



Financial Statements for 12M 2023

Auditors Report and Consolidated Financial Statements for the Year Ended on 31 December 2023 Crédit Agricole Egypt

CREDIT AGRICOLE - EGYPT S.A.E.

AUDITORS' REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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Auditor's report

To the Shareholders of Credit Agricole - Egypt (SAE)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Credit Agricole - Egypt (SAE), "the Bank" and its subsidiary "together the Group", which comprise the consolidated financial position as at December 31, 2023 and the consolidated statements of income, comprehensive income, changes in owner's equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Auditor's report
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the rules of preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by Central Bank of Egypt Board of Directors on December 16, 2008 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations.



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12 February 2024
Cairo

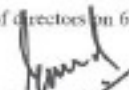
Consolidated Statement of Financial Position – As at of 31 December 2023


(All amounts are in thousand Egyptian pounds)

	Notes	31 December 2023	31 December 2022*
Assets			
Cash and balances with Central Bank of Egypt	15	5,115,643	5,236,268
Due from banks	16	38,702,153	20,765,104
Loans to banks*	17	-	3,278
Loans and advances to customers	18	41,168,888	33,807,102
Derivative financial instruments	19	20,970	55,294
Financial Investments			
Fair value through other comprehensive income	20	17,607,095	13,124,532
Fair value through profit or loss	20	383,914	11,336
Intangible assets	21	176,233	115,206
Other assets	22	2,346,939	1,652,529
Deferred tax assets	14	61,191	9,337
Fixed assets	23	594,506	586,005
Total assets		106,177,532	75,365,991
Liabilities and Owners' Equity			
Liabilities			
Due to banks	24	200,294	460,912
Treasury bills sold with repurchase agreements	25	5,320	6,576
Customers' deposits	26	84,173,489	60,492,590
Derivative financial instruments	19	7,219	38,605
Other Loans	27	1,077,035	996,862
Other liabilities	28	3,941,357	2,267,510
Current income tax liability		1,501,524	644,323
Other provisions	29	626,271	353,486
Retirement benefit obligations	30	140,257	190,979
Total liabilities		91,672,766	65,451,843
Owners' Equity			
Paid-up Capital	31	5,000,000	5,000,000
Reserves	32	826,305	1,014,156
Retained earnings	32	8,678,444	3,899,975
		14,504,749	9,914,131
Minority interest		17	17
Total owners' equity		14,504,766	9,914,148
Total liabilities and owners' equity		106,177,532	75,365,991

Approved for issue and signed on behalf of the Board of directors on 6th February 2024.




Ravinarayanan Iyer
Chief Financial Officer


Jean-Pierre Trinelle
Managing Director

*Loans to banks presentation was amended as in Note 39

- The accompanying notes from (1) to (41) are integral part of these consolidated financial Statements and to be read there with.
- Auditors' report attached.

Consolidated Income Statement for the year ended 31 December 2023

(All amounts are in thousand Egyptian pounds)

	Notes	31 December 2023	31 December 2022
Interest on loans and similar income	6	11,952,194	6,330,520
Interest expenses and similar expenses	6	(4,496,812)	(2,502,538)
Net interest income		7,455,382	3,827,982
Fees and commission income	7	2,071,627	1,295,168
Fees and commission expenses	7	(617,496)	(458,399)
Net fee and commission income		1,454,131	836,769
Dividend income	8	8,661	5,184
Net trading income	9	417,066	300,741
Gains from financial investments	10	154,172	58,934
Impairment charge for credit losses	11	(299,136)	(195,180)
Administrative expenses	12	(2,153,746)	(1,638,769)
Other operating income (Expense)	13	(119,101)	112,877
Profit before income tax		6,917,429	3,308,538
Income tax expense	14	(1,751,057)	(890,783)
Profit for the year		5,166,372	2,417,755
Parent company share		5,166,371	2,417,754
Minority share		1	1
		5,166,372	2,417,755

- The accompanying notes from (1) to (41) are integral part of these consolidated financial Statements and to be read there with.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

(All amounts are in thousand Egyptian pounds)

	31 December 2023	31 December 2022
Net profit for the year	5,166,372	2,417,755
Items that will not be reclassified to the Profit or Loss:		
Net change in fair value of investments in equity instruments measured at fair value through other comprehensive income	2,013	30,934
Remeasurement of defined benefit liability	71,998	-
Items that is or may be reclassified to the profit or loss:		
Net change in fair value of debt instruments measured at fair value through other comprehensive income	(414,011)	(103,107)
Expected credit loss for fair value of debt instruments measured at fair value through other comprehensive income	17,171	2,575
Unrealized gain on cash flow hedge	-	15,003
Exchange differences of debt instruments measured at fair value through other comprehensive income	11,759	(21,453)
Total comprehensive income	(311,070)	(76,048)
Total other comprehensive income items for the year	4,855,302	2,341,707

- The accompanying notes from (1) to (41) are integral part of these consolidated financial Statements and to be read there with.

Consolidated Statement of Changes in Owners' Equity for the year ended 31 December 2023

(All amounts are in thousand Egyptian pounds)

31 December 2022
Consolidated balance at 1 January 2022

	Paid up capital	Reserves	Retained earnings	Parent company share	Minority Interest	Total
Consolidated balance at 1 January 2022	5,000,000	883,574	2,777,188	8,660,762	17	8,660,779
Dividends relating to year ended 2021	-	-	(1,072,908)	(1,072,907)	(1)	(1,072,908)
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	7,572,425	16	7,572,441
Net change in other comprehensive income	-	(76,048)	-	(76,048)	-	(76,048)
Re-Classification Mutual Fund to OCI	-	79,301	(79,301)	-	-	-
Net profit for the year	-	-	2,417,755	2,417,754	1	2,417,755
Balance as at 31 December 2022	5,000,000	1,014,156	3,899,975	9,914,131	17	9,914,148

31 December 2023
Consolidated balance at 1 January 2023

	Paid up capital	Reserves	Retained earnings	Parent company share	Minority Interest	Total
Consolidated balance at 1 January 2023	5,000,000	1,014,156	3,899,975	9,914,131	17	9,914,148
Dividends relating to year ended 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	-	(311,070)	-	(311,070)	-	(311,070)
Transfer from General Banking Risk Reserve (Sold Asset Acquired)	-	(2,240)	2,240	-	-	-
Remeasurement of employee benefits	-	-	2,245	2,245	-	2,245
Transfer to retained earning EAS 47 reserve	-	(4,229)	4,229	-	-	-
Net profit for the year	-	-	5,166,372	5,166,371	1	5,166,372
Balance as at 31 December 2023	5,000,000	826,305	8,678,444	14,504,749	17	14,504,766

The accompanying notes from (1) to (41) are integral part of these consolidated financial Statements and to be read there with.

Consolidated Statement of Cash Flows for The year ended 31 December 2023

(All amounts are in thousand Egyptian pounds)

	Notes	31 December 2023	31 December 2022*
<u>Cash flows from operating activities</u>			
Net profit before income tax		6,917,429	3,308,538
Adjustments to reconcile net profit to cash flow from operating activities:			
Depreciation and amortization		168,195	147,955
Impairment charge for credit losses	11	299,136	195,180
Other provision (release) / charge	29	231,587	(39,568)
Used provision - other than loans provision	29	(222)	(7,749)
Amortization of discount/premium on investments through OCI	20	(1,304,412)	(686,202)
Foreign currencies revaluation of provisions rather than loan loss		61,781	83,986
Foreign currencies revaluation of investments rather than through P&L	20	(742,881)	(747,360)
Revaluation of investments at fair value through profit / Loss	20	1,576	670
Loss (profit) of Assets reverted to the Bank		1,200	-
(Profit) on sale of fixed assets		(8,958)	(3,011)
Foreign currencies revaluation of other loans		184,491	270,801
Operating profit before changes in operating assets & liabilities		5,808,923	2,523,240
<u>Net decrease (increase) in assets and liabilities</u>			
Due from Central Bank of Egypt		451,501	(54,608)
Due from banks		(487,519)	(853,117)
Loans and advances to customers and banks		(7,634,413)	(4,484,960)
Derivative financial instruments (net)		(11,994)	2,400
Other assets		(697,210)	(380,251)
Due to banks		(260,618)	455,137
Customers' deposits		23,680,899	12,282,806
Other liabilities		1,648,491	237,346
Pension fund liabilities		(50,722)	27,078
Income taxes paid		(945,710)	(544,615)
Net cash flow generated from operating activities		21,501,628	9,210,456
<u>Cash flows from investing activities</u>			
Purchase of assets & branches leasehold improvements		(238,242)	(135,790)
Proceeds from sale of fixed assets		9,477	3,134
Proceeds from sale and redemption of financial investments other than trading		188,254,072	201,182,255
Purchases of securities other than trading other investments		(189,534,494)	(199,874,394)
Net cash flow (used in) / generated from investing activities		(1,509,187)	1,175,205
<u>Cash flows from financing activities</u>			
Other Loans		(104,318)	47,953
Dividends paid		(242,820)	(1,072,908)
Net cash (used in) financing activities		(347,138)	(1,024,955)
Net change in cash and cash equivalents during the year		19,645,302	9,360,706
Cash and cash equivalents at beginning of the year		20,782,630	11,421,924
Cash and cash equivalents at the end of the year		40,427,932	20,782,630
<u>Cash and cash equivalents are represented in :</u>			
Cash and due from Central Bank of Egypt	15	5,115,643	5,236,268
Due from banks	16	38,715,068	20,772,807
Treasury bills	20	11,275,928	7,039,877
Balances with Central Bank of Egypt (Reserve ratio)		(2,973,523)	(3,425,024)
Deposits with banks (Maturity more than three months)		(2,411,021)	(1,923,502)
Treasury bills (Maturity more than three months)		(9,294,163)	(6,917,796)
Cash and cash equivalents at the end of the year	34	40,427,932	20,782,630

The accompanying notes from (1) to (41) are integral part of these consolidated financial Statements and to be read there with.

Notes to the consolidated financial statements - For the year ended 31 December 2023

1. General Information

Credit Agricole - Egypt Bank (S.A.E.) provides corporate banking, retail, and investment banking services inside and outside the Arab Republic of Egypt and foreign countries through its head office at 5th Settlement and 84 branches that employs over 2,561 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 Egyptian 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 and the company specializes in real estate financing activity.

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 statement has been approved for issuance by the board of directors on February 6, 2024.

2. Summary of significant accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

A) Basis of preparation

These consolidated financial statements are prepared in accordance with rules of preparation and presentation of banks' financial statements, basis of recognition and measurement approved by the Board of Directors of the Central Bank of Egypt on 16 December 2008, along with the requirements of IFRS 9 "Financial Instruments" according to the instructions issued by the Central Bank of Egypt on 26 February 2019, in light of the Egyptian Accounting Standards issued, and what is not mentioned in the instructions of the Central Bank of Egypt shall be referred to the Egyptian Accounting Standards.



Notes to the consolidated financial statements - For the year ended 31 December 2023

B) Subsidiaries and Associates

i. 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 the Bank owns more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity. The Subsidiaries are measured in the consolidated financial statement at cost including any goodwill less impairment. The financial statements of subsidiaries are included in the consolidated financial statements of the Bank from the date on which the control commences until the date on which control ceases.

ii. Associates

Associates are all entities over which the Bank has, directly or indirectly, a significant influence, but it does not reach to the extent of control, and usually the Bank holds from 20% to 50% of the voting rights.

The associates are accounted for in the consolidated financial statement at cost including any goodwill and excluding any impairment losses in that value and the dividends income is recognized in the income statement on approval of those dividends' income on entitlement of the bank to collection.

C) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses , including revenues and expenses relating to transactions with any of the Bank's other components , whose operating results are regularly reviewed by the bank's Chief Operating Decision maker (CODM) who is represented in the executives committee to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

D) Foreign currency Translation

i. Functional and presentation currency

The Bank's financial statements are presented in Egyptian Pound (EGP), which is the Bank's functional and presentation currency.

ii. Transactions and balances in foreign currencies

The Bank keeps its accounting records in Egyptian pound. Transactions in foreign currencies are translated using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates at the reporting date. Foreign currency differences arising on translation are generally recognized in income statement, however, foreign currency difference arising from the translation of the following items are recognized in OCI:

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (not applicable for the current year); and
- qualifying cash flow hedge to the extent that the hedge is effective (not applicable for the current year).

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

E) Financial assets and liabilities

i. Initial recognition and measurement

The Bank initially recognizes financial assets and financial liabilities on the date on which the bank becomes a party in a contractual condition of financial instrument.

A financial asset or financial liability is measured initially at fair value, plus for an item that are not at fair value through profits and losses, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification

Financial assets

- On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI or FVTPL

Financial Instrument	Classification		
	Amortized cost	Fair value	
		Through other comprehensive income	through profit or loss
Equity Instrument	Not applicable	One-time option upon initial recognition Irrevocable	Normal treatment for equity instruments
Debt instruments	Business model of assets is to hold for collecting contractual cash flows	Business model of assets is achieved by both collecting the contractual cash flows and selling financial assets	All other financial assets are classified as measured at FVTPL, held for trading

Financial asset	Business model	Main characteristics
Financial assets at amortized cost	Business model for Financial Assets Held to collect contractual cash flows	<ul style="list-style-type: none"> ▪ The objective of the business model is to retain financial assets to collect the contractual cash flows represented in the principal amount of the investment and the interests. ▪ A sale is an exceptional contingent event for the purpose of this model and under the terms of the Standard comprising deterioration in the creditworthiness of the issuer of the financial instrument. ▪ Lowest sales in terms of turnover and value. ▪ A clear and reliable documentation process for the justifications of each sale and its conformity with the requirements of the Standard shall be conducted by the bank.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

E) Financial assets and liabilities (continued)

ii. Classification (continued)

Financial asset	Business model	Main characteristics
Financial assets at fair value through other comprehensive income	Business model for financial assets held to collect contractual cash flows and selling	<ul style="list-style-type: none"> ▪ Both the collection of contractual cash flows and sale are complementary to the objective of the model. ▪ High sales (in terms of turnover and value) compared to the business model held for the collection of contractual cash flows. ▪ The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI. ▪ Mainly consists of financial investments measured at FVOCI.
Financial assets at fair value through profits and losses	Other business models, which include (trading - management of financial assets based on fair value - maximising cash flows through sale)	<ul style="list-style-type: none"> ▪ The objective of the business model is not to hold the financial asset for the collection of contractual cash flows or hold the financial asset to collect contractual cash flows and sale. ▪ The collection of contractual cash flows is a contingent event for the objective of the model. ▪ The Bank may irrecoverably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. ▪ Mainly consist of Derivative financial instruments, and financial investments at fair value through profit or loss.

Business model assessment

- The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level as it reflects the way the business is managed, and information is provided to management. The information considered includes:
 - The stated policies and portfolio's objectives and application of such policies in practice. In particular, whether the management's strategy focuses only upon collection of contractual cash flows and holding a definite interest rate to compare maturity dates of financial assets with maturity dates of liabilities that finance such assets or generates cash flows from sale of assets.
 - Way of evaluating and reporting the portfolio's performance to senior management.
 - Risks that affect business model performance including nature of financial assets held in such model and the way of managing such risks.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

E) Financial assets and liabilities (continued)

ii. Classification (continued)

- Way of evaluating the performance of business managers (fair value and/or interest on portfolio, or both).
- The frequency, volume and timing of sales in prior periods, reasons of such transactions, and forecasts regarding future sale activities. However, information regarding sale activities is not taken into consideration separately but as a part of a whole comprehensive assessment of how to achieve the bank's objective from managing the financial assets and how to generate cash flows.
- The financial assets held for trading, or managed and its performance valued on basis of fair value are measured at fair value through profits and losses since they are not held to collect contractual cash flows or to collect contractual cash flows and sell financial assets together.

