Financial Statements

For The period Ended
31 March 2023
CAE & EHFC Consolidated

WORKING EVERY DAY
IN YOUR INTEREST
AND
FOR SOCIETY

CREDIT AGRICOLE - EGYPT

Egyptian Joint Stock Company
Consolidated Financial Statements
And Auditors' Limited Review Report
For The Period Ended 31 March 2023

PricewaterhouseCoopers Ezzeldeen, Diab & Co.

MAZARS Mostafa Shawki
Public Accountants & Consultants

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**Translation From Orginally
Issued In Arabic**

Limited Review Report on consolidated Interim Financial Statements

To : The Board of Directors of Credit Agricole - Egypt (SAE)

Introduction

We have performed a limited review on the accompanying interim consolidated financial statement of Credit Agricole - Egypt (SAE) and it's subsidiary (together the Group) represented in the interim consolidated statement of financial position as of 31 March 2023 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated 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 26 February 2019 and in light of the prevailing Egyptian laws and regulations relating to the preparation of these interim consolidated financial statements. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that accompanying interim consolidated financial statements do not present fairly , in all material respects, the consolidated financial position of the group as of 31 March 2023 and of its consolidated financial performance and its consolidated cash flows for the three months 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 26 February 2019 and in light of the prevailing Egyptian laws and regulations relating to the preparation of these interim consolidated financial statements.

Cairo 14 May 2023

Auditors

Wael Sakr **Registry of Accountants and Auditors** **No. 26144** **Financial Regulatory Authority No.381** **PricewaterhouseCoopers Ezzeldeen,** **Diab & Co.**	**Khaled Alrabat** **Egyptian Financial Supervisory Authority** **Register No.258** **MAZARS Mostafa Shawki**

Consolidated Statement of Financial Position – As of 31 March 2023

(All amounts are in thousand Egyptian pounds)

	Notes	31 March 2023	31 December 2022*
Assets			
Cash and balances with Central Bank of Egypt	14	7,335,886	5,236,268
Due from banks	15	25,788,591	20,765,104
Loans to banks	16	10,362	3,278
Loans and advances to customers	17	34,615,500	33,807,102
Derivative financial instruments	18	91,608	55,294
Financial Investments			
Fair value through other comprehensive income	19	14,941,100	13,124,532
Fair value through profit or loss	19	8,413	11,336
Intangible assets	20	125,853	115,206
Other assets	21	1,697,685	1,652,529
Fixed assets	22	591,344	586,005
Deferred tax assets	13	54,521	9,401
Total assets		**85,260,863**	**75,366,055**
Liabilities and Owners' Equity			
Liabilities			
Due to banks	23	1,656,187	460,912
Treasury bills Sold with repurchase agreements	24	6,264	6,576
Customers' deposits	25	67,845,231	60,492,590
Derivative financial instruments	18	9,808	38,605
Long term loan	26	1,151,146	996,862
Other liabilities	27	2,380,452	2,267,510
Current income tax liability		988,770	644,323
Other provisions	28	506,234	353,486
Retirement benefit obligations	29	190,979	190,979
Deferred tax liabilities	13	74	64
Total liabilities		**74,735,145**	**65,451,907**
Owners' Equity			
Paid-in Capital	30	5,000,000	5,000,000
Reserves	31	798,598	1,014,156
Retained earnings	31	4,727,103	3,899,975
		10,525,701	**9,914,131**
Minority interest		17	17
Total owners' equity		**10,525,718**	**9,914,148**
Total liabilities and owners' equity		**85,260,863**	**75,366,055**

FOR Jean-Pierre Trinelle
Managing Director

Cairo 14 May 2023

•Loans to banks presentation was amended as in Note 38
-The accompanying notes from note 1 to 39 are an integral part of these financial statements.
- Limited Review report attached.

Consolidated Income Statement for The Period Ended 31 March 2023
(All amounts are in thousand Egyptian pounds)

	Notes	From 1/1/2023 To 31/3/2023	From 1/1/2022 To 31/3/2022
Interest on loans and similar income	6	2,302,325	1,366,280
Interest expenses and similar charges	6	(796,080)	(584,975)
Net interest income		**1,506,245**	**781,305**
Fees and commission income	7	540,727	245,587
Fees and commission expense	7	(133,617)	(103,537)
Net fee and commission income		**407,110**	**142,050**
Net trading income	8	153,268	73,224
Gains from financial investments	9	51,388	17,888
Impairment (charge) for credit losses	10	3,956	(75,336)
Administrative expenses	11	(450,239)	(378,694)
Other net operating income / (expense)	12	(59,738)	112,028
Profit before income tax		**1,611,990**	**672,465**
Income tax expense	13	(388,245)	(180,922)
Profit for the period		**1,223,745**	**491,543**
Mother company share		1,223,744	491,543
Minority share		1	-
		1,223,745	**491,543**
Earnings per share		**0.88**	**0.35**

•The accompanying notes from note 1 to 39 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income for The Period Ended 31 March 2023

(All amounts are in thousand Egyptian pounds)

	From 1/1/2023 To 31/3/2023	From 1/1/2022 To 31/3/2022
Net profit for the Period	**1,223,745**	**491,543**
Net change in fair value of debt instruments measured at fair value through other comprehensive income	(361,079)	4,821
Expected credit loss for fair value of debt instruments measured at fair value through other comprehensive income	15,833	3,401
Total other comprehensive income items for the Period	**(345,246)**	**8,222**
Total other comprehensive income for the Period	**878,499**	**499,765**

•The accompanying notes from note 1 to 39 are an integral part of these financial statements

Consolidated Statement of changes in Owners' Equity for The Period Ended 31 March 2023

(All amounts are in thousand Egyptian pounds)	Paid in capital	Reserves	Retained earnings	Parent company share	Minority Interest	Total
31 March 2022						
Balance at 1 January 2022	**5,000,000**	**883,574**	**2,777,188**	**8,660,762**	**17**	**8,660,779**
Dividends relating to 2021	-	-	(1,072,908)	(1,072,908)	(1)	**(1,072,909)**
Transfer to Capital reserve	-	48,920	(48,920)	-	-	**-**
Transfer to Legal reserve	-	77,874	(77,874)	-	-	**-**
Transfer to Banking general risks reserve	-	535	(535)	-	-	**-**
Transfer to Banking Sector Support & Development Fund	-	-	(15,430)	(15,430)	-	**(15,430)**
Balances after profit distribution	**5,000,000**	**1,010,903**	**1,561,521**	**7,572,424**	**16**	**7,572,440**
Net change in other comprehensive income	-	8,222	-	8,222	-	**8,222**
Net profit for the period	-	-	491,543	491,543	-	**491,543**
Balance as at 31 March_2022	**5,000,000**	**1,019,125**	**2,053,064**	**8,072,189**	**16**	**8,072,205**

31 March 2023	Paid in capital	Reserves	Retained earnings	Parent company share	Minority Interest	Total
Restated balance at 1 January 2023	**5,000,000**	**1,014,156**	**3,899,975**	**9,914,131**	**17**	**9,914,148**
Dividends relating to 2022	-	-	(242,820)	(242,819)	(1)	**(242,820)**
Transfer to Capital reserve	-	3,011	(3,011)	-	-	**-**
Transfer to Legal reserve	-	121,442	(121,442)	-	-	**-**
Transfer to Banking general risks reserve	-	5,235	(5,235)	-	-	**-**
Transfer to Banking Sector Support & Development Fund	-	-	(24,109)	(24,109)	-	**(24,109)**
Balances after profit distribution	**5,000,000**	**1,143,844**	**3,503,358**	**9,647,203**	**16**	**9,647,219**
Net change in other comprehensive income	-	(345,246)	-	(345,246)	-	**(345,246)**
Re-Classification Mutual Fund to OCI		-	-	-	-	**-**
Net profit for the period	-	-	1,223,745	1,223,744	1	**1,223,745**
Balance as at 31 March_2023	**5,000,000**	**798,598**	**4,727,103**	**10,525,701**	**17**	**10,525,718**

• The accompanying notes from note 1 to 39 are an integral part of these financial statements

