Faisal Islamic Bank of Egypt - S,A,E,
Consildation Statement of Financial Position
As at 30 June 2023

Assets	Note No.	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Cash and due from Central Bank of Egypt	(15)	**12,804,727**	12,618,782
Due from banks	(16)	**37,695,359**	24,108,645
Inventory	(17)	**2,301,415**	934,525
customers and notes receivable	(18)	**879,662**	686,098
Musharaka, Murabaha and Mudaraba with banks	(19/A)	**63,355**	-
Musharaka, Murabaha and Mudaraba with customers	(19/B)	**12,722,885**	12,398,823
Financial investments			
Fair value through other comprehensive income (FVOC)	(20/A)	**32,945,116**	33,831,183
Fair value through profit or loss (FVTPL)	(20/B)	**344,121**	264,453
Amortized cost	(20/C)	**63,484,233**	60,613,957
Investments in subsidiaries and associates	(20/D)	**621,297**	536,234
Other assets	(21)	**6,103,841**	5,911,271
Deferred Tax asset		**457,768**	213,550
Intangible assets	(22)	**239,417**	193,396
Property and equipment	(23)	**2,406,188**	2,374,974
Investment Property	(24)	**29,577**	29,701
Total assets		**173,098,961**	154,715,592
Liabilities and Shareholders' Equity			
Liabilities			
Due to banks	(25)	**8,022,637**	1,695,109
Long term loans		**80,486**	158,493
Suppliers and payment notes		**607,197**	346,289
Saving pools and saving certificates	(26)	**132,331,811**	123,481,128
Other liabilities	(27)	**4,993,675**	4,597,770
Other provisions	(28)	**287,196**	310,407
Current Income Tax Payable		**918,304**	810,095
Total Liabilities		**147,241,306**	131,399,291
Shareholders' Equity			
Paid-up Capital	(29)	**5,677,509**	5,677,509
Treasury shares	(29)	**(9,892)**	(9,892)
Reserves	(30)	**6,994,616**	5,341,025
Retained profit (including profit of the period / year)	(30/f)	**12,898,698**	12,021,486
Total equity attributed to bank share holder's		**25,560,931**	23,030,128
Non-controlling interests		**296,724**	286,173
Total Shareholders' Equity		**25,857,655**	23,316,301
Total Liability and Shareholders' Equity		**173,098,961**	154,715,592

Supervisor of Financial Sector — **Governor**

Alaa-Eldin Abdelaziz Elsayed — **Abdel Hamid Mohammed Aboumoussa**

Alaa

- The accompanying notes from (1) to (34) are integral part of the consolidated financial statements.
- Limited review report attached.

Faisal Islamic Bank of Egypt - S,A,E,
Consildation Income Statement
As For the Period ended 30 June 2023

	Note No.	**From 1 January 2023 To 30 June 2023 EGP Thousand**	**From 1 April 2023 To 30 June 2023 EGP Thousand**	From 1 January 2022 To 30 June 2022 EGP Thousand	From 1 April 2022 To 30 June 2022 EGP Thousand
Return on Musharaka, Murabaha and Mudaraba and similar income	(6)	**7,576,599**	**3,971,402**	5,782,489	2,916,250
Cost of saving pools and similar costs	(6)	**(4,774,119)**	**(2,592,720)**	(3,552,472)	(1,971,818)
Sales income	(6)	**2,054,752**	**1,063,536**	1,589,532	820,302
Cost of sales	(6)	**(1,456,332)**	**(821,712)**	(1,136,081)	(567,266)
Net income	**(6)**	**3,400,900**	**1,620,506**	2,683,468	1,197,468
Fees and commissions income	(7)	**223,706**	**102,008**	136,279	72,188
Dividend income	(8)	**179,077**	**15,994**	132,812	131,719
Net trading income	(9)	**34,962**	**34,445**	44,808	(31,975)
Gain from financial investments	(20/H)	**85,064**	**34,160**	94,713	57,309
Charge of impairment credit losses	(10)	**(480,467)**	**(36,344)**	(46,175)	155,164
Administrative expenses	(11)	**(1,217,281)**	(468,794)	(870,523)	(415,258)
legitimately due Zakat		**(125,000)**	**(75,000)**	(75,000)	(37,500)
Other operating revenues	(12)	**1,611,798**	**20,207**	806,552	67,436
Profit before income tax		**3,712,759**	**1,247,182**	2,906,934	1,196,551
Income tax (expenses)	(13)	**(724,687)**	**(477,983)**	(840,524)	(440,738)
Net profit for the period		**2,988,072**	**769,199**	2,066,410	755,813
Non-controlling interests		**(44,989)**	**(23,312)**	(45,226)	(24,431)
Net profit of the period		**2,943,083**	**745,887**	2,021,184	731,382
Earnings per share (EGP)	**(14)**	**4,644**		3,163	

Supervisor of Financial Sector

Alaa-Eldin Abdelaziz Elsayed

Alaa

Governor

Abdel Hamid Mohammed Aboumoussa

- The accompanying notes from (1) to (34) are integral part of the consolidated financial statements.

Faisal Islamic Bank of Egypt - S,A,E.
Consildation Comprehensive Income Statement
For the Period ended 30 June 2023

	From 1 January 2023 To 30 June 2023	**From 1 April 2023 To 30 June 2023**	From 1 January 2022 To 30 June 2022	From 1 April 2022 To 30 June 2022
	EGP Thousand	**EGP Thousand**	EGP Thousand	EGP Thousand
Net profit of the period	**2,943,083**	**745,887**	2,021,184	731,382
Other comprehensive income items that will not be re-classified to profit or loss				
Net change in fair value of investments in equity instruments measured at fair value through other comprehensive income	**1,349,718**	**299,820**	(4,914)	(144,985)
Other comprehensive income items that is or may be re-classified to Profit or Loss				
Net change in fair value of debt instruments measured at fair value through other comprehensive income	**(147,995)**	**(138,983)**	(70,113)	56,377
Expected credit losses of debt instruments measured at fair value through other comprehensive income	**13,391**	**2,025**	960	1,225
Total other comprehensive income items for the period	**1,215,114**	**162,862**	(74,067)	(87,383)
Total comprehensive income for the period	**4,158,197**	**908,749**	1,947,117	643,999

- The accompanying notes from (1) to (34) are integral part of the consolidated financial statements.

Faisal Islamic Bank of Egypt - S.A.E.
Consildation statement of changes in Equity
As for the Period ended 30 June 2023

	Note No.	Paid-up Capital EGP Thousand	Reserves EGP Thousand	Retained profit and net profit for the period EGP Thousand	Treasury shares EGP Thousand	Total equity attributed to bank share holder's EGP Thousand	Non-controlling interests EGP Thousand	Total EGP Thousand
Balances as of 1 January 2023 as previously issued		**5,677,509**	**5,341,025**	**12,021,486**	**(9,892)**	**23,030,128**	**286,173**	**23,316,301**
Net change in financial investments measured at fair value through other comprehensive income		-	**1,215,114**	**(137,323)**	-	**1,077,791**	-	**1,077,791**
Dividends		-	-	**(1,490,071)**	-	**(1,490,071)**	**(34,474)**	**(1,524,545)**
Capital increase		-	-	-	-	-	**36**	**36**
Transfer from banking risk reserve for assets acquired by the bank for retained profit		-	**(14,739)**	**14,739**	-	-	-	-
Transfer to legal reserve (general)		-	**446,870**	**(446,870)**	-	-	-	-
Transfer to a capital reserve		-	**6,346**	**(6,346)**	-	-	-	-
Net profit of the period		-	-	**2,943,083**	-	**2,943,083**	**44,989**	**2,988,072**
Balances on 30 June 2023	**(29),(30)**	**5,677,509**	**6,994,616**	**12,898,698**	**(9,892)**	**25,560,931**	**296,724**	**25,857,655**
Balances as of 1 January 2022 as previously issued		5,677,509	3,709,912	8,512,394	(9,892)	17,889,923	242,728	18,132,651
Net change in financial investments measured at fair value through other comprehensive income		-	(74,067)	8,058	-	(66,009)	-	(66,009)
Dividends		-	-	(1,072,944)	-	(1,072,944)	(25,332)	(1,098,276)
Transfer to legal reserve (general)		-	268,290	(268,290)	-	-	-	-
Net profit for the Period		-	-	2,021,184	-	2,021,184	45,226	2,066,410
Balances on 30 June 2022	(29),(30)	5,677,509	3,904,135	9,200,402	(9,892)	18,772,154	262,622	19,034,776

- The accompanying notes from (1) to (34) are integral part of the consolidated financial statements.

Faisal Islamic Bank of Egypt - S.A.E.
Consildation statement of Cash Flows
As for the Period ended 30 June 2023

	Note No.	30 June 2023 EGP Thousand	30 June 2022 EGP Thousand
Cash flows from operating activities			
Net Profit before Taxes		**3,712,759**	2,906,934
Adjustments to reconcile net profit with cash flows from operating activities			
Depreciation of fixed assets,real estate investments and Amortization of intangible assets	(11)	**139,607**	95,930
Impairment of assets		**356,094**	24,715
Revaluation differences for other provisions in foreign currencies	(28)	**2,168**	521
Charge (Reverse) of other provisions	(12)	**6,803**	163,959
(Profits) of financial investments	(20/H)	**(85,064)**	(94,713)
(Gain) on sale of property and equipment		**(6,140)**	(2,539)
Dividends income	(8)	**(179,077)**	(132,812)
Operating income before changes in assets and liabilities from operating activities		**3,947,150**	2,961,995
Net change in assets and liabilities			
Due from banks	(16)	**(4,154)**	(395,994)
Government securities with maturity exceeding three months	(20/A,C)	**332,557**	9,188,356
Financial Investments at fair value through profit and loss	(20/B)	**(79,668)**	(63,081)
Inventory	(17)	**(1,362,577)**	(74,782)
Clients and notes receivable	(18)	**(188,345)**	(61,303)
Musharaka, Murabaha and Mudaraba with banks	(19/A)	**(65,617)**	-
Musharaka, Murabaha and Mudaraba with customers	(19/B)	**(559,598)**	(665,854)
Deferred tax assets		**(244,218)**	(103,575)
Other assets	(21)	**(230,650)**	(332,552)
Due to banks	(25)	**6,327,528**	(187,055)
Suppliers and payment notes		**260,908**	(60,052)
Saving pools and certificates	(26)	**8,850,683**	5,901,276
Income tax paid		**(616,478)**	(699,961)
Other liabilities	(27)	**263,191**	769,058
Net cash flows resulting from operating activities		**16,630,712**	16,176,476
Cash flows from investment activities			
Acquisition of property and equipment and intangible assets	(22),(23)	**(216,718)**	(304,822)
Proceeds from sale of property and equipment	(12)	**6,140**	2,539
Dividends received	(8)	**179,077**	132,812
Payments to acquire financial investments at fair value through other comprehensive income		**(427,294)**	(578,741)
Proceeds from selling (payments to acquire) investments in subsidiaries and associates		**(85,064)**	17,400
Proceeds from excluding (payments to acquire) financial investments at amortized cost		**47,655**	(2,519,790)
Net cash flows (used in) investment activities		**(496,204)**	(3,250,602)
Cash flows from financing activities			
Proceeds from (payment in) long-term loans		**(78,007)**	19,557
Dividends paid		**(1,357,357)**	(1,023,700)
Change in non-controlling interest		**10,551**	19,894
Net cash flows (used in) financing activities		**(1,424,813)**	(984,249)
Net Increase in cash and cash equivalent during the year		**14,709,695**	11,941,625
Cash and cash equivalent - at the beginning of the year		**35,033,573**	20,467,274
Cash and cash equivalent - at the end of the year	**(31)**	**49,743,268**	32,408,899
Cash and cash equivalent are represented in:			
Cash and due from Central Bank of Egypt	(15)	**12,804,727**	10,022,500
Due from banks	(16)	**37,695,359**	20,055,572
Other Government securities deductible at the Central Bank of Egypt	(20)	**41,011,121**	34,489,060
Balances at the Central Bank of Egypt as reserve ratio	(15)	**(11,175,010)**	(8,749,553)
Government Securities with maturity (exceeding three months)	(20)	**(30,592,929)**	(23,408,680)
Cash and cash equivalent	**(31)**	**49,743,268**	32,408,899

- Cash Flow Statement did not include non-cash transactions comprising of amounts as disclosed in note no. (31/2).
- The accompanying notes from (1) to (34) are integral part of the consolidated financial statements.

1- Background

Faisal Islamic Bank of Egypt provides all retail and corporate banking services and investment activities in the Arab Republic of Egypt and abroad through 41 branches and its Head Office located at 3, 26th July St,, Cairo, Egypt.

Faisal Islamic Bank of Egypt (Egyptian Joint stock company) was established under the law No, 48 of 1977, amended by the law No, 42 of 1981 and its Executive Regulation in the Arab Republic of Egypt, The Bank is listed in the Egyptian Stock Exchange (EGX).

On 9 August 2023, the Board of Directors approved the Bank's Consildation Financial Statements.

About the Groub:

The Faisal Islamic Bank of Egypt Group owns, directly and indirectly, a number of shares in some subsidiaries and Associates, as follows:

A – Subsidiaries:

	Percentage of shareholding
Faisal Faisal financial Investments	99,994%
Faisal Faisal securities Brokerag	99,90%
Faisal Bank Exchange	83,22%
Modern National Co, for Wood Industry	85,14%
Cairo for Cardboard Industry "Copack"	84,47%
Horizon Co, for Investment and Industrial Development	69,00%
Ismailia National Co, for Food Industries (FOODICO)	67,98%
TAQA Co, for Electronic Industries	65,00%
Al-Faisal Real Estate Investment Co	99,999%

B- Associates:

	Percentage of shareholding
Giza Co, for Paints & Chemical Industries	48,57%
Al-Arabiya Co, for Disinfection Works "ARADIS"	40,00%
Ashgar City Co, for Real estate Development	40,00%
Arab insurance brokerage	25,00%
Masryia Co, for Takaful Insurance on Property	32,75%
Misr international hospital	24,30%
ARDIC For Real Estate Development and investment	25,51%

2- Summary of significant accounting policies:

The principal accounting policies applied in the preparation of these financial statements are set out below, These policies are consistently applied to all the years presented, unless stated otherwise.

