



**ARAB INVESTMENT BANK (S.A.E)**  
**FINANCIAL STATEMENTS**  
**TOGETHER WITH LIMITED REVIEW REPORT**  
**FOR THE FINANCIAL PERIOD ENDED MARCH 31, 2023**

**Financial Statements**

**For the financial Period ended March 31, 2023**

<b>Table of Contents</b>	<b>Page</b>
Limited review Report	3
Statement of Financial Position	4
Statement of Profit or Loss	5
Statement of Other comprehensive income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8-9
Notes to the Financial Statements	10-88

## Limited Review Report on Interim Financial Statements

To: Arab Investment Bank (SAE) Board of Directors

### Introduction

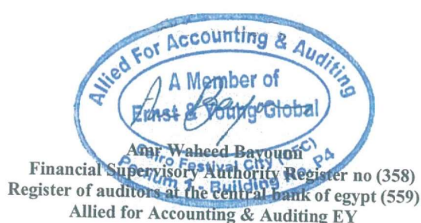
We have performed a limited review on the accompanying interim financial statements of Arab Investment Bank (S.A.E) as of 31 March 2023 and the related statement of financial position, statement of profit or loss, Statement of Comprehensive Income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the Central Bank of Egypt's rules issued on December 16, 2008 as amended by the regulation issued on February 26, 2019 and the prevailing Egyptian laws and regulations. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

### Scope of Limited Review

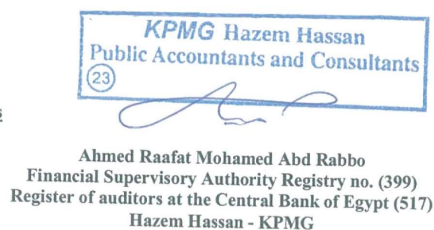
We conducted our limited review in accordance with the Egyptian standard on review engagements (2410) "Limited Review of Interim Financial Statement Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons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

### Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that accompanying interim financial statements do not present fairly, in all material respects, the financial position of the Bank as of 31 March 2023 and of its financial performance and its cash flows for the three months then ended in accordance with the bases of recognition and measurement issued by the central bank of Egypt's rules issued on December 16, 2008 as amended by the regulation issued on February 26, 2019 and the prevailing Egyptian laws and regulations.



Auditors



Cairo: 18 May 2023

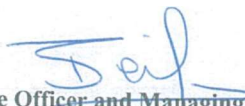
## Arab Investment Bank - S.A.E

### STATEMENT OF FINANCIAL POSITION

As of 31 March 2023

		31 March 2023	31 December 2022
	Note	EGP Thousands	EGP Thousands
<b>Assets</b>			
Cash and balances with Central Bank of Egypt	(15)	824,555	2,072,958
Due from Banks	(16)	13,021,113	8,117,429
Loans and credit facilities to customers	(17)	20,068,607	19,332,797
<b>Financial Investments</b>			
Financial Investments at fair value through OCI	(18)	3,407,157	11,195,383
Financial Investments at amortized cost	(18)	16,962,589	11,518,693
Investments in associates	(19)	391,262	388,963
Intangible assets	(20)	55,493	59,611
Other assets	(21)	2,274,036	2,333,801
Property, Plant and Equipment	(22)	352,639	362,412
Deferred tax assets	(23)	5,964	6,481
<b>Total assets</b>		<b><u>57,363,415</u></b>	<b><u>55,388,528</u></b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Due to banks	(24)	4,274,776	785,959
Customers deposits	(25)	46,623,862	48,201,951
Other loans	(26)	137,682	140,044
Other liabilities	(27)	771,808	662,236
Income tax payable		94,223	181,041
Other provisions	(28)	75,379	90,226
<b>Total liabilities</b>		<b><u>51,977,730</u></b>	<b><u>50,061,457</u></b>
<b>Equity</b>			
Paid-up Capital	(29)	5,000,000	5,000,000
Reserves	(30)	168,203	159,769
Retained Earnings including net profit for the period	(31)	217,482	167,302
<b>Total Equity</b>		<b><u>5,385,685</u></b>	<b><u>5,327,071</u></b>
<b>Total liabilities and Equity</b>		<b><u>57,363,415</u></b>	<b><u>55,388,528</u></b>

  
 Chief Financial Officer  
 Nagy Banoub

  
 Chief Executive Officer and Managing Director  
 Tamer Seif

The accompanying notes from (1) to (37) are an integral part of the financial statements.

## Arab Investment Bank - S.A.E

### STATEMENT OF PROFIT OR LOSS

For The Financial Period Ended 31 March 2023

		31 March 2023	31 March 2022
	Note	EGP Thousands	EGP Thousands
Interest revenue and similar income	(6)	1,700,153	1,146,032
Cost of deposits and similar costs	(6)	(1,166,556)	(804,888)
<b>Net interest income</b>		<b>533,597</b>	<b>341,144</b>
Fees and commission income	(7)	235,220	54,042
Fees and commission expenses	(7)	(20,443)	(6,372)
<b>Net fees and commission income</b>		<b>214,777</b>	<b>47,670</b>
Dividends income	(8)	3,981	-
Net trading income	(9)	50,169	13,255
Gain on financial investment	(18)	4,227	19,155
Expected credit Losses (ECL)	(12)	(118,332)	(7,548)
Administrative expenses	(10)	(334,443)	(212,428)
Other operating revenue	(11)	(84,753)	3,204
<b>Net profit before income taxes</b>		<b>269,223</b>	<b>204,452</b>
Income tax expense	(13)	(94,224)	(64,606)
<b>Net Profit for the period</b>		<b>174,999</b>	<b>139,846</b>
<b>Earnings per share</b>	(14)	<b>0.17</b>	<b>0.13</b>

The accompanying notes from (1) to (37) are an integral part of the financial statements.

## Arab Investment Bank - S.A.E

### STATEMENT OF OTHER COMPREHENSIVE INCOME

For The Financial Period Ended 31 March 2023

	Note	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
Net Profit for the period		174,999	139,846
<b>Other Comprehensive Income that may be reclassified to statement of profit or loss</b>			
Net Change in fair value of debt instruments measured at fair value through other comprehensive income	(B-30)	(70,718)	(12,094)
Reclassified to statement of profit or loss	(B-30)	57,586	(22,309)
Expected Credit Losses	(B-30)	(19,817)	-
<b>Other Comprehensive Income that will not be reclassified to statement of profit or loss</b>			
Change in fair value of investment in equity instruments measured at fair value through other comprehensive income	(B-30)	13,217	2,625
		<u>155,267</u>	<u>108,068</u>

The accompanying notes from (1) to (37) are an integral part of the financial statements.

## Arab Investment Bank - S.A.E

### STATEMENT OF CHANGE OF EQUITY

For The Financial Period Ended 31 March 2023

	EGP Thousands								
	Issued and Paid-up capital	Special Reserve	Capital Reserve	Legal Reserve	General Reserve	Fair value Reserve	Total Reserves	Retained (Losses) / Earnings	Total
<b>Balance as of 1 January 2022</b>	5,000,000	251	25,836	39,415	117,798	56,531	<b>239,831</b>	(365,460)	<b>4,874,371</b>
Gain on sale of investment certificates in mutual funds through OCI	-	-	-	-	-	-	-	2,892	<b>2,892</b>
Net profit for the period	-	-	-	-	-	-	-	139,846	<b>139,846</b>
Net change in fair value of financial Investment at fair value through other comprehensive income	-	-	-	-	-	(8,535)	<b>(8,535)</b>	-	<b>(8,535)</b>
<b>Balance as of 31 March 2022</b>	<b>5,000,000</b>	<b>251</b>	<b>25,836</b>	<b>39,415</b>	<b>117,798</b>	<b>47,996</b>	<b>231,296</b>	<b>(222,722)</b>	<b>5,008,574</b>
<b>Balance as of 1 January 2023</b>	5,000,000	251	25,836	39,415	117,798	(23,531)	<b>159,769</b>	167,302	<b>5,327,071</b>
Transferred to reserves	-	-	1,985	26,181	-	-	<b>28,166</b>	(28,166)	-
Dividends	-	-	-	-	-	-	-	(96,653)	<b>(96,653)</b>
Net Profit for the period	-	-	-	-	-	-	-	174,999	<b>174,999</b>
Net change in fair value of financial Investment at fair value through other comprehensive income	-	-	-	-	-	(19,732)	<b>(19,732)</b>	-	<b>(19,732)</b>
<b>Balance as of 31 March 2023</b>	<b>5,000,000</b>	<b>251</b>	<b>27,821</b>	<b>65,596</b>	<b>117,798</b>	<b>(43,263)</b>	<b>168,203</b>	<b>217,482</b>	<b>5,385,685</b>

The accompanying notes from (1) to (37) are an integral part of the financial statements.

**STATEMENT OF CASH FLOW**

For The Financial Period Ended 31 March 2023

	Note	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
<b>Cash flows from operating activities</b>			
Net Profit for the period before income taxes		269,223	204,452
<b>Adjustments to reconcile net profit with cash flows from operating activities</b>			
Depreciation & amortization	(10)	15,131	14,091
Amortization of intangible assets	(10)	4,118	2,239
Impairment charges - Loans & Financing to customers	(12)	111,252	-
Impairment charges - Due from banks	(12)	(213)	-
Impairment charges - Financial Investments	(12)	7,186	-
Impairment charges - Other Assets	(12)	107	-
utilized of loans provisions	(17)	(388,511)	-
Translation differences of loans provisions in foreign currencies	(17)	109,185	-
Other provision charges	(11)	(6,616)	23,241
provisions no longer required		-	(1,500)
Utilized provisions other than loans provision	(28)	(10,251)	(492)
Translation differences of other provisions in foreign currencies	(28)	1,921	-
Gain on sale of financial investments	(18)	(1,928)	(5,398)
Translation differences resulting from foreign currency investments	(18)	(1,354,398)	(342,813)
Amortization of (discount) / premium issuance investments available for sale and held till maturity date	(18)	(284,632)	(41,140)
Gain from sale of fixed assets	(11)	(1,875)	-
Undistributed dividends of investments in associates	(18)	(2,299)	(13,757)
Dividends income	(8)	(3,981)	-
Gain from assets reverted to bank	(11)	(1,350)	-
Revaluation differences of provisions in foreign currencies rather than loans provision		8,324	5,938
<b>Operating profit before changes in assets and liabilities resulting from operating activities</b>		<b>(1,529,608)</b>	<b>(155,139)</b>
<b>Net (decrease) increase in assets</b>			
Due from banks	(16)	1,490,019	(2,074,762)
Loans and facilities to customers	(17)	(560,236)	(2,350,050)
Other assets	(21)	91,552	(271,181)
<b>Net increase (decrease) in liabilities</b>			
Due to banks	(24)	3,488,817	3,607,304
Customers deposits	(25)	(1,578,090)	3,072,674
Other liabilities	(27)	107,919	311,804
Income taxes paid		(180,525)	(71,077)
<b>Net cash flows resulting from operating activities</b>		<b>1,329,848</b>	<b>2,069,573</b>

The accompanying notes from (1) to (37) are an integral part of the financial statements.



**STATEMENT OF CASH FLOW – CONTINUED**  
For The Financial Period Ended 31 March 2023

	Note	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
<b>Cash flows from investing activities</b>			
Payments for purchase of fixed assets and branches preparation	(22)	(43,801)	(13,152)
Proceeds from sale of fixed assets and branches preparation	(22)	2,381	17
Payments for purchase of intangible assets	(20)	-	(4,117)
Proceeds from sale of financial investments other than at FVPL	(18)	12,647,782	637,018
Dividends received		3,981	-
Payments for acquiring investments other than Financial assets at FVPL	(18)	(7,925,064)	(4,666,895)
<b>Net cash flows resulting from / (used in) investing activities</b>		<b>4,685,279</b>	<b>(4,047,129)</b>
<b>Cash flows from financing activities</b>			
Other loan	(26)	(2,362)	(1,992)
Dividends Paid		(95,000)	-
<b>Net cash flows (used in) financing activities</b>		<b>(97,362)</b>	<b>(1,992)</b>
Net (decrease) increase in cash and cash equivalent during the period		5,917,766	(1,979,548)
Balance of cash and cash equivalent at the beginning of the period		8,285,754	2,374,505
<b>Balance of cash and cash equivalent at the end of the period</b>	(32)	<b>14,203,520</b>	<b>394,957</b>
Cash and cash equivalent are represented is the following:			
Cash and balances with Central Bank of Egypt	(15)	824,555	1,974,018
Due from banks	(16)	13,023,095	20,013,710
Treasury bills	(18)	8,720,564	4,573,698
Balances with Central Bank of Egypt under reserve ratio	(15)	(416,196)	(1,784,517)
Deposits with banks	(16)	-	(19,811,928)
Treasury bills with a maturity of more than three months	(18)	(7,948,498)	(4,570,024)
<b>Total cash and cash equivalent</b>	(32)	<b>14,203,520</b>	<b>394,957</b>

The accompanying notes from (1) to (37) are an integral part of the financial statements

**1. Background**

The Arab Investment Bank (formerly Arab Egyptian Bank for Development and Investment) - S.A.E provides institutional, retail banking and investment services in the Arab Republic of Egypt through its main center in Cairo (8 Abdel-Khalek Tharwat St.). The Bank has (30) branches and is hiring (1,105) employees on the date of balance sheet.

The Arab Investment Bank (formerly Arab Egyptian Bank for Development and Investment) was established as an investment and business bank on 20/2/1974, in accordance with the provisions of the presidential council's decision by Law No. (1) of 1974.

In accordance with the decision of the extraordinary general assembly held on 3 June 2013, the name of the bank was changed to be Arab Investment Bank, instead of Arab Egyptian Bank for Development and Investment.

The financial statements for the period ended 31 March 2023 were approved on 14 May 2023, in accordance with the decision of the board of directors held at that date.

**2. Significant accounting policies**

**2.1. Basis of preparation**

2.1.1. The financial statements are prepared in accordance with the instructions of the Central Bank of Egypt approved by its Board of Directors on 16 December 2008, as well as the instructions on the preparation of financial statements, according to the requirements of IFRS (9) "Financial Instruments", according to the instructions issued by the Central Bank of Egypt on 26 February 2019. The financial statements of the Bank were prepared in accordance with the provisions of applicable laws.

2.1.2. The Bank's financial statements were prepared in accordance with the going concern assumption and historical cost except initial recognition of Financial instrument at Fair value and financial assets categorized to fair value through OCI and fair value through P&L.

**2.2. Accounting estimates and assumptions**

The Bank uses estimates and assumptions that affect the amounts of assets and liabilities to be disclosed during the next financial year. Estimates and assumptions are consistently evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and information available.

When scheduling future cash flows, the management uses estimates based on previous experience of losses on assets with credit risk characteristics, upon the existence of objective evidence on impairment similar to those in the portfolio. The method and assumptions used in estimating both the amount and timing of future cash flows are reviewed regularly to limit any differences between estimated loss and actual loss based on experience.

## **2. Significant accounting policies - Continued**

### **2.3. Foreign currency translation**

#### **Functional and presentation currency**

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

#### **Transactions and balances in foreign currencies**

The Bank maintains its accounts in Egyptian pounds and records transactions in foreign currencies during the financial year on the basis of the prevailing exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of the year / financial year on the basis of the prevailing exchange rates at that date. and the differences resulting from the valuation are recognized in the statement of profit or loss, under the following items:

- Net trading income on assets / liabilities held for trading, or those initially classified at fair value through profit or loss according to its type.
- Other operating income (expenses) for the other items.
- Items of other comprehensive income in equity for investments in equity instruments at fair value through other comprehensive income.
- Changes in the fair value of monetary financial instruments, denominated in foreign currency classified as investments at FVOCI (debt instruments), are analyzed among the valuation differences resulting from changes in the amortized cost of the instrument, the differences resulting from changes in the prevailing exchange rates, and the differences resulting from changes in the fair value of the instrument. Those differences resulting from changes in the amortized cost of the instrument are recognized in the statement of profit or loss, under " interest on loans and similar income". The differences related to the changes in the exchange rate are recognized in "other operating income (expenses)". The changes in fair value are recognized in equity under "change in differences in the fair value within (fair value reserve / investments at FVOCI).
- Valuation differences resulting from non-monetary items, include the profit and loss resulting from the change in fair value, such as equity instruments held at fair value through profit or loss, and the valuation differences resulting from equity instruments classified as investments at FVOCI are recognized in the fair value reserve under equity.

### **2.4. Associates**

Associates are the entities over which the Bank has significant influence directly or indirectly, but without control. The Bank generally owns 20%to 50% of the voting rights.

The acquisition method is used in accounting for the Bank's acquisition of entities. The acquisition cost is measured at fair value or the assets given by the Bank as a consideration for purchase, equity instruments issued, liabilities incurred by the Bank and/or liabilities they report on behalf of the acquire, at the date of exchange, plus any costs directly attributable to the acquisition. Net assets including the identifiable acquired contingent liabilities are measured at their fair value at the acquisition date. Regardless of the minority interest equity, the excess of acquisition cost over the Bank's interest fair value in the net assets is considered as a goodwill.

## **2. Significant accounting policies - Continued**

### **2.4. Associates – Continued**

If the acquisition cost is less than the fair value of the aforementioned net, the difference is recognized directly in the statement of profit or loss under "Other operating income (expenses)."

The financial assets in associates are subsequently measured using the equity method, by which the investment in associate is recognized upon acquisition at cost, then the investment balance is increased or decreased by the Bank's share of change in the equity of the investee after the acquisition date, then the investment balance is decreased by the amount of dividends obtained by the investee .

If there are objective evidence on an impairment loss of the investment in associate, the loss amount is measured as the difference between the carrying amount of investment and the higher of the estimated expected future cash flows discounted at the current market rate of interest, and / or the net sale value for a similar investment for each investment. The carrying amount of the asset is reduced directly, and the loss amount is recognized in the statement of profit or loss under "Financial investment gains (losses). If it is possible in any subsequent period to objectively relate the decrease and increase in the impairment loss, to an event occurs after the recognition of the impairment loss, then the previously recognized impairment loss is reversed to the statement of profit or loss. Such reversal should not result in a carrying amount of the asset that exceeds the cost at the date of impairment losses reversal if such impairment losses have not been recognized.

### **2.5. Interest income and expenses**

#### **Effective interest rate**

The interest income and expenses are recognized in the statement of profit or loss, under "interest on loans and similar income" or "interest expense and similar costs", using the effective interest method for all financial instruments bearing interest, except for those classified investments at fair value through profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and distributing the interest income or expenses over lifetime of the related instrument. The effective interest rate is the rate used to exactly discount future cash flows expected to be paid or collected during the expected lifetime of the financial instrument, or a shorter period of time, if appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows, considering all contractual terms of the financial instrument (such as prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received among the contract parties that represents as integral part of the effective interest rate calculation include transactional cost and premiums.

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

## **2. Significant accounting policies - Continued**

### **2.5. Interest income and expenses – Continued**

The Bank ceases to recognize interest income on non-performing /impaired loans or debts (Stage 3) in the statement of profit or loss, the revenue of income will be recorded off balance sheet

- When it is collected, after recovering all arrears for consumer Loans, personal mortgages, and micro-finance loans, and recognized as income subsequently based on a cash basis according to the followings:
- For corporate loans , the cash basis is also followed, Where as calculated interests are capitalized according to the rescheduling agreement conditions until paying 25 % from rescheduled payments for a minimum performing period of one year, if the customer continues to perform , the calculated interest will be recognized in interest income (interest on the performing rescheduling agreement balance) without the marginalized before the rescheduling agreement which will be recognized in interest income after the settlement of the outstanding loan balance.