Consolidated Statement of Cash Flows for The Period Ended 31 March 2023

(All amounts are in thousand Egyptian pounds)	Notes	For the period ended 31 March 2023	For the period ended 31 March 2022
Cash flows from operating activities			
Net profit before income tax		**1,611,990**	**672,465**
Adjustments to reconcile net profit to cash flow from operating activities:			
Depreciation and amortization		40,865	34,916
Impairment release / (charge) for credit losses	10	(3,956)	75,336
Other provision charges / (release)	28	112,708	(95,798)
Used provision - other than loans provision	28	(103)	-
Amortization of discount/premium on investments through OCI		(185,288)	(4,060)
Foreign currencies revaluation of provisions rather than LLP		60,525	22,904
Foreign currencies revaluation of investments rather than through P&L		(755,176)	(335,737)
Revaluation of investments at fair value through profit / Loss		334	3,590
(Profit) on sale of fixed assets		(2,156)	(150)
Foreign currencies revaluation of other loans		184,647	76,428
Operating profit before changes in operating assets & liabilities		**1,064,390**	**309,254**
Net decrease (increase) in assets and liabilities			
Due from Central Bank of Egypt		(1,522,822)	(111,975)
Due from banks		(252,232)	(228,608)
Loans and advances		(792,719)	(1,091,175)
Derivative financial instruments (net)		(80,043)	(30,608)
Other assets		(45,156)	(104,655)
Due to banks		1,195,275	2,643,820
Customers' deposits		7,352,641	728,490
Other liabilities		88,521	173,988
Income taxes paid		(88,954)	(95,820)
Net cash generated from operating activities		**6,918,901**	**2,192,711**
Cash flows from investing activities			
Purchase of assets & branches leasehold improvements		(57,059)	(20,202)
Proceeds from sale of fixed assets & Intangible assets		2,279	150
Proceeds from sale redemption of financial investments		41,001,747	71,400,527
Purchases of securities other than through P&L other investments		(39,863,411)	(73,220,820)
Net cash generated from (used in) investing activities		**1,083,556**	**(1,840,345)**

	Note		
Cash flows from financing activities			
Other Loans		(30,363)	(20,834)
Dividends paid		(242,820)	(147,909)
Net cash (used in) financing activities		**(273,183)**	**(168,743)**
Net change in cash and cash equivalents during the period		7,729,274	183,623
Cash and cash equivalents at beginning of the Period		20,782,630	11,421,924
Cash and cash equivalents at the end of the period		**28,511,904**	**11,605,547**
Cash and cash equivalents are represented in :			
Cash and due from Central Bank of Egypt	14	7,335,886	5,303,418
Due from banks	15	25,801,222	10,669,435
Treasury bills	19	9,934,152	7,779,630
Balances with Central Bank of Egypt (Reserve ratio)		(4,947,846)	(3,482,391)
Deposits with banks (Maturity more than three months)		(2,175,735)	(1,298,994)
Treasury bills (Maturity more than three months)		(7,435,775)	(7,365,551)
Cash and cash equivalents at the end of the period	33	**28,511,904**	**11,605,547**

•The accompanying notes from note 1 to 39 are an integral part of these financial statements.

1. 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 2,576 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.

The Egyptian Housing Finance Company (EHFC) is an Egyptian Joint Stock Company established pursuant to the provisions of the law No. 159 of 1981 and its executive regulations as amended by law No 3 of 1998, taking into consideration the provisions of law No. 95 of 1992 and its executive regulations and the Real Estate Finance Law No. 148 of 2001 and its executive regulations.

The bank owns a number of 9,999,000 share in which the bank share is 99.99% from the company's capital, the consolidated financial statements is comprised of the bank's financial statement and its subsidiary (both grouped and called consolidated).

This financial statements approved for issuance by the board of directors on May 11, 2023.

2. 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.

- **<u>Basis of preparation</u>**

These Consolidated 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 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 Consolidated financial statements of the Bank should be read with its consolidated financial statements, for the period ended on March 31, 2023 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:
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 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.

When consolidating, transactions and balances and unrealized profits arising from transactions between group companies are excluded, as well as unrealized losses unless they provide evidence of the existence of the erosion in the value of the parent adapter. accounting policies of subsidiaries are changed whenever necessary to ensure the application of the uniform policy was for the group.

The company's are as follows:

Company Name :	Egyptian Housing Finance Company (EHFC)
Legal Status :	An Egyptian Joint Stock Company
Nationality :	Egyptian
Date of Acquisition:	December 21, 2009
Activity :	Housing Finance
Contribution ratio :	99.99%

- **Transactions with minority interest**

The Group considers transactions with minority as a transaction with outside parties. Gains and losses on the sale to minority interests are recognized in the income statement. Goodwill results from the purchase transactions with minority interests, which represents the difference between the consideration paid for the shares acquired and the book value of the net assets of the subsidiary company.

- **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-recogniton 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
○ Computers	5:10 years
○ Vehicles	5 years
○ Fixtures	5 years
○ Machinery and equipment	8 years
○ Furniture	10 years
○ Others	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 extend 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 bind 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.

3. 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
Good loans	1	A+
Good loans	2	A
Good loans	2	B+
Good loans	2	B
Good loans	2	B-
Good loans	3	C+
Good loans	3	C
Good loans	3	C-
Good loans	4	D+
Good loans	5	D
Good loans	5	D-
Standard monitoring	6	E+
Standard monitoring	6	E
Special monitoring	7	PE-
non-performing	8	NPE-
non-performing	9	F
non-performing	10	Z

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:

	31 March 2023		31 December 2022	
Group's Rating	**Loans and facilities** %	**Loan loss provision** %	**Loans and facilities** %	**Loan loss provision** %
1- Good loans	63.4%	25.6%	64.4%	26.3%
2- Standard monitoring	32.7%	20.8%	31.5%	18.5%
3- Special monitoring	1.1%	2.1%	1.3%	2.5%
4- Nonperforming loans	2.8%	51.5%	2.8%	52.7%
	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 (32/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)

	31 March 2023	31 December 2022
Credit risk exposures relating to on-balance sheet items :		
Cash and balances with central bank	4,947,846	3,425,024
Due from Banks	25,801,222	20,772,807
Loans to banks	10,362	3,278
Loans to customers		
Loans to Individuals:		
- Overdrafts	128,972	124,051
- Credit cards	1,187,494	1,172,542
- Personal Loans	8,001,947	8,116,570
- Real Estate Loans	1,153,223	1,056,582
Loans To corporate entities:		
- Overdrafts	8,125,396	7,257,583
- Direct Loans	15,621,429	15,265,338
- Syndicated loans	1,793,053	1,598,834
- Other Loans	240,755	792,937
Derivative financial instruments	91,608	55,294
Investment securities		
- Fair value through other comprehensive income	14,710,811	12,910,771
Other Assets	784,891	743,866
Total	**82,599,009**	**73,295,477**

	31 March 2023	31 December 2022
Credit risk exposures relating to off-balance sheet items:		
Customer Liabilities Under Acceptance	2,224,993	2,512,516
Commitments (Loans and liabilities – irrevocable)	2,856,622	2,811,864
Letter of credit	1,669,219	1,471,500
Letters of guarantee	15,632,834	14,237,198
Total	**22,383,668**	**21,033,078**

The above table represents a worse-case scenario of credit risk exposure to the bank at 31 March 2023 and 31 December 2022, 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, 44% of the total maximum exposure is derived from loans and facilities to customers versus 48% in the end of comparative year, where investments in debt securities represent 18% versus 18% 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 (2022: 96%);
- 91 % of the loans and advances portfolio are considered to be neither past due nor impaired (2022: 92%).
- Loans and advances individually assessed amount 1,000,112 thousand Egyptian pounds. (2022: 992,223 thousand Egyptian pounds).