A- Basis of preparation of the conslidated financial statements

These conslidated financial statements have been prepared according to the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on 16 December 2008, and in accordance with the instructions of the Central Bank of Egypt regarding financial reporting standards in compliance with IFRS9 "Financial Instruments" requirements issued on 26 February 2019.

The Bank's financial statements were prepared until 31 December 2018 using the rules of preparation and presentation of financial statements and bases of recognition and measurement issued by the Central Bank of Egypt on 16 December 2008, As of 1st January 2019 and based on the CBE's regulations issued on 26 February 2019, The Bank's management has adjusted some accounting policies to comply with these regulations.

Complition

A/1 -Investment in subsidiaries :

Are the companies which the Bank owns directly or indirectly the power to control and govern financial and operating policies, Generally, the Bank has a shareholding of more than a half of the voting rights .

- Subsidiaries are establishments(including special purpose establishments) in which the bank has tha ability to control its operating financial policies, and the bank usually has an ownership of more than half of the voting rights. The existence and effect of voting rights that can be exercised or transferred at the present time are taken into account when evaluating whether the bank has the ability to control other entities.

- Subsidiaries are fully consolidated from the date on which control is transferred to the bank, and they are also excluded from compilation from the date on which control ends.

- The purchase method is used in accounting for the bank's acquisition of companies, and the acquisition cost is measured at the fair value of the assets provided, equity instruments issued, and obligations incurred or accepted at the date of exchange, in addition to any costs directly attributable to the acquisition process, and the acquired identifiable asstes and liabilities are masured as will accepted contingent liabilities at there fair value on the date of acquisition, regardless of the existence of any rights of the minority. The increase in the acquisition cost of the bank is recorded in the net identifiable acquired assets as goodwill, and if the acquisition cost is less than the fair value of the net identifiable acquired assets to be specific to the acquiring company, the difference is recorded directly in the income statement.

- when complition, transaction, balances and unrealized profits arising fro transaction between bank companies are excluded, and unrealized losses are excluded, unless they provide evidence of impairment in the value of the transferred assets. The accounting policies of the subsidiaries are changed whenever necessary so as to ensure applying unified bank policies.

A/2 – Transactions with non-controlling interest holders

The group of transactions with non-controlling interest holders are transactions with parties outside the group. Profits and losses resulting from the sale to non-controlling interests are recognized in the income statement. Purchases from non-controlling interests result in goodwill, which represents the difference between the consideration paid for the shares acquired and the book value of the net assets of the subsidiary.

A/3-Investment in associates:

Are the companies over which the Bank has direct or indirect significant influence but do not reach to the extent of control, Generally, the Bank has a shareholding between 20% and 50% of the voting rights.

The purchase method is used for the accounting of the acquisitions of the companies made by the Bank, The acquisition cost is measured by the fair value of assets, or the equivalent assets presented by the Bank in return, and/or issued equities and/or liabilities incurred by the Bank and/or liabilities accepted by the Bank on behalf of the acquired company in the offset date adding any costs directly related to the acquisition process, Net identifiable acquired assets including potential liabilities are measured at fair value on the date of acquisition irrespective of minority interest, The excess of acquisition cost over the Bank's share of fair value in the net assets acquired is recorded as goodwill, If the acquisition cost is less than the stated fair value of the net assets, the difference is recognized directly in the income statement under "Other operational revenues (expenses)" item.

Investments in subsidiaries and associates in the conslidated financial statements are accounted according to the cost method, under which the investments are recorded at the acquisition cost including any goodwill and net of any impairment losses, Dividends are recorded in the income statement when dividends are declared, and affirming the Bank's right in its collection.

B- Segment reporting:

An operating segment is a group of assets and operations related to providing products or services subjected to risks and returns that differ from those of other business sectors, The geographical sector is engaged in providing products or services in a particular economic environment subjected to risks and returns that differ from those of other geographical sectors operating in a different economic environment.

C- Functional and Presentation curency:

The Bank's conslidated financial statements are presented in Egyptian Pound, which is the Bank's Functional and Presentation currency,

USD= EGP 30.8969 at the end of June 2023 , USD= EGP 24.7434 at the end of December 2022,

Evaluation differences on non-monetary items include profits and losses resulting from change in the fair value such as equity instruments held at fair value through profit and loss, Evaluation differences resulted from equity instruments classified as financial investments at fair value through other comprehensive income are recognized as fair value reserve in equity section

D - Transactions and Balances in foreign currencies:

The Bank maintains the conslidated financial statements in Egyptian Pound and transactions in foreign currencies conducted during the year are recorded at the foreign exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are revaluated at the foreign exchange rate prevailing at the end of reporting year, Foreign exchange profits or losses resulting from settlement of these transactions and evaluation differences are recognized in the income statement in the following items:

- Net trading income (for trading assets and liabilities).
- Other operating revenues (expenses) for the remaining items .
- Investment in equity instruments recognized at fair value through other comprehensive income in equity.

Changes in the fair value of monetary financial instruments held in foreign currency classified as investments at fair value through other comprehensive income are analyzed between evaluation differences arising from changes in the amortized cost and differences resulted from change in the prevailing exchange rates, and differences from change in the fair value of the instrument, Evaluation differences resulted from changes in the amortized cost of the instrument are recognized in the income statement under financing return and similar revenues, While differences resulted from change in the prevailing exchange rate are recognized under other operational revenues (expenses), Differences from the change in the fair value (fair value reserve / financial investments at fair value through other comprehensive income) are recognized in the equity section.

Valuation differences on non-monetary items include profits and losses resulting from change in the fair value such as equity instruments held at fair value through profit and loss, Evaluation differences resulted from equity instruments classified as financial investments at fair value through other comprehensive income are recognized as fair value reserve in equity section.

E- Financial assets:

Financial assets are classified in the following categories: Financial assets designated at the fair value through profit and loss, finance for customers (Musharaka, Murabaha, and Mudaraba transactions for customers), financial at amortized cost and financial at fair value through other comprehensive income, The management identifies classification of its investments upon initial recognition.

Classification of financial assets and liabilities:

Financial assets are classified based on the Bank's business model by which these assets and their contractual cash flows are managed,

The financial asset is measured at amortized cost if the following two conditions are met and was not measured at fair value through profit and loss:

- The asset is held within a business model aimed at holding assets to collect contractual cash flows.
- The contractual terms of the financial asset shall result in cash flows on specific dates which are payments limited only to the principal and the return on the principal amount outstanding.

Debt instruments are measured at fair value through other comprehensive income items only if they meet the following two conditions and were not measured at fair value through profit and loss:

- The asset is held within a business model whose objective was achieved by both collecting contractual cash flows and sale of financial assets.
- The contractual terms of the financial assets shall result in cash flows on specific dates which are payments limited only to the principal and the return on the principal amount outstanding.

Upon initial recognition of investment in non-held for trading equity instruments, the Bank may irrevocably designate subsequent changes in fair value to be measured under other comprehensive income items, This designation is made based on every single investment,

All other financial assets are classified as at fair value through profit and loss,

In addition, upon initial recognition, the Bank may irrevocably designate a financial asset to be measured at fair value through profit and loss, although it meets requirements of classification as a financial asset at amortized cost or at fair value through other comprehensive income, if this action would eliminate or substantially reduce the inconsistency accounting mismatch that may otherwise arise in accounting measurement

Business model Evaluation:

The Bank evaluates the objective of the business model in which the asset is held at the portfolio's level, as this best reflects the way the business is managed and information is provided to the Bank's management, The information to be taken into consideration includes the following:

- The stated policies and objectives of the portfolio and the functioning of those policies in practice, especially to know whether the management's strategy focuses on earning the contractual revenues income or matching the duration of financial assets with the duration of financial liabilities that finance those assets or generating cash flows through the sale of the assets.
- The method of evaluating the portfolio's performance and reporting the same to the Bank's management.
- The risks affecting the business model performance and the financial assets held in this model and how these risks are managed.
- Number of sale transactions, volume and timing of sales during the previous periods, the reasons of these sales and their expectations regarding the future sales activity, However, the information related to the sales activity is not considered conslidatedly, but rather as a part of a comprehensive evaluation of how to achieve the Bank's stated objective of managing financial assets and how to generate cash flows.

The financial assets held for trading or whose performance is evaluated based on fair value are measured at fair value through profit and loss because they are not held to collect contractual cash flows only and are not held to collect contractual cash flows with the sale of financial assets.

Assessing whether the contractual cash flows are solely payments of the principal and the return:

For the purposes of this evaluation, the principal amount is defined as the fair value of the financial asset at initial recognition, The return is defined as consideration of the time value of money, the credit risks associated with the principal amount over a certain period of time, and other basic credit risks and costs (e,g, liquidity risks and administrative costs) as well as profit margin.

In the light of evaluating whether the contractual cash flows are payments limited only to the principal and return, the Bank takes into account the contractual terms of the instrument, This includes an evaluation of whether the financial asset contains contractual terms that may change the timing and amount of contractual cash flows, making them unable to meet that condition.

3- Financial assets

The bank classifies financial assets into the following group: financial assets classified at fair value through profit and loss, investments for clients (musharaka, murabaha and speculation for clients), financial investments at amortizes cost, and financial investments at fair value through the statement of other comprehensive income, and the managmement determines the classification its investments upon initial recognition.

3/1- Financial assets designated at the fair value through profit and loss:

This category includes financial assets at fair value through profit and loss, The financial assets are classified as held for trading if they are acquired and its value charged mainly for sale in the short-term, or if being a part of a specific financial portfolio that are managed together and there is evidence of actual recent transactions which refers to earning profits in the short term, Derivatives are classified as being for trading purpose unless specified as being hedging instruments.

Any financial derivative designated as financial instruments recognized at fair value through profit and loss can't be re-classified during its custody or validity period, No financial instrument shifted from the category of financial instruments recognized at fair value through profit and loss may be reclassified in case this instrument is classified by the Bank at the initial recognition at fair value through profit and loss.

In all cases, the Bank never reclassifies any financial instrument and shift it to the financial instruments recognized at fair value through profit and loss.

- This category includes financial assets held for trading and financial derivatives.
- The financial instruments are classified as held for trading if they were acquired and its value charged mainly for sale in the short-term or if being a part of a specific financial portfolio including other financial assets and liabilities that are managed together and characterized by earning profits in the short term or classified as unqualified derivatives of hedging instruments.

3/2 Musharaka, Murabaha and Mudaraba with customers:

Represent non-derivative financial assets with fixed or determinable amount, that are not current in active market, except:

- Assets that the Bank intends to sell soon or in the short term, In this case, assets will be classified as at fair value through profit and loss.
- Assets classified by the Bank at fair value through other comprehensive income upon initial recognition.
- Assets that the Bank cannot refund its original investment value for reasons other than deterioration of creditworthiness.

3/3- Financial Investments at amortized cost:

Financial investments at amortized cost are non-derivative assets with fixed or determinable amount and fixed maturity that the Bank management has the ability and the intention to hold it until maturity, The whole group is re-classified as investments at fair value through other comprehensive income if the Bank sells a substantial amount of the financial assets at amortized cost except in the emergency cases.

3/4- Financial Investments at fair value through other comprehensive income :

Financial investments at fair value through other comprehensive income (FVOCI) represent non-derivative financial assets that are intended to be held for indefinite period and may be sold to cover shortage in liquidity or due to changes in return rates, exchange rates or share prices.

For the financial assets, the following has to be applied:

Buying and selling operations of financial assets are recognized as usual on the trade date on which the Bank is committed to buy or sell the financial asset, and this applies to the financial investments at amortized cost as well as financial investments at fair value through other comprehensive income.

Financial assets are derecognized when the contractual right to receive cash flows from the financial assets has expired, or when the Bank has transferred substantially all risks and benefits of ownership to another party, Liabilities are derecognized when they are discharged by disposal, cancellation, or expiry.

Financial investments at fair value through other comprehensive income are subsequently measured at fair value, while financial investments at amortized cost are measured at amortized cost.

Profits and losses arising from changes in the fair value of financial investments at fair value through other comprehensive income are recognized directly in equity until the financial asset is derecognized or impaired, At that time, the accumulative profits and losses that previously recognized in equity should be recognized in the income statement.

Return calculated at amortized cost, as well as profit and loss of foreign currencies of monetary assets classified as at fair value through other comprehensive income are recognized in Income Statement, Dividends from equity instruments classified as at fair value through other comprehensive income are also recognized in Income Statement when declared.

The fair value of quoted investments in active markets is determined based on current Bid Prices, If there is no active market for such financial asset or no Bid Prices are available, the Bank estimates fair value using one of the valuation techniques, These include the use of recent neutral transactions, discounted cash flow analysis, options pricing methods or other valuation techniques used by other participants, In case of the fair value of equity instruments classified as at fair value through other comprehensive income cannot be reliably determined by the Bank, it should be valued at cost after deducting any impairment,,

The Bank reclassifies the financial asset classified within financial instruments at fair value through other comprehensive income defined as - Debts (Bonds), transferred from the financial instruments at fair value through other comprehensive income to financial assets at amortized cost

- whenever the Bank has the intention and ability to hold these financial assets during the near future or maturity date, Reclassification is carried out at fair value at the date of reclassification and any related profit or loss previously recognized in the equity are treated as follows:

- Financial asset with fixed maturity date, profits and losses are amortized over the remaining life of the investment at amortized cost using the effective return method, Any difference between value at amortized cost and value at maturity date over the remaining life of the financial asset is amortized by using the effective return method, In case of subsequent impairment, any profits or losses previously recognized directly in equity should be recognized in the profits and losses.
- Financial asset without fixed maturity, profits or losses are recorded in equity until the asset is sold or disposed; only then they are recognized in the profit and loss, In case of impairment, profit or loss that have been previously recognized directly in equity should be recognized in the profit and loss.

If the Bank revised its estimates regarding payments or proceeds, the book value of the financial asset (or group of financial assets) is adjusted to reflect the actual cash flows and the change in estimates through recalculating the book value by calculating the present value of the future cash flows using the effective return rate of the financial instrument, The adjustment is recognized as either revenue or expense in the profits and losses.

