARS Mostafa Shawki



Separate Statement of Financial Position – As of 31 December 2022

(All amounts are in thousand Egyptian pounds)

	<u>Notes</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
<u>Assets</u>			
Cash and balances with Central Bank of Egypt	16	5,236,268	5,148,214
Due from banks	17	20,763,931	10,246,696
Loans to banks	18	689,042	428,266
Loans and advances to customers	19	32,824,878	28,894,014
Derivative financial instruments	20	55,294	16,441
<u>Financial Investments</u>			
Fair value through other comprehensive income	21	13,095,005	13,423,327
Fair value through profit or loss	21	11,336	15,093
Investments in Subsidiaries	22	143,822	143,822
Intangible assets	23	115,197	137,529
Other assets	24	1,597,091	1,164,642
Deferred tax assets	14	9,401	-
Fixed assets	25	570,750	559,702
Total assets		<u>75,112,015</u>	<u>60,177,746</u>
<u>Liabilities and Owners' Equity</u>			
<u>Liabilities</u>			
Due to banks	26	460,912	5,775
Treasury bills Sold with repurchase agreements	27	6,576	7,818
Customers' deposits	28	60,492,822	48,216,144
Derivative financial instruments	20	38,605	12,355
Other Loans	29	742,302	471,501
Other liabilities	30	2,260,787	1,999,607
Current income tax liability		640,552	284,560
Other provisions	31	353,486	347,152
Retirement benefit obligations	32	190,979	163,901
Total liabilities		<u>65,187,021</u>	<u>51,508,813</u>
<u>Owners' Equity</u>			
Paid-in Capital	33	5,000,000	5,000,000
Reserves	34	1,001,127	871,248
Retained earnings	34	3,923,867	2,797,685
Total owners' equity		<u>9,924,994</u>	<u>8,668,933</u>
Total liabilities and owners' equity		<u>75,112,015</u>	<u>60,177,746</u>



Jean-Pierre Trinelle
Managing Director

•The accompanying notes from note 1 to 41 are an integral part of these financial statements.
•Auditors' report attached

Separate Income Statement for The Year Ended 31 December 2022

(All amounts are in thousand Egyptian pounds)

	Notes	From 1/1/2022 To 31/12/2022	From 1/1/2021 To 31/12/2021
Interest on loans and similar income	6	6,274,661	5,157,083
Interest expenses and similar expenses	6	(2,475,443)	(2,239,229)
Net interest income		3,799,218	2,917,854
Fees and commission income	7	1,285,392	915,590
Fees and commission expenses	7	(457,543)	(344,338)
Net fee and commission income		827,849	571,252
Dividend income	8	15,942	15,654
Net trading income	9	300,741	293,937
Gains from financial investments	10	58,934	26,506
Impairment (charge) for credit losses	11	(192,960)	(320,181)
Administrative expenses	12	(1,616,972)	(1,376,361)
Other net operating income (Expense)	13	112,588	82,824
Profit before income tax		3,305,340	2,211,485
Income tax expense	14	(886,218)	(619,025)
Profit for the year		2,419,122	1,592,460
Earnings per share	15	1.74	1.16

- The accompanying notes from note 1 to 41 are an integral part of these financial statements.

Separate Statement of Comprehensive Income for the Year Ended 31 December 2022

(All amounts are in thousand Egyptian pounds)

	From 1/1/2022 To 31/12/2022	From 1/1/2021 To 31/12/2021
Net profit for the year	2,419,122	1,592,460
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	30,934	-
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	(103,107)	(40,956)
Expected credit loss for fair value of debt instruments measured at fair value through other comprehensive income	2,575	1,331
Unrealized gain on cash flow hedge	15,003	3,304
Exchange differences of financial instruments measured at fair value through other comprehensive income	(21,453)	(53)
	(76,048)	(36,374)
Total other comprehensive income items for the year	2,343,074	1,556,086

• The accompanying notes from note 1 to 41 are an integral part of these financial statements.

Separate Statement of Changes in Owners' Equity for The year Ended 31 December 2022

(All amounts are in thousand Egyptian pounds)

31 December 2021
Balance at 1 January 2021

Dividends declared related to 2020

Transfer to Capital reserve

Transfer to Legal reserve

Transfer to Banking general risks reserve

Transfer to Banking Sector Support & Development Fund

Balances after profit distribution

Net change in other comprehensive income

Capital increase (free shares)

Net profit for the year

Balance as at 31 December 2021

	Paid in capital	Reserves	Retained earnings	Total
Balance at 1 January 2021	1,243,668	986,835	5,027,613	7,258,116
Dividends declared related to 2020	-	-	(131,631)	(131,631)
Transfer to Capital reserve	-	1,116	(1,116)	-
Transfer to Legal reserve	-	47,533	(47,533)	-
Transfer to Banking general risks reserve	-	535	(535)	-
Transfer to Banking Sector Support & Development Fund	-	-	(13,638)	(13,638)
Balances after profit distribution	1,243,668	1,036,019	4,833,160	7,112,847
Net change in other comprehensive income	-	(36,374)	-	(36,374)
Capital increase (free shares)	3,756,332	(128,397)	(3,627,935)	-
Net profit for the year	-	-	1,592,460	1,592,460
Balance as at 31 December 2021	5,000,000	871,248	2,797,685	8,668,933

31 December 2022
Balance at 1 January 2022

Dividends declared related to 2021

Transfer to Capital reserve

Transfer to Legal reserve

Transfer to Banking general risks reserve

Transfer to Banking Sector Support & Development Fund

Balances after profit distribution

Net change in other comprehensive income

Re-Classification Mutual Fund to OCI

Net profit for the year

Balance as at 31 December 2022

	Paid in capital	Reserves	Retained earnings	Total
Balance at 1 January 2022	5,000,000	871,248	2,797,685	8,668,933
Dividends declared related to 2021	-	-	(1,071,583)	(1,071,583)
Transfer to Capital reserve	-	48,914	(48,914)	-
Transfer to Legal reserve	-	77,177	(77,177)	-
Transfer to Banking general risks reserve	-	535	(535)	-
Transfer to Banking Sector Support & Development Fund	-	-	(15,430)	(15,430)
Balances after profit distribution	5,000,000	997,874	1,584,046	7,581,920
Net change in other comprehensive income	-	(76,048)	-	(76,048)
Re-Classification Mutual Fund to OCI	-	79,301	(79,301)	-
Net profit for the year	-	-	2,419,122	2,419,122
Balance as at 31 December 2022	5,000,000	1,001,127	3,923,867	9,924,994

*The accompanying notes from note 1 to 41 are an integral part of these financial statements.

Separate Statement of Cash Flows for The year Ended 31 December 2022

(All amounts are in thousand Egyptian pounds)

	Notes	For the year ended	
		31 December 2022	31 December 2021
<u>Cash flows from operating activities</u>			
Net profit before income tax		3,305,340	2,211,485
Adjustments to reconcile net profit to cash flow from operating activities:			
Depreciation and amortization		146,187	136,123
Impairment charge for credit losses	11	192,960	320,181
Other provision (release) / charge	31	(39,568)	12,909
Used provision - other than loans provision	31	(7,749)	(1,729)
Amortization of discount/premium on investments through OCI	21	(718,331)	(599,511)
Foreign currencies revaluation of provisions rather than LLP		83,986	(847)
Foreign currencies revaluation of investments rather than through P&L	21	(747,360)	3,119
Revaluation of investments at fair value through profit / Loss	21	670	(16,218)
(Profit) on sale of fixed assets		(2,998)	(48,914)
Foreign currencies revaluation of other loans		270,801	(462)
Operating profit before changes in operating assets & liabilities		2,483,938	2,016,136
<u>Net decrease (increase) in assets and liabilities</u>			
Due from Central Bank of Egypt		(54,608)	44,230
Due from banks		(853,117)	(57,207)
Loans and advances		(4,440,216)	(4,195,526)
Derivative financial instruments (net)		2,400	(5,333)
Other assets		(372,987)	(61,345)
Due to banks		455,137	(37,795)
Customers' deposits		12,276,678	6,962,141
Other liabilities		244,508	75,384
Pension fund liabilities		27,078	(1,094)
Income taxes paid		(539,627)	(557,083)
Net cash flow generated from operating activities		9,229,184	4,182,508
<u>Cash flows from investing activities</u>			
Purchase of assets & branches leasehold improvements		(135,026)	(129,511)
Proceeds from sale of fixed assets & Intangible assets		3,121	101,299
Proceeds from sale and redemption of financial investments		201,182,255	229,864,034
Purchases of securities other than trading other investments		(199,846,867)	(230,618,701)
Net cash flow generated from /(used in) investing activities		1,203,483	(782,879)
<u>Cash flows from financing activities</u>			
Dividends paid		(1,071,583)	(131,631)
Net cash (used in) financing activities		(1,071,583)	(131,631)

Net change in cash and cash equivalents during the year		9,361,084	3,267,998
Cash and cash equivalents at beginning of the year		11,420,372	8,152,374
Cash and cash equivalents at the end of the year		20,781,456	11,420,372
<u>Cash and cash equivalents are represented in :</u>			
Cash and due from Central Bank of Egypt	16	5,236,268	5,148,214
Due from banks	17	20,771,634	10,250,377
Treasury bills	21	7,013,781	7,449,296
Balances with Central Bank of Egypt (Reserve ratio)		(3,425,024)	(3,370,416)
Deposits with banks (Maturity more than three months)		(1,923,503)	(1,070,386)
Treasury bills (Maturity more than three months)		(6,891,700)	(6,986,713)
Cash and cash equivalents at the end of the year	36	20,781,456	11,420,372

•The accompanying notes from note 1 to 41 are an integral part of these financial statements.

Proposed Appropriation for the year ended 31 December 2022

	<u>31 December 2022</u>	<u>31 December 2021</u>
Net profit for the year	2,419,122	1,592,460
<u>Deduct:</u> Banking general risks reserve	(5,235)	(535)
<u>Deduct:</u> Profit on sale fixed assets	(2,998)	(48,914)
Distributable Income	2,410,889	1,543,011
Retained earnings at beginning of the year	1,504,745	4,833,160
<u>Deduct:</u>		
Capital increase from Retained earnings	-	(3,627,935)
Total	<u>3,915,634</u>	<u>2,748,236</u>
<u>Appropriated as follows:</u>		
Legal reserve	120,806	77,177
Shareholders' profit distribution	1,937,500	1,237,500
Employees' profit share	241,612	146,583
Banking Sector Support & Development Fund *	24,161	15,430
Retained earnings at end of the year	1,591,555	1,271,546
Total	<u>3,915,634</u>	<u>2,748,236</u>

* According to Article 178 of the Central Bank and Banking Sector's Law No. 194 for year 2020, to deduct an amount not exceeding 1% of the distributable year's net profits for the benefit of the Support and Development the Banking Sector

General Information

Credit Agricole - Egypt Bank (S.A.E.) provides corporate banking, retail, and investment banking services in the Arab Republic of Egypt and foreign countries through its head office at 5th Settlement and 84 branches that employs over 2515 people at the balance sheet date.

The bank is an Egyptian Joint Stock Company incorporated in accordance with law 159 of 1981 in the Arab Republic of Egypt. The head office of the bank is at the Touristic Area, land piece (9/10/11/12/13)A - 5th Settlement, Cairo Governance, Egypt. The bank is listed in Cairo Stock Exchanges.

This financial statements approved for issuance by the board of directors on February 09, 2023.

1. Summary of significant accounting policies

Significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

- **Basis of preparation**

These separate financial statements have been prepared in accordance with the instructions issued by the Central Bank of Egypt on 16 December 2008 as amended by the regulation issued on February 26, 2019 and in light of the prevailing Egyptian laws, the following summarize the main accounting policies changes resulted from applying the required instructions

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

The separate financial statements of the Bank should be read with its consolidated financial statements, for the year ended on December 31, 2022 to get complete information on the Bank's financial position, income statements, cash flows and change in shareholders equity.

- **Accounting policies:**

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

Classification of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

Business model assessment

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

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

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

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

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

Impairment of financial assets

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

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

According to IFRS 9; impairment loss will be recognized in a wide range from applying impairment loss according to Central Bank of Egypt (CBE) instructions dated December 16, 2008.

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

Stage 1: 12 months Expected Credit Loss:

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

Stage 2: Lifetime Expected Credit Loss - not credit impaired:

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

Stage 3: Lifetime Expected Credit Loss - credit impaired

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

- **Subsidiaries and associates**

- **Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Bank has owned directly or indirectly the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity.

- **Segment reporting**

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

- **Foreign currency translation**

- **Functional and presentation currency**

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

- **Transactions and balances**

The Bank maintains its accounts in Egyptian Pound. Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities balances in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the following items: -

- Net trading income from held for trading assets and liabilities.
- Owners equity for financial derivatives designated as a hedging instruments qualified for cash flow hedge or net investments hedge.
- Other operating income (expenses) for other items.

Changes in the fair value of investments in debt financial instruments, which represent monetary financial instruments, denominated in foreign currencies and classified as fair value through other comprehensive income debt instruments are split into valuation differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument. The changes in the amortized cost are recognized and reported in the income statement in 'interest from loans and similar income whereas differences resulting from changes in foreign exchange rates are recognized and reported in 'other operating revenues (expenses)'. The remaining differences resulting from changes in fair value are recognized in equity and accumulated in the 'fair value reserve of investments classified at fair value through other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

- **The Bank classifies its financial assets into the following categories:**

- Financial investments classified at fair value through profits or loss (FVTPL)
- Financial investments classified at amortized cost
- Financial investments classified at fair value through other comprehensive income (FVTOCI)
- Classification depends mainly on the business model of the financial asset categorized operated and contractual cash flows and is determined by management at the time of initial recognition.

- **Financial investments classified at fair value through profit or loss**

- Financial investments classified under this category according to the business model applied, other than those classified at amortized cost and financial assets classified at fair value through other comprehensive income, it is measured at fair value since inception.
- Any subsequent changes in fair value for this financial asset is recorded in profit & loss statement.

-Interest income from those financial assets recorded in profit & loss statement under net trading income item.

-Those financial investments don't subject to expected credit loss assessment.

-Financial assets are classified at fair value through profit & loss according to the business model according to the following: -

-Purpose of the business model neither held to collect contractual cash flows nor held to collect contractual cash flows and to sell financial Investments

-Collecting contractual cash flows is not an ordinary scenario for this business model.

-Financial assets are classified at fair value through profit & loss according to the following conditions: -

-Registered in stock exchange market (Local or foreign)

-To be actively traded in previous three months from the date of acquisition.