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

Due from banks

31 March 2023 Credit rating	Stage 1 Months-12	Stage 2 Life time	Stage 3 Life time	Total
Good debts	22,077,338	2,175,735	-	**24,253,073**
Normal watch-list	1,548,149	-	-	**1,548,149**
Special watch-list	-	-	-	**-**
Non-performing loan	-	-	-	**-**
Allowance for impairment losses	(77)	(12,554)	-	**(12,631)**
Net	**23,625,410**	**2,163,181**	**-**	**25,788,591**

31 December 2022 Credit rating	Stage 1 Months-12	Stage 2 Life time	Stage 3 Life time	Total
Good debts	17,997,511	1,923,502	-	19,921,012
Normal watch-list	851,794	-	-	851,794
Special watch-list	-	-	-	-
Non-performing loan	-	-	-	-
Allowance for impairment losses	-	(7,703)	-	(7,703)
Net	**18,849,305**	**1,915,799**	**-**	**20,765,104**

Retail loans

31 March 2023 Credit rating	Stage 1 Months-12	Stage 2 Life time	Stage 3 Life time	Total
Good debts	128,465	-	-	**128,465**
Normal watch-list	9,537,644	206,853	-	**9,744,497**
Special watch-list	-	379,953	-	**379,953**
Non-performing loan	-	-	218,721	**218,721**
Allowance for impairment losses	(64,792)	(45,442)	(138,973)	**(249,207)**
Net	**9,601,317**	**541,364**	**79,748**	**10,222,429**

31 December 2022 Credit rating	Stage 1 Months-12	Stage 2 Life time	Stage 3 Life time	Total
Good debts	123,528	-	-	**123,528**
Normal watch-list	9,540,710	199,372	-	**9,740,082**
Special watch-list	-	391,037	-	**391,037**
Non-performing loan	-	-	215,098	**215,098**
Allowance for impairment losses	(65,562)	(46,716)	(133,038)	**(245,316)**
Net	**9,598,676**	**543,693**	**82,060**	**10,224,429**

Corporate loans

31 March 2023 Credit rating	Stage 1 Months-12	Stage 2 Life time	Stage 3 Life time	Total
Good debts	18,321,366	4,567,794	-	**22,889,160**
Normal watch-list	280,425	1,823,924	-	**2,104,349**
Special watch-list	-	5,733	-	**5,733**
Non-performing loan	-	-	781,391	**781,391**
Allowance for impairment losses	(186,552)	(444,075)	(647,470)	**(1,278,097)**
Net	**18,415,239**	**5,953,376**	**133,921**	**24,502,536**

31 December 2022 Credit rating	Stage 1 Months-12	Stage 2 Life time	Stage 3 Life time	Total
Good debts	18,328,819	4,312,152	-	**22,640,971**
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	(203,388)	(386,262)	(648,904)	**(1,238,854)**
Net	**18,434,190**	**5,113,427**	**128,221**	**23,675,838**

Debt instruments at fair value through other Comprehensive Income

31 March 2023 Credit rating	Stage 1 Months-12	Stage 2 Life time	Stage 3 Life time	Total
Good debts	-	-	-	-
Normal watch-list	11,508,702	3,202,109	-	**14,710,811**
Special watch-list	-	-	-	-
Non-performing loan	-	-	-	-
Allowance for impairment losses	-	(107,371)	-	**(107,371)**
Total - fair value	**11,508,702**	**3,094,738**	-	**14,603,440**

31 December 2022 Credit rating	Stage 1 Months-12	Stage 2 Life time	Stage 3 Life time	Total
Good debts	-	-	-	-
Normal watch-list	9,839,876	3,070,895	-	**12,910,771**
Special watch-list	-	-	-	-
Non-performing loan	-	-	-	-
Allowance for impairment losses	-	(73,110)	-	**(73,110)**
Total - fair value	**9,839,876**	**2,997,785**	-	**12,837,661**

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

Due from banks

31 March 2023	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the 1 January 2022	**-**	**7,703**	**-**	**7,703**
New financial assets purchased or issued	76	10,601	-	**10,677**
Financial assets have been matured or derecognised	-	(7,703)	-	**(7,703)**
Foreign exchange translation differences	1	1,953	-	**1,954**
Balance at the Period end	**77**	**12,554**	**-**	**12,631**

31 December 2022	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the 1 January 2021	**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**

Retail loans

31 March 2023	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the 1 January 2022	**65,562**	**46,716**	**133,038**	**245,316**
Transfer to Stage 1 From Stage	8,190	(8,190)	-	**-**
Transfer to Stage 2 From Stage	(5,905)	7,150	(1,245)	**-**
Transfer to Stage 3 From Stage	(433)	(12,129)	12,562	**-**
Changes in PDs/LGDs/EADs	(6,114)	12,230	20,156	**26,272**
New financial assets purchased or issued	5,776	105	188	**6,069**
Financial assets have been matured or derecognised	(2,284)	(440)	(3,034)	**(5,758)**
Collections of loans previously written-off	-	-	24,084	**24,084**
Loans written-off during the Period	-	-	(46,776)	**(46,776)**
Balance at the Period end	**64,792**	**45,442**	**138,973**	**249,207**

31 December 2022	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the 1 January 2021	**59,467**	**59,920**	**135,508**	**254,895**
Transfer to Stage 1 From Stage 2	28,431	(28,401)	(30)	-
Transfer to Stage 2 From Stage 1	(34,218)	45,024	(10,806)	-
Transfer to Stage 2 From Stage 3	(3,085)	(63,391)	66,476	-
Changes in PDs/LGDs/EADs	957	36,534	85,675	**123,166**
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	**65,562**	**46,716**	**133,038**	**245,316**

Corporate loans

31 March 2023	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the 1 January 2022	203,688	386,262	648,904	**1,238,854**
Transfer to Stage 1	10,507	(10,507)	-	-
Transfer to Stage 2	(32,306)	32,306	-	-
Transfer to Stage 3	(199)	(47)	246	-
Changes in PDs/LGDs/EADs	(106,878)	(98,931)	(30,197)	**(236,006)**
New financial assets purchased or issued	103,995	104,988	-	**208,983**
Financial assets have been matured or derecognised	(13,954)	(7,675)	(694)	**(22,323)**
Collections of loans previously written-off	-	-	2,542	**2,542**
Loans written-off during the Period	-	-	-	-
Foreign exchange translation differences	21,699	37,679	26,669	**86,047**
Balance at the Period end	**186,552**	**444,075**	**647,470**	**1,278,097**

31 December 2022	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the 1 January 2021	**296,766**	**399,881**	**560,599**	**1,257,246**
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	(461,889)	(516,351)	58,006	**(920,234)**
New financial assets purchased or issued	482,568	566,344	-	**1,048,912**
Financial assets have been matured or derecognised	(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	**203,688**	**386,262**	**648,904**	**1,238,854**

Debt instruments at fair value through other comprehensive income

31 March 2023	Stage 1 Months 12	Stage 2 Life time	Stage 3 Life time	Total
Balance at the beginning of the Period	-	73,110	-	73,110
Changes in PDs/LGDs/EADs	-	(35,046)	-	(35,046)
New financial assets purchased or issued	-	123,989	-	123,989
Financial assets have been matured or derecognized	-	(73,110)	-	(73,110)
Foreign exchange translation differences	-	18,428	-	18,428
Balance at the Period end	-	107,371	-	107,371

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

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 March 2023	31 December 2022
Corporate entities		
Overdrafts	-	726,208
Direct Loans	-	110,315
	-	**836,523**
Individuals		
Personal Loans	-	-
Real estate loans	-	-
	-	-
Total	-	**836,523**

A.7 Debt securities and treasury bills

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

(All amounts are in thousand Egyptian pounds)

31 March 2023	Treasury Bills	Investment at Fair value through other comprehensive income	Total
B3	9,525,427	5,185,384	**14,710,811**
Total	**9,525,427**	**5,185,384**	**14,710,811**

A.8 Acquired collaterals

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

31 March 2023

(All amounts are in thousand Egyptian pounds)

Assets Nature	Book Value
Lands	-
Total	-

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 March 2023	*Cairo*	*Alex., Delta & Sinai*	*Upper Egypt*	**Arab Republic of Egypt**	**Other countries**	**Total**
Balances with CBE	4,947,846	-	-	**4,947,846**	-	**4,947,846**
Due from banks	14,435,602	-	-	**14,435,602**	11,365,620	**25,801,222**
Loans to banks	-	-	-	-	10,362	**10,362**
Loans to customers :						
- Overdrafts	7,357,198	859,988	37,182	**8,254,368**	-	**8,254,368**
- Credit cards	1,187,494	-	-	**1,187,494**	-	**1,187,494**
- Personal Loans	4,936,607	2,265,872	799,468	**8,001,947**	-	**8,001,947**
- Real Estate Loans	1,008,026	108,646	36,551	**1,153,223**	-	**1,153,223**
- Term Loans	15,693,145	1,331,803	389,534	**17,414,482**	-	**17,414,482**
- Other Loans	237,333	3,422	-	**240,755**	-	**240,755**
Derivatives	91,320	-	-	**91,320**	288	**91,608**
Fair value through other comprehensive income	14,710,811	-	-	**14,710,811**	-	**14,710,811**
Other financial assets	711,228	55,688	17,975	**784,891**	-	**784,891**
As at 31 March 2023	**65,316,610**	**4,625,419**	**1,280,710**	**71,222,739**	**11,376,270**	**82,599,009**
As at 31 December 2022	**61,154,035**	**4,565,524**	**1,159,279**	**66,878,838**	**6,416,639**	**73,295,477**