In all cases, if the Bank reclassified a financial asset as previously stated, and the Bank increased its estimates of the future cash proceeds in a later date because of the increase of the amount that will be refunded from its cash proceeds, Such increase is recognized as adjustment to the effective return rate as at the date of the change in estimates, and not as adjustments of the book value of the asset at the date of change in estimates.

- Financial policy :

The Bank classifies its financial assets through the following categories: Financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit and loss, The classification is generally based on the business model by which financial assets and their contractual cash flows are managed.

1- Financial assets at amortized cost:

The financial asset is held within the business model for financial assets held to collect contractual cash flows, The objective of the business model is to hold the financial assets to collect the contractual cash flow that are represented in the principal amount and the returns.

The sale is an exceptional incident in relation to the objective of this model and the conditions stated in the standard, which are represented in the following:

- Deterioration in the creditworthiness of the financial instrument issuer.
- Low sales in terms of frequency and value.
- The rationale of each sale transaction and its compliance with the IFRS9 requirements shall be clear, reliable documented.

2- Financial assets at fair value through other comprehensive income:

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

Both collecting contractual cash flows and selling are complemented to achieve the model objective.

High sales in terms of frequency and value compared to the business model maintained for collecting contractual cash flows.

3- Financial assets at fair value through profit and loss:

The financial asset is held within other business models that include trading, managing the financial assets based on fair value and maximizing cash flows through sale.

The objective of the business model is not to hold the financial asset for collecting contractual cash flows or the asset held for collection of contractual cash flows and sale.

Collection of contractual cash flows is an exceptional incident comparing to the model objective.

Characteristics of business model are represented in:

- Structure of a group of activities designed to produce certain output.
- The model represents a complete framework of a certain activity (input - activities - output).
- The single business model can include sub-business models.

- Offsetting financial instruments

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

Government securities, Repos and Reverse Repos agreements are netted in the balance sheet under "Government securities" item

- **Financial derivatives and hedge accounting:**

Derivatives are recognized at fair value at the date of concluding the derivative contract, and they are subsequently revaluated at its fair value, The fair value is obtained from quoted market prices in active markets, recent market transactions, or other valuation methods such as discounted cash flow models, and option pricing models as appropriate, All derivatives are included in assets when their fair value is positive and as liabilities when their fair value is negative.

Derivatives embedded in other financial instruments, such as conversion option in acquired convertible bonds, are treated as conslidated derivatives if their economic characteristics and risks are not closely related to those of the original contract and provided that the contract itself is not classified as at fair value through profit or loss, These embedded derivatives are measured at fair value and changes in fair value are recognized in the Income Statement under "Net Trading Income" item.

Embedded derivatives will not be conslidatedd if the Bank chooses to designate the whole contract as at fair value through profit or loss.

Recognition of profit and loss arising from changes in fair value depends on whether the derivative is designated as a hedging instrument and the nature of the hedged item, The Bank designates certain derivatives as follows

- Hedging risks of the fair value of recognized assets and liabilities or definite commitments (fair value hedging)
- Hedging risks of highly expected future cash flows attributed to a recognized asset or liability, or to predicted transaction (cash flow hedging).
- Hedging net investments in foreign currencies (net investment hedging).

Hedge accounting is used for derivatives specified for this purpose whenever the required conditions are fulfilled, At the inception of the transaction, the Bank documents the relationship between the hedged items and hedging instruments, along with its risk management objectives and its strategy for undertaking various hedge transactions, Furthermore, at the inception of the hedge, the Bank regularly documents the process in order to estimate whether the derivatives used in hedging transactions are expected to be highly effective in offsetting changes in fair value or cash flows of the hedged item.

- **Fair Value hedging:**

Changes in the fair value of derivatives that are designated and qualified for fair value hedges are recognized in Income Statement along with any changes in the fair value attributable to risk of the hedged asset or liability.

The impact of the effective changes in fair value of return rate swap contracts and related hedged items is recognized in "net return income "item, The impact of the effective changes in the fair value of currency forward contracts is recognized in "net trading income" item.

The impact of ineffectiveness of all contracts and related hedge items stated in the previous paragraph is recognized in "net trading income" item.

When the hedging instrument is no longer qualified for hedge accounting, the book value adjustment of the hedged item is measured at amortized cost through charging to profit and loss over the year until the maturity date, Adjustments to the book value of the hedged equity instrument shall be charged to the equity until disposed.

- Cash flow hedging:

The effective portion of changes in the fair value of derivatives that are designated and qualified for cash flow hedging is recognized in equity, Profits and losses of the ineffective portion are recognized immediately in the income statement as "net trading income"

Accumulated amounts in equity should be charged to the income statement at the same periods in which the hedged item affects profit and loss of the effective portion of the swaps and options as "net trading income"

When hedge instrument is mature, sold or no longer qualified for hedge accounting, profit and loss accumulated in equity remain in equity, and recognized in the income statement when the expected transaction is finally recognized, When the projected transaction is not likely to occur, profit and loss accumulated in the equity should be charged immediately to the income statement.

- Net investment hedging:

Net investment hedging is accounted for based on the cash flow hedging, Profit or loss related to the effective portion of the hedging from the hedge instrument should be recognized in equity; while profit or loss of the ineffective portion should be recognized immediately in the income statement, Profit or loss accumulated in the equity should be immediately charged to the income statement when foreign transactions are excluded.

- Unqualified Derivatives for hedge accounting:

Changes in fair value of derivatives that do not qualify for hedge accounting are recognized in the income statement under "net trading income" item, Profit and loss from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities are included in "Net income from financial instruments initially recognized at fair value through profit or loss".

- Return income and expenses:

Return income and expenses are recognized, in the income statement under "Return on Musharaka, Mudaraba, Murabaha, and similar revenues" item or "Cost of saving pools and similar costs" item, with return income and expenses by using the effective return method for all return-bearing financial instruments, except for those classified as held for trading purpose, or initially recognized at fair value through profit and loss.

Effective return is the method of calculating the amortized cost of financial asset or liability, and allocating return income or return expenses over the life of the relevant instrument, The effective rate of return is the rate used to discount the estimated future cash payments or receipts over the expected life of a financial instrument or, when appropriate, a shorter period to accurately reach the book value of the financial asset or liability, When calculating the effective return rate, the Bank estimates the expected cash flows taking into consideration all the contractual terms of the financial instrument (such as early repayment options) disregarding future credit losses, The calculation method includes all fees paid or received between the contract parties that represents an integral part of the effective return rate; the transaction cost includes any premiums or discounts.

When classifying finance transactions (Musharaka, Murabaha and Mudaraba) as non-performing or impaired as the case may be, the return from such is suspended to be recognized as revenue.

- Fees and commissions revenues:.

Fees charged for finance transactions or facilities are recognized as revenues when service is provided, Fee and commission revenues related to non-performing or impaired debts ceased to be recognized as revenues and are rather recorded off balance sheet, These are recognized as revenue on a cash basis, Fees and commissions that represent an integral part of the effective return rate of a financial asset are treated as an adjustment to the effective return rate of that financial asset.

Commitment fees for finance transactions are suspended if there is a probability that such finance will be withdrawn as this commission received by the Bank represents compensation for the continuous interference for acquiring the financial instrument, Such commission is recognized by adjusting the effective rate of return on finance, In case the commitment is expired, without issuing the finance transaction, fees are recognized as revenues upon the commitment expiry.

Fees related to debt instruments measured at fair value are recognized as revenue at initial recognition, Fees charged for marketing syndicated finance transactions are recognized as revenues upon completion of the marketing process, and the finance is fully used by the Bank, or preserves its share using the effective return rate available for other participants.

Fees and commissions, arising from negotiating or participating in the negotiation of a transaction for a third party such as the arrangement of buying shares or other securities, or acquisition or sale of businesses, are recognized in the income statement upon completion of the given transaction, Fees and commissions arising from administrative consulting and other services rendered over a period of time are usually recognized as income over that period and according to all conditions stated in article (19) of the Egyptian Accounting Standard No, (11), Fees related to financial planning and custody services that rendered over a long period of time are usually recognized over that period.

– Dividend income :

Dividends are recognized in the income statement when the right to collect it is declared by the General assembly of the investee.

- Impairment of financial assets:

The Bank uses a three-stage approach to measure expected credit losses (ECL) arising from financial assets designated at amortized cost and debt instruments at fair value through other comprehensive income, The assets go through the following three stages based on the change in credit quality since the initial recognition.

Stage 1: Expected credit loss over 12 months

Stage One includes financial assets at initial recognition, which do not involve significant increase in credit risks since the initial recognition or the assets that have relatively low credit risks.

For these assets, expected credit losses are recognized over a period of 12 months and the returns are calculated on the basis of total book value of the assets (without deducting credit provision), The 12-months expected credit losses represent losses resulting from the defaults that may occur within the next 12 months after the date of financial statements.

Stage 2: Lifetime expected credit losses – with no credit impairment

Stage Two includes financial assets that have a significant increase in credit risks since the initial recognition but there is no objective evidence that the asset is impaired, Lifetime expected credit losses of these assets are recognized and returns are calculated based on total book value of the assets, Lifetime expected credit losses are losses resulting from all possible default events over the life of the financial instrument.

Stage 3: Lifetime expected credit loss – Credit impairment

Stage Three includes financial assets that have objective evidence of impairment at the date of financial statements, Lifetime expected credit losses of these assets are recognized.

Under CBE's instructions issued on 26 February 2019, IFRS9 has been applied as of 1st January 2019 and the Bank has measured the impact arising from IFRS9 implementation based on the above-mentioned instructions.

- Financial policy:

The Bank shall review all financial assets except for those assets that are measured at fair value through profit and loss to estimate the impairment loss, which are estimated as follows:

At the date of financial statements, the financial assets are classified within three stages:

Stage 1: Financial assets that have not significant increase in credit risks since the initial recognition, Their expected credit losses are calculated for 12 months.
Stage 2: Financial assets that have significant increase in credit risks since the initial recognition or the date of investments, Their expected credit losses are calculated over the lifetime of these assets.
Stage 3: Impaired financial assets whose Expected Credit Losses (ECLs) are calculated based on the difference between the instrument's book value and the current value of the expected future cash flows.

- **Credit losses and impairment losses in the value of Financial instruments are measured as follows:**
  - Upon the initial recognition, Financial instrument with low credit risks are classified in the first stage, Credit risks shall be constantly monitored by the Bank's Credit Risk Department.
  - If there has been a significant increase in the credit risk since the initial recognition, the financial instrument is moved to the second stage, as it is no longer impaired in this stage.
  - If there are signs of impairment in the value of the financial instrument, the instrument shall be moved to the third stage.
  - Financial assets that have been held or acquired by the Bank and those assets have higher credit risks than the Bank's rates of low-risk financial assets upon the initial recognition, are directly classified in the second stage, Therefore, their expected credit losses are measured on the basis of lifetime expected credit losses.

- Significant increase in credit risks :

The Bank determines that financial instrument has experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria are met, as well as factors related to Probability of Default (PD).

- Quantitative criteria:

If probability of default has increased during the remaining life of the instrument from the date of the balance sheet compared to the probability of default during the expected remaining life upon initial recognition, according to the structure of risks accepted by the Bank.

- Qualitative factors:

Finance provided to Retail Banking , Micro-, and Small Enterprises:

If the customer has encountered one or more of the following events:

- The customer requested to change the short-term payment plan to long-term payment due to negative impacts related to the customer's cash flows.
- Extension of payment period based on the customer's request.
- Overdues during the previous 12 months
- Future Negative economic outlook that may affect the customer's future cash flows.

Finance provided to institutions and medium enterprises:

If the customer is rated as a watch list customer and/or the financial instrument have encountered one or more of the following events:

- Significant increase in return rate on the financial asset as a result of credit risk increase,
- Significant negative changes in the activity and financial or economic conditions in the customer's working environment,
- Rescheduling of payments request due to difficulties encountered by the customer
- Significant negative changes occurred in actual or expected operating results or cash flows.
- Future economic changes that may affect the customer's future cash flows.
- Early signs of cash flows and liquidity problems such as delayed payment to creditors/ commercial finance transactions.

Non-payment (default):

Finance and credit facilities granted to Medium, Small and Micro-enterprises and retail banking are recorded in the second stage if the non-payment period is more than (30) days and there are overdues equal or more than (180) consecutive days.

Transfer between stages 1, 2 and 3

Transfer from second stage to first stage:

The financial asset shall not be moved from the second stage to the first stage unless all quantitative and qualitative criteria of the first stage are met and all past dues and returns of the financial asset are fully paid.

Transfer from third stage to second stage:

The financial asset shall not be moved from the third stage to the second stage unless all the following conditions are fulfilled:

- Meeting all quantitative and qualitative elements of the second stage.
- Payment of 25% of the financial assets past dues, including deferred / marginal accrued returns.
- Regular payments for at least 12 months.

-Real esate investments

Real estate investments represent lands and buildings owend by the bank in order to obtain returns or acapital increase, and therefore do not include real estate assets through which the bank carries out its business or those that have devolved to it in fulfillment of debts. Real estate investments are accounting method applied for property equiment.

- Intangible assets

- Goodwill

Goodwill resulting from acquisition or merger of subsidiaries represents the excess of acquisition cost over the Bank's share in the fair value of acquired entity's identifiable assets and liabilities, including ideatifiable contigent liabilities that meet the recognition conditions on the date of acquisition, Goodwill is tested annually for impairment, 20% amortization or impairment loss, which is higher, is charged to the income statement

- Computer programs

The expenses related to developing and maintenance of computer programs are recognized as expenses incurred in income statement, The expenses, related to certain programs controlled by the Bank that have economic benefits with a cost exceeding more than a year, are recognized as an intangible asset, The direct expenses include the cost of program staff, in addition to an appropriate share from related public expenses.

The expenses that lead to increase or expansion of computer program performance other than its main specifications are recognized as development cost and then added to the basic program cost.

The cost of computer programs, recognized as an asset, is amortized over the expected useful life over the year in not more than 3 years

- Property and equiment

Lands and buildings comprise mainly of head office, branches and offices, All property equiment are stated at historical cost less depreciation and impairment losses. The historical cost includes expenditure that is directly related to acquisition of property equipment items.

