

**AHLI UNITED BANK
(S.A.E)
Standalone Financial Statements
Together with Auditors' Report
For the Year Ended 31 December 2022**

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AUDITORS' REPORT

To the shareholders of Ahli United Bank Egypt (SAE)

Report on the separate financial statements

We have audited the accompanying separate financial statements of Ahli United Bank Egypt (SAE) which comprise the separate financial position as of 31 December 2022 and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the separate financial statements

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

Auditors' Responsibility

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

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

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

Opinion

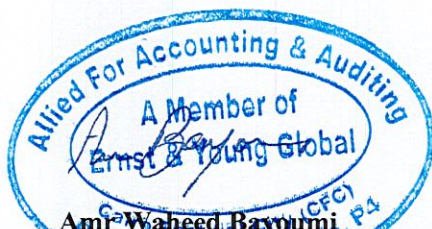
In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Ahli United Bank Egypt (SAE) as of 31 December 2022 and of its separate financial performance and its separate cash flows for the year then ended in accordance with the rules of preparation and presentation of banks' financial statements issued by the Central Bank of Egypt on 16 December 2008 as amended by the regulation issued on February 26, 2019 and the Egyptian laws and regulations relating to the preparation of this separate financial statements.

Report on legal and other regulatory requirements

No violations of any of the provisions of Central Bank and Banking System Law No. 194 of 2020 are noted during the financial year ended 31 December 2022.

The Bank keeps proper books of account that comply with all the requirements of provisions of Law and Bank's bylaws and the separate financial statements are in accordance with such books of account.

The financial information included in the report of the Board of Directors prepared according to Law no. 159 of 1981 and its executive regulation is in accordance with such books of account, to the extent it is included in the books of account.



Auditors

Egyptian Financial Supervisory Authority Register no.358

Allied for Accounting & Auditing EY

Ahmed Abdel Hady

Egyptian Financial Supervisory Authority Register no.287

Change Chartered Accountants



Cairo: 19 February 2023

AHLI UNITED BANK EGYPT S.A.E
STANDALONE BALANCE SHEET
As at 31 December 2022

	Note	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
ASSETS			
Cash and balances with Central Bank of Egypt	(15)	7,248,414	5,500,878
Due from banks	(16)	9,882,149	4,768,772
Treasury bills	(17)	3,405,991	1,966,954
Loans and advances to customers & banks	(18)	48,368,475	36,481,047
Derivative financial instruments	(19)	16,391	-
Financial investments at:			
- Fair value through other comprehensive income	(20)	11,615,381	10,502,774
- Amortized cost	(20)	1,906,221	2,504,245
- Fair value through profit or loss	(20)	38,347	34,269
Investments in subsidiaries	(21)	54,468	54,468
Investments properties (net)	(22)	19,879	34,659
Other assets	(23)	1,988,967	1,588,181
Property, plant and equipment (net)	(24)	947,765	824,618
TOTAL ASSETS		85,492,448	64,260,865
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	(25)	2,532,950	325,444
Customers' deposits	(26)	69,798,551	53,537,115
Treasury bills sold under repurchase agreements	(17)	2,030	10,152
Derivative financial instruments	(19)	-	6,674
Other Loans	(27)	494,868	-
Other liabilities	(28)	1,875,957	1,152,456
Other provisions	(29)	265,258	156,456
TOTAL LIABILITIES		74,969,614	55,188,297
EQUITY			
Issued and paid-up-capital	(30)	5,000,000	3,000,000
Transferred under capital increase	(30)	2,000,000	2,000,000
Reserves		301,600	676,715
Retained earnings (including net profit for the current /prior year)		3,221,234	3,395,853
TOTAL EQUITY		10,522,834	9,072,568
TOTAL LIABILITIES AND EQUITY		85,492,448	64,260,865



Hala Hatem Sadek
CEO & Board Member

- The attached notes from (1) to (37) form a part of the standalone financial statements and to be read therewith.
- Audit report attached

AHLI UNITED BANK EGYPT S.A.E
STANDALONE INCOME STATEMENT
For the year ended 31 December 2022

	Note	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Interest from loans and similar revenues	(6)	7,619,705	5,153,121
Interest on deposits and similar costs	(6)	(4,588,411)	(3,089,523)
Net interest income		3,031,294	2,063,598
Fees and commission revenues	(7)	541,175	349,607
Fees and commission expenses	(7)	(45,588)	(30,070)
Net fees and commission income		495,587	319,537
Dividends income	(8)	8,267	8,464
Net trading income	(9)	85,757	86,475
Gain on financial investments	(20)	26,365	56,492
Provision for credit losses	(10)	(1,707,668)	(451,948)
Administrative expenses	(11)	(1,045,430)	(832,771)
Other operating income	(12)	1,563,477	48,453
Net profit before income tax		2,457,649	1,298,300
Income tax expenses	(13)	(450,333)	(145,248)
Net profit for the year		2,007,316	1,153,052
Earnings per share (EGP/Share)	(14)	3.52	2.40

The attached notes from (1) to (37) form a part of the standalone financial statements and to be read therewith.

AHLI UNITED BANK EGYPT S.A.E**STANDALONE STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2022

	31 December 2022 <i>EGP Thousands</i>	31 December 2021 <i>EGP Thousands</i>
Net profit for the year	2,007,316	1,153,052
Income items that will not be recycled to the Profit or Loss:		
Net change in fair value of equity instruments measured at fair value through other comprehensive income	4,499	3,747
Income items that is or may be recycled to the Profit or Loss:		
Net change in fair value of debt instruments measured at fair value through other comprehensive income	(460,317)	(72,954)
Net change in fair value of interest rate swaps – fair value hedge	23,064	8,376
Expected credit losses of debt instruments measured at fair value through other comprehensive income	2,133	(2,633)
Total comprehensive income for the year	1,576,695	1,089,588

The attached notes from (1) to (37) form a part of the standalone financial statements and to be read therewith.

AHLI UNITED BANK EGYPT S.A.E
STANDALONE STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Note	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
OPERATING ACTIVITIES			
Net profit before income tax		2,457,649	1,298,300
Adjustments to reconcile net profit to net cash provided by operating activities:			
Dividends income	(8)	(8,267)	(8,464)
Provision for credit losses	(10)	1,707,668	451,948
Depreciation and amortization	(11)	103,089	82,037
Other provisions charged	(29)	105,513	(3,269)
Revaluation differences of other provisions in foreign currencies	(29)	3,128	(79)
Gain on disposals of property, plant and equipment	(12)	(791)	(1,001)
Amortization of premium	(20)	69,271	25,647
Revaluation difference in foreign currencies		442,822	2,659
Gain on sale of financial investments at fair value through other comprehensive income	(20)	(9,807)	(29,679)
Revaluation of financial assets at fair value through profit or loss	(9)	(3,972)	(2,647)
Operating income before changes in operating assets and liabilities		4,866,728	1,815,452
Net changes in operating assets and liabilities			
Balances with Central Bank of Egypt - mandatory reserve		(1,748,657)	(839,516)
Due from banks		(7,465,910)	13
Treasury bills		(1,439,037)	5,167,277
Loans and advances to customers and banks		(14,286,757)	(7,480,678)
Financial investments at fair value through profit or loss		(106)	(2,648)
Other assets		(400,786)	(483,290)
Due to banks		2,207,506	304,228
Customers' deposits		16,261,436	6,958,197
Treasury bills sold under repurchase agreements		(8,122)	(10,004)
Derivative financial instruments		-	(8,454)
Other liabilities		605,235	74,315
Other provision utilized		(264)	(2,133)
Income tax paid		(465,507)	(443,489)
Net cash flows (used in) generated from operating activities		(1,874,241)	5,049,270
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(24)	(213,018)	(276,323)
Proceeds from sale of property, plant and equipment		2,351	1,001
Proceeds from redemption of financial investments at amortized cost		766,947	610,385
Purchases of financial investments at amortized cost		(165,383)	(445,000)
Proceeds from redemption financial investments at FVOCI		1,462,509	1,313,974
Purchases of financial investments at FVOCI	(20)	(2,832,973)	(5,147,608)
Dividends income received		8,267	8,464
Net cash flows used in investing activities		(971,300)	(3,935,107)
FINANCING ACTIVITIES			
Net Change in other loans		494,868	-
Net cash flows generated from financing activities		494,868	-
Net (Decrease) increase in cash and cash equivalents during the year		(2,350,673)	1,114,163
Cash and cash equivalent at the beginning of the year		5,238,625	4,122,369
Cash and cash equivalents at the end of the year	(31)	2,887,952	5,236,532
Cash and cash equivalents are represented as follows:			
Cash and balances with Central Bank of Egypt	(15)	7,248,414	5,500,878
Due from banks	(16)	9,887,223	4,768,772
Treasury Bills	(17)	3,406,444	1,966,954
Balances with Central Bank of Egypt - mandatory reserve	(15)	(6,781,775)	(5,033,118)
Deposits with banks with original maturities more than 3 months		(7,465,910)	-
Treasury bills with original maturities more than 3 months		(3,406,444)	(1,966,954)
Cash and cash equivalents at the end of the year	(31)	2,887,952	5,236,532

The attached notes from (1) to (37) form a part of the standalone financial statements and to be read therewith.