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 March 2023	**Financial institutions**	**Manufacturing**	**Commercial**	**Governmental**	**Other industries**	**Individuals**	**Total**
Balances with CBE	-	-	-	4,947,846	-	-	**4,947,846**
Due from banks	12,066,856	-	-	13,734,366	-	-	**25,801,222**
Loans to banks	10,362	-	-	-	-	-	**10,362**
Loans to customers:							
Individuals:							
- Overdrafts	-	-	-	-	-	128,972	**128,972**
- Credit cards	-	-	-	-	-	1,187,494	**1,187,494**
- Personal Loans	-	-	-	-	-	8,001,947	**8,001,947**
- Real Estate Loans	-	-	-	-	-	1,153,223	**1,153,223**
Corporate entities:							
- Overdrafts	152,881	2,319,974	2,964,261	483,251	2,205,029	-	**8,125,396**
- Direct Loans	358,328	6,442,578	6,446,706	429,829	1,943,988	-	**15,621,429**
- Syndicated Loans	-	-	846,563	889,779	56,711	-	**1,793,053**
- Other loans	147	86,698	144,693	-	9,217	-	**240,755**
Financial derivatives	4,743	3,836	82,437	-	592	-	**91,608**
Fair value through other comprehensive income	9,522,442	-	-	5,188,369	-	-	**14,710,811**
Other financial assets	115,948	73,550	72,984	314,191	15,420	192,798	**784,891**
As at 31 March 2023	**22,231,707**	**8,926,636**	**10,557,644**	**25,987,631**	**4,230,957**	**10,664,434**	**82,599,009**
As at 31 December 2022	**15,466,923**	**8,768,209**	**10,272,835**	**24,613,934**	**3,522,213**	**10,651,363**	**73,295,477**

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)

	31 March 2023			**31 December 2022**		
	Average	**High**	**Low**	**Average**	**High**	**Low**
Foreign exchange risk	(3,941)	(18,827)	(1,449)	(7,723)	(13,477)	(3,357)
Interest rate risk	(6,111)	(14,826)	(1,126)	(13,593)	(21,533)	(7,013)

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 March 2023	EGP	USD	EUR	GBP	CHF	Other	Total in EGP
Assets							
Cash and balances with central banks	6,410,401	616,494	229,396	25,151	7,103	47,341	**7,335,886**
Due from banks	11,968,265	6,375,042	6,499,130	372,989	116,643	456,522	**25,788,591**
Loans to banks	-	10,362	-	-	-	-	**10,362**
Loans to customers	27,594,833	6,407,384	600,540	7,153	5,569	21	**34,615,500**
Financial derivatives	91,570	38	-	-	-	-	**91,608**
Investments- Fair value through other comprehensive income	11,738,991	3,202,109	-	-	-	-	**14,941,100**
Investments -Fair value through profit or loss	8,413	-	-	-	-	-	**8,413**
Other financial assets	714,947	64,873	5,030	27	14	-	**784,891**
Total financial assets	**58,527,420**	**16,676,302**	**7,334,096**	**405,320**	**129,329**	**503,884**	**83,576,351**
Financial liabilities							
Due to banks	175,028	1,459,852	21,307	-	-	-	**1,656,187**
Treasury bills Sold with repurchase agreements	6,264	-	-	-	-	-	**6,264**
Customers' deposits	43,656,996	15,966,152	7,205,677	404,696	128,641	483,069	**67,845,231**
Derivative financial instruments	9,770	38	-	-	-	-	**9,808**
Other Loans	224,197	926,949	-	-	-	-	**1,151,146**
Other financial liabilities	204,737	31,324	34	142	-	-	**236,237**
Total financial liabilities	**44,276,992**	**18,384,315**	**7,227,018**	**404,838**	**128,641**	**483,069**	**70,904,873**
Net on balance sheet financial position	**14,250,428**	**(1,708,013)**	**107,078**	**482**	**688**	**20,815**	**12,671,478**
Credit commitments	**6,253,130**	**6,180,071**	**9,042,871**	**31,251**	**4,653**	**871,692**	**22,383,668**
Net on balance sheet financial position 31 December 2022	**11,169,423**	**799,316**	**(733,054)**	**1,497**	**141**	**292,870**	**11,530,193**

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

As at 31 March 2023	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	-	-	-	-	-	6,410,401	**6,410,401**
Due from banks	10,420,231	1,500,000	-	-	-	48,034	**11,968,265**
Loans to customers	16,895,247	2,408,830	2,808,589	5,058,367	423,800	-	**27,594,833**
Derivative financial instruments	-	-	-	-	-	91,570	**91,570**
Investment Fair value through other comprehensive income	3,082,810	732,983	4,571,100	3,314,525	-	37,573	**11,738,991**
Investment Fair value through profit or loss	8,413	-	-	-	-	-	**8,413**
Other assets	-	-	-	-	-	714,947	**714,947**
Total assets	**30,406,701**	**4,641,813**	**7,379,689**	**8,372,892**	**423,800**	**7,302,525**	**58,527,420**
liabilities							
Due to banks	-	-	-	-	-	175,028	**175,028**
Treasury bills Sold with repurchase agreements	4,114	2,150	-	-	-	-	**6,264**
Customers deposits	10,364,773	3,608,344	3,231,143	6,028,809	437	20,423,490	**43,656,996**
Derivative financial instruments	-	-	-	-	-	9,770	**9,770**
Other Loans	8,571	17,174	66,374	89,645	42,433	-	**224,197**
Other Liabilities	-	-	-	-	-	204,737	**204,737**
Total liabilities	**10,377,458**	**3,627,668**	**3,297,517**	**6,118,454**	**42,870**	**20,813,025**	**44,276,992**
Interest gap	**20,029,243**	**1,014,145**	**4,082,172**	**2,254,438**	**380,930**	**(13,510,500)**	**14,250,428**

EGP in thousands

As at 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	8,124,173	4,600,000	-	-	-	46,274	**12,770,447**
Loans to customers	18,205,461	787,369	2,415,966	5,055,586	347,033	-	**26,811,415**
Derivative financial instruments	-	-	-	-	-	40,303	**40,303**
Investment Fair value through other comprehensive income	1,529,195	973,050	3,848,338	3,665,481	-	37,573	**10,053,637**
Investment Fair value through profit or loss	11,336	-	-	-	-	-	**11,336**
Other assets	-	-	-	-	-	678,262	**678,262**
Total assets	**27,870,165**	**6,360,419**	**6,264,304**	**8,721,067**	**347,033**	**5,352,005**	**54,914,993**
liabilities							
Due to banks	-	-	-	-	-	169,575	**169,575**
Treasury bills Sold with repurchase agreements	4,157	2,419	-	-	-	-	**6,576**
Customers deposits	8,575,065	5,942,308	3,607,916	6,130,522	308	18,817,651	**43,073,770**
Derivative financial instruments	-	-	-	-	-	38,546	**38,546**
Other Loans	9,901	20,452	73,964	106,737	43,506	-	**254,560**
Other Liabilities	-	-	-	-	-	202,543	**202,543**
Total liabilities	**8,589,123**	**5,965,179**	**3,681,880**	**6,237,259**	**43,814**	**19,228,315**	**43,745,570**
Interest gap	**19,281,042**	**395,240**	**2,582,424**	**2,483,808**	**303,219**	**(13,876,310)**	**11,169,423**