Assessment of whether the contractual cash flows of an asset represent payments restricted upon principal amount of instrument and interest

For purpose of this assessment, the bank identifies the principal amount of financial instrument as the fair value of financial asset upon initial recognition. Further, the bank identifies the interest as time value of money and credit risks related to the principal amount during specific period and other main loan risks and costs (such as liquidity risks and administrative costs) in addition to profit margin.

In order to evaluate whether the contractual cash flows of the asset are represented solely in principal and interest, the bank takes into its consideration the contractual conditions of the instrument. This includes assessing of whether the financial asset includes contractual conditions that may change date or amount of contractual cash flows which result in breach of this condition. In order to carry out such assessment, the bank takes into consideration the following matters:

- contingent events that may change the amount and timing of cash flows.
- Specifications of financial leverage (interest rate, terms, currency type ...).
- Terms of accelerated payment and term extension.
- Terms that may limit the bank's ability to claim cash flows from certain assets (e.g. non-recourse loans) .
- Specifications that may be amended for time value of cash (periodically repricing interest rate).

iii. Reclassification

- The financial assets are reclassified upon initial recognition only if the bank changes business model of managing such assets.
- In all cases, reclassification between financial liabilities at fair value through profits and losses and financial liabilities at amortized cost are not conducted.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

E) Financial assets and liabilities (continued)

iv. De-recognition

1- Financial assets

- The financial asset is derecognized when the effective period of contractual right to obtain cash flows from financial asset expires or the bank transfers the right to receive contractual cash flows in a transaction whereby the risks and benefits associated materially with ownership are transferred to another party.
- When a financial asset is derecognized, difference between asset's book value (or book value allocated to part of the excluded principal) and total of received consideration (including any new asset obtained less any new commitment incurred) and any profits or losses has been previously recognized in the fair value reserve of financial investments at fair value through statement of other comprehensive income is recognized in statement of profits and losses.
- Any cumulative gain or loss recognized in statement of other comprehensive income related to investing in equity instruments allocated as investments at fair value through statement of other comprehensive income are not recognized in profits and losses upon disposal of such asset. Any share resulted or held from the asset qualified for disposal (eligible for disposal) shall be recognized as separate asset or liability.
- When the bank makes transactions whereby it transfers assets that have been previously recognized in statement of financial position, but materially held most of risks and benefits associated with the transferred asset or part of it. In such cases, the transferred asset shall not be derecognized.
- In respect of transactions in which the bank does not materially hold or transfer all risks and benefits associated with asset ownership and hold control over the asset, the bank continues to recognize the asset within the extent of its continuous commitment to financial asset. The continuous commitment of the bank to the financial asset shall be determined based on the bank's exposure to changes in value of transferred asset.

2- Financial liabilities

- The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

E) Financial assets and liabilities (continued)

v. Modifications of financial assets and liabilities

1. Financial assets

If the terms of a financial asset are modified, then the bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired and hence the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs and the value resulted from adjusting aggregate book value shall be recognized as profits or losses under profits and losses. On the other hand, if such adjustment has occurred due to financial difficulties of the borrower, the profits have to be deferred and presented with aggregate impairment losses whilst losses have to be recognized in the statement of profits and losses.

If the cash flows of adjusted asset recognized at amortized cost do not materially differ, the adjustment shall not result in derecognition of financial asset.

2. Financial liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified are substantially different. In such case, a new financial liability is recognized according to the amended terms at fair value. The difference between carrying amount of old financial liability and new financial liability shall be recognized in accordance with amended terms in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss.

vi. Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when the Bank currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under Egyptian Accounting Standards, or for gains and losses arising from group of similar transactions such as in the Bank's trading activity.

vii. Fair value measurement

The fair value is the price that will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

E) Financial assets and liabilities (continued)

viii. Fair value measurement (continued)

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as “active” if transactions for the assets or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, the Bank uses valuation technique that maximize the use of relevant observation inputs and minimize the use of unobservable inputs such as using other relevant prices and information result from market transactions of similar assets or liabilities.

When it cannot be relied upon the market approach to determine the fair value of a financial asset or financial liability, the Bank uses the income approach to determine fair value whereby future payments such as cash flow or income and expenses are transferred to current amount (discounted) so that the fair value measurement reflects current market expectations about future payments.

Specific valuation techniques used to determine fair values of financial instruments include:

- Quoted prices for similar assets or liabilities in active markets.
- Interest rate swaps by calculating the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using the current value of the expected cash flows by using the future foreign exchange of the currency of contract.
- Analysis of deducted cash flows to determine fair values of other financial instruments.

F) Fair value hierarchy:

Fair values of financial assets and liabilities are determined according to the following hierarchy:

Level 1 – valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that the bank can access at the measurement date.

Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

G) Impairment

The Bank recognizes loss allowance for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments.
- Financial guarantee contracts issued; and
- Loan commitments issued.
- No impairment loss is recognized on equity investments.

Recognition and measurement of Expected Credit Loss

Financial assets are classified into three stages of credit rating as follows:

Staging	Stage 1	Stage 2	Stage 3
Characteristics	For a financial instrument to be classified as a Stage 1 instrument, the instrument must be compliant with the terms and conditions of the disbursement of the instruments, in addition to complying with the agreed upon payment schedule, and the absence of significant increase in credit risk.	For a financial instrument to be classified a Stage 2 instrument, the instrument in question must experience a significant increase in credit risk from the initial recognition	For a financial instrument to be classified as a Stage 3 instrument, it must be considered credit impaired.
Effect on the calculation of the Estimated Credit Loss	The Estimated Credit Loss for instruments classified as Stage 1 instruments are calculated over a 12 month period.	The Estimated Credit Loss for instruments classified as Stage 2 instruments are calculated over the lifetime of the financial instrument.	The Estimated Credit Loss for instruments classified as Stage 3 instruments are calculated over the lifetime of the financial instrument.

➤ **Significant Increase in Credit Risk (Stage 2)**

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared to that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant, and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2.2. Summary of significant accounting policies (continued)

G) Impairment (continued)

Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of lending, particularly between retail and wholesale. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans that are individually assessed, typically corporate and commercial customers, and included on a watch or worry list are included in stage 2

For certain portfolios of debt securities where external market ratings are available and credit ratings are not used in credit risk management, the debt securities will be in stage 2 if their credit risk increases to the extent, they are no longer considered investment grade. Investment grade is where the financial instrument has a low risk of incurring losses, the structure has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil their contractual cash flow obligations.

For retail portfolios, default risk is assessed using a reporting date 12-month PD derived from credit scores which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is a reasonable approximation of a lifetime PD measure. Retail exposures are first segmented into homogeneous portfolios, generally by country, product and brand. Within each portfolio, the stage 2 accounts are defined as accounts with an adjusted 12-month PD greater than the average 12-month PD of loans in that portfolio 12 months before they become 30 days past due. The expert credit risk judgments are that no prior increase in credit risk is significant. This portfolio-specific threshold identifies loans with a PD higher than would be expected from loans that are performing as originally expected and higher than that which would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs.

First: (Quantitative Factors):

○ **(Backstop – Days of Past Dues)**

Loans and facilities for corporates, SMEs and retail banking are allocated to Stage 2 if the default period exceeds at least 30 days and less than 90 days.

○ **Probability of Default (PD):**

Upon increase of the PD over the remaining life of the financial, compared to the PD over the expected remaining life upon the initial recognition in accordance with the risk structure accepted by the Bank.

Second: (Qualitative Factors):

Retail Banking, Small and very small companies loans:

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

- The borrower submits a request to convert short-term repayment to long-term as a result of negative impacts related to the borrower's cash flows
- Extending the period granted for repayment upon the borrower's request
- Recurring previous arrears during the previous 12 months
- Negative future economic changes that affect the borrower's future cash flows.

Notes to the consolidated financial statements - For the year ended 31 December 2023

Corporate and medium sized enterprises loans:

- Actual or expected external credit rating downgrade for the loans & credit facilities / debt instrument.
- Significant adverse changes in the performance and behavior of the borrower, such as delay in paying installments or showing no positive response towards the Bank.
- The need to re-organize the debtor's obligations (restructuring the liabilities) due to weak ability of payment or declining cash flows, and the need to amend contractual conditions with the debtor or cancelling waiving) some existing contractual condition, due to the existence of actual/expected breach of the current conditions in light of the debtor's inability to continue with the Bank within the existing contract, such as giving the debtor grace periods whether for the interest or the principal instrument/exposure that was not originally stated in the contract, or increasing the interest rate / interest for future period
- The Bank having information about the existence of amounts due from the debtor, whether to the Bank or to any other creditor, that affect its ability of repayment.
- Higher interest rate on loans & credit facilities / debt instrument due to higher credit-risk of the debtor for the current period (higher risk pricing) compared to prices upon acquisition (inception or purchase) of loans & credit facilities / debt instrument.
- An actual or expected adverse change in the operating results of the borrower (Examples include actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, weak and deteriorating liquidity or management problems or discontinuance of a segment of the customer's business) that results in a significant change in the borrower's ability to meet its debt obligations.
- Changes in the Bank's credit management approach in relation to the loans & credit facilities / debt instrument; i.e. based on emerging negative indicators and changes in the risk of the loans & credit facilities / instrument, the Bank's credit risk management practice is expected to become more active or to be focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the Bank specifically intervening with the debtor to manage the loans & credit facilities / instrument.
- Essential changes in the conditions & terms of the loans & credit facilities / debt instrument that would be significantly different if the loans & credit facilities / instrument were newly originated or issued at the reporting date (such as more stringent covenants, increased amounts of collateral or guarantees) because of increase in the credit risk of the loans & credit facilities / instrument since initial recognition.
- Essential increase in credit risk of loans & credit facilities / for other debt instruments of the same borrower from other lenders.
- Adverse changes in the value of the guarantees or collateral presented by a third party or presented for supporting the obligation, which may result in reducing the borrower's economic incentive to make scheduled contractual payments or to otherwise have a negative effect on the probability of a default (PD).
- Adverse changes in the quality of the guarantee provided by a shareholder (or the parent company) if the shareholder (or parents) have an incentive or financial ability to prevent default by capital or cash infusion.
- Adverse changes resulting from reductions in financial support from the parent company or other affiliates, that are expected to reduce the borrower's ability to make scheduled contractual payments.
- Significant adverse changes in external market indicators of credit risk for particular loans & credit facilities or similar financial instruments with the same expected life, declining prices of the financial instruments issued by the borrower, such as bonds & stocks, and other negative information about the borrower in the market)

Notes to the consolidated financial statements - For the year ended 31 December 2023

➤ **Credit impaired (Stage 3)**

The Bank determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily. Whether:

Contractual payments of either principal or interest are past due for more than 90 days.

There are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and the loan is otherwise considered to be in default.

If such unlikelihood, even where regulatory rules permit default to be defined based on 90 days past due. Therefore, the definitions of credit-impaired and default are aligned as far as possible so that stage 3 represents all loans which are considered defaulted or otherwise credit-impaired.

First: Quantitative criteria:

- If the borrower defaults more than 90 days to repay the contractual instalments, he is considered to be in default.
- If the Probability of Default results from of credit worthiness assessment proves default and impairment of financial asset.

Second: Qualitative criteria:

- Significant financial difficulty of the issuer or the borrower.
- A breach of contract, such as a loan covenant
- Bank has put credit obligation on non-accrued status
- Bank consents to distressed restructuring of obligation where there is likely to be material forgiveness or postponement of principal, interest or fees.
- Bank, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Any other factors the bank thinks that it may result in default of impairment of financial asset as per the bank's internal policy.



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

G) Impairment (continued)

- Transition between Credit Stages:

First: Transition from Stage 2 to Stage 1

The financial asset should be transferred from Stage 2 to Stage 1 only after all the quantitative and qualitative elements of Stage 1 are met and the full past due amounts of the financial asset and its interests are paid.

Second: Transition from Stage 3 to Stage 2

The financial asset shall not be moved from Stage 3 to Stage 2 before meeting all the following conditions, subject to Substandard & Doubtful Debt Committee (SDDC) or Credit Risk Committee (CRC) approval.:

- Fulfilling all quantitative and qualitative elements of Stage 2.
- Payment of 25% of the outstanding balances of the financial asset and payment of all due interest (marginalized/suspended)
- Regularity of payments for at least 12 months.

Definition of default

The concept of “default” is critical to the implementation of IFRS 9. In IFRS 9 the assessment of whether there has been a significant increase in credit risk since initial recognition or not is dependent on change in the default risk occurring over the expected life of the financial instrument.

Furthermore, IFRS 9 requires that assets meeting the definition of credit impaired (‘Stage 3 Assets’) should be disclosed and the definition of credit impaired includes references to defaults, as well as other events that have a detrimental impact on estimated future cash flows.

This is a key expedient from the perspective of implementation of IFRS 9 due to the following reasons:

- In general, rating systems at Banks are calibrated to 12-Month risk of default, measured in terms of Probability of Default (PD). Therefore, it is easier for the Banks to assess the SICR by comparing 12-month risk of default across the date of initial recognition and the reporting date.
- Banks normally use a 12-Month PD measure for prudential regulatory requirements. It would be easy to leverage their existing systems and methodologies as a starting point to determine the significant increases in credit risk, thus keeping the efforts of implementation (for this area) within reasonable bounds.

In definition of “Default” for IFRS 9, the bank follows the principles given below as gleaned from the Technical Guidance:

- a) Alignment with regulatory guidelines, credit impairment definition & internal credit risk management practices
- b) Combination of Quantitative PD based rules and Qualitative UTP indicators
- c) Incorporate any differences for financial instrument type, obligor type if justifiable

Notes to the consolidated financial statements - For the year ended 31 December 2023

Definition of Default: (continued)

- d) 90 DPD or more based thresholds for different segments like Very Large, Large, and 180 Days for Medium or Small enterprise
- e) One or more of the following qualitative indicators:
 - Significant financial difficulty of the issuer or the borrower;
 - A breach of contract, such as a loan covenant
 - Bank has put credit obligation on non-accrued status;
 - Bank consents to distressed restructuring of obligation where there is likely to be material forgiveness or postponement of principal, interest or fees.
 - Bank, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
 - It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
 - The disappearance of an active market for that financial asset because of financial difficulties.

As per current risk management practice Bank considers credit impaired assets in rating grade E-/Non performing, F&Z based on internal credit risk review process.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure at Default (EAD)

ECL for exposure in Stage1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

PD: Credit risk grades are primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

LGD: is the magnitude of the likely loss if there is a default. The Bank estimates the LGD parameters based on the history of recovery rates against defaulted counterparties. The LGD models consider the structure, collateral, industry, and facility product of the counterparty.

EAD: represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments the EADs are potential future amount that may be drawn under the contract, which are estimated based on historical observations and forward looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

The bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Bank has the right to require payment of a loan or terminate a loan commitment or guarantee.

Notes to the consolidated financial statements - For the year ended 31 December 2023

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitments component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitments doesn't limit the Bank's exposure to credit losses to the contractual notice period. These facilities don't have a fixed term or repayment structure and are managed on a collective basis.

The Impact of future looking for economic factors upon Probability of Default and Loss Given Default:

- Economic indicators issued by the international valuation corporation and sources are applied.
- It is relied upon many economic indicators that have historical correspondence with default rates of geographical range in accordance with the indicators of the international valuation corporation and sources.
- Regarding the financial assets granted within the geographical range of Egypt, it is relied upon the economic indicators of trading volume in the Egyptian Stock Exchange as well as growth rate Gross Domestic Product (GDP) of Egypt.
- Regarding other financial assets located outside the geographical range of Egypt, it is relied upon the economic indicators of these areas such as Arab Gulf, United States of America, United Kingdom and Europe.
- Effect of such indicators on probability of default and Loss Given Default is calculated according to three different scenarios which are: normal, optimistic and reserved scenarios.
- Weighted average of these scenarios is calculated on basis of 50% normal scenario, 25% optimistic scenario and 25% reserved scenario.