AHLI UNITED BANK EGYPT S.A.E

STANDALONE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

	Issued and paid-up capital	Transferred under capital increase	Reserves				Fair Value Reserve	Total Reserves	Retained Earnings	Total
			Legal Reserve & Capital Reserve	General Risk Reserve	General Risk Reserve	Banking Risk Reserve				
Balances as at 1 January 2021	3,000,000	-	500,659	11,884	6,378	-	161,256	680,177	4,443,580	8,123,757
Net profit for the year	-	-	-	-	-	-	-	-	1,153,052	1,153,052
Other comprehensive income	-	-	-	-	-	-	(63,464)	(63,464)	-	(63,464)
Transferred under capital increase	-	2,000,000	-	-	-	-	-	-	(2,000,000)	-
Employees profit share	-	-	-	-	-	-	-	-	(123,000)	(123,000)
Transferred to general banking risk reserve	-	-	-	-	-	349	-	349	(349)	-
Directors' remuneration	-	-	-	-	-	-	-	-	(5,922)	(5,922)
Transferred to legal and capital reserve	-	-	59,653	-	-	-	-	59,653	(59,653)	-
Transferred to banking sector support fund	-	-	-	-	-	-	-	-	(11,855)	(11,855)
Balances as at 30 September 2021	3,000,000	2,000,000	560,312	11,884	6,727	-	97,792	676,715	3,395,853	9,072,568
Balances as at 1 January 2022	3,000,000	2,000,000	560,312	11,884	6,727	-	97,792	676,715	3,395,853	9,072,568
Net profit for the year	-	-	-	-	-	-	-	-	2,007,316	2,007,316
Other comprehensive income	-	-	-	-	-	-	(423,611)	(423,611)	-	(423,611)
Gain on sale of equity instruments at FVOCI	-	-	-	-	-	-	(7,010)	(7,010)	7,010	-
Transferred under capital increase	-	2,000,000	-	-	-	-	-	-	(2,000,000)	-
Employees profit share	-	-	-	-	-	-	-	-	(116,000)	(116,000)
Release of general banking risk reserve	-	-	-	-	(3,098)	-	-	(3,098)	3,098	-
Directors' remuneration	-	-	-	-	-	-	-	-	(5,922)	(5,922)
Transferred to legal and capital reserve	-	-	58,604	-	-	-	-	58,604	(58,604)	-
Transferred to banking sector support fund	-	-	-	-	-	-	-	-	(11,517)	(11,517)
Bonus shares issued	2,000,000	(2,000,000)	-	-	-	-	-	-	-	-
Balances as of 31 December 2022	5,000,000	2,000,000	618,916	11,884	3,629	-	(332,829)	301,600	3,221,234	10,572,834

- The attached notes from (1) to (37) form a part of the standalone financial statements and to be read therewith.

AHLI UNITED BANK EGYPT S.A.E**STANDALONE PROPOSED DIVIDENDS**

For the year ended 31 December 2022

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Net profit of the year	2,007,316	1,153,052
General Banking Risk Reserve	3,098	(349)
Transferred to Capital Reserve	(791)	(1,001)
Gain on sale transferred from OCI to retained earning	7,010	-
Net Distributable profit	2,016,633	1,151,702
Retained Earnings Opening Balance	1,203,810	2,243,150
Total Distributable Profit	3,220,443	3,394,852
Transfer to Legal Reserve	100,326	57,603
Banking Sector Support and Development Fund	20,166	11,517
Bonus shares	2,100,000	2,000,000
Employees Share	220,805	116,000
Directors' remuneration	7,400	5,922
Retained Earnings Ending balance	771,746	1,203,810
Total	3,220,443	3,394,852

The attached notes from (1) to (37) form a part of the standalone financial statements and to be read therewith.

1 General information

Ahli United Bank- Egypt S.A.E (the Bank) was incorporated under its previous name on 8 August 1978 in accordance with Law No.43 of 1974 and its executive Regulations within the Arab Republic of Egypt, having its Head Office situated at 81, Ninety St., City Centre, the 5th Settlement New Cairo, and Governorate of Cairo. On 14 July 2010 the Bank's shares were voluntarily delisted from the Cairo and Alexandria stock exchanges.

The Bank provides Institutional, Retail Banking and Investment Banking services within the Arab Republic of Egypt through its head office and 40 branches with 1229 employees as at 31 December 2022.

These financial statements were approved by the board of directors on 16 February 2023.

2 Summary of the significant accounting policies

The significant accounting policies applied in the preparation of these standalone financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated:

2.1 Basis of preparation

The standalone financial statements have been prepared in accordance with the Central Bank of Egypt (CBE) instructions approved by its Board of Directors on 16 December 2008 and the instructions for applying the International Financial Reporting Standard 9 (IFRS 9) issued on 26 February 2019, as well as, in accordance with the applicable Egyptian accounting standards and applicable laws of Egypt.

The consolidated financial statements of the Bank have been prepared as well, in which all the subsidiaries are entirely consolidated, the subsidiaries are the entities that the Bank - directly or indirectly has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of the activity, the Bank's consolidated financial statements can be obtained from the Bank's management. The Bank accounts for investments in subsidiaries and associate companies in the separate financial statements at cost less impairment loss.

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

The standalone financial statements have been prepared on a historical cost basis as modified for the re-measurement at fair value of certain financial instruments and all derivative financial instruments.

2.2 Subsidiaries

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

2.3 Segment reporting

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

2 Summary of the significant accounting policies (continued)**2.4 Translation of foreign currencies****2.4.1 Functional and presentation currency**

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

2.4.2 Foreign currency transactions and balances

The Bank maintains its accounting records in Egyptian pounds. Transactions in foreign currencies during the year are translated into the Egyptian pounds using the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the reporting date using the exchange rates then prevailing. Foreign exchange gains and losses resulting from settlement and retranslation of such transactions and balances are recognized in the standalone income statement within the line items:

- "net trading income" for those resulting from trading assets and liabilities or financial investments at fair value through profit or loss, and
- "other operating income" for those resulting from the remaining monetary assets and liabilities.

Foreign exchange gains and losses resulting from retranslation of equity instruments at fair value through other comprehensive income being recognized in the statement of other comprehensive income within the line item "Net change in fair value of equity instruments measured at fair value through other comprehensive income".

Changes in the fair value of debt instruments denominated in foreign currencies and classified as financial investments at fair value through other comprehensive income are analyzed into valuation differences resulting from changes in:

- amortized cost; being recognized in the consolidated income statement within the line item "interest from loans and similar revenues",
- applicable exchange rates; being recognized in the consolidated income statement within the line item "other operating income", and
- the instrument fair value; being recognized in the consolidated statement of other comprehensive income within the line item "net change in fair value of debt instruments measured at fair value through other comprehensive income".

2.5 Financial instruments

Financial instruments are classified at fair value through other comprehensive income (FVTOCI), amortized cost and fair value through profit or loss (FVTPL). The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are initially recognised at the fair value plus, for an item not recorded at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Premiums and discounts are amortised on a systematic basis to maturity using the effective interest rate method and being recognised within interest income or interest expense as appropriate.