USD in thousands

As at 31 March 2023	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	-	-	-	-	-	19,952	**19,952**
Due from banks	111,109	95,214	-	-	-	-	**206,323**
Loans to banks	151	184	-	-	-	-	**335**
Loans to customers	186,499	12,375	8,496	-	-	-	**207,370**
Derivative financial instruments	1	-	-	-	-	-	**1**
Investment Fair value through other comprehensive income	-	103,634	-	-	-	-	**103,634**
Other assets	-	-	-	-	-	2,100	**2,100**
Total assets	**297,760**	**211,407**	**8,496**	**-**	**-**	**22,052**	**539,715**
Liabilities							
Due to banks	-	-	-	-	-	47,247	**47,247**
Customers deposits	175,715	34,077	30,100	12,242	-	264,598	**516,732**
Derivative financial instruments	-	-	-	-	-	1	1
Other Loans	10,000	20,000	-	-	-	-	**30,000**
Other Liabilities	-	-	-	-	-	1,014	**1,014**
Total liabilities	**185,715**	**54,077**	**30,100**	**12,242**	**-**	**312,860**	**594,994**
Interest gap	**112,045**	**157,330**	**(21,604)**	**(12,242)**	**-**	**(290,808)**	**(55,279)**

USD in thousands

As at 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	-	-	-	-	-	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**

EUR in thousands

As at 31 March 2023	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	-	-	-	-	-	6,824	**6,824**
Due from banks	110,075	-	-	-	-	83,269	**193,344**
Loans to customers	17,866	-	-	-	-	-	**17,866**
Other assets	-	-	-	-	-	150	**150**
Total assets	**127,941**	**-**	**-**	**-**	**-**	**90,243**	**218,184**
Liabilities							
Due to banks	-	-	-	-	-	634	**634**
Customers deposits	37,238	1,052	609	-	-	175,464	**214,363**
Other liability	-	-	-	-	-	1	**1**
Total liabilities	**37,238**	**1,052**	**609**	**-**	**-**	**176,099**	**214,998**
Interest gap	**90,703**	**(1,052)**	**(609)**	**-**	**-**	**(85,856)**	**3,186**

EUR in thousands

As at 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	-	-	-	-	-	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)**

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:
  - Funding liquidity risk when the Bank cannot fulfill its payment obligations because of an inability to obtain funding.
  - 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:
    - Management of the short-term liquidity in accordance with the regulatory framework.
    - Diversification of funding resources.
    - Maintenance of a portfolio of liquid assets.

Measurement and Monitoring of Structural Liquidity risk

- The bank's liquidity management framework compromises the following process:
    - Regular assessment of the bank structural liquidity profile and its development over time.
    - Monitoring of the diversification of funding resources.
    - 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

As at 31 March 2023	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Liabilities						
Due to banks	175,028	-	-	-	-	**175,028**
Treasury bills Sold with repurchase agreements	4,114	2,150	-	-	-	**6,264**
Customers deposits	13,792,524	5,151,895	10,113,062	14,599,078	437	**43,656,996**
Other Loans	8,571	17,174	66,374	89,645	42,433	**224,197**
Total liabilities (contractual maturity dates)	**13,980,237**	**5,171,219**	**10,179,436**	**14,688,723**	**42,870**	**44,062,485**
Assets held for managing liquidity risk (contractual maturity dates)	**6,899,599**	**3,707,395**	**1,986,539**	**326,669**	**829,786**	**13,749,988**

EGP in thousands

As at 31 December 2022	**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	11,388,824	7,328,919	9,761,862	14,593,857	308	**43,073,770**
Other Loans	9,901	20,452	73,964	106,737	43,506	**254,560**
Total liabilities (contractual maturity dates)	**11,572,457**	**7,351,790**	**9,835,826**	**14,700,594**	**43,814**	**43,504,481**
Assets held for managing liquidity risk (contractual maturity dates)	**16,145,572**	**11,067,705**	**10,762,799**	**15,361,505**	**899,150**	**54,236,731**

USD in thousands

As at 31 March 2023	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Liabilities						
Due to banks	47,247	-	-	-	-	**47,247**
Customers deposits	231,230	58,493	124,716	102,293	-	**516,732**
Other loans	10,000	20,000	-	-	-	**30,000**
Total liabilities (contractual maturity dates)	**288,477**	**78,493**	**124,716**	**102,293**	**-**	**593,979**
Assets held for managing liquidity risk (contractual maturity dates)	**(91,339)**	**75,145**	**27,239**	**(68,623)**	**1,214**	**(56,364)**

USD in thousands

As at 31 December 2022	**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**

EUR in thousands

As at 31 March 2023	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Liabilities						
Due to banks	634	-	-	-	-	**634**
Customers deposits	97,060	20,824	59,647	36,832	-	**214,363**
Total liabilities (contractual maturity dates)	**97,694**	**20,824**	**59,647**	**36,832**	**-**	**214,997**
Assets held for managing liquidity risk (contractual maturity dates)	**100,375**	**(15,719)**	**(54,355)**	**(27,264)**	**-**	**3,037**

EUR in thousands

As at 31 December 2022	**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**	**321**	**109,843**

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 period 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)

31 March 2023	**Up to 1month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Interest rate derivatives	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

31 December 2022	**Up to 1month**	**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)**

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 period 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)

31 March 2023	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Derivatives held for trading						
Foreign exchange derivatives						
− Outflow	3,031,689	1,079,423	144,740	-	-	**4,255,852**
− Inflow	3,087,921	1,086,735	162,293	-	-	**4,336,949**
Total outflow	3,031,689	1,079,423	144,740	**-**	**-**	**4,255,852**
Total inflow	**3,087,921**	**1,086,735**	**162,293**	**-**	**-**	**4,336,949**

31 December 2022	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
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**

Off-balance sheet items

(All amounts are in thousand Egyptian pounds)

31 March 2023	**1 year**	**1-5 years**	**Over 5 years**	**Total**
Loan commitments	2,856,622	-	-	**2,856,622**
Acceptances, LC's and LG's	15,136,826	4,228,460	161,760	**19,527,046**
Capital commitments	96,444	-	-	**96,444**
Total	**18,089,892**	**4,228,460**	**161,760**	**22,480,112**

C. Fair value of financial assets and liabilities

C.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.

<u>Capital Adequacy Ratio:</u>

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)f or 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:
Gone 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.

	31 March 2023 LE,000	31 December 2022 LE,000
Going Concern Capital	9,132,630	7,457,931
Gone Concern Capital	1,212,661	1,069,417
Total Capital	**10,345,291**	**8,527,348**
Credit Risk	43,706,356	41,406,547
Market Risk	372,374	3,394
Operation Risk	4,219,522	4,219,522
Top 50 Effect	4,171,380	-
Total Risks	**52,469,632**	**45,629,463**
Capital Adequacy Ratio %	**19.72%**	**18.69%**

Leverage Ratio:

	31 March 2023 LE,000	31 December 2022 LE,000
Going Concern Capital	**9,132,630**	**7,457,931**
On Balance Sheet Risk	84,370,143	74,631,515
Derivatives Risk	134,709	79,610
Off Balance Sheet Risk	12,049,040	11,918,692
Total Risks	**96,553,892**	**86,629,817**
Leverage Ratio %	**%9.46**	**8.61%**

4. 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. <u>Impairment losses on loans and advances</u>

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. <u>Impairment of Fair value through OCI investments</u>

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. <u>Fair value of financial instruments</u>

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. <u>Debt instruments at amortized cost</u>

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.

5. 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)

31 March 2023	Corporate banking	SMEs	Investment banking	Retail	Assets and liabilities management	Total
Revenues and expenses according to the sector activity						
Revenues of the sector activity	866,319	244,972	139,416	638,226	229,078	**2,118,011**
Expenses of the sector	(208,703)	(59,420)	(9,409)	(248,702)	20,213	**(506,021)**
Result of the sector operations	657,616	185,552	130,007	389,524	249,291	**1,611,990**
Profit before tax	657,616	185,552	130,007	389,524	249,291	**1,611,990**
Taxes	(159,719)	(44,383)	(33,299)	(91,821)	(59,023)	**(388,245)**
Net profit	**497,897**	**141,169**	**96,708**	**297,703**	**190,268**	**1,223,745**
Assets and Liabilities according to the sector activity						
Assets of the sector activity	23,179,158	1,398,007	33,054,701	10,222,429	17,406,568	**85,260,863**
Total assets	23,179,158	1,398,007	33,054,701	10,222,429	17,406,568	**85,260,863**
Liabilities of the sector activity	32,758,569	8,333,560	1,666,645	27,165,520	4,810,851	**74,735,145**
Total Liabilities	**32,758,569**	**8,333,560**	**1,666,645**	**27,165,520**	**4,810,851**	**74,735,145**