-Financial investments classified at fair value through profit & loss will be reclassified only if business model changed in rarely circumstances.

• **Financial investments classified at amortized cost**

-Financial investments classified under this category according to the business model applied, do not require to be measured at fair value accordingly it is recorded by its amortized cost on the acquisition date.

-Any subsequent changes in amortized cost for this financial investment's income is recorded in profit & loss statement under interest and similar income

-Interest income from those financial assets recorded in profit & loss statement under interest from loans and similar item.

-Those financial investments are subject to expected credit loss assessment.

-Financial assets are classified at amortized cost according to the business model according to the following: -

-The business model objective is to maintain the financial investment to collect contractual cash flows representing the original investment amount in addition to interest accordingly equity instruments is not applicable to be classified under this category.

-Selling those financial investments is exceptional event according to business model terms & conditions represented by deterioration in the credit risk issuer of the financial investments or there are substantial changes result from selling in the future cash flows of the financial investments or sell to manage credit concentration risk.

-Financial investments classified as at amortized cost will be reclassified only if business model changed in rarely non – repated circumstances.

• **Financial investments classified at fair value through other comprehensive income**

-Financial investments classified under this category according to the business model applied measured at fair value on the acquisition date.

-Any subsequent changes in fair value for this financial asset is recorded in other comprehensive income statement.

-Interest income from those financial assets recorded in profit & loss statement under interest from loans and similar item, dividends received from equity instruments under this business model recorded in separate item in profit and loss statement.

-The Debit instruments are subject to expected credit loss assessment only if there is a decline in its fair value comparing with its book value, so the impairment is recorded in profit and loss statement, also other changes in fair value is recorded in other comprehensive income statement under items change in fair value. Otherwise, equity instruments under this business model doesn't subject to expected credit loss assessment.

- In case of Disposal or de-recognition of debt instruments classified under this business model, the fair value difference recorded on other comprehensive income statement to be transferred to income statement, on the other hand for equity instruments classified under this business model, the fair value difference recorded on other comprehensive income statement transferred Should not be transferred to income statement but to retained earnings in owners' equity.

-Financial instruments are classified at fair value through other comprehensive income due to its business model according to the following: -

-The business model objective is to collect contractual cash flows and sale

-Selling from these financial instruments classified under this business model is higher from (amount & frequent) in comparison with business model of financial instruments held for collecting contractual cash flows (amortized cost).

-Financial assets classified at fair value through other comprehensive income will be reclassified only if business model changed in rarely circumstances.

• **Offsetting financial instruments**

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

Treasury bills sold subject to repurchase agreements ('repos') presented in the balance sheet and purchased under agreements to resell ('reverse repos') among the balance sheet items.

• **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 remeasured at their fair value. Fair values are obtained from quoted market prices in active markets (or including recent market transactions, and valuation techniques for example including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a purchased convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried 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 into net trading income unless the bank chooses to designate the hybrid contracts at fair value through profit or loss.

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 instruments, 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 bank 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

- **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.

- **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.

- **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".

- **Recognition of deferred day one profit and loss**

The best evidence of fair value at initial recognition is the transaction price (the fair value of the consideration given or received), unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instruments or based on valuation technique. When the bank has entered into transactions that come due after the lapse of a long period of time, fair value is determined using valuation models whose inputs do not necessarily come from quoted prices or market rates. These financial instruments are initially recognized at the transaction price, which represents the best index to fair value, despite the value obtained from a valuation model may be different. The difference between the transaction price and the model value is not immediately recognized, commonly referred to as "day one gains or losses". It is included in other assets in case of loss, and other liabilities in case of gain.

- **Interest income and expense**

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognized within 'interest income' and 'interest expense' in the income statement using the effective interest method.

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

Once a financial asset or a group of similar financial assets has been classified as nonperforming or impaired, related interest income is not recognized and is recorded in marginal records apart from the financial statements, and is recognized as revenues according to cash basis as follows:

- When they are collected, after receiving all past due installments for consumption loans, mortgage loans, and small business loans.
- For corporate loans, cash basis is also applied, where the return subsequently calculated is raised in accordance with the loan rescheduling contract, until 25% of the rescheduling installments are repaid, with a minimum of one year of regular repayment scheme. In case the counterparty persists to regularly pay, the return calculated on the loan outstanding is recognized in interest income. (interest on rescheduling without deficits) without interests aside before rescheduling which is avoiding revenues except after paying all the loan balance in the balance sheet before rescheduling.

- **Fee and commission income**

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized as revenue when the syndication has been completed and the bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Portfolio and other

management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognized rateably over the year in which the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

- **Dividend income**

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

- **Purchase and sale agreements and sale and repurchase agreements**

Securities sold subject to repurchase agreements are presented in Due to Banks the balance sheet. Securities purchased under agreements to resell are presented added to Due from Banks in the balance sheet, and presented on net basis, the difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

- **Impairment of financial assets**

- **Expected credit loss measurement**

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

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

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

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

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

- **Significant increase in credit risk**

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

Quantitative factors

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

Qualitative factors

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.

For Non-retail segment, delinquency based criteria are used for SICR (30DPD for Stage 2 and 90DPD for Stage 3). Additionally, the bank uses a mix of individual and collective assessment criteria using forward looking information for SICR.

For Retail segment, it staging rules are based on qualitative information and quantitative information classifying them into main staging rules and overlay rules

Unpayments

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

Transfer between 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.

• **Intangible Assets**

○ **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the bank's share of the net identifiable assets of acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment where goodwill is amortized by a 20% or with the impairment recognized whichever is greater. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

○ **Computer programs:**

Computers' software related development and maintenance expenses are recognized in the income statement when incurred Intangible asset is recognized for specific direct costs of computer programs under the bank's control and where a probable economic benefit is expected to be generated for more than one year. Direct costs include program development staff costs, and appropriate allocation of the overhead costs.

Development costs are recognized as computer program in which lead to an increase or expansion in the performance of computer programs.

These costs are amortized on the basis of the expected useful lives, up to ten years.

• **Property, plant and equipment**

Land and building comprise mainly head office, branches and offices. All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed asset items.

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

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

○ Buildings	20:30 years
○ Fixtures	5 years
○ Furniture	10 years
○ Machinery and equipment	8 years
○ Vehicles	5 years
○ Computers	5:10 years
○ Others	Up to 10 years

• **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortization-except goodwill- and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

• **Lease**

Finance lease are accounted for according to Law No. 95 of 1995 if the contract gives the right to the lessee to purchase the assets on a specified date and with specified amount where the contract's period represents at least 75% of the expected useful life of the asset or the present value of total lease payments represents at least 90% of the asset's value. Other lease contracts are considered operating leases.

○ **The Bank as a lessee**

For finance lease contracts, lease expenses including leased asset maintenance when incurred. If the Bank decides to use the purchase option, cost of the option is capitalized and depreciated over the remaining useful life of the asset using methods applied for similar assets.

Lease payments less any discounts under operating lease are charged as an expense in the income statement on a straight-line basis over the year of the lease.

○ **The Bank as a Lease lord**

Rent for leased assets operating rent appear under fixed assets in the budget and destroy over the useful life of the asset's expected by the same method applied to similar assets, and rental income minus any discounts granted to the lessee by the straight-line method over the year of the contract.

● **Cash and cash equivalents**

For the purpose of the cash flows statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances due from Central Banks other than for mandatory reserve, current accounts with banks, and treasury bills and other governmental securities.

● **Other provisions**

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Reversals of provisions no longer required are presented in other operating income and (expense).

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. If the settlement is within one year or less, provisions will be measured by the contractual value if there is no material variance otherwise, it will be measured at present value.

● **Financial guarantees**

A financial guarantee contract is a contract issued by the bank as security for loans or overdrafts due from its clients to other entities that requires the bank 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:

- 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
- 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, shall be recognized within other operating income (expenses) in the income statement.

- **Employee benefits**

- **Other Post-Services' Bank Benefits Healthcare**

The bank provides healthcare benefits for pensioners after service ends. The healthcare commitment is considered as a specific subscription scheme. The recognized liability in the balance sheet regarding the pensioner's healthcare system is measured at the present value of the determined liabilities on balance sheet's date after deducting the fair value of the related assets and subtracting (adding) unrealized actuarial reconciliations of profits (losses) as well as the cost of the additional benefits regarding prior service terms.

An independent actuary who applies the Projected Unit Credit Method calculates the liability of the annually determined benefits system (future cash flows expected to be paid). The present value of the determined benefits system liability is measured through deducting these expected future cash flows to be paid by applying the rate of return of high quality corporate bonds or the rate of return of government bonds in the same currency to be used in payment of benefits and which have almost the same maturity period as the pension benefit liabilities regarding these benefits.

Defined Contribution Plans: They are retirement plans in which the Bank pays certain contributions to Social Insurance Authority, and the Bank shall not be subject to any legal or constructive obligation to contribute further amounts.

The contributions are recognized as employee-benefit expenses when they are due. The prepaid contributions are recognized as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

- **Social Insurance**

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

- **Employee profit share**

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

- **Income tax**

The income tax on the Bank's profits or losses includes both current tax, and deferred tax. Income tax is recognized in the income statement, except when it relates to items directly recognized into equity, in which case the tax is also recognized directly in equity. Income tax is calculated on the taxable profits using the prevailing tax rates as of balance sheet date in addition to tax adjustments for previous years.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined based on the method used to realize or settle the current values of these assets and liabilities, using the tax rates prevailing as of the balance sheet date.

Deferred tax assets are recognized when it is probable that the future taxable profit will be available against which the temporary difference can be utilized. Deferred tax assets are 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. Reversal is subsequently permitted when there is a probable from its economic benefit limited to the extent reduced.

- **Borrowings**

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

Preferred shares that carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholders are classified as liability and are presented in Other loans.

The dividends on these preference shares are recognized in the income statement as interest expenses in an amortized cost basis using the effective interest method.

- **Share capital**

- **Share issuance costs**

- Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

- **Dividends**

- Dividends are recognized in equity in the year in which they are approved by the Bank's general assembly. These dividends include the employee share and board of director's bonus as stipulated by the article of incorporation and law.

- **Treasury stocks**

- In case the Bank buy capital stock, the purchase amount is deducted from the total cost of ownership rights as represented by Treasury shares to be cancelled, and in case of sale of those shares or reissued later in all collections are added to property rights.

- **Custody activities**

The Bank acts as custodian and in capacities this results in holding or managing of assets on behalf of individuals, trusts, and retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

- **Comparative figures**

Whenever necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2. **Financial Risk management**

The bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the bank's financial performance.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes foreign currency risk, interest rate and other price risk.

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

Risk management is carried out by a risk department under policies approved by the Board of Directors. Financial risks in close co-operation with the Group are operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

Risk management governance and risk principles

Bank's risk management governance is based on:

- Strong managerial involvement, throughout the entire organization, starting from the Board of Directors down to operational field management teams.
- A tight framework of internal procedures and guidelines.
- 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.

A. Credit risk

The bank is exposed to credit risk, which is the risk of suffering financial loss, should any of the bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the bank. Credit risk is the most important risk for the bank's business. Management therefore carefully manages its exposure to credit risk. Credit risk arises mainly from lending activities which resulted in loans, facilities and investment activities which result in including the financial assets in bank's assets. Credit risk is available in the off-balance sheet financial assets such lending commitment. The credit risk management and control are centralized in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

A.1 Credit risk measurement

- Loans and advances to banks and customers

In measuring credit risk of loans and advances to banks and customers, the bank reflects three components:

- ✓ Probability of default - by the client or counterparty on its contractual obligations.
- ✓ (Current exposures to the counterparty and its likely future developments, from which the bank derive the exposure at default.
- ✓ Loss given default

Daily management bank activities involve these measurements of credit risk which reflect the expected loss (The expected loss model) and are required by the Basel committee on banking supervision. The Operational measurements can be contrasted with impairment allowances required under Egyptian Accounting Standard 26 which are based on losses that have been incurred at of the balance sheet date (the incurred loss model) rather than expected losses (Note 3/A).

The bank assesses the probability of default of individual customers using internal rating tools tailored to the various categories of the counterparty. They have been developed internally and combine statistical analysis with credit officer judgment. Clients of the bank are segmented into four rating classes. The rating scale which is as shown below reflects the range of default probabilities- defined for each rating class. This means that in principal, exposures might migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The bank regularly validate the performance of the rating and their predictive power with regard to default cases.

CBE Description	CBE Rating	Internal Rating	Provision Percentage
Good loans	1	A+	0%
Good loans	2	A	1%
Good loans	2	B+	1%
Good loans	2	B	1%
Good loans	2	B-	1%
Good loans	3	C+	1%
Good loans	3	C	1%
Good loans	3	C-	1%
Good loans	4	D+	2%
Good loans	5	D	2%
Good loans	5	D-	2%
Standard monitoring	6	E+	3%
Standard monitoring	6	E	5%
Special monitoring	7	PE-	20%
non-performing	8	NPE-	DCF
non-performing	9	F	DCF
non-performing	10	Z	DCF

The above ratings are reviewed and approved by the Central Bank of Egypt. Impairment for non-performing loans determined using the discount expected cash flow from each client.

Exposure at default is based on the amounts the bank expects to be outstanding at the time of default. For example, for a loan this is the face value. For a commitment, the bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

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

- Debt securities and other bills

For debt securities, and other bills external rating such as (Standard & Poor's) rating or their equivalents are used by the bank for managing of the credit risk exposures. In case such ratings are unavailable, internal rating methods are used that are similar to those used for credit customers. The investment in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

A.2 Risk limit control and mitigation policies

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

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

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

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

Some other specific control and mitigation measures are outlined below:

❖ **Collateral**

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

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory.
- Charges over financial instruments such as debt securities and equities.

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

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-Backed Securities and similar instruments, which are secured by portfolios of financial instruments.

❖ **Derivatives**

The bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counterparties

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

❖ **Master netting arrangements**

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

❖ **Credit related Commitments**

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

A.3 Impairment and provisioning policies (Measurement of expected credit losses)

The Bank'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) Tools 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 Bank is based 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:

Bank's Rating	31 December 2022		31 December 2021	
	Loans and facilities %	Loan loss provision %	Loans and facilities %	Loan loss provision %
1- Good loans	65.7%	26.9%	57.0%	20.0%
2- Standard monitoring	30.2%	18.1%	38.4%	29.6%
3- Special monitoring	1.3%	2.5%	1.3%	4.6%
4- Nonperforming loans	2.8%	52.5%	3.3%	45.8%
	100.0%	100.0%	100.0%	100.0%

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

- Significant financial difficulties facing the counterparty;
- Breach of loan covenants as in case of default;
- Expecting the bankruptcy of the counterparty, liquidation, lawsuit, or finance rescheduling;
- Deterioration of the borrower's competitive position;
- Offering exceptions or surrenders due to economic and legal reasons related to financial difficulties encountered by the counterparty not provided by the bank in ordinary conditions;
- Deterioration in the value of collateral; and
- Downgrading below good loans grade.