### **2.6. Fees and commission income**

The fees accrued for servicing a loan or facility that is measured at amortized cost, are recognized under income when the service is provided. Fees and commission income on non-performing /impaired loans or debts (Stage 3) are ceased to be recognized as income and are rather than recorded off balance sheet. These are recognized as income on a cash basis. Only when interest income on those loans is recognized in statement of P/L, at that time, fees & commissions that represent an integral part of the EIR of a financial asset, are treated as an adjustment to the EIR of that financial asset.

The commitment fees on loans are deferred if draw down is probable, given that the commitment fees obtained by the Bank are considered as a compensation for the continuous intervention to acquire the financial instrument, then they are recognized as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognized at the maturity of the term of the commitment.

Fees related to debt instruments that are measured at their fair value are recognized under income at the initial recognition and the fees on Syndicated loan promotion are recognized under income, upon the completion of the promotion process, provided that the Bank does not hold any part of the loan for itself or that the Bank holds a part of the loan for itself, but at the same actual rate of interest available to other participants.

Fees and commissions resulting from negotiating or participating in negotiation of a transaction for a third party - such as arrangement the purchase of shares or other financial instruments or the acquisition or sale of facilities - are recognized in the statement of profit or loss upon completion of the relevant transaction. Fees on management consultancy and other services are usually recognized on a time apportionment basis over the service performance. Fees on financial planning management and custody services that are provided over long periods of time are recognized throughout the year when the service is performed.

## **2. Significant accounting policies - Continued**

### **2.7. Dividends income**

Dividends on the Bank's investments in equity instruments are recognized in the statement of profit or loss when the right to collect is declared.

### **2.8. Income tax**

Income tax on the profit or loss for the year, includes both current year tax and deferred tax, and is recognized in the statement of profit or loss, except for income tax related to items of Equity, that are recognized directly under Equity. Income tax is recognized on the basis of the taxable net profit, using the applicable tax rates on the date of financial position, in addition to the tax adjustments for previous years.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized, according to the accounting bases and their value on tax bases. The deferred tax amount is determined based on the expected method for realizing or settling the values of assets and liabilities, using the applicable tax rates on the date of financial position. The deferred tax assets of the Bank are recognized when there is a likely possibility of achieving taxable profits in the future, through which such asset can be used. The amount of the deferred tax assets is reduced by the value of the part, from which the expected tax benefit will not be realized during the following years, provided that in the event of an increase in the expected tax benefit, the deferred tax assets will be increased, to the extent of what was previously reduced.

### **2.9. Financial assets and financial liabilities**

#### **Initial recognition and measurement**

The bank initially recognizes the financial assets and liabilities on the date when the Bank becomes a party to the contractual terms of the financial instrument.

The financial asset or financial liability is initially measured at fair value. As for those that are not subsequently measured at fair value through profit or loss, they are measured at fair value, plus the transaction cost that is directly related to the acquisition or issuance.

#### **Classification**

##### **Financial Assets**

Upon initial recognition, the Bank classifies the financial assets into financial assets at amortized cost, financial assets at fair value through other comprehensive income (FVOCI), or financial assets at fair value through profit or loss (FVTPL).

##### **Financial assets at amortized cost**

A financial asset is measured at amortized cost, if both of the following conditions are met, and has not been designated by the management of the Bank, upon initial recognition, at the fair value through profit or loss:

The financial asset is held within a business model of financial assets held to collect contractual cash flows.

## **2. Significant accounting policies - Continued**

### **2.9. Financial assets and financial liabilities – Continued**

The objective of the business model is to retain the financial assets, to collect the contractual cash flows of principal amount of the investment and interest. Sale is an exceptional contingent event for the objective of such model and under the conditions of the Standard which are:

- There should be a deterioration in the creditworthiness of the issuer of the financial instrument.
- There should be less sales in terms of frequency / Turnover and value.
- There should be a clear and approved documentation process for the justifications of each sale and its compliance with the requirements of the Standard.

#### **Financial assets at fair value through other comprehensive income (FVOCI)**

- The financial asset is held within the business model of financial assets, to collect contractual cash flows and sell.
- Both contractual cash flow collection and sale are complementary to the model objective.
- High sales in terms of frequency/turnover and value, compared to a business model held to collect contractual cash flows.

#### **Financial assets at fair value through profit or loss (FVTPL)**

- The financial asset is held within other business models, that include trading, financial asset management on a fair value basis, and maximizing cash flows through sale.
- The objective of the business model is not to retain the financial asset to collect contractual cash flows or to hold the financial asset to collect contractual cash flows and sell.
- The collection of contractual cash flows is a contingent event for the objective of the model.

#### **Characteristics of the business model are as follows:**

- Structuring a set of activities designated to get specific outputs.
- Representing a complete framework for a specific activity (inputs - activities - outputs).
- A single business model can include sub-business models.

The remaining other financial assets are classified as financial assets at fair value through profit or loss.

In addition, the Bank may, upon initial recognition, irrevocably designate a financial asset as at fair value through profit or loss, even though it meets the conditions for classification as a financial asset at amortized cost, or at fair value through the statement of other comprehensive income, if doing so would substantially avoid inconsistency in accounting measurement.

**2. Significant accounting policies - Continued**

**2.9. Financial assets and financial liabilities – Continued**

**Business Model Assessment**

Both debt and equity instruments are classified and measured as follows:

Financial Instrument	Measurement Methods Based on Business Models		
	Amortized Cost	Fair Value	
		Through OCI	Through PL
Equity instruments		Irrevocable one-time election at initial recognition	Normal treatment of equity instruments
Debt instruments	Business model for assets held to collect contractual cash flows	Business model for assets held to collect contractual cash flows and sell	Business model for assets held for trading

The Bank prepares, documents and approves the Business Model(s), in line with the requirements of EAS 47, and in a manner that reflects the Bank’s strategy, set for managing financial assets and its cash flows according to the following:

- Approved documented policies and the portfolio objectives, as well as applying such policies in practice. In particular, whether management's strategy focuses only on collecting the contractual cash flows of the asset, and holding a certain interest rate, to match the maturities of financial assets, with the maturities of the obligations that finance these assets, or to generate cash flows through the sale of these assets.
- How to evaluate and report on the performance of the portfolio to senior management.
- Risks that affect the performance of the business model, including the nature of the financial assets held within that model and the way these risks are managed.
- How to determine the performance evaluation of business managers (fair value, cash flows of contracts, or both).
- Frequency, value and timing of sales in previous periods, the reasons for these sales, and expectations regarding future sale activities. However, information about sale activities is not taken into account in isolation, but as part of a comprehensive assessment of how the Bank's objective of managing financial assets is achieved and how to generate cash flows.
- Financial assets that are held for trading or that are managed and which performance is evaluated on a fair value basis, are measured at fair value through profit or loss, as they are not held to collect contractual cash flows, or to collect contractual cash flows and sell the financial assets together.



**2. Significant accounting policies - Continued**

**2.9. Financial assets and financial liabilities – Continued**

**Business Model Assessment – Continued**

The following is a summary of the Business Models, in line with the requirements of EAS 47, and in a manner that reflects the Bank's strategy set for managing financial assets and their cash flows, according to the following:

<b>Financial Asset</b>	<b>Business Model</b>	<b>Main Characteristics</b>
Financial assets at amortized cost	Business model for financial assets held to collect contractual cash flows	<ul style="list-style-type: none"> <li>• The objective of the business model is to hold financial assets in order to collect the contractual cash flows, represented in the investment payments of principal and interest.</li> <li>• Sale is an exceptional contingent event for the objective of such model, and in terms of the conditions set out in the Standard, represented in a deterioration in the creditworthiness of the issuer of the financial instrument.</li> <li>• Less sales in terms of regularity and value.</li> <li>• The Bank undertakes a clear and approved documentation for the justifications for each sale and its compliance with the standard's requirements.</li> </ul>
Financial assets at fair value through other comprehensive income (FVOCI)	Business model for financial assets held to collect contractual cash flows and sell	<ul style="list-style-type: none"> <li>• Both contractual cash flow collection and sale are complementary to the objective of the model.</li> <li>• High sales (in terms of regularity and value), compared to a business model held to collect contractual cash flows.</li> </ul>
Financial assets at fair value through profit or loss (FVTPL)	Other business models include (trading - financial asset management on a fair value basis - maximizing cash flows by sale)	<ul style="list-style-type: none"> <li>• The objective of the business model is not to hold the financial asset to collect contractual cash flows, or to hold the financial asset to collect contractual cash flows and sell.</li> <li>• The collection of contractual cash flows is a contingent event for the objective of the model.</li> <li>• Managing financial assets by the management, on a fair value basis through profit or loss, in order to eliminate the mismatch in the accounting measurement.</li> </ul>

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

For the purpose of this assessment, the Bank defines the "principal" of the financial instrument as the fair value of the financial asset at initial recognition. "interest" is defined as consideration for time value of money and for the credit risk associated with the principal, during a period of time, and for other basic lending risks and costs (such as liquidity risk and administrative costs), as well as a profit margin.

## **2. Significant accounting policies - Continued**

### **2.9. Financial assets and financial liabilities – Continued**

#### **Business Model Assessment – Continued**

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

In assessing whether the contractual cash flows of an asset are payments, that are limited only to the asset of the financial instrument and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms, that may change the timing or amount of contractual cash flows, so that it will not meet that condition. In making this assessment, the Bank considers the following:

- Contingent events that would change the amount and timing of cash flows.
- Leverage features (interest rate, maturities, currency type).
- Prepayment and extension terms.
- Terms that limit the Bank's claim to cash flows from specified assets.
- Features that modify consideration of the time value of money (e.g., periodical reset of interest rate).

#### **Financial Liabilities**

- At initial recognition, the Bank classifies the financial liabilities, into financial liabilities at amortized cost, and financial liabilities at fair value through profit or loss, based on the objective of the Bank's business model.
- All financial liabilities are initially recognized at fair value, on the date when the Bank becomes a party to the contractual terms of the financial instrument.
- Financial liabilities classified at amortized cost are subsequently measured on an amortized cost basis by using the effective interest method.
- Financial liabilities at fair value through profit or loss are subsequently measured at fair value. The change in fair value related to the change in the credit rating of the Bank is recognized in the statement of other comprehensive income, while the remaining amount of the change in fair value is presented in the statement profit or loss.

#### **Reclassification**

- Financial assets are not reclassified, after initial recognition, except when - and only when - the Bank changes the business model for managing these assets.
- In all cases, the items of financial liabilities at fair value through profit or loss, and financial liabilities at amortized cost are not reclassified.

## **2. Significant accounting policies - Continued**

### **2.9. Financial assets and financial liabilities – Continued**

#### **Derecognition**

##### **Financial Assets**

- A financial asset is derecognized when the contractual right to receive cash flows from the financial asset expires, or when the Bank transfers the right to receive the contractual cash flows in a transaction, in which the risks and rewards of ownership are substantially transferred to another or different party.
- When a financial asset is derecognized, in the statement of profit or loss a recognition will be made of the difference between the carrying amount of the asset (or the carrying amount designated to the part of the asset derecognized), and the sum of the consideration received (including any new asset acquired, less any new liability assumed) and any accumulated profit or loss previously recognized in the fair value reserve for financial assets at fair value through the statement of other comprehensive income.
- When the Bank enters into transactions, whereby it transfers assets previously recognized in the statement of financial position but retains all or substantially most of the risks, and benefits associated with the transferred asset or part of it. In such cases, the transferred asset is not derecognized.
- For transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of the ownership of the asset, and maintains control over the asset, the Bank continues to recognize the asset to the extent of the Bank's continuing involvement in the financial asset. The Bank's continuing involvement in the financial asset is determined by the Bank's exposure to changes in the value of the transferred asset.
- In some transactions, the Bank retains the liability of the transferred asset service for a commission, then the transferred asset is derecognized, if it meets the criteria for derecognition. An asset or liability for a service contract is recognized if the service commission is higher than the adequate amount (asset) or less than the adequate amount (liability) to perform the service.

##### **Financial Liabilities**

The Bank derecognizes financial liabilities, when they are extinguished (i.e when the obligation specified in the contract is discharged, cancelled or expires)

#### **Modifications to financial assets and financial liabilities**

##### **Financial Assets**

- If the terms of a financial asset are modified, the Bank assesses whether the cash flows of the modified asset are significantly different. If the cash flows are significantly different, then the contractual rights to the cash flows from the original financial asset are considered expired, then the original financial asset is derecognized, and a new financial asset is recognized at fair value. The value resulting from modifying the total carrying amount is recognized as profit or loss within profit and loss. But if such modification has occurred due to financial difficulties experienced by the borrower, then the profits are deferred and presented with the accumulated impairment losses, while the losses are recognized in the statement of profit or loss.
- If the cash flows of the modified asset recognized at amortized cost are not significantly different, then the modification does not result in the derecognition of the financial asset.

## **2. Significant accounting policies - Continued**

### **2.9. Financial assets and financial liabilities – Continued**

#### **Modifications to financial assets and financial liabilities – Continued**

##### **Financial Liabilities**

The Bank modifies a financial liability when its terms are modified, and the cash flows of the modified liability are significantly different. In such case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the old financial liability and the new financial liability on the modified terms is recognized in profit and loss.

##### **Offsetting financial assets and financial liabilities**

Financial assets and liabilities are offset if there is a currently enforceable legal right to offset the recognized amounts, and there is an intention to settle on a net basis, or to receive the asset and settle the liability simultaneously.

Income and expenses are only offset if it is permitted, in accordance with the revised Egyptian Accounting Standards, or as an outcome of profit or loss from similar categories, as a result of trading activity, differences in monetary asset and liability balance translation in foreign currencies, or from foreign currencies profit (loss).

##### **Fair Value Measurement**

- The Bank determines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, taking into account when measuring fair value, the characteristics of the asset or liability if the market participants consider those characteristics, when pricing the asset and/or liability at the measurement date. These characteristics include the condition and location of the asset, restrictions on selling or using the asset and the way the participants in the market take the same into consideration.
- The Bank uses the market approach to determine the fair value of financial assets and liabilities, considering that this approach uses prices and other relevant information, resulting from market transactions that include assets, liabilities or a group of assets and liabilities, and are identical or comparable. Accordingly, the Bank may use valuation techniques consistent with the market approach, such as market multiples derived from comparable categories. Then the selection of the appropriate multiple out of the scope requires the use of personal judgment, taking into account the quantitative and qualitative factors of the measurement.
- When the market input is not reliable, in determining the fair value of a financial asset or a financial liability, the Bank uses the income approach to determine the fair value, according to which the future amounts, such as cash flows or income and expenses are transferred to a current (discounted) amount, so that the fair value measurement reflects the current market expectations about future amounts.
- When the market input or income approach is not reliable, in determining the fair value of a financial asset or a financial liability, the Bank uses the cost approach to determine the fair value, so that it reflects the amount required currently to replace the asset in its current condition (current replacement cost). As the fair value reflects the cost incurred by a market participant, as a purchaser, to acquire an alternative asset with a similar benefit, since the market participant, as a purchaser, will not pay for the asset more than the amount at which the benefit would be replaced for the asset.

## **2. Significant accounting policies - Continued**

### **2.9. Financial assets and financial liabilities – Continued**

**Valuation techniques used to determine the fair value of a financial instrument include the following:**

- Quoted prices of similar assets or liabilities in active markets.
- Interest rate swap contracts, by calculating the present value of the expected future cash flows, based on the observable interest curves.
- Fair value of the future currency exchange rate contracts using the present value of the expected cash flow, by using the future exchange rate of the contractual currency.
- Discounted cash flow analysis used in determining the fair value of other financial instruments.

#### **Impairment of financial assets**

Impairment losses are recognized for the expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss, which are:

- 1) Financial assets that represent debt instruments.
- 2) Outstanding debts.
- 3) Financial guarantee contracts.
- 4) Commitments of loans and similar debt instruments.

The impairment losses are not recognized for investments in equity instruments.

**2. Significant accounting policies - Continued**

**2.9. Financial assets and financial liabilities – Continued**

**Debt instruments related to retail banking products and small and micro enterprises**

- The Bank is grouping debt instruments related to retail banking products, small and micro enterprises on the basis of categories with similar credit risks based on the type of banking product in accordance with the Central Bank’s instructions.
- The Bank classifies debt instruments within the retail banking product category or small and micro enterprises into three levels based on the following quantitative and qualitative criteria:

Financial Instrument Classification	Stage 1		Stage 2		Stage 3	
	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)
Low-credit risk financial instruments	No past dues	Low – acceptable default risks				
Significant increase in credit risk of financial instruments			30 days past due of the contractual instalment maturity.	<ul style="list-style-type: none"> <li>• If the borrower experiences one or more of the following events:</li> <li>• If the borrower applies to transfer the short-term repayment to a long-term repayment, as a result of the adverse effects related to the borrower's cash flows.</li> <li>• If the Bank writes off one of the direct facilities granted from the Bank, due to the increase in credit risk of the borrower.</li> <li>• If the period granted for repayment is extended at the borrower's request.</li> <li>• If frequent past dues occurred within the previous 12 months.</li> <li>• If there are adverse future economic changes that affect the future cash flows of the borrower</li> </ul>		
Impaired financial instruments					When the borrower is more than 90 days past due, regarding the contractual instalments.	N/A

2. Significant accounting policies - Continued

2.9. Financial assets and financial liabilities – Continued

Debt instruments related to medium entities and enterprises

- The Bank is grouping debt instruments related to medium sized projects and enterprises on the basis of categories with similar credit risks, based on the obligor risk rating (ORR), in accordance with the Central Bank`s instructions.
- The Bank classifies customers within each category into three levels based on the following quantitative and qualitative criteria:

Financial Instrument Classification	Stage 1		Stage 2		Stage 3	
	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)
Low-credit risk financial instruments	No past dues	Low – acceptable default risks				
Significant increase in credit risk of financial instruments			60 days past due of the contractual instalment maturity.	If the borrower is on the Watch-list and/or the financial instrument experiences one or more of the following events: <ul style="list-style-type: none"> <li>• Significant increase in the interest rate of the financial asset, as a result of the increase in credit risks.</li> <li>• Significant adverse changes in the activity and financial or economic circumstances, in which the borrower operates.</li> <li>• Applying for rescheduling.</li> <li>• Significant adverse changes in actual or expected operating results or cash flowsths.</li> <li>• Adverse future economic changes that affect the future cash flows of the borrower</li> <li>• Early signs of cash flow/liquidity issues such as due payments to creditors/ of business loans.</li> </ul>		
Impaired financial instruments					When the borrower is more than 90 days past due, regarding the contractual instalments.	When the borrower fails to meet one or more of the following criteria, which indicates that the borrower is experiencing a significant financial difficulty. <ul style="list-style-type: none"> <li>• Borrower's death or disability.</li> <li>• Borrower's default. Scheduling as a result of the deterioration in the creditworthiness of the borrower.</li> <li>• Non-compliance with financial covenants.</li> <li>• Disappearance of the active market of a financial asset or one of the borrower's financial instruments, due to financial difficulties.</li> <li>• lenders granting concessions related to the borrower's financial difficulty that would not be granted in normal circumstances.</li> <li>• The possibility that the borrower will enter into bankruptcy or restructure, as a result of financial difficulties.</li> <li>• If the borrower's financial assets are purchased at a significant discount that reflects the credit losses incurred.</li> </ul>

## **2. Significant accounting policies - Continued**

### **2.9. Financial assets and financial liabilities – Continued**

#### **Impairment of financial assets – Continued**

##### **Transfer from Stage 2 to Stage 1**

The Bank doesn't transfer financial asset from Stage 2 to Stage 1, unless all the quantitative and qualitative factors of Stage 1 are completed, the total cash proceeds of the financial asset become equal to or more than the full value of the instalments due for the financial asset and the payable interest, and the elapse of three months of consecutive meeting all the conditions.