Financial Assets of Retail Portfolio:

○ **Probability of Default (PD):**

Markov Chain mechanism is used. It includes the following:

- Historical conversion ratios of a group of customers from performing into non-performing and vice versa at the beginning of the period and comparing such ratios to the same group of customers at the end of the period.
- Annual conversion ratios of DPD Buckets for customers.
- The aforementioned conversion ratios will be used to make change average matrix for each year to establish an approach for expected changes according to the difference between annual changes average and the real matrix of portfolio named Credit Index. Accordingly, examine the effect of change by using regression model considering the national economic indicators expected upon future probability of default for each product.

Presentation of allowance for ECL in the statement of financial position

Loss allowance for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized costs: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as provision
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and recognized in the fair value reserve.

Notes to the consolidated financial statements - For the year ended 31 December 2023

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier, however the bank remains following up on the balances through legal or other mechanism even after they are written off from the books.

D) Financial derivatives instruments and hedge accounting

Derivatives are recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair value is obtained from market prices quoted in active markets, recent market transactions or valuation techniques such as discounted cash flow models and options pricing models, as the case may be. All derivatives are presented within the assets if the fair value is positive, or within liabilities if the fair value is negative.

Embedded derivatives contracts are not separated when the derivative is associated with a financial asset and therefore all embedded derivatives contract are classified with the financial asset associated therewith.

Derivatives that do not qualify for hedge accounting.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized in the statement of profits and losses under “net trading income”. However, profits and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities at fair value through profits and losses are included in statement of profits and losses under ‘Net income from financial instruments at fair value through profits and losses.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The bank accounts for an embedded derivative separately from the host contract when:

- The host contract is not an asset in the scope of IFRS (9).
- The host contract itself is not measured at fair value through profits and losses.
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- Economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognized in profit or loss unless they form part of qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

Notes to the consolidated financial statements - For the year ended 31 December 2023

J) 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.

K) Interest income and expenses

Interest income and interest expense for all interest-bearing financial instruments, except for those classified as held for trading or designated initially at fair value through profits and losses, are recognized in a statement within ‘interest of similar loans and revenues’ or “cost of similar deposits and costs” using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows expected to be paid or received through the expected life of the financial instrument or, when appropriate, a shorter period to accurately determine 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, early payment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are considered as part of the effective interest rate. Also, the transaction cost includes any premiums or discounts.

When loans or receivables are classified as non-performing or impaired as the case may be, the related interest income is not recognized but is rather carried off the financial statements in marginal records and is recognized as revenues according to cash basis as per the following:

- When they are collected, after receiving all past due instalments for consumption and real estate loans for personal housing and small loans for economic activities.
- For corporate loans, cash basis is also applied, where the interest subsequently calculated is given in accordance with the loan scheduling contract, until 25% of the scheduling instalments are collected and with a minimum of one year of regular payments. In case the customer continues to make payments on a regular basis, the interest calculated on the outstanding loan is recognized in the profit or loss as interest income (interest on regular scheduling balance) without marginal interest before scheduling which is not recognized as revenues except after paying all the loan balance in the balance sheet before scheduling.



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

L) Fees and commission

Fees that are due for a loan service or a facility are recognized as revenues when the service is rendered. Fees and commissions income related to non-performing or impaired loans or debts are suspended and are carried at off-balance sheet in marginal records and are recognized under revenues according to the cash basis when interest income is recognized in accordance with item (I). Fees and commissions income and expenses that are integral part to the effective interest rate on a financial assets or financial liability are included in the effective interest rate.

Commitment fees on loans are deferred when there is probability that loans will be used, as it represents a compensation for the continuous interference to own the financial instrument. Subsequently, it is recognized as an adjustment to the effective interest rate of the loan. If the commitment period passed without issuing the loan, commitment fees are recognized as income at the end of the commitment period. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight- line basis over the commitment period.

Fees related to debt instruments measured at its fair value are recognized as income at initial recognition. Fees related to marketing of syndicated loans are recognized as income when the marketing process is completed, and the loan is fully used or if the Bank kept its share of the syndicated loan using the effective interest rate similar to other participants.

Fees and commissions arising from negotiation or participating in negotiation over a transaction in favor of another party -such as arrangement to buy shares or other financial instruments or acquire or sell entities, are recognized in statement of profits and losses upon completion of concerned transaction. Fees of management consultation and other services are usually recognized on a time-apportion basis over the period of performing the service. Financial planning and custody services fees provided on long periods are recognized over the period in which the service is provided.

M) Dividend income

Dividends are recognized in the statement of profits and losses when the right to receive those dividends is established.

N) Sale and Re-purchase agreements (Repos)

Treasury bills sold according to Sale and Re-purchase agreements are presented in the assets in Treasury bills sold with repurchase agreements in the financial position. Difference between the sale value and re-purchase amount is recorded as an interest which is amortized over the contractual period using effective interest rate method. The amounts received from sale are presented in Due to Banks. Securities purchased from banks under agreements to resell are presented into 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.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

O) Intangible Assets

Software:

Software acquired by the Bank is measured at cost less accumulated amortization and any accumulated impairment losses. Expenditures on internally developed software is recognized as an asset when the Bank is able to demonstrate that the product is technically and commercially feasible. Its intention and ability to complete the development and use the software in a manner that will generate future economic benefits. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures is recognized in profit or loss as it is incurred. Software is amortized on a straight-line basis in profit or loss over its estimated useful life which is five to ten years.

P) Property, plant and equipment

Land and building comprise mainly head office, branches, and offices. All items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include all expenditures that are 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. Ongoing repairs and maintenance are expensed as incurred.

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

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

Q) 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 in profit or loss 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). An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

R) Leases

Finance leases 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 acting 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 lease term.

○ **The Bank as a lessor**

When the Banks acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards or not.

At the commencement of an operating lease, the Bank recognizes lease payments from operating lease as income on a straight-line basis.

S) 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.

T) 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. The unwinding of the discount is recognized as interest expense.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

U) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that incurs because a specified debtor fails to make payment when it is due in accordance with the 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.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantee issue or commitments in scope of IFRS 9 in accordance to the CBE instructions are measured at its fair value plus, transaction costs that is directly attributable to the issue of such financial guarantee/ commitment.

After initial recognition, they are measured at the higher of:

- The amount initially recognized less, when appropriate, cumulative amount of income recognized in profit or loss using the straight-line method over the term of the guarantee; and
- The best estimate of the payments required to settle any financial obligation resulting from the financial guarantee at the financial position date.

Any increase in the obligations resulting from the financial guarantee, shall be recognized within other operating income (expenses) in the income statement. Liabilities arising from financial guarantee and loan commitments are included within other provisions.

V) Employee benefits

Defined benefit plan – Medical.

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.



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

V) Employee benefits (continued)

○ **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.

W) Income tax

The income tax includes both current income tax, and deferred income tax. Income tax is recognized in the profit or loss, 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.

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 income 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.

X) Customer Deposits, debt securities and other loans

Customer Deposits, debt securities and other loans are the Bank's source of debt funding. They are recognised initially at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortised cost using the effective interest rate method. The Bank doesn't designate any Customer Deposits, debt securities or other loans at FVTPL.

When the Bank sells a financial assets and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement) , the consideration received is accounted for as liability and the underlying asset continues to be recognized in the Bank's financial statements.

Y) Share capital

○ **Share issuance costs**

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

○ **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.

Z) 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.

AA) Earning per share (EPS)

The Banks presents basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shares of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shares and the weighted average number of ordinary shares outstanding for the effects of the dilutive potential ordinary shares if any.

BB) Comparative figures

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

3. Usage of Judgements and estimates

In preparing these separate financial statements, management has made judgements, estimates and assumptions in the application of its accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

A- Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the separate financial statements is included in the following notes:

- Note 3 – establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating the forward-looking information into the measurement of the ECL and selection and approval for the models used to measure the ECL.
- Note 20 - classification of the financial assets; assessment for the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

Notes to the consolidated financial statements - For the year ended 31 December 2023

B- Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting into a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- Note 3 – Impairment of financial instruments, determination of inputs into the ECL measurement model including the key assumptions used in estimating recoverable cash flows and incorporating of forward-looking information.
- Note 20 - Measurement of the fair value of financial instruments.
- Note 31 - Measurement of defined benefit obligations: key actuarial assumptions.
- Note 13 - Recognition of deferred tax assets, availability of future taxable profits against which deductible temporary differences.
- Note 34 - Recognition and measurement of contingencies, key assumptions about the magnitude and the likelihood of an outflow of resources.

4. Financial Risk management

The bank, as a result of the activities it exercises, is exposed to various financial risks. Since the basis of financial activity is to accept risks, some risks or group of risks are analyzed, evaluated and managed altogether. The Bank intends to strike a balance between the risk and return and to reduce the probable adverse effects on the Bank's financial performance.

The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. Market risk comprises foreign exchange volatility risk, interest rate risk and other pricing risks.

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

Those risks are managed by the Risk department in the light of policies approved by Board of Directors. The Risk department determines, evaluates and covers the financial risks, in collaboration with the Bank's various operating units, and the Board of Directors provides written policies for management of risks as a whole, in addition to written policies covering specific risk areas like credit risk, foreign exchange rate risk, interest rate risk and using the financial derivative and non-derivative instruments. Moreover, the Risk department is independently responsible for annual review of risk management and 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.



Notes to the consolidated financial statements - For the year ended 31 December 2023

4. Financial Risk management (continued)

- 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.
- ✓ Exposure at Default (Current exposures to the counterparty and its likely future developments, from which the bank derives 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 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 principle, 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 validates the performance of the rating and their predictive power with regard to default cases. The ratings updates and it's monitoring are done through the SDDC and Credit Risk Committee. the structure for the rating is the same across 2023 & 2022., the overseeing for the model is done by the credit risk committee.

Notes to the consolidated financial statements - For the year ended 31 December 2023

4. Financial Risk management (continued)

A. Credit risk (continued)

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 / Moodys) 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.

Notes to the consolidated financial statements - For the year ended 31 December 2023

4. Financial Risk management (continued)

2. Credit risk (continued)

A-2 Risk limit control and mitigation policies.

The Bank manages and controls credit concentrations at the borrowers' level, groups of borrowers' level, industries level and countries level..

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.

The Central bank of Egypt require the bank to report on the top 50 Customers of the bank in order to monitor the concentration risk related to these customers and it's impact on the capital adequacy ratio, and if the percentage exceeds 50% the bank is to work on adjusting this percentage to decrease it. In addition, the Central Bank of Egypt sets periodical limits to the exposures to be given to one client and his related parties to decrease the concentration risk.

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.

Notes to the consolidated financial statements - For the year ended 31 December 2023

4. Financial Risk management (continued)

2. Credit risk (continued)

A-2 Risk limit control and mitigation policies (continued)

❖ **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 bank's 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.

IFRS 9 guidance defines EAD as an estimate of the exposure at a future default date, taking into account the expected changes in the exposure after the observation date, include pre-payments, and expected drawdowns on committed facilities. Further, the guidance states the following with respect to arriving at EAD:

- Drawn balance at the observation date and expected balance at future observation dates, considering the amortization schedule.
- The undrawn balance proportion, expected to be utilized at the point of default.



Notes to the consolidated financial statements - For the year ended 31 December 2023

Credit Conversion factor

Credit conversion factor (CCF) is a parameter describing what percentage of the unused off-balance sheet exposure is to be transformed into on-balance sheet exposure from the start of the observation period until default.

Currently the bank has used the default CCF (as per Basel guidelines) which is as follows:

Criteria	CCF
Maturity is greater than 12 months (greater than 1 year)	50% of the total unutilized exposure
Maturity is less than 12 months (less than 1 year)	20% of the total unutilized exposure
Committed accounts	100% of the total unutilized exposure

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.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

2. Credit risk (continued)

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

In the case of a significant increase in credit risk since the initial recognition, the financial asset is transferred to Stage 2 (the expected credit loss over the life of the asset).

In case of indications of impairment of the financial asset, it is transferred to Stage 3. The Bank is based on the following indicators to determine whether there is objective evidence of impairment:

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

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

Bank's Rating	31 December 2023		31 December 2022	
	Loans and facilities %	Loan loss provision %	Loans and facilities %	Loan loss provision %
1- Good loans	60.7%	27.0%	64.4%	26.3%
2- Standard monitoring	35.3%	23.8%	31.5%	18.5%
3- Special monitoring	0.9%	2.2%	1.3%	2.5%
4- Nonperforming loans	3.1%	47.0%	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, 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.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)
2. Credit risk (continued)

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

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 expected credit loss model, retained earnings is debited with crediting the General Bank risk reserve within equity.

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

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

CBE Rating Categorization	Rating Description	Provision %	CAE rating	CAE Description	DPD
1	Low Risk	0%	1	Good	-
2	Average Risk	1%	1	Good	-
3	Satisfactory Risk	1%	1	Good	1
4	Reasonable Risk	2%	1	Good	2
5	Acceptable Risk	2%	1	Good	51
6	Marginally Acceptable Risk	5:3%	2	Standard monitoring	31
7	Watch List	20%	3	Special monitoring	89
8	Substandard	20%	4	non-performing	90
9	Doubtful	50%	4	non-performing	180
10	Bad Debt	100%	4	non-performing	More than one year



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-5 Credit risk exposure before guarantees.

(All amounts are in thousand Egyptian pounds)

	31 December 2023	31 December 2022
Credit risk exposures relating to on-balance sheet items:		
Cash and balances with central bank	2,973,523	3,425,024
Due from Banks	38,715,068	20,772,807
Loans to banks	-	3,278
<u>Loans to customers</u>		
Loans to Individuals:		
- Overdrafts	80,330	124,051
- Credit cards	1,342,840	1,172,542
- Personal Loans	8,474,049	8,116,570
- mortgage Loans	1,457,483	1,056,582
<u>Loans To corporate entities:</u>		
- Overdrafts	10,317,959	7,170,554
- Direct Loans	19,668,504	15,265,338
- Syndicated loans	1,370,617	1,598,834
- Other Loans	187,112	792,937
Derivative financial instruments	20,970	55,294
<u>Financial investment</u>		
- Fair value through other comprehensive income	17,306,985	12,910,771
Other Assets	975,001	743,866
Total	102,890,441	73,208,448
	31 December 2023	31 December 2022
Credit risk exposures relating to off-balance sheet items:		
Customer Liabilities Under Acceptance	1,332,849	2,512,516
Commitments (Loans and liabilities – irrevocable)	3,182,029	2,811,864
Letter of credit	1,930,884	1,471,500
Letters of guarantee	14,971,307	14,237,198
Total	21,417,069	21,033,078

The above table represents a worse-case scenario of credit risk exposure to the bank at 31 December 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, 42% 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 17% versus 18% in the end of comparative year

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-5 Credit risk exposure before guarantees (continued)

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%);
- 94 % of the loans and advances portfolio are considered to be neither past due nor impaired (2022: 92%);
- Loans and advances individually assessed amount 1,213,384 thousand Egyptian pounds. (2022: 905,204 thousand Egyptian pounds).