Subsequent expenses are recognized within the book value of the current asset or as a conslidated asset - as appropriate - only when future economic benefits related to the asset are potentially gained by the Bank, and the cost of the item can be reliably determined, Repair and maintenance expenses are charged to other operating expenses during the year in which they are incurred.

Lands are not depreciated, Depreciation of property equipment is calculated using a straight-line method to allocate their scrap value over the estimated useful life for each as follows:

Buildings	50 years
Leasehold improvements	50 years or over period of the lease contract if less,
Office furniture and safes	10 years
Typewriters, calculators and air conditioners	5 years
Vehicles	5 years
Computers / Core systems	5 years

The scrap value and the useful life of the property equiment are reviewed at the date of each financial position, and are amended if necessary, Depreciated assets are reviewed to identify the impairment in case events or changes occurred indicating that the book value may not be refunded, The book value of the asset is immediately declined to the refundable value if the book value exceeds the refundable value.

The refundable value represents the net sale value or the usage value of the asset whichever higher, Profit or loss of disposal of property equipment are identified by comparing the net proceeds against the book value, Profit (Loss) are included in other operating revenues (expenses) in the income statement.

-Impairment of non-financial assets:

The assets that do not have definite useful lives, except for goodwill, shall not be depreciated and are tested annually for impairment, The impairment of depreciated assets is reviewed if there are events or changes in circumstances indicating that the book value may not be refunded.

The impairment loss is recognized and the asset value is reduced as much as the increase of the book value over the refundable value of the asset, The refundable value represents the net sale value or the usage value of the asset whichever higher, For estimating the impairment, the asset should be attached to the smallest possible monetary unit, The non-financial assets that had impairment are reviewed to determine if there is impairment was refunded to the income statement at the date of preparation of any financial statements.

- Leases:

All lease contracts to which the Bank is a party, are considered operating lease contracts and they are treated as follows:

-As a lessee:

Payments under operating lease contracts, minus any discounts obtained by the lessor, are recognized under general and administrative expenses in the income statement based on a straight-line method over the contract period.

- As a lessor:

Operating lease assets are included in the fixed assets in the balance sheet and depreciated over the useful life of the expected remaining life of the asset in the same manner as similar assets, The lease revenue recorded less any discounts granted to the tenant on a straight-line method over the contract period.

-Cash and cash equivalent:

For the purposes of preparing the cash flow statement, cash and cash equivalents include balances that have maturities not exceeding three months from the date of acquisition, These balances include cash and balances due from Central Bank of Egypt other than those within the mandatory reserve, balances due from banks, and treasury bills.

-Other provisions:

Provision for restructuring costs and legal claims are recognized when the Bank has a current legal or constructive obligation because of the past events, and it is possible that the using of bank resources will be required to settle these obligations, and the amount of this obligation has been reliably estimated.

If there are similar obligations, the outflow used for settlement should be identified taking into account this group of obligations, The provision is recognized even under minor probability that it will be linked with outflow for an item of the group.

Provisions no longer required totally or partially are refunded in other operating revenues (expenses).

The current value of the expected payments to settle obligations after one year from the date of balance sheet using the appropriate rate in accordance with the terms of settlement – ignoring the effect of applicable tax rate – which reflects the time value of money, If the settlement term is less than one year, the estimated value of the obligation unless it has a significant effect is stated at the present value.

- Financial guarantees:

They are contracts issued by the Bank to guarantee finance transactions or debited current accounts obtained by the Bank's customers from other entities, This, in turn, require to pay certain installments by the Bank to compensate the beneficiary against a loss incurred because inability of the debtor to pay due amounts on maturity dates according to the conditions of debt instruments, Those financial collaterals are submitted to banks and financial institutions and other entities on behalf of the Bank's customers.

The initial recognition at fair value in the financial statements at the date of collateral granting that may reflect the guarantee fees later, So, the Bank commitment is measured by collateral on the basis of the first measuring amount deducting depreciation in order to record collateral fees in the income statement based on straight-line method over the collateral lifetime or a best estimate for the amounts required to settle any obligation resulting from the financial collateral at the date of the balance sheet, whichever higher, These estimates are determined according to experience in similar transactions and historical losses, sustained by the management decree.

Any increase in liabilities resulting from financial collateral is recognized in the income statement under "Other operational revenues (expenses)" item

- **Employee benefits:**

Specific Retirement Schemes are defined as pension regulations whereby the Bank is committed to pay income-based contributions to a conslidated institution (National Organization for Social Insurance), After payment of these contributions, the Bank is under no legal obligation to pay more contributions if this organization does not have sufficient assets to provide employees with accrued benefits resulting from their service during the current and previous periods.

In this regard, contributions of Specific Retirement Schemes are paid to the concerned authority in accordance with insurance regulations concerning pension scheme designed for private sector workers based on a mandatory or optional contract, with no other liabilities on the Bank other than the contributions to be paid, Those contributions are recognized in employee benefits' expenses.

- **Income Taxes:**

Income tax on the profit or loss of the year includes both the current and deferred taxes, and is recognized in the income statement except for income tax related to shareholders equity items that are recognized directly in shareholders' equity item.

Income tax is calculated on the net taxable profit, using the tax rates applicable at the date of balance sheet, in addition to tax adjustments for previous year.

Deferred taxes are recognized due to the temporary differences between the book value of assets and liabilities according to accounting principles and the amounts used for tax bases, Deferred tax is determined based on the method used to realize or settle values of these assets and liabilities by using the tax rates applicable at the date of the balance sheet.

Deferred tax assets shall be recognized if it is probable that future taxable profits will be realized whereby the asset can be utilized, and the value of deferred tax assets shall be reduced by the value of portion not yielding the expected tax benefit during the next years, However, In case of increment of the expected taxable benefit, the deferred tax assets are increased within the limit previously reduced.

- **Financing:**

Finances gained by the Bank should be initially recognized at fair value minus the cost of financing, Financing is subsequently measured at amortized cost, and any differences between the net proceeds and the value paid over the finance period using the effective return method should be charged to the income statement.

- **Capital:**

1- Capital issuance cost:

Issuance cost directly related to issuing new shares or issuing shares against acquisition or share options is charged to shareholders' equity of total proceeds net of tax.

2- Dividends:

Dividends are recognized as a charge of equity upon the General Assembly approval, Those dividends include employees' share in the profits and the Board of Directors' remuneration as prescribed by the Bank's articles of association and law.

- Fiduciary activities:

The Bank carries out fiduciary activities that resulted in ownership or management of assets on behalf of individuals, trust, and retirement benefit plans, These assets and related profits are excluded from the Bank's financial statements, as they are assets not owned by the Bank.

- Comparative Figures:

Comparative figures are reclassified, where necessary, to conform with the changes in the current year's presentation

- Financial Risk Management:

The Bank - as a result of conducting its activities - is exposed to various financial risks, Since financial activity is based on the concept of accepting risks, some risks or group of risks are analyzed, evaluated and managed all together, The Bank aims at achieving appropriate balance between the risk and return and to reduce the possible negative effects on the Bank's financial performance, The most important kinds of risks are credit risk, market risk, liquidity risk and other operating risks, The market risk includes foreign currency exchange rate risk, return rate risk and other pricing risks.

The risk management policies have been laid down to identify and analyze risks as well as setting limits to the risks and control them through reliable methods and up-to-date systems, The Bank periodically reviews polices and systems of risk management and makes amendments thereto, so that they reflect the changes occurred in markets, products, services, and the best up-to-date applications.

Those risks are managed by Risk Management Dept, in the light of policies approved by Board of Directors, The Risk Management Dept, determines, evaluates and covers the financial risks through close and mutual cooperation with the Bank's various operating units, The Board of Directors provides written policies for risk management as well as written policies covering certain types of risks such as credit risk, foreign exchange rate risk, return rate risk, and financial and non-financial derivatives, Moreover, Risk Management Dept, is independently responsible for periodical review of risk management and control environment.

Risk Management Framework and Governance:

Objectives of the Bank's Risk Management Governance are represented in:

1-Strong organizational-level intervention, from the Bank's Board of Directors to management of work teams responsible for operating activities.
2- A strong framework for internal procedures and guiding principles.
3- Ongoing monitoring by different business lines and primary functions as well as an independent body in order to monitor risks and ensure compliance with procedures and regulations.

The Board of Directors' Risk and Audit Committees are mainly responsible for verifying the compatible internal framework in order to monitor risks and ensure compliance with regulations.

Risk catagories:

A- Credit risk: (including country risk) is the risk arising from failure of the Bank's customers, sovereign issuers or other counterparties to meet its contractual and financial obligations.

Credit risks also include risks associated with market transactions (swap deals), Credit risk may also increase due to credit concentration risks arising from large credit facilities granted to individuals or credit facilities granted to groups of individuals who have a high probability of default.

B- Market risk: It represents losses arising from changes and fluctuations in market prices and return rates

C- Operational Risk: operational risks (including legal risks, compliance risks, accounting and environmental risks, reputational risks etc,) represent the risks resulting from losses, fraud, inaccurate financial and accounting data due to inadequate internal procedures and systems, or arising from human error or external events, Moreover, operational risk can take the form of compliance risk, which means that the Bank is being exposed to financial penalties, regulatory and disciplinary sanctions because of non-compliance with relevant rules and regulations.

D- Foreign exchange rates and return rates risks associated with the Bank's balance sheet: It represents the risks arising from losses or impairment of the Bank's assets, whether recorded in on- and off-balance sheet items, resulting from changes or fluctuations in foreign exchange rates and return rates, Foreign exchange rates and return rates risks associated with the Bank's balance sheet arises from commercial banking activities and head office operations (transactions in equity instruments, investments and bond issues).

E- Liquidity risk: is the risk that the Bank is unable to meet its payment obligations when they fall due, The Bank allocates sufficient resources in order to be able to implement the risk management policy within its activities and to ensure risk management framework's compatibility with the following basic principles.

- Full independence of Risk Assessment Department from Operating Units.

- Using an integrated approach to assess and monitor risks in all departments and units of the Bank.

It is worth noting that Risk Management Department is independent from all the Bank's operational units and directly follows the Bank's Top Management, The department performs a crucial role in developing the Bank's performance and maximizing its profitability by using a robust and coherent risk management framework based on best practices, ensuring sound risk identification and assessment, The risk management team consists of highly qualified and specially trained members who are able to manage credit and market risks through the best operating mechanisms.

Risk Management Group functions include:

- Responsible for adopting and providing a detailed breakdown for the methods and approaches used to analyze, evaluate, and monitor credit risks, country risks, market risks and operational risks, In addition, it assumes the responsibility for conducting an in-depth review of trading strategies in high-risk areas and it also earnestly strives for developing models and tools used in prediction and management of such risks.
- Responsible for carrying out an independent evaluation by analyzing credit-risk transactions and providing sales managers with pieces of advice on transactions to be conducted by them.
- Responsible for setting a comprehensive framework for all the Bank's operational risks.

The Financial Department's Asset and Liability Unit is responsible for evaluating and managing other basic risk types, namely the risks of inadequate liquidity and risks associated with imbalance in the Bank's balance sheet structure (resulting from changes or fluctuations in foreign exchange rates and return rates due to inadequate liquidity),as well as long-term finance transactions conducted by the Bank, Consequently, the main objective of the department is to maintain adequate liquidity, fulfill capital requirements and manage the Bank's capital structure.

The Bank's Legal Affairs Department is responsible for managing legal risks, Compliance Department is responsible for managing compliance risks.

Risk Management Dept, is primarily responsible for setting a robust risk framework to ensure sound risk identification, assessment and mitigation, This in addition to outlining a comprehensive set of policies and guidelines required for risk management, The Financial Department's Asset and Liability Unit also shares this responsibility in certain areas

The Bank's Risk Management Committee is responsible for reviewing and discussing the key steps for managing the significant banking risks, The committee meets at least every 3 months

Finally, a joint team of internal and external auditors work together to monitor the principles, procedures and structure of the Bank's Risk Management.

- Credit Risk:

The Bank is exposed to credit risk which it is the risk resulting from failure of one party to meet its contractual obligations towards the Bank, The credit risk is considered one of the most significant risks for the Bank, The credit risk is basically represented in financing facilities and investment activities that resulted in Bank's assets contain debt instruments, The credit risk is also found in off-balance sheet financial instruments like financing commitments, The credit risk management and control are centralized in credit risk management team at Credit Risk Department that prepare and submit reports to Board of Directors, top management and head of units on a regular basis.

- Credit risk measurement:

Finances and facilities to customers

In order to measure credit risk related to finances and facilities to customers; the following three factors should be considered:

- Probability of default (PD) by a customer or third party in fulfilling contractual obligations.
- The current status and possible future progress indicating exposure at default.
- Loss given default (LGD).

These factors are embedded in the Bank's daily operations and activities that reflect expected loss (the expected loss model) required by Basel committee on Banking Regulations, The operational measurements can be contrasted with impairment loss according to the Egyptian Accounting Standard No, 26, Which is based on losses that have been incurred on the balance sheet date (the incurred loss model) rather than the expected losses .

The Bank assesses the probability of default for each customer using internal rating tools tailored to classify the creditworthiness of various categories, These methods were developed for internal assessment, as to consider statistical analyses, as well as judgment of the credit officials in order to identify the appropriate credit worthiness rating, The Bank's customers were divided into four rating categories, As clarified in the following table, the rating structure applicable in the Bank reflects the probability of delay in payment, Therefore, customers could move between the various categories depending on evolving circumstances, Rating methods are reviewed and developed if necessary, The Bank regularly validates the performance of the rating and its predictive power with regard to default events.

Internal ratings

Rating	**Rating Indicator**
1	Performing loans
2	Regular follow up
3	Watch list
4	Non-performing loans

The credit status at default depends on the outstanding amounts at the time when the delay occurred, For example, as for lending, this credit status is considered the nominal value, And for commitments, the Bank records all actual withdrawals in addition to any withdrawals occurred till the date of delay, if any.

Loss given default or severe loss represents the Bank's expectation of the loss extent of on a claim if default occurred, It is expressed as percentage loss per unit of exposure and typically varies by type of the debtor, priority of claims and availability of collateral or other credit mitigation.

Debt instruments, Treasury bills and other bills:

As for debt instruments and bills, the Bank uses external ratings from rating companies or similar ratings in order to manage credit risk, If these ratings are not available, the Bank uses methods similar to those applicable to credit customers, These investments in securities and bills are considered a method to have a better credit quality; they also provide an available source to meet financing requirements.