##### **Transfer from Stage 3 to Stage 2**

The Bank doesn't transfer the financial asset from Stage 3 to Stage 2 – including scheduling processes - until all the following conditions are met:

- 1) Completion of all quantitative and qualitative factors of Stage 2.
- 2) Payment of 25% of the outstanding balance of the financial assets, including accrued interest.
- 3) Regularity of payment of the financial asset's principal and payable interests for a consequent period of at least 12 months.

##### **Period of financial asset recognition under final category of Stage 2**

The period of recognition (classification) of the financial asset under the final category of Stage 2 doesn't exceed a period of nine months, as of the date of its transfer to such stage.

The financial assets created or acquired by the Bank are classified, and which include a higher rate of credit risk than the Bank's low-risk financial assets rates, at initial recognition in Stage 2 directly.

##### **Measurement of Expected Credit Losses (ECL)**

- The Bank evaluates the debt instrument portfolios quarterly, at the portfolio level for all financial assets of individuals, institutions, small, medium and micro enterprises, and periodically with respect to the financial assets of institutions, classified within the Watch-list, in order to monitor the related credit risk. This evaluation is also carried out at the counterparty level on a periodic basis, and the criteria used to identify a significant increase in credit risk are reviewed and monitored periodically by the Financial Risk Management.
- At the reporting date, the Bank estimates the impairment losses provision for the financial instrument at an amount equal to the expected credit losses over the lifetime of the financial instrument, except for the following cases, in which the impairment loss allowance is estimated at an amount equal to the expected credit losses over a period of twelve months:
  - 1) Debt instrument determined as an instrument with low credit risks at the reporting date (debt instruments under Stage 1).
  - 2) Other financial instruments in which the credit risks have not significantly increased at the reporting date since the initial recognition (debt instruments under Stage 1).



## **2. Significant accounting policies - Continued**

### **2.9. Financial assets and financial liabilities – Continued**

#### **Impairment of financial assets – Continued**

##### **Measurement of Expected Credit Losses (ECL) – Continued**

The Bank considers the expected credit risks as a probable-weighted estimation of the expected credit risks which are measured as following:

- Expected credit losses on the financial assets under Stage 1 are measured based on the present value of the total cash deficit, calculated on the basis of the historical probability of default rates, adjusted for the expectations on the average scenarios of macro-economic indicators for the next 12 months, multiplied by the value on default, taking into account the probable-weighted expected rates of recovery, when calculating the loss rate for each category of the debt instruments with similar credit risks. Since these expected credit risks consider the amount and time of payments, then the credit losses arise, even if the entity expects the full payment, but in a subsequent time after the debt falls due, under the contractual terms. The expected credit losses over 12 months are considered a part of the expected credit losses over the lifetime of the asset, which result from the default in payment of a financial instrument and are probable within a period of 12 months after the reporting date.
- The expected credit losses of the financial assets under Stage 2 are measured based on the present value of the total cash deficit calculated on the basis of the historical probability of default rates, adjusted for the expectations on the average scenarios of macro-economic indicators throughout the lifetime of the asset, multiplied by the value on default, taking into account the probable-weighted expected rates of recovery when calculating the loss rate for each category of the debt instruments with similar credit risks.
- The credit impaired financial assets, at the reporting date, are measured as the difference between the total carrying amount of the asset and the present value of expected future cash flows.
- The Bank when calculating the loss rates, takes into account the expected recovery rates of the present value of the expected cash flows, whether from cash and in-kind guarantees, or the historical or future expected payment rates as following:
  - For the debt instruments designated under Stage 1, only the value of cash guarantees and equivalent is considered, which is represented in cash and other financial instruments, that can be transferred easily to cash in a short time (3 months or less), or without a change (loss) in its value, due to the credit risks, after discounting 10% due to unseen conditions.
  - For the debt instruments designated under Stage 2 or Stage 3, only the types of guarantees are considered, in accordance with the rules issued by CBE on 24 May 2005, concerning the determination of the creditworthiness of the customers and making the provisions, while the value of these guarantees is calculated in accordance with the rules on preparation and presentation of the Bank's financial statements, and the bases of recognition and measurement issued by CBE on 16 December 2008, after discounting 10% and 20% for cash guarantees, as well the present value of the expected cash flows of the considered in-kind guarantees respectively.

## **2. Significant accounting policies - Continued**

### **2.9. Financial assets and financial liabilities – Continued**

#### **Impairment of financial assets – Continued**

##### **Measurement of Expected Credit Losses (ECL) – Continued**

- For debt instruments held by banks operating abroad, the probability of default rates is determined on the basis of credit rating of the Bank's main office, that operates abroad, in a way not exceeding the credit rating of the country, where the main office is located, taking into account the instructions issued by Central Bank of Egypt, concerning the risks of countries. The loss rate is calculated at 45%.
- For debt instruments held by the banks working in Egypt, the probability of default rates is calculated on the basis of Bank's rating by International External Rating Agencies, and the branches of the Egyptian banks abroad are treated as the main office, as well the branches of foreign banks working in Egypt are treated as their main office. The loss rate is calculated at 45%.
- For debt instruments issued by entities other than banks, the probability of default rates is calculated based on the classification of the financial instrument issuer, conducted by International External Rating Agencies, in a way not exceeding the credit rating of the issuer in the case of foreign entities. The loss rate is calculated at 45%.
- The impairment provision of the financial assets recognized in the statement of financial position is discounted from the financial assets when presenting the statement of financial position, while the impairment provision relating to loan commitments, financial guarantee contracts and contingent liabilities are recognized in "Other provisions" under "Liabilities" in the financial position.
- For financial guarantee contracts, the Bank estimates the expected credit loss, based on the difference between the payments expected to be made to the guarantee holder, less any other amounts the Bank expects to recover.

#### **Restructured financial assets**

If the conditions of a financial asset are renegotiated or modified, or a new financial asset replaces a current financial asset due to financial difficulties experienced by the borrower, an assessment is conducted to determine whether the financial asset should be derecognized in the books of account. The expected credit losses are measured as following:

- If the rescheduling will not result in the derecognition of the current asset, the expected cash flows resulting from the modified financial asset are used, when calculating the cash deficit in the current asset. The expected credit losses are calculated over the lifetime of the instrument.
- If the rescheduling will result in the derecognition of the current asset, the expected fair value of the new asset is treated as final cash flows from the current financial asset, upon derecognition. This value is used in calculating the cash deficit of the current financial asset, which has been discounted as of the expected date to derecognize the asset, till the reporting date, by using the original effective interest of the current financial asset.

## **2. Significant accounting policies - Continued**

### **2.9. Financial assets and financial liabilities – Continued**

#### **Restructured financial assets – Continued**

##### **Presentation of provisions for expected credit losses in the statement of financial position**

The provision for expected credit losses is presented in the statement of financial position as follows:

- Financial assets measured at amortized cost as a discount from the total carrying amount of assets.
- Commitments on loans and financial guarantee contracts: generally, as a provision.
- When the financial instrument includes both utilized and unutilized portions of the permitted limit of this instrument, and the Bank cannot determine the expected credit losses of the unutilized portion separately, the Bank will present the provision for aggregate loss for both utilized and unutilized portion. The aggregate amount is presented as a discount from the total carrying amount of the utilized portion. Any increase in the loss provision is presented to the total amount used as a provision for the unutilized portion.
- For debt instruments at fair value through other comprehensive income, no impairment provision is recognized in the statement of financial position, because the carrying amount of such assets is their fair value. However, the impairment provision is disclosed, and recognized in the fair value reserve.

#### **Debts Write-Off**

The debts are written off (either partially or wholly) when there is no actual possibility of recovering such debts, and generally, when the Bank determines that the borrower does not have assets, resources or sources of income, that could generate sufficient cash flows to repay the debts that will be written off. However, the written-off financial assets could still be subject to the monitoring procedures taken by the Bank to recover the amounts due. A deduction is made on the provision for impairment of debt that are written-off, whether a provision has been made for it or not, and an addition is made to the provision for impairment of loan proceeds previously written-off.

#### **Purchase & Resale Agreements and Sale & Repurchase Agreements**

The financial instruments sold in accordance with the repurchase agreements, under assets added to the treasury bills and other government securities are presented in the statement of financial position. The liability (purchase & resale agreements), less the treasury bills and other government securities, is presented in the statement of financial position. The difference between sale price and repurchase price is recognized as an interest payable over the agreement term by using the effective interest rate method.

### **2.10. Investments Properties**

Investment properties are represented in the lands and buildings owned by the Bank in order to obtain rental returns or a capital increase. Therefore, they do not include real estate assets through which the Bank conducts its business or those that are devolved to the Bank in fulfillment of debts. Investment properties are accounted for in the same accounting method applied to fixed assets.

## **2. Significant accounting policies - Continued**

### **2.11. Financial Derivatives Instruments**

- The financial derivatives are recognized at fair value at the date the derivative contract is signed. It's subsequently measured at fair value. Fair value is obtained from the market prices quoted in the active markets, recent market transactions or the assessment techniques such as the discounted cash flow models and option pricing models, based on cases.
- All derivatives are reflected in the assets if the derivative's fair value is positive or in the liabilities if its fair value is negative.
- The method of recognition of profits or losses resulting from changes in fair value of the derivatives depends on whether the derivative is designated as a hedge instrument and on nature of the hedged item. The changes of fair value of the derivatives that are not qualified for hedge accounting are recognized under "Net trading income" in the statement of profit or loss. "Net income from the financial instruments designated, on inception, at fair value through profits or losses" is recognized in the statement of profit or loss for the profits and losses resulting from changes in the fair value of the derivatives that are managed in conjunction with the financial assets and liabilities classified, on inception, at fair value through profits or losses.
- The changes in fair value of the derivatives designated and qualified for the hedges of the fair value are recognized with any changes in the fair value relating to the risk of the hedged asset or liability. The impact of the effective changes in fair value of the interest rate swap contracts and the related hedged items is taken to "Net interest income".
- Impact of the effective changes in fair value of the future currency contracts is taken to "Net trading income". Ineffective impact in all contracts and the related hedged items mentioned in the previous paragraph is taken to the "Net trading income".
- Effective part of the changes in fair value of the derivatives designated and qualified for the cash flows hedges is recognized in equity. Profits and losses relating to the ineffective part are immediately recognized under "Net trading income" in the statement of profit or loss. The amounts accumulated in equity are brought forward to the statement of profit or loss at the same periods when the hedged item has an impact on the profits or losses. Profits or losses relating to the effective part of currency swaps and options are taken to "Net trading income". When a hedge instrument is due or sold or if the hedge is no longer meeting the conditions of hedge accounting, the profits or losses accumulated in the equity at that time remain under equity, and they are recognized in the statement of profit or loss when the expected transaction is eventually recognized. However, if the expected transaction is no longer expected to occur, then the profits or losses accumulated in equity are immediately brought forward to the statement of profit or loss.

## **2. Significant accounting policies - Continued**

### **2.12. Intangible Assets**

#### **Computer Software**

Expenses relating to development or maintenance of computer software are recognized as an expense in the statement of profit or loss when incurred. The expenses relating directly to specific software under control of the Bank, and which are expected to generate economic benefits exceeding its cost for more than several years are recognized as an intangible asset. The direct costs include the cost of the staff involved in the software development, in addition to an appropriate portion of the related general expenses.

Expenses leading to increase or expansion in the computer software more than the original specifications are recognized as development cost and these expenses are added to the cost of the original software.

Cost of computer software recognized as an asset over the years in which it's expected to be used, no later than 7 years, is depreciated.

#### **Other Intangible Assets**

These are intangible assets other than goodwill and computer software (including but not limited to trademarks, licenses, lease benefits).

Other intangible assets are recognized at their acquisition cost and are depreciated using the straight-line method or on the basis of the economic benefits expected to be realized from them, over their estimated useful lives, and for assets that do not have a specific useful life, they are not depreciated, but they are tested for impairment in their value annually, and the impairment value (if any) is charged to the statement of profit or loss.

### **2.13. Fixed Assets**

Fixed assets are represented mainly in the main offices, branches, and offices. All assets are shown at historical cost less depreciation and impairment losses. The historical cost includes the expenses related directly to the acquisition of fixed assets.

The subsequent expenses are recognized at fair value of the underlying asset, considering them as a separate asset, when appropriate, when the flow of future economic benefits relating to the financial asset to the Bank is probable and the cost can be reliably determined. Maintenance and repair expenses in the period they are charged are expensed under other operating expenses.

Expenses on leasehold improvements are treated annually as an expense in the statement of profit or loss.

Lands are not depreciated. Depreciation of a fixed asset is accounted on straight line bases for cost allocation so that the residual value over the useful lifetime is estimated as following:

<u>Asset type</u>	<u>Depreciation period</u>
Buildings and constructions	20 years
Office furniture and cabinets	10 years
Machinery and equipment	8 years
Vehicles	5 years
Integrated Automated systems (Computers)	5 years
Fixtures and fittings	3 years

## **2. Significant accounting policies - Continued**

### **2.13. Fixed Assets – Continued**

The residual value and useful lives of fixed assets are reviewed at the date of each financial position and adjusted whenever necessary. The assets that are depreciated are reviewed for the purpose of determining impairment when events or changes in circumstances occur that indicate that the carrying amount may not be recoverable. The carrying amount of the asset is immediately reduced to the recoverable amount if the carrying amount exceeds the recoverable amount. The recoverable amount represents the net selling value of the asset or the value in use of the asset, whichever is higher. Profits and losses on disposals from fixed assets are determined by comparing the net proceeds to the carrying amount. Profits (losses) are included within other operating income (expenses) in the statement of profit and loss.

### **2.14. Impairment of Non-financial assets**

Assets that do not have a definite useful life are not depreciated, and its impairment is tested annually. The impairment of assets that are depreciated is examined whenever there are events or changes in circumstances that indicate that the carrying amount may not be recoverable.

The impairment loss is recognized, and the value of the asset is reduced by the amount by which the carrying amount of the asset exceeds the recoverable amount, and the recoverable amount represents the net selling value of the asset or the value in use of the asset, whichever is higher. For the purpose of estimating impairment, the asset is added to the smallest possible cash-generating unit, and the financial assets in which impairment was found are reviewed to examine whether there is a reversal to the impairment in the statement of profit and loss on each reporting date.

### **2.15. Rental**

Payments under operating lease account, less any discounts obtained from the lessor, are recognized as expenses in the statement of profit or loss on a straight-line basis over the period of the contract.

### **2.16. Cash and cash equivalents**

For statement of cash flow purposes, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances with Central Bank of Egypt other than for mandatory reserve, bank balances, treasury bills and other government securities.

### **2.17. Other provisions**

Provisions made to meet obligations that fall due after twelve months from the date of the financial statements (other than those to meet credit risk or employee benefits) are measured on the basis of the present value of the best estimate of payments to be satisfied to settle the current obligations at the date of the financial statements, and to estimate the present value of those provisions an appropriate discount rate is used that reflects the time value of money before the effect of tax. As for obligations that are due to be paid up to twelve months from the date of the financial statements, the obligation is measured at the estimated undiscounted value, unless the effect of the time value of money is material, so it is calculated at the present value. Reversals of provisions no longer required (whether fully or partially) are presented under other operating income (expenses).

## **2. Significant accounting policies - Continued**

### **2.18. Financial guarantee contracts**

Financial guarantee contracts are the contracts issued by the Bank as a collateral for loans or debit current accounts presented to its customers from other parties and it is required from the Bank to pay certain payments to compensate the beneficiaries of any incurred loss due to the debtor's default on payment in the due date according to the debt instrument's conditions. These financial collaterals are presented to banks, financial institutions, and other parties on behalf of the Bank's customers.

Initial recognition in the financial statements is made at the fair value at the date of granting the collateral which may reflect the collateral fees. Later on, the Bank's liability is measured by the virtue of the collateral on the basis of the initial recognition amount less the depreciation to recognize the collateral fees in the statement of profit or loss on a straight-line basis over the collateral lifetime, or the best estimation of the needed payments to adjust any financial liability resulted from the financial collaterals on the balance sheet date which is higher. These estimations are specified according to the experience in similar transactions and historical losses and also by the management's judgment.

Any increase in the liabilities resulting from financial collaterals, is recognized in the statement of profit or loss as other operating income (expenses).

### **2.19. Borrowing**

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

### **2.20. Capital**

#### **Cost of capital**

The issuance expenses that are related directly with issuing new shares or units for acquiring an entity or issuing options are presented as a deduction from equity and net of proceeds after tax.

#### **Dividends**

Dividends are recognized as a deduction from equity when the general assembly of shareholders approves the dividends. Dividends include the employees' share in profits and the Board of Directors' remuneration as prescribed by the Bank's articles of association and the law.



## **2. Significant accounting policies - Continued**

### **2.21. Employees benefits**

All forms of material and in-kind benefits granted by the Bank for service provided by employees.

#### **Short-term employee benefits:**

Short-term employee benefits represented in wages, salaries, social security contributions, annual paid leaves and bonus (if accrued within twelve months from the end of the year), non-cash benefits (such as medical care, housing, transportation, free or subsidized services for existing employees) and short-term employee benefits are charged as a expenses in the statement of profit or loss for the year in which this service is provided to the Bank's employees, according to which they are entitled to these benefits.

#### **Social insurance:**

The pension benefits are the Bank's share in its employees' social security, which it pays to the General Authority for Social Insurance in accordance with the Social Security Law No. 79 of 1975 and its amendments, whereas the Bank pays its share to the General Authority for Social Insurance for each period and that share is charged to the statement of profit or loss within wages and salaries in the item of general and administrative expenses for the year in which the Bank employees provide their services. The Bank's obligations to pay pension benefits are accounted for as specific schemes and therefore do not lead to an additional obligation on the Bank related to the pension benefits for its employees other than its share in the social security payable by the bank on their behalf to the Authority.

The Bank has a special insurance fund for the Bank's employees. It was established on 26 January 1979 and is subject to the provisions of Law 45 of 1975 and its executive regulations for the purpose of granting insurance and compensatory benefits to the members. The provisions of this fund and its amendments apply to all employees of the Bank's head office and its branches.

The Bank is obligated to pay monthly and annual contributions to the fund in accordance with the fund's regulations and its amendments, and the Bank does not have any additional obligations following the payment of contributions. The contributions are recognized in the administrative expenses when due. Prepaid contributions are recognized in assets to the extent that the advance payment reduces future payments or results in a cashback.