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

Due from banks

31 December 2023	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Credit rating				
Good debts	32,658,310	2,411,021	-	35,069,331
Standard Monitoring	3,645,737	-	-	3,645,737
Special Monitoring	-	-	-	-
Non-performing loan	-	-	-	-
Allowance for impairment losses	(33)	(12,882)	-	(12,915)
Net	36,304,014	2,398,139	-	38,702,153

31 December 2022

Credit rating	Stage 1 12Months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Good debts	17,997,511	1,923,502	-	19,921,013
Standard Monitoring	851,794	-	-	851,794
Special Monitoring	-	-	-	-
Non-performing loan	-	-	-	-
Allowance for impairment losses	-	(7,703)	-	(7,703)
Net	18,849,305	1,915,799	-	20,765,104



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-5 Credit risk exposure before guarantees (continued)

Retail loans

31 December 2023	Stage 1	Stage 2	Stage 3	
Credit rating	12 Months	Lifetime	Lifetime	Total
Good debts	79,825	-	-	79,825
Standard Monitoring	10,542,836	235,129	-	10,777,965
Special Monitoring	-	306,446	-	306,446
Non-performing loan	-	-	185,276	185,276
Allowance for impairment losses	(84,456)	(41,876)	(119,843)	(246,175)
Net	10,538,205	499,699	65,433	11,103,337

31 December 2022	Stage 1	Stage 2	Stage 3	
Credit rating	12 Months	Lifetime	Lifetime	Total
Good debts	123,528	-	-	123,528
Standard Monitoring	9,540,710	199,372	-	9,740,082
Special Monitoring	-	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 December 2023	Stage 1	Stage 2	Stage 3	
Credit rating	12 Months	Lifetime	Lifetime	Total
Good debts	24,775,990	1,273,677	-	26,049,667
Standard Monitoring	3,350,317	1,057,734	-	4,408,051
Special Monitoring	-	84,142	-	84,142
Non-performing loan	-	-	1,028,341	1,028,341
Allowance for impairment losses	(500,305)	(283,404)	(685,743)	(1,469,452)
Net	27,626,002	2,132,149	342,598	30,100,749



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-5 Credit risk exposure before guarantees (continued)

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 Months	Lifetime	Lifetime	
Good debts	18,328,819	4,312,152	-	22,640,971
Standard Monitoring	309,059	1,109,945	-	1,419,004
Special Monitoring	-	77,592	-	77,592
Non-performing loan	-	-	777,125	777,125
Allowance for impairment losses	(203,688)	(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 December 2023	Stage 1	Stage 2	Stage 3	Total
Credit rating	12 Months	Lifetime	Lifetime	
Good debts	-	-	-	-
Standard Monitoring	13,646,149	3,660,836	-	17,306,985
Special Monitoring	-	-	-	-
Non-performing loan	-	-	-	-
Allowance for impairment losses	-	(108,690)	-	(108,690)
Total - fair value	13,646,149	3,552,146	-	17,198,295

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



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-5 Credit risk exposure before guarantees (continued)

Loan Commitments (Off-Balance sheet items)

31 December 2023	Stage 1	Stage 2	Stage 3	
Credit rating	12 Months	Lifetime	Lifetime	Total
Good debts	11,141,164	64,880	-	11,206,044
Standard Monitoring	1,279,285	758,732	-	2,038,017
Special Monitoring	-	-	-	-
Non-performing loan	-	-	5,075	5,075
Allowance for impairment losses	(233,760)	(230,066)	(1,218)	(465,044)
Net	12,186,689	593,546	3,857	12,784,092

31 December 2022	Stage 1	Stage 2	Stage 3	
Credit rating	12 Months	Lifetime	Lifetime	Total
Good debts	8,579,844	4,686,657	-	13,266,501
Standard Monitoring	972,777	491,775	-	1,464,552
Special Monitoring	-	3,371	-	3,371
Non-performing loan	-	-	9,946	9,946
Allowance for impairment losses	(103,680)	(154,508)	(7,273)	(265,461)
Net	9,448,941	5,027,295	2,673	14,478,909

The following table illustrates changes in outstanding balances during the year according to the following factors:

Due from banks

31 December 2023	Stage 1	Stage 2	Stage 3	
	12 Months	Lifetime	Lifetime	Total
Balance at the beginning of the year	18,848,132	1,923,502	-	20,771,634
New financial assets purchased or issued	36,304,047	2,411,021	-	38,715,068
Financial assets have been matured or derecognized	(18,848,132)	(1,923,502)	-	(20,771,634)
Allowance for impairment losses	(33)	(12,882)	-	(12,915)
Balance at the year end	36,304,014	2,398,139	-	38,702,153

Notes to the consolidated financial statements - For the year ended 31 December 2023

31 December 2022	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
Balance at the beginning of the year	8,865,623	1,381,073	-	10,246,696
New financial assets purchased or issued	18,849,305	1,923,502	-	20,772,807
Financial assets have been matured or derecognized	(8,865,623)	(1,381,073)	-	(10,246,696)
Allowance for impairment losses	-	(7,703)	-	(7,703)
Balance at the year end	18,849,305	1,915,799	-	20,765,104

Retail loans

31 December 2023	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
Balance at the beginning of the year	9,100,853	585,248	213,098	9,899,199
Transfer to Stage 1	162,479	(155,155)	(7,324)	-
Transfer to Stage 2	(349,317)	353,661	(4,344)	-
Transfer to Stage 3	(70,320)	(56,086)	126,406	-
Changes	1,778,966	(186,095)	(142,558)	1,450,313
Allowance for impairment losses	(84,456)	(41,874)	(119,845)	(246,175)
Balance at the year end	10,538,205	499,699	65,433	11,103,337

31 December 2022	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
Balance at the beginning of the year	8,729,939	543,664	320,387	9,593,990
Transfer to Stage 1	82,720	(79,948)	(2,772)	-
Transfer to Stage 2	(306,783)	308,463	(1,680)	-
Transfer to Stage 3	(62,409)	(58,774)	121,183	-
Changes	1,220,771	(122,996)	(224,020)	873,755
Allowance for impairment losses	(65,562)	(46,716)	(131,038)	(243,316)
Balance at the year end	9,598,676	543,693	82,060	10,224,429

Corporate loans

31 December 2023	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
Balance at the beginning of the year	18,912,874	5,499,689	690,090	25,102,653
Transfer to Stage 1	(1,692,202)	1,692,202	-	-
Transfer to Stage 2	251,321	(251,321)	-	-
Transfer to Stage 3	75,378	7,497	(82,875)	-
Changes	10,578,935	(4,532,514)	421,126	6,467,547
Allowance for impairment losses	(500,304)	(283,404)	(685,743)	(1,469,451)
Balance at the year end	27,626,002	2,132,149	342,598	30,100,749



Notes to the consolidated financial statements - For the year ended 31 December 2023

Investment at fair value through other comprehensive income

	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	Total
31 December 2023				
Balance at the beginning of the year	9,813,780	2,997,785	-	12,811,565
New financial assets purchased or issued	13,646,149	3,660,836	-	17,306,985
Financial assets have been matured or derecognized	(9,813,780)	(2,997,785)	-	(12,811,565)
Allowance for impairment losses	-	(108,690)	-	(108,690)
Balance at the year end	13,646,149	3,552,146	-	17,198,295
31 December 2022				
Balance at the beginning of the year	5,814,317	2,076,483	-	7,890,800
New financial assets purchased or issued	9,839,876	3,070,895	-	12,910,771
Financial assets have been matured or derecognized	(5,814,317)	(2,076,483)	-	(7,890,800)
Allowance for impairment losses	-	(73,110)	-	(73,110)
Balance at the year end	9,839,876	2,997,785	-	12,837,661

Loan Commitments (Off Balance Sheet)

	Stage 1 12 Months	Stage 2 Lifetime	Stage 3 Lifetime	Total
31 December 2023				
Balance at the beginning of the year	6,186,538	1,967,481	9,946	8,163,965
Transfer to Stage 1	(1,354,951)	1,354,951	-	-
Transfer to Stage 2	149,586	(149,586)	-	-
Transfer to Stage 3	(8)	8	-	-
Changes in PDs/LGDs/EADs	2,643,349	(2,724,586)	(4,870)	(86,107)
Balance at the year end	7,624,514	448,268	5,076	8,077,858



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-5 Credit risk exposure before guarantees (continued)

The following table illustrates changes in ECL during the year according to the following factors

Due from banks

31 December 2023	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
ECL at the beginning of the year	-	7,703	-	7,703
New financial assets purchased or issued	33	11,052	-	11,085
Financial assets have been matured or derecognized	-	(7,825)	-	(7,825)
Foreign exchange translation differences	-	1,952	-	1,952
Balance at the year end	33	12,882	-	12,915

31 December 2022	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
Balance at the beginning of the year	34	3,647	-	3,681
New financial assets purchased or issued	43	4,955	-	4,998
Financial assets have been matured or derecognized	(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 December 2023	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
Balance at the beginning of the year	65,562	46,716	133,038	245,316
Transfer to Stage 1	31,432	(31,426)	(6)	-
Transfer to Stage 2	(20,135)	25,108	(4,973)	-
Transfer to Stage 3	(816)	(35,447)	36,263	-
Changes in PDs/LGDs/EADs	(9,016)	39,540	48,067	78,591
New financial assets purchased or issued	26,378	547	1,221	28,146
Financial assets have been matured or derecognized	(8,949)	(3,162)	(12,756)	(24,867)
Collections of loans previously written-off	-	-	90,789	90,789
Loans written-off during the year	-	-	(171,800)	(171,800)
Balance at the year end	84,456	41,876	119,843	246,175

Notes to the consolidated financial statements - For the year ended 31 December 2023

31 December 2022	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
Balance at the beginning of the year	59,467	59,920	135,508	254,895
Transfer to Stage 1	28,431	(28,401)	(30)	-
Transfer to Stage 2	(34,218)	45,024	(10,806)	-
Transfer to Stage 3	(3,085)	(63,391)	66,476	-
Changes in PDs/LGDs/EADs	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 derecognized	(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 December 2023	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
Balance at the beginning of the year	203,688	386,262	648,904	1,238,854
Transfer to Stage 1	85,914	(85,914)	-	-
Transfer to Stage 2	(41,575)	160,960	(119,385)	-
Transfer to Stage 3	(254)	(208,392)	208,646	-
Changes in PDs/LGDs/EADs	(244,370)	(637,796)	22,775	(859,391)
New financial assets purchased or issued	494,509	648,864	-	1,143,373
Financial assets have been matured or derecognized	(19,504)	(18,272)	(49,371)	(87,147)
Collections of loans previously written-off	-	-	14,556	14,556
Loans written-off during the year	-	-	(67,036)	(67,036)
Foreign exchange translation differences	21,897	37,692	26,654	86,243
Balance at the year end	500,305	283,404	685,743	1,469,452

31 December 2022	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
Balance at the beginning of the year	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 derecognized	(28,960)	(22,307)	-	(51,267)
Collections of loans previously written-off	-	-	632	632
Loans written-off during the year	-	-	(231,710)	(231,710)
Foreign exchange translation differences	35,248	36,101	63,926	135,275
Balance at the year end	203,688	386,262	648,904	1,238,854



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-5 Credit risk exposure before guarantees (continued)

Investments at FVOCI

31 December 2023	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
Balance at the beginning of the year	-	73,110	-	73,110
New financial assets purchased or issued	-	123,989	-	123,989
Net change in PDs	-	(33,708)	-	(33,708)
Financial assets have been matured or derecognized	-	(73,110)	-	(73,110)
Foreign exchange translation differences	-	18,409	-	18,409
Balance at the year end	-	108,690	-	108,690

31 December 2022	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
Balance at the beginning of the year	-	42,951	-	42,951
New financial assets purchased or issued	-	47,813	-	47,813
Net change in PDs	-	(3,172)	-	(3,172)
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

Loan Commitments (Off - Balance Sheet)

31 December 2023	Stage 1	Stage 2	Stage 3	Total
	12 Months	Lifetime	Lifetime	
Balance at the beginning of the year	8,904,641	4,917,394	9,946	13,831,981
Transfer to Stage 1	(2,768,418)	2,768,418	-	-
Transfer to Stage 2	42,387	(42,387)	-	-
Transfer to Stage 3	(39)	39	-	-
Net change in PDs	6,241,879	(6,819,852)	(4,871)	(582,844)
Balance at the year end	12,420,450	823,612	5,075	13,249,137



Notes to the consolidated financial statements - For the year ended 31 December 2023

Incorporation of forward-looking information

The bank incorporates forward looking information into both the assessment of whether the credit risk has increased of an instrument has increased significantly since its initial recognition and the measurement of the ECL.

The bank formulates three economic scenarios: a base case, which is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios one upside and one downside scenario. The central scenario is aligned with the information used by the bank for other purposes such as strategic planning and budgeting, External information considered included economic data and forecast published by governmental bodies and monetary authorities such as international monetary fund.

The scenario probability weightings applied by the bank in measuring the ECL are as follows:

As of 31 December,	Scenario weight probability		
	Upside	Central	Downside
2023	25%	50%	25%
2022	25%	50%	25%

Periodically, the bank carried out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the designs of the scenarios by the bank's senior management.

The bank identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for the credit risk for the corporate portfolios are GDP vs total sovereign debt, and interest rates, while the key drivers for the credit risk for retail portfolios are inflation rates, unemployment rates and interest rates.



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-5 Credit risk exposure before guarantees (continued)

Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognized on material classes of its assets.

The tables below shows the loss allowance on loans and advances to corporate and retail portfolio assuming each forward looking scenario (e.g. central, upside , and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios. For ease of comparison, the table also includes the probability- weighted amounts that are reflected in the financial statements. The amounts below are inclusive of post model adjustments, as appropriate to each scenario.

A) Corporate

CAE has developed a methodology for the application of economic scenarios into the calculation of ECL by incorporating those scenarios into the estimation of the term structure of probability of default ('PD') and loss given default ('LGD'). For PDs, we consider the correlation of economic guidance to default rates for a particular industry in a country. For LGD calculations we consider the correlation of economic guidance to collateral values and realization rates for a particular country and industry. PDs and LGDs are estimated for the entire term structure of each instrument.

For impaired loans, LGD estimates consider independent recovery valuations based on internal forecasts corresponding to anticipated economic conditions and individual company conditions. In estimating the ECL on impaired loans that are individually considered not to be significant, CAE incorporates economic scenarios proportionate to the probability-weighted outcome and the central scenario outcome for non-stage 3 populations.

IFRS 9 ECL sensitivity to future economic conditions

ECL coverage of corporate loans	31 December 2023	Sensitivity change
Reported ECL (EGP 000)	806	
Gross carrying/nominal amount (EGP 000)	30,811	
Reported ECL coverage (percentage)	2.62%	
Coverage ratio by scenario (percentage)		
Upside scenario		
Downside scenario		15%
Central scenario		35%
		50%

The impact change on the ECL corporate is 348,869

Notes to the consolidated financial statements - For the year ended 31 December 2023

B) Retail

CAE has developed and implemented a methodology for incorporating forecasts of economic conditions into ECL estimates. The impact of economic scenarios on PD is modelled at a portfolio level. Historic relationships between observed default rates and macro-economic variables are integrated into ('IFRS 9 ECL') estimates by leveraging economic response models. The impact of these scenarios on PD is modelled over a period equal to the remaining maturity of underlying asset or assets. The impact on (LGD) is modelled for mortgage portfolios by forecasting future loan-to-value ('LTV') profiles for the remaining maturity of the asset by leveraging national level forecasts of the house price index and applying the corresponding LGD expectation.