The bank policies require the review of individual financial assets that are above materiality threshold at least annually, or more regularly when individual circumstances require. Impairment allowance on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on case-by –case basis. And are applied to all individually significant accounts. The assessment normally encompasses collateral hold including re- confirmation of its enforceability and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for portfolios of homogenous assets using the available historical experience, experience judgment and statistical techniques

A.4 General Bank Risk Measurement Model

In addition to the four credit rating levels, management classifies categories that are more detailed so as to agree with the requirements of the Central Bank of Egypt (CBE). Assets subject to credit risk are classified in these categories in accordance with regulations and detailed conditions that largely depend on information related to the client, his/her activity, financial position, and regularity of repayment.

The bank calculates the required provisions for the impairment of the assets subject to credit risk, including commitments related to credit, on the basis of ratios specified by the Central Bank of Egypt. In case the impairment loss provision required by the Central Bank of Egypt exceeds that required for the purpose of financial statement preparation in accordance with the Egyptian accounting standards, retained earnings is decreased to support the General Bank risk reserve with

The amount of the increase. This reserve is periodically revised by increase and decrease to reflect the amount of increase between the two provisions. This reserve is not subject to distribution. Note number (34/A) shows the movement in the Bank Risk Reserve during the financial year.

Following is a table of the worthiness levels for institutions in accordance with the internal assessment bases compared to the Central Bank of Egypt assessment bases and the provision ratios required for the impairment of the assets exposed to credit risk.

CBE Rating Categorization	Rating Description	Provision %	CAE rating	CAE Description
1	Low Risk	0%	1	Good
2	Average Risk	1%	1	Good
3	Satisfactory Risk	1%	1	Good
4	Reasonable Risk	2%	1	Good
5	Acceptable Risk	2%	1	Good
6	Marginally Acceptable Risk	5:3%	2	Standard monitoring
7	Watch List	20%	3	Special monitoring
8	Substandard	20%	4	non-performing
9	Doubtful	50%	4	non-performing
10	Bad Debt	100%	4	non-performing

A.5 Credit risk exposure before guarantees

(All amounts are in thousand Egyptian pounds)

	<u>31 December</u> <u>2022</u>	<u>31 December</u> <u>2021</u>
Credit risk exposures relating to on-balance sheet items :		
Cash and balances with central bank	3,425,024	3,370,416
Due from Banks	20,771,634	10,250,377
Loans to banks	689,042	428,266
<u>Loans to customers</u>		
Loans to Individuals:		
- Overdrafts	124,051	60,101
- Credit cards	1,172,542	1,068,636
- Personal Loans	8,116,570	8,231,688
- Real Estate Loans	486,036	233,565
<u>Loans To corporate entities:</u>		
- Overdrafts	7,257,583	7,191,797
- Direct Loans	15,540,329	11,927,522
- Syndicated loans	1,598,834	1,714,342
- Other Loans	107,173	75,513
Derivative financial instruments	55,294	16,441
<u>Investment securities</u>		
- Fair value through other comprehensive income	13,095,005	13,423,327
Other Assets	690,426	491,724
Total	<u>73,129,543</u>	<u>58,483,715</u>

	<u>31 December</u> <u>2022</u>	<u>31 December</u> <u>2021</u>
Credit risk exposures relating to off-balance sheet items:		
Customer Liabilities Under Acceptance	2,512,516	2,056,924
Commitments (Loans and liabilities – irrevocable)	2,811,864	2,709,462
Letter of credit	1,471,500	2,835,839
Letters of guarantee	14,237,198	10,674,898
Total	<u>21,033,078</u>	<u>18,277,123</u>

The above table represents a worse-case scenario of credit risk exposure to the bank at 31 December 2022 and 31 December 2021, without taking into account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts presented on the Balance Sheet.

As shown above, 47% of the total maximum exposure is derived from loans and facilities to customers versus 52% in the end of comparative year, where investments in debt securities represent 18% versus 23% in the end of comparative year.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loan and advances portfolio and debt securities based on the following:

- 96 % of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2021: 95%);
- 92 % of the loans and advances portfolio are considered to be neither past due nor impaired (2021: 92%);

- Loans and advances individually assessed amount 990,223 thousands Egyptian pounds. (2021: 1,014,707 thousands Egyptian pounds).

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

Due from banks

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Credit rating	Months-12	Life time	Life time	
Good debts	17,996,338	1,923,502	-	19,919,840
Normal watch-list	851,794	-	-	851,794
Special watch-list	-	-	-	-
Non-performing loan	-	-	-	-
Allowance for impairment losses	-	(7,703)	-	(7,703)
Net	18,848,132	1,915,799	-	20,763,931

31 December 2021	Stage 1	Stage 2	Stage 3	Total
Credit rating	Months-12	Life time	Life time	
Good debts	8,842,452	1,384,720	-	10,227,172
Normal watch-list	23,205	-	-	23,205
Special watch-list	-	-	-	-
Non-performing loan	-	-	-	-
Allowance for impairment losses	(34)	(3,647)	-	(3,681)
Net	8,865,623	1,381,073	-	10,246,696

Retail loans

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Credit rating	Months-12	Life time	Life time	
Good debts	123,528	-	-	123,528
Normal watch-list	8,977,325	199,372	-	9,176,697
Special watch-list	-	385,876	-	385,876
Non-performing loan	-	-	213,098	213,098
Allowance for impairment losses	(59,816)	(46,041)	(131,038)	(236,895)
Net	9,041,037	539,207	82,060	9,662,304

31 December 2021	Stage 1	Stage 2	Stage 3	Total
Credit rating	Months-12	Life time	Life time	
Good debts	59,690	-	-	59,690
Normal watch-list	8,670,249	224,185	-	8,894,434
Special watch-list	-	319,479	-	319,479
Non-performing loan	-	-	320,387	320,387
Allowance for impairment losses	(52,727)	(59,098)	(133,777)	(245,602)
Net	8,677,212	484,566	186,610	9,348,388

Corporate loans

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Credit rating	Months-12	Life time	Life time	
Good debts	17,918,046	4,312,152	-	22,230,198
Normal watch-list	309,059	1,109,945	-	1,419,004
Special watch-list	-	77,592	-	77,592
Non-performing loan	-	-	777,125	777,125
Allowance for impairment losses	(213,014)	(386,262)	(648,904)	(1,248,180)
Net	18,014,091	5,113,427	128,221	23,255,739

31 December 2021	Stage 1	Stage 2	Stage 3	Total
Credit rating	Months-12	Life time	Life time	
Good debts	16,631,746	514,542	-	17,146,288
Normal watch-list	935,961	2,063,031	-	2,998,992
Special watch-list	441	69,133	-	69,574
Non-performing loan	-	-	694,320	694,320
Allowance for impairment losses	(309,184)	(399,881)	(560,599)	(1,269,664)
Net	17,258,964	2,246,825	133,721	19,639,510

Debt instruments at fair value through other comprehensive income

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Credit rating	Months-12	Life time	Life time	
Good debts	-	-	-	-
Normal watch-list	10,024,110	3,070,895	-	13,095,005
Special watch-list	-	-	-	-
Non-performing loan	-	-	-	-
Allowance for impairment losses	-	(73,110)	-	(73,110)
Total - fair value	10,024,110	2,997,785	-	13,021,895

31 December 2021	Stage 1	Stage 2	Stage 3	Total
Credit rating	Months-12	Life time	Life time	
Good debts	-	-	-	-
Normal watch-list	5,814,317	2,119,434	-	7,933,751
Special watch-list	-	-	-	-
Non-performing loan	-	-	-	-
Allowance for impairment losses	-	(42,951)	-	(42,951)
Total - fair value	5,814,317	2,076,483	-	7,890,800

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

Due from banks

31 December 2022	Stage 1	Stage 2	Stage 3	Total
	Months 12	Life time	Life time	
Balance at the beginning of the year	34	3,647	-	3,681
New financial assets purchased or issued	43	4,955	-	4,998
Financial assets have been matured or derecognised	(80)	(3,647)	-	(3,727)
Foreign exchange translation differences	3	2,748	-	2,751
Balance at the year end	-	7,703	-	7,703

31 December 2021	Stage 1	Stage 2	Stage 3	Total
	Months 12	Life time	Life time	
Balance at the beginning of the year	40	3,294	-	3,334
New financial assets purchased or issued	34	3,651	-	3,685
Financial assets have been matured or derecognised	(40)	(3,294)	-	(3,334)
Foreign exchange translation differences	-	(4)	-	(4)
Balance at the year end	34	3,647	-	3,681

Retail loans

31 December 2022	Stage 1	Stage 2	Stage 3	Total
	Months 12	Life time	Life time	
Balance at the beginning of the year	52,727	59,098	133,777	245,602
Transfer to Stage 1	28,431	(28,401)	(30)	-
Transfer to Stage 2	(34,218)	45,024	(10,806)	-
Transfer to Stage 3	(3,085)	(63,391)	66,476	-
Changes in PDs/LGDs/EADs	1,951	36,681	85,406	124,038
New financial assets purchased or issued	23,106	386	604	24,096
Financial assets have been matured or derecognised	(9,096)	(3,356)	(20,887)	(33,339)
Collections of loans previously written-off	-	-	91,524	91,524
Loans written-off during the year	-	-	(215,026)	(215,026)
Balance at the year end	59,816	46,041	131,038	236,895

31 December 2021	Stage 1	Stage 2	Stage 3	Total
	Months 12	Life time	Life time	
Balance at the beginning of the year	60,470	58,324	80,958	199,752
Transfer to Stage 1	23,293	(23,293)	-	-
Transfer to Stage 2	(40,971)	42,061	(1,090)	-
Transfer to Stage 3	(1,574)	(96,562)	98,136	-
Changes in PDs/LGDs/EADs	3,108	83,506	112,049	198,663
New financial assets purchased or issued	18,468	13	-	18,481
Financial assets have been matured or derecognised	(10,067)	(4,951)	(5,103)	(20,121)
Collections of loans previously written-off	-	-	73,540	73,540
Loans written-off during the year	-	-	(224,713)	(224,713)
Balance at the year end	52,727	59,098	133,777	245,602

Corporate loans

31 December 2022	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the beginning of the year	309,184	399,881	560,599	1,269,664
Transfer to Stage 1	142,212	(142,212)	-	-
Transfer to Stage 2	(262,257)	262,257	-	-
Transfer to Stage 3	-	(197,451)	197,451	-
Changes in PDs/LGDs/EADs	(464,981)	(516,351)	58,006	(923,326)
New financial assets purchased or issued	482,568	566,344	-	1,048,912
Financial assets have been matured or derecognized	(28,960)	(22,307)	-	(51,267)
Collections of loans previously written-off	-	-	632	632
Loans written-off during the year	-	-	(231,710)	(231,710)
Foreign exchange translation differences	35,248	36,101	63,926	135,275
Balance at the year end	213,014	386,262	648,904	1,248,180

31 December 2021	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the beginning of the year	278,273	348,000	521,620	1,147,893
Transfer to Stage 1	21,291	(21,291)	-	-
Transfer to Stage 2	(63,221)	63,221	-	-
Transfer to Stage 3	-	(38,967)	38,967	-
Changes in PDs/LGDs/EADs	(266,052)	(138,063)	64,788	(339,327)
New financial assets purchased or issued	355,109	420,242	-	775,351
Financial assets have been matured or derecognized	(15,431)	(233,080)	(66,037)	(314,548)
Collections of loans previously written-off	-	-	1,526	1,526
Loans written-off during the year	-	-	-	-
Foreign exchange translation differences	(785)	(181)	(265)	(1,231)
Balance at the year end	309,184	399,881	560,599	1,269,664

Debt instruments at fair value through other comprehensive income

31 December 2022	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the beginning of the year	-	42,951	-	42,951
Changes in PDs/LGDs/EADs	-	(3,172)	-	(3,172)
New financial assets purchased or issued	-	47,813	-	47,813
Financial assets have been matured or derecognized	-	(42,066)	-	(42,066)
Foreign exchange translation differences	-	27,584	-	27,584
Balance at the year end	-	73,110	-	73,110

31 December 2021	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the beginning of the year	-	41,652	-	41,652
Changes in PDs/LGDs/EADs	-	11,003	-	11,003
New financial assets purchased or issued	-	31,980	-	31,980
Financial assets have been matured or derecognized	-	(41,652)	-	(41,652)
Foreign exchange translation differences	-	(32)	-	(32)
Balance at the year end	-	42,951	-	42,951

A.6 Loans and Advances

Loans and advances balances in terms of the credit worthiness:

(All amounts are in thousand Egyptian pounds)

	31 December 2022	31 December 2021
Loans & Advances to customers		
Neither past due nor impaired	31,706,540	27,988,962
Past due but not impaired	1,706,355	1,499,495
Subject to impairment	990,223	1,014,707
Total	34,403,118	30,503,164
Less: Unearned Income	(6,136)	(738)
Less: Interest in suspense	(87,029)	(93,146)
Less: allowance for Impairment	(1,485,075)	(1,515,266)
Total	32,824,878	28,894,014

Total impairment loss for loans and advances has amounted to (189,114) thousands of which (178,706) thousand represents impairment on to non-performing loans, and the remaining (10,408) thousand represents Impairment release based on group basis of the credit portfolio. Note 19 provides additional information on the provision of impairment loss on loans and advances to banks and customers.

The bank portfolio of loans and advances increased by 13 % within the financial year. The bank concentrates on dealing with large institutions, banks, and individuals with strong financial credit solvency.

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the bank.

Loans that are backed by collateral are not considered impaired for the nonperforming category, taking into consideration the collectability of the collateral.