## **3. Segments reports**

The activity segment is a group of assets and operations associated with providing products or services which have risks and benefits that are different from those associated with other business sectors. The geographical sector is associated with providing products or services within a single economic environment with risks and benefits that are specific to them other than those associated with geographical sectors operating in a different economic environment.



#### **4. Financial risk management**

The Bank, as a result of its activities, is exposed to various financial risks, considering the risk acceptance is the basis of the financial activity. Some risks or a group of risks are analyzed, assessed, and managed collectively, and therefore the Bank intends to achieve an appropriate balance between risk and interest and to reduce the potential negative effects on the financial performance of the Bank. The most significant types of financial risks are credit risk, market risk and liquidity risk and other operating risks. Market risk includes foreign exchange rate risk, and interest rate risk.

Risk management policies are adopted to determine and analyze risks to limit, control and monitor the risks and commit to limits through the reliable techniques and updated information systems. The Bank periodically reviews and modifies the risk management policies and systems to reflect changes in markets, products, services, and the best recent applications.

Risks are managed by Risk Function in terms of the policies approved by the Board of Directors. Risk Function determines, assesses and covers the financial risks in close cooperation with the various operating units of the Bank. The Board of Directors provides written principles for managing the risks as a whole, in addition to written policies covering specific risk areas such as credit risk, foreign exchange risk, interest rate risk and the use of derivative and non-derivative instruments. In addition, the Risk Function is independently responsible for periodic review of the risk management and control environment.

##### **4.1. Credit risk**

The Bank is exposed to credit risk which is the risk resulting from a party's failure to meet its contractual obligations towards the Bank. The credit risk is considered to be the most significant risk for the bank, therefore requiring careful management. Credit risk is mainly represented in lending activities that give rise to loans, facilities and investment activities that result in the Bank's assets including debt instruments. Credit risk exists also in financial instruments outside the financial position such as loan commitments. The financial risk management and control are centralized in a financial risk management team in the bank's risk management department which reports to the board of directors and head of each business unit regularly.

##### **Credit risk measurement**

##### **Loans and facilities to banks and customers (including commitments and financial guarantee contracts)**

In measuring credit risk of loans and facilities to customers and to banks, the Bank's rating system is based on three key pillars:

- Current exposures to the counterparty and its likely future development, from which the Bank derive the (exposure at default).
- The risk of default failure (Loss given default).
- The probability of default by the customer or counterparty on its contractual obligations.

These credit risk measurements, are embedded in the Bank's daily operations which reflect expected loss through the expected loss model required by the Banking Supervision Committee, and the operational measures can contradict with the burden of impairment in accordance with the previous standards that depend on the losses that have realized on the date of the financial statements (realized loss model) and not the expected losses as will come after.

#### **4. Financial risk management – Continued**

##### **4.1. Credit risk – Continued**

The Bank assesses the probability of default per each customer using internal rating techniques tailored to the various categories of customers. These techniques have been developed internally and the statistical analyses combine credit officers' personal judgment to reach the appropriate viability rating.

Customers of the Bank are segmented into four viability rating classes. The Bank's viability rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, credit positions migrate between classes as the assessment of their probability of default changes. The rating techniques are kept under review and are upgraded as necessary. The Bank regularly validates the performance of the viability rating techniques and their ability to predict cases of default.

##### **Bank's internal rating classes**

<b>Bank's rating</b>	<b>Rating description</b>
1	Performing Debts
2	Standard Monitoring
3	Special Monitoring
4	Non- Performing Debts

The position exposed to default depends on the amounts expected by the bank to be outstanding when default occurs. For example, for a loan, this position is the nominal value and for commitments, the bank recognizes all amounts actually withdrawn in addition to other amounts that are expected to have been withdrawn up to the date of the delay if it occurs.

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

Estimation of exposure to credit risks to manage the credit risks is a complex matter that requires the use of statistical and electronic models, as the level of exposure to credit risks changes depending on the changes in market conditions and other economic areas in a complex and rapid degree.

The exposure to credit risk changes depending on the changes in the level, value and timing of expected cash flows and the passage of time. Accordingly, assessment of the credit risk of the assets portfolio requires further estimations of the probability of default and the related loss rates.

The bank measures credit risk losses by using the probability of default (default in contractual liabilities) based on the carrying amount balance of the financial instrument at the date of exposure at default and loss given default.

#### **4. Financial risk management – Continued**

##### **4.1. Credit risk – Continued**

###### **Credit risk classification**

The Bank assesses the probability of default at the level of each customer / related group / credit product, by using techniques to classify the customers into different categories, taking into account the minimum rating in accordance with the CBE instructions in terms of determining the creditworthiness of the customers and making the provisions issued during the year 2005. Therefore, the Bank uses a group of internally developed models and evaluation techniques for the categories of counterparties, customers and the nature of various loans in light of the available information that is collected on the date of adoption of the used model (such as: level of income, level of disposable income and guarantees for individual clients, revenues, type of industry, and other financial and non-financial indicators of the institutions). The Bank completes such indicators with a set of external data, such as the inquiry reports issued by both CBE and credit reporting companies on borrowers and the reports issued by the other local and external credit rating agencies. Moreover, the models used by the Bank allow the systematic exercise of expert assessment by credit risk officials in the final internal credit rating. Therefore, this allows to consider other matters and indicators that may not have been taken as part of other data inputs in the internally or externally developed assessment models and techniques or through external sources.

Credit grades are assessed so that the risk of default increases incrementally at each higher risk grade, namely the difference in default rates between the rating grade A and A- is less than the difference in default rates between rating grade B and B-. Additional considerations for each type of credit portfolio held by the Bank are set out below:

###### **Individuals, retail banking products and small & micro enterprises**

After the date of initial recognition, the borrower's payment behavior is monitored periodically to calculate a measurement of the payment pattern. Any other information known about the borrower, supposed to be determined by the Bank, may have an impact the creditworthiness, such as unemployment rates and non-payment precedents, as they are included to measure the payment pattern and default rates are, accordingly, determined for each payment pattern measurement.

###### **(Large & Medium) Enterprises and Companies**

The rating is determined at the level of the borrower / groups with similar credit risks. Any updated or new credit information or assessments are included in the credit system constantly and periodically. In addition, information about the creditworthiness of the borrower / groups with similar credit risks is also updated periodically from other sources such as financial statements and other published financial and non-financial statements.

###### **Debt Instruments, Treasury Bills and Government Bonds**

The Bank uses the external ratings issued by the institutions mentioned in the CBE's instructions to manage the credit risk in terms of the debt instruments in the investment portfolio. These published classifications are monitored and updated regularly and periodically. The default rates associated with each rating are determined based on the rates realized over the previous twelve months, as published by the aforementioned rating agencies. The loss rate of the government and CBE debt instruments dominated in local currency is zero.

#### **4. Financial risk management – Continued**

##### **4.1. Credit risk – Continued**

###### **Credit risk classification – Continued**

###### **Future data used in the expected loss model**

Future data is used in assessing whether there is a significant increase in the credit risk of financial instruments and estimating the expected credit losses (ECL). The management of Bank determines the main economic variables that affect credit risk and expected credit losses for each credit portfolio by carrying out an analysis of historical data. The economic variables and the related effect on both Probability of Default “PD” and the Exposure at Default “EAD” and Loss Given Default “LGD” are different depending on the financial asset. The Bank will use expert opinions regarding these assumptions and estimates, if necessary.

To determine the impact of such economic variables on both Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), the management of the Bank carries out the “regression analysis” to understand the historical effects arising from such variables on the default rates and the inputs used in calculating both Exposure at Default (EAD) and Loss Given Default (LGD).

Further to the key economic scenarios, the management of Bank establishes other potential scenarios in addition to assumptions relating to each scenario separately.

The lifetime probability of default (PD) relating to the key assumption and other assumptions are used, as the outcome of multiplication is determined for each assumption with the related probabilities of each, in addition to the supporting indicators and qualitative indicators. Based on the results of such study, it is assessed whether this financial asset is located at the first, second or third level, on the basis of which it is determined whether the expected credit losses “ECL” will be computed on 12- month bases “12-month ECL” or over lifetime of the financial instrument “Lifetime ECL”.

The expectations and probabilities of occurrence are subject to a high degree of uncertainty, as it is known to any economic forecasts, therefore the actual results may be significantly different from those anticipated. The Bank makes the best estimate of these potential expectations and carries out an analytical study of the irrelevant and non -similar factors for the different credit portfolios to conclude appropriate assumptions for all possible scenarios.

###### **Variable Economic Assumptions**

The most significant assumptions that have an impact on the expected credit losses “ECL” are:

- a) Consumption pricing indicators (CPI)
- b) Unemployment rate
- c) Gross domestic product (GDP)
- d) Gross national saving/investment
- e) Real available income

#### **4. Financial risk management – Continued**

##### **4.1. Credit risk – Continued**

###### **Credit risk classification – Continued**

###### **Classification of the instruments relating to the losses measured on basis of the similar groups**

For ECL provisions, groups are classified on the basis of similar credit risk characteristics, as risk exposure within the Bank is homogeneous. When carrying out this classification, it is taken into consideration that there is sufficient information that enables the Bank to classify the Bank with statistical reliability. When sufficient information is not available, the Bank takes into consideration the complementary internal / external reference data.

###### **Corporate loans**

Probability of default model (S& P) is used .

A conciliation was made between “S&P” and “ORR .”

The model was updated by some economic indicates to keep the probability of default in line with the clients existing in Egypt .

The model was updated by the ratios of change in the low credit rating of the other clients of the Bank for two years to keep the ratios of model default in line with the clients of the Bank.

#### 4. Financial risk management – Continued

##### 4.1. Credit risk – Continued

###### Credit risk classification – Continued

###### Maximum exposure to credit risks – impaired financial instruments

The following table includes the analysis of maximum exposure to the credit risks of financial instruments for which the provision of expected credit risks (ECL) is recognized :

The following table represents the total carrying amount of the financial assets and the maximum exposure to credit risk on these financial assets.

Retail	31 March 2023			EGP Thousands
	Order of Expected Credit Losses			
	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
<b>Standard monitoring</b>				
Overdraft	327,091	5,159	209	332,459
Personal loans	3,975,996	89,377	51,807	4,117,180
Credit cards	39,764	447	160	40,371
Mortgage Loans	682,781	1,482	6,243	690,506
<b>Special monitoring</b>				
Personal loans	-	214,804	13,909	228,713
Credit cards	2,318	507	97	2,922
Mortgage Loans	-	1,483	625	2,108
<b>Default</b>				
Personal loans	-	-	131,411	131,411
Credit cards	496	56	1,159	1,711
Mortgage Loans	-	-	449	449
<b>Total carrying amount</b>	<b>5,028,446</b>	<b>313,315</b>	<b>206,069</b>	<b>5,547,830</b>
Expected credit losses	(18,809)	(13,559)	(146,333)	(178,701)
<b>Net carrying amount</b>	<b>5,009,637</b>	<b>299,756</b>	<b>59,736</b>	<b>5,369,129</b>
Collaterals	2,103,776	124,953	50,308	2,279,037

Retail	31 December 2022			EGP Thousands
	Order of Expected Credit Losses			
	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
<b>Standard monitoring</b>				
Overdraft	448,042	5,203	192	453,437
Personal loans	3,775,668	117,842	53,627	3,947,137
Credit cards	34,495	501	183	35,179
Mortgage Loans	620,411	1,751	7,101	629,263
<b>Special monitoring</b>				
Personal loans	78,152.00	69,460	9,105	156,717
Credit cards	1,721	932	2	2,655
Mortgage Loans	592.00	297	306	1,195
<b>Default</b>				
Personal loans	-	-	118,422	118,422
Credit cards	195	55	232	482
Mortgage Loans	-	-	279	279
<b>Total carrying amount</b>	<b>4,959,276</b>	<b>196,041</b>	<b>189,449</b>	<b>5,344,766</b>
Expected credit losses	(37,942)	(13,798)	(145,907)	(197,647)
<b>Net carrying amount</b>	<b>4,921,334</b>	<b>182,243</b>	<b>43,542</b>	<b>5,147,119</b>
Collaterals	2,103,776	124,953	50,308	2,279,037

4. Financial risk management – Continued

4.1. Credit risk – Continued

Maximum exposure to credit risks – impaired financial instruments – Continued

				<u>EGP Thousands</u>
31 March 2023				
Order of Expected Credit Losses				
Corporate	Stage 1	Stage 2	Stage 3	Total
Credit Rating	<u>12 Month</u>	<u>Lifetime</u>	<u>Lifetime</u>	<u></u>
<b>Standard monitoring</b>				
Overdraft	898,422	88,747	24	987,193
Direct loans	11,250,507	593,382	266,503	12,110,392
Syndicated Loans	1,612,991	-	190,359	1,803,350
<b>Special monitoring</b>				
Direct loans	-	2	-	2
Syndicated Loans	-	188,517	-	188,517
<b>Default</b>				
Overdraft	-	-	75	75
Direct loans	-	-	793,960	793,960
<b>Total carrying amount</b>	<b>13,761,920</b>	<b>870,648</b>	<b>1,250,921</b>	<b>15,883,489</b>
Expected credit losses	(304,061)	(168,796)	(594,956)	(1,067,813)
<b>Net carrying amount</b>	<b>13,457,859</b>	<b>701,852</b>	<b>655,965</b>	<b>14,815,676</b>
Collaterals	3,938,922	135,392	220,298	4,294,612
				<u>EGP Thousands</u>
31 December 2022				
Order of Expected Credit Losses				
Corporate	Stage 1	Stage 2	Stage 3	Total
Credit Rating	<u>12 Month</u>	<u>Lifetime</u>	<u>Lifetime</u>	<u></u>
<b>Standard monitoring</b>				
Overdraft	1,746,646	84,776	18	1,831,440
Direct loans	9,820,868	667,574	233,194	10,721,636
Syndicated Loans	1,591,379	-	153,501	1,744,880
<b>Special monitoring</b>				
Direct loans	-	-	11,728	11,728
Syndicated Loans	-	184,835	-	184,835.00
<b>Default</b>				
Overdraft	-	-	79	79
Direct loans	-	-	1,017,234	1,017,234
<b>Total carrying amount</b>	<b>13,158,893</b>	<b>937,185</b>	<b>1,415,754</b>	<b>15,511,832</b>
Expected credit losses	(328,511)	(142,588)	(742,067)	(1,213,166)
<b>Net carrying amount</b>	<b>12,830,382</b>	<b>794,597</b>	<b>673,687</b>	<b>14,298,666</b>
Collaterals	3,938,922	135,392	220,298	4,294,612

4. Financial risk management – Continued

4.1. Credit risk – Continued

Maximum exposure to credit risks – impaired financial instruments – Continued

Due From Banks	31 March 2023			EGP Thousands
	Order of Expected Credit Losses			Total
	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Life time	
Total carrying amount	13,023,095	-	-	13,023,095
Expected credit losses	(1,982)	-	-	(1,982)
<b>Net carrying amount</b>	<b>13,021,113</b>	<b>-</b>	<b>-</b>	<b>13,021,113</b>

Financial Investments	31 March 2023			EGP Thousands
	Order of Expected Credit Losses			Total
	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Life time	
Total carrying amount	20,275,629	-	-	20,275,629
Expected credit losses	(42,309)	-	-	(42,309)
<b>Net carrying amount</b>	<b>20,233,320</b>	<b>-</b>	<b>-</b>	<b>20,233,320</b>

Other Assets	31 March 2023			EGP Thousands
	Order of Expected Credit Losses			Total
	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Life time	
Total carrying amount	2,370,681	-	-	2,370,681
Expected credit losses	(1,645)	-	-	(1,645)
<b>Net carrying amount</b>	<b>2,369,036</b>	<b>-</b>	<b>-</b>	<b>2,369,036</b>



4. Financial risk management – Continued

4.1. Credit risk – Continued

Maximum exposure to credit risks – impaired financial instruments – Continued

Due From Banks	31 December 2022			EGP Thousands
	Order of Expected Credit Losses			
	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Total carrying amount	8,119,011	-	-	8,119,011
Expected credit losses	(1,582)	-	-	(1,582)
<b>Net carrying amount</b>	<b>8,117,429</b>	<b>-</b>	<b>-</b>	<b>8,117,429</b>

Financial Investments	31 December 2022			EGP Thousands
	Order of Expected Credit Losses			
	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Total carrying amount	22,604,332	-	-	22,604,332
Expected credit losses	(68,737)	-	-	(68,737)
<b>Net carrying amount</b>	<b>22,535,595</b>	<b>-</b>	<b>-</b>	<b>22,535,595</b>

Other Assets	31 December 2022			EGP Thousands
	Order of Expected Credit Losses			
	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Total carrying amount	2,335,404	-	-	2,335,404
Expected credit losses	(1,603)	-	-	(1,603)
<b>Net carrying amount</b>	<b>2,333,801</b>	<b>-</b>	<b>-</b>	<b>2,333,801</b>

Credit Guarantees

The Bank uses many policies and practices to limit the credit risks. The most widely adopted of these is the acceptability of collateral for debt instruments and loan commitments. The Bank has internal policies regarding classes of collateral that can be accepted to limit or decrease the credit risks.

#### **4. Financial risk management – Continued**

##### **4.1. Credit risk – Continued**

###### **Credit Guarantees – Continued**

The Bank accrues out an assessment of the guarantees that have been obtained when establishing these loans. This assessment is regularly assessed. The key types of guarantees are :

- Cash and cash equivalent
- Real estate mortgage
- Derivatives margin agreement that has been signed with the Bank as a part of main offsetting agreements .
- Commercial mortgages
- Financial assets pledge such as debt instruments and equity instruments.

The guarantees held as collateral against the financial assets other than loans and facilities depend on the nature of the instrument, as debt securities, government bonds and other qualified bills are generally not secured, except for the asset-backed securities and similar instruments secured by portfolios of financial instruments. The derivatives are often secured.

The policies adopted by the Bank have not been changed significantly in terms of obtaining guarantees during the financial year, and there has been no change in the quality of those guarantees held by the Bank compared to the previous financial year.

The Bank closely monitors the guarantees held against the low – credit financial assets, as it is likely that the Bank will hold collateral to mitigate potential credit losses.

###### **Written-off financial instruments (loans)**

The Bank excludes the financial assets that are still under compulsory collection for unpaid contractual amounts of the bad assets. The Bank seeks to fully recover some amounts legally due that were partially or fully written off due to the lack of a possibility of a full recovery.

###### **Modifications of loans terms and rescheduling**

The Bank sometimes modifies terms of the loans granted to the customers due to the commercial renegotiation or non-performing to increase the chances of recovery. The activities of restructuring include arrangements of extension of repayment terms, grace periods, exemption from repayment or some or full interests. Restructuring policies and practices are based on indicators or criteria that indicate – based on the discretion of management - that repayment is likely to continue. These policies are constantly reviewed.

###### **Reduction and risk avoidance policies**

The Bank manages, limits, and controls the concentration of credit risks at the debtor level, groups, industries, and countries. The Bank regulates the levels of acceptable credit risks by setting limits to the amount of risk that will be accepted at the level of each borrower, or group of borrowers, and at the level of economic activities and geographical sectors. These risks are monitored constantly and are reviewed annually or on a recurring basis, when necessary. Limits of the credit risks at the level of the borrower / bank, producer, sector, and country are quarterly approved by the Board of Directors.