IFRS 9 ECL sensitivity to future economic conditions

ECL coverage of retail at 31 December 2023

	31 December 2023	Sensitivity change
Reported ECL (EGP000)	238,211	
Gross carrying/nominal amount (EGP000)	10,786,007	
Reported ECL coverage (percentage)	2.21%	
Coverage ratio by scenario (percentage)		
Upside scenario		
Downside scenario		15%
Central scenario		35%
		50%

The impact change on the ECL Retail is 1,748

The following table shows the sensitivity analysis on the changes in the macro-economic factors used and its impact on the ECL calculated:

Macro-economic factors	Product	ECL charge	Range of change (+/-)	Increase ECL by
Gross Domestic Product	Retail term loans	182,248	1%	1,291
Inflation rate	Credit cards / Retail overdraft	55,964	26%	14,749
Government spending	Corporate term loans	1,269,759	10%	114,000
Total				130,040



Notes to the consolidated financial statements - For the year ended 31 December 2023

Below is the position of Loans and facilities relative to their credit status:

	31 December 2023	31 December 2022
	<u>000' EGP</u>	<u>000' EGP</u>
	Loans and facilities to customers	Loans and facilities to customers
Neither past due nor impaired	40,598,127	32,646,893
Past due but not impaired	1,087,383	1,745,311
Impaired	1,213,384	905,204
Total	42,898,894	35,297,408
Less:		
Unearned income	(14,379)	(6,136)
Expected credit losses	(1,715,627)	(1,484,170)
Net	41,168,888	33,807,102

Notes to the Financial Statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-5 Credit risk exposure before guarantees (continued)

Loans and facilities to customers (Neither past due nor impaired)

31 December 2023		<u>Retail</u>			<u>Corporate entities</u>				Total
Grades	Overdrafts	Credit cards	Personal loans	Mortgage loans	Overdrafts	Syndicated loans	Direct loans	other loans	
1.Good	79,825	-	-	-	8,267,725	86,952	17,398,885	186,402	26,019,789
2.Standard monitoring	-	1,070,250	7,621,453	1,410,685	1,067,007	1,283,665	2,040,866	269	14,494,195
3.Special monitoring	-	-	-	-	10,126	-	74,017	-	84,143
Total	79,825	1,070,250	7,621,453	1,410,685	9,344,858	1,370,617	19,513,768	186,671	40,598,127

31 December 2022		<u>Retail</u>			<u>Corporate entities</u>				Total
Grades	Overdrafts	Credit cards	Personal loans	Mortgage loans	Overdrafts	Syndicated loans	Direct loans	other loans	
1.Good	123,528	-	-	-	6,290,026	880,892	14,106,304	106,123	21,506,873
2.Standard monitoring	-	854,655	7,105,284	1,004,589	276,513	209,720	926,112	81	10,376,954
3.Special monitoring	-	-	-	-	30,368	-	46,944	-	77,312
Total	123,528	854,655	7,105,284	1,004,589	6,596,907	1,090,612	15,079,360	106,204	31,961,139

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-5 Credit risk exposure before guarantees (continued)

Loans and facilities Past due and not impaired

Loans and facilities that have past dues less than 90 days is objective evidence of impairment unless data revealed otherwise. Loans and facilities to customers with past dues and not impaired, and the fair value of the related collaterals are as follows:

31 December 2023

	(000' EGP)				
	Retail				Total
	Over-drafts	Credit cards	Personal loans	Mortgage	
Past due up to 30 days	-	177,210	462,443	27,478	667,131
Past due more than 30 to 60 days	-	34,559	163,071	17,027	214,657
Past due more than 60 to 90 days	-	17,053	87,824	781	105,658
Total	-	228,822	713,338	45,286	987,446

	Corporate				Total
	Over-drafts	Direct loans	Syndicated loans	Other loans	
	Past due up to 30 days	-	75,258	-	230
Past due more than 30 to 60 days	-	17,456	-	209	17,665
Past due more than 60 to 90 days	-	6,782	-	2	6,784
Total	-	99,496	-	441	99,937

Upon the initial recognition of Loans and facilities, the fair value of collaterals is assessed based on valuation methods commonly used for similar assets. In the subsequent periods, the fair value would be updated in accordance with the Central Bank of Egypt's regulations.

31 December 2022

	(000' EGP)				Total
	Retail			Mortgage loans	
	Over-drafts	Credit Cards	Personal loans		
Past due up to 30 days	-	188,862	543,735	42,957	755,554
Past due more than 30 to 60 days	-	49,321	193,373	5,757	248,451
Past due more than 60 to 90 days	-	27,832	113,716	1,038	142,586
Total	-	266,015	850,824	49,752	1,166,591

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-5 Credit risk exposure before guarantees (continued)

	Corporate				Total
	Over-drafts	Direct loans	Syndicated loans	Other loans	
Past due up to 30 days	-	52,392	508,222	772	561,386
Past due more than 30 to 60 days	-	16,506	-	189	16,695
Past due more than 60 to 90 days	-	631	-	8	639
Total	-	69,529	508,222	969	578,720

Loans and facilities individually subject to impairment

Loans and facilities to customers

Loans and facilities individually assessed without taking into consideration cash flows from guarantees amounted to LE 1,314,580 thousand against L.E 992,223 thousand at the end of the comparative year according to the Central Bank of Egypt regulations.

The following table illustrates Loans and facilities subject to individual impairment, including the collaterals fair valuation obtained by the Bank in exchange for the loans according to regulations of the Central Bank of Egypt:

31 December 2023		(000' EGP)							
Valuation	Retail				Corporate				Total
	Over-drafts	Credit cards	personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans	Other loans	
Individual loans subject to impairment	505	43,768	139,258	1,512	1,074,297	55,240	-	-	1,314,580
Fair value of collaterals	-	2,530	13,429	-	37,235	-	-	-	53,194
31 December 2022		(000' EGP)							
Valuation	Retail				Corporate				Total
	Over-drafts	Credit cards	personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans	Other loans	
Individual loans subject to impairment	523	51,872	160,462	2,241	660,676	116,449	-	-	992,223
Fair value of collaterals	-	2,779	18,521	-	33,028	-	-	-	54,328

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

Loan modifications that are not credit-impaired

IFRS 9 introduces the concept of Modification of Assets, it occurs when the contractual cash flows of a financial assets are renegotiated or otherwise modified but not de-recognized. Once an asset is modified, IFRS 9 requires the change in fair value computed using original EIR to be recognized in P&L.

Loan modifications that are not identified as renegotiated are considered to be commercial restructuring. Where a commercial restructuring results in a modification (whether legalized through an amendment to the existing terms or the issuance of a new loan contract) such that group's rights to the cash flows under the original contract have expired, the old loan is derecognized and the new loan is recognized at fair value. The rights to cash flows are generally considered to have expired if the commercial restructure is at market rates and no payment-related concession has been provided.

There could be multiple underlying factors which contribute to the decision of modifying an asset. Assessment of modified assets require judgment as there is no specific guidance offered by IFRS 9.

This is an important area from the perspective of implementing IFRS 9 due to the following reasons:

1. Modification of cash flows of an asset can occur due to one of the following reasons:

- Asset modification due to commercial reasons
- Modification of assets due to credit related stress that is not construed as default
- Modification of assets due to financial difficulty that is construed as default

2. The treatment of each of the above cases would be different and hence it is important for the Bank to define how they would separate cases 1,2 and 3 as shown above.

1. Loan assets modified purely because of non- stress reasons like retaining a reputed customer etc. are regarded as the commercially modified assets as the Bank does not incur material losses due to these kinds of restructures. The losses due to these kind restructures would be compensated by the future benefits.

Some examples of cases where asset modification would be due to commercial reasons are as follows, any changes in rates including reduction in contractual rates done for strategic reasons:

- Any payment holidays declared for particular groups due to strategic or at behest of regulator
- Any changes to maturity that is initiated by customer who is in no financial difficulty and the bank is comfortable that even if the modification is not done, the client would be able to service the debt.
- Any changes in loan tenure, rates, repayment frequency initiated/done industry wide in agreement with regulatory authorities.

Such assets that are modified due to commercial reasons can be treated as Stage 1 as there are no other signs of significant increase of credit risk.

2. Modification of assets due to credit related stress that is not construed as default:

Some of the examples of credit related modification of assets could be:

- Modification of cash flows for the clients who are showing signs of financial difficulty e.g., 30 DPD plus or are showing any other signs of stress.

Notes to the consolidated financial statements - For the year ended 31 December 2023

- Extension of maturity or reduction in contractual rates that is not part of any strategic or regulatory mandate but is done because the client would not be able to service the original cash flows.
- Any other modifications that the Bank would not do in normal course of business but has to do in a specific case due to financial difficulty of the client.

However, it could be that even if such modifications are done, they do not result in material loss to the Bank. In such a case it need not be treated as default. Hence, such accounts should be moved into Stage 2.

Restructured loans and facilities.

	31 December 2023	31 December 2022
Corporate entities		
Overdrafts	113,917	762,208
Direct Loans	-	110,315
	<u>113,917</u>	<u>872,524</u>
Individuals		
Personal Loans	-	-
	-	-
Total	<u>113,917</u>	<u>872,524</u>

Write-offs and recoveries

The table below shows the amount of write-offs and recoveries during the year for each type of loans for corporate and retail.

	Retail				Corporate				Total
	Over-drafts	Credit cards	personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans	Other loans	
31 December 2023	(000' EGP)								
Write-offs	-	27,124	144,676	-	67,037	-	-	-	238,837
Recoveries	-	14,213	76,576	-	14,556	-	-	-	105,345
31 December 2022	(000' EGP)								
Write-offs	-	23,530	191,496	-	76,532	155,180	-	-	446,738
Recoveries	-	15,051	76,472	-	632	-	-	-	92,155

The above amount written off are still subject to enforcement activities

Notes to the consolidated financial statements - For the year ended 31 December 2023

A-6 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 December 2023	Treasury Bills	Investment at Fair value through other comprehensive income	Total
CAA1	10,812,959	6,494,026	17,306,985
Total	10,812,959	6,494,026	17,306,985

A-7 Acquired collaterals.

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

31 December 2023	Book Value
Assets Nature	
Lands	-
Total	-

Collaterals consideration for ECL calculation

The Bank adhere to CBE specified guidelines for application of collaterals as part of ECL calculation methodology, having said that the Bank will:

- Consider only cash collateral for stage 1 accounts, and
- Consider both cash and non- cash collaterals (post haircuts) for stage 2 accounts.
- Ministry of Finance guarantees are considered according to CBE instruction

Type of collateral

The Bank has following collaterals against the corporate loans:

Cash Margin, Time Deposit, Commercial Mortgage, Real Estate Mortgage Pledged (share), Ministry of Finance – Guarantee and Bank Guarantee

Notes to the consolidated financial statements - For the year ended 31 December 2023

The following Tables explains the significance of collaterals against the exposure for the portfolio.

Reporting Date	Exposure	Type of Collateral	Collateral amount	Collateral Coverage
Dec-23	4,204,315	Cash	2,951,942	70%
Dec-23	280,659	Treasury Bills	280,659	100%
Dec-23	13,842	Mutual Fund	13,842	100%
Dec-23	3,089	Bank Guarantee	3,089	100%
Dec-23	417,457	MOF	417,457	100%
Dec-23	4,088	Mortgage	3,758	92%
Dec-23	2,883,061	CGC GUARANTEE	2,119,583	74%
Dec-23	36,187,499	No Collateral	-	-

Collateral Valuation

In-line with IFRS 9 collateral requirements of frequent revaluation of collateral and enforceability of collaterals all the collaterals were assessed, and valuation was performed to derive best estimate of collateral ECL purposes.

i. Cash Collaterals:

Cash Collaterals i.e., Cash Margins/Term Deposits have been considered as it is.

ii. Non-Cash Collaterals:

Non-cash collaterals are further evaluated in order to derive value of collateral at future business dates/repayment dates. Straight line depreciation schedule is applied based on remaining life of each asset (in months) up till maturity of the exposure.

Assumptions:

Maturity of the Commercial mortgage is considered to be of 5 years.

Maturity of the Real Estate mortgage is considered to be of 20 years.



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-8 Concentration of risks of financial assets with credit risk exposure

❖ *Geographical sectors*

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

(All amounts are in thousand Egyptian pounds)

31 December 2023

	Arab Republic of Egypt					Other countries	Total
	Cairo	Alex., Delta & Sinai	Upper Egypt	Total			
Balances with CBE	2,973,523	-	-	2,973,523	-	2,973,523	
Due from banks	27,023,907	-	-	27,023,907	11,691,161	38,715,068	
Loans to customers:							
Overdrafts	9,503,086	836,075	59,128	10,398,289	-	10,398,289	
Credit cards	1,342,840	-	-	1,342,840	-	1,342,840	
Personal Loans	5,353,194	2,276,386	844,469	8,474,049	-	8,474,049	
Mortgage Loans	1,278,576	114,817	64,090	1,457,483	-	1,457,483	
Term Loans	18,564,329	1,740,895	733,897	21,039,121	-	21,039,121	
Other Loans	186,262	850	-	187,112	-	187,112	
Derivatives	19,188	-	-	19,188	1,782	20,970	
Fair value through other comprehensive income - Debt instruments	17,306,985	-	-	17,306,985	-	17,306,985	
Other financial assets	891,733	62,191	21,077	975,001	-	975,001	
As at 31 December 2023	84,443,623	5,031,214	1,722,661	91,197,498	11,692,943	102,890,441	



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

A. Credit risk (continued)

A-8 Concentration of risks of financial assets with credit risk exposure

Industry sectors

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

(All amounts are in thousand Egyptian pounds)

31 December 2023	Financial institutions	Manufacturing	Commercial	Governmental	Other industries	Individuals	Total
Balances with CBE	-	-	-	2,973,523	-	-	2,973,523
Due from banks	14,457,216	-	-	24,257,852	-	-	38,715,068
Loans to customers:							
Individuals:							
Overdrafts	-	-	-	-	-	80,330	80,330
Credit cards	-	-	-	-	-	1,342,840	1,342,840
Personal loans	-	-	-	-	-	8,474,049	8,474,049
mortgage loans	-	-	-	-	-	1,457,483	1,457,483
Corporate entities:							
Overdrafts	141,806	2,462,726	3,907,814	576,257	3,229,356	-	10,317,959
Direct Loans	423,963	8,497,522	7,185,535	301,565	3,259,919	-	19,668,504
Syndicated Loans	-	-	866,207	417,457	86,953	-	1,370,617
Other loans	25	4,587	163,436	-	19,064	-	187,112
Financial derivatives	4,759	-	9,276	-	6,935	-	20,970
Fair value through other comprehensive income	10,780,371	-	-	6,526,614	-	-	17,306,985
Other financial assets	82,975	141,693	100,583	411,023	30,931	207,796	975,001
31 December 2023	25,891,115	11,106,528	12,232,851	35,464,291	6,633,158	11,562,498	102,890,441

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

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 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.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-1 Market risk measurement techniques (continued)

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 ad-hoc stress testing, which includes applying possible stress events to specific positions or regions – for example, the stress outcome to a region following a currency peg break.

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

B-2 Summary of value at risk

VAR for trading portfolio as per the risk type

(All amounts are in thousand Egyptian pounds)

	12-month till 31 December 2023			12-month till 31 December 2022		
	Average	High	Low	Average	High	Low
Foreign exchange risk	(8,300)	(11,944)	(4,598)	(7,723)	(13,477)	(3,357)
Interest rate risk	(9,198)	(12,989)	(6,296)	(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.

VAR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.

The VAR measure is dependent on the bank's position and the volatility of market prices. The VAR of an unchanged position reduces if market price volatility declines and vice versa.