2 Summary of the significant accounting policies (continued)

2.5 Financial instruments (continued)

Business model assessment

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

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

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

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

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

2.5.1 Deposits with banks and loans and advances

Deposits with banks (including nostro accounts) and loans and advances are financial assets with fixed or determinable payments and fixed maturities. These assets are risk rated in accordance with the Bank's policy on internal credit rating. After initial recognition, these are subsequently measured at amortised cost using the effective interest rate method, less any amounts written off and provision for credit losses. The losses arising from impairment of these assets are recognised in the standalone income statement in "provision for credit losses" and in an ECL allowance account in the standalone balance sheet. Amortised cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in "interest from loans and similar revenues" in the standalone income statement.

3 Summary of the significant accounting policies (continued)

2.5.1 Debt instruments

Debt instruments are measured at amortised cost using the effective interest rate method if:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Debt instruments are measured at FVTOCI when both the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the Solely Payments of Principal and Interest (SPPI) test.

FVTOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified to standalone income statement.

If either of these two criteria is not met, the financial assets are classified and measured at FVTPL. Additionally, even if the financial asset meets the amortised cost criteria, the Bank may choose at initial recognition to designate the financial asset at FVTPL based on the "Business Model".

The Bank accounts for any changes in the fair value in the standalone income statement for assets classified as "FVTPL".

2.5.2 Equity investments

Investments in equity instruments are classified as FVTPL, unless the Bank designates an equity investment as FVTOCI on initial recognition. At initial recognition, the Bank can make irrevocable election on an instrument by instrument basis to designate an equity instrument as FVTOCI. If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the standalone income statement.

2.5.3 Derivatives (other than hedging instruments)

Changes in fair values of the derivatives held for trading are included in the standalone income statement under "trading income".

2.5.4 Due to banks, customers' deposits and other loans

These financial liabilities are carried at amortised cost, less amounts repaid.

2. Summary of the significant accounting policies (continued)

2.5.5 Agreement for purchase and resale and agreements for selling and repurchase (Repos and reverse Repos)

Financial instruments sold under repurchase agreements are presented as a liability in the standalone balance sheet while the purchase and resale agreements are presented with treasury bills and other government notes in the standalone balance sheet. The difference between the sale and repurchase prices is recognized as a return due through the tenor of the agreement using the effective interest rate method.

2.5.6 Offsetting financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the standalone balance sheet when there is a currently enforceable legal right to offset the recognised amounts and the Bank intends to settle on a net basis to realise the assets and liabilities simultaneously.

2.6 Hedge accounting

In order to manage particular risks, the Bank applies hedge accounting for transactions which meet the specified criteria. These derivatives are stated at fair value. Derivatives with positive market values are included in assets, and derivatives with negative market values are included in liabilities in the standalone balance sheet.

At inception of the hedge relationship, the Bank formally designates and documents the economic relationship between the hedged item and the hedging instrument, including the nature of the risk, management objectives and strategy for undertaking the hedge. The methods that will be used to assess the effectiveness of the hedging relationship form part of the Bank's documentation.

Also, at the inception of the hedge relationship, the Bank undertakes a formal assessment to ensure the effectiveness of changes in the hedging instruments fair value in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. Such hedges are regarded as effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated.

For the purposes of hedge accounting, hedges are classified fair value hedges, which hedge the exposure to changes in the fair value of a recognised asset or liability.

For fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the standalone statement of other comprehensive income. The hedged item is adjusted for fair value changes relating to the risk being hedged and the difference is recognised in the standalone statement of other comprehensive income.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost or at FVTOCI, the difference between the carrying value of the hedged item on termination and the value at which it would have been carried without being hedged is amortised over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the standalone income statement.

2. Summary of the significant accounting policies (continued)**2.7 Interest income and expense**

Interest income and expense for all interest-bearing financial instruments, is recognized under "interest income and similar revenues" and "interest on deposits and similar costs" line items in the standalone income statement using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract which is considered part of the effective interest rate and transaction costs including all other premiums or discounts.

When loans or debts are non-performing or impaired, related interest income are not recognized but rather are carried off balance sheet in statistical records and are recognized under revenues according to cash basis as per the followings:

- When collected and after recovery of all past dues for retail loans, and small loans for business
- For corporate loans, interest income is recognized on cash basis after the Bank collects 25 % of the rescheduled instalments and after the instalments continued to be regular for at least one year. Interest income will not be recognized as revenue until full payment of the loan balance before the rescheduling and client is considered to be performing.

2.8 Fees and commission income

Fees and commissions for loans or facility service are recognized as revenue once the service is provided. Fees and commissions income related to non-performing or impaired loans or debts are suspended and are carried off-balance sheet and are recognized under income according to the cash basis, when interest income is recognized. Fees that represent a complementary part of the actual interest on the financial asset in general and treated as adjustment to the actual interest rate.

Commitment fees on loans granted are deferred if there is a possibility that such loans shall be drawn, since the commitment fees received by the Bank are deemed to be a compensation for the ongoing intervention to acquire the financial instrument; subsequently, they are recognized by adjusting the effective interest rate on the loan. In the event of expiry of the commitment period without issuing the loan by the Bank, the fees are recognized as revenues at the expiry of the commitment period.

Fees related to debt instruments which are measured at fair value are recognized under revenue at initial recognition.

The fees for promotion of syndication loans are recognized as revenues upon completing the promotion process without retaining any part of the loan by the Bank, or if the Bank maintains a part thereof with the actual interest rate available to other participants.

Commissions and fees arising from negotiation, or participating in a negotiation in favour of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized in the consolidated income statement when the transaction is completed, commissions and fees related to management advisory and other service are recognized as on partial time distribution basis through the time of service, usually on a time appropriation basis. Financial planning and custody department fees are recognized over the year in which the service is provided.

2. Summary of the significant accounting policies (continued)

2.9 Dividend income

Dividends are recognized in the consolidated income statement when the Bank's right to receive those dividends is established.

2.10 Impairment of financial assets

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

Stage 1

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

Stage 2

Stage 2 includes financial assets that have had a significant increase in its credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime expected credit loss are recognized, but interest is still calculated on the gross carrying amount of the asset.

Lifetime expected credit loss are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3

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

Expected credit losses impairment model

The Bank's allowance for credit losses calculations are outputs of a model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit losses impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from date of initial recognition.

The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

2. Summary of the significant accounting policies (continued)

2.10 Impairment of financial assets (continued)

Significant increase in credit risk

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

Quantitative factors

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

Qualitative factors

Retail loans, micro and small businesses

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

- The borrower submits a request to convert short-term to long-term payments due to negative effects on the borrower's cash flows.
- Extension of the deadline for repayment at the borrower's request.
- Frequent Past dues over the previous 12 months.
- Future adverse economic changes affecting the borrower's future cash flows.

Corporate loans and medium businesses.

If the borrower has a follow-up list and / or financial instrument faced one or more of the following events:

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

Non-payments

The loans and facilities of institutions, medium, small, micro and retail banking are included in stage two if the period of non-payment is more than 60 days and less than 90 days. Note that this period (60 days) will be reduced by (10) days per year to become (30) days during (3) years from the date of application (Year 2019).

Transfer between the three stages:

Transfer from second stage to first stage:

The financial asset shall not be transferred from the second stage to the first stage unless all the quantitative and qualitative elements of the first stage are met and the full arrears of the financial asset and the proceeds are paid.

Transfer from third stage to second stage:

The financial asset shall not be transferred from the third stage to the second stage until all the following conditions have been met: Completion of all quantitative and qualitative elements of the second stage. Repayment of 25% of the balance of the outstanding financial assets, including accrued segregated / statistical interest. Regularity of payment for at least 12 months.

2 Summary of significant accounting policies (continued)**2.11 Investment Properties**

Land and buildings held for the purpose of capital appreciation or for long term rental yield and not occupied by the Bank is classified as investment properties. Investment properties are measured at cost less accumulated depreciation and impairment.

2.12 Property, plant and equipment

Land and buildings comprise mainly the head office and the branches, and all fixed assets are reported at historical cost minus depreciation and impairment losses. The historical cost includes the charges directly related to measure at fixed assets items, and accumulated impairment.

Subsequent costs are included in the asset's carrying amount or are recognized as a standalone asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Maintenance and repair expenses are charged to other operating expenses during the financial year in which they are incurred.