Loans and advances neither past due nor impaired

(All amounts are in thousand Egyptian pounds)

31 December 2022										
Grades	Overdrafts	<u>Retail</u>			Real Estate loans	Overdrafts	<u>Corporate entities</u>		other loans	Total
		Credit cards	Personal loans	Syndicated loans			Direct loans			
1.Good	123,528	-	-	-	6,290,026	880,892	14,381,295	106,123	21,781,864	
2.Standard monitoring	-	854,655	7,105,284	474,999	276,513	209,720	926,112	81	9,847,364	
3.Special monitoring	-	-	-	-	30,368	-	46,944	-	77,312	
Total	123,528	854,655	7,105,284	474,999	6,596,907	1,090,612	15,354,351	106,204	31,706,540	

31 December 2021										
Grades	Overdrafts	<u>Retail</u>			Real Estate loans	Overdrafts	<u>Corporate entities</u>		other loans	Total
		Credit cards	Personal loans	Syndicated loans			Direct loans			
1.Good	59,690	-	-	-	5,910,299	1,450,237	9,538,627	74,593	17,033,446	
2.Standard monitoring	-	772,767	7,135,568	232,849	897,362	121,941	1,768,433	497	10,929,417	
3.Special monitoring	-	-	-	-	1,197	-	24,902	-	26,099	
Total	59,690	772,767	7,135,568	232,849	6,808,858	1,572,178	11,331,962	75,090	27,988,962	

Loans and advances past due but not impaired

These are loans and advance that are past due for less than 90 days, but not impaired unless the bank is otherwise informed. Loans and advance past due but not impaired are as follows:

At initial recognition of the loans and advances, fair value of collateral is valued based on the same valuation methods used for similar assets. In subsequent periods, fair value is updated to reflect the market prices or the prices of similar assets.

31 December 2022

<u>Retail</u>	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal Loans</u>	<u>Real estate loans</u>	<u>Total</u>
Past due up to 30 days	-	188,862	543,735	9,162	741,759
Past due 30-60 days	-	49,321	193,373	1,487	244,181
Past due 60-90 days	-	27,832	113,716	147	141,695
Total	-	266,015	850,824	10,796	1,127,635

<u>Corporate entities</u>	<u>Overdrafts</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	<u>Total</u>
Past due up to 30 days	-	52,392	508,222	772	561,386
Past due 30-60 days	-	16,506	-	189	16,695
Past due over 60 days	-	631	-	8	639
Total	-	69,529	508,222	969	578,720

31 December 2021

<u>Retail</u>	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal Loans</u>	<u>Real estate loans</u>	<u>Total</u>
Past due up to 30 days	-	192,941	559,995	314	753,250
Past due 30-60 days	-	44,927	186,712	124	231,763
Past due 60-90 days	-	20,376	67,188	152	87,716
Total	-	258,244	813,895	590	1,072,729

<u>Corporate entities</u>	<u>Overdrafts</u>	<u>Direct loans</u>	<u>Syndicated loans</u>	<u>Other loans</u>	<u>Total</u>
Past due up to 30 days	-	48,380	130,211	322	178,913
Past due 30-60 days	-	10,996	-	70	11,066
Past due over 60 days	-	236,756	-	31	236,787
Total	-	296,132	130,211	423	426,766

Loans and advances individually impaired

-Loans and advances to customers

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is 990,223 thousand 1,014,707 thousand for 2021.

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

(All amounts are in thousand Egyptian pounds)

31 December 2022	<u>Retail</u>				<u>Corporate</u>				<u>Total</u>
	Overdraft	Credit cards	Personal Loans	Real estate loans	Overdrafts	Direct loans	Syndicated loans	Other loans	
Individually impaired loans	523	51,872	160,462	241	660,676	116,449	-	-	990,223
Fair value of collateral	-	2,779	18,521	-	33,028	-	-	-	54,328
31 December 2021									
	Overdraft	Credit cards	Personal Loans	Real estate loans	Overdrafts	Direct loans	Syndicated loans	Other loans	<u>Total</u>
Individually impaired loans	411	37,625	282,225	126	382,939	299,428	11,953	-	1,014,707
Fair value of collateral	-	1,122	124,764	-	8,557	-	-	-	134,443

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans – in particular, customer finance loan

(All amounts are in thousand Egyptian pounds)

	31 December 2022	31 December 2021
Corporate entities		
Overdrafts	762,208	-
Direct Loans	110,315	221,171
	872,524	221,171
Individuals		
Personal Loans	-	-
	-	-
Total	872,524	221,171

A.7 Debt securities and treasury bills

The table below presents an analysis of debt securities according to the rating agencies at year end based on Moody's assessment of the countries issuing the investments:

(All amounts are in thousand Egyptian pounds)

31 December 2022	<u>Treasury Bills</u>	<u>Investment at Fair value through other comprehensive income</u>	<u>Total</u>
B2	6,956,595	5,928,080	12,884,675
Total	6,956,595	5,928,080	12,884,675

A.8 Acquired collaterals

During the year, the bank obtained assets by taking possession of collateral held as security as follows:

Assets Nature	<u>31 December 2022</u>
<u>Lands</u>	64,500
Total	64,500

(All amounts are in thousand Egyptian pounds)

A.9 Concentration of risks of financial assets with credit risk exposure
❖ Geographical sectors

The following table breaks down the bank's credit exposure at their carrying amounts as categorised by geographical region. For this table, the bank has allocated exposures to regions based on the country of domicile of its clients.

(All amounts are in thousand Egyptian pounds)

31 December 2022	<i>Cairo</i>	<i>Alex., Delta & Sinai</i>	<i>Upper Egypt</i>	Arab Republic of Egypt	Other countries	Total
Balances with CBE	3,425,024	-	-	3,425,024	-	3,425,024
Due from banks	15,065,430	-	-	15,065,430	5,706,204	20,771,634
Loans to banks	-	-	-	-	689,042	689,042
Loans to customers :						
- Overdrafts	6,714,965	602,639	64,030	7,381,634	-	7,381,634
- Credit cards	1,172,542	-	-	1,172,542	-	1,172,542
- Personal Loans	5,011,282	2,298,404	806,884	8,116,570	-	8,116,570
- Real Estate Loans	404,066	53,232	28,738	486,036	-	486,036
- Term Loans	15,374,423	1,522,025	242,715	17,139,163	-	17,139,163
- Other Loans	103,159	4,014	-	107,173	-	107,173
Derivatives	33,901	-	-	33,901	21,393	55,294
Fair value through other comprehensive income - Debt instruments	13,095,005	-	-	13,095,005	-	13,095,005
Other financial assets	624,728	48,786	16,912	690,426	-	690,426
As at 31 December 2022	61,024,525	4,529,100	1,159,279	66,712,904	6,416,639	73,129,543
As at 31 December 2021	48,689,625	4,086,210	1,089,924	53,865,759	4,617,956	58,483,715

Industry sectors

The following table breaks down the bank's credit exposure at carrying categorized by the industry sectors of the Bank's clients.

(All amounts are in thousand Egyptian

pounds)

31 December 2022	Financial institutions	Manufacturing	Commercial	Governmental	Other industries	Individuals	Total
Balances with CBE	-	-	-	3,425,024	-	-	3,425,024
Due from banks	7,211,631	-	-	13,560,003	-	-	20,771,634
Loans to banks	689,042	-	-	-	-	-	689,042
Loans to customers:							
Individuals:							
- Overdrafts	-	-	-	-	-	124,051	124,051
- Credit cards	-	-	-	-	-	1,172,542	1,172,542
- Personal Loans	-	-	-	-	-	8,116,570	8,116,570
- Real Estate Loans	-	-	-	-	-	486,036	486,036
Corporate entities:							
- Overdrafts	123,296	2,037,407	2,853,414	253,708	1,989,758	-	7,257,583
- Direct Loans	628,657	6,635,329	6,628,585	182,068	1,465,690	-	15,540,329
- Syndicated Loans	-	-	633,384	915,450	50,000	-	1,598,834
- Other loans	52	24,077	75,084	-	7,960	-	107,173
Financial derivatives	21,396	4,796	29,102	-	-	-	55,294
Fair value through other comprehensive income	7,166,925	-	-	5,928,080	-	-	13,095,005
Other financial assets	110,072	66,600	53,266	323,505	8,805	128,178	690,426
31 December 2022	15,951,071	8,768,209	10,272,835	24,587,838	3,522,213	10,027,377	73,129,543
31 December 2021	7,458,831	8,185,745	7,605,956	22,842,985	2,667,812	9,722,386	58,483,715

B. Market risk

The bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products all of which to expect are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads foreign exchange rates and equity prices. The bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in bank treasury and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit regularly.

Trading portfolios include those positions arising from market-making transactions where the bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the bank's held-to-maturity and available-for-sale investments.

B.1 Market risk measurement techniques

As part of the management of market risk, the bank enters into interest rate swaps to match the interest rate risk associated with the fixed-rate long-term debt securities and loans to which the fair value option has been applied. The major measurement techniques used to measure and control market risk are outlined below.

Value at risk

The bank applies a 'value at risk' (VAR) methodology to its trading and non-trading portfolios and at a bank level to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions. For various changes in market conditions The Board sets limits on the value of risk that may be accepted for the bank, for trading and non-trading purposes separately and they are monitored in daily basis with the bank risk management department.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the bank might lose, but only to a certain level of confidence (99%). There is therefore a specified statistical probability (1%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (10 days). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 10-day periods in the past. The bank's assessment of past movements is based on data for last year. The bank applies these historical changes in rates, prices, indices, etc. directly to its current positions – a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements

As VAR constitutes an integral part of the Bank's market risk control regime, VAR limits are established by the Board annually for all trading portfolio operations and allocated to business units. Actual exposure against limits, together with a consolidated group-wide VAR, is reviewed daily by bank risk management department.

The quality of the VAR model is continuously monitored by back-testing the VAR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated, and all back-testing results are reported to the Board of Directors.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by bank treasury include: risk factor stress testing, where stress movements are applied to each risk category; emerging market stress testing, where emerging market portfolios are subject to stress movements; and adhoc stress testing, which includes applying possible stress events to specific positions or regions – for example, the stress outcome to a region following a currency peg break.

The results of the stress tests are reviewed by senior management in each business unit and by the Board of Directors. The stress testing is tailored to the business and typically uses scenario analysis.

B.2 Summary of value at risk

VAR for trading portfolio as per the risk type

(All amounts are in thousand Egyptian pounds)

	12-month till 31 December 2022			12-month till 31 December 2021		
	Average	High	Low	Average	High	Low
Foreign exchange risk	(7,723)	(13,477)	(3,357)	(1,179)	(3,841)	(567)
Interest rate risk	(13,593)	(21,533)	(7,013)	(4,823)	(16,729)	(993)
VAR	(14,976)	(21,352)	(10,517)	(5,559)	(17,378)	(617)

The increase in the VAR especially in interest rate risk is correlated with the sensitivity in international financial market interest rate.

The three above results are calculated independently of the intended positions and the historical market movements. The gross VAR of the trading and the non-trading does not represent the exposed value of the bank risk due to the correlation between the risk types, portfolio types and whatever the effect following it.

B.3 Foreign exchange risk

The bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by level of currency and in aggregate for both overnight and intra-day positions which are monitored daily. The table below summarises the bank's exposure to foreign currency exchange rate risk at.

Included in the table are the bank's financial instruments at carrying amounts, categorised by currency:

Foreign currency risk concentration on financial instruments

(All amounts are in thousand Egyptian pounds)

31 December 2022	EGP	USD	EUR	GBP	CHF	Other	Total in EGP
Assets							
Cash and balances with central banks	4,549,593	468,412	180,016	14,986	6,333	16,928	5,236,268
Due from banks	12,769,274	4,677,980	2,195,277	279,961	79,680	761,759	20,763,931
Loans to banks	-	689,042	-	-	-	-	689,042
Loans to customers	26,514,955	5,777,588	519,813	6,979	5,523	20	32,824,878
Financial derivatives	40,303	14,991	-	-	-	-	55,294
Investments Fair value through other comprehensive income	10,024,110	3,070,895	-	-	-	-	13,095,005
Investments Fair value through profit or loss	11,336	-	-	-	-	-	11,336
Other financial assets	624,822	64,587	987	25	5	-	690,426
Total financial assets	54,534,393	14,763,495	2,896,093	301,951	91,541	778,707	73,366,180
Financial liabilities							
tDue to banks	169,575	291,322	15	-	-	-	460,912
Treasury bills Sold with repurchase agreements	6,576	-	-	-	-	-	6,576
Customers' deposits	43,074,002	12,912,103	3,629,127	300,353	91,400	485,837	60,492,822
Derivative financial instruments	38,546	59	-	-	-	-	38,605
Other Loans	-	742,302	-	-	-	-	742,302
Other financial liabilities	202,543	18,393	5	101	-	-	221,042
Total financial liabilities	43,491,242	13,964,179	3,629,147	300,454	91,400	485,837	61,962,259
Net on balance sheet financial position	11,043,151	799,316	(733,054)	1,497	141	292,870	11,403,921
Credit commitments	5,959,642	7,050,478	7,636,740	28,919	4,316	352,983	21,033,078

Interest rate risk

- Interest rate risk is the risk to income or capital arising from fluctuating interest rates. Interest rate risk is a vital part of the Bank's business activity as taking on excessive interest rate risk exposure can potentially threaten earnings and the Bank's equity.
- Accordingly, interest rate risk is measured to manage the level of exposure to adverse movements of interest rates and limit the potential risk that can be derived.

Organization of the management of Structural Interest Rate risks

- Interest Rate Risk Banking Book identification and measurement is carried out by the Assets and Liabilities Management Unit (ALMU), which comes under the authority of the Bank's Finance Department.
- Risk associated with the Trading activities is closely measured and monitored on by the Market Risk unit through the following set of limits: Value at Risk, Stress tests, Notional limits, and Sensitivity limits
- Decisions related to interest rate risk exposure, limits, and the corrective action plans are taken by the Assets & Liabilities Management Committee (ALCO), which is headed by the Bank's Managing Director with the Chief Commercial Officer, acting as the proxy of the Committee Chairman. Head of ALM is acting as the Secretary member of the Committee.
- Action plans for rectifications of excessive interest rate risk exposures are proposed by ALM Unit to be approved by the ALCO.

Assets & Liabilities Management Committee Responsibilities:

- To decide the hedging for interest rate risks, and to validates decisions for the investment/placement guidelines.
- To review and approve any assumptions used for the identification and measurement of the interest rate risk i.e. ALM Conventions.
- To review and approve the Bank's Risk Strategy including limits for all financial Risks.

Assets & Liabilities Management Unit Responsibilities:

- Update all the assumptions used for the identification and measurement of the interest rate risk.
- Calculation and monitoring of Interest rate risk and definition of hedging needs (macro hedging) to coordinate with Treasury the elaboration of short and medium terms hedging strategy to be submitted to ALCO
- Project and anticipate future changes in Interest Rate gaps in order to forecast limits consumption and hedging needs.
- Provide action plans for bringing gaps within the approved limits.
- Follow up and notify the ALCO of the progress made in implementing ALCO's decisions.