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.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-3 Foreign exchange risk (continued)

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

Foreign currency risk concentration on financial instruments

(All amounts are in thousand Egyptian pounds)

31 December 2023

Assets

	EGP	USD	EUR	GBP	CHF	Other	Total in EGP
Cash and balances with central banks	4,427,921	467,281	172,323	21,283	7,094	19,741	5,115,643
Due from banks	23,088,560	10,607,992	4,277,361	541,864	101,715	84,661	38,702,153
Loans to customers	34,976,829	5,808,804	378,469	786	2,538	1,462	41,168,888
Financial derivatives	20,970	-	-	-	-	-	20,970
Investments at fair value through other comprehensive income	13,946,259	3,660,836	-	-	-	-	17,607,095
Investments at fair value through profit or loss	383,914	-	-	-	-	-	383,914
Other financial assets	891,857	79,408	3,722	5	7	2	975,001
Total financial assets	77,736,310	20,624,321	4,831,875	563,938	111,354	105,866	103,973,664

Financial liabilities

Due to banks	187,127	13,148	19	-	-	-	200,294
Treasury bills Sold with repurchase agreements	5,320	-	-	-	-	-	5,320
Customers' deposits	59,651,030	18,578,496	5,168,894	563,930	108,603	102,536	84,173,489
Derivative financial instruments	7,219	-	-	-	-	-	7,219
Other Loans	150,242	926,793	-	-	-	-	1,077,035
Other financial liabilities	539,135	41,464	794	1,086	-	-	582,479
Total financial liabilities	60,540,073	19,559,901	5,169,707	565,016	108,603	102,536	86,045,836
Net on balance sheet financial position	17,196,237	1,064,420	(337,832)	(1,078)	2,751	3,330	17,927,828
Credit commitments	8,008,205	5,013,546	7,332,849	32,307	6,545	1,023,617	21,417,069
Net on balance sheet financial position 31 December 2022	11,169,423	799,316	(733,054)	1,497	141	292,870	11,530,193

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-4 Interest rate risk

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.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-4 Interest rate risk (continued)

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)



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-4 Interest rate risk (continued)

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 December 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	-	-	-	-	-	4,427,921	4,427,921
Due from banks	22,978,658	-	-	-	-	109,902	23,088,560
Loans to customers	22,263,402	2,879,301	3,404,547	5,837,689	591,890	-	34,976,829
Derivative financial instruments	-	-	-	-	-	20,970	20,970
Investments at fair value through other comprehensive income	2,932,177	1,835,745	5,493,819	3,644,933	-	39,585	13,946,259
Investment at fair value through profit or loss	383,914	-	-	-	-	-	383,914
Other assets	-	-	-	-	-	891,857	891,857
Total assets	48,558,151	4,715,046	8,898,366	9,482,622	591,890	5,490,235	77,736,310
Liabilities							
Due to banks	-	-	-	-	-	187,127	187,127
Treasury bills sold with repurchase agreements	4,245	-	806	269	-	-	5,320
Customers deposits	14,700,141	11,324,467	2,733,317	6,045,642	670	24,846,793	59,651,030
Derivative financial instruments	-	-	-	-	-	7,219	7,219
Other loans	5,934	12,230	37,759	54,909	39,410	-	150,242
Other Liabilities	-	-	-	-	-	539,135	539,135
Total liabilities	14,710,320	11,336,697	2,771,882	6,100,820	40,080	25,580,274	60,540,073
Interest gap	33,847,831	(6,621,651)	6,126,484	3,381,802	551,810	(20,090,039)	17,196,237



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-4 Interest rate risk (continued)

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
Investments at fair value through other comprehensive income	1,529,195	973,050	3,848,338	3,665,481	-	37,573	10,053,637
Investment at 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



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-4 Interest rate risk (continued)

USD in thousands

As at 31 December 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	-	-	-	-	-	15,126	15,126
Due from banks	250,507	92,870	-	-	-	-	343,377
Loans to advances customers	168,289	17,167	2,573	-	-	-	188,029
Investment Fair value through other comprehensive income	-	118,500	-	-	-	-	118,500
Other assets	-	-	-	-	-	2,570	2,570
Total assets	418,796	228,537	2,573	-	-	17,696	667,602
Liabilities							
Due to banks	-	-	-	-	-	426	426
Customers deposits	219,026	59,432	15,225	3,364	-	304,333	601,380
Other loans	10,000	20,000	-	-	-	-	30,000
Other liabilities	-	-	-	-	-	1,342	1,342
Total liabilities	229,026	79,432	15,225	3,364	-	306,101	633,148
Interest gap	189,770	149,105	(12,652)	(3,364)	-	(288,405)	34,454



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-4 Interest rate risk (continued)

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 advances 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

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-4 Interest rate risk (continued)

EUR in thousands

As at 31 December 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	-	-	-	-	-	5,054	5,054
Due from banks	90,000	-	-	-	-	35,448	125,448
Loans to advances customers	2,808	8,292	-	-	-	-	11,100
Other assets	-	-	-	-	-	109	109
Total assets	92,808	8,292	-	-	-	40,611	141,711
Liabilities							
Due to banks	-	-	-	-	-	1	1
Customers deposits	40,478	3,485	441	-	-	107,191	151,595
Other liabilities	-	-	-	-	-	23	23
Total liabilities	40,478	3,485	441	-	-	107,215	151,619
Interest gap	52,330	4,807	(441)	-	-	(66,604)	(9,908)

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 advances 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)

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-5 Liquidity risk

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

Organization of Liquidity Risk Management

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

Assets & Liabilities Management Committee Responsibilities:

- To link the Bank's Funding Strategy with market changes and ensure diversification of the funding structure.
- To ensure adequate liquidity while managing the Bank's spread between interest income and expense.
- To decide the hedging for liquidity, and to validate 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 of 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.



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continue)

B) Market risk (continued)

B-5 Liquidity risk (continued)

Treasury Unit Responsibilities:

- Day-to-day funding/investment managed by monitoring future cash flows to ensure that requirements can be met in a timely manner. This includes replenishment of funds as they mature or borrowed by customers.
- Monitoring the liquidity ratios against internal and regulatory requirements by the Central Bank of Egypt.
- Maintaining an active presence in global money market to enable funding/investment, especially through interbank market.
- Maintaining a portfolio of highly marketable assets, which can be easily liquidated/converted into cash against any unforeseen interruption to cash flows.

Strategy of Liquidity Risk Management:

- The Bank's main objective is to finance its activities at the best possible rates under normal conditions and to ensure it can meet its obligations in the event of a crisis.
- Accordingly, the main principles of the bank's liquidity management are as follows:
 - o Management of the short-term liquidity in accordance with the regulatory framework.
 - o Diversification of funding resources.
 - o Maintenance of a portfolio of liquid assets.

Measurement and Monitoring of Structural Liquidity risk.

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

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

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



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continue)

B) Market risk (continued)

B-5 Liquidity risk (continued)

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 December 2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	187,127	-	-	-	-	187,127
Treasury bills Sold with repurchase agreements	4,245	-	806	269	-	5,320
Customers deposits	18,350,724	10,935,808	6,835,645	23,528,183	670	59,651,030
Other loans	5,934	12,230	37,759	54,909	39,410	150,242
Total liabilities (contractual maturity dates)	18,548,030	10,948,038	6,874,210	23,583,361	40,080	59,993,719
Assets held for managing liquidity risk (contractual maturity dates)	36,040,626	7,976,636	13,625,714	17,731,521	1,469,956	76,844,453

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

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-5 Liquidity risk (continued)

USD in thousands

As at 31 December 2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	426	-	-	-	-	426
Customers deposits	298,517	49,110	99,005	154,748	-	601,380
Other loans	10,000	20,000	-	-	-	30,000
Total liabilities (contractual maturity dates)	308,943	69,110	99,005	154,748	-	631,806
Assets held for managing liquidity risk (contractual maturity dates)	315,459	253,622	64,894	30,472	-	665,032

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 December 2023	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	60,998	5,946	23,640	61,011	-	151,595
Total liabilities (contractual maturity dates)	60,999	5,946	23,640	61,011	-	151,596
Assets held for managing liquidity risk (contractual maturity dates)	132,136	1,126	1,652	6,688	-	141,602



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-5 Liquidity risk (continued)

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.

Financial 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.



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-5 Liquidity risk (continued)

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

(All amounts are in thousand Egyptian pounds)

31 December 2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-
31 December 2022	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	-	(14,932)	-	-	-	(14,932)
Total	-	(14,932)	-	-	-	(14,932)

b) Derivatives settled on a gross basis.

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

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

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

(All amounts are in thousand Egyptian pounds)

31 December 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	-	696,938	596,021	-	-	1,292,959
- Inflow	-	691,518	605,247	-	-	1,296,765
Total outflow	-	696,938	596,021	-	-	1,292,959
Total inflow	-	691,518	605,247	-	-	1,296,765



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

B) Market risk (continued)

B-5 Liquidity risk (continued)

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 December 2023	Less than 1 year	1-5 years	Over 5 years	Total
Loan commitments	3,182,029	-	-	3,182,029
Acceptances, LC's, and LG's	13,499,980	4,670,952	64,108	18,235,040
Capital commitments	117,193	-	-	117,193
Total	16,799,202	4,670,952	64,108	21,534,262

Off-balance sheet items

(All amounts are in thousand Egyptian pounds)

31 December 2022	Less than 1 year	1-5 years	Over 5 years	Total
Loan commitments	2,534,166	277,698	-	2,811,864
Acceptances, LC's, and LG's	12,425,438	5,744,968	50,808	18,221,214
Capital commitments	77,795	-	-	77,795
Total	15,037,399	6,022,666	50,808	21,110,873

Notes to the consolidated financial statements - For the year ended 31 December 2023

C) Fair value of financial assets and liabilities

C-1 Financial instruments measured at fair value.

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized.

The amounts are based on the values recognized in the statement of financial position. The fair value includes any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

(EGP Thousands)

Financial Instrument	31 December 2023			Total
	Level 1	Level 2	Level 3	
Debt Instruments	-	17,690,899	-	17,690,899
Mutual Funds	-	257,094	-	257,094
Equity Instruments	-	-	43,016	43,016

(EGP Thousands)

Financial Instrument	31 December 2022			Total
	Level 1	Level 2	Level 3	
Debt Instruments	-	12,922,107	-	12,922,107
Mutual Funds	-	172,757	-	172,757
Equity Instruments	-	-	41,004	41,004

C-2 Financial instruments not measured at fair value.

The table below summarizes the book value of those financial assets and liabilities that are measured at amortized cost.

(EGP Thousands)

	31 December 2023	31 December 2022
	Carrying amount	Carrying amount
<u>Financial Assets</u>		
Due from banks	38,702,153	20,765,104
Loans and advances to customers	41,168,888	33,807,102
<u>Financial Liabilities</u>		
Due to banks	200,294	460,912
Customer's deposits	84,173,489	60,492,590
Other Loans	1,077,035	996,862



Notes to the consolidated financial statements - For the year ended 31 December 2023

Due from banks: Represents the value of floating rate short-term placements and overnight deposits. The estimated fair value of floating profit bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk, rates, and similar maturity date.

Loans and advances to customers: Represents the value of gross financing to customers, net of impairment losses provision. The estimated fair value of the financing is the discounted cash flows expected to be collected. The cash flows were discounted cash flows using prevailing money-market interest rates for debts with similar credit risk, rates, and similar maturity date.

Due to banks: Represents the fair value estimated for the deposits having indefinite value dates, including non-profits-bearing deposits, represents the amount to be paid on demand.

Customer deposits:

The customer deposits are divided in to current and noncurrent balances. The estimated fair value of deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk, rates, and similar maturity date.



Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

D) Capital management

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

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

Capital Adequacy Ratio:

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

The CBE requires the bank to:

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

The capital adequacy ratio numerator comprises two tiers:

Tier 1 capital:

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

Tier 2 capital:

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.

Notes to the consolidated financial statements - For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

D) Capital management

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

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

	<u>31 December</u> <u>2023</u> <u>LE,000</u>	<u>31 December</u> <u>2022</u> <u>LE,000</u>
Tier I Going Concern Capital	9,821,486	7,457,931
Tier II Gone Concern Capital	1,373,482	1,069,417
Total Capital	<u>11,194,968</u>	<u>8,527,348</u>
Credit Risk	50,570,874	41,406,547
Market Risk	379,541	3,394
Operation Risk	6,148,401	4,219,522
Top 50 Effect	3,251,518	-
Total Risks	<u>60,350,334</u>	<u>45,629,463</u>
Capital Adequacy Ratio %	<u>18.55%</u>	<u>18.69%</u>

Financial Leverage Ratio:

Financial leverage represents a simple, complementary measure of the capital adequacy standard, but it is not calculated according to risk weights, and to reflect the relationship between the first tranche of capital used in the capital adequacy standard (after exclusions), and the bank's assets on and off the balance sheet that are not weighted by risk weights. It must not be less than 3%.

$$\text{Financial Leverage Ratio: } \frac{\text{First tranche of capital after exclusions}}{\text{assets on and off the balance sheet that are not weighted by risk weights}} \geq 3\%$$

	<u>31 December</u> <u>2023</u> <u>LE,000</u>	<u>31 December</u> <u>2022</u> <u>LE,000</u>
Tier I Going Concern Capital	<u>9,821,486</u>	<u>7,457,931</u>
On Balance Sheet Risk	106,084,151	74,631,515
Derivatives Risk	21,825	79,610
Off Balance Sheet Risk	11,293,884	11,918,692
Total Risks	<u>117,399,860</u>	<u>86,629,817</u>
Leverage Ratio %	<u>8.37%</u>	<u>8.61%</u>

Notes to the consolidated financial statements - For the year ended 31 December 2023

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 December 2023	Corporate banking	SMEs	Investment banking	Retail	Assets and liabilities management	Total
<u>Revenues and expenses according to the sector activity</u>						
Revenues of the sector activity	3,716,876	1,113,669	298,452	2,664,836	1,695,556	9,489,389
Expenses of the sector	(984,443)	(335,652)	(37,196)	(1,229,364)	13,214	(2,573,441)
Result of the sector operations	2,732,433	778,017	261,256	1,435,472	1,708,770	6,915,948
Profit before tax	2,732,433	778,017	261,256	1,435,472	1,708,770	6,915,948
Taxes	(695,678)	(196,784)	(67,303)	(358,536)	(432,717)	(1,751,018)
Net profit	2,036,755	581,233	193,953	1,076,936	1,276,053	5,164,930
Assets and Liabilities according to the sector activity						
Assets of the sector activity	28,228,391	2,105,350	421,266	11,116,490	64,305,222	106,176,719
Total assets	28,228,391	2,105,350	421,266	11,116,490	64,305,222	106,176,719
Liabilities of the sector activity	50,458,908	9,312,522	7,979	24,868,310	7,025,676	91,673,395
Total Liabilities	50,458,908	9,312,522	7,979	24,868,310	7,025,676	91,673,395

Notes to the consolidated financial statements - For the year ended 31 December 2023

5. Segment analysis (continued)

31 December 2022	Corporate banking	SMEs	Investment banking	Retail	Assets & liabilities management	Total
Revenues and expenses according to the sector activity						
Revenues of the sector activity	1,938,548	492,660	241,679	1,849,924	506,799	5,029,610
Expenses of the sector activity	(475,672)	(145,890)	(166,457)	(965,180)	32,127	(1,721,072)
Result of the sector operations	1,462,876	346,770	75,222	884,744	538,926	3,308,538
Profit before tax	1,462,876	346,770	75,222	884,744	538,926	3,308,538
Taxes	(390,206)	(92,871)	(21,409)	(240,456)	(145,841)	(890,783)
Net profit	1,072,670	253,899	53,813	644,288	393,085	2,417,755
Assets and Liabilities according to the sector activity						
Assets of the sector activity	22,257,722	904,852	25,005,450	10,224,428	16,973,603	75,366,055
Total assets	22,257,722	904,852	25,005,450	10,224,428	16,973,603	75,366,055
Liabilities of the sector activity	26,380,005	7,669,208	500,481	26,708,463	4,193,750	65,451,907
Total Liabilities	26,380,005	7,669,208	500,481	26,708,463	4,193,750	65,451,907

b. Geographical sector analysis

(All amounts are in thousand Egyptian pounds)