#### **4. Financial risk management – Continued**

##### **4.1. Credit risk – Continued**

###### **Reduction and risk avoidance policies – Continued**

Credit limits for any borrower, including banks, are divided into sub-limits that include the amounts on- and off-balance sheet, and the daily risk limit relating to trading items such as forward foreign exchange contracts. Actual amounts are compared with the daily limits. Exposure to credit risks is also managed through periodic analysis of the ability of borrowers and potential borrowers to meet the repayment of their liabilities and by amending lending limits, if appropriate.

**Means of setting limits of to the risks are shown as following:**

###### **Guarantees**

The Bank adopts many policies and controls to limit the credit risks. These means include the guarantees obtained against borrowed funds. The Bank sets guiding rules for specific acceptable classes of guarantees. The key types guarantee of loans and facilities are:

- Real estate mortgages
- Mortgage of activity assets such as machinery and merchandise
- Mortgage of financial instruments such as debt instruments and equity.

The financing is often granted in the longer term and loans to the companies are secured. In order to reduce the credit loss to a minimum, the Bank seeks to get additional guarantees from the concerned parties and when indicators of impairment are shown for a loan or facilities. The guarantees taken as collateral for assets other than loans and facilities are determined based on the nature of the instrument. Generally, the debt instruments and treasury bills are not secured, except for groups of financial instruments covered by Asset-Backed Securities and similar instruments that are secured by a portfolio of financial instruments.

###### **Derivatives**

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts) by both amount and term. The amount exposed to credit risk, at any time, is determined at the fair value of the instrument that provides a benefit for the Bank, i.e. an asset with a positive fair value that represents a portion of the contractual / notional value used to express the size of the existing instruments. 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 against the expectation of a corresponding receipt in cash, securities, or equities. Daily settlement limits are established for each counter party to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

#### **4. Financial risk management – Continued**

##### **4.1. Credit risk – Continued**

###### **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 year, as it is affected by each transaction subject to the arrangement.

###### **Credit related commitments**

The main purpose of credit-related commitments is to ensure that funds are available to the customer on demand, and financial guarantee contracts carry a credit risk related to loans, and documentary and commercial credits issued by the Bank on behalf of the customer to grant a third party the right to withdraw from the Bank within certain amounts and under specific terms and conditions often secured against the goods being shipped and therefore carries a lower degree of risk than a direct loan.

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

###### **Expected credit loss measurement policy**

The Bank's policy requires defining three stages for classifying financial assets that are measured at amortized cost, loan commitments and financial guarantees, as well as debt instruments at fair value through other comprehensive income, according to changes in credit quality since the initial recognition, and then measuring (expected credit losses) in the value related to these instruments as follows:

The unimpaired financial asset is classified upon initial recognition in Stage 1 and credit risk is monitored on an ongoing basis by the Bank's credit risk department.

If there has been a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2 and the financial asset is not considered impaired at this stage (lifetime expected credit loss in the absence of credit impairment).

If there are indications of impairment in the value of the financial asset, it is transferred to Stage 3, and the Bank relies on the following indicators to determine whether there are objective evidence indicating.

#### 4. Financial risk management – Continued

##### 4.1. Credit risk – Continued

###### Expected credit loss measurement policy – Continued

- A significant increase in the rate of interest on the financial asset as a result of the increase in credit risk.
- Negative material changes in the activity and financial or economic conditions in which the borrower operates.
- A scheduling request as a result of difficulties facing the borrower.
- Negative material changes in actual or expected operating results or cash flows.
- Early signs of cash flow/liquidity problems such as delays in servicing creditors/business loans.
- Cancellation of a direct facility by the Bank due to the borrower's high credit risk.

###### General Bank Risk Measurement Model

The management performs classifications in the form of a more detailed subgroup to comply with the requirements of the central bank of Egypt, and the assets exposed to credit risk are classified according to detailed rules and conditions that depend largely on the information related to the customer, his activity, his financial status, and the extent of his regularity of payment.

The bank calculates the required provisions in accordance with the instructions of creditworthiness, on the basis of specific ratios by the Central Bank of Egypt, and in the event that the required provisions in accordance with the rules of the central bank of Egypt exceed the expected credit losses calculated for the purposes of preparing the financial statements, the general bank risk reserve is set aside within rights ownership with a discount on the distributable profits by the amount of that increase, and this reserve is periodically adjusted by increase or decrease so that it is always equal to the amount of the increase between the two provisions, and this reserve is not distributable.

Following is a table on the creditworthiness 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:

<b>CBE Rating</b>	<b>Rating description</b>	<b>Provision%</b>	<b>Internal rating description</b>
1	Low Risk	0%	Good debts
2	Moderate Risk	1%	Good debts
3	Satisfactory Risk	1%	Good debts
4	Reasonable Risk	2%	Good debts
5	Acceptable Risk	2%	Good debts
6	Marginally Acceptable Risk	3%	Standard monitoring
7	Watch List	5%	Special monitoring
8	Substandard	20%	Non-performing debts
9	Doubtful	50%	Non-performing debts
10	Bad Debt	100%	Non-performing debts

## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 4. Financial risk management – Continued

##### 4.1. Credit risk – Continued

###### Maximum limits for credit risk before collateral - items exposed to credit risk (on-balance sheet)

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Cash and Balances with Central Bank limited to the statutory reserve ratio	416,196	1,906,215
Treasury Bills and other Government Securitise	8,717,470	8,707,793
Due from banks	13,023,095	8,119,011
<b>Loans and facilities to customers</b>		
<b>Retail Loans</b>		
Personal loans	4,477,304	4,222,276
Credit cards	45,004	38,316
Overdraft	332,459	453,437
Mortgage loans	693,063	630,737
<b>Corporate Loans</b>		
Overdraft	987,268	1,831,519
Direct loans	12,904,354	11,750,598
Syndicated loans	1,991,867	1,929,715
<b>Financial Investment</b>		
Debt instruments	11,558,159	13,896,539
Other assets - accrued revenue	748,022	797,153
	<b>55,894,261</b>	<b>54,283,309</b>

###### Credit risk exposure item without taking collaterals (off-balance sheet):

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Acceptances on supplier facilities	490,588	236,791
Letters of credit	572,022	697,440
Letters of guarantee	3,472,660	3,038,760
	<b>4,535,270</b>	<b>3,972,991</b>

The above table represents the maximum bank exposure to credit risk 31 March 2023 and 31 December 2022, without taking in consideration any collateral held for in-balance sheet items, the balances included are based on net carrying amounts as reported in the balance sheet and as shown above, 38.34% of the maximum exposure arising from loans and facilities to customers against 38.42% at 31 December 2022; While investments in debt tools represent 36.27%, compared to 41.64% on December 31, 2022.

**4. Financial risk management – Continued****4.1. Credit risk – 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 facility portfolio and debt Instruments based on the following:

- 96% of the loans and facility portfolio is categorized in the top two grades of the internal rating system against 95% at 31 December 2022.
- 82% of the loans and facility portfolio without accruals or impairment indicators against 86% at 31 December 2022.
- 89% of the investments in debt instruments and treasury bills represent the debt instruments on Egyptian Government against 89% at 31 December 2022.

**Loans and facilities**

Balances of loans and facilities at 31 March 2023 are set out below:

	<b>31 March 2023</b> <b>EGP Thousands</b>	<b>31 December 2022</b> <b>EGP Thousands</b>
Stage 1	18,790,366	18,118,169
Stage 2	1,183,963	1,133,226
Stage 3	1,456,990	1,605,203
<b>Total</b>	<b>21,431,319</b>	<b>20,856,598</b>
<b>Less:</b>		
Expected credit losses	(1,246,514)	(1,410,813)
Reserved interests	(42,479)	(52,479)
Interest unearned	(73,719)	(60,509)
<b>Net</b>	<b>20,068,607</b>	<b>19,332,797</b>

Note 17 includes additional information about the expected credit losses for loans and facilities.

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 4. Financial risk management – Continued

#### 4.1. Credit risk – Continued

##### Loans and facilities according to past due periods

	31 March 2023							EGP Thousands
	Retail				Corporate			Total loans and facilities to customers
	Overdraft	Credit cards	Personal loans	Mortgage loans	Overdraft	Direct loans	Syndicated loans	
<b>Rating</b>								
Performing /No Dues	332,459	34,531	3,761,883	682,248	987,268	10,390,664	1,386,669	17,575,722
Past due up to 30 days	-	5,838	355,297	8,258	-	1,048,333	212,994	1,630,720
Past due 30-60 days	-	1,930	161,049	1,448	-	77,551	-	241,978
Past due 60 -90 days	-	993	67,664	660	-	330,461.00	-	399,778
Impaired	-	1,712	131,411	449	-	1,057,345	392,204	1,583,121
<b>Total</b>	<b>332,459</b>	<b>45,004</b>	<b>4,477,304</b>	<b>693,063</b>	<b>987,268</b>	<b>12,904,354</b>	<b>1,991,867</b>	<b>21,431,319</b>

	31 December 2022							EGP Thousands
	Retail				Corporate			Total loans and facilities to customers
	Overdraft	Credit cards	Personal loans	Mortgage loans	Overdraft	Direct loans	Syndicated loans	
<b>Rating</b>								
Performing /No Dues	453,437	30,333	3,609,468	622,892	1,831,519	10,031,512	1,392,241	17,971,402
Past due up to 30 days	-	4,847.00	337,669	6,371	-	270,773	158,279	777,939
Past due 30-60 days	-	1,404	107,196	1,007	-	247,093	-	356,700
Past due 60 -90 days	-	1,251	49,521	188	-	-	-	50,960
Impaired	-	481	118,422	279	-	1,201,220	379,195	1,699,597
<b>Total</b>	<b>453,437</b>	<b>38,316</b>	<b>4,222,276</b>	<b>630,737</b>	<b>1,831,519</b>	<b>11,750,598</b>	<b>1,929,715</b>	<b>20,856,598</b>



**4. Financial risk management – Continued**

**4.1. Credit risk – Continued**

**Restructured loans and facilities**

Restructuring activities include extending payment arrangements, implementing forced management programs, modifying and postponing payments. Policies for implementing restructuring depend on indicators or criteria that indicate that there is a high probability of Continued payments, based on the personal judgment of management. These policies are subject to continuous review. It is usual to apply restructuring to long-term loans, especially customer financing loans, and there is no renegotiated loans at 31 March 2023 compared to EGP 196,563 thousand at 31 December 2022.

**Written-off loans**

In accordance with the Board of Directors' decision or its specialized committees, the written-off loans from the non-performing loans are written-off against its related loan loss provisions and that step is made after exhausting all the possible recovery processes.

	<b>31 March 2023</b>	<b>31 December 2022</b>
	<b>EGP Thousands</b>	<b>EGP Thousands</b>
<b>Loans and facilities to customers</b>		
Direct loans	388,610	822,981
<b>Total</b>	<b>388,610</b>	<b>822,981</b>

**Debt Instruments and Treasury Bills**

The table below presents an analysis of debt instruments, and other treasury bills according to the rating agencies at 31 March 2023, based on Standard & Poor's rating and equivalent.

	<u>EGP Thousands</u>		
<b>31 March 2023</b>	<u>Treasury bills &amp; other Governmental securities</u>	<u>Debt Instruments</u>	<u>Total</u>
<b>B</b>	8,717,470	11,558,159	20,275,629
<b>31 December 2022</b>	<u>Treasury bills &amp; other Governmental securities</u>	<u>Debt Instruments</u>	<u>Total</u>
<b>B</b>	8,707,793	13,896,539	22,604,332

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 4. Financial risk management – Continued

#### 4.1. Credit risk – Continued

##### Geographical sectors

	31 March 2023			EGP Thousands
	Arab Republic of Egypt			
	Cairo	Alexandria/Canal/ Red Sea/ Sinai	Upper Egypt	Total
Cash and balances with Central Bank	824,555	-	-	824,555
Due from banks	13,023,095	-	-	13,023,095
<b>Loans and facilities to customers</b>				
<b>Retail loans</b>				
Overdraft	310,511	21,621	327	332,459
Personal loans	3,926,546	541,506	9,252	4,477,304
Credit Cards	40,899	3,708	397	45,004
Mortgage loans	659,821	18,626	14,616	693,063
<b>Corporate loans</b>				
Overdraft	982,776	4,289	203	987,268
Direct loans	9,441,763	3,413,126	49,465	12,904,354
Syndicated loans	1,991,867	-	-	1,991,867
<b>Financial Investments</b>				
Debt instruments	20,275,629	-	-	20,275,629
Other assets	729,724	17,957	341	748,022
<b>Total at 31 March 2023</b>	<b>52,207,186</b>	<b>4,020,833</b>	<b>74,601</b>	<b>56,302,620</b>
<b>Total at 31 December 2022</b>	<b>50,872,485</b>	<b>3,513,891</b>	<b>63,676</b>	<b>54,450,052</b>

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 4. Financial risk management – Continued

#### 4.1. Credit risk – Continued

##### Activity segments

The following table represent the analysis of the Bank's main credit exposure at carrying value categorized by the activities practiced by the bank's customers.

								<u>EGP Thousands</u>
	<u>Commercial activity</u>	<u>Industrial activity</u>	<u>Financial institutions</u>	<u>Real estate companies</u>	<u>Governmental sector</u>	<u>Other Activities</u>	<u>Individuals</u>	<u>Total</u>
Cash and balances with Central Bank	-	-	824,555	-	-	-	-	824,555
Due from banks	-	-	13,023,095	-	-	-	-	13,023,095
<b>Loans and facilities to customers</b>								
<b>Retail loans</b>								
Overdraft	-	-	-	-	-	-	332,459	332,459
Personal loans	-	-	-	-	-	-	4,477,304	4,477,304
Credit Cards	-	-	-	-	-	-	45,004	45,004
Mortgage loans	-	-	-	-	-	-	693,063	693,063
<b>Corporate loans</b>								
Overdraft	489	200,547	181,855	2,958	-	601,419	-	987,268
Direct loans	173,169	7,012,952	1,766,103	1,103,385	-	2,848,745	-	12,904,354
Syndicated loans	-	299,678	-	541,746	287,778	862,665	-	1,991,867
<b>Financial Investments</b>								
Debt instruments	-	-	20,275,629	-	-	-	-	20,275,629
Other assets	-	-	748,022	-	-	-	-	748,022
<b>Total at 31 March 2023</b>	<b>173,658</b>	<b>7,513,177</b>	<b>36,819,259</b>	<b>1,648,089</b>	<b>287,778</b>	<b>4,312,829</b>	<b>5,547,830</b>	<b>56,302,620</b>
<b>Total at 31 December 2022</b>	<b>123,787</b>	<b>6,458,055</b>	<b>35,395,892</b>	<b>2,868,833</b>	<b>307,302</b>	<b>3,951,417</b>	<b>5,344,766</b>	<b>54,450,052</b>

#### **4. Financial risk management – Continued**

##### **4.2. Market risk**

The Bank is exposed to market risk, 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 are exposed to general and specific market movements and changes in the level of sensitivity of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The management of market risks arising from trading or non-trading activities is concentrated in the market risk management of the Bank and is monitored by two teams separately. Periodic reports on market risks are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from the Bank's dealings directly with customers and market-making transactions, where the Bank acts as a principal with customers 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, these portfolios include foreign exchange and equity risks arising from investments at amortized cost and at fair value through other comprehensive income.

The Bank uses the method of relating debit interest rate with credit interest rate to avoid the risk of fluctuations in interest rate. The Bank also depends on fluctuated interest rate which does not exceed 3 months except in specific cases interest rates are specified for longer period relating resources portfolio with application portfolio to get return that covers its costs.

The exchange rate risk is measured and hedged by daily follow-up of foreign exchange rates and purchase or sale operations in proportion to market prices with the adoption of limits for foreign currency positions and daily stop-loss limits in proportion to the risks acceptable to the Bank.

The risk of interest rate movements is measured using the standard method for measuring the gap that affects the Bank's profits or the economic value of the Bank.

The risks of securities rate fluctuations are measured. The Market Risk Department follows up on the classification, sale, and purchase of financial assets for the purpose of trading and making a daily assessment of them with close follow-up and working to set the necessary limits for them, in cooperation with the treasury sector, while measuring the value at risk of those instruments if they are kept for the purpose of trading to determine the extent of potential losses.

Liquidity risk is measured by managing all assets and liabilities inside and outside the balance sheet in line with the Bank's objectives in its management, through the ALCO committee, which identifies the sources from which liquidity risks arise with the management of market risks and the work of possible scenarios for liquidity pressure and management in case of crises.

**4. Financial risk management – Continued****4.2. Market risk – Continued**

The causes of market risks are due to the risk of interest rates and exchange rate risks that arise due to the Bank's daily activities. The Bank manages the risks it is exposed to in the market through a comprehensive framework that reflects the limited acceptance of those risks. All reports are presented to the Risk Committee and the Assets and Liabilities Committee of the Bank. market risks are measured as follows:

Measuring the interest rate risk for positions held not for the purpose of trading, which is the risk that arises from unfavorable movements in the prevailing interest rates in the market during a certain period of time, which may negatively affect the Bank's profitability and the economic value of its equity and consequently the bank's position and the Bank's profitability. The Bank calculates the qualitative and quantitative requirements regarding the rate of interest risks of the positions held for non-trading purposes, while carrying out stress tests on them.

**Value at risk of non-trading purpose according to risk type**

	<b>EGP Thousands</b>					
	<b>31 March 2023</b>			<b>31 December 2022</b>		
	<b>Average</b>	<b>Higher</b>	<b>Lower</b>	<b>Average</b>	<b>Higher</b>	<b>Lower</b>
Interest rate risk	408,546	608,965	328,487	206,098	345,451	175,299

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 4. Financial risk management – Continued

#### 4.2. Market risk – Continued

##### Foreign exchange fluctuation risk

The Bank is exposed to the effects of fluctuations in the foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk at the end of financial period, and Bank's financial instruments at carrying amounts, categorized by currency.

31 March 2023	EGP Thousands					
	EGP	USD	EUR	GBP	Other Currencies	Total
<b>Financial Assets</b>						
Cash and balances with Central Bank	557,901	231,187	31,744	1,742	1,981	824,555
Due from banks	7,798,923	4,405,471	648,938	154,374	13,407	13,021,113
Loans and facilities to customers	17,926,125	2,124,146	18,336	-	-	20,068,607
<b>Financial Investments</b>						
Financial Investments at fair value through other comprehensive income	2,950,435	454,243	2,479	-	-	3,407,157
Financial Investments at amortized cost	10,739,370	6,162,964	60,255	-	-	16,962,589
Financial Investments at Fair value through profit or loss	-	-	-	-	-	-
Financial Investments in associates	391,262	-	-	-	-	391,262
Other Financial Investments	690,170	54,788	3,027	37	-	748,022
<b>Total financial assets at 31 March 2023</b>	<b>41,054,186</b>	<b>13,432,799</b>	<b>764,779</b>	<b>156,153</b>	<b>15,388</b>	<b>55,423,305</b>
<b>Financial liabilities</b>						
Due to banks	1,250,000	3,024,775	1	-	-	4,274,776
Customers' deposits	35,076,974	10,614,907	761,606	156,519	13,856	46,623,862
Other loans	137,682	-	-	-	-	137,682
Other financial liabilities	407,740	22,346	10	12	-	430,108
<b>Total financial liabilities at 31 March 2023</b>	<b>36,872,396</b>	<b>13,662,028</b>	<b>761,617</b>	<b>156,531</b>	<b>13,856</b>	<b>51,466,428</b>
<b>31 March 2023</b>	<b>4,181,790</b>	<b>(229,229)</b>	<b>3,162</b>	<b>(378)</b>	<b>1,532</b>	<b>3,956,877</b>
<b>31 December 2022</b>	<b>4,270,296</b>	<b>(213,481)</b>	<b>(163,765)</b>	<b>(256)</b>	<b>(968)</b>	<b>3,891,826</b>

## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 4. Financial risk management – Continued

##### 4.2. Market risk – Continued

###### Interest rate risk

The Bank is exposed to the effects of fluctuations in the levels of the prevailing interest rate in the market, i.e., the risk of cash flows of the interest rate represented in the fluctuation of future cash flows of a financial instrument due to changes in the interest rate of the instrument and fair value risk of the interest rate, i.e., is the risk of fluctuations in the value of the financial instrument as a result of a change in the interest rates in the market. The interest margin may increase due to these changes; however, the profits may decrease if unexpected movements occur. The Bank's Board of Directors sets limits for the level of variation in interest re-pricing that can be maintained by the Bank, and this is monitored daily by the Bank's fund management.