- Risk mitigation and prevention policies:

The Bank manages, limits and controls credit concentration at the level of borrower, groups of borrowers, industries and countries.

The Bank controls acceptable credit risk levels using limits for the risk exposure for each borrower, group of borrowers, and at the level of economic activities and geographical sectors, Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary, Credit risk limits at the level of the borrower/the group, the product, the sector, and the state are approved quarterly by the Board of Directors.

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

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to pay the amounts due and meet repayment obligations and by amending the finance limits where appropriate.

Some other specific mitigation measures are outlined below:

Collaterals

The Bank sets a range of policies and procedures to mitigate credit risk, One of these procedures is obtaining collateral against money granted by the Bank, The Bank sets guidelines for specific classes of collateral to be accepted, The main collateral types of financing and facilities are:

- Real estate mortgage,
- Pledge of business assets such as machinery and inventory,
- Pledge of financial instruments such as debt securities and equity instruments,

Longer-term finance granted to corporate entities are generally secured, Whereas credit facilities granted to individuals are generally unsecured, In order to minimize the credit loss, the Bank seeks to obtain additional collateral from certain counterparty as soon as impairment indicators are noticed for the relevant finance and facilities

The Bank determines the types of collaterals held as security for other assets other than facilities and finances according to the nature of the instrument, Generally, debt instruments and treasury bills are unsecured, except for assets-backed securities and similar instruments that are secured by a portfolio of financial instruments.

Derivatives:

The Bank maintains strict control procedures on net open derivative positions (i,e,, the difference between purchase and sale contracts), by both amount and term, In all cases, the amount subject to credit risk is limited to the current fair value of the instruments that are favorable to the Bank (i,e,, an asset that has a positive fair value), which represents a little part of the contractual value/ the assumed value used to express the volume of instruments outstanding, This credit risk exposure is managed as part of the overall finance limits granted to customer, together with potential exposures from market movements, Collateral 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, equities or other securities is made or in the expectation of corresponding receipts in cash, equities or other securities, Daily settlement limits are established for each counterparty to cover the aggregate settlement risks arising from the daily Banking transactions.

Credit-related Commitments:

The main purpose of commitments related to credit is to verify the availability of funds to customers upon request, Financial collateral contracts and standby letters of credit related to credit risks of finance, Documentary and commercial letters of credit issued by the Bank on behalf of the customer to grant a third party withdrawal right from the Bank are limited to certain amounts under specified terms and conditions mostly guaranteed by fright goods; consequently it holds risks less than direct financing facilities.

Commitments of credit granting represent the unused part of the authorization for granting finance, collaterals or letters of credits, The Bank is exposed to potential loss with an amount equal to total unused commitments for credit risk emerged from commitments of credit granting, Rather, the expected loss amount is actually less than unused commitments, as most of these commitments represent potential liabilities of customers with specific credit characteristics, The Bank monitors the period of time till the maturity date of these commitments, because the long-term commitments usually hold higher rate of credit risk compared to short-term commitments.

- Policies of Impairment and provisions:

The internal rating systems highly concentrate on the credit-quality mapping at the beginning of finance and investment activities, Otherwise, only impairment losses incurred at the date of the balance sheet should be recognized for the purpose of financial reports based on objective evidences indicating the impairment as later on stated in this note, Taking into consideration the difference of the applied methods, credit losses charged to the financial statements are usually less than the loss amount estimated using expected loss model of the credit rating, and for the purposes of the CBE's rules,
The Impairment Loss Provision stated in the balance sheet at the end of the year is derived from the four internal ratings, Nevertheless, most of the provision emerges from the last rating
The following table illustrates the percentage of on-balance sheet items regarding to finance, facilities and expected credit losses related to each internal rating categories of the Bank

The internal rating tools assist the management to determine whether objective evidence of impairment exists under the Egyptian Accounting Standard No, 26, and based on the following criteria set by the Bank:

- Significant financial difficulties are experienced by the finance customer or the borrower.
- Breach of the terms and conditions of the finance agreement such as default.
- Expected bankruptcy of the borrower or subject to liquidation claim, or restructure of the credit facility granted,
- Deterioration of finance customer's competitive position.
- Due to economic or legal financial difficulties of the borrower, the Bank offered him / her concessions or privileges, which are not granted by the Bank in normal circumstances.
- Impairment of the collateral value.
- Deterioration of the customer's creditworthiness

The Bank's policies require reviewing all financial assets that exceed certain relative significance at least annually or as required, Impairment losses on accounts are identified at individual basis by evaluating incurred losses at the date of the balance sheet case by case, These are applied to all significant accounts individually, The assessment normally includes collateral held, including re-confirmation of its enforceability and the anticipated receipts from these accounts.

Expected credit loss provision is created based on portfolios of homogenous assets by using the available historical experience, personal judgment and statistical techniques.

-Model for measuring general banking risks:

In addition to the four categories of credit ratings indicated in note (A/1), the management classifies based on more detailed sub-groups in accordance with the CBE's regulations, Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on information related to the customer, his / her activities, financial position and payment schedules,

The Bank calculates the provisions needed for impairment of assets exposed to credit risk, including commitments related to credit based on rates determined by CBE, If the provision required for impairment losses according to CBE's regulations exceeds the provision required for preparation purposes of financial statements using Expected Credit Losses (ECL), General banking risk reserve included in owners' equity shall be deducted from the retained earning with this increase, this reserve is modified on a regular basis with the increase and decrease, which equals the increase in provisions and this reserve is not distributed, Note (28/A) shows the "general banking risk reserve" movement during the fiscal year

Below is a statement of institutional worthiness according to internal ratings, compared to CBE's ratings and rates of provisions required for impairment of assets exposed to credit risks:

CBE's rating	Categorization	Required provision %	Internal rating	Internal categorization
1	Low risks	0	1	Performing loans
2	Moderate risks	1%	1	Performing loans
3	Satisfactory risks	1%	1	Performing loans
4	Reasonable risks	2%	1	Performing loans
5	Acceptable risks	2%	1	Performing loans
6	Marginally acceptable risks	3%	2	Normal watch list
7	Watch list	5%	3	Special watch list
8	Substandard	20%	4	Non-performing loans
9	Doubtful	50%	4	Non-performing loans
10	Bad debts	100%	4	Non-performing loans

- **Acquisition of collaterals**

During the current year, the Bank has possessed assets by acquiring some collateral, as follows:

Asset's nature	**Book value EGP Thousand**
Housing & office units, villas and plots of land	Not found
Total	Not found

Acquired assets are classified within "other assets" item in the financial position , These assets are sold whenever possible.

-Concentration of risks of financial assets exposed to investment and finance risk

Geographical segments

The following table represents an analysis of the most significant finance and investment transactions of the Bank stated at the book value, categorized by geographical sector at the end of the current year, For preparing this table, The Bank has allocated exposures to geographical regions based on the customer-domiciled regions:

	30 June 2023		(EGP Thousand)		
	Arab Republic of Egypt	Europe	Arab Gulf Countries	Other countries	Total
Musharaka, Murabaha and Mudaraba with customers	12,722,885	-	-	-	12,722,885
Financial investments:					
-At fair value through other comprehensive income	28,298,007	1,377,329	1,233,803	2,035,977	32,945,116
-At fair value through profit and loss	183,386	-	160,735	-	344,121
- At amortized cost	59,976,185	-	3,508,048	-	63,484,233
Other assets	6,078,478	-	25,363	-	6,103,841
Total at the end of the current period	107,258,941	1,377,329	4,927,949	2,035,977	115,600,196
Total at the end of the comparative year	105,892,564	1,320,643	3,473,117	2,333,363	113,019,687

-Market risk

The Bank is exposed to market risks of fluctuation in the fair value or future cash flows due to change in the market rates, Market risks emerge from open positions of return rates, currency, equity instruments; those are exposed to public and private movements of the market as well as sensitivity levels to market rates or prices such as return rates, exchange rates, and equity instruments, The Bank segregates market risks into either trading or non-trading portfolios.

-Business Segments

The following table represents an analysis of the most significant finance and investment risk exposures of the Bank stated at book value, and they are categorized by the Bank's customers' activities:

30 June 2023 **(EGP Thousand)**

	Financial institutions	Industrial institutions	Real estate	Wholesale and retail trade	Governmental Sector	Other activities	Individuals	Total
Musharaka, Murabaha and Mudaraba with customers	511,901	3,456,939	2,081,353	913,429	-	3,069,626	2,689,637	12,722,885
Financial investments:								
- At fair value through other comprehensive income	1,044,336	1,738,594	1,905,471	365,141	24,649,736	3,241,838	-	32,945,116
- At fair value through profit and loss	-	-	-	-	-	344,121	-	344,121
- At amortized cost	463,409	-	-	-	63,020,824	-	-	63,484,233
Other assets	4,766,385	-	1,337,456	-	-	-	-	6,103,841
Total at the end of the current period	6,786,031	5,195,533	5,324,280	1,278,570	87,670,560	6,655,585	2,689,637	115,600,196
Total at the end of the comparative year	**5,964,331**	**6,968,985**	**4,139,832**	**1,090,120**	**86,806,206**	**5,801,433**	**2,248,780**	**113,019,687**

- Foreign currency risk

The Bank is exposed to the risk of fluctuations in foreign currency exchange rates and its impact on the financial position and cash flows, The Board of Directors has set limits by total value for foreign currencies for each position at the end of the day and during the day in which they are timely monitored, The following table summarizes the Bank exposure to foreign currency risks at the end of the financial year, The table includes the book value of the financial instruments distributed and categorized by their currencies:

30 June2023 (EGP Thousand)

	EGP	USD	EURO	GBP	Other currencies	Total
Financial assets						
Cash and balances at the Central Banks	6,019,411	6,568,379	112,950	30,402	73,585	12,804,727
Due from banks	9,784,144	24,497,270	781,075	233,924	2,398,946	37,695,359
Musharaka, Murabaha and Mudaraba with customers	9,357,045	3,118,738	247,102	-	-	12,722,885
Financial investments:						
-At fair value through other comprehensive income	24,863,147	6,813,201	1,121,788	-	146,980	32,945,116
-At fair value through profit or loss	183,386	-	-	-	160,735	344,121
-At amortized cost	30,204,765	33,279,468	-	-	-	63,484,233
Other financial assets	5,841,852	253,267	2,531	1,734	4,457	6,103,841
Total financial assets	**86,253,750**	**74,530,323**	**2,265,446**	**266,060**	**2,784,703**	**166,100,28[illegible]**

	EGP	USD	EURO	GBP	Other currencies	Total
Financial liabilities						
Due to banks	858,956	6,691,315	345,545	7	126,814	8,022,637
Saving pools and certificates	74,829,032	52,849,387	1,800,221	263,935	2,589,236	132,331,811
Other financial liabilities	4,821,750	171,222	346	313	44	4,993,675
Total financial liabilities	80,509,738	59,711,924	2,146,112	264,255	2,716,094	145,348,123
Net balance sheet	5,744,012	14,818,399	119,334	1,805	68,609	20,752,159
Commitments related to finance	1,263,907	1,465,287	8,236	-	1,012	2,738,442
At the end of the comparative year						
Total financial assets	91,498,855	54,442,771	1,474,520	204,852	2,126,116	149,747,114
Total financial liabilities	83,758,451	42,270,411	1,386,892	209,967	2,148,286	129,774,007
Net balance sheet	7,740,404	12,172,360	87,628	(5,115)	(22,170)	19,973,107

Dealing Room duties:

- Submitting periodic reports on the financial market movements.
- Implementing the Asset and Liability Management Committee's recommendations that were approved, as well as presenting progress reports on implementation of these recommendations.
- Coordination with the Asset and Liability Management Unit (ALMU) with regard to natural hedging against risks that may arise from specific transactions and ensuring compatibility with the policies and recommendations approved by Asset and Liability Management Committee (ALCO).
- Assuming responsibility for short-term liquidity management.
- Preparing periodic reports on any developments occurred in the market conditions and paying attention to any liquidity shortfalls.
- Informing the Asset and Liability Management Unit of funding needs to deal with liquidity gap.

Return rate risk management structure :

This risk is identified and measured by the Treasury Department's Asset and Liability Management Unit (ALMU), The risks, their limits and corrective actions to be taken are assessed by Assets and Liability Management Committee (ALCO), chaired by the Bank's Chief Executive Officer, and the membership of all Department Heads, Chief Financial Officer, Managers of Trade Finance Departments, Manager of Branches Department, and Head of Dealing Room, Dealing Room implements the necessary procedures established by Asset and Liability Management (ALCO) in order to adjust gaps identified in financial markets, Dealing Room prepares its reports on the developments occurred and presents them to ALCO and ALMU.

Asset and Liability Management Committee (ALCO) duties:

- Deciding on acceptable limits for sensitivity analysis purposes.
- Examining the assumptions used in identifying and measuring risks and verifying their validity.
- Reviewing the return rate risks and gaps and the Bank's sensitivity level, which are stated in the reports prepared by Assets and Liabilities Management Unit (ALMU).
- Evaluating, considering and endorsing the proposed recommendations to adjust the gaps (if any) to be in line with previously approved limits.

Asset and Liability Management Unit (ALMU) duties:

- Adopting and pursuing the risk management policy as approved by the Asset and Liability Management Committee.
- Preparing the models used in identifying and measuring risks and constantly develop them.
- Preparing reports on values at risk (VaR) and their position and limits over time, as well as presenting these reports to Asset and Liability Management Committee.
- Submitting recommendations to adjust the gaps in accordance with previously approved limits.
- Overseeing the implementation of Asset and Liability Management Committee's decisions and progress in the implementation process must be notified to the committee.

- Return rate volatility risk

The Bank is exposed to risk of fluctuations in return rates prevailing at the market, that is the possibility that changes in the return rates will affect future cash flows or fair value of a financial instrument because of changes in market return rates, The return margin could increase as a result of these changes, and profits may be decreased in case of unexpected movements, The board of directors sets limits to the level of difference return rate re-pricing that the Bank could apply.