31 December 2023	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenues & Expenses according to the geographical sectors				
Revenues of the Geographical sectors	13,461,983	903,767	238,148	14,603,898
Expenses of the Geographical sectors	(6,944,773)	(612,096)	(131,081)	(7,687,950)
Result of sector operations	6,517,210	291,671	107,067	6,915,948
Profit before tax	6,517,210	291,671	107,067	6,915,948
Tax	(1,661,438)	(65,490)	(24,090)	(1,751,018)
Profit of the year	4,855,772	226,181	82,977	5,164,930

Notes to the consolidated financial statements - For the year ended 31 December 2023

5. Segment analysis (continued)

31 December 2022	Cairo	Alex, Delta & Sinai	Upper Egypt	Total
Revenues & Expenses according to the geographical sectors				
Revenues of the Geographical sectors	7,127,385	658,853	204,309	7,990,547
Expenses of the Geographical sectors	(3,982,694)	(572,273)	(127,042)	(4,682,009)
Result of sector operations	3,144,691	86,580	77,267	3,308,538
Profit before tax	3,144,691	86,580	77,267	3,308,538
Tax	(853,693)	(19,705)	(17,385)	(890,783)
Profit of the year	2,290,998	66,875	59,882	2,417,755

6. Net interest income

	31 December 2023 LE,000	31 December 2022 LE,000
Interest on loans and similar income		
To customers	6,189,232	4,256,661
	6,189,232	4,256,661
Treasury bills	1,484,459	794,075
Balances with banks	3,296,180	411,912
Investments in debt instruments	982,323	867,872
	5,762,962	2,073,859
	11,952,194	6,330,520
Interest expenses and similar expenses		
Deposits and current accounts:		
- To banks	(37,643)	(64,982)
- To customers	(4,356,856)	(2,398,524)
- Other loans	(102,131)	(38,687)
- Others	(182)	(345)
Total	(4,496,812)	(2,502,538)
Net interest income	7,455,382	3,827,982

Notes to the consolidated financial statements - For the year ended 31 December 2023

7. Net fee and commission

	31 December 2023 LE,000	31 December 2022 LE,000
Fee and Commission income:		
Credit related fees and commissions	1,618,538	1,035,441
Trust and other custody fees	39,295	25,833
Other fees	413,794	233,894
Total	2,071,627	1,295,168
Fee and Commission expense:		
Other fees and commissions paid	(617,496)	(458,399)
Total	(617,496)	(458,399)
Net fee and Commission income	1,454,131	836,769

8. Dividends income

	31 December 2023 LE,000	31 December 2022 LE,000
Investments at fair value through other comprehensive Income	8,249	4,943
Other	262	241
Mutual Funds	150	-
Total	8,661	5,184

9. Net trading income

	31 December 2023 LE,000	31 December 2022 LE,000
Foreign exchange:		
Gains from foreign currencies transactions	382,150	242,086
Gain on revaluation of currency swap contracts	28,332	19,326
Gain on revaluation of option deals	2,073	18,785
Net changes in fair value through profit / Loss	(1,577)	(670)
Interest Income from investment at fair value through profit / Loss	4,489	18,129
Gain on sale and investment at fair value through profit / Loss	1,599	3,085
	417,066	300,741



Notes to the consolidated financial statements - For the year ended 31 December 2023

10. Gains from financial investments

	31 December 2023 LE,000	31 December 2022 LE,000
Gain on sale of investments at fair value through OCI	2,639	58,934
Gain on sale of Treasury Bills	151,533	-
	154,172	58,934

11. Impairment charge for credit losses

	31 December 2023 LE,000	31 December 2022 LE,000
Loans and advances to customers	(278,705)	(191,334)
Due from banks	(3,260)	(1,271)
Debt instruments at fair value through other comprehensive income	(17,171)	(2,575)
	(299,136)	(195,180)

12. Administrative expenses

	31 December 2023 LE,000	31 December 2022 LE,000
Staff costs		
Wages and salaries	(884,993)	(639,240)
Social insurance costs	(154,995)	(136,779)
	(1,039,988)	(776,019)
Other Administrative expenses	(945,563)	(714,795)
Depreciation Expenses	(168,195)	(147,955)
	(2,153,746)	(1,638,769)

13. Other operating (expense) / income

	31 December 2023 LE,000	31 December 2022 LE,000
Other provisions	(231,587)	39,568
Revaluation on foreign currencies assets & Liabilities rather than those held for trading	35,273	56,835
Loss on assets acquired revaluation	(1,200)	-
Profit on sale of fixed assets	8,958	3,011
Others	69,455	13,463
	(119,101)	112,877



Notes to the consolidated financial statements - For the year ended 31 December 2023

14. Income tax expenses

	31 December 2023 LE,000	31 December 2022 LE,000
Current income tax	(1,802,911)	(900,220)
Deferred tax	51,854	9,437
	(1,751,057)	(890,783)
	31 December 2023 LE,000	31 December 2022 LE,000
Profit before tax	6,917,429	3,308,538
Tax calculated at applied tax rate	(1,556,422)	(744,421)
Nondeductible expenses	(471,637)	(347,240)
Tax on interest from T-bills and T-bonds	(488,505)	(340,998)
Tax exempted income	748,878	541,876
Prior years adjustment	16,629	-
Income tax expense	(1,751,057)	(890,783)
Effective tax rate	25.3%	%26.9

Movement of deferred tax assets

	31 December 2023 LE,000	31 December 2022 LE,000
Deferred tax assets:		
Provisions	117,642	61,728
	117,642	61,728
Deferred tax liabilities:		
Fixed assets	47,403	39,603
Provisions	9,048	12,788
	56,451	52,391
Net balance of deferred tax assets	61,191	9,337



Notes to the consolidated financial statements - For the year ended 31 December 2023

15. Cash and balances with Central Bank of Egypt

	31 December 2023 LE,000	31 December 2022 LE,000
Cash on hand	2,142,120	1,811,244
Balances with the Central Bank of Egypt -reserve ratio	2,973,523	3,425,024
	5,115,643	5,236,268
Non-interest-bearing balances	5,115,643	5,236,268
	5,115,643	5,236,268

16. Due from banks

	31 December 2023 LE,000	31 December 2022 LE,000
Current accounts	4,769,770	2,433,758
Placements with other banks	33,945,298	18,339,049
	38,715,068	20,772,807
Expected credit loss	(12,915)	(7,703)
Balance	38,702,153	20,765,104
Central bank of Egypt	23,375,511	13,513,637
Local banks	3,648,396	1,552,967
Foreign banks	11,691,161	5,706,203
	38,715,068	20,772,807
Expected credit loss	(12,915)	(7,703)
Balance	38,702,153	20,765,104
Non-interest-bearing balances	4,771,185	2,433,758
Interest-bearing balances	33,943,883	18,339,049
	38,715,068	20,772,807
Expected credit loss	(12,915)	(7,703)
Balance	38,702,153	20,765,104

	31 December 2023 LE,000	31 December 2022 LE,000
The movement in expected credit loss - Due from banks		
Balance at 1 January 2022	7,703	3,681
Impairment (charge)	3,260	1,271
Exchange differences	1,952	2,751
Balance	12,915	7,703



Notes to the consolidated financial statements - For the year ended 31 December 2023

17. Loans to banks

	31 December 2023 LE,000	31 December 2022 LE,000
Other loans	-	3,278
Total	-	3,278

18. Loans and advances to customers (net)

	31 December 2023 LE,000	31 December 2022 LE,000
Individual		
Overdrafts	80,330	124,051
Credit cards	1,342,840	1,172,542
Personal Loans	8,474,049	8,116,570
Mortgage Loans	1,457,483	1,056,582
Total (1)	11,354,702	10,469,745
Corporate entities		
Overdrafts	10,317,959	7,170,554
Direct Loans	19,668,504	15,265,338
Syndicated loans	1,370,617	1,598,834
Other Loans	187,112	792,937
Total (2)	31,544,192	24,827,663
Total Loans and advances to customer (1+2)	42,898,894	35,297,408
Less:		
Unearned Income	(14,379)	(6,136)
Allowance for impairment	(1,715,627)	(1,484,170)
Net	41,168,888	33,807,102
Current balances	28,782,126	23,837,227
Non-current balances	14,116,768	11,460,181
	42,898,894	35,297,408

Notes to the consolidated financial statements - For the year ended 31 December 2023

**Allowance for impairment
31 December 2023**

<u>Individuals</u>	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Mortgage loans</u>	<u>Total</u>
Balance at 1 January 2023	523	46,917	187,200	10,676	245,316
Impairment release	(18)	21,957	59,140	791	81,870
Loans written off during the year	-	(27,124)	(144,676)	-	(171,800)
Amount recoveries during the year	-	14,213	76,576	-	90,789
Balance at the year end	505	55,963	178,240	11,467	246,175
<u>Corporate entities</u>	<u>Overdrafts</u>	<u>Direct Loans</u>	<u>Syndicated loans</u>	<u>Other Loans</u>	<u>Total</u>
Balance at 1 January 2023	761,438	349,522	125,663	2,231	1,238,854
Impairment release / (charge)	122,147	146,017	(73,530)	2,201	196,835
Loans written off during the year	(67,036)	-	-	-	(67,036)
Amount recoveries during the year	14,556	-	-	-	14,556
Exchange differences	26,979	27,588	31,676	-	86,243
Balance at the year end	858,084	523,127	83,809	4,432	1,469,452
Total					1,715,627

31 December 2022

<u>Individuals</u>	<u>Overdrafts</u>	<u>Credit cards</u>	<u>Personal loans</u>	<u>Mortgage loans</u>	<u>Total</u>
Balance at 1 January 2022	411	46,030	198,886	9,568	254,895
Impairment (charge) / release	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
<u>Corporate entities</u>	<u>Overdrafts</u>	<u>Direct Loans</u>	<u>Syndicated loans</u>	<u>Other Loans</u>	<u>Total</u>
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



Notes to the consolidated financial statements - For the year ended 31 December 2023

19. Derivatives financial instruments

The Bank uses the following derivative instruments:

- Currency forward contracts represent commitments to purchase/sell foreign and local currencies, including in unexecuted portion of spot transactions.

Credit risk at the Bank is considered low. Future interest rate agreements represent future exchange rate contracts negotiated on a case-by-case basis. These contracts require financial settlements of any differences in contractual interest rates and prevailing market interest rates on future dates based on contractual amount/nominal value agreed on.

- Currency or/and interest swap contracts represent the commitments to exchange a group of cash flows with another. These contracts' result is the exchange of currencies or interest rates (i.e. fixed rate for floating rate) or both (i.e. cross-currency interest rate swaps). No exchange of principal takes place except for certain currency swaps.

The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis by comparing current fair value and contractual amount. To control an existing credit risk, the Bank assesses counterparties using the same techniques as for its lending activities.

- The buyer (issuer) gives to seller (holders) a right, not an obligation, to buy (buy option) or to sell (sell option) at a certain date or within a certain period of time by certain amount denominated in foreign currency or a financial instrument with prior agreed price. The buyer receives, in return, a commission against the burden of risk he took on option contracts that are either traded in the market or negotiable between the Bank and one of its customers. The Bank is exposed to credit Risk for the purchased options' contracts only and to the extent of its book value which represent its fair value.
- The notional amounts of certain types of financial instrument are used as a basis for comparison purpose, with financial instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows or the current fair value of the instruments and therefore, does not indicate the Bank's exposure to credit or price risks.

The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in the market interest rates or foreign exchange rates related to them. The aggregate contractual or notional amount of the existing financial derivative instruments, the duration to which instruments are favorable or unfavorable, and the aggregate fair value of financial assets and liabilities derivatives can fluctuate significantly from time to time.



Notes to the consolidated financial statements - For the year ended 31 December 2023

All instruments are for trading purposes, there is no hedging during the year.

Derivatives:

31 December 2023

LE,000

Currency Derivatives

Currency forwards

106,833

549

219

Currency swaps

1,189,931

20,421

7,000

1,296,764

20,970

7,219

Interest rate derivatives

Interest rate swaps

-

-

-

-

-

-

Total derivatives

1,296,764

20,970

7,219

31 December 2022

LE,000

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

Notes to the consolidated financial statements - For the year ended 31 December 2023

20. Financial Investments

	31 December 2023 LE,000	31 December 2022 LE,000
Fair value through other comprehensive income		
Debt instruments at fair value listed - Treasury bills	10,812,959	6,982,691
Debt instruments at fair value listed - Bonds	6,494,026	5,928,080
Equity instruments at fair value unlisted	43,016	41,004
Mutual fund Certificates - according to law requirements*	257,094	172,757
Total investment measured at fair value through other comprehensive income	17,607,095	13,124,532
Fair value through other profit or loss		
Treasury bills at fair value - listed	375,968	-
Governmental Bonds	7,946	11,336
Total investment measured at fair value through other profit or loss	383,914	11,336
Total Financial investments	17,991,009	13,135,868
Current Balances	14,319,682	8,801,079
Non-current balances	3,671,327	4,334,789
	17,991,009	13,135,868
Debt instruments with fixed interest rates	17,707,281	12,922,107
	17,707,281	12,922,107
	31 December 2023 LE,000	31 December 2022 LE,000
Treasury bills according to the following maturities:		
Treasury bills, maturity 91 days	2,035,643	148,714
Treasury bills, maturity 182 days	2,253,935	220,828
Treasury bills, maturity 273 days	1,049,401	918,462
Treasury bills, maturity 364 days	6,344,475	5,962,738
Unearned interest	(494,527)	(268,051)
	11,188,927	6,982,691

Notes to the consolidated financial statements - For the year ended 31 December 2023

21. Intangible assets

	31 December 2023 LE,000	31 December 2022 LE,000
Balance at the beginning of the year		
Cost	433,479	405,432
Accumulated amortization	(318,273)	(267,880)
Net book value	115,206	137,552
Balance for the current year		
Net Book value at the beginning of the year	115,206	137,552
Additions	119,026	28,047
Amortization expense	(57,999)	(50,393)
Net Book Value at the end of the current year	176,233	115,206
Balance at the end of the current year		
Cost	552,505	433,479
Accumulated amortization	(376,272)	(318,273)
Net book value	176,233	115,206

All the intangible assets are Computer Software, the bank does not have any internal developed intangible assets.