31 March 2022	Corporate banking	SMEs	Investment banking	Retail	Assets and liabilities management	Total
Revenues and expenses according to the sector activity						
Revenues of the sector activity	307,811	80,837	67,251	426,672	131,896	**1,014,467**
Expenses of the sector	(36,467)	(45,367)	(39,126)	(233,008)	11,966	**(342,002)**
Result of the sector operations	**271,344**	**35,470**	**28,125**	**193,664**	**143,862**	**672,465**
Profit before tax	271,344	35,470	28,125	193,664	143,862	**672,465**
Taxes	(70,193)	(12,419)	(8,128)	(51,384)	(38,798)	**(180,922)**
Net profit	**201,151**	**23,051**	**19,997**	**142,280**	**105,064**	**491,543**
Assets and Liabilities according to the sector activity						
Assets of the sector activity	19,686,963	668,642	17,283,593	9,969,787	16,900,526	**64,509,511**
Total assets	**19,686,963**	**668,642**	**17,283,593**	**9,969,787**	**16,900,526**	**64,509,511**
Liabilities of the sector activity	18,047,975	5,184,133	2,874,335	25,817,115	4,513,748	**56,437,306**
Total Liabilities	**18,047,975**	**5,184,133**	**2,874,335**	**25,817,115**	**4,513,748**	**56,437,306**

b. Geographical sector analysis

(All amounts are in thousand Egyptian pounds)

31 March 2023	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenues & Expenses according to the geographical sectors				
Revenues of the Geographical sectors	2,785,188	209,082	53,438	**3,047,708**
Expenses of the Geographical sectors	(1,259,215)	(147,263)	(29,240)	**(1,435,718)**
Result of sector operations	**1,525,973**	**61,819**	**24,198**	**1,611,990**
Profit before tax	1,525,973	61,819	24,198	**1,611,990**
Tax	(368,888)	(13,912)	(5,445)	**(388,245)**
Profit of the Period	**1,157,085**	**47,907**	**18,753**	**1,223,745**

31 March 2022	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenues & Expenses according to the geographical sectors				
Revenues of the Geographical sectors	1,499,459	152,790	50,730	**1,702,979**
Expenses of the Geographical sectors	(865,317)	(132,188)	(33,009)	**(1,030,514)**
Result of sector operations	**634,142**	**20,602**	**17,721**	**672,465**
Profit before tax	634,142	20,602	17,721	**672,465**
Tax	(172,312)	(4,623)	(3,987)	**(180,922)**
Profit of the Period	**461,830**	**15,979**	**13,734**	**491,543**

6. **Net interest income**	**31 March 2023 LE,000**	**31 March 2022 LE,000**
Interest on loans and similar income		
To customers	1,343,893	881,558
	1,343,893	**881,558**
Treasury bills	214,578	167,505
Balances with banks	543,222	101,894
Investments in debt instruments	200,632	215,323
	958,432	**484,722**
	2,302,325	**1,366,280**
Interest expenses and similar charges		
Deposits and current accounts:		
- To banks	(5,392)	(14,138)
- To customers	(765,354)	(567,036)
- Other Loans	(25,288)	(3,754)
- Others	(46)	(47)
	(796,080)	**(584,975)**
Net interest income	**1,506,245**	**781,305**

7. **Net fee and commission income**	**31 March 2023 LE,000**	**31 March 2022 LE,000**
Fee and Commission income :		
Credit related fees and commissions	411,889	184,798
Trust and other custody fees	21,333	10,231
Other fees	107,505	50,558
Total	**540,727**	**245,587**
Fee and Commission expense :		
Other fees and commissions paid	(133,617)	(103,537)
	(133,617)	**(103,537)**
Net fee and Commission	**407,110**	**142,050**

8- **Net trading income**	**31 March 2023 LE,000**	**31 March 2022 LE,000**
Foreign exchange:		
Gains from foreign currencies transactions	145,736	58,636
Gain on revaluation of currency swap contracts	1,794	3,021
Gain on revaluation of option deals	2,073	6,162
Net changes in fair value through profit / Loss	(334)	8,953
Interest Income from investment at fair value through profit / Loss	3,124	(3,585)
Gain on investment at fair value through profit / Loss	875	37
	153,268	**73,224**

9. **Gains from financial investments**	**31 March 2023 LE,000**	**31 March 2022 LE,000**
Gain on sale of Treasury Bills	51,388	17,888
	51,388	**17,888**

10. **Impairment (charge) / release for credit losses**	**31 March 2023 LE,000**	**31 March 2022 LE,000**
Loans and advances to customers	22,763	(71,319)
Due from banks	(2,974)	(616)
Debt instruments at fair value through other comprehensive income	(15,833)	(3,401)
	3,956	**(75,336)**

11. **Administrative expenses**	**31 March 2023 LE,000**	**31 March 2022 LE,000**
Staff costs		
Wages and salaries	(187,200)	(151,937)
Social insurance costs	(36,911)	(31,149)
	(224,111)	**(183,086)**
Other Administrative expenses	(226,128)	(195,608)
	(450,239)	**(378,694)**

12. **Other operating / (expense)**	**31 March 2023 LE,000**	**31 March 2022 LE,000**
(Charge) Other provisions	(112,708)	95,798
Revaluation on foreign currencies assets & Liabilities rather than those held for trading	34,198	18,584
(loss) / Profit on asset acquired revaluation		
Profit on sale of fixed assets	2,156	150
Others	16,616	(2,504)
	(59,738)	**112,028**

13. Income tax expense

	31 March 2023 LE,000	31 March 2022 LE,000
Current tax	(433,355)	(180,922)
Deferred tax	45,110	-
	(388,245)	**(180,922)**

	31 March 2023 LE,000	31 March 2022 LE,000
Profit before tax	**1,611,990**	**672,465**
Tax calculated at applied tax rate	(362,698)	(151,305)
Nondeductible expenses	(135,375)	(89,694)
Tax on interest from T-bills and G-bonds	(84,949)	(79,010)
Tax exempted income	133,038	139,065
Prior years Adjustment	16,629	-
Deferred tax	45,110	22
Income tax expense	(388,245)	**(180,922)**
Effective tax rate	**24.1%**	**26.9%**

Movement of deferred tax assets

	31 March 2023 LE,000	31 December 2022 LE,000
Deferred tax assets:		
Provisions	90,617	61,728
	90,617	**61,728**
Deferred tax liabilities:		
Fixed assets	36,096	39,539
Provisions	-	12,788
	36,096	**52,327**
Net balance of deferred tax assets	**54,521**	**9,401**

14. **Cash and balances with Central Bank of Egypt**	31 March 2023 LE,000	31 December 2022 LE,000
Cash on hand	2,388,040	1,811,244
Balances with the Central Bank of Egypt -reserve ratio	4,947,846	3,425,024
	7,335,886	**5,236,268**
Non-interest bearing balances	7,335,886	5,236,268
	7,335,886	**5,236,268**

15. **Due from banks**	31 March 2023 LE,000	31 December 2022 LE,000
Current accounts	4,205,903	2,433,758
Placements with other banks	21,595,319	18,339,049
	25,801,222	**20,772,807**
Expected credit loss	(12,631)	(7,703)
Balance	**25,788,591**	**20,765,104**
Central bank of Egypt	12,886,220	13,513,637
Local banks	1,549,381	1,552,967
Foreign banks	11,365,621	5,706,203
	25,801,222	**20,772,807**
Expected credit loss	(12,631)	(7,703)
Balance	**25,788,591**	**20,765,104**
Non-interest bearing balances	4,204,672	2,433,758
Interest bearing balances	21,596,550	18,339,049
	25,801,222	**20,772,807**
Expected credit loss	(12,631)	(7,703)
Balance	**25,788,591**	**20,765,104**

The movement in provision - Due from banks	31 March 2023 LE,000	31 December 2022 LE,000
Balance at 1 January 2022	**7,703**	**3,681**
Impairment (charge)	2,974	1,271
Exchange differences	1,954	2,751
Balance at the Period end	**12,631**	**7,703**

16. **Loans to banks**	31 March 2023 LE,000	31 December 2022 LE,000
Other loans	10,362	3,278
Total	**10,362**	**3,278**