Treasury Unit Responsibilities:

- Provide all required updates relative to Markets movements to the ALCO
- Managing the maturities concentration of the investment portfolio according to the guidelines proposed and approved by the ALCO.
- Execution of Interest rate risk hedging as per ALCO decisions through either Treasury Bonds or Bills in the HTCS portfolio for EGP gaps, or through Interest rate swaps for foreign currency gaps.

Strategy of Interest Rate Risk Management:

- The Bank's main strategy is to ensure an optimal and stable net interest income while controlling exposure to interest rate risk within tolerable parameters.
- Any residual interest rate exposure must comply with the sensitivity limits approved by the ALCO. This is computed as aggregate Net Present Values of total gaps in all currencies to measure the exposure of the bank as percentage of owned funds (EVE) and Net Banking Income (EAR) for interest rate shocks of 300bp for EGP and 200bps for other currencies, to be compared with NPV sensitivity limit.

Measurement and Monitoring of Interest rate risks

- Interest Rate Gaps calculation is done based on the end of month balances in order to quantify the Bank's exposure to structural interest rate risks.
- All balance sheet items are distributed in time buckets according to their amortization as follows:
 1. Contractual fixed interest rate products are amortized according to their respective maturity dates.
 2. Floating products are amortized according to their respective repricing period.
 3. All other balance sheet items are amortized according to ALM's interest rate gaps Conventions (as approved by ALCO)

The tables below summaries the bank's exposure to the interest rate fluctuations risk which include carrying value of the financial instruments categorized based on the repricing dates or the maturity date – whichever is earlier.

EGP in thousands

<u>As at</u> 31 December 2022	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5years	Non-interest bearing	Total
Assets							
Cash and balances with central bank	-	-	-	-	-	4,549,593	4,549,593
Due from banks	8,123,000	4,600,000	-	-	-	46,274	12,769,274
Loans to customers	18,179,580	763,741	2,494,384	4,835,913	241,337	-	26,514,955
Derivative financial instruments	-	-	-	-	-	40,303	40,303
Investment Fair value through other comprehensive income	1,529,195	946,954	3,848,338	3,662,050	-	37,573	10,024,110
Investment Fair value through profit or loss	11,336	-	-	-	-	-	11,336
Other assets	-	-	-	-	-	624,822	624,822
Total assets	27,843,111	6,310,695	6,342,722	8,497,963	241,337	5,298,565	54,534,393
liabilities							
Due to banks	-	-	-	-	-	169,575	169,575
Treasury bills Sold with repurchase agreements	4,157	2,419	-	-	-	-	6,576
Customers deposits	8,575,297	5,942,308	3,607,916	6,130,522	308	18,817,651	43,074,002
Derivative financial instruments	-	-	-	-	-	38,546	38,546
Other Liabilities	-	-	-	-	-	202,543	202,543
Total liabilities	8,579,454	5,944,727	3,607,916	6,130,522	308	19,228,315	43,491,242
Interest gap	19,263,657	365,968	2,734,806	2,367,441	241,029	(13,929,750)	11,043,151

EGP in thousands

<u>As at</u> <u>31 December 2021</u>	<u>Up to</u> <u>1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over</u> <u>5years</u>	<u>Non-interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	4,678,586	4,678,586
Due from banks	2,200,000	2,200,000	500,000	-	-	19,175	4,919,175
Loans to customers	16,664,176	1,308,491	2,467,114	4,996,820	178,261	-	25,614,862
Derivative financial instruments	-	-	-	-	-	16,088	16,088
Investment Fair value through other comprehensive income	1,795,894	1,070,240	4,334,708	3,950,268	-	6,639	11,157,749
Investment Fair value through profit or loss	15,093	-	-	-	-	146,144	161,237
Other assets	-	-	-	-	-	485,497	485,497
Total assets	20,675,163	4,578,731	7,301,822	8,947,088	178,261	5,352,129	47,033,194
liabilities							
Due to banks	-	-	-	-	-	5,613	5,613
Treasury bills Sold with repurchase agreements	4,324	3,494	-	-	-	-	7,818
Customers deposits	18,101,356	2,509,031	4,192,877	7,746,146	515	4,491,122	37,041,047
Derivative financial instruments	-	-	-	-	-	11,931	11,931
Other Liabilities	-	-	-	-	-	239,882	239,882
Total liabilities	18,105,680	2,512,525	4,192,877	7,746,146	515	4,748,548	37,306,291
Interest gap	2,569,483	2,066,206	3,108,945	1,200,942	177,746	603,581	9,726,903

USD in thousands

<u>As at</u> <u>31 December 2022</u>	<u>Up to</u> <u>1 month</u>	<u>1-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over</u> <u>5years</u>	<u>Non-interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	18,931	18,931
Due from banks	111,458	77,602	-	-	-	-	189,060
Loans to banks	1,686	25,769	393	-	-	-	27,848
Loans to customers	215,511	13,924	4,065	-	-	-	233,500
Derivative financial instruments	606	-	-	-	-	-	606
Investment Fair value through other comprehensive income	-	124,110	-	-	-	-	124,110
Other assets	-	-	-	-	-	2,610	2,610
Total assets	329,261	241,405	4,458	-	-	21,541	596,665
Liabilities							
Due to banks	-	-	-	-	-	11,774	11,774
Customers deposits	191,861	14,166	41,677	17,940	-	256,196	521,840
Derivative financial instruments	-	-	-	-	-	2	2
Other Loans	10,000	20,000	-	-	-	-	30,000
Other Liabilities	-	-	-	-	-	743	743
Total liabilities	201,861	34,166	41,677	17,940	-	268,715	564,359
Interest gap	127,400	207,239	(37,219)	(17,940)	-	(247,174)	32,306

USD in thousands

As at 31 December 2021	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5years	Non-interest bearing	Total
Assets							
Cash and balances with central bank	-	-	-	-	-	21,790	21,790
Due from banks	152,192	117,998	-	-	-	-	270,190
Loans to banks	1,046	22,812	3,391	-	-	-	27,249
Loans to customers	157,514	30,872	2,187	-	-	-	190,573
Derivative financial instruments	3,151	-	-	-	-	-	3,151
Investment Fair value through other comprehensive income	-	133,989	-	863	-	-	134,852
Other assets	-	-	-	-	-	390	390
Total assets	313,903	305,671	5,578	863	-	22,180	648,195
Liabilities							
Due to banks	-	-	-	-	-	10	10
Customers deposits	307,736	38,308	21,358	26,295	-	157,893	551,590
Derivative financial instruments	-	-	-	-	-	3,156	3,156
Other Loans	10,000	20,000	-	-	-	-	30,000
Other Liabilities	-	-	-	-	-	232	232
Total liabilities	317,736	58,308	21,358	26,295	-	161,291	584,988
Interest gap	(3,833)	247,363	(15,780)	(25,432)	-	(139,111)	63,207

EUR in thousands

<u>As at</u> <u>31 December 2022</u>	<u>Up to</u> <u>1 month</u>	<u>1-3</u> <u>months</u>	<u>3-12</u> <u>months</u>	<u>1-5</u> <u>years</u>	<u>Over</u> <u>5years</u>	<u>Non-</u> <u>interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	6,830	6,830
Due from banks	46,220	-	-	-	-	37,071	83,291
Loans to customers	19,722	-	-	-	-	-	19,722
Other assets	-	-	-	-	-	37	37
Total assets	65,942	-	-	-	-	43,938	109,880
Liabilities							
Due to banks	-	-	-	-	-	1	1
Customers deposits	37,571	840	542	-	-	98,740	137,693
Total liabilities	37,571	840	542	-	-	98,741	137,694
Interest gap	28,371	(840)	(542)	-	-	(54,803)	(27,814)

EUR in thousands

<u>As at</u> <u>31 December 2021</u>	<u>Up to</u> <u>1 month</u>	<u>1-3</u> <u>months</u>	<u>3-12</u> <u>months</u>	<u>1-5</u> <u>years</u>	<u>Over</u> <u>5years</u>	<u>Non-</u> <u>interest</u> <u>bearing</u>	<u>Total</u>
Assets							
Cash and balances with central bank	-	-	-	-	-	5,301	5,301
Due from banks	1,500	-	-	-	-	27,920	29,420
Loans to customers	15,346	37	-	-	-	-	15,383
Other assets	-	-	-	-	-	5	5
Total assets	16,846	37	-	-	-	33,226	50,109
Liabilities							
Due to banks	-	-	-	-	-	1	1
Customers deposits	31,424	1,081	1,338	-	-	72,094	105,937
Total liabilities	31,424	1,081	1,338	-	-	72,095	105,938
Interest gap	(14,578)	(1,044)	(1,338)	-	-	(38,869)	(55,829)

Liquidity risk

- Liquidity risk management is the ability to accurately identify and quantify the main sources of the bank's liquidity risk in a timely manner.
- Liquidity risk arises from either the bank's inability to meet its obligations as they fall due or to fund increases in assets without incurring undesirable cost or losses.
- Liquidity risks are categorized into two risk types:
 - o Funding liquidity risk when the Bank cannot fulfill its payment obligations because of an inability to obtain funding.
 - o Market liquidity risk when the Bank is unable to sell or transform its Liquidity buffer into cash without significant losses.

Organization of Liquidity Risk Management

- Liquidity risk identification and measurement is carried out by the Assets and Liabilities Management Unit (ALMU), which comes under the authority of the Bank's Finance Department.
- ALMU identifies maturities mismatches of both Assets & Liabilities, which enables the bank management to manage the mismatch well in advance, and adopt the proper funding strategy to hedge for this risk before it crystallizes.
- Decisions related to risk exposure, limits, and the corrective action plans are taken by the Assets & Liabilities Management Committee (ALCO)
- Action plans for rectifications of liquidity risk exposures are proposed by ALM Unit to be approved by the ALCO.

Assets & Liabilities Management Committee Responsibilities:

- To link the Bank's Funding Strategy with market changes, and ensure diversification of the funding structure.
- To ensure adequate liquidity while managing the Bank's spread between interest income and expense.
- To decide the hedging for liquidity, and to validates decisions for the investment/placement guidelines.
- To ensure monitoring and maintenance of all regulatory Liquidity Ratios
- To review and approve any assumptions used for the identification and measurement of the Liquidity gaps i.e. ALM Conventions.
- To review and approve the Bank's Risk Strategy including limits for all Liquidity Risks.
- To review and approve the liquidity contingency plan as well as any updates to it

Assets & Liabilities Management Unit Responsibilities:

- Calculation and monitoring of liquidity risk and definition of hedging needs according to funding and placements guidelines.
- Calculation and monitoring of regulatory Liquidity Ratios.
- Monitoring and Management both the direction and extent of Asset-Liability mismatch through Liquidity gaps measurement.
- Ensuring the anticipated funding needs during stress scenario are available by maintaining enough buffer of liquid asset for each main currency.

Treasury Unit Responsibilities:

- Day-to-day funding/investment managed by monitoring future cash flows to ensure that requirements can be met in a timely manner. This includes replenishment of funds as they mature or borrowed by customers.
- Monitoring the liquidity ratios against internal and regulatory requirements by the Central Bank of Egypt.

- Maintaining an active presence in global money market to enable funding/investment, especially through interbank market.
- Maintaining a portfolio of highly marketable assets, which can be easily liquidated/converted into cash against any unforeseen interruption to cash flows.
-

Strategy of Liquidity Risk Management:

- The Bank's main 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.
- Accordingly, the main principles of the bank's liquidity management are as follows:
 - o Management of the short-term liquidity in accordance with the regulatory framework.
 - o Diversification of funding resources.
 - o Maintenance of a portfolio of liquid assets.

Measurement and Monitoring of Structural Liquidity risk

- The bank's liquidity management framework comprises the following process:
 - o Regular assessment of the bank structural liquidity profile and its development over time.
 - o Monitoring of the diversification of funding resources.
 - o Assessment of the Bank's finding needs on the basis of the budget forecasts in order to plan appropriate funding solutions.
- Liquidity Gaps calculation is done based on the end of month balances in order to quantify the Bank's exposure to structural liquidity risks.
- All balance sheet items are distributed in time buckets according to their amortization as follows:
 1. Contractual products are amortized according to their respective maturity dates.
 2. All other balance sheet items are amortized according to ALM's interest rate gaps Conventions (as approved by ALCO)

The table below presents the cash flows payable by the bank under non-derivative financial liabilities for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position.

The amounts disclosed in the table are the contractual undiscounted cash flow, whereas the bank manages the liquidity risk based on the undiscounted expected cash flows and not the contractual cash flows.

Assets available to meet all the liabilities and cover all the commitments related to loans include cash, balances with central banks and due from banks, treasury bills and other governmental securities, and loans and advances to banks and customers.

Proportion of loans to clients' maturity has been extended which are due within a year and during the normal activity of the bank. In addition, there are some pledged debt instruments, treasury bills and government securities to guarantee the liabilities. The Bank has the ability to meet the unexpected net cash flows through the sale of securities as well as interbank market resources and FX swaps.