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

31 March 2023	EGP Thousands						
	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Without interest	Total
<b>Financial Assets</b>							
Cash and balances with Central Bank	-	-	-	-	-	824,555	<b>824,555</b>
Due from banks	13,088,405	-	-	-	-	254,315	<b>13,342,720</b>
Loans and facilities to customers	1,988,488	11,113,563	1,163,626	4,711,615	1,041,990	*(1,362,712)	<b>18,656,570</b>
<b>Financial Investments</b>							
Financial Investments at fair value through other comprehensive income	139,794	52,289	742,596	4,048,519	-	(137,406)	<b>4,845,792</b>
Financial Investments at amortized cost	1,097,185	153,445	11,666,573	5,583,518	7,937	(65,570)	<b>18,443,088</b>
Financial Investments at Fair value through profit or loss	-	-	-	-	-	-	-
Financial Investments in associates	-	-	-	-	-	391,262	<b>391,262</b>
Other Financial Investments	-	-	-	-	-	744,356	<b>744,356</b>
<b>Total financial assets at 31 March 2023</b>	<b>16,313,872</b>	<b>11,319,297</b>	<b>13,572,795</b>	<b>14,343,652</b>	<b>1,049,927</b>	<b>648,800</b>	<b>57,248,343</b>
<b>Financial liabilities</b>							
Due to banks	4,277,533	-	-	-	-	58,539	<b>4,336,072</b>
Customers' deposits	12,198,190	9,396,840	14,204,980	11,073,754	49,892	1,242,159	<b>48,165,815</b>
Other loans	-	-	-	6,038.00	131,644	-	<b>137,682</b>
Other financial liabilities	-	-	-	-	-	430,108	<b>430,108</b>
<b>Total financial liabilities at 31 March 2023</b>	<b>16,475,723</b>	<b>9,396,840</b>	<b>14,204,980</b>	<b>11,079,792</b>	<b>181,536</b>	<b>1,730,806</b>	<b>53,069,677</b>
<b>31 March 2023</b>	<b>(161,851)</b>	<b>1,922,457</b>	<b>(632,185)</b>	<b>3,263,860</b>	<b>868,391</b>	<b>(1,082,006)</b>	<b>4,178,666</b>
<b>31 December 2022</b>	<b>(4,241,507)</b>	<b>7,581,606</b>	<b>(2,845,497)</b>	<b>(1,102,583)</b>	<b>4,779,868</b>	<b>(280,061)</b>	<b>3,891,826</b>

- It represents credit losses amounting to 1,246,514 thousand Egyptian pounds, Interest in suspense amounting to 42,479 thousand Egyptian pounds, and unearned interest amounting to 73,719 thousand Egyptian pounds.

#### **4. Financial risk management – Continued**

##### **4.2. Market risk – Continued**

###### **Sensitivity analysis of interest rate**

Changes in interest rates affect equity by the following ways:

Retained Earnings: Increase or decrease in the net interest income and fair value of the financial derivatives included in profits and losses.

Fair value reserve: Increase or decrease in the fair value of the financial assets at fair value through other comprehensive income recognized directly in the statement of other comprehensive income.

##### **4.3. Liquidity risk**

Liquidity risk is the risk that the Bank is unable to meet its obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligation to repay depositors and fulfil commitments to lending.

###### **Liquidity risk management**

The Bank's liquidity management process, as carried out within the Bank and monitored by Assets & Liabilities Committee, includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring the liquidity ratios against internal and regulatory requirements by the Central Bank of Egypt.
- Managing the concentration and profile of debt maturities.

For monitoring and reporting purpose, the cash flow is measured and projected for the next day, week and month respectively, which are key periods for liquidity management. The starting point for those projections represented in the contractual maturity analysis of the financial liabilities and the expected collection date of the financial assets.

Asset and liability management also monitors unmatched medium-term assets, the level and type of undrawn loan commitments, the usage of debit current account facilities and the impact of contingent liabilities such as letters of guarantees and credits.



**4. Financial risk management – Continued**

**4.3. Liquidity risk – Continued**

The following table represent the analysis of the Bank's liquidity coverage ratio:

	<b>31 March 2023</b>	<b>31 December 2022</b>
	<b>EGP Thousands</b>	<b>EGP Thousands</b>
Total amount of high-quality liquid assets (1)	15,314,495	23,282,621
Total Cash outflows	14,848,623	16,130,875
Considerable total cash inflows within the set limit (value less than: total cash inflows, 75% of total cash outflows)	11,136,467	4,788,014
<b>Net cash outflows (2)</b>	<b>3,712,156</b>	<b>11,342,861</b>
<b>Liquidity coverage ratio (1/2)</b>	<b>412.55%</b>	<b>205.26%</b>

**Financing approach**

Sources of liquidity are regularly reviewed by a separate team for assets and liabilities management of the Bank to maintain a wide diversification by currency and geographical areas, providers, products and term.

Assets available to satisfy all liabilities and cover loan-associated commitments include cash, balances with the Central Bank, bank balances, treasury bills and other governmental securities, loans and facilities to banks and customers. A percentage of loans to customers that are due to be repaid within a year are extended during the normal activity of the Bank, in addition to that, there is a mortgage of some debt instruments, treasury bills and other government securities to guarantee obligations and the Bank has the ability to satisfy the unexpected net cash flows by selling securities and finding other financing sources.

The following table represent the analysis of the net stable financing ratio:

	<b>31 March 2023</b>	<b>31 December 2022</b>
	<b>EGP Thousands</b>	<b>EGP Thousands</b>
Liabilities & equity with weighted average 100%	21,927,885	21,823,160
Individual and small and micro enterprises deposits (which don't have maturity date & deposits with maturity less than one year)	5,659,872	4,731,374
Liabilities with weighted average 50%	7,004,392	6,735,856
<b>Total available stable fund (A)</b>	<b>34,592,149</b>	<b>33,290,390</b>
Assets with weighted average 5%	888,017	1,012,433
Assets with weighted average 10%	296,967	418,263
Assets with weighted average 15%	13,004	369,827
Assets with weighted average 50%	3,067,017	1,075,739
Assets with weighted average 65%	9,532,798	9,284,503.80
Assets with weighted average 100%	3,742,117	4,607,643
Contingent liabilities or commitments	468,741	712,387
<b>Total required stable fund (B)</b>	<b>18,008,660</b>	<b>17,480,796</b>
<b>Net stable fund ratio (A/B)</b>	<b>192.09%</b>	<b>190.44%</b>

#### **4. Financial risk management – Continued**

##### **4.3. Liquidity risk – Continued**

###### **Cash Flows Risk Hedge**

The quality of the value at risk model is continuously monitored through enhancement tests of the value at risk results of the trading portfolio. The results of these tests are submitted to the higher management of the Bank and the Board of Directors.

- **Derivatives that are net-settled**

Net-settled Bank derivatives include:

- Foreign exchange derivatives: on and off-exchange currency options, and currency futures contracts.
- Rate of interest derivatives: Interest swaps, forward interest agreements, Over-the-Counter Interest Rate options, future interest contracts and other interest contracts.

- **Derivatives to be settled, gross**

The Bank's gross-settled derivatives include:

- Foreign exchange derivatives: currency forward contracts and currency exchange contracts.
- Rate of interest derivatives: Swap contracts for both interest and currency.

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 4. Financial risk management – Continued

#### 4.3. Liquidity risk – Continued

##### Cash Flows Risk Hedge – Continued

Description/ Maturity Date	31 March 2023						EGP Thousands	
	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Without interest	Total	
	Due to banks	4,277,533	-	-	-	-	58,539	4,336,072
Customers' deposits	4,169,964	7,994,157	11,083,952	8,093,968	49,892	16,773,883	48,165,816	
Other Loans	-	-	-	6,038	131,644	-	137,682	
Other liabilities	-	-	-	-	-	430,108	430,108	
<b>Total financial liabilities according to the contractual maturity date</b>	<b>8,447,497</b>	<b>7,994,157</b>	<b>11,083,952</b>	<b>8,100,006</b>	<b>181,536</b>	<b>17,262,530</b>	<b>53,069,678</b>	
<b>Total financial assets according to the contractual maturity date *</b>	<b>16,313,872</b>	<b>11,319,297</b>	<b>13,572,795</b>	<b>14,343,652</b>	<b>1,049,927</b>	<b>648,800</b>	<b>57,248,343</b>	

Description/ Maturity Date	31 December 2022						EGP Thousands	
	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Without interest	Total	
	Due to banks	515,900	-	-	-	-	270,059	785,959
Customers' deposits	5,073,876	8,990,365	9,317,608	7,331,601	49,713	17,438,788	48,201,951	
Other Loans	-	-	-	-	140,044	-	140,044	
Other liabilities	-	-	-	-	-	403,596	403,596	
<b>Total financial liabilities according to the contractual maturity date</b>	<b>5,589,776</b>	<b>8,990,365</b>	<b>9,317,608</b>	<b>7,331,601</b>	<b>189,757</b>	<b>18,112,443</b>	<b>49,531,550</b>	
<b>Total financial assets according to the contractual maturity date *</b>	<b>8,741,879</b>	<b>17,626,583</b>	<b>9,199,399</b>	<b>11,505,662</b>	<b>4,969,625</b>	<b>1,380,228</b>	<b>53,423,376</b>	

Assets available to satisfy all liabilities and cover loan-associated commitments include cash balances with the Central Bank, Due from banks, treasury bills and other governmental securities, loans and facilities to banks and customers. A percentage of loans to customers that are due to be repaid within a year are extended during the normal activity of the Bank, in addition to that, there is a mortgage of some debt instruments, treasury bills and other government securities to guarantee obligations and the Bank has the ability to satisfy the unexpected net cash flows by selling securities and finding other financing sources.

\* Assets shown in the table represent the cash flows discounted in accordance with the contractual maturity date.

**4. Financial risk management – Continued**

**4.4. Fair value of financial assets and liabilities**

**4.4.1. Financial instruments measured at fair value**

The fair value of one-day variable-rate placements and deposits represent their present value, and the expected fair value of variable-rate deposits is estimated based on the discounted cash flows using the interest rate prevailing in the capital markets for debts that have similar credit risk and maturity date.

**Loans and facilities to banks**

Loans and facilities to banks represent loans other than bank deposits. The expected fair value of loans and facilities is the discounted value of future cash flows expected to be collected and the cash flows are discounted using the current market interest rate for determining the fair value to determine the fair value to meet all the requirements. This includes replacement of funds on maturity or upon being lent to customers. The Bank is present in global money markets to achieve this objective.

**Loans and facilities to customers**

They are recognized at net value after deduction of provision for impairment loss. The expected fair value for these loans and facilities represents the discounted value of estimated future cash flows expected to be collected. Cash flows are deducted using the current interest rate in the market to specify the fair value.

**Investments in securities**

Assets through other comprehensive income or profit or loss are carried at fair value. The fair value is determined based on market prices. If such data is not available, fair value is estimated using prices of capital markets for traded securities with similar credit characteristics, dates of maturity and rates.

**4.4.2. Financial instruments not measured at fair value**

**Financial investments at amortized cost**

They include held-to-maturity financial assets that are listed in the market and are measured at amortized cost in case of bonds, and with respect to investment funds, the evaluation is done at the recoverable amount (fair value).

Management believes that the fair value is not materially different from the carrying amount of these assets.

**Due from banks**

The fair value of one-day variable-rate placements and deposits represent their present value, and the expected fair value of variable-rate deposits is estimated based on the discounted cash flows using the interest rate prevailing in the capital markets for debts that have similar credit risk and maturity date.

**Loans and facilities to banks**

Loans and facilities to banks represent loans other than bank deposits. The expected fair value of loans and facilities is the discounted value of future cash flows expected to be collected and the cash flows are discounted using the current market interest rate for determining the fair value. Loans and facilities are presented net of provision for impairment losses.

#### **4. Financial risk management – Continued**

##### **4.4. Fair value of financial assets and liabilities – Continued**

##### **4.4.2. Financial instruments not measured at fair value – Continued**

###### **Investments in securities**

Investments in securities include only financial assets that have a fixed or determinable maturity date, and the business model aims to hold them in order to obtain only the investment principal and the return thereon. The fair value of these financial assets held to maturity is determined based on market prices or prices obtained from brokers. If this data is not available, the fair value is estimated using financial market prices for tradable securities with similar credit characteristics, maturity dates and rates.

###### **Due to other banks and customers**

The estimated fair value of deposits with an indefinite maturity date, that include non-interest-bearing deposits, is the amount that would be repaid on demand .

The fair value of fixed interest-bearing deposits and other loans that are not traded in an active market is determined based on the discounted cash flows using the rate of return on new debts with a similar maturity date.

###### **Issued debt instruments**

The total fair value is calculated based on current capital market prices. For securities that have no active markets, the discounted cash flow model is used for the first time based on the current rate that fits the remaining period till the maturity date.

#### **4.5. Capital management**

The Bank's objectives on managing capital, which include other elements in addition to the equity shown in the balance sheet, are as follows:

- Compliance with the legal requirements of capital in the Arab Republic of Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling it to continue generating income for shareholders and other parties dealing with the Bank.
- Maintaining a strong capital base that supports the growth of activity.

The capital adequacy and capital uses are daily reviewed according to the requirements of the Central Bank of Egypt by the Bank's management, through forms based on the guidelines of the Basel Committee on Banking Supervision. The required data are submitted and provided to the Central Bank of Egypt on a quarterly basis.

###### **The Central Bank of Egypt requires the Bank to do the following:**

- Maintain one billion Egyptian pounds as a minimum for issued and paid-up capital.
- Maintain a ratio equal to or more than 12.5% between the elements of capital and the elements of assets and contingent liabilities weighted by risk weights.

In accordance with the requirements of the Central Bank of Egypt to update the position of the banking sector with regard to the capital adequacy ratio according to Basel II decisions.

#### **4. Financial risk management – Continued**

##### **4.5. Capital management – Continued**

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

Tier I after disposals includes the following:

Some of the items that will be deducted/ will not be considered and mentioned in the "supervisory instructions on the minimum ratio of capital adequacy", Chapter II on the capital base will be dealt with later as stated in the instructions.

- Continuing core capital after disposals (CET1-Common Equity).
- Additional core capital

There are some items that will be deducted/ not considered and mentioned in the "supervisory instructions on the minimum ratio of capital adequacy", Chapter II on the capital base. These items are deducted from the continuous core capital if the balance is negative, while they are not considered if it is positive.

Tier II after disposals

It includes 45% of the special reserve, loans and subordinated deposits within the limits of the prescribed percentage, as well as the considerable provisions required against the debt instruments, loans, credit facilities and contingent liabilities included in the first stage (Stage 1).

The capital adequacy ratio model includes some important notes and points which are as follows:

- 1- Reserves: include legal, general, statutory, supportive and capital reserves only.
- 2- The "general risk reserve" is formed in accordance with the supervisory instructions issued to banks on 26 January 2019. It includes the special reserve – credit, the general bank risk reserve - credit and the reserve risk of standard (9), considering that in the subsequent periods of application, the Bank shall abide by what is stated within the instructions on minimum capital adequacy ratio "which is not to consider the bank risk reserve when calculating the ratio."
- 3- The values of accumulated other comprehensive income items, whether they are positive or negative, are considered.
- 4- Interim profits/ (losses): It is allowed to record the net interim profits within the capital base after the limited inspection report prepared by the auditor on the Bank's financial statements on a quarterly basis. As for the interim losses, they are presented without any conditions.
- 5- It does not include the part related to credit, and the explanatory instructions of the rules on the preparation and presentation of the financial statements issued by the Central Bank in April 2009, page 7, item (9) must be perused.
- 6- It should not exceed 1.25% of total assets and contingent liabilities weighted for credit risk, provided that the required provisions against debt instruments, loans, credit facilities and contingent liabilities included in the Stage 2 and Stage 3 are sufficient to meet the obligations for which the provision is formed.
- 7- "The value of exceeding the limits set for investments in countries, weighted by risk weights."
- 8- This value must be included in accordance with Form No. 720 related to investments in countries abroad, taking into account that the value of the capital base listed in the aforementioned statement must be adjusted according to the calculated value.

## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 4. Financial risk management – Continued

##### 4.5. Capital management – Continued

- The continuing core capital after the regulatory adjustments is Clause 1.1 before excluding contributions to financial companies (shares or investment funds) represented in Clause 1.3.1.1.
- Continuing core capital before regulatory adjustments means paid-up capital, reserves, retained earnings, general risk reserve, and accumulated other comprehensive income items net of goodwill and treasury shares.
- Subordinated loans (deposits): provided that they do not exceed 50% of Tier I after disposals and that 20% of its value is consumed in each of the last five years.

The following table summarizes the components of the capital base at 31 March 2023, according to these decisions:

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
<b>Capital</b>		
Issued and paid-up capital	5,000,000	5,000,000
General reserve	117,798	117,798
Legal reserve	65,596	39,415
Capital reserve	27,821	25,836
Retained earnings /(losses)	42,483	38,708
Total balance of accumulated other comprehensive income items in the balance sheet	(43,262)	(23,531)
<b>Total disposals from continuing core capital</b>	<u>(129,975)</u>	<u>(132,228)</u>
<b>Tier I after disposals</b>	<u>5,080,461</u>	<u>5,065,998</u>
<b>Tier II (subordinated capital)</b>		
Provision for impairment losses on regular loans, facilities, debt instruments and contingent liabilities	391,733	327,383
45% of foreign currency exchange difference reserve	113	113
45% of increase in the fair value over the carrying amount of financial assets in subsidiaries and associates	141,590	114,534
<b>Tier II after disposals</b>	<u>533,436</u>	<u>442,030</u>
<b>Total capital base after disposals</b>	<u>5,613,897</u>	<u>5,508,028</u>
Total credit risk	32,552,503	22,754,556
Total operation risk	1,923,263	1,679,700
Total assets and contingent liabilities weighted by credit/ market/ operational risk weights	<u>34,475,766</u>	<u>28,209,693</u>
<b>Capital base/ total assets and contingent liabilities weighted by credit, market, and operational risk weights (%)</b>	<b>16.28%</b>	<b>19.53%</b>

#### **4. Financial risk management – Continued**

##### **4.6. Financial leverage ratio**

The Board of Directors of the Central Bank of Egypt, in its session held on 7 July, issued a decision approving the supervisory instructions related to the financial leverage, besides the banks' compliance with the stipulated minimum percentage (3%) on a quarterly basis, as follows:

- As an indicative percentage as of the end of September 2015 until the year 2017.
- As a compulsory supervisory percentage as of 2018.