The Bank's objective of return rate risk management:

The Bank aims at reducing its exposure to return rate risks as far as possible, taking into consideration that the value of the residual risks resulting from return rates is within limits of sensitivity level approved by the Asset and Liability Management Committee (ALCO).
The sensitivity level is defined as a change in the net current value of the Bank's future fixed return rate positions for every 1% increase in return rate curve, Regular follow-up is carried out to measure the ,Bank's compliance with prescribed limits

- Liquidity risk

Liquidity risk represents difficulties encountering the Bank in meeting its financial commitments when they fall due and replace funds when they are withdrawn, The consequences may be the failure to meet obligations to repay depositors and fulfill commitments to finance and investment.

Liquidity risk management

The Bank's liquidity management process, as carried out by the Bank's Financial Department includes:

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met, This includes replenishment of funds as they are due or borrowed by customers, The Bank maintains an active presence in the global money markets in order to achieve that goal.
- The Bank maintains a portfolio of highly marketable assets that can be easily liquidated in the event of any unexpected interruption of cash flows.
- Monitoring liquidity ratios against internal requirements and CBE's requirements.
- Managing the concentration and profiling finance transaction maturities.

The Bank's objective of Liquidity Management

The Bank aims at financing its activities based on the best possible prices under normal circumstances and in order to be able to meet its obligations in the event of a crisis, To this end, the Bank adopts the following main principles of liquidity management:

-Short-term Liquidity management in accordance with regulatory framework.

-Diversification of funding sources

-Maintaining high-quality liquid Assets.

Measuring and monitoring the liquidity risk structure

The bank's liquidity management framework is summarized in the following functions:

- Regular evaluation of the Bank's liquidity structure and its development over time,
- Focusing on strategies to diversify funding sources

- The bank assesses funding needs based on the expectations set out in the budget plan in order to provide appropriate funding solutions.

The potential liquidity gaps are identified by listing the items recorded on and off-balance sheet according to currency type and maturity dates for these items, The maturity dates for the assets and liabilities are determined based on the contractual terms of the transactions and historical patterns of customer behaviors (as Investment Accounts), as well as the traditional assumptions related to certain items in the balance sheet (as shareholders' equity),,

For the purpose of monitoring and reporting, cash flows are measured and expected for the next day, week and month respectively, as these are key periods for liquidity management, The starting point for those expectations is an analysis of the contractual maturities of financial liabilities and expected collection dates of the financial assets,,
Local Investment Department also monitors unmatched medium-term assets, the level and type of the unused part of the finance commitments, the usage of credit facilities and the impact of contingent liabilities such as letters of credit and guarantee.

Funding approach

Liquidity sources are regularly reviewed by a conslidated team in the Bank's market risk Dept, to maintain a wide diversification within currencies, geographical areas, sources, products and terms.

- Capital management

The Bank manages its capital, which includes equity plus some other items as reported in the balance sheet to ensure that the following objectives are achieved:

- Complying with legally-imposed capital requirements in Egypt and in other countries in which the Bank's branches are operating.
- Protecting the Bank's ability to continue as a going concern and enabling the generation of yield for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth of the Bank's operations.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management according to CBE's requirements, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations, The required data as well as deposits at the CBE are submitted on a quarterly basis.

The CBE requires the Bank to:

- Maintain EGP 5 billion as minimum requirement for the Issued and paid-up capital.

- Maintain a ratio of 12,50% or more between the capital elements and the risk-weighted assets and contingent liabilities, Since the beginning of January 2019, the minimum level of Capital Adequacy Ratio (CAR) has recorded 12,50% after taking into account the requirements of Conservation Buffer and Domestic Systemically Important Banks (D-SIBs).

(The Bank's branches operating outside A,R,E, are subject to supervisory rules regulating banking business in the hosting states), In this regard, the numerator of capital adequacy ratio includes the two following tiers:

Tier one: Is the principal capital that contains paid-up capital (after deducting the book value of the treasury stocks), retained earnings and reserves resulting from the distribution of profits except for the general banking risk reserve, deducting previously-recognized goodwill and any carried-forward losses, as well as balance of other comprehensive income items.

Tier two: Is the subordinate capital that contains an equivalent of the general risk provision based on the balance of required provisions against debt instruments and credit facilities required under stage one by not more than 1,25% of total risk-weighted assets and contingent liabilities, subordinate finances/deposits with maturity of more than 5 years (amortizing 20% of its carrying amount in each year of the remaining five years to maturity), and 45% of the increase between the fair value and book value for each of the financial investments in subsidiaries and associates.

When calculating total numerator of capital adequacy ratio, the rules set limits of total tier 2 to no more than tier 1 capital and also limits the subordinate finances (deposits) to no more than 50% of tier1.

The assets risk weights scale ranging from zero to 200% is based on the debtor nature for each asset to reflect its related credit risks, taking into consideration cash collateral, The same treatment is used for off-balance sheet amounts after adjustments in order to reflect the contingent nature and the potential losses of those amounts.

In accordance with Basel II, the numerator of capital adequacy ratio consists the two following tiers:

Tier one: Tier one is the principal capital that comprises of paid-up capital (after deducting the book value of the treasury shares), retained profit, reserves created under law and the Bank's Articles of Association after the distribution of profits except the general banking risk reserve, deducting previously-recognized goodwill and any carried-forward losses.

Net interim profits has been included in Tier one according to the decision made by CBE's Board of Directors in its session held on 15 February 2017.

Tier two: Tier two represents the gone-concern capital that contains an equivalent of balance of provisions required against debt instruments / Finance and credit facilities included in Stage 1 by not more than 1,25% of total risk-weighted assets and contingent liabilities, subordinate finances/deposits with maturity of more than 5 years (amortizing 20% of its carrying amount in each year of the remaining five years to maturity), and 45% of the increase between fair value and book value for each of the financial investments in subsidiaries and associates, and 45% of the special reserve value.

When calculating total numerator of capital adequacy ratio, the rules set limits of total tier 2 to no more than tier 1 capital and also limits the subordinate finances (deposits) to no more than 50% of tier 1.

The assets risk weights scale ranging from zero to 200% is based on the debtor nature for each asset to reflect its related credit risks, taking into consideration cash collateral, The same treatment is used for off-balance sheet amounts after adjustments in order to reflect the contingent nature and the potential losses of those amounts.

Capital Adequacy Ratio was calculated in accordance with Basel II requirements based on the decision taken by CBE's Board of Directors in its session held on 18 December 2012, which was issued on 24 December 2012.

The Bank has complied with all local capital requirements, as well as other requirements imposed on its foreign branches during the past two year.

The following table summarizes the components of Tier 1, Tier 2 and capital adequacy ratios at the end of the financial year:

	30 June 2023	31 December 2022
Tier 1 (Common Equity and Additional Going-Concern)		
Issued and paid-up capital	5,677,509	5,677,509
Treasury stocks (-)	(9,892)	(9,892)
Reserves (Legal, general and capital)	2,392,923	1,939,707
General risk reserve	149,153	149,153
Retained earning	8,988,249	6,550,354
Quarterly interim profit / (loss)	1,856,427	1,467,609
Minority interest	5,006	5,185
Total deductions from Going-Concern Capital "Common Equity"	(2,088,075)	(1,590,650)
Total balance of accumulated other comprehensive income items after regulatory adjustments	4,430,038	3,214,924
Total Tier 1 Common Equity and Additional Going-Concern capital	21,401,338	17,403,899
Tier 2 (Subordinate capital):		
45% of the increase in fair value over the book value of financial investments in subsidiaries and associates,	665,125	642,450
Balance of provisions required against debt instruments and credit facilities under stage 1	466,539	276,788
Total (supplementary capital)	1,131,664	919,238
Total Capital Base after deductions (total capital)	22,533,002	18,323,137
Risk-weighted assets and contingent liabilities:		
Total assets and contingent liabilities adjusted with credit, market and operation risk weights	93,381,848	63,170,132
Total capital base / Total assets and contingent liabilities adjusted with credit, market and operation risk weights	% 24,13	% 29,01

In its session held on 7th July 2015. the Central Bank of Egypt has approved leverage ratio regulations. under which banks must abide by a minimum requirement of (3%) on a quarterly basis as follows:

As an indicative ratio applicable as from the end of September 2015 until 2017.

As a mandatory ratio as from 2018

The CBE requires the Bank to disclose leverage ratio and its components (the numerator and denominator) in published financial statements in the same manner as Risk-based Capital Adequacy Ratio (CAR).

The numerator and denominator of financial leverage ratio include:

Components of the numerator: the numerator of leverage ratio consists of Tier 1 capital (after deductions) used in the numerator of Risk-based Capital Adequacy Ratio (CAR).

Components of the denominator: the denominator of leverage ratio consists of all on-and off-balance sheet assets of the Bank - in accordance with the financial statements - what is called "the Bank exposures".

Ratio: ratio of Tier 1 capital from capital base (after deductions) to total Bank exposures should not be less than (3%),

EGP Thousand

	30 June 2023	31 December 2022
First: The numerator		
Going-Concern Capital "Tier 1" after deductions	**21,401,338**	17,403,899
Second: The denominator		
Total on-balance sheet, derivatives transactions and securities financing transaction exposures	**167,964,448**	150,430,628
Off-balance sheet exposures	**4,312,178**	3,060,319
Total on- and off -balance sheet exposures	**172,276,626**	153,490,947
Financial Leverage ratio %	**12,42 %**	11,34 %

- Significant accounting estimates and assumptions:

-Impairment losses of Musharaka, Mudaraba and Murabaha

The Bank reviews its portfolio of Musharaka. Murabaha and Mudaraba transactions to assess impairment on quarterly basis at least, The Bank depends on personal judgments to identify whether the impairment losses should be recorded in the income statement or not,and to verify any reliable information indicating that measurable impairment occurred in the estimated future cash flows of Murabaha portfolio to recognize the impairment level of each Murabaha in the portfolio. These evidences might include information indicating that there has been an adverse change in the payment capacity of the bank portfolio of finance customers or local or economic conditions that correlate with the default of bank assets. When rescheduling the future cash flows, the management uses estimates based on past loss experience for assets with credit risk having characteristics of finance and investment transactions at the existence of objective evidences of the impairment similar to those in the portfolio. The methodology and assumptions for estimating both the amount and period of the future cash flows should be regularly reviewed in order to eliminate any differences between estimated loss and actual loss based on experience.

-Financial investments at amortized cost

The non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as investments held to maturity. This classification requires high degree of personal judgment. In making this judgment. the Bank evaluates the intention and ability to keep such these investments at amortized cost, If the Bank fails to hold these investments to maturity – other than for specific circumstances such as selling insignificant volume close to maturity, at that time all investments at amortized cost are reclassified as at fair value through other comprehensive income, Hence, these investments will be measured at fair value not at amortized cost, In addition to suspending any other investment classification in this item.

-Fair value of derivatives

Fair value of the financial instruments not quoted in active markets is determined by using valuation techniques, These valuation techniques as models are periodically validated and reviewed by qualified personnel who are fully independent of the body that created them, Valuation results depend relatively on experience.

- Financial instruments measured at fair value:

Financial assets classified as held for trading are measured at fair value, and the differences resulting from change in fair value are recognized in the income statement under "Net Trading Income" item, The debt instruments classified as financial assets at fair value through other comprehensive income are measured at fair value, and the differences resulting from change in fair value are recognized in other comprehensive income statement under "Fair Value Reserve", With regard to investments in equity instruments, listed shares are measured at fair value according to the stock market's quoted prices at the date of conslidated financial statements, Unlisted shares, except for strategic investments, are evaluated by using acceptable evaluation methods such as "Discounted Cash Flow (DCF) and Multiples Approach", and valuation differences are recognized in the other comprehensive income statement within "Fair Value Reserve", As for strategic investments, the cost or nominal value is considered the fair value of these investments.

The Bank adopts the fair value hierarchy based on levels of inputs that are significant to the entire fair value measurement

Level 1 Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

Level 2 : Level 2 inputs include all inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : Level 3 inputs are unobservable inputs for the asset or liability.

Finance and credit facilities for customers

Finance and credit facilities are net of provision for expected impairment losses

Due from Banks

Balances due from banks are net of expected credit loss provision.

Debt instruments at amortized cost:

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

5- Segment analysis

- By activity segment

Activity segment includes operating processes and assets used in providing banking services, management of inherent risks and the return rate of this activity that might be different from other activities, The segment analysis of operations according to the Banking activities includes:

Large, medium, and small enterprises

Includes current accounts, deposits, debited current accounts, finance and investment transactions, and financial derivatives,

Investment

Includes mergers, purchase of investments, and financing companies restructuring and financial instruments,

Individuals

Includes current accounts, saving pools, deposits, personal Murabaha and real estate Murabaha,

Other activities

Includes other banking activities such as fund management,

Inter-segment transactions are on normal commercial terms and conditions and it includes operating assets and liabilities as stated in the balance sheet.