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

Buildings	40-50 years
Improvements to the leased assets	10 years
Machinery and equipment	10 years
Other assets	2-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount presents the net realizable value of assets or the usage amount of the asset whichever is higher.

Profit and (loss) on disposals are determined by comparing proceeds with asset carrying amount. These profits and (losses) are included in other operating income (expenses) in the standalone income statement.

2.13 Borrowing costs

Borrowing costs are recorded in standalone income statement as funding expenses other than borrowing cost directly related to acquisition of qualifying assets which are capitalized as part of assets' cost.

2.14 Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include balances due within three months from date of acquisition; cash and balances due from the Central Bank of Egypt other than the mandatory reserve, and current accounts with Banks and treasury bills. The bank uses the indirect method in preparing the cash flows statement.

2 Summary of significant accounting policies (continued)

2.15 Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determined taking into consideration the group of obligations as a whole.

A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

2.16 Income taxes

Income tax on the profit or loss for the year includes each of tax and deferred tax and they are recognized in the standalone income statement except for income tax relating to items of equity which is recognized directly in statement of changes in equity.

Income tax is recognized based on net taxable profit as per the effective tax rates applicable on the balance sheet date, in addition to tax adjustments related to the previous years.

The deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the rules of the tax, using tax rates applicable at the date of the balance sheet.

The deferred tax assets shall be recognized if it is probable that sufficient taxable profits shall be realized in the future 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. However, in case tax benefit is highly expected, the deferred tax assets shall increase to the extent of previous reduction.

2.17 Capital

2.17.1 Cost of issuing capital

Issuing expenses which are directly related to new shares issuance or shares for the acquisition of an entity or issuing optional shares are reported net of tax and as a deduction from owners' equity.

2.17.2 Dividends

Dividends on equity instruments issued by the Bank are recognized upon the General Assembly of the Bank's shareholders approval. Dividends appropriations include employees' share in profit and Board of Directors' remuneration as prescribed by the Bank's articles of incorporation and corporate law.

2.18 Fiduciary activities

The Bank practices fiduciary activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans. These assets and related income are excluded from the Bank's financial statements, as they are assets not owned by the Bank.

2.19 Comparative figures

The comparative figures shall be reclassified when necessary to be in conformity with the changes to presentation used in the current year.

3 Financial risks management

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

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

The risk management policies have been laid down to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated systems.

The Bank regularly reviews the risk management policies and systems and amends them to reflect the changes in market, products, services and the best updated applications.

Those risks are managed by risk department in the light of policies approved by Board of Directors. The risk department determines, evaluates and covers the financial risks, in collaboration with the Bank's various operating units, and the Board of Directors provides written policies for management of risks as a whole.

In addition to written policies covering specific risk areas, like credit risk, foreign exchange rate risk, interest rate risk, and using the financial derivative and non-derivative instruments. Moreover, the risk department is independently responsible for regular review of risk management and control environment.

The bank's board of directors determines the policy of provisions and expected losses and has the authority to approve the increase in the percentage of expected credit losses for some accounts over the value calculated from the system output.

A. Credit risk

The Bank is exposed to the 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 to be the most significant risks for the Bank. The Bank set specific procedures to manage that risk. The credit risk in the lending and investment activities which are represented Bank's assets contain debt instruments. The credit risk is also found in off balance sheet financial instruments, like loan commitment. The managing and monitoring process on credit risk is centralized at credit risk team management at credit risk department that prepare reports to Board of Directors and head of department on regular basis.

A.1 Measurement credit risk**Loans and advances to banks and customers**

In measuring credit risk of loan and advances to Banks and to customers at a counterparty level, the Group takes three components into consideration:

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

The Bank evaluates the customer risk using internal policies for the different customers' categories. These policies are updated taking into consideration financial analysis and statistical analysis for each customer category in addition to the personal judgment of the credit officer to reach the appropriate grading. The customers are classified into ten grading, which are divided into four ratings.

The rating tools are reviewed and upgraded as necessary. The Group regularly validates the performance of the rating and their anticipated future outcomes with regard to default events.

The Group's internal ratings classification

Rating	Classification
1	Performing loans
2	Regular watch
3	watch list
4	Non-performing loans

3 Financial risks management (continued)**A Credit risk (continued)****A.1 Measurement credit risk (continued)**

The loans exposed to default depend on the Bank's expectation for the outstanding amounts when default occurs. Loss given default or loss severity represents the Group expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

Debt instruments, treasury bills and other notes

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by the Bank's risk department for managing of the credit risk exposures, and if this rating is not available, then methods similar to those applying to the credit customers are used. The investments in those securities and bills are viewed as a method to obtain a better credit quality mapping and maintaining a readily available source to meet the funding requirement at the same time.

A.2 Limiting and preventing risk policies

The Bank manages limits and controls concentration of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industrial segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by individual, counterparties, product, and industrial sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks is further restricted by subsidiary 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 meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

The Group employs a range of policies and practices to mitigate credit risk and one of these means is accepting collaterals against loans and advances. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Real estate mortgage.
- Business assets mortgage such as machines and goods
- Financial instruments mortgage such as debt securities and equity instruments.

The Bank is keen to obtain the appropriate guarantees against corporate entities of long term finance while individual credit facilities are generally unsecured.

In addition, to minimize the credit loss the Bank will seek additional collaterals from all counterparties as soon as impairment indicators are noticed for a loan or advance.

The Bank determine type of collaterals held by the Bank as security for financial assets other than loans and advances according to the nature of the instrument, generally debt securities and treasury bills are fully secured, except for asset-backed securities and similar instruments are secured by a financial instrument portfolio.

3 Financial risks management (continued)**A Credit risk (continued)****A.2 Limiting and preventing risk policies (continued)****Derivatives**

The Bank maintains strict control limits over amounts and terms for the net value of opened derivative positions i.e. the difference between purchase and sale contracts. In all cases, the amount subject to credit risk is limited to the current fair value of instruments in which the Bank could gain a benefit from it (i.e. assets that have positive fair value), which represent small value of the contract, or the notional value. The Bank manages this credit risk which is considered part of the total customer limit with market changes risk all together. Generally, no collateral obtained for credit risk related to these instruments, except for marginal deposits required by the Bank from other parties.

Settlement risk arises when cash, equity instruments or other financial papers is used in the settlement process, or if there is expectation to receive cash, equity instruments or other financial papers. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the daily Bank transactions.

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties of significant volume of transactions. Generally, no netting between assets and liabilities at the balance sheet data relating to the master netting arrangements, as aggregate settlements are made. However, the credit risk related to contracts to the favor of the Bank is reduced by a master netting arrangement as netting will be made with the counterparty to settle all transactions. The value of the credit risk faced by the Bank changes substantially within a short period of time, as it is affected by each transaction occurs in the arrangement

Commitments related to credit

The primary purpose of these commitments is to ensure that funds are available to customer when required. Guarantees and standby letters of credit are of the same credit risks as loans.

Documentary and commercial letters of credit which are issued by the Bank on behalf of customer by which authorizing a third party to draw within a certain limit in accordance to specific terms and conditions and guaranteed by the goods under shipment are of lower risk than a direct loan.

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

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For the year ended 31 December 2022

3 Financial risks management (continued)**A Credit risk (continued)****A. 3 Impairment and provisions policies**

The internal rating systems described in (A -1) focus more on credit-quality at the inception of lending and investment activities. Otherwise, impairment provisions recognized at the balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment as will be mentioned below. Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the expected amount determined from the expected loss models used for CBE regulation purposes (A-4 note).

The impairment provision appeared in the balance sheet at the end of the year is derived from the four internal rating grades. However, the majority of the impairment provision comes from the last two ratings. The table below shows the percentage of items in-balance sheet relating to loans and advances and the related impairment provision for each rating:

31 December 2022	
Categories	Loans and advances %
Performing loans	66.1
Regular watch	26.6
Watch list	3.7
Non- performing loans	3.6

31 December 2021	
Categories	Loans and advances %
Performing loans	59.0
Regular watch	32.4
Watch list	5.1
Non- performing loans	3.5

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

- Payment delinquency of debtor or loan beneficiary.
- Breach of loan conditions such as non- payment.
- Initiation of bankruptcy or entering a liquidation or finance restructures.
- Deterioration of the borrower's competitive position.
- For economical or legal reasons, the Bank granted the borrower additional benefits that will not be done in normal circumstances Taking in consideration the central Bank of Egypt regulations issued on 14 April 2011 concerning dealing with retail and corporate loans in the current economic situation.
- Impairment in the value of collateral.
- Deterioration of the credit status.