This is in preparation for the consideration of it within the first pillar of Basel decisions (the minimum capital adequacy ratio) for maintaining the strength and integrity of the banking sector and keeping pace with the best international control practices in this regard.

The financial leverage reflects the relationship between Tier I of capital used in capital adequacy ratio (after disposals) and the Bank's assets (inside and outside the balance sheet) unweighted with risk weights.

##### **Ratio components**

###### **A- Numerator components**

The numerator of the ratio consists of Tier I of capital (after disposals) used in the numerator of the capital adequacy ratio currently applied in accordance with the instructions of the Central Bank of Egypt.

###### **B- Denominator Components**

The denominator of the ratio consists of all the Bank's assets on- and off- balance sheet according to the financial statements, which is what is called the Bank's exposures and it includes the total of the following:

- 1- The exposures of items within the balance sheet after deducting some of the disposals of Tier I of the capital base.
- 2- The exposures arising from derivative contracts.
- 3- The exposures resulting from security financing operations.
- 4- Off-balance sheet exposures (weighted by transfer transactions).



## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 4. Financial risk management – Continued

##### 4.6. Financial leverage ratio – Continued

The following table summarizes the financial leverage ratio as of 31 March 2023:

	<b>31 March 2023</b>	<b>31 December 2022</b>
	<b>EGP Thousands</b>	<b>EGP Thousands</b>
Tier I of capital after disposals	5,080,461	5,065,998
Cash and balances with Central Bank	9,430,257	9,694,277
Due from banks	4,417,392	497,691
Financial Investments through other comprehensive income	3,275,513	11,643,047
Financial Investments at amortized cost	17,024,714	10,964,941
Financial Investments in subsidiaries and associates	391,262	388,963
Customer loans and facilities	21,431,319	20,856,598
Fixed assets	352,639	362,412
Other assets	2,432,172	2,401,496
Deducted from exposures	(1,055,055)	(1,177,945)
<b>Total exposures within the balance sheet</b>	<b>57,700,213</b>	<b>55,631,480</b>
Import credits	48,395	66,030
Letters of guarantee	1,486,992	1,315,497
Letters of guarantee at the request of foreign banks	1,696	1,696
Accepted bills of exchange	307,717	236,792
Capital commitments	227,244	190,198
Cancellable without conditions at any time by the Bank and without prior notice or which includes provisions for auto-cancellation due to the deterioration of the borrower's creditworthiness	945,332	945,332
<b>Total off-balance sheet exposures</b>	<b>3,017,377</b>	<b>2,755,545</b>
<b>Total exposures on- and off- the balance sheet</b>	<b>60,717,590</b>	<b>58,387,025</b>
<b>Financial leverage ratio</b>	<b>8.37%</b>	<b>8.68%</b>

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 5. Segment analysis

#### Geographical analysis

	EGP Thousands			
	Geographical Segments Analysis			
31 March 2023	Cairo	Alexandria and the Delta	Upper Egypt	Total
<b>Income and expenses per geographical sector</b>				
Geographical sector revenue	5,067,666	208,619	2,856	5,279,141
Geographical sector expenses	(1,479,915)	(3,522,793)	(7,210)	(5,009,918)
<b>Segment business outcome</b>	<b>3,587,751</b>	<b>(3,314,174)</b>	<b>(4,354)</b>	<b>269,223</b>
Tax	(94,224)	-	-	(94,224)
<b>Net loss for the year</b>	<b>3,493,527</b>	<b>(3,314,174)</b>	<b>(4,354)</b>	<b>174,999</b>
<b>Assets and liabilities per geographical sectors</b>				
Geographical sector assets	57,536,863	(558,368)	65,824	57,044,319
Unclassified assets	414,096	-	-	414,096
<b>Total assets</b>	<b>57,950,959</b>	<b>(558,368)</b>	<b>65,824</b>	<b>57,458,415</b>
Geographical sector liabilities	44,533,192	7,286,653	80,853	51,900,698
Unclassified liabilities	75,379	-	-	75,379
<b>Total liabilities</b>	<b>44,608,571</b>	<b>7,286,653</b>	<b>80,853</b>	<b>51,976,077</b>

	EGP Thousands			
	Geographical Segments Analysis			
31 March 2022	Cairo	Alexandria and the Delta	Upper Egypt	Total
<b>Income and expenses per geographical sector</b>				
Geographical sector revenue	4,621,429	97,877	-	4,719,306
Geographical sector expenses	(2,977,296)	(1,537,558)	-	(4,514,854)
<b>Segment business outcome</b>	<b>1,644,133</b>	<b>(1,439,681)</b>	<b>-</b>	<b>204,452</b>
Tax	(64,606)	-	-	(64,606)
<b>Net loss for the year</b>	<b>1,579,527</b>	<b>(1,439,681)</b>	<b>-</b>	<b>139,846</b>

#### 31 December 2022

#### Assets and liabilities per geographical sectors

Geographical sector assets	51,252,806	3,616,657	90,561	54,960,024
Unclassified assets	428,504	-	-	428,504
<b>Total assets</b>	<b>51,681,310</b>	<b>3,616,657</b>	<b>90,561</b>	<b>55,388,528</b>
Geographical sector liabilities	41,722,214	8,147,762	101,255	49,971,231
Unclassified liabilities	90,226	-	-	90,226
<b>Total liabilities</b>	<b>41,812,440</b>	<b>8,147,762</b>	<b>101,255</b>	<b>50,061,457</b>

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 6. Net interest income

	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
<b>Interest on loans and similar income</b>		
Loans and facilities to customers	811,679	310,961
Treasury bills	230,981	42,004
Deposits and current accounts	276,518	472,702
Debt instruments at amortized cost and through other comprehensive income	380,975	320,365
	<b>1,700,153</b>	<b>1,146,032</b>
<b>Interest expense and similar costs</b>		
Deposits and current accounts		
To banks	(133,194)	(46,131)
To customers	(1,032,436)	(750,589)
Repos	-	(7,329)
Other loans	(926)	(839)
	<b>(1,166,556)</b>	<b>(804,888)</b>
<b>Net</b>	<b>533,597</b>	<b>341,144</b>

### 7. Net fees and commission income

	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
<b>Fees and commission income</b>		
Fees and commissions related to credit	169,032	37,821
Other fees	66,188	16,221
	<b>235,220</b>	<b>54,042</b>
<b>Fees and commission expenses</b>		
Custody and brokerage fees	(396)	(234)
Other fees	(20,047)	(6,138)
	<b>(20,443)</b>	<b>(6,372)</b>
<b>Net</b>	<b>214,777</b>	<b>47,670</b>

### 8. Dividends income

	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
Securities at fair value through other comprehensive income	<b>3,981</b>	-

## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 9. Net trading income

	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
Gain on sale of investment through profit or loss	11,869	14,941
Income on investments through profits and losses	-	1,620
Foreign exchange gain	38,300	(3,306)
	<u>50,169</u>	<u>13,255</u>

#### 10. Administrative expenses

	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
<b>Staff costs</b>		
Wages and salaries	(152,578)	(115,219)
Social insurance	(6,322)	(11,188)
Defined contribution scheme	(8,769)	(7,295)
<b>Total Staff cost</b>	<b>(167,669)</b>	<b>(133,702)</b>
Other administrative expenses	(147,525)	(62,397)
Depreciation expense	(15,131)	(14,091)
Amortization expense	(4,118)	(2,238)
	<u>(334,443)</u>	<u>(212,428)</u>

#### 11. Other operating income

	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
Gain on valuation of monetary asset and liability balances in foreign currencies other than those at fair value through profit or loss	(94,783)	17,999
Gain on the sale of fixed assets	1,875	-
Gain on the sale of Assets reverted to the bank	1,350	-
Reversal (charge) of other provisions	6,616	(14,854)
Other revenue / (expenses)	189	59
<b>Total</b>	<b>(84,753)</b>	<b>3,204</b>

## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 12. Expected credit losses

	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
Loans and Credit facilities to customers	(111,252)	(661)
Due from banks	213	(150)
Financial investments	(7,186)	(6,737)
Other assets	(107)	-
<b>Total</b>	<b>(118,332)</b>	<b>(7,548)</b>

#### 13. Income tax expense

	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
Deferred taxes	(517)	(691)
Current income taxes	(93,707)	(63,915)
	<b>(94,224)</b>	<b>(64,606)</b>

#### 14. Earnings per share

	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
Profit / (loss) for the period	174,999	139,846
Dividends for employees	(32,446)	(29,398)
<b>Net profit for the period after dividends for Employees</b>	<b>142,553</b>	<b>110,448</b>
Weighted average number of shares	829,187	829,187
<b>Earning per share</b>	<b>0.17</b>	<b>0.13</b>

#### 15. Cash and balances with central bank

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Cash	408,359	166,743
Balances with the Central Bank mandatory reserve within reserve ratio	416,196	1,906,215
	<b>824,555</b>	<b>2,072,958</b>
Non-interest-bearing balances	<b>824,555</b>	<b>2,072,958</b>

## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 16. Due from banks

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Current Accounts	254,315	149,133
Deposits	12,768,780	7,969,878
<b>Balance</b>	<b>13,023,095</b>	<b>8,119,011</b>
Expected credit losses	(1,982)	(1,582)
	<b>13,021,113</b>	<b>8,117,429</b>
Central bank	8,605,702	7,621,319
Local banks	3,931,374	198,140
Foreign banks	486,019	299,552
<b>Balance</b>	<b>13,023,095</b>	<b>8,119,011</b>
Expected credit losses	(1,982)	(1,582)
	<b>13,021,113</b>	<b>8,117,429</b>
Non-bearing Interest	254,315	149,133
Fixed interest balances	12,768,780	7,969,878
<b>Balance</b>	<b>13,023,095</b>	<b>8,119,011</b>
Expected credit losses	(1,982)	(1,582)
	<b>13,021,113</b>	<b>8,117,429</b>
Current balances	13,023,095	8,119,011
<b>Balance</b>	<b>13,023,095</b>	<b>8,119,011</b>
Expected Credit Losses	(1,982)	(1,582)
	<b>13,021,113</b>	<b>8,117,429</b>

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 17. Loans and facilities to customers

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
<b>Retail</b>		
Overdraft	332,459	453,437
Credit cards	45,004	38,316
Personal loans	4,477,304	4,222,276
Mortgage loans	693,063	630,737
<b>Total</b>	<b>5,547,830</b>	<b>5,344,766</b>
<b>Corporate loans including small loans for economic activities</b>		
Debit current accounts – Corporates	987,268	1,831,519
Direct loans	12,904,354	11,750,598
Syndicated loans	1,991,867	1,929,715
<b>Total</b>	<b>15,883,489</b>	<b>15,511,832</b>
<b>Total loans and facilities to customers</b>	<b>21,431,319</b>	<b>20,856,598</b>
<b>Less:</b>		
Expected credit losses	(1,246,514)	(1,410,813)
Suspended interest	(42,479)	(52,479)
Unearned interest	(73,719)	(60,509)
<b>Total</b>	<b>20,068,607</b>	<b>19,332,797</b>
<b>Distributed to:</b>		
Current balances	8,229,103	8,793,826
Non-current balances	13,202,216	12,062,772
<b>Total</b>	<b>21,431,319</b>	<b>20,856,598</b>

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 17. Loans and facilities to customers – Continued

#### Expected credit losses

EGP Thousands

	31 March 2023							Total
	Retail				Corporate			
	Debit current accounts	Credit Cards	Personal loans	Mortgage loans	Debit current accounts	Direct Loan	Syndicated Loans	
Balance at the beginning of the period	62	103	186,741	10,671	14,354	1,030,881	168,001	1,410,813
Expected Credit losses	-	195	6,546	(1,021)	664	39,333	65,535	111,252
Write- off during the period	-	-	(28,086)	-	-	(360,425)	-	(388,511)
Foreign exchange valuation differences	11	-	-	-	1,029	92,517	15,628	109,185
Proceeds from previously written off debts	-	94	3,355.00	30.00	-	296	-	3,775
Balance at the end of the period	<b>73</b>	<b>392</b>	<b>168,556</b>	<b>9,680</b>	<b>16,047</b>	<b>802,602</b>	<b>249,164</b>	<b>1,246,514</b>

	31 December 2022							Total
	Retail				Corporate			
	Debit current accounts	Credit Cards	Personal loans	Mortgage loans	Debit current accounts	Direct Loan	Syndicated Loans	
Balance at the beginning of the period	646	209	212,307	10,588	52,894	1,214,955	89,332	1,580,931
Expected Credit losses	(591)	2,398	99,400	83	(40,305)	331,073	65,314	457,372
Write- off during the period	(27)	(2,514)	(124,966)	-	-	(695,191)	-	(822,698)
Foreign exchange valuation differences	34	-	-	-	1,765	176,728	13,355	191,882
Proceeds from previously written off debts	-	10.50	-	-	-	3,316	-	3,326
Balance at the end of the period	<b>62</b>	<b>103</b>	<b>186,741</b>	<b>10,671</b>	<b>14,354</b>	<b>1,030,881</b>	<b>168,001</b>	<b>1,410,813</b>



## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 18. Financial investments

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
<b><u>Financial investments at fair value through other comprehensive income</u></b>		
<b>Debt instruments - at fair value</b>		
Listed	3,052,699	2,380,433
Not listed	-	551,164
Treasury bills, net*	198,215	8,126,636
<b>Equity instruments - at fair value</b>		
listed	1,261	981
Not listed	131,226	115,279
Mutual fund	23,756	20,890
	156,243	137,150
<b>Total financial investments at fair value through other comprehensive income</b>	<b>3,407,157</b>	<b>11,195,383</b>
<b><u>Financial investments at amortized cost</u></b>		
<b>Debt instruments at amortized cost</b>		
Listed	8,505,460	10,964,942
Treasury bills, net*	8,519,255	581,157
<b>Balance</b>	<b>17,024,715</b>	<b>11,546,099</b>
Expected credit loss	(62,126)	(27,406)
<b>Total financial investment at amortized cost</b>	<b>16,962,589</b>	<b>11,518,693</b>
<b>Total financial investment</b>	<b>20,369,746</b>	<b>22,714,076</b>
Fixed interest debt instruments	18,351,103	22,053,168
Variable interest debt instruments	1,924,526	551,164
	<b>20,275,629</b>	<b>22,604,332</b>

## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 18. Financial investments – Continued

	<u>EGP Thousands</u>		
	<u>Financial Investments through other comprehensive income</u>	<u>Financial Investments Amortized Cost</u>	<u>Total</u>
<b>Balance as of 1 January 2023</b>	<b>11,195,383</b>	<b>11,546,098</b>	<b>22,741,481</b>
Additions	363,046	8,334,084	<b>8,697,130</b>
Disposals	(8,789,110)	(3,856,744)	<b>(12,645,854)</b>
Valuation differences of monetary assets in foreign currencies	452,120	902,278	<b>1,354,398</b>
Profit from fair value change	85	-	<b>85</b>
Amortization of (premium) discount	185,634	98,998	<b>284,632</b>
	<b>3,407,157</b>	<b>17,024,715</b>	<b>20,431,872</b>
Expected credit losses	-	(62,126)	<b>(62,126)</b>
<b>Balance at 31 March 2023</b>	<b>3,407,157</b>	<b>16,962,589</b>	<b>20,369,746</b>
<b>Balance as of 1 January 2022</b>	<b>3,622,711</b>	<b>10,069,807</b>	<b>13,692,518</b>
Additions	10,830,111	1,832,321	<b>12,662,432</b>
Disposals	(3,347,752)	(1,617,150)	<b>(4,964,902)</b>
Valuation differences of monetary assets in foreign currencies	203,425	1,046,710	<b>1,250,135</b>
Profit from fair value change	(114,941)	-	<b>(114,941)</b>
Amortization of (premium) discount	1,829	214,411	<b>216,240</b>
	<b>11,195,383</b>	<b>11,546,098</b>	<b>22,741,482</b>
Expected credit losses	-	(27,406)	<b>(27,406)</b>
<b>Balance at 31 December 2022</b>	<b>11,195,383</b>	<b>11,518,692</b>	<b>22,714,076</b>

	<b>31 March 2023</b>	<b>31 December 2022</b>
	<b>EGP Thousands</b>	<b>EGP Thousands</b>
<b>Debt Instruments - At Fair Value</b>		
<b>Treasury bills, Net</b>		
Treasury bills, maturity 182 days	11,150	2,280,400
Treasury bills, maturity 273 days	125	300,000
Treasury bills, maturity 364 days	200,275	6,125,044
	<b>211,550</b>	<b>8,705,444</b>
Unearned interest	(10,241)	(522,777)
Fair value changes	(3,095)	(56,031)
<b>Total</b>	<b>198,215</b>	<b>8,126,636</b>

#### Debt Instruments - At Amortized Cost

<b>Treasury bills, Net</b>		
Treasury bills, maturity 91 days	775,000	-
Treasury bills, maturity 182 days	1,353,400	-
Treasury bills, maturity 273 days	2,741,200	-
Treasury bills, maturity 364 days	4,121,833	606,213
	<b>8,991,433</b>	<b>606,213</b>
Unearned interest	(472,179)	(25,056)
<b>Total</b>	<b>8,519,255</b>	<b>581,157</b>

- The value of the treasury bills secured by an insurance pledge with the Central Bank amounts to EGP 200,000 thousand at 31 March 2023 (EGP 994,700 thousand at 31 December 2022).

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 18. Financial investments – Continued

	31 March 2023 EGP Thousands	31 March 2022 EGP Thousands
Gain on sale of financial investments	1,928	5,398
Undistributed gains on investments in associates	2,299	13,757
<b>Total</b>	<b>4,227</b>	<b>19,155</b>

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 19. Investments in associates

Company	31 March 2023						EGP Thousands
	Company's Headquarter	Company's Assets	Company's Liabilities (without equity)	Company's Net Profits (Losses)	Company's Total Profits	Share holding Percentage	Share holding Value
Zahraa El Maadi Company	Cairo	2,563,500	1,032,639	216,266	307,688	20.30%	311,285
Middle East Land Reclamation Company	Cairo	47,974	192,215	(24,763)	-	24.47%	-
Prime for investment fund Management Services Company	Cairo	2,837	213	448	266,226	20.00%	511
Enmaa Financial Leasing Company	Cairo	2,006,151	1,750,214	32,517	74,598	31.40%	79,466
							<u>391,262</u>

Company	31 December 2022						EGP Thousands
	Company's headquarter	Company's assets	Company's liabilities (without equity)	Company's net profits (losses)	Company's Total profits	Share holding percentage	Share holding value
Zahraa El Maadi Company	Cairo	2,563,500	1,032,639	216,266	307,688	20.30%	311,285
Middle East Land Reclamation Company	Cairo	47,974	192,215	(24,763)	-	24.47%	-
Prime for investment fund Management Services Company	Cairo	2,752	199	377	265	20.00%	510
Enmaa Financial Leasing Company	Cairo	1,982,674	1,737,141	22,113	52,041	31.40%	77,168
							<u>388,963</u>

- The market value of financial investments in associates listed in the stock exchange is EGP 573,321 thousand at 31 March 2023, compared to EGP 565,806 thousand at 31 December 2022.

## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 20. Intangible assets

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
<b>Cost</b>		
At 1 January 2023	118,182	81,757
Additions	-	36,425.00
<b>At 31 March 2023</b>	<b>118,182</b>	<b>118,182</b>
<b>Accumulated Amortization</b>		
At 1 January 2023	(58,571)	(49,561)
Amortization cost	(4,118)	(9,010)
<b>At 31 March 2023</b>	<b>(62,689)</b>	<b>(58,571)</b>
<b>Net book value at 31 March 2023</b>	<b>55,493</b>	<b>59,611</b>

#### 21. Other assets

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Accrued revenue	748,022	797,153
Prepaid expenses	71,199	68,981
foreclosed assets reverted to the bank in settlement of debits	320,762	326,912
deposits held with others and custody	34,583	46,909
Advance payments for acquisition of property, plant and equipment	951,174	913,237
Others	149,941	182,212
Expected Credit Losses	(1,645)	(1,603)
<b>Total</b>	<b>2,274,036</b>	<b>2,333,801</b>

- An Amount of 99 EGP thousands was written-off during the period

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 22. Fixed assets

	<b>31 March 2023</b>				<u>EGP Thousands</u>
	<u>Lands &amp; buildings</u>	<u>Leasehold improvements</u>	<u>Machinery and equipment</u>	<u>Others</u>	<u>Total</u>
<b>Cost</b>					
Balance at 1 January 2023	338,954	173,499	41,748	204,933	<b>759,134</b>
Additions	-	2,403	461	3,000	<b>5,864</b>
Disposals	(46)	-	-	(21)	<b>(67)</b>
Adjustments	-	-	(489)	(17)	<b>(506)</b>
<b>Cost at 31 March 2023</b>	<b>338,908</b>	<b>175,902</b>	<b>41,720</b>	<b>207,895</b>	<b>764,425</b>
<b>Accumulated Depreciation</b>					
Balance at 1 January 2023	(98,290)	(152,522)	(21,682)	(124,228)	<b>(396,722)</b>
Disposals	46	-	-	21	<b>67</b>
Depreciation	(3,980)	(2,449)	(1,019)	(7,683)	<b>(15,131)</b>
Adjustments	-	-	-	-	<b>-</b>
<b>Accumulated Depreciation at 31 March 2023</b>	<b>(102,224)</b>	<b>(154,971)</b>	<b>(22,701)</b>	<b>(131,890)</b>	<b>(411,786)</b>
<b>Net carrying amount at 31 March 2023</b>	<b>236,684</b>	<b>20,931</b>	<b>19,019</b>	<b>76,005</b>	<b>352,639</b>
<b>Net carrying amount at 31 December 2022</b>	<b>240,664</b>	<b>20,977</b>	<b>20,066</b>	<b>80,705</b>	<b>362,412</b>

- The fixed assets include an amount of EGP 21,000 thousand that represents assets not yet registered in the name of the Bank, and the necessary legal procedures are currently being taken to register these properties in the name of the bank.

## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 23. Deferred tax

##### Deferred income taxes

The deferred taxes during the period, whether in the form of assets or liabilities, are as follows:

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Balance at the beginning of the period	6,481	10,282
Additions	(517)	(3,801)
<b>Balance at the end of the period</b>	<b>5,964</b>	<b>6,481</b>

#### 24. Due from banks

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Current accounts	58,539	270,059
Deposits	4,216,237	515,900
	<b>4,274,776</b>	<b>785,959</b>
local banks	1,620,780	515,900
Foreign banks	2,653,996	270,059
	<b>4,274,776</b>	<b>785,959</b>
Non-interest-bearing balances	58,539	270,059
Fixed interest balances	4,216,237	515,900
Current balances	<b>4,274,776</b>	<b>785,959</b>

#### 25. Customers deposits

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Call accounts	16,350,860	15,311,555
Time deposits	19,578,506	22,111,560
Saving and deposit certificates	8,319,331	8,651,603
Saving deposits	1,133,005	1,140,599
Other deposits	1,242,159	986,634
	<b>46,623,861</b>	<b>48,201,951</b>
Corporate deposits	33,684,564	35,625,386
Retail deposits	12,939,297	12,576,565
	<b>46,623,861</b>	<b>48,201,951</b>
Non-interest-bearing balances	1,242,159	986,634
Variable interest balances	147,650	155,017
Fixed interest balances	45,234,052	47,060,300
	<b>46,623,861</b>	<b>48,201,951</b>
Current balances	40,130,863	40,995,614
Non-current balances	6,492,999	7,206,337
	<b>46,623,862</b>	<b>48,201,951</b>

## Arab Investment Bank - S.A.E

Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

### 26. Other loans

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Social Fund for Development	6,038	6,556
Housing loan for low, middle and upper middle income	131,644	133,488
<b>Total</b>	<b>137,682</b>	<b>140,044</b>

### 27. Other liabilities

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Accrued interest payable	430,108	403,596
Unearned revenues	32,512	31,378
Accrued expenses	174,083	108,398
Accounts payable	52,786	56,531
Other credit balances	82,319	62,333
<b>Total</b>	<b>771,808</b>	<b>662,236</b>

### 28. Other provisions

	31 March 2023					EGP Thousands
	Balance at the beginning of the period	Charged during the period	Foreign currency valuation differences	No longer required during the period	Used during the period	Balance at the end of the period
Tax	24,527	9,607	-	-	(9,592)	24,542
Legal	6,286	364	281	-	(560)	6,371
Contingent liabilities	55,413	-	1,640	(13,187)	-	43,866
Others	4,000	-	-	(3,400)	-	600
<b>Total</b>	<b>90,226</b>	<b>9,971</b>	<b>1,921</b>	<b>(16,587)</b>	<b>(10,152)</b>	<b>75,379</b>

	31 December 2022					EGP Thousands
	Balance at the beginning of the period	Charged during the period	Foreign currency valuation differences	No longer required during the period	Used during the period	Balance at the end of the period
Tax	13,129	20,982	-	-	(9,584)	24,527
Legal	5,549	3,544	412	-	(3,219)	6,286
Contingent liabilities	56,118	-	1,903	(2,608)	-	55,413
Others	5,696	-	-	(1,423)	(273)	4,000
<b>Total</b>	<b>80,492</b>	<b>24,526</b>	<b>2,315</b>	<b>(4,031)</b>	<b>(13,076)</b>	<b>90,226</b>



## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 29. Paid up capital

Number of Shares	Ordinary shares EGP Thousands	Total EGP Thousands
<b>829,187,397</b>	<b>5,000,000</b>	<b>5,000,000</b>

- Based on the decision of the bank's extraordinary general assembly held on 7/7/2014, the issued share capital of the Bank was increased from EGP 500 million (distributed over 50 million shares, the nominal value per share is EGP 10) to EGP 1 billion (distributed over one hundred million shares, the nominal value per share is EGP 10). An amount of EGP 100 million was paid in 2014 from the bank's reserves account, in the form of bonus shares, with the value of the share is EGP 10 to be distributed among the shareholders according to the shareholding percentage of each shareholder.
- Based on the decision of the bank's extraordinary general Assembly held on 7/7/2015, an amount of EGP 200 million was called being the value of Tier II of the capital increase.
- The rest of the increase, amounting to EGP 200 million will be paid during the year 2016, based on the decision of the aforementioned extraordinary general assembly.
- On 30/11/2016, the shareholders paid the rest of the increase amounting to EGP 200 million.
- Based on the decision of the ordinary general assembly held on 25/7/2018, the share capital was increased by EGP 40,000 thousand from the profits distributed to shareholders through bonus shares, at 4 shares per each hundred shares.
- Based on the decision of the extraordinary general assembly dated 1 December 2020, the authorized capital of the bank amounts to EGP five billion and the paid-up capital amounts to EGP 1,987,458,360 distributed over 198,7 million shares, at a nominal value per share of EGP 10.
- Based on the decision of the extraordinary general assembly dated 30 August 2021, the ownership of all shares owned by the Union of Arab Republics is approved to be transferred to National Investment Bank, and the acquisition deal was approved, and the subscription contract was approved.
- Based on the decision of the extraordinary general assembly dated 10 October 2021, the approved amount of the Bank's authorized share capital is EGP 10 billion and the issued share capital is EGP 1,198,437,391 Egyptian pounds, divided into 198,745,836 nominal cash shares, the value of each share is (EGP 6.03). It was also unanimously approved to increase the bank's authorized capital from EGP 10 billion to EGP 20 billion, and to increase the issued capital from EGP 1,198,437,391 to EGP 5,000,000,003 distributed over 829,187,397 nominal cash shares, the value of the share is (EGP 6.03), with an increase of EGP 3,801,562,612 to be as follows:

Shareholder's Name/ nationality	Number of Shares	Nominal Value	Percentage
EFG Hermes Holding LLC	423,059,469	2,551,048,598	51%
Egypt Sub-Fund for Financial Services and Digital Transformation	207,382,092	1,250,514,014	25%
National Investment Bank	198,745,836	1,198,437,391	24%
<b>Total</b>	<b>829,187,397</b>	<b>5,000,000,003</b>	<b>100%</b>

## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 30. Reserves

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Legal reserve	65,596	39,415
Fair value reserve for financial assets through other comprehensive	(43,263)	(23,531)
Special reserve	251	251
Capital reserve	27,821	25,836
General reserve	117,798	117,798
	<u>168,203</u>	<u>159,769</u>

The movement of reserves is as follows:

##### A- Legal Reserve

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Balance at the beginning of the period	39,415	39,415
Transferred from retained earnings	26,181	-
Balance at the end of the period	<u>65,596</u>	<u>39,415</u>

##### B- Fair value reserve for financial investments through other comprehensive income

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Balance at the beginning of the period	(23,531)	56,531
Net change in fair value	(57,501)	(95,919)
Reserve of financial investments transferred from financial investments at fair value through other comprehensive income to financial investments at amortized cost	(262)	(1,074)
Net profits transferred to the statement of profit or loss due to disposal	57,848	(24,400)
Expected credit Losses	(19,817)	41,331
<b>Balance at the end of the period</b>	<u><b>(43,263)</b></u>	<u><b>(23,531)</b></u>

## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 30. Reserves – Continued

##### C- Special reserve

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Balance at the beginning of the period	251	251
Balance at the end of the period	<u>251</u>	<u>251</u>

- Special reserve represents the value of currency valuation differences related to financial assets resulting from the implementation of the Central Bank's instructions for 2008.

##### D- Capital reserve

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Balance at the beginning of the period	25,836	25,836
Transferred from retained earnings	1,985	-
Balance at the end of the period	<u>27,821</u>	<u>25,836</u>

##### E- General Reserve

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Balance at the beginning of the period	117,798	117,798
Balance at the end of the period	<u>117,798</u>	<u>117,798</u>

#### 31. Retained Earnings

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Balance at the beginning of the period	167,302	(365,460)
Transferred to capital reserve	(1,985)	-
Transferred to legal reserve	(26,181)	-
Gain on sale of equity instruments through other comprehensive income	-	7,150
Financing of banking development fund	(1,653)	-
Employees' profit share	(95,000)	-
Net profit/(loss) for the period	174,999	525,612
<b>Balance at the end of the period</b>	<u><b>217,482</b></u>	<u><b>167,302</b></u>

## Arab Investment Bank - S.A.E

### Notes to the Financial Statements

For The Financial Period Ended 31 March 2023

#### 32. Cash and cash equivalents

For the purposes of presenting the statement of cash flows, cash and cash equivalents include the following balances whose maturity dates do not exceed three months from the date of acquisition:

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Cash and balances with Central Bank	408,359	189,501
Due from banks	13,023,095	201,781
Treasury bills, maturity 91 days	772,066	3,675
	<u>14,203,520</u>	<u>394,957</u>

#### 33. Contingent liabilities and commitments

##### A- Capital commitments

###### Financial investments

The value of commitments related to financial assets for which payment was not requested until the date of the financial position at 31 March 2023 are as follows:

	<u>Contribution Amount</u>	<u>Amount Paid</u>	<u>USD Thousands</u> <u>Residual Amount</u>
African Export-Import Bank	4,891	2,116	2,775

###### Long term assets

	<u>Asset Amount</u>	<u>Amount Paid</u>	<u>EGP Thousands</u> <u>Residual Amount</u>
Long Term Assets	1,065,084	852,981	212,103

##### B- Commitments on loans, guarantees and facilities

The bank's commitments on loans and facilities are as follows:

	31 March 2023 EGP Thousands	31 December 2022 EGP Thousands
Letters of guarantee	2,990,765	2,649,791
Letters of credit (import and export)	241,976	330,149
Acceptances for supplier facilities	307,717	236,791
	<u>3,540,458</u>	<u>3,216,731</u>

**34. Transactions with related parties**

The transactions and balances of related parties at the end of the financial period are as follows:

**A- Loans and facilities to related parties**

	<u>EGP Thousands</u>			
	<u>Loans and Facilities</u>		<u>Interest Income</u>	
	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2023</u>	<u>31 March 2022</u>
<b>Due from customers</b>				
Loans and facilities at the end of the period	244,280	183,750	8,147	426
<b>Total</b>	<b>244,280</b>	<b>183,750</b>	<b>8,147</b>	<b>426</b>

**B- Deposits, current accounts and other balances from related parties**

	<u>EGP Thousands</u>			
	<u>Deposits</u>		<u>Cost of Deposits</u>	
	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>31 March 2023</u>	<u>31 March 2022</u>
<b>Due to shareholders</b>				
Deposits, current accounts at the end of the period	474	681	11	13,859
<b>Due to customers</b>				
Deposits, current accounts and others at the end of the period	115,354	88,707	1,179	219
<b>Total</b>	<b>115,828</b>	<b>89,388</b>	<b>1,190</b>	<b>14,078</b>

C- The monthly average of the total annual net income of the twenty persons who receive the largest bonuses and salaries in the bank collectively amounted to EGP 934,546 for the financial period ended 31 March 2023 compared to EGP 2,351,248 for the financial year ended 31 December 2022.

### **35. Investment funds**

They are one of the banking activities licensed to the Bank under Capital Market Law No. 95 of 1992 and its executive regulation:

#### **1- Arab Investment Bank Monetary Fund (with cumulative daily interest in Egyptian pounds)**

The fund is managed by EFG Hermes Investment Funds Management Company. The number of investment certificates of this fund is 11,959,161 and the value of which is EGP 19,591,610 The Bank allocated 500 thousand units out of them (its nominal value is EGP 5 million) to practice the fund's activity.

The redemption value of the certificate at 31 March 2023 was about EGP 13.90984 after dividends paid amounted of EGP 11.3903 in form of free certificates from fund establishment till December 2019 and the number of the fund's certificate on the same date was 32,129,889 certificates.

In accordance with the fund management contract as well as the subscription prospectus, the Arab Investment Bank receives fees and commissions in return for its supervision over the fund, as well as the other administrative services it performs. The total commissions amounted to EGP 546 thousand for the financial position ended at 31 March 2023, and they were included under "fee and commissions income/ other fees" in the statement of profit or loss.

#### **2- Arab Investment Bank second investment fund (Halal)**

The fund is managed by Cairo Investment Funds Management Company. The number of investment certificates of this fund is 26,954 certificate and the value of which is EGP 26,954,900. Also, 50,000 certificates of these were allocated to the Bank (with a nominal value of EGP 5 million) to carry out the fund's activity.

The redemption value of the certificate at 31 March 2023 was about EGP 211.97464 after dividends paid amounted of EGP 20.88215 in form of free certificates from fund establishment till December 2014 and the number of the Fund's certificates on the same date was 57,643 certificates.

According to the fund management contract as well as the subscription prospectus, the Arab Investment Bank receives fees and commissions in return for its supervision over the fund, as well as the other administrative services it performs. The total commissions amounted to EGP 13,000 for the financial position ended 31 March 2023, and they were included under "fee and commission income/other fees income" in the statement of profit or loss.

#### **3- Arab Investment Bank third investment fund for Fixed Income Instruments (Sanady)**

The fund is managed by (Azimut Egypt Asset Management). The number of investment certificates of this fund is 5,206,672 certificates and the value of which is EGP 52,066,720 Also, 500,000 of these were allocated to the Bank (with a nominal value of EGP 5 million) to practice the fund's activity.

The redemption value of the certificate at 31 March 2023 was about EGP 14.25607, 97464 after dividends paid amounted of EGP 4.22756 in form of free certificates from fund establishment till May 2015 and the number of the Fund's certificates on the same date was 514,015 certificates.

In accordance with the fund management contract as well as the subscription prospectus, the Arab Investment Bank receives fees and commissions in return for its supervision over the fund, as well as the other administrative services it performs. The total commissions amounted to EGP 9,000 for the financial position ended 31 March 2023, and they were included under "fee and commission income/other fees income" in the statement of profit or loss.

### **36. Tax position**

#### **Salary tax**

- Inspection was conducted and disputes were resolved by re-inspection and payment of tax differences until 2019.
- **Years 2020-2021**  
They have not been inspected yet, and the Bank pays the tax payable by the employees monthly on the legal date.

#### **Stamp duty tax**

- The examination was carried out until the fiscal year on December 31, 2020, and the tax differences that resulted in the examination were settled and paid.
- The examination was not done for the period from January 1, 2021 to December 31, 2022, and the bank submits declarations and pays the stamp tax on the legal dates.

#### **Corporate income tax**

- **Years till 2017**  
The examination was carried out until 2017, the tax disputes for that period were settled, and all due taxes were paid
- **Years 2018-2019**  
Tax examination work is being completed
- **Years 2020-2021-2022**  
The declaration has been submitted to the tax authority and has not yet been examined

#### **Real estate tax**

- The assessments sent to the Bank for all branches were appealed against, and the Bank has paid all the amounts due to avoid being subjected to a delay penalty till adjudicating on the submitted appeals.

### **37. Significant events**

Although the Coronavirus (COVID-19) pandemic has receded globally due to the successful vaccination of citizens in many countries, including Egypt, the bank is monitoring the situation through a business continuity plan and other risk management practices.

#### **Impact on expected credit losses**

To determine the impact on expected credit losses, the Arab Investment Bank considered the impact of local economic conditions as well as global effects, including the Russian-Ukrainian war. The bank reviewed the potential impact of local and global economic conditions on the inputs and assumptions for measuring expected credit losses. In addition, the bank analyzed the risks of the credit portfolio by focusing on analyzing the economic sectors in general. As a result of the aforementioned, the Bank re-evaluated expected credit loss models, basic assumptions, including available relevant macroeconomic data, and credit risks related to certain industries, which was reflected in the management's estimates in increasing the additional provisions (Overlay Provisions) recognized in the Bank's financial statements on March 31, 2023.

The impact of the current uncertain economic environment is estimated and management will continue to regularly assess the current situation and its related impact.

It should also be considered that the assumptions used around the economic forecasts are subject to a high degree of inherent uncertainty and therefore the actual outcome may differ significantly from the projected information.

The bank considered the potential effects of the current economic fluctuations in determining the amounts offered for the bank's financial and non-financial assets, which represent the management's best assessment based on the available information. Nevertheless, the markets remain volatile and the recorded amounts remain sensitive to market fluctuations.