6- Net income

	30 June 2023 EGP Thousand	30 June 2022 EGP Thousand
Return on Musharaka, Murabaha, Mudaraba and similar revenues from:		
The Central Bank of Egypt	**533,905**	106,468
Other banks	**806,083**	219,588
Customers	**942,186**	732,847
Total	**2,282,174**	1,058,903
Return on government debt instruments	**5,171,561**	4,662,233
Return on non-government debt instruments	**122,864**	61,353
Total	**7,576,599**	5,782,489
Sales	**2,054,752**	1,589,532
Total	**9,631,351**	7,372,021
Cost of saving pools and similar costs from:		
Banks	**(139,445)**	(61,894)
Customers	**(4,634,674)**	(3,490,578)
Total	**(4,774,119)**	(3,552,472)
Sales cost	**(1,456,332)**	(1,136,081)
Total	**(6,230,451)**	(4,688,553)
Net	**3,400,900**	2,683,468

7- Fees and commissions income

	30 June 2023 EGP Thousand	30 June 2022 EGP Thousand
Fees and commissions related to finance and investment transactions	**61,563**	20,197
Fees of corporate financing services	**7,459**	4,570
Custody and keeping fees	**22,087**	9,319
Other fees	**132,597**	102,193
Total	**223,706**	136,279

8- Dividends income

	30 June 2023 EGP Thousand	30 June 2022 EGP Thousand
Financial Investments at fair value through profit or loss	**7,230**	128,378
Financial investments at fair value through other comprehensive income	**171,847**	4,434
Total	**179,077**	132,812

9- Net trading income

	30 June 2023 EGP Thousand	30 June 2022 EGP Thousand
Foreign currency transactions		
(Loss) Gain from foreign currency transactions	**(45,923)**	15,121
Gain from evaluation of assets and liabilities balances in trading foreign currency	**43,497**	18,987
Equity instruments (trading income)	**37,388**	10,700
Total	**34,962**	44,808

10- Charge of impairment credit losses

	30 June 2023 EGP Thousand	30 June 2022 EGP Thousand
Cash and balances at the Central Bank of Egypt	**(4,230)**	(547)
Due from banks	**(1,196)**	(836)
Debt instruments at fair value through other comprehensive income	**(13,391)**	(960)
Debt instruments at amortized cost:	**(186,969)**	(22,845)
Musharaka, Murabaha and Mudaraba with customers	**(272,419)**	(20,987)
Musharaka, Murabaha and Mudaraba with banks	**(2,262)**	-
Total	**(480,467)**	(46,175)

11- Administrative expenses

	30 June 2023 EGP Thousand	30 June 2022 EGP Thousand
Staff cost		
Wages and salaries	**(603,184)**	(433,513)
Social insurance	**(15,041)**	(13,501)
Pension cost		
Cost of specific retirement schemes	**(10,060)**	(9,714)
	(628,285)	(456,728)
Depreciation and amortization (Notes 22,23,24)	**(139,606)**	(95,930)
Other administrative expenses	**(449,390)**	(317,865)
Total	**(1,217,281)**	(870,523)

12- Other operating revenues

	30 June 2023 EGP Thousand	30 June 2022 EGP Thousand
Gain from valuation of monetary assets and liabilities in foreign currency (other than those classified as trading)	**1,521,133**	870,262
Profits from the sale of property and equipment	**6,140**	2,539
Operating lease	**(986)**	(524)
Others	**92,314**	98,234
Charge of other provisions	**(6,803)**	(163,959)
Total	**1,611,798**	806,552

13- Income tax (expenses)

	30 June 2023 EGP Thousand	30 June 2022 EGP Thousand
Current income taxes	**(724,687)**	(840,524)
Current income taxes are represented in:		
Current income taxes	**(958,525)**	(946,410)
Deferred tax (expenses) revenues	**233,838**	105,886
Total	**(724,687)**	(840,524)

Tax position is described below:

First: Legal person earnings tax

- Final settlement with Key Taxpayers Center has been reached and accrued taxes were paid since inception of the Bank's activity until 2018,
- As for 2019, tax calculation and agreement with Key Taxpayers Center has been reached and final settlement is being underway to obtain final clearance for 2019,
- As for 2020 and 2022, the tax return has been submitted and accrued tax has been paid in legally-determined dates, But tax inspection has not been made yet,

Second: Payroll Taxes

- Final settlement with Key Taxpayers Center has been made and accrued taxes were paid since inception of the Bank's activity until 2019,
- As for the period from 1/1/2020 to 30/6/2023, Accrued monthly tax was paid in legally-determined date, but tax inspection has not been made yet,

Third: Stamp duty

- Final settlement with Key Taxpayers Center has been made and accrued tax was paid since inception of the Bank's activity until 2020,
- As for the period from 1/1/2021 to 30/6/2023, Quarterly tax return has been submitted in scheduled time and accrued tax was paid accordingly, but tax inspection has not been made yet,

Fourth: Property Tax

- All accrued taxes on the Bank's branches and units were paid until 2023 in accordance with Law No, 196 of 2008, which came into force on 1/7/2013.

With regards to the subsidiaries :-

First: Legal person earnings tax

- the tax declaration has been submitted and accrued tax has been paid in legally-determined dates.

Second: Payroll Taxes

- The accrued taxes were paid in legally-determined date.

Third: Stamp duty

- the tax declaration has been submitted and accrued tax has been paid in legally-determined dates.

Fourth: Property Tax

- the tax declaration has been submitted and accrued tax has been paid in legally-determined dates.

Fifth: sales Tax & value add tax

- the tax declaration has been submitted and accrued tax has been paid in legally-determined dates.

14- Earnings per share

	30 June 2023 EGP Thousand	30 June 2022 EGP Thousand
Net profit of the year	**2,943,083**	2,021,184
Employees' profit share (expected)	**(110,000)**	(90,000)
Board of Director's remuneration (expected)	**(12,000)**	(9,500)
	2,821,083	1,921,684
Weighted average of issued common shares	**607,471**	607,471
Earnings per share (EGP)	**4,644**	3,163

15 - Cash and due from Central Bank of Egypt

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Cash	**1,629,717**	1,442,500
Balances at the Central Bank of Egypt as mandatory reserve ratio	**11,214,963**	11,201,445
Less: Expected credit loss provision	**(39,953)**	(25,163)
Total	**12,804,727**	12,618,782
Non-return bearing balances	**7,161,347**	8,019,314
Return-bearing balances	**5,643,380**	4,599,468
Total	**12,804,727**	12,618,782

16 - Due from banks

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Current accounts	**1,013,861**	796,598
Deposits	**36,768,147**	23,363,731
Less: Unearned revenues	**(81,900)**	(48,807)
Less: Expected credit loss provision	**(4,749)**	(2,877)
Total	**37,695,359**	24,108,645
The Central Bank of Egypt other than the mandatory reserve ratio	**5,282,196**	2,436,936
Local banks	**27,151,295**	17,917,143
Foreign banks	**5,261,868**	3,754,566
Total	**37,695,359**	24,108,645
Non-return bearing balances	**185,828**	214,159
Return-bearing balances	**37,509,531**	23,894,486
Total	**37,695,359**	24,108,645
Current balances	**37,532,733**	23,895,675
Non-current balances	**162,626**	212,970
Total	**37,695,359**	24,108,645

17- Inventory

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Ores stock	604,963	455,058
Inventory of production supplies, spare parts and fuel	336,489	310,426
Complete production stock	269,219	94,226
Real estate inventory	800,000	46,137
Documentary credits	298,056	31,678
Valuation differences and provision for inventory impairment	(7,312)	(3,000)
Total	2,301,415	934,525

18- Clients and notes receivable

	30June 2023 EGP Thousand	31 December 2022 EGP Thousand
Clients	**361,198**	279,941
Receipt papers	**146,017**	135,416
Checks for the collection	**330,133**	252,421
Guarantee clients, reinforced bills	**66,890**	37,677
Total	**904,238**	705,455
Less:		
Provision for customer impairment	**(24,576)**	(19,357)
Total	**879,662**	686,098

19/a- Musharaka, Murabaha and Mudaraba with banks

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Total Musharaka, Mudaraba and Murabaha transactions with banks,	**65,617**	-
Less: Impairment loss provision	**(2,262)**	-
Total	**63,355**	-

Table below analysis protofolio & ECL :

EGP Thousand

	Stage (1)	ECL
	65,617	**2,262**
Total	**65,617**	**2,262**

19/b- Musharaka, Murabaha and Mudaraba with customers

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Retail:		
Cars	**452,791**	456,903
Durable goods and others	**829,320**	600,325
Real estate	**1,240,502**	1,156,929
Employees	**458,676**	294,381
Total (1)	**2,981,289**	2,508,538
Corporate:		
Large and Medium-sized companies	**10,846,715**	10,425,160
Small companies	**1,040,330**	1,218,470
Micro-Sized companies	**67,482**	71,917
Total (2)	**11,954,527**	11,715,547
Total Musharaka, Mudaraba and Murabaha transactions with customers (1+2)	**14,935,816**	14,224,085
Less: Advance revenues	**(1,318,727)**	(1,233,729)
Less: Impairment loss provision	**(894,204)**	(591,533)
Total	**12,722,885**	12,398,823

Expected Credit loss provision

Analysis of the impairment loss provision for musharaka, murabaha and mudaraba transactions with customers based on types:

30 June 2023 — **EGP Thousand**

	Individuals only	Large, medium-sized, small and micro-enterprises,	Total
Balance at the beginning of the year	**29,966**	**561,567**	**591,533**
Charge of impairment during the year	**25,592**	**416,997**	**442,589**
Amounts written off during the year	**(266)**	**(13,381)**	**(13,647)**
Provision no longer required	**(10,687)**	**(145,759)**	**(156,446)**
Valuation differences	**-**	**30,175**	**30,175**
Balance on 30 June 2023	**44,605**	**849,599**	**894,204**

31 December 2022 — EGP Thousand

	Individuals only	Large, medium-sized, small and micro-enterprises,	Total
Balance at the beginning of the year	55,168	746,577	801,745
Charge of impairment during the year	26,042	1,198,228	1,224,270
Amounts written off during the year	(8,340)	(63,688)	(72,028)
Provision no longer required	(42,904)	(1,343,554)	(1,386,458)
Valuation differences	-	24,004	24,004
Balance on 31 December 2022	29,966	561,567	591,533

20 - Financial investments

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
20/A- Financial Investments at fair value through other comprehensive income		
Debt instruments listed in the stock market – at fair value :		
- Treasury bills	**22,326,660**	24,841,744
- Debt instruments	**3,054,828**	2,447,727
Equity instruments – at fair value:		
- Listed in the stock market	**1,167,024**	909,367
- Unlisted in the stock market	**3,144,136**	2,641,526
Mutual Fund Certificates:		
- Mutual Fund Certifictaes	**3,252,468**	2,990,819
Total financial investments at fair value through other comprehensive income (1)	**32,945,116**	33,831,183
20/B- Financial Investments at fair value through profit and loss		
Equity instruments – at fair value:		
- Listed in the stock market	**313,239**	144,764
Investment fund documents:		
- Listed in the stock market	**30,882**	119,689
Total financial investments at fair value through profit and loss (2)	**344,121**	264,453
20/C- Financial investments at amortized cost		
Debt Listed in the stock market		
Treasury bills	**19,370,947**	15,972,738
Unearned returns	**(510,076)**	(326,600)
Expected credit loss provision	**(176,410)**	(66,577)
Total (A)	**18,684,461**	15,579,561
Other debt instruments	**44,973,455**	**45,097,453**
Expected credit loss provision	**(173,683)**	**(63,057)**
Total (B)	**44,799,772**	**45,034,396**
Total financial investments at amortized cost (A+B) (3)	**63,484,233**	60,613,957
Total financial investments (1+2+3)	**96,773,470**	94,709,593

20- Financial investments (Cont,)

An analysis of treasury bills in each financial investment portfolio is below:

Treasury bills in portfolio of financial investments at fair value through other comprehensive income are represented in:

Treasury bills are represented in:

EGP Thousand

	30 June 2023	31 December 2022
Treasury bills - 91 days maturity	**10,270,256**	9,488,444
Treasury bills - 182 days maturity	**7,285,305**	5,128,767
Treasury bills - 273 days maturity	**4,484,493**	8,991,732
Treasury bills - 365 days maturity	**1,830,593**	2,919,783
Sale of treasury bills with a commitment to repurchase	**(39,432)**	(40,941)
Unearned returns	**(1,504,555)**	(1,646,041)
Total	**22,326,660**	24,841,744

Treasury bills in portfolio of financial investments at amortized cost are represented in:

Treasury bills are represented in:

EGP Thousand

	30 June 2023	31 December 2022
Treasury bills - 91 days maturity	**153,075**	582,343
Treasury bills - 365 days maturity	**19,217,872**	15,390,395
Undue returns	**(510,076)**	(326,600)
Expected credit loss provision	**(176,410)**	(66,577)
Total	**18,684,461**	15,579,561

20/D- Investments in associates

- The percentage of the bank's shareholding in associates is as follows:

30 June 2023 EGP Thousand

	Resident of the company	Assets of the company	Liabilities of the company (without equity)	Company revenues	Profit / (loss) of the company	Book Value	Percentage of shareholding
		EGP Thousand	EGP Thousand	EGP Thousand	EGP Thousand	EGP Thousand	
Misr International Hospital	**Egypt**	**564,473**	**153,383**	**606,649**	**138,627**	**240,506**	**24,30%**
Al-Masryia Co, for Takaful Insurance on Property	**Egypt**	**2,836,999**	**2,154,504**	**61,191**	**50,227**	**296,127**	**32,75%**
Arabiya Co, for Insurance Brokerage	**Egypt**	**653**	**1,635**	**6**	**(191)**	**-**	**25,00%**
Ashgar City Co, for Real estate Development	**Egypt**	**1,788,574**	**1,792,425**	**233,882**	**(16,102)**	**63,757**	**40,00%**
ARDIC For Real Estate Development and investment	**Egypt**	**2,474,434**	**2,612,493**	**6,034**	**(149,760)**	**18,714**	**25,51%**
Al-Arabiya Co, for Disinfection Works "ARADIS"	**Egypt**	**744**	**102**	**612**	**7**	**249**	**40,00%**
Giza Co, for Paints & Chemical Industries	**Egypt**	**4,682**	**4,787**	**5,076**	**605**	**1,944**	**48,57%**
Total						**621,297**	

31 December 2022 EGP Thousand

	Resident of the company	Assets of the company	Liabilities of the company (without equity)	Company revenues	Profit / (loss) of the company	Book value	Percentage of shareholding
		EGP Thousand	EGP Thousand	EGP Thousand	EGP Thousand	EGP Thousand	
Misr International Hospital	Egypt	564,473	153,383	606,649	138,627	206,972	24,30%
Al-Masryia Co, for Takaful Insurance on Property	Egypt	2,836,999	2,154,504	61,191	50,227	244,707	32,75%
Arabiya Co, for Insurance Brokerage	Egypt	653	1,635	6	(191)	-	25,00%
Ashgar City Co, for Real estate Development	Egypt	1,788,574	1,792,425	233,882	(16,102)	63,757	40,00%
ARDIC For Real Estate Development and investment	Egypt	2,474,434	2,612,493	6,034	(149,760)	18,714	25,51%
Al-Arabiya Co, for Disinfection Works "ARADIS"	Egypt	744	102	612	7	249	40,00%
Giza Co, for Paints & Chemical Industries	Egypt	4,682	4,787	5,076	605	1,835	48,57%
Total						536,234	

- Balances have been included from the latest available financial statement.