The Bank policies require review of all financial assets (that exceed specific materiality) at least once a year or more when required, the impairment loss is determined on individual basis by determining case by case actual losses. These policies applied on all accounts having specific materiality on individual basis. Valuation usually includes the existing collateral, the related enforcements on these collaterals and the expected collections from those accounts.

Impairment loss provision is formed based on group of similar assets using the historical experience available, personal judgment and statistical methods.

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For the year ended 31 December 2022

3 Financial risks management (continued)**A. Credit risk (continued)****A. 3 Impairment and provisions policies (continued)****A.4 General Module to measure banking general risks**

In addition to the four categories of credit rating indicated in note (A.1) the management makes more detailed groups in accordance with the CBE requirements.

Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on information related to the customer, his activities, financial position and payment schedules.

The Bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the allowance required for impairment losses as per CBE credit worthiness rules exceeds the provisions as required by the expected credit loss, that excess shall be debited to retained earnings and carried to the general banking risk reserve in the equity section. Such reserve is always adjusted, on a regular basis, by any increase or decrease so that the reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution, Note (31.1) shows the "general banking risk reserve" movement during the year.

Below is the statement of credit rating as per internal valuation basis compared to Central Bank of Egypt valuation basis and the percentage of provisions required for impairment assets exposed to credit risk up to 31 December 2022.

<i>Classification of the Central Bank of Egypt</i>	<i>Classification</i>	<i>Required provision rate</i>	<i>Internal classification</i>	<i>Internal classification Significance</i>
1	Low risk	Nil	1	Performing loans
2	Average risk	1%	1	Performing loans
3	Satisfactory risk	1%	1	Performing loans
4	Reasonable risk	2%	1	Performing loans
5	Acceptable risk	2%	1	Performing loans
6	Marginally acceptable risk	3%	2	Regular watch
7	Watch list	5%	3	Watch list
8	Substandard	20%	4	Non- performing loans
9	Doubtful	50%	4	Non -performing loans
10	Bad debt	100%	4	Non -performing loans

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3 Financial risks management (continued)**A. Credit risk (continued)****A.5 Maximum credit risk before collaterals**

	31 December 2022	31 December 2021
	EGP Thousands	EGP Thousands
In balance sheet items exposed to credit risk		
Due from banks	9,882,149	4,768,772
Treasury bills and other government notes	3,405,991	1,966,954
Loans and credit facilities to customers		
Individuals		
Overdrafts	446,193	470,953
Credit cards	41,992	33,072
Personal loans	2,073,026	1,126,015
Other loans	543,738	887,243
Corporates		
Overdrafts	4,542,024	3,496,208
Direct loans	39,276,967	27,630,512
Syndicated loans	6,571,455	5,104,265
Bank loans	444	354,347
Financial investments		
Debt instruments	13,370,825	12,918,067
Other Financial Assets	1,312,527	894,527
Total	81,467,331	59,650,935
Off-balance sheet items exposed to credit risk (Gross)		
Acceptances	82,943	814,372
Letter of guarantee	10,843,073	7,517,165
Letter of credit	624,556	473,735
Forward exchange contracts	43,013	387,516
Interest rate swap	503,018	306,874
Non-cancellable commitments for credit facilities	108,298	145,000
Total	12,204,901	9,644,662

The above table represents the maximum limits for credit risk as of 31 December 2022 and 31 December 2021, without taking into consideration any collateral held by the bank, if any. For the balance sheet items, amounts stated depend on the gross amount shown in the balance sheet.

As shown in the preceding table, 65.7%(against 65.6% as at 31 December 2021) of the total maximum limit exposure to credit risk resulted from loans and advances to banks and customers; 20.6% as at 31 December 2021 (against 25.0% as at 31 December 2021) represents investments in debt instruments and treasury bills

The management is confident of its ability to maintain control on ongoing basis and maintain the minimum credit risk resulting from loans and advances, and debt instruments as follows:

- 92.73% of the loans and advances portfolio is classified at the highest two rating as of 31 December 2022 against 91.37% as at 31 December 2021
- The Bank has implemented prudent processes when granting loans and advances during the financial year ended in 31 December 2022
- More than 82.62% of the investments in debt instruments are placed with governmental instruments.

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For the year ended 31 December 2022

3 Financial risks management (continued)**A. Credit risk (continued)****A. 6 Loans and advances**

Following is the position of loans and advances balances to the customers and banks in terms of credit solvency:

	31 December 2022		31 December 2021	
	EGP Thousands		EGP Thousands	
	Loans and facilities credit to customers	Loans and credit facilities to banks	Loans and facilities credit to customers	Loans and facilities credit to banks
Neither have past dues nor impaired	49,995,340	307	36,811,817	354,131
Have past dues but not impaired	1,554,887	-	529,531	-
Impaired	1,945,168	137	1,406,920	216
Total	53,495,395	444	38,748,268	354,347
Less: Allowance for impairment losses	(4,661,784)	-	(2,386,397)	(1,466)
Less: interest in suspense	(129,968)	-	(120,673)	-
Less: Unearned discount	(335,612)	-	(111,107)	(1,925)
Net	48,368,031	444	36,130,091	350,956

Provision for impairment losses comprise an amount of EGP 1,744,374 thousand (31 December 2021: EGP 1,159,765 thousand) towards loans classified under stage 3 and an amount of EGP 2,917,410 thousand (31 December 2021: EGP 1,228,098 thousand) on a portfolio basis.

Note (18) includes additional information on the allowance for impairment losses for Loans and credit facilities to customers during the current reporting year.

Total Fair Value of all collaterals amounted to EGP 2,721,921 thousand at 31 December 2022 (31 December 2021 EGP 1,352,926 thousand).

Loans and credit facilities which neither have past dues nor impaired

The credit quality of Loans and credit facilities that neither have past dues nor impaired is assessed by reference to the bank's internal rating.

Loans and credit facilities to customers**31 December 2022**

	Overdrafts	Credit cards	Retail Personal loans	Other loans	Total
Rating:					
Performing Loans	413,080	19,070	1,209,918	-	1,642,068
Regular watch	33,113	15,515	723,867	523,762	1,296,257
Total	446,193	34,585	1,933,785	523,762	2,938,325

31 December 2021

	Overdrafts	Credit cards	Retail Personal loans	Other loans	Total
Rating:					
Performing Loans	436,807	17,515	294,695	-	749,017
Regular watch	34,085	9,744	480,619	851,304	1,375,752
Total	470,892	27,259	775,314	851,304	2,124,769

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For the year ended 31 December 2022

3 Financial risks management (continued)**A. Credit risk (continued)****A.6 Loans and advances****31 December 2022**

			<i>Corporate Syndicated Loans and facilities</i>	<i>Other Loans</i>	<i>Total</i>
Rating:	Overdrafts	Direct loans			
Performing Loans	3,505,086	28,004,243	1,922,083	307	33,431,719
Regular watch	737,369	8,740,459	3,063,957	-	12,541,785
watch-list	196,420	660,978	226,420	-	1,083,818
Total	4,438,875	37,405,680	5,212,460	307	47,057,322

31 December 2021

			<i>Corporate Syndicated Loans and facilities</i>	<i>Other Loans</i>	<i>Total</i>
Rating:	Overdrafts	Direct loans			
Performing Loans	2,805,873	17,838,933	1,259,132	354,131	22,258,069
Regular watch	377,256	7,771,663	2,754,312	-	10,903,231
watch-list	54,279	1,470,547	355,053	-	1,879,879
Total	3,237,408	27,081,143	4,368,497	354,131	35,041,179

Loans guaranteed by cash are not considered subject to impairment for the non-performing category after taking into consideration the collectability of the guarantees.