17. **Loans and advances to customers (net)**	31 March 2023 LE,000	31 December 2022 LE,000
Individual		
Overdrafts	128,972	124,051
Credit cards	1,187,494	1,172,542
Personal Loans	8,001,947	8,116,570
Real Estate Loans	1,153,223	1,056,582
Total (1)	**10,471,636**	**10,469,745**
Corporate entities		
Overdrafts	8,125,396	7,257,583
Direct Loans	15,621,429	15,265,338
Syndicated loans	1,793,053	1,598,834
Other Loans	240,755	792,937
Total (2)	**25,780,633**	**24,914,692**
Total Loans and advances (1+2)	**36,252,269**	**35,384,437**
Less :		
Unearned Income	(12,669)	(6,136)
Suspense interest	(96,796)	(87,029)
Allowance for impairment	(1,527,304)	(1,484,170)
Net	**34,615,500**	**33,807,102**
Current Balances	24,319,033	23,238,492
Non-Current Balances	11,933,236	11,460,181
	36,252,269	**34,698,673**

Allowance for impairment

31 March 2023

Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at 1 January 2023	**523**	**46,917**	**187,200**	**10,676**	**245,316**
Impairment release / (charge)	(16)	2,702	22,850	1,047	**26,583**
Loans written off during the period	-	(6,545)	(40,231)	-	**(46,776)**
Amount recoveries during the period	-	3,358	20,726	-	**24,084**
Balance at the period end	**507**	**46,432**	**190,545**	**11,723**	**249,207**

Corporate entities	Overdrafts	Direct Loans	Syndicated loans	Other Loans	Total
Balance at 1 January 2023	**761,438**	**349,522**	**125,663**	**2,231**	**1,238,854**
Impairment release / (charge)	14,142	(60,448)	(4,012)	972	**(49,346)**
Loans written off during the period	-	-	-	-	**-**
Amount recoveries during the period	2,542	-	-	-	**2,542**
Exchange differences	26,959	27,656	31,432	-	**86,047**
Balance at the period end	**805,081**	**316,730**	**153,083**	**3,203**	**1,278,097**
Total					**1,527,304**

31 December 2022

Individuals	Overdrafts	Credit cards	Personal loans	Real estate loans	Total
Balance at 1 January 2022	**411**	**46,030**	**198,886**	**9,568**	**254,895**
Impairment release / (charge)	112	9,366	103,337	1,108	**113,923**
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**	**10,676**	**245,316**

Corporate entities	Overdrafts	Direct Loans	Syndicated loans	Other Loans	Total
Balance at 1 January 2022	**516,926**	**692,987**	**46,495**	**838**	**1,257,246**
Impairment release / (charge)	252,256	(237,363)	61,177	1,341	**77,411**
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**	**349,522**	**125,663**	**2,231**	**1,238,854**
Total					**1,484,170**

18. 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 March 2023 **LE,000**	**Contractual amount**	**Assets**	**Liabilities**
Currency Derivatives			
Currency forwards	800,654	16,055	319
Currency swaps	3,539,353	75,515	9,451
Currency options	120,774	8	8
	4,460,781	**91,578**	**9,778**
Interest rate derivatives			
Interest rate swaps	6,517	30	30
	6,517	30	30
Total derivatives	**4,467,298**	**91,608**	**9,808**

31 December 2022 **LE,000**	**Contractual amount**	**Assets**	**Liabilities**
Derivatives			
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	1,866,192	14,991	59
	1,866,192	14,991	59
Total derivatives	**4,836,103**	**55,294**	**38,605**

19. **Financial Investments**	**31 March 2023 LE,000**	**31 December 2022 LE,000**
Fair value through other comprehensive income		
Debt instruments at fair value unlisted - Treasury bills	9,525,427	6,982,691
Debt instruments at fair value listed - Bonds	5,185,384	5,928,080
Equity instruments at fair value unlisted	41,004	41,004
Mutual fund Certificates - according to law requirements*	189,285	172,757
Total investment measured at fair value through other comprehensive income	**14,941,100**	**13,124,532**
Fair value through other profit or loss		
Governmental Bonds	8,413	11,336
Total investment measured at fair value through profit or loss	**8,413**	**11,336**
Total Financial investments	**14,949,513**	**13,135,868**
Current Balances	11,609,945	8,801,079
Non-current balances	3,339,568	4,334,789
	14,949,513	**13,135,868**
Debt instruments with fixed interest rates	14,719,224	12,922,107
	14,719,224	**12,922,107**

Treasury bills according to the following maturities:	**31 March 2023 LE,000**	**31 December 2022 LE,000**
Treasury bills, maturity 91 days	2,546,523	148,714
Treasury bills, maturity 182 days	609,044	220,828
Treasury bills, maturity 273 days	1,396,864	918,462
Treasury bills, maturity 364 days	5,425,849	5,962,738
Unearned interest	(452,853)	(268,051)
	9,525,427	**6,982,691**

20. Intangible assets	31 March 2023 LE,000	31 December 2022 LE,000
Balance at beginning of the period		
Cost	433,479	405,432
Accumulated amortization	(318,273)	(267,880)
Net book value	**115,206**	**137,552**
Balance for the current period		
Net Book value at the beginning of the period	115,206	137,552
Additions	24,041	28,047
Amortization expense	(13,394)	(50,393)
Net Book Value at the end of the current period	**125,853**	**115,206**
Balance at the end of the current period		
Cost	457,520	433,479
Accumulated amortization	(331,667)	(318,273)
Net book value	**125,853**	**115,206**

21. Other assets	31 March 2023 LE,000	31 December 2022 LE,000
Accrued revenues	784,891	743,866
Prepaid expenses	333,391	287,052
Advance payments for purchase of fixed assets	202,302	144,388
Assets reverted to the Bank in settlement of debts	117,971	117,971
Deposits with others and imprest fund	14,604	15,102
Other	244,526	344,150
Total	**1,697,685**	**1,652,529**

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22. Fixed Assets

	Land	Buildings	Computer systems	Vehicles	Fixtures	Machinery and equipment	Furniture	Other	Total
Balance as of 31 January 2022									
Cost	56,822	428,022	307,998	26,496	297,051	49,896	40,533	130,425	**1,337,243**
Accumulated Depreciation	-	(160,503)	(231,322)	(18,534)	(234,726)	(34,167)	(25,784)	(56,260)	**(761,296)**
Net book value as of 31 January 2022	**56,822**	**267,519**	**76,676**	**7,962**	**62,325**	**15,729**	**14,749**	**74,165**	**575,947**
Additions	-	-	45,539	4,641	31,988	2,140	1,495	21,940	**107,743**
Disposals – Cost	-	(539)	(21,571)	(147)	(2,640)	(187)	(6)	(88)	**(25,178)**
Depreciation expense	-	(14,694)	(36,669)	(3,356)	(22,167)	(4,070)	(3,674)	(12,932)	**(97,562)**
Disposals – Accumulated Depreciation	-	537	21,466	147	2,626	185	6	88	**25,055**
Net book value as of 31 December 2022	**56,822**	**252,823**	**85,441**	**9,247**	**72,132**	**13,797**	**12,570**	**83,173**	**586,005**
Balance as of 1 January 2023									
Cost	56,822	427,483	331,966	30,990	326,399	51,849	42,022	152,277	**1,419,808**
Accumulated Depreciation	-	(174,660)	(246,525)	(21,743)	(254,267)	(38,052)	(29,452)	(69,104)	**(833,803)**
Net Book value as of 1 January 2023	**56,822**	**252,823**	85,441	**9,247**	**72,132**	**13,797**	**12,570**	**83,173**	**586,005**
Additions	-	-	22,661	2,829	661	361	1,054	5,452	**33,018**
Disposals – Cost	-	-	(4)	(1,721)	-	(6,670)	(12)	(419)	**(8,826)**
Depreciation expense	-	(3,662)	(11,197)	(924)	(6,430)	(889)	(947)	(3,422)	**(27,471)**
Disposals – Accumulated Depreciation	-	-	4	1,626	-	6,579	12	397	**8,618**
Net book value as of 31 March 2023	**56,822**	**249,161**	**96,905**	**11,057**	**66,363**	**13,178**	**12,677**	**85,181**	**591,344**
Balance as of 31 March 2023									
Cost	56,822	427,483	354,623	32,098	327,060	45,540	43,064	157,310	**1,444,000**
Accumulated Depreciation	-	(178,322)	(257,718)	(21,041)	(260,697)	(32,362)	(30,387)	(72,129)	**(852,656)**
Net book value as of 31 March 2023	**56,822**	**249,161**	**96,905**	**11,057**	**66,363**	**13,178**	**12,677**	**85,181**	**591,344**