20/H – Profits from financial investments

	30 June 2023 EGP Thousand	30 June 2022 EGP Thousand
Profits from financial ivestments at fair value through other comprehensive income	-	1,141
Profits from investments in associates	85,064	93,572
Total	85,064	94,713

21- Other assets

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Accrued revenues	**1,885,204**	1,816,271
Prepaid expenses	**235,814**	111,451
Down payments under purchase of fixed assets	**94,159**	92,852
Assets acquired by the Bank as settlement of debts (after deducting impairment) *	**2,124,373**	2,147,609
Insurance and imprests	**175,285**	43,487
Interest-free loan	**21**	39
Projects are already underway **	**1,053,981**	965,712
Others	**379,538**	566,798
Down payment taxes	**155,466**	167,052
Total	**6,103,841**	5,911,271

* Represented in housing and office units and plots of land that have been acquired by the Bank as settlement of debts for some finance customers, These assets are sold when possible, At the end of every month, the Central Bank of Egypt is notified of the position of these assets in accordance with requirements stated in Article 87 of the Law No, 194 of 2020,

** Stated as follow:

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Branches under contruction	**922,495**	875,907
Other	**131,486**	89,805
Total	**1,053,981**	965,712

22- Intangible assets

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Net book value at the beginning of the year	**193,397**	76,501
Additions	**104,459**	178,925
Amortization during the year	**(58,439)**	(62,030)
Net book value at the end of the year	**239,417**	193,396

23-Property and equipment

EGP thousand

	Lands and buildings	Leasehold improvements	Machinery and equipment	Others	Total
Balance on 1/1/2022					
Cost	1,738,902	26,637	1,076,913	419,543	3,261,995
Accumulated depreciation	(245,461)	(8,160)	(665,742)	(237,573)	(1,156,936)
Net book value on 1/1/2022	**1,493,441**	**18,477**	**411,171**	**181,970**	**2,105,059**
Balance on 1/1/2022					
Net book value on 1/1/2022	1,493,441	18,477	411,171	181,970	2,105,059
Additions	239,899	6,624	55,463	111,439	413,425
Disposal	(187)	-	(3,343)	(4,531)	(8,061)
Depreciation cost during the year	(26,347)	(3,034)	(40,213)	(72,777)	(142,371)
Excluded depreciation	-	-	3,083	3,839	6,922
Net book value on 31/12/2022	**1,706,806**	**22,067**	**426,161**	**219,940**	**2,374,974**
Balance on 01/01/2023					
Cost	1,978,614	33,261	1,129,033	526,451	3,667,359
Accumulated depreciation	(271,808)	(11,194)	(702,872)	(306,511)	(1,292,385)
Net book value on 1/1/2023	**1,706,806**	**22,067**	**426,161**	**219,940**	2,374,974
Balance on 1/1/2023					
Net book value on 1/1/2023	1,706,806	22,067	426,161	219,940	2,374,974
Additions	57,211	13,322	25,156	27,085	122,774
Disposal	-	-	(28,824)	(1,060)	(29,884)
Depreciation cost during the period	(15,012)	(1,941)	(25,478)	(38,613)	(81,044)
Excluded depreciation	(5)	(30)	18,064	1,339	19,368
Net book value on 30/6/2023	**1,749,000**	**33,418**	**415,079**	**208,691**	**2,406,188**
Cost	2,035,825	46,583	1,125,365	552,476	3,760,249
Accumulated depreciation	(286,825)	(13,165)	(710,286)	(343,785)	(1,354,061)
Net book value on 30/6/2023	**1,749,000**	**33,418**	415,079	**208,691**	**2,406,188**

24 – Investment property

EGP thousand

	Lands	**Buildings**	**Total**
Cost	18,400	7,200	25,600
Accumulated depreciation	-	(934)	(934)
Net book value on 31/12/2021	18,400	6,266	24,666
Balance on 1/1/2022			
Net book value on 1/1/2022	18,400	6,266	24,666
Additions	-	5,179	5,179
Depreciation cost during the year	-	(144)	(144)
Net book value on 31/12/2022	18,400	11,301	29,701
Cost	18,400	12,379	30,779
Accumulated depreciation	-	(1,078)	(1,078)
Net book value on 31/12/2022	18,400	11,301	29,701
Balance on 1/1/2023			
Net book value on 1/1/2023	**18,400**	**11,301**	**29,701**
Depreciation cost during the period	**-**	**(124)**	**(124)**
Net book value on 30/6/2023	**18,400**	**11,177**	**29,577**
Cost	**18,400**	**12,379**	**30,779**
Accumulated depreciation	**-**	**(1,202)**	**(1,202)**
Net book value on 30/6/2023	**18,400**	**11,177**	**29,577**

25-Due to banks

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Current accounts	**1,431,289**	1,068,926
Balances of deposits	**6,591,348**	626,183
Total	**8,022,637**	1,695,109
Local banks	**1,567,899**	1,554,935
Foreign banks and institutions	**6,454,738**	140,174
Total	**8,022,637**	1,695,109
Non-return bearing balances	**146,150**	140,174
Floating-return bearing balances	**6,591,348**	626,183
Fixed return-bearing balances	**1,285,139**	928,752
Total	**8,022,637**	1,695,109

26- Saving pools and saving certificates

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
On demand accounts	**12,422,162**	10,494,147
Time deposits and callable accounts	**73,180,758**	65,746,606
Saving certificates	**45,279,088**	46,450,625
Others *	**1,449,803**	789,750
Total	**132,331,811**	123,481,128
Corporate accounts	**4,537,025**	3,922,992
Individual accounts	**127,794,786**	119,558,136
Total	**132,331,811**	123,481,128
Non-return bearing balances	**13,871,965**	11,283,897
Floating-return bearing balances	**118,459,846**	112,197,231
Total	**132,331,811**	123,481,128

* This item includes balances of EGP ---- thousand at the end of June 2023 against EGP 45,800 thousand on the comparative date, which represent collateral for irrevocable letters of credit import and export, There is no major difference between the fair value of those deposits and their current value,

27- Other liabilities

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Returns due to customers	**4,098,523**	3,536,320
Accrued expenses	**13,843**	16,331
Legitimate due Zakat	**125,000**	188,050
Shareholder dividends	**269,648**	136,934
Various creditors and various credit balances	**486,661**	720,135
Total	**4,993,675**	4,597,770

28- Other provisions

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Balance at the beginning of the year as previously issued	**310,407**	123,375
Adjusting the balance at the beginning of the year	**536**	(5,028)
The balance after adjustment	**310,943**	118,347
Foreign exchange valuation differences	**2,168**	6,837
Used during the year	**(33,893)**	(12,413)
Charged to Income statement	**26,842**	233,415
No longer required	**(18,864)**	(35,779)
Total	287,196	310,407

29- Paid-up Capital

Paid-up capital reached EGP 5,677,509 thousand as at 30 June 2023, with $ 1 par value for each share and all shares are fully paid,

EGP Thousand

	Number of shares	Common shares	Treasury sharers	Total
Balance at the beginning of the year	607,471,450	5,677,509	(9,892)	5,667,617
Balance at the end of the period	**607,471,450**	**5,677,509**	**(9,892)**	**5,667,617**

- Authorised capital reached $ 1 billion,
- Issued and paid-up capital amounted to $ 607,5 million equivalent to EGP 5,7 billion, which are distributed to 607,471,450 shares, All shares are common shares,

30-Reserves

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
General banking risk reserve (A)	**22,502**	37,241
Legal reserve (general) (B)	**2,361,344**	1,914,474
Capital reserve (C)	**31,579**	25,233
Fair value reserve (D)	**4,430,038**	3,214,924
General risk reserve (E)	**149,153**	149,153
Total	**6,994,616**	5,341,025

A- General banking risk reserve

EGP Thousand

	30 June 2023	31 December 2022
Balance at the beginning of the year	**37,241**	85,401
Transferred to banking risk reserve for Assets that have been acquired by the Bank	**(14,739)**	(48,160)
Balance at the end of the period / year	**22,502**	37,241

B- Legal reserve (general)

EGP Thousand

	30 June 2023	31 December 2022
Balance at the beginning of the year	**1,914,474**	1,646,184
Transferred from previous fiscal year profit to legal reserve (general)	**446,870**	268,290
Balance at the end of the period / year	**2,361,344**	1,914,474

C- Capital reserve

	EGP Thousand	
	30 June 2023	31 December 2022
Balance at the beginning of the year	**25,233**	25,233
Transferred from previous fiscal year profit to capital reserve	**6,346**	-
Balance at the end of the period / year	**31,579**	25,233

Represent profits from sale of fixed assets that have been transferred to the capital reserve before profit distribution, This reserve was created in accordance with Article 40 of the law No, 159 of 1981

D- Fair value reserve

	EGP Thousand	
	30 June 2023	31 December 2022
Balance at the beginning of the year	**3,214,924**	1,803,941
Change in fair value during the year	**1,201,723**	1,388,210
Change in expected credit losses provision of debt instruments	**13,391**	3,384
Impairment losses of financial assets at fair value through other comprehensive income (Note 18/E)	-	19,389
Balance at the end of the period / year	**4,430,038**	3,214,924

E- General risk reserve

	EGP Thousand	
	30 June 2023	31 December 2022
Balance at the beginning of the fiscal year	**149,153**	149,153
Balance at the end of the period / year	149,153	149,153

F- Retained profit (including profit of the period / year)

	30 June 2023	31 December 2022
	EGP Thousand	EGP Thousand
Balance of retained earnings (including profit of the year) at the beginning of the fiscal year	**12,021,486**	8,512,394
Transferred from fair value reserve	**(137,323)**	13,009
Shareholders' dividends	**(1,490,071)**	(1,040,949)
Transferred from general banking risk reserve from assets acquired	**14,739**	48,160
Transferred to legal reserve (general)	**(446,870)**	(268,290)
Distributed as follows:		
Transferred to capital reserve	**(6,346)**	-
Net profit of the period / year	**2,943,083**	4,757,162
Balance of retained earnings (including profit of the year) *	**12,898,698**	12,021,486

* Retained earnings represent carried-forward surplus of the Bank`s profits during previous years until now,

31- Cash and cash equivalent

29/1 For preparing cash flows statement, cash and cash equivalent include the balances with maturities not exceeding 3 months from the possession date:

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Cash	**1,629,717**	1,272,947
Due from banks	**37,695,359**	20,055,572
Government papers maturing (less than 3 months)	**10,418,192**	11,080,380
Total	**49,743,268**	32,408,899

29/2 For preparing Cash Flow Statement, it did not include non-cash transactions that are represented in:

A. Change in "Murabaha and Musharaka with customers" item didn't include assets transferred to the Bank in lieu of debts which were classified as "other assets" with an amount of EGP 23,236 thousand, as well as written- off debts with an amount of EGP 13,647 thousand for customers,
B. Change in "Financial Investments at fair value through other comprehensive income" item didn't include evaluation differences which were listed in "Impairment loss of financial investments" and "fair value reserve" items with an amount of EGP 1,215,114 thousand,

32- Contingent liabilities and commitments

A-Legal claims

There is a number of existing lawsuits filed against the Bank on 30 June 2023, As a result, a provision has been created against these cases, This provision represents a legal obligation resulted from what happened in the past and it has been reliably estimated, as losses are expected to be incurred from it, As a result, it has been previously incurred by income statement of the Bank over the past years,

B-Capital commitments

Contracts of the Bank for capital commitments reached EGP 623,333 thousand during the fiscal period ended 30 June 2023 compared to EGP 537,865 thousand at the end of December 20222, which are represented in commitments on fixed assets contracts, The Bank's top management is confident that net profits will be generated and there will be available funds to cover these commitments.

C-Commitments on finance and investment transactions

The Bank's commitments on finance and investment transactions are represented in:

	30 June 2023 EGP Thousand	31 December 2022 EGP Thousand
Finance commitments	**2,006,873**	2,141,902
Letters of guarantee	**107,419**	93,460
Import letters of credit	**817**	13,693
Total	**2,115,109**	2,249,055

33- Mutual funds of Faisal Islamic Bank of Egypt (periodic return and accumulative return)

- Mutual fund of Faisal Islamic Bank of Egypt (periodic return)

The fund is considered one of the banking activities licensed to the Bank by virtue of Capital Market Law no, 95 of 1992 and its executive regulation, The fund is managed by Hermes for Mutual Funds Management, The certificates of the fund reached 500,000 certificates with an amount EGP 50,000,000, of which 50,000 certificates were allocated to the Bank (with a nominal value of EGP 100) to undertake the fund activities.

The Bank purchased 162,420 certificates held with an amount of EGP 22,928,496 with a redeemable value of EGP 30,413,145 on 30 June 2023.

The redeemable value of the certificate on 30 June 2023 amounted to EGP 187,25 after distributions amounted to EGP 75,77 since the activity inception, While the number of the Fund`s outstanding certificates was 803,489 certificates at the same date.

Mutual fund of Faisal Islamic Bank of Egypt and the CIB (accumulative return)

The fund is considered one of the banking activities licensed to the Bank jointly with the CIB under the Capital Market Law No, 95 of 1992 and its executive regulation, The fund is managed by CI Asset Management for Mutual Funds Management, Investment certificates of this fund reached 1,000,000 certificates with a value EGP 100,000,000, of which 25,000 certificates were allocated to the Bank (with a nominal value of EGP 2,500,000) to undertake the fund activities.

The Bank purchased 32,000 certificates held with an amount of EGP 2,353,653 with a redeemable value of EGP 5,297,280 on 30 June 2023.

The redeemable value of the certificate on 30 June 2023 amounted to EGP 165,54 The number of outstanding certificates of the fund was 327,599 certificates at the same date,

According to the fund management contract and the prospectus, Faisal Bank receives fees and commissions in exchange for the supervision on both funds, as well as other administrative services offered to the fund, Total fees and commissions earned by the Bank amounted to EGP 1,866,547 for the financial period ending 30 June 2023, These fees and commissions are included in "fees and commissions revenues" item in the income statement.

34-Significant events

Faisal Islamic Bank of Egypt is closely monitrong the latest developments of the Russia-Ukraine conflict and its negative impacts on Egypt's economy and the Bank's customers across different business activities and economic sectors, Accordingly, the Bank continues to take adequate protection measures internally by monitoring and reviewing the level of provisions and the portfolio coverage ratio required to reduce the impacts of the crisis on the Bank's credit portfolio.