Loans and credit facilities which have past dues but not impaired

These are Loans and credit facilities with past-due instalments but are not subject to impairment, unless information has otherwise indicated. Loans and credit facilities to customers which have past dues but are not subject to impairment are analysed below:

31 December 2022

		<i>Retail</i>	
	<i>Current Accounts</i>	<i>Credit cards</i>	<i>Personal loans</i>
< 30 days	-	5,044	100,156
30 – 60 days	-	1,392	24,888
over 60	-	680	6,969
Total	-	7,116	132,013

31 December 2021

		<i>Retail</i>	
	<i>Current Accounts</i>	<i>Credit cards</i>	<i>Personal loans</i>
< 30 days	-	3,366	295,748
30 – 60 days	-	1,053	41,846
over 60	-	1,060	12,333
Total	-	5,479	349,927

AHLI UNITED BANK EGYPT S.A.E**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

3 Financial risks management (continued)**A. Credit risk (continued)****A.6 Loans and advances (continued)****Loans and credit facilities which have past dues but not impaired (continued)****31 December 2022**

	<i>Corporate</i>			
	<i>Current Accounts</i>	<i>Direct loans</i>	<i>Syndicated Loans and facilities</i>	<i>Total</i>
< 30 days	-	212,336	-	212,336
30 – 60 days	-	46,223	-	46,223
over 60	-	1,157,199	-	1,157,199
Total	-	1,415,758	-	1,415,758

31 December 2021

	<i>Corporate</i>			
	<i>Current Accounts</i>	<i>Direct loans</i>	<i>Syndicated Loans and facilities</i>	<i>Total</i>
< 30 days	-	27,265	-	27,265
30 – 60 days	-	19,996	-	19,996
over 60	-	126,864	-	126,864
Total	-	174,125	-	174,125

Past due Loans and credit facilities are those amounts, or any part thereof, which have fallen due but for which no payment has been received in accordance with the contractual terms. These include past dues for periods more than one day. Amounts shown in the note represent the whole balance of the loan or facility and not only the past due amounts. These do not include the remaining Loans and credit facilities of the same customer so long default has not fully or partially occurred on those loans.

On initial recognition of Loans and credit facilities, the fair value of collaterals, if any, is assessed based on valuation methods used for similar assets but are not recognized in the financial statements since these do not represent assets of the bank at that date. In subsequent periods, the fair value is updated to reflect the market price or prices for similar assets.

AHLI UNITED BANK EGYPT S.A.E**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

(All Figures are in EGP Thousand)

3 Financial risks management (continued)**A. Credit risk (continued)****A. 6 Loans and advances (continued)****Loans and credit facilities which are individually impaired****Loans and credit facilities to customers**

The following table provides a breakdown of the balance of such Loans and credit facilities which are individually impaired including the fair value of the collaterals shall prevail when calculating the provisions

31 December 2022

	<i>Retail</i>				
	<i>Overdrafts</i>	<i>Credit cards</i>	<i>Personal loans</i>	<i>Other loans</i>	<i>Total</i>
Loans which are individually impaired	-	291	7,227	19,978	27,496

31 December 2021

	<i>Retail</i>				
	<i>Overdrafts</i>	<i>Credit cards</i>	<i>Personal loans</i>	<i>Other loans</i>	<i>Total</i>
Loans which are individually impaired	-	334	773	35,939	37,046

31 December 2022

	<i>Corporate</i>				
	<i>Overdrafts</i>	<i>Direct loans</i>	<i>Syndicated Loans and facilities</i>	<i>Other loans</i>	<i>Total</i>
Loans which are individually Impaired	103,149	455,529	1,358,994	137	1,917,809

31 December 2021

	<i>Corporate</i>				
	<i>Overdrafts</i>	<i>Direct loans</i>	<i>Syndicated Loans and facilities</i>	<i>Other loans</i>	<i>Total</i>
Loans which are individually Impaired	258,860	375,245	735,769	216	1,370,090

Restructured Loans and credit facilities:

Restructuring activities include rescheduling arrangements, applying obligatory management programs, modifying and deferral of payments. The application of restructuring policies is based on indicators or criteria of credit performance of the borrower that is based on the personal judgment of the management, which indicate that payment will most likely continue. Restructuring is commonly applied to term loans, especially customer loans. Renegotiated loans totalled at the end of the year:

Loans and credit facilities to customers**Corporate loans**

	31 December 2022	31 December 2021
Direct loans	375,629	1,894,407
Total	375,629	1,894,407

AHLI UNITED BANK EGYPT S.A.E**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

3 Financial risks management (continued)**A. Credit risk (continued)****A.7 Debt instruments, treasury bills and other government notes and other investments**

The following table shows a breakdown of debt instruments, treasury bills, and other governmental notes per last rating for Standard and Poor's and its equivalent:

<i>31 December 2022</i>	<i>Treasury Bills</i>	<i>Egyptian Treasury Bonds</i>	<i>Non-Governmental Bonds and sukuk</i>	<i>Total</i>
AAA	274,651	10,455,521	-	10,730,172
AA(+/-)	-	-	2,173,193	2,173,193
A(+/-)	-	-	1,002	1,002
BBB(+/-)	-	-	396,717	396,717
BB(+/-)	-	-	295,876	295,876
B(+/-)	3,131,340	-	48,516	3,179,856
Total	3,405,991	10,455,521	2,915,304	16,776,816

AHLI UNITED BANK EGYPT S.A.E**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

3 Financial risks management (continued)**A. Credit risk (continued)****A.8 Quality of Financial Assets**

The following table provides information on the credit quality of the financial assets as at:

31 December 2022	Stage (1) 12 months	Stage (2) Lifetime	Stage (3) Lifetime	Total
Due from banks	4,649,416	5,237,807	-	9,887,223
Treasury bills	3,305,400	274,652	-	3,580,052
Loans and advances to customers & banks	32,134,789	19,415,882	1,945,168	53,495,839
Debt Instruments at Fair value through other comprehensive income	10,723,494	741,110	-	11,464,604
Debt instruments at Amortized Cost	1,906,221	-	-	1,906,221
	52,719,320	25,669,451	1,945,168	80,333,939
31 December 2021	Stage (1) 12 months	Stage (2) Lifetime	Stage (3) Lifetime	Total
Due from banks	2,991,447	1,779,418	-	4,770,865
Treasury bills	1,857,930	174,455	-	2,032,385
Loans and advances to customers & banks	23,080,920	14,614,775	1,406,920	39,102,615
Debt Instruments at Fair value through other comprehensive income	9,867,945	545,877	-	10,413,822
Debt Instruments at Amortized Cost	2,504,245	-	-	2,504,245
	40,302,487	17,114,525	1,406,920	58,823,932

The following table provides information on the expected credit losses balances as at:

31 December 2022	Stage (1) 12 months	Stage (2) Lifetime	Stage (3) Lifetime	Total
Due from banks	392	4,682	-	5,074
Treasury bills	-	453	-	453
Loans and advances to customers & banks	727,693	2,189,717	1,744,374	4,661,784
Debt Instruments at Fair value through other comprehensive income	1,007	3,921	-	4,928
Commitments on loans and collaterals	43,697	81,645	21,390	146,732
	772,789	2,280,418	1,765,764	4,818,971
31 December 2021	Stage (1) 12 months	Stage (2) Lifetime	Stage (3) Lifetime	Total
Due from banks	280	1,813	-	2,093
Treasury bills	-	452	-	452
Loans and advances to customers & banks	80,881	1,147,217	1,159,765	2,387,863
Debt Instruments at Fair value through other comprehensive income	1,056	2,105	-	3,161
Commitments on loans and collaterals	35,879	6,539	15,324	57,742
	118,096	1,158,126	1,175,089	2,451,311

AHLI UNITED BANK EGYPT S.A.E

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For the year ended 31 December 2022

(All Figures are in EGP Thousands)

3 Financial risks management (continued)

A. Credit risk (continued)

A. 9 Concentration of risks of financial assets exposed to credit risk

A.9.1 Geographic Sectors

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting year (excluding allowances for impairment). The gross amount of all financial assets including Loans and credit facilities is segmented into the geographical regions of the bank's clients.