EGP in thousands

<u>As at 31 December 2022</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	169,575	-	-	-	-	169,575
Treasury bills Sold with repurchase agreements	4,157	2,419	-	-	-	6,576
Customers deposits	11,389,056	7,328,919	9,761,862	14,593,857	308	43,074,002
Total liabilities (contractual maturity dates)	11,562,788	7,331,338	9,761,862	14,593,857	308	43,250,153
Assets held for managing liquidity risk (contractual maturity dates)						
	16,092,422	11,044,077	10,841,217	15,138,401	793,454	53,909,571

EGP in thousands

<u>As at 31 December 2021</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	5,613	-	-	-	-	5,613
Treasury bills Sold with repurchase agreements	4,324	3,494	-	-	-	7,818
Customers deposits	10,725,344	4,272,891	8,722,148	13,320,149	515	37,041,047
Total liabilities (contractual maturity dates)	10,735,281	4,276,385	8,722,148	13,320,149	515	37,054,478
Assets held for managing liquidity risk (contractual maturity dates)						
	11,937,520	8,406,942	11,493,933	14,200,918	516,855	46,556,168

USD in thousands

<u>As at 31 December 2022</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	11,774	-	-	-	-	11,774
Customers deposits	217,836	38,955	132,156	132,893	-	521,840
Other loans	10,000	20,000	-	-	-	30,000
Total liabilities (contractual maturity dates)	239,610	58,955	132,156	132,893	-	563,614
Assets held for managing liquidity risk (contractual maturity dates)						
	195,241	290,940	70,373	36,373	1,128	594,055

USD in thousands

<u>As at 31 December 2021</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	10	-	-	-	-	10
Customers deposits	280,833	58,680	103,674	108,403	-	551,590
Other loans	-	-	30,000	-	-	30,000
Total liabilities (contractual maturity dates)	280,843	58,680	133,674	108,403	-	581,600
Assets held for managing liquidity risk (contractual maturity dates)						
	228,718	317,082	60,083	41,229	693	647,805

EUR in thousands

<u>As at 31 December 2022</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	1	-	-	-	-	1
Customers deposits	72,633	6,841	23,721	34,498	-	137,693
Total liabilities (contractual maturity dates)	72,634	6,841	23,721	34,498	-	137,694
Assets held for managing liquidity risk (contractual maturity dates)	91,061	4,674	4,472	9,315	-	109,843

EUR in thousands

<u>As at 31 December 2021</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	1	-	-	-	-	1
Customers deposits	54,723	6,642	20,503	24,069	-	105,937
Total liabilities (contractual maturity dates)	54,724	6,642	20,503	24,069	-	105,938
Assets held for managing liquidity risk (contractual maturity dates)	45,029	2,297	1,647	1,131	-	50,104

The bank has divided the financial assets and liabilities as per the contractual maturity to the periods mentioned above through the main automated system of bank, expected returns on those financial assets and liabilities were calculated and divided on the same basis as the above mentioned basis. When calculating, the expected returns non-renewal of those assets and liabilities at maturity has been assumed.

Available assets used to meet all the liabilities and to cover all the commitments related to loans include cash, balances with central banks and sue from banks, treasury bills and other governmental securities, and loans and advances to banks and customers.

Proportion of loans to clients' maturity has been extended which are due within a year and during the normal activity of the bank. In addition, there are some pledged debt instruments, treasury bills and government securities to guarantee the liabilities. The Bank has the ability to meet the unexpected net cash flows through the sale of securities and to find other sources of funding.

Derivatives
a) Derivatives settled on a net basis

The Bank's derivatives that will be settled on a net basis include:

- Foreign exchange derivatives: over-the-counter (OTC) currency options, currency futures, exchange traded currency options; and
- Interest rate derivatives: interest rate swaps for which net cash flows are exchanged, forward rate agreements, OTC interest rate options, exchange traded interest rate futures, exchange traded interest rate options and other interest rate contracts.

The table below analyses the bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining year at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(All amounts are in thousand Egyptian pounds)

<u>31 December 2022</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	-	(14,932)	-	-	-	(14,932)
Total	-	(14,932)	-	-	-	(14,932)

<u>31 December 2021</u>	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	-	72	-	-	-	72
Total	-	72	-	-	-	72

b) Derivatives settled on a gross basis

The bank's derivatives that will be settled on a gross basis include:

- Foreign exchange derivatives: currency forward, currency swaps; and
- Interest rate derivatives: interest rate swaps for which cash flows are exchanged on a gross basis, cross currency interest rate swaps

The table below analyses the bank's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining year at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>31 December 2022</u>	(All amounts are in thousand Egyptian pounds)					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow	2,452,133	255,216	270,380	-	-	2,977,729
– Inflow	2,446,147	267,829	270,924	-	-	2,984,900
Total outflow	2,452,133	255,216	270,380	-	-	2,977,729
Total inflow	2,446,147	267,829	270,924	-	-	2,984,900

<u>31 December 2021</u>	(All amounts are in thousand Egyptian pounds)					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives held for trading						
Foreign exchange derivatives						
– Outflow	1,938,881	1,107,074	152,050	53,378	-	3,251,383
– Inflow	1,942,118	1,106,344	152,267	53,539	-	3,254,268
Total outflow	1,938,881	1,107,074	152,050	53,378	-	3,251,383
Total inflow	1,942,118	1,106,344	152,267	53,539	-	3,254,268

Off-balance sheet items

<u>31 December 2022</u>	(All amounts are in thousand Egyptian pounds)			
	1 year	1-5 years	Over 5 years	Total
Loan commitments	2,534,166	277,698	-	2,811,864
Acceptances, LC's and LG's	12,425,438	5,744,968	50,808	18,221,214
Capital commitments	77,795	-	-	77,795
Total	15,037,399	6,022,666	50,808	21,110,873

C. Fair value of financial assets and liabilities

D.1 Financial instruments not measured at fair value

Due from Banks

The fair value of due from banks represents the book value, where all balances are current balances matured during the year.

Loans and advances to customers

Loans and advances are net of charges for impairment loan losses. Loans and advances to customers divided into current and noncurrent balances the book value of the current balances is considered the fair value, and the noncurrent balances cannot be determined their fair value.

Due to Banks

The fair value of due to banks represents the book value, where all balances are current balances matured during the year

Deposits due to customers:

The customer deposits are divided in to current and noncurrent balances. The book value of the current balances is considered the fair value, while the noncurrent balances cannot be determined as a fair value

D. Capital management

The bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by Arab Republic of Egypt.
- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.
- Maintaining a minimum issued and paid-up capital at EGP 5 Billion. The Banks' paid-up capital kept at EGP 5 Billion at the end of the current period.

Capital Adequacy Ratio:

Capital adequacy and the use of regulatory capital are monitored daily by the bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the Central Bank of Egypt (CBE) for supervisory purposes, the required information is filed with the Authority on a quarterly basis.

The CBE requires the bank to:

- The bank maintains a ratio of 10% or more of total regulatory capital to its risk-weighted assets and liabilities, Minimum level of capital adequacy ratio reached 12.5% during 2022.

The capital adequacy ratio numerator comprises two tiers:

Tier 1 capital:

Consists of two parts, Going concern capital and additional going concern.

Tier 2 capital:

Going concern capital, qualifying subordinated loan capital, consists of:

- 45% of the value of the special reserve.
- 45% of the increase in the fair value of the book value of financial investments in subsidiaries and affiliates.
- Other financial convoluted instruments.
- Subordinated loans with amortization of 20% per year in the last 5 years of maturity.
- Loan loss provision "General" by not more than 1.25% of total assets and contingent liabilities weighted risk weights.

Type of Risk:

- Credit Risk.
- Market Risk.
- Operations Risk.

Operational risk has been measured based on the "Standardized Approach" to replace the "Basic Indicator Approach" in accordance with the circular dated on 4 January 2021, regarding the regulatory instructions for operational risk management. Which stated that banks should comply with the implementation of the operational risk model using the "Standardized Approach" to replace the "Basic Indicator Approach" within the application of the final steps for implementing Basel III regulations.

The risk weighted assets are between zero and 200% classified according to the nature of the debit party for each assets which reflect the assets related credit risk taking into consideration the cash guarantees. The same treatment is used for the off balance sheet amounts after performing the adjustments to reflect the contingent nature and the expected losses for these amounts.

The bank complied with local capital requirements and with the countries requirements where outside branches (based on Basel II) were operating in the last two years.

	<u>31 December 2022</u>	<u>31 December 2021</u>
	<u>LE,000</u>	<u>LE,000</u>
Going Concern Capital	7,457,931	7,516,380
Gone Concern Capital	1,069,417	902,190
Total Capital	8,527,348	8,418,570
Credit Risk	41,406,547	34,502,414
Market Risk	3,394	34,639
Operation Risk	4,219,522	5,798,268
Total Risks	45,629,463	40,335,321
Capital Adequacy Ratio %	18.69%	20.87%

- According Central Bank of Egypt circular number 268 issued on April 16, 2020 and the decision taken by the Central Bank of Egypt Board of Directors meeting held on April 12, 2020 Banks are exempted for a year of one year from the circular issuance date from the application of the second act from Central Bank of Egypt Board decision issued on January 6, 2016 according to the circular dated January 11, 2016 related to banks concentration credit limits for top 50 clients.

Leverage Ratio:

	<u>31 December 2022</u>	<u>31 December 2021</u>
	<u>LE,000</u>	<u>LE,000</u>
Going Concern Capital	7,457,931	7,516,380
On Balance Sheet Risk	74,631,515	58,725,831
Derivatives Risk	79,610	119,568
Off Balance Sheet Risk	11,918,692	9,779,172
Total Risks	86,629,817	68,624,571
Leverage Ratio %	8.61%	10.95%

3. Critical accounting estimates and judgments

The bank makes estimates and assumptions that affect the presented amounts of assets and liabilities within the next financial year. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events which believed to be reasonable during the current conditions and available information.

A. Impairment losses on loans and advances

The bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the bank makes judgments as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

B. Impairment of Fair value through OCI investments

The bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the bank evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

If considered that all declines in fair value below cost been considered significant or prolonged, the bank would have recognized an additional loss presented in the transfer from the fair value reserve to the in the income statement.

C. Fair value of Derivatives

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the disclosed fair value of financial instruments.

D. Debt instruments at amortized cost

The bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as amortized cost “Within the business model of financial assets held to collect contractual cash flow”.

Income taxes

The bank is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year where the differences exist.

4. Segment analysis

Segment activity involves operating activities, assets used in providing banking services, and risk and return management associated with this activity, which might differ from other activities. Segment analysis for the banking operations involves the following:

Large, medium, and small enterprises:

Including current account, deposit, overdraft account, loan, credit facilities, and financial derivative activities.

Investment:

Encompasses money management activities.

Retail:

Encompasses current account, saving account, deposit, credit card, personal loans, and real estate loans activities,

Asset and liability management:

Encompasses other banking operations, such as asset and liability management. It also encompasses administrative expenses that can hardly be classified with other sectors.

Transactions among segments are performed according to the bank's operating cycle, and include operating assets and liabilities as presented in the bank's statement of financial position.

a. Segment reporting analysis

(All amounts are in thousand Egyptian

pounds)

<u>31 December 2022</u>	Corporate banking	SMEs	Investment banking	Retail	Assets and liabilities management	Total
Revenues and expenses according to the sector activity						
Revenues of the sector activity	1,938,548	492,660	241,679	1,822,998	506,799	5,002,684
Expenses of the sector	(475,672)	(145,890)	(166,457)	(941,452)	32,127	(1,697,344)
Result of the sector operations	1,462,876	346,770	75,222	881,546	538,926	3,305,340
Profit before tax	1,462,876	346,770	75,222	881,546	538,926	3,305,340
Taxes	(390,206)	(92,871)	(21,409)	(235,891)	(145,841)	(886,218)
Net profit	1,072,670	253,899	53,813	645,655	393,085	2,419,122
Assets and Liabilities according to the sector activity						
Assets of the sector activity	22,257,722	904,852	25,005,450	9,662,303	17,281,688	75,112,015
Total assets	22,257,722	904,852	25,005,450	9,662,303	17,281,688	75,112,015
Liabilities of the sector activity	26,380,005	7,669,208	500,481	26,708,463	3,928,864	65,187,021
Total Liabilities	26,380,005	7,669,208	500,481	26,708,463	3,928,864	65,187,021
<u>31 December 2021</u>	Corporate banking	SMEs	Investment banking	Retail	Assets and liabilities management	Total
Revenues and expenses according to the sector activity						
Revenues of the sector activity	884,892	475,844	225,878	1,639,855	598,734	3,825,203
Expenses of the sector	(365,352)	(273,792)	(132,209)	(936,509)	94,144	(1,613,718)
Result of the sector operations	519,540	202,052	93,669	703,346	692,878	2,211,485
Profit before tax	519,540	202,052	93,669	703,346	692,878	2,211,485
Taxes	(162,035)	(54,042)	(25,825)	(195,341)	(181,782)	(619,025)
Net profit	357,505	148,010	67,844	508,005	511,096	1,592,460
Assets and Liabilities according to the sector activity						
Assets of the sector activity	15,871,260	3,674,365	15,510,334	9,348,389	15,773,398	60,177,746
Total assets	15,871,260	3,674,365	15,510,334	9,348,389	15,773,398	60,177,746
Liabilities of the sector activity	17,068,547	6,490,964	56,524	24,789,716	3,103,062	51,508,813
Total Liabilities	17,068,547	6,490,964	56,524	24,789,716	3,103,062	51,508,813

b. Geographical sector analysis

(All amounts are in thousand Egyptian pounds)

<u>31 December 2022</u>	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenues & Expenses according to the geographical sectors				
Revenues of the Geographical sectors	7,075,711	655,650	204,309	7,935,670
Expenses of the Geographical sectors	(3,934,032)	(569,256)	(127,042)	(4,630,330)
Result of sector operations	3,141,679	86,394	77,267	3,305,340
rProfit before tax	3,141,679	86,394	77,267	3,305,340
Tax	(849,394)	(19,439)	(17,385)	(886,218)
Profit of the year	2,292,285	66,955	59,882	2,419,122

<u>31 December 2021</u>	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenues & Expenses according to the geographical sectors				
Revenues of the Geographical sectors	5,626,298	581,032	201,440	6,408,770
Expenses of the Geographical sectors	(3,531,809)	(533,569)	(131,907)	(4,197,285)
Result of sector operations	2,094,489	47,463	69,533	2,211,485
Profit before tax	2,094,489	47,463	69,533	2,211,485
Tax	(592,701)	(10,679)	(15,645)	(619,025)
Profit of the year	1,501,788	36,784	53,888	1,592,460

	31 December 2022 LE,000	31 December 2021 LE,000
6. <u>Net interest income</u>		
Interest on loans and similar income		
To customers	4,170,903	3,295,094
	4,170,903	3,295,094
Treasury bills	791,091	695,434
Balances with banks	444,795	399,469
Investments in debt instruments	867,872	767,086
	2,103,758	1,861,989
	6,274,661	5,157,083
Interest expenses and similar expenses		
Deposits and current accounts:		
- To banks	(63,948)	(60,157)
- To customers	(2,383,788)	(2,164,522)
- Other Loans	(27,362)	(14,353)
- Others	(345)	(197)
	(2,475,443)	(2,239,229)
Net interest income	3,799,218	2,917,854
7. <u>Net fee and commission income</u>		
Fee and Commission income :		
Credit related fees and commissions	1,027,972	695,880
Trust and other custody fees	25,833	13,664
Other fees	231,587	206,046
	1,285,392	915,590
Fee and Commission expense :		
Other fees and commissions paid	(457,543)	(344,338)
	(457,543)	(344,338)
Net fee and Commission income	827,849	571,252
8. <u>Dividend Income</u>		
Subsidiaries	10,999	5,039
Investment at Fair value through OCI	4,943	10,615
Total	15,942	15,654