23. Due to banks

	31 March 2023 LE,000	31 December 2022 LE,000
Current accounts	265,763	460,912
Deposits	1,390,424	-
	1,656,187	**460,912**
Local banks	443	1,945
Foreign banks	1,655,744	458,967
	1,656,187	**460,912**
Non-interest bearing	265,763	460,912
Interest bearing	1,390,424	-
	1,656,187	**460,912**
Current Balances	1,656,187	460,912
	1,656,187	**460,912**

24. Treasury bills Sold with repurchase agreements

	31 March 2023 LE,000	31 December 2022 LE,000
Treasury bills, maturity 364 days	6,264	6,576
	6,264	**6,576**

25. Customers' deposits

	31 March 2023 LE,000	31 December 2022 LE,000
Demand deposits	34,637,975	27,954,518
Time and call deposits	14,940,443	13,592,655
Certificates of deposits	9,662,420	10,957,805
Saving accounts	5,674,751	5,364,285
Other deposits	2,929,642	2,623,327
Total	**67,845,231**	**60,492,590**
Corporate Deposits	43,867,799	36,220,233
Retail Deposits	23,977,432	24,272,357
	67,845,231	**60,492,590**
Current Balances	48,283,160	38,585,431
Non-current balances	19,562,071	21,907,159
	67,845,231	**60,492,590**
Non-interest bearing balances	21,497,628	15,758,534
Fixed interest rate balances	39,384,023	38,289,767
Variable interest rate balances	6,963,580	6,444,289
	67,845,231	**60,492,590**

26. Other Loans

	Interest Rates	31 March 2023 LE,000	31 December 2022 LE,000
National Bank of Egypt		112,748	126,635
Egyptian Co. for Housing Refinance		111,449	127,925
Credit Agricole Paris (13/6/2027)	Libor+2.70%	308,983	247,434
Credit Agricole Paris (11/5/2028)	Libor+2.69%	308,983	247,434
Credit Agricole Paris (13/4/2029)	Libor+3.14%	308,983	247,434
		1,151,146	**996,862**

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

27. Other Liabilities

	31 March 2023 LE,000	31 December 2022 LE,000
Accrued interest	236,237	221,042
Unearned revenue	55,329	53,753
Accrued expenses	479,639	561,497
Other credit balances	1,609,247	1,431,218
	2,380,452	**2,267,510**

28. Other provisions

	31 March 2023 LE,000	31 December 2022 LE,000
Balances At 1 January	**353,486**	**347,152**
Exchange differences	40,143	53,651
Charged (release) to the income statement	112,708	(39,568)
Utilized during Period	(103)	(7,749)
	506,234	**353,486**

Other provisions represent the following:

	31 March 2023 LE,000	31 December 2022 LE,000
Provision for claims	109,843	87,667
Provision for contingent liabilities	396,391	265,819
Balance	**506,234**	**353,486**

29. Retirement benefit obligations

	31 March 2023 LE,000	31 December 2022 LE,000
Medical benefits liability		
Post-employment medical benefits	190,979	190,979
	190,979	**190,979**

Movement in the present value of defined benefit obligation	31 March 2023 LE,000	31 December 2022 LE,000
Present Value of defined benefit obligation as at the beginning of the year	163,900	163,900
Current Service Cost	4,662	4,662
Interest Cost	24,624	24,624
Benefits paid to outgoing employees during the year	(8,177)	(8,177)
Actuarial (gain)/loss on the obligation	5,970	5,970
Present Value of defined benefit obligation as at the beginning of the year	**190,979**	**190,979**

- 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 14.60%
  Inflation Rate of medical care costs 15.00%
- The assumption of death rates were made according to the British Mortality Table no. A49/52.

30. 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 March 2023 and 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**

- **<u>According to the decision of the general assembly and extraordinary general assembly meetings dated 29 June 2021.</u>**

- 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.

31. Reserves and retained earning

A. Reserves	**31 March 2023 LE,000**	**31 March 2022 LE,000**
General Banking Risk Reserve	7,960	2,725
Legal reserve	825,685	704,243
Capital reserve	52,288	49,277
Fair value reserve	(202,320)	147,895
EAS 47 reserve	4,229	4,229
General Risk Reserve	110,756	110,756
Total reserves	**798,598**	**1,019,125**

Movements in reserves were as follows:

	31 March 2023 LE,000	**31 March 2022 LE,000**
a. General Banking Risk Reserve		
Balance at the beginning of the Period	2,725	2,190
Transferred from the Net profit	5,235	535
Balance	**7,960**	**2,725**
b. Legal reserve		
Balance at the beginning of the Period	704,243	626,369
Transferred from the Net profit	121,442	77,874
Balance	**825,685**	**704,243**

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.

c. Capital Reserve	31 March 2023 LE,000	31 March 2022 LE,000
Balance at the beginning of the Period	49,277	357
Transferred from Net profit	3,011	48,920
Balance	**52,288**	**49,277**

d. Fair value reserve	31 March 2023 LE,000	31 March 2022 LE,000
Balance at the beginning of the Period	**142,926**	**139,673**
Other comprehensive income for the period	(345,246)	8,222
Balance	**(202,320)**	**147,895**

e. EAS 47 Reserve	31 March 2023 LE,000	31 March 2022 LE,000
Balance at the beginning of the Period	**4,229**	**4,229**
Movement during the year	**-**	**-**
Balance	**4,229**	**4,229**

f. General Risk Reserve	31 March 2023 LE,000	31 March 2022 LE,000
Balance at the beginning of the Period	**110,756**	**110,756**
Movement during the year	**-**	**-**
Balance	**110,756**	**110,756**

B. Retained earnings	31 March 2023 LE,000	31 March 2022 LE,000
Balance at the beginning of the Period	**3,899,975**	**2,777,188**
Dividend	(242,820)	(1,072,908)
Transferred to Legal reserve	(121,442)	(77,874)
Transferred to Capital Reserve	(3,011)	(48,920)
Transferred to General Banking Risk Reserve	(5,235)	(535)
Transferred to Banking Sector Support & Development Fund	(24,109)	(15,430)
Profit of the Period	1,223,745	491,543
Balance	**4,727,103**	**2,053,064**

32. Contingent liabilities and commitments

A. Loans, advances and Guarantees Commitments	31 March 2023 LE,000	31 December 2022 LE,000
Letters of guarantee	15,632,834	14,237,198
Commercial letters of credit (import and export)	1,669,219	1,471,500
Acceptances	2,224,993	2,512,516
Other contingent liability	2,856,622	2,811,864
Total	**22,383,668**	**21,033,078**

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.

33. 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 March 2023 LE,000	31 March 2022 LE,000
Cash and balances with central banks	2,388,040	1,821,027
Due from banks	23,625,487	9,370,441
Treasury bills	2,498,377	414,079
	28,511,904	**11,605,547**

34. 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 589.21 at balance sheet date and the total value is 88,381,500 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 173,016 EGP as of **31 March 2023** 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 40,230,000 EGP with a redeemable price of 268.20 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 100,162 EGP as of **31 March 2023** 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 44,351,110 EGP and a redeemable price of 1,032.49 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 643,163 EGP as of **31 March 2023** 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 16,322,000 EGP with a redeemable price of 326.44 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 36,883 EGP as of **31 March 2023** that was classified as fees and commission income in the income statement.

35. 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:

	Credit Agricole Group	
	31 March 2023 LE,000	31 December 2022 LE,000
Due from banks	1,933,001	704,808
Due to banks	191,920	166,927
General and Administrative expenses	7,347	25,761
Other Loans	926,949	742,302

36. 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 period amounted to 7,654 thousand EGP compared to 5,374 thousand for the previous year, and the total outstanding loans for the top management during the period amounted to 10,999 thousand EGP compared to 11,479 thousand for the previous year.

37. 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.

2022

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.

38. Comparative Figures

Some comparative figures for the Year ended 31 December 2022 have been reclassified to be matched with the disclosure presented for the figures for the current period. The Bank has carried out the reclassification operations after studying some facilities and has no effect on total assets and amending it's presentation on the balance sheet, the statement of changes in owners' equity and previously recorded profits.

The table below shows a summary of the significant reclassifications that have been made.

Separate statement of financial position	Previous disclosure	Reclassification	Current disclosure
Loans to banks	**689,042**	**(685,764)**	**3,278**
Loans and advances to customers	**33,121,338**	**685,764**	**33,807,102**

39. Translation

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