	Arab Republic of Egypt					Gulf Countries	Other countries	Total
	Greater Cairo	Alexandria, Delta and Sinai	Upper Egypt	Total				
Treasury bills and other government notes	3,580,052	-	-	3,580,052	-	-	-	3,580,052
Loans and advances to customers								-
Loans to individuals								-
Overdrafts/Personal loans	330,656	114,852	685	446,193	-	-	-	446,193
Credit cards	32,442	8,952	598	41,992	-	-	-	41,992
Personal loans	1,677,369	355,694	39,963	2,073,026	-	-	-	2,073,026
Other loans	543,034	-	704	543,738	-	-	-	543,738
Corporate:								-
Overdrafts	3,661,781	873,508	6,735	4,542,024	-	-	-	4,542,024
Direct loans	34,031,206	5,103,927	141,834	39,276,967	-	-	-	39,276,967
Syndicated loans	6,571,455	-	-	6,571,455	-	-	-	6,571,455
Bank loans	444	-	-	444	-	-	-	444
Financial investments								-
Debt instruments	12,692,372	-	-	12,692,372	579,727	98,726	-	13,370,825
Total at the end of the current year	63,120,811	6,456,933	190,519	69,768,263	579,727	98,726	-	70,446,716
Total at the end of the comparative year	46,353,785	5,306,993	102,072	51,762,850	414,117	54,579	-	52,231,546

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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

3 Financial risks management (continued)

A. Credit risk (continued)

A. 10 Concentration of risks of financial assets exposed to credit risk (continued)

A.10.2 Industrial sectors

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting year (excluding allowances for impairment). The gross amount of all financial assets is segmented into business sectors in which the bank's clients operate.

	Financial institutions	Manufacturing Sector	Real estate activity	Government sector	Other activity	Individual	Total
Treasury bills and other government notes	-	-	-	3,580,052	-	-	3,580,052
Loans and advances to customers							
Loans to individuals							
Overdrafts	-	-	-	-	-	446,193	446,193
Credit cards	-	-	-	-	-	41,992	41,992
Personal loans	-	-	-	-	-	2,073,026	2,073,026
Other loans	-	-	-	-	-	543,738	543,738
Corporate:							
Overdrafts	90,919	324,845	1,270,975	-	2,855,285	-	4,542,024
Direct loans	2,059,762	13,344,043	6,483,737	-	17,389,425	-	39,276,967
Syndicated loans	-	1,750,550	429,343	-	4,391,562	-	6,571,455
Bank loans	444	-	-	-	-	-	444
Financial Investments							
Debt instruments	2,915,304	-	-	10,455,521	-	-	13,370,825
	5,066,429	15,419,438	8,184,055	14,035,573	24,636,272	3,104,949	70,446,716
Total at the end of the current year	2,703,043	11,215,266	6,262,180	12,380,776	17,152,998	2,517,283	52,231,546
Total at the end of the comparative year							

3 Financial risks management (continued)**B. Market risk**

The Bank exposed to market risks which is the risk that the fair value or future cash flow fluctuation resulted from changes in market prices. Market risks arise from open market related to interest rate, currency, and equity products of which each is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices such as interest rates, foreign exchange rates and equity instrument prices. The Bank divides its exposure to market risk into trading and non-trading portfolios.

The Bank treasury department is responsible for managing the market risks arising from trading and non-trading activities of which monitored by two standalone teams. Regular reports are submitted to the Board of Directors and each business department.

Trading portfolios include transactions where the Bank deals direct with clients or with the market; Non-trading portfolios primarily arise from managing assets and liabilities interest rate relating to retail transactions. Non-trading portfolios also includes foreign exchange risk and equity instruments risks arising from the Bank's held-to-maturity and available-for-sale investments portfolios.

B.1 Market risks measurement techniques

As part of market risk management, the Bank undertakes various hedging strategies and enters into swaps to match the interest rate risk associated with the fixed-rate long-term loans if the fair value option been applied, the major measurement techniques used to measure and control market risk are outlined below:

Value at risk

The Bank applies a "value at risk" methodology (VAR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for the Bank, trading and non-trading stand lonely, which are monitored on a daily basis by the Bank's treasury department.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the "maximum" amount the Bank might lose, but only to a certain level of confidence (95%, 97.5% and 99%) the validity of the assumptions and parameters/factors used in the VAR calculation. There is therefore a specified statistical probability (5%, 2.5%, and 1%) that actual losses could be greater than the VAR estimate The VAR model assumes a certain "holding Year" until positions can be closed (10 days).

It also assumes that market moves occurring over this holding Year will follow a similar pattern to those that have occurred over 10-day Year in the past. The Bank's assessment of past movements is based on data for the past five years. The Bank applies these historical changes in rates, prices, indices, etc. directly to its current positions – a method known as historical simulation. The actual outcomes are monitored regularly to test the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. As VAR constitutes an integral part of the Bank's market risk control regime, VAR limits are established by the Board annually for all trading and non-trading portfolio operations and allocated to business units. Actual exposure against limits, together with a standalone bank-wide VAR, is reviewed daily by the Bank risk treasury department.

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

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For the year ended 31 December 2022

3 Financial risks management (continued)**B. Market risk (continued)****B.1 Market risks measurement techniques (continued)****Stress testing**

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances stress testing are designed to match business using standard analysis for specific scenarios. The stress testing carried out by the Bank treasury. Stress testing include: risk factor stress testing where sharp movements are applied to each risk category and test emerging market stress, as emerging market portfolios are subject to sharp movements; and subject to special stress including possible stress events to specific positions or regions - for example the stress outcome to a region applying a free currency rate.

B.2 Summary on the value at exchange rate risk

	31 December 2022	31 December 2021
	EGP Thousands	EGP Thousands
Medium	397	309
High	615	475
Low	164	155

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(All Figures are in EGP Thousands)

3 Financial risks management (continued)

B. Market risk (continued)

B.3 Foreign Exchange Risk

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The board of directors set limits for foreign exchange risk at the total value of positions at the end of the day and during the day when timely control is exercised. The following table summarizes the bank's exposure to the risks of fluctuations in foreign exchange rates at the end of the reporting year. This table includes the carrying amounts of the financial instruments in terms of their relevant currencies and in EGP equivalent.

	Egyptian Pound	US Dollar	Euro	Sterling Pound	Other Currencies	Total
Assets:						
Cash and balance with Central Bank	7,110,036	102,305	19,745	5,334	10,994	7,248,414
Due from banks	38,791	8,692,984	982,095	71,056	97,223	9,882,149
Treasury bills and government notes	2,883,719	522,272	-	-	-	3,405,991
Loans and advances for customers and banks	39,101,394	8,760,476	506,462	66	77	48,368,475
Financial derivatives	-	5,299	11,092	-	-	16,391
Investments:						
Fair value through other comprehensive income	10,929,594	586,248	99,539	-	-	11,615,381
Fair value through profit or loss	38,347	-	-	-	-	38,347
Subsidiaries	54,468	-	-	-	-	54,468
Amortized cost	1,906,221	-	-	-	-	1,906,221
Other assets and fixed assets and Investment Property	2,767,704	172,632	15,870	400	5	2,956,611
Total assets	64,830,274	18,842,216	1,634,803	76,856	108,299	85,492,448
liabilities:						
Due to banks	2,502,555	30,141	254	-	-	2,532,950
Customers' deposits	54,578,933	13,453,878	1,617,900	81,163	66,677	69,798,551
Other liabilities and provisions	1,771,522	856,005	8,252	825	1,509	2,638,113
Total liabilities	58,853,010	14,340,024	1,626,406	81,988	68,186	74,969,614
Net financial position as of 31 December 2022	5,977,264	4,502,192	8,397	(5,132)	40,113	10,522,834
At the end of the comparative year						
Total financial assets	18,442,044	27,274,860	3,995,040	11,978,655	2,570,266	64,260,865
Total financial liabilities	18,949,904	9,247,629	15,288,278	6,770,374	4,932,112	55,188,297
Net financial position	(507,860)	18,027,231	(11,293,238)	5,208,281	(2,361,846)	9,072,568

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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

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(All Figures are in EGP Thousands)

3 Financial risks management (continued)

B. Market risk (continued)

B.4 Interest rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but profit may decrease in the event that unexpected movements arise. The Board sets limits on the level of gaps in interest rates reprising that may be undertaken, which is monitored daily by risk department.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of reprising.