22. Other assets

	31 December 2023 LE,000	31 December 2022 LE,000
Accrued revenues	975,001	743,866
Prepaid expenses	307,416	287,052
Advance payments for purchase of fixed assets	344,448	144,388
Assets reverted to the Bank in settlement of debts	115,171	117,971
Deposits with others and imprest fund	65,215	15,102
Other	539,688	344,150
Total	2,346,939	1,652,529

Notes to the consolidated financial statements - For the year ended 31 December 2023

23. Fixed Assets

	Land	Buildings	Computer systems	Vehicles	Fixtures	Machinery & equipment	Furniture	Other	Total
Balance as of 1 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 1 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	-	-	85,528	2,828	4,469	4,036	1,938	20,417	119,216
Disposals – Cost	-	(1,416)	(9,017)	(2,231)	(5)	(8,904)	(1,607)	(4,140)	(27,320)
Depreciation expense	-	(14,537)	(45,035)	(3,433)	(25,532)	(3,475)	(3,774)	(14,410)	(110,196)
Disposals – Accumulated Depreciation	-	1,373	9,007	2,057	5	8,831	1,533	3,995	26,801
Net book value as of 31 December 2023	56,822	238,243	125,924	8,468	51,069	14,285	10,660	89,035	594,506
Balance as of 31 December 2023									
Cost	-	426,067	408,477	31,587	330,863	46,981	42,353	168,554	1,511,704
Accumulated Depreciation	-	(187,824)	(282,553)	(23,119)	(279,794)	(32,696)	(31,693)	(79,519)	(917,198)
Net book value as of 31 December 2023	56,822	238,243	125,924	8,468	51,069	14,285	10,660	89,035	594,506



Notes to the consolidated financial statements - For the year ended 31 December 2023

24. Due to banks

	31 December 2023 LE,000	31 December 2022 LE,000
Current accounts	200,294	460,912
	200,294	460,912
Local banks	2,592	1,945
Foreign banks	197,702	458,967
	200,294	460,912
Non-interest bearing	200,294	460,912
	200,294	460,912
Current Balances	200,294	460,912

25. Treasury bills sold with repurchase agreements

	31 December 2023 LE,000	31 December 2022 LE,000
Treasury bills, maturity 364 days	5,320	6,576
	5,320	6,576



Notes to the consolidated financial statements - For the year ended 31 December 2023

26. Customers' deposits

	31 December 2023 LE,000	31 December 2022 LE,000
Demand deposits	38,056,554	27,954,518
Time and call deposits	29,216,368	13,592,655
Certificates of deposits	9,450,507	10,957,805
Saving accounts	5,324,155	5,364,285
Other deposits	2,125,905	2,623,327
Total	84,173,489	60,492,590
Corporate Deposits	59,583,076	36,220,233
Individual Deposits	24,590,413	24,272,357
	84,173,489	60,492,590
Current Balances	53,508,220	38,585,431
Non-current balances	30,665,269	21,907,159
	84,173,489	60,492,590
Non-interest-bearing balances	18,177,257	15,758,534
Fixed interest rate balances	57,380,673	38,289,767
Variable interest rate balances	8,615,559	6,444,289
	84,173,489	60,492,590

27. Other Loans

	Interest Rates	31 December 2023 LE,000	31 December 2022 LE,000
National Bank of Egypt		72,398	126,635
Egyptian Co. for Housing Refinance		77,844	127,925
Credit Agricole Paris (13/6/2027)	SOFR+2.97%	308,931	247,434
Credit Agricole Paris (11/5/2028)	SOFR +2.955%	308,931	247,434
Credit Agricole Paris (13/4/2029)	SOFR +3.407%	308,931	247,434
		1,077,035	996,862

Notes to the consolidated financial statements - For the year ended 31 December 2023

28. Other Liabilities

	31 December 2023 LE,000	31 December 2022 LE,000
Accrued interest	582,479	221,042
Unearned revenue	55,189	53,753
Accrued expenses	673,964	561,497
Other credit balances	2,629,725	1,431,218
	3,941,357	2,267,510

29. Other provisions

	31 December 2023 LE,000	31 December 2022 LE,000
Balances At 1 January	353,486	347,152
Exchange differences	41,420	53,651
Charged (release) to the income statement	231,587	(39,568)
Utilized during year	(222)	(7,749)
	626,271	353,486

Other provisions represent the following:

	31 December 2023 LE,000	31 December 2022 LE,000
Provision for claims	161,073	87,667
Provision for contingent liabilities	465,198	265,819
Balance	626,271	353,486



Notes to the consolidated financial statements - For the year ended 31 December 2023

30. Retirement benefit obligations

	31 December 2023 LE,000	31 December 2022 LE,000
Medical benefits liability		
Post-employment medical benefits	140,257	190,979
	140,257	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 balances shown in the statement of financial position are as follows:

	31 December 2023 <u>EGP</u>	31 December 2022 <u>EGP</u>
The present value of financed liabilities	140,257	190,979
Retirement benefit obligations	140,257	190,979

The movement in liabilities during the financial year is as follows:

Balance at the beginning of the year	190,979	163,900
Current service cost	5,816	4,662
Cost of interest	27,436	24,624
Contributions paid	(9,731)	(8,176)
Remeasurements included in OCI	(74,243)	5,969
Balance at the end of the financial year	140,257	190,979



Notes to the consolidated financial statements - For the year ended 31 December 2023

30. Retirement benefit obligations (continued)

The movement on the fair value of assets included in employee benefit plans is as follows:

	31 December 2023	31 December 2022
	EGP	EGP
Balance at the beginning of the financial year	-	-
Bank contribution	9,731	8,176
Employee contribution	(9,731)	(8,176)
Balance at the end of the financial year	-	-

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

Current service cost	5,816	4,662
Cost of interest	27,436	24,624
Total	33,252	29,286

The most important assumptions used by the actuary are as follows:

Interest rate used as a discount basis	24.00%
Inflation Rate of medical care costs	18.60%

The assumption of death rates were made according to the British Mortality Table no. A49/52.

31. Paid up capital

The bank authorized share capital with LE 6,000,000 thousand the issued and paid up capital is LE 5,000,000 thousand divided into 1,250,000 thousand ordinary shares with par value LE 4 each and there is no treasury stock, The following is a list of the shareholders of the bank as of **31 December 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 RolaCo. EGP For Investment owned by Ali Ben Hassan Ben Ali Dayekh	163,327,560	13.07%	653,310
Others	309,768,787	24.77%	1,239,076
Total	1,250,000,000	100.00%	5,000,000



Notes to the consolidated financial statements - For the year ended 31 December 2023

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

The bank authorized share capital increased to 6,000,000 thousand EGP with an increase amounting 2,500,000 thousand EGP.

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

As per the CBE Law No. 194 of 2020, all banks were required to increase their paid in capital to EGP 5 billion. CAE's Paid in Capital at the end of 2021 was EGP 1.5 billion, and as per the approval of the board and the EOGM, they agreed to increase the capital to EGP 5 billion as the EGP 3.5 Million amount of increase to be taken from the retained earnings which is a non-cash transaction.

32. Reserves and retained earning

A. Reserves	31 December 2023 LE,000	31 December 2022 LE,000
General Banking Risk Reserve	5,720	2,725
Legal reserve	825,685	704,243
Capital reserve	52,288	49,277
Fair value reserve	(168,144)	142,926
EAS 47 reserve	-	4,229
General Risk Reserve	110,756	110,756
Total reserves	826,305	1,014,156

Movements in reserves were as follows:

a. General Banking Risk Reserve	31 December 2023 LE,000	31 December 2022 LE,000
Balance at the beginning of the year	2,725	2,190
Transferred from the Net profit	5,235	535
Transferred to Retained Earning	(2,240)	-
Balance	5,720	2,725

The instructions of the Central Bank of Egypt stipulate the formation of a general banking risk reserve to meet unexpected risks, and distribution from the reserve will not be made except after obtaining the approval of the Central Bank of Egypt.

Notes to the consolidated financial statements - For the year ended 31 December 2023

	31 December 2023 LE,000	31 December 2022 LE,000
b. Legal reserve		
Balance at the beginning of the year	704,243	626,369
Transferred from the Net profit	121,442	77,874
Balance	825,685	704,243

In accordance with local laws, 5% of the net profit shall be transferred to non-distributable legal reserve until it reaches 50% of the capital.

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

The Capital reserve represents the amounts transferred from the retained earnings related to the gains or losses resulting from the sale of fixed assets, this reserve is non-distributable

	31 December 2023 LE,000	31 December 2022 LE,000
d. Fair value reserve		
Balance at the beginning of the year	142,926	139,673
Net Gain (Loss) from change in fair value	(311,070)	3,253
Balance at the end of the year	(168,144)	142,926

Fair reserve represents the revaluation of financial instruments that are measured through other comprehensive income.

	31 December 2023 LE,000	31 December 2022 LE,000
e. EAS 47 Reserve		
Balance at the beginning of the year	4,229	4,229
Movement during the year	(4,229)	-
Balance	-	4,229

	31 December 2023 LE,000	31 December 2022 LE,000
f. General Risk Reserve		
Balance at the beginning of the year	110,756	110,756
Balance	110,756	110,756

Notes to the consolidated financial statements - For the year ended 31 December 2023

	31 December 2023 LE,000	31 December 2022 LE,000
B. Retained earnings		
Balance at the beginning of the year	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)
Transfer from General Banking Risk Reserve (Sold Asset Acquired)	2,240	-
Remeasurement of employee benefits	2,245	-
Transfer to retained earning EAS 47 reserve	4,229	-
Transferred to Fair value Reserve	-	(79,301)
Profit of the year	5,166,372	2,417,755
Balance	8,678,444	3,899,975

33. Contingent liabilities and commitments

	31 December 2023 LE,000	31 December 2022 LE,000
A. Loans, advances and Guarantees Commitments		
Letters of guarantee	14,971,307	14,237,198
Commercial letters of credit (import and export)	1,930,884	1,471,500
Acceptances	1,332,849	2,512,516
Other contingent liability	3,182,029	2,811,864
Total	21,417,069	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 29,019 thousand Egyptian pounds.

D. Capital Commitments

The bank had capital commitments of 117,193 thousand Egyptian pounds in respect of fixed assets purchases and branches fixtures and have not been implemented yet till the balance sheet date.



Notes to the consolidated financial statements - For the year ended 31 December 2023

34. Cash and cash equivalents

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

	31 December 2023 LE,000	31 December 2022 LE,000
Cash and balances with central banks	2,142,120	1,811,244
Due from banks	36,304,047	18,849,304
Treasury bills with maturities within 91 days	1,981,765	122,081
	40,427,932	20,782,629



Notes to the consolidated financial statements - For the year ended 31 December 2023

35. 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 874.29 at balance sheet date and the total value is 131,143,500 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 814,381 EGP as of **31 December 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 58,498,500 EGP with a redeemable price of 389.99 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 457,827 EGP as of **31 December 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 45,567,990 EGP and a redeemable price of 1,168.41 EGP per IC.

According to the mutual fund management contract and prospects, CA obtains management fees and commission for monitoring and other managerial services, the total commissions amounted 3,008,946 EGP as of **31 December 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 21,884,500 EGP with a redeemable price of 437.69 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 145,956 EGP as of **31 December 2023** that was classified as fees and commission income in the income statement.



Notes to the consolidated financial statements - For the year ended 31 December 2023

36. 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 December 2023 LE,000	31 December 2022 LE,000
Due from banks		
Outstanding at 1 January	704,808	126,424
Received / Collected during the year	(585,854)	578,384
Ending balance 31 December	118,954	704,808

	Credit Agricole Group	
	31 December 2023 LE,000	31 December 2022 LE,000
Due to banks		
Outstanding at 1 January	166,927	1,498
Received / Collected during the year	18,459	165,429
Ending balance 31 December	185,386	166,927

	Credit Agricole Group	
	31 December 2023 LE,000	31 December 2022 LE,000
General and Administrative expenses	32,228	18,537
Other Loans	926,793	742,302

37. Short term wages and benefits

The monthly average of net total annual income of the banks' twenty employees with the largest wages and salaries collectively during the year amounted to 7,815 thousand EGP compared to 5,374 thousand for the previous year, and the total outstanding loans for the top management during the year amounted to 5,691 thousand EGP compared to 11,479 thousand for the previous year.



Notes to the consolidated financial statements - For the year ended 31 December 2023

38. Tax position

1) Corporate Income Tax

Period from Start-up date to 31 Dec. 2018

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

From 2019 to 2020

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

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, 2021 and 2022

Tax Examination was done, and due tax was paid.



Notes to the consolidated financial statements - For the year ended 31 December 2023

39. 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 year. The Bank has carried out the reclassification operations after studying some facilities and has no effect on total assets and amending its 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.

<u>Separate statement of financial position</u>	Previous disclosure	Reclassification	Current disclosure
Loans to banks	689,042	(685,764)	3,278
Loans and advances to customers	32,824,878	685,764	33,510,642

40. Significant and subsequent events during the year

a) Significant events

Adjustments to the interest rate benchmark

In July 2017, the UK Financial Conduct Authority ('FCA') convened that it would cease publishing the LIBOR rates for some currencies such as the Euro and Sterling by December 31, 2021. In case of USD Libor, 1 week & 2 months' tenor rates are being ceased by 31st of December 2021 and other USD Libor tenor rates will be ceased by 30th of June 2023 (which was postponed during the year to be ceased by 30 June 2024). Alternate reference rates for some currencies such as (SOFR) for the dollar, (SONIA) for the British pound, (EURIBOR or ESTR) for the euro have been replaced. The Bank has initiated a transition program to replace LIBOR with alternate reference rates, and continues to engage with the Central Bank and the customers to support an orderly transition and mitigate risks arising from the transition. The program is currently focused on evaluating the IBOR's transition on legacy contracts as well as assessing the impact on the market and new issuance of contract which would refer to the alternative reference rate and proposed changes to processes, legal contracts, IT systems and communication with counterparties and customers. The Bank has begun engaging with customers to determine their ability to change in line with the availability of an alternative price product.

- The Policy Committee of the Central Bank of Egypt affirmed in its extraordinary meeting on March 21, 2022 that the Central Bank of Egypt believes in the importance of exchange rate flexibility, as global inflationary pressures began to appear again, after signs of the global economy recovering from the turmoil caused by the Corona virus pandemic, and that Because of the developments of the Russian-Ukrainian conflict.

In order to maintain the targeted inflation rates, the Central Bank of Egypt raised the overnight deposit and lending rates and the main transaction price by 300 basis points to reach 11.25 percent, 12.25 percent, and 11.75 percent respectively. The discount rate was also raised by 200 basis points to 11.75 percent., based on the change in the average dollar exchange rate from 15.70 L. E to the dollar to 19.5523 pounds.

- On October 27,2022 the Monetary Policy Committee (MPC) has decided in its special meeting to raise the overnight deposit rate, the overnight lending rate and the rate of the main operation by 200 basis points to 13.25 percent, 14.25 percent, and 13.75 percent, respectively. The discount rate was also raised by 200 basis points to 13.75 percent, and on December 22,2022 the Monetary



Notes to the consolidated financial statements - For the year ended 31 December 2023

Policy Committee (MPC) decided to raise the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation by 300 basis points to 16.25 percent, 17.25 percent, and 16.75 percent, respectively. The discount rate was also raised by 300 basis points to 16.75 percent.

On February 2nd 2023 the Monetary Policy Committee (MPC) decided to keep the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation unchanged at 16.25%, 17.25%, and 16.75%, respectively. The discount rate was also kept unchanged at 16.75%, on March 30th the Monetary Policy Committee (MPC) decided to raise the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation by 200 basic points to 18.25%, 19.25%, and 18.75%, respectively. The discount rate was also raised by 200 basic points to 18.75% ,

On May 18th 2023 the Monetary Policy Committee (MPC) decided to keep the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation unchanged 18.25%, 19.25%, and 18.75%, respectively. The discount rate was also kept unchanged at 18.75%,

On June 22nd 2023 the Monetary Policy Committee (MPC) decided to keep the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation unchanged 18.25%, 19.25%, and 18.75%, respectively. The discount rate was also kept unchanged at 18.75%.

On August 3rd 2023 the Monetary Policy Committee (MPC)) has decided in its special meeting to raise the overnight deposit rate, the overnight lending rate and the rate of the main operation by 100 basis points to 19.25 percent, 20.25 percent, and 19.75 percent, respectively. The discount rate was also raised by 100 basis points to 19.75 percent.

On September 21st 2023 the Monetary Policy Committee (MPC) decided to keep the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation unchanged 19.25 percent, 20.25 percent, and 19.75 percent, respectively. The discount rate was also kept unchanged at 19.75%.

- During the year, the management conducted a study on the impact of these important events on the financial position. The study included the concentrations of the largest credit clients and also included the sectors that were affected significantly by these events. This study concluded that these events did not affect the expected credit losses of these clients, as those customers do not deal directly or indirectly with any parties affected by this conflict and also as a result of the quality of the bank's credit portfolio. The impact of the foregoing on the economic situation is considered an estimate and uncertain, and the management will continue to evaluate the current situation and its effects on a regular basis.

b) Subsequent events

On 1st of February 2024 the Monetary Policy Committee (MPC) decided to raise the Central Bank of Egypt (CBE) overnight deposit rate, overnight lending rate and the rate of the main operation by 200 basis point to 21.25%, 22.25% and 21.75% respectively. The deposit rate was also raised by 200 basis point t 21.75%.

41. Translation

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