9. <u>Net trading income</u>	31 December 2022 LE,000	31 December 2021 LE,000
Foreign exchange:		
Gains from foreign currencies transactions	242,086	221,588
Gain on revaluation of currency swap contracts	19,326	1,381
Gain on revaluation of option deals	18,785	15,453
Net changes in fair value through profit / Loss	(670)	16,218
Interest Income from investment at fair value through profit / Loss	18,129	35,682
Gain on investment at fair value through profit / Loss	3,085	3,615
	300,741	293,937
10. <u>Gains from financial investments</u>	31 December 2022 LE,000	31 December 2021 LE,000
Gain on sale of Treasury Bills	58,934	26,506
	58,934	26,506
11. <u>Impairment (charge) / release for credit losses</u>	31 December 2022 LE,000	31 December 2021 LE,000
Loans and advances to customers	(189,114)	(318,499)
Due from banks	(1,271)	(351)
Debt instruments at fair value through other comprehensive income	(2,575)	(1,331)
	(192,960)	(320,181)
12. <u>Administrative expenses</u>	31 December 2022 LE,000	31 December 2021 LE,000
Staff costs		
Wages and salaries	(626,025)	(566,032)
Social insurance costs	(136,186)	(111,840)
	(762,211)	(677,872)
Other Administrative expenses	(757,847)	(652,029)
Stamp Duty on Loans	(96,914)	(46,460)
	(1,616,972)	(1,376,361)

13. <u>Other operating income / (expense)</u>	31 December 2022 LE,000	31 December 2021 LE,000
Release Other provisions	39,568	(12,909)
Revaluation on foreign currencies assets & Liabilities rather than those held for trading	56,835	765
(loss) / Profit on asset acquired revaluation	-	137
Profit on sale of fixed assets	2,998	48,914
Others	13,187	45,917
	112,588	82,824

14. Income tax expense

	31 December 2022 LE,000	31 December 2021 LE,000
Current tax	(895,619)	(619,025)
Deferred tax	9,401	-
	(886,218)	(619,025)

	31 December 2022 LE,000	31 December 2021 LE,000
Profit before tax	3,305,340	2,211,485
Tax calculated at applied tax rate	(743,702)	(497,584)
Nondeductible expenses	(353,467)	(321,168)
Tax on interest from T-bills and G-bonds	(340,326)	(272,193)
Tax exempted income	541,876	450,826
Deferred tax	9,401	-
Prior years adjustment	-	21,094
Income tax expense	(886,218)	(619,025)
Effective tax rate	26.8%	28.0%

Movement of deferred tax assets

	31 December 2022 LE,000	31 December 2021 LE,000
Deferred tax assets:		
Provisions	61,728	-
	61,728	
Deferred tax liabilities:		
Fixed assets	39,539	-
Provisions	12,788	-
	52,327	
Net balance of deferred tax assets	9,401	-

	31 December 2022 LE,000	31 December 2021 LE,000
15. <u>Earnings per share*</u>		
Net profit for the year	2,419,122	1,592,460
Employees share in profit	(241,612)	(146,583)
Profit attributable to shareholders of the bank (1)	2,177,510	1,445,877
Weighted average number of ordinary shares in issue (2)	1,250,000	1,250,000
Basic earnings per share (Egyptian pound) (1:2)	1.74	1.16
16. <u>Cash and balances with Central Bank of Egypt</u>	31 December 2022 LE,000	31 December 2021 LE,000
Cash on hand	1,811,244	1,777,798
Balances with the Central Bank of Egypt -reserve ratio	3,425,024	3,370,416
	5,236,268	5,148,214
Non-interest bearing balances	5,236,268	5,148,214
	5,236,268	5,148,214
17. <u>Due from banks</u>	31 December 2022 LE,000	31 December 2021 LE,000
Current accounts	2,432,585	1,267,098
Placements with other banks	18,339,049	8,983,279
	20,771,634	10,250,377
Expected credit loss	(7,703)	(3,681)
Balance	20,763,931	10,246,696
Central bank of Egypt	13,513,637	6,051,052
Local banks	1,551,794	23,205
Foreign banks	5,706,203	4,176,120
	20,771,634	10,250,377
Expected credit loss	(7,703)	(3,681)
Balance	20,763,931	10,246,696
Non-interest bearing balances	2,432,585	1,267,098
Interest bearing balances	18,339,049	8,983,279
	20,771,634	10,250,377
Expected credit loss	(7,703)	(3,681)
Balance	20,763,931	10,246,696

	31 December 2022 LE,000	31 December 2021 LE,000
The movement in expected credit loss - Due from banks		
Balance at 1 January 2022	3,681	3,334
Impairment (charge)	1,271	351
Exchange differences	2,751	(4)
Balance	7,703	3,681
	31 December 2022 LE,000	31 December 2021 LE,000
18. <u>Loans to banks</u>		
Other loans	689,042	428,266
Total	689,042	428,266
	31 December 2022 LE,000	31 December 2021 LE,000
19. <u>Loans and advances to customers (net)</u>		
Individual		
Overdrafts	124,051	60,101
Credit cards	1,172,542	1,068,636
Personal Loans	8,116,570	8,231,688
Real Estate Loans	486,036	233,565
Total (1)	9,899,199	9,593,990
Corporate entities		
Overdrafts	7,257,583	7,191,797
Direct Loans	15,540,329	11,927,522
Syndicated loans	1,598,834	1,714,342
Other Loans	107,173	75,513
Total (2)	24,503,919	20,909,174
Total Loans and advances (1+2)	34,403,118	30,503,164
Less :		
Unearned Income	(6,136)	(738)
Suspense interest	(87,029)	(93,146)
Allowance for impairment	(1,485,075)	(1,515,266)
Net	32,824,878	28,894,014
Current Balances	23,351,344	19,692,428
Non-Current Balances	11,051,774	10,810,736
	34,403,118	30,503,164

Allowance for impairment
31 December 2022

Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at 1 January 2022	411	46,030	198,886	275	245,602
Impairment release	112	9,366	103,337	1,980	114,795
Loans written off during the year	-	(23,530)	(191,496)	-	(215,026)
Amount recoveries during the year	-	15,051	76,473	-	91,524
Balance at the year end	523	46,917	187,200	2,255	236,895
Corporate entities					
Corporate entities	Overdrafts	Direct Loans	Syndicated loans	Other Loans	Total
Balance at 1 January 2022	516,926	705,405	46,495	838	1,269,664
Impairment release / (charge)	252,256	(240,455)	61,177	1,341	74,319
Loans written off during the year	(76,531)	(155,179)	-	-	(231,710)
Amount recoveries during the year	632	-	-	-	632
Exchange differences	68,155	49,077	17,991	52	135,275
Balance at the year end	761,438	358,848	125,663	2,231	1,248,180
Total					1,485,075

31 December 2021

Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at 1 January 2021	461	55,460	143,766	65	199,752
Impairment (charge) / release	(107)	8,843	188,077	210	197,023
Loans written off during the year	-	(29,778)	(194,935)	-	(224,713)
Amount recoveries during the year	57	11,505	61,978	-	73,540
Balance at the year end	411	46,030	198,886	275	245,602
Corporate entities					
Corporate entities	Overdrafts	Direct Loans	Syndicated loans	Other Loans	Total
Balance at 1 January 2021	338,357	702,196	105,828	1,512	1,147,893
Impairment release / (charge)	178,013	3,388	(59,255)	(670)	121,476
Loans written off during the year	-	-	-	-	-
Amount recoveries during the year	1,526	-	-	-	1,526
Exchange differences	(970)	(179)	(78)	(4)	(1,231)
Balance at the year end	516,926	705,405	46,495	838	1,269,664
Total					1,515,266

20. Derivatives financial instruments

The Bank uses the following derivative instruments for both hedging and non-hedging purposes.

1- Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an active financial market.

2- Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

3- Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps.

Derivatives:

31 December 2022

LE,000

Currency Derivatives

Currency forwards

Currency swaps

	Contractual amount	Assets	Liabilities
Currency forwards	88,870	4,818	1,151
Currency swaps	2,881,041	35,485	37,395
	2,969,911	40,303	38,546

Interest rate derivatives

Interest rate swaps

Interest rate swaps	1,866,192	14,991	59
	1,866,192	14,991	59

Total derivatives

Total derivatives	4,836,103	55,294	38,605
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31 December 2021

LE,000

Derivatives

Currency forwards

Currency swaps

	Contractual amount	Assets	Liabilities
Currency forwards	1,729,832	8,909	9,934
Currency swaps	1,474,892	7,179	1,996
	3,204,724	16,088	11,930

Interest rate derivatives

Interest rate swaps

Interest rate swaps	1,055,800	353	425
	1,055,800	353	425

Total derivatives

Total derivatives	4,260,524	16,441	12,355
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The Financial Derivatives recalculated and represented with the current fair value for the current year and the comparative year.

	31 December 2022 LE,000	31 December 2021 LE,000
21. Financial Investments		
Fair value through other comprehensive income		
Debt instruments at fair value unlisted - Treasury bills	6,956,595	7,449,296
Debt instruments at fair value listed - Bonds	5,928,080	5,821,248
Equity instruments at fair value unlisted	37,573	6,639
Mutual fund Certificates - according to law requirements*	172,757	146,144
Total investment measured at fair value through other comprehensive income	13,095,005	13,423,327
Fair value through other profit or loss		
Governmental Bonds	11,336	15,093
Total investment measured at fair value through profit or loss	11,336	15,093
Total Financial investments	13,106,341	13,438,420
Current Balances	8,774,983	9,372,728
Non-current balances	4,331,358	4,065,692
	13,106,341	13,438,420
Debt instruments with fixed interest rates	12,896,011	13,285,637
	12,896,011	13,285,637

*The Mutual Funds reclassified to be in line with the regulations of the Central Bank of Egypt (CBE) , in order the bank records to be in line with the financial statements, and the income and retained earnings statement modified with the profits of those positions.

<u>Treasury bills according to the following maturities:</u>	31 December 2022 LE,000	31 December 2021 LE,000
Treasury bills, maturity 91 days	122,389	466,150
Treasury bills, maturity 182 days	220,828	451,275
Treasury bills, maturity 273 days	918,462	350,900
Treasury bills, maturity 364 days	5,962,738	6,450,041
Unearned interest	(267,822)	(269,070)
	<u>6,956,595</u>	<u>7,449,296</u>

The movement in financial investments during the year may be summarized as follows:

<u>31 December 2022</u>	Fair value through other comprehensive income	Fair value through other profit or loss	Total
Balance at 1 January 2022	13,423,327	15,093	13,438,420
Additions	259,909,242	24,270,442	284,179,684
Disposals	(261,691,643)	(24,273,529)	(285,965,172)
Premium / discount amortization	827,931	-	827,931
Exchange difference on monetary assets	698,323	-	698,323
Changes in fair value	(72,175)	(670)	(72,845)
Balance at 31 December 2022	<u>13,095,005</u>	<u>11,336</u>	<u>13,106,341</u>

<u>31 December 2021</u>	Fair value through other comprehensive income	Fair value through other profit or loss	Total
Balance at the beginning of the year	7,074,324	151,153	7,225,477
Impact of the change	5,133,915	(146,144)	4,987,771
Balance at 1 January 2021	12,208,239	5,009	12,213,248
Additions	214,920,710	50,285,365	265,206,075
Disposals	(214,362,350)	(50,291,499)	(264,653,849)
Premium / discount amortization	700,824	-	700,824
Exchange difference on monetary assets	(3,119)	-	(3,119)
Changes in fair value	(40,977)	16,218	(24,759)
Balance at 31 December 2021	<u>13,423,327</u>	<u>15,093</u>	<u>13,438,420</u>

22. Investment in subsidiaries

The bank's participation in subsidiary represents 99.99% and the subsidiary is unlisted in the Egyptian stock exchange.

	31 December 2022 LE,000	31 December 2021 LE,000
Balance at cost	143,822	143,822

The bank's interest in its subsidiary is as follows:

<u>Company</u>	<u>Country</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Profit/(Loss)</u>
EHFC December 31, 2022	Egypt	672,018	548,368	99,881	12,724
EHFC December 31, 2021	Egypt	703,027	579,777	80,572	13,947

	31 December 2022 LE,000	31 December 2021 LE,000
23. Intangible assets		
Balance at beginning of the year		
Cost	405,362	348,987
Accumulated amortization	(267,833)	(222,344)
Net book value	137,529	126,643
Balance for the current year		
Net Book value at the beginning of the year	137,529	126,643
Additions	28,047	56,375
Amortization expense	(50,379)	(45,489)
Net Book Value at the end of the current year	115,197	137,529
Balance at the end of the current year		
Cost	433,409	405,362
Accumulated amortization	(318,212)	(267,833)
Net book value	115,197	137,529
24. Other assets	31 December 2022 LE,000	31 December 2021 LE,000
Accrued revenues	690,426	491,724
Prepaid expenses	286,539	293,628
Advance payments for purchase of fixed assets	144,388	111,175
Assets reverted to the Bank in settlement of debts	117,971	58,509
Deposits with others and imprest fund	14,321	12,032
Other	343,446	197,574
Total	1,597,091	1,164,642

25. Fixed Assets

	Land	Buildings	Computer systems	Vehicles	Fixtures	Machinery and equipment	Furniture	Other	Total
Balance as of 1 January 2021									
Cost	108,729	408,369	299,791	23,486	280,911	48,814	38,628	107,764	1,316,492
Accumulated Depreciation	-	(141,534)	(206,886)	(16,284)	(218,971)	(32,357)	(22,272)	(48,603)	(686,907)
Net Book value as of 1 January 2021	108,729	266,835	92,905	7,202	61,940	16,457	16,356	59,161	629,585
Additions	-	-	18,521	3,676	20,920	3,412	648	25,959	73,136
Disposals – Cost	(51,907)	-	(11,765)	(1,894)	(5,190)	(2,394)	(1,043)	(3,298)	(77,491)
Depreciation expense	-	(13,729)	(35,020)	(3,412)	(20,176)	(4,139)	(3,249)	(10,909)	(90,634)
Disposals – Accumulated Depreciation	-	-	11,736	1,894	4,795	2,388	1,041	3,252	25,106
Net book value as of 31 December 2021	56,822	253,106	76,377	7,466	62,289	15,724	13,753	74,165	559,702
Balance as of 1 January 2022									
Cost	56,822	408,369	306,547	25,268	296,641	49,832	38,233	130,425	1,312,137
Accumulated Depreciation	-	(155,263)	(230,170)	(17,802)	(234,352)	(34,108)	(24,480)	(56,260)	(752,435)
Net Book value as of 1 January 2022	56,822	253,106	76,377	7,466	62,289	15,724	13,753	74,165	559,702
Additions	-	-	45,401	4,137	31,974	2,140	1,387	21,940	106,979
Disposals – Cost	-	(539)	(21,571)	(147)	(2,640)	(187)	-	(88)	(25,172)
Depreciation expense	-	(13,711)	(36,496)	(3,167)	(22,147)	(4,066)	(3,288)	(12,933)	(95,808)
Disposals – Accumulated Depreciation	-	537	21,466	147	2,626	185	-	88	25,049
Net book value as of 31 December 2022	56,822	239,393	85,177	8,436	72,102	13,796	11,852	83,172	570,750
Balance as of 31 December 2022									
Cost	56,822	407,830	330,377	29,258	325,975	51,785	39,620	152,277	1,393,944
Accumulated Depreciation	-	(168,437)	(245,200)	(20,822)	(253,873)	(37,989)	(27,768)	(69,105)	(823,194)
Net book value as of 31 December 2022	56,822	239,393	85,177	8,436	72,102	13,796	11,852	83,172	570,750

26. <u>Due to banks</u>	31 December 2022 LE,000	31 December 2021 LE,000
Current accounts	460,912	5,775
Deposits	-	-
	460,912	5,775
Local banks	1,945	158
Foreign banks	458,967	5,617
	460,912	5,775
Non-interest bearing	460,912	5,775
Interest bearing	-	-
	460,912	5,775
Current Balances	460,912	5,775
27. <u>Treasury bills Sold with repurchase agreements</u>	31 December 2022 LE,000	31 December 2021 LE,000
Treasury bills, maturity 364 days	6,576	7,818
	6,576	7,818
28. <u>Customers' deposits</u>	31 December 2022 LE,000	31 December 2021 LE,000
Demand deposits	27,954,750	19,465,452
Time and call deposits	13,592,655	11,231,326
Certificates of deposits	10,957,805	11,237,833
Saving accounts	5,364,285	4,835,782
Other deposits	2,623,327	1,445,751
Total	60,492,822	48,216,144
Corporate Deposits	36,220,465	24,896,767
Retail Deposits	24,272,357	23,319,377
	60,492,822	48,216,144
Current Balances	38,585,663	32,393,084
Non-current balances	21,907,159	15,823,060
	60,492,822	48,216,144
Non-interest bearing balances	15,758,766	9,551,565
Fixed interest rate balances	38,289,767	22,469,159
Variable interest rate balances	6,444,289	16,195,420
	60,492,822	48,216,144

29. <u>Other Loans</u>	Interest Rates*	31 December 2022 LE,000	31 December 2021 LE,000
Credit Agricole Paris (13/6/2027)	Libor+2.70%	247,434	157,167
Credit Agricole Paris (11/5/2028)	Libor+2.69%	247,434	157,167
Credit Agricole Paris (13/4/2029)	Libor+3.14%	247,434	157,167
		742,302	471,501

*The interest rates applied according to the signed contracts since April 2017

30. <u>Other Liabilities</u>	31 December 2022 LE,000	31 December 2021 LE,000
Accrued interest	221,042	243,535
Unearned revenue	53,753	36,616
Accrued expenses	558,300	467,162
Other credit balances	1,427,692	1,252,294
	2,260,787	1,999,607

31. <u>Other provisions</u>	31 December 2022 LE,000	31 December 2021 LE,000
Balances At 1 January	347,152	336,783
Exchange differences	53,651	(811)
Charged (release) to the income statement	(39,568)	12,909
Utilized during year	(7,749)	(1,729)
	353,486	347,152

Other provisions represent the following:

	31 December 2022 LE,000	31 December 2021 LE,000
Provision for claims	87,667	55,369
Provision for contingent liabilities	265,819	291,783
Balance	353,486	347,152

32. <u>Retirement benefit obligations</u>	31 December 2022 LE,000	31 December 2021 LE,000
Medical benefits liability		
Post-employment medical benefits	190,979	163,901
	190,979	163,901

<u>Movement in the present value of defined benefit obligation</u>	31 December 2022 LE,000	31 December 2021 LE,000
Present Value of defined benefit obligation as at the beginning of the year	163,900	164,995
Current Service Cost	4,662	4,886
Interest Cost	24,624	24,639
Benefits paid to outgoing employees during the year	(8,177)	(7,516)
Actuarial (gain)/loss on the obligation	5,970	(23,103)
Present Value of defined benefit obligation as at the beginning of the year	190,979	163,901

- There is a liability on the Bank towards the Post-Employment Medical Benefits Fund for the payment of medical insurance premiums for the ex-employees of ex-EAB who reach the retirement age or resign from ex-EAB before its merger with Calyon Bank – Egypt in September 2006.
- The Bank is obligated to pay these premiums for providing medical care for the retired employees' spouses and children till death, or reach 21 years of age in respect of children.
- The Bank entrusted an actuary with determining the net present value of all future medical insurance premiums required to be paid by the Bank until the death of retirees & their spouses, and their children until reaching 21 years of age.
- The most important assumptions used by the actuary are as follows:

Interest rate used as a discount basis	14.70%
Inflation Rate of medical care costs	14.60%
- The assumption of death rates were made according to the British Mortality Table no. A49/52.

33. Share capital

- The bank authorized share capital with LE 6,000,000 thousand the issued and paid up capital is LE 5,000,000 thousand divided into 1,250,000 thousand ordinary shares with par value LE 4 each and there is no treasury stock, The following is a list of the shareholders of the bank as of **31 December 2022:**

Shareholder	No. of shares	% of ownership	Amount 000'EGP
Credit Agricole SA	652,318,110	52.19%	2,609,272
Credit Agricole Corporate and Investment	163,327,560	13.07%	653,310
RolaCo. EGP For Investment owned by Ali Ben Hassan Ben Ali Daykh	124,585,543	9.97%	498,342
Others	309,768,787	24.77%	1,239,076
Total	1,250,000,000	100.00%	5,000,000

-According to the decision of the general assembly and extraordinary general assembly meetings dated 29 June 2021.

- The bank authorized share capital increased to 6,000,000 thousand EGP with an increase amounting 2,500,000 thousand EGP.
- Issued and paid-up capital increased to 5,000,000 thousand EGP with an increase amounting 3,756,332 thousand EGP, fully paid in through full utilization of the specific reserve amounting to 65,214 thousand EGP, plus full utilization of the specific capital gain reserve for 63,183 thousand EGP plus amount of 3,627,935 thousand EGP transferred from the retained earnings through the distribution of free shares.

34. Reserves and retained earning

	31 December 2022 LE,000	31 December 2021 LE,000
A. Reserves		
General Banking Risk Reserve	2,725	2,190
Legal reserve	699,011	621,834
Capital reserve	48,914	-
Fair value reserve	142,926	139,673
General Risk Reserve	107,551	107,551
Total reserves	1,001,127	871,248

Movements in reserves were as follows:

	31 December 2022 LE,000	31 December 2021 LE,000
a. General Banking Risk Reserve		
Balance at the beginning of the year	2,190	1,655
Transferred from the Net profit	535	535
Balance	2,725	2,190
b. Legal reserve		
Balance at the beginning of the year	621,834	574,301
Transferred from the Net profit	77,177	47,533
Balance	699,011	621,834

According to the Statute of the Bank is statutes a sum equal to 5% of the annual net profit is appropriated to a legal reserve and to be stopped when the legal reserve balance reaches 20% of the capital and in accordance with the instructions of the Central Bank shall act in the special reserve of the Bank only after consulting The Egyptian Central Bank. The Statute was amended in accordance with the extraordinary General Assembly held in 30/3/2017 modified the legal reserve of up to 50% of the issued capital.

	31 December 2022 LE,000	31 December 2021 LE,000
c. Special reserve		
Balance at the beginning of the year	-	65,214
Transferred to Capital increase	-	(65,214)
Balance	-	-
d. Capital Reserve		
Balance at the beginning of the year	-	62,067
Transferred from Net profit	48,914	1,116
Transferred to Capital increase	-	(63,183)
Balance	48,914	-
e. Fair value reserve		
Balance at the beginning of the year	139,673	176,047
Other comprehensive income for the year	3,253	(36,374)
Balance	142,926	139,673

	31 December 2022 LE,000	31 December 2021 LE,000
f. General Risk Reserve		
Balance at the beginning of the year	107,551	107,551
Movement during the year	-	-
Balance	107,551	107,551
B. Retained earnings	31 December 2022 LE,000	31 December 2021 LE,000
Balance at the beginning of the year	2,797,685	5,027,613
Dividend	(1,071,583)	(131,631)
Transferred to Legal reserve	(77,177)	(47,533)
Transferred to Capital Reserve	(48,914)	(1,116)
Transferred to General Banking Risk Reserve	(535)	(535)
Transferred to Banking Sector Support & Development Fund	(15,430)	(13,638)
Transferred to Capital increase	-	(3,627,935)
Transferred to Fair value Reserve	(79,301)	-
Profit of the year	2,419,122	1,592,460
Balance	3,923,867	2,797,685

35. Contingent liabilities and commitments

	31 December 2022 LE,000	31 December 2021 LE,000
A. Loans, advances and Guarantees Commitments		
Letters of guarantee	14,237,198	10,674,898
Commercial letters of credit (import and export)	1,471,500	2,835,839
Acceptances	2,512,516	2,056,924
Other contingent liability	2,811,864	2,709,462
Total	21,033,078	18,277,123

B. Operational Lease:

There is no commitment for operational lease at the financial statement date.

C. Legal Claims

There were a number of legal proceedings outstanding against the bank with provision amounted 14,122 thousand Egyptian pounds.

D. Capital Commitments

The bank had capital commitments of 77,795 thousand Egyptian pounds in respect of fixed assets purchases and branches fixtures and have not been implemented yet till the balance sheet date.

36. Cash and cash equivalents

For the purposes of the cash flow statement presentation, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

	31 December 2022 LE,000	31 December 2021 LE,000
Cash and balances with central banks	1,811,244	1,777,798
Due from banks	18,848,132	9,179,991
Treasury bills	122,081	462,583
	20,781,456	11,420,372

37. Mutual funds

Credit Agricole Bank mutual fund no. (1)

The fund is one of the banking activities licensed by the capital law no. 95 for 1992 and its executive rules. The number of investment certificates in the fund have reached 3,000,000 certificates and their value 300,000,000 EGP. The bank owned 150 000 investment certificates (par value 15,000,000 EGP) Credit Agricole 1st fund managed by EFG Hermes, the redeemable price per IC amounted to EGP 523.84 at balance sheet date and the total value is 78,576,000 EGP.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 494,404 EGP as of **31 December 2022** that was classified as fees and commission in the income statement.

Credit Agricole Bank mutual fund no. (2)

The mutual fund owns about 3,000,000 certificates (amounted 300,000,000 EGP) of which the bank owns 150,000 certificates (par value 15,000,000) for managing the mutual fund activity, their redemption value at the balance sheet date is 35,952,000 EGP with a redeemable price of 239.68 EGP per IC.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 290,802 EGP as of **31 December 2022** that was classified as fees and commission income in the income statement.

Credit Agricole Bank mutual fund no. (3)

The mutual fund owns about 4,000,000 certificates (amounted 4,000,000,000 EGP) of which the bank owns 39,000 Certificates (par value 39,000,000EGP) for managing the mutual fund activity, their redemption value at the balance sheet date is 43,084,860 EGP and a redeemable price of 1,104.74 EGP per IC.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 3,084,872 EGP as of **31 December 2022** that was classified as fees and commission income n in the income statement.

Credit Agricole Bank mutual fund no. (4)

The mutual fund owns about 1,000,000 certificates (amounted 100,000,000 EGP) of which the bank owns 50,000 certificates (par value 5,000,000) for managing the mutual fund activity, their redemption value at the balance sheet date is 15,144,500 EGP with a redeemable price of 302.89 EGP per IC.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 120,494 EGP as of **31 December 2022** that was classified as fees and commission income in the income statement.

38. Related party transactions

The Bank's parent company is Credit Agricole (France) which holds 52.19% of the common stock and the remaining portion of 47.81% is held by other shareholders presented in the capital disclosure.

The Bank had transactions with its related parties on an arm's length basis. The nature of such transactions and related balances as presented at the balance sheet date are as follows:

A) Loans and advances to related parties

	Subsidiary	
	31 December 2022 LE,000	31 December 2021 LE,000
Loans outstanding at 1 January	355,026	119,273
Loans issued (repayment)	(80,035)	235,753
Loans outstanding	274,991	355,026
Interest income earned	34,948	25,073

B) Deposits from related parties

	Subsidiary	
	31 December 2022 LE,000	31 December 2021 LE,000
Deposits at 1 January	6,360	2,233
Deposits received (repaid)	(6,128)	4,127
Deposits	232	6,360
Interest expense on deposits	1032	3

C) Other transactions with related parties

	Credit Agricole Group	
	31 December 2022 LE,000	31 December 2021 LE,000
Due from banks	704,808	126,424
Due to banks	166,927	1,498
General and Administrative expenses	25,761	19,528
Other Loans	742,302	471,501
	Subsidiaries and associates	
	31 December 2022 LE,000	31 December 2021 LE,000
Investment in subsidiary	143,822	143,822
Dividends	10,999	5,039

39. Short term wages and benefits

The monthly average of net total annual income of the banks' twenty employees with the largest wages and salaries collectively during the year amounted to 5,374 thousand EGP compared to 4,604 thousand for the previous year, and the total outstanding loans for the top management during the year amounted to 11,479 thousand EGP compared to 10,214 thousand for the previous year.

40. Tax position

1- Corporate Income Tax

Period from Start-up date to 31 Dec. 2015

Tax examination was done together with internal committees & tax challenge committees, and due tax was paid.

Years from 2016 to 2017

Tax examination was done together with internal committees and due tax was paid.

Years from 2018 to 2020

Tax examination was done and due tax was paid.

Years 2021

Tax report has been submitted and tax paid.

2- Salaries Tax

Period from Start-up date to 31 Dec. 2018

Tax examination was done; due tax was paid.

Year 2019/2020

Tax examination was done; due tax was paid.

3- Stamp Duty

Stamp Duty under Law no. 143/2006

Tax examination was done together with internal committees and due tax was paid until 2015.

2016 & 2017

Tax Examination was done, object to the claim and Internal committees ended and due tax was paid.

2018

Tax Examination was done, internal committees ended and due tax was paid.

2019, 2020 and 2021

Tax Examination was done, and due tax was paid.

41. Translation

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