	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1	Non- Interest bearing	Total
Financial Assets:						
Cash and balances with Central Bank of Egypt	7,248,414	-	-	-	-	7,248,414
Due from banks	3,401,917	5,144,088	1,336,144	-	-	9,882,149
Treasury bills and other government notes	249,220	1,720,032	1,436,739	-	-	3,405,991
Loans and advances to customers and banks	20,127,338	25,281,274	2,066,384	893,479	-	48,368,475
Financial derivatives asset	-	-	-	-	16,391	16,391
Non-trading financial investments	933,683	484,453	1,015,583	10,960,815	127,068	13,521,602
Fair value through profit or loss	38,347	-	-	-	-	38,347
Subsidiaries	-	-	-	-	54,468	54,468
Fixed Assets and other assets and Investment properties	-	-	-	-	2,956,611	2,956,611
Total financial assets	31,998,919	32,629,847	5,854,850	11,854,294	3,154,538	85,492,448
Financial liabilities						
Due to banks	2,532,950	-	-	-	-	2,532,950
Customers' deposits	18,252,596	18,341,116	16,899,959	9,512,692	6,792,188	69,798,551
Other loans, liabilities and provisions	-	-	494,868	-	2,143,245	2,638,113
Total financial liabilities	20,785,546	18,341,116	17,394,827	9,512,692	8,935,433	74,969,614
Interest reprising gap	11,213,373	14,288,731	(11,539,977)	2,341,602	(5,780,895)	10,522,834
At the end of the comparative year						
Total financial assets	18,442,044	27,274,860	3,995,040	11,978,655	2,570,266	64,260,865
Total financial liabilities	18,949,904	9,247,629	15,288,278	6,770,374	4,932,112	55,188,297
Re-pricing gap	(507,860)	18,027,231	(11,293,238)	5,208,281	(2,361,846)	9,072,568

(All Figures are in EGP Thousands)

3 Financial risks management (continued)**C. Liquidity risk**

Liquidity risk represents difficulty encountering the Bank in meeting its financial commitments when they fall due and replace funds when they are withdrawn, this may result in failure in fulfilling the Bank obligation to repay to the depositors and fulfilling lending commitments.

Liquidity risk management

The risk management department monitor the Bank's liquidity process in the following ways:

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes availability of liquidity as they due lending to customers. To ensure that the Bank reaches its objective the Bank maintains an active presence in global money markets.
- The Bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow.
- Monitoring liquidity ratios in relation with internal requirements and central Bank of Egypt requirements.
- Managing loans concentration and dues.

For monitoring and reporting purposes take the form of cash flow measurement and expectations for the next day, week and month respectively, as these are key Years for liquidity management.

The starting point for those expectations is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets .

Credit risk department monitor the mismatch between medium term assets, the level and nature of unused loans limits, overdraft utilizations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

The bank adheres to CBE regulations on Liquidity risk management issued on June 2016 and maintains the minimum requirement for both local currency and foreign currency liquidity ratios in addition to LCR and NSFR

Liquidity Ratios

Liquidity ratio reached 23.56 % for local currency and 66.27 % for foreign currency as at 31 December 2022.

Funding approach

Sources of liquidity are regularly reviewed by Bank treasury to maintain a wide diversification by currency, geography, source products and terms.

D. Fair value of financial assets and liabilities**D.1 Financial instruments measured at fair value using the valuation methods**

No changes in fair value using the valuation methods that occurred during the year.

D.2 Financial instruments measured at fair value not using the valuation methods**Due from banks**

Fair value of placements and deposits bearing variable interest rate for one day is its current value.

The expected fair value for deposits bearing variable interest is based on the discounted cash flow using rate of similar asset of similar credit risk and due dates.

Loans and advances to banks

Loans and advances to banks represent loans and advances other than deposits at banks. The fair value represents the value expected to be recovered based on present value future cash flow and cash flows are determined using the interest rate.

Loans and advances to Customer

Loans and advances are net of provisions for impairment losses. Fair value expected for loans and advances represents the discounted value of future cash flows expected to be collected and cash flows are discounted using the current market interest rate to determine fair value.

(All Figures are in EGP Thousands)

3 Financial risks management (continued)**D. Fair value of financial assets and liabilities (continued)****D.2 Financial instruments measured at fair value not using the valuation methods (continued)****Investments in securities**

FVOCI are measured at fair value except for equity instruments that its market value can't be reliably determined. Fair value of amortized cost investments is based on market prices or broker/ prices. Fair value is estimated using quoted market prices for financial paper with similar credit maturity and yield characteristics where information is not available.

Due to Banks and customers

The estimated fair value of deposits of indefinite maturity which includes interest-free deposits is the amount paid on call. The estimated fair value of fixed interest-bearing deposits and other loans not traded in an active market is based on discounted cash flows using interest rates for new debts of similar maturity dates.

E. Capital risk management

The bank's objectives behind managing capital include elements other than equity shown in the balance sheet are represented in the following:

- Compliance with capital legal requirements in Arab Republic of Egypt and the other countries the Bank is operating in.
 - Protecting the bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
 - Maintaining a strong capital base to enhance growth.
- Capital adequacy and uses are reviewed on a daily basis according to the regulatory authority's requirements (Central Bank in Arab Republic of Egypt) by the bank's management through models-based Basel committee for banking control instructions, these data are submitted to Central Bank of Egypt on quarterly basis.

Central Bank of Egypt requires the following from the Bank:

- Maintaining EGP 5 billion as a minimum requirement for the issued and paid up capital.
- Maintaining a ratio between capital elements and asset and contingent liability elements weighted by risk weights at 12.50 % or more.

In accordance with the requirements of Basel II, the numerator in capital adequacy comprises the following 2 tiers:

Tier 1:

Basic capital which comprises paid-up capital (net of treasury stock), plus: retained earnings and reserves resulting from profit appropriations (other than general reserve for banking risks & special reserve), less: any goodwill previously recognized and any carried forward losses.

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3 Financial risks management (continued)**E. Capital risk management (continued)****Tier 2:**

Subordinated capital which comprises with equivalent amount of the loans general provision which does not exceed 1.25% from the total risk-weighted average of assets and contingent liabilities, plus: the carrying amount of subordinated loans/deposits maturing over more than 5 years (provided that such carrying amount shall be reduced by 20 % of its value in each of the last five years of their maturity), plus: 45 % of the increase in fair value above the carrying amount of available-for-sale investments, held to maturity investments, and investments in subsidiaries and associates and 45% from special reserve.

In calculating the numerator of the capital adequacy ratio, total value of tier 2 should not exceed total value of tier 1. Also, total value of subordinated loans (deposits) should not exceed 50 % of tier 1. Assets are risk weighted at a range of 0 to 200 %. Risk classification of these assets is based on the type of the debtor as to reflect the associated credit risk and after consideration of cash collaterals. The same treatment is applied for the off-balance sheet items which shall be adjusted to reflect the contingent nature of and potential loss on these amounts.

Capital adequacy Standard had been prepared based on Basel II requirements, and Central Bank of Egypt Board of Directors had approved in its meeting held on 18 December 2012, which had been issued on December 24, 2012, and in accordance with the instructions of the central bank of Egypt for the capital adequacy ratio (Basel II) issued during May 2019, and in January 2021 regarding the adoption of standardized approach for measuring operational risk stating from year 2022 to replace basic indicator approach.

	31 December 2022	31 December 2021
<u>Tier 1</u>		
Issued and paid-up-capital	7,000,000	5,000,000
Reserves	640,043	638,115
OCI	(329,691)	94,631
Retained earnings	1,307,151	3,288,351
Net Profit	1,417,027	-
The value of the excess of 10% of the issued capital of the company for each investment separately (shares) (-)	(2,375)	-
Total Tier 1	10,032,155	9,021,097
<u>Tier 2</u>		
45% of the increase in fair value over the book value of financial investment (if positive)	8,931	6,902
Performing Loans and contingent liability, impairment loss	780,618	136,210
Total Tier 2	789,549	143,112
Total Capital Base	10,821,704	9,164,209
<u>Assets and contingent liabilities risk weighted</u>		
Total credit risk	62,452,714	46,674,918
Capital market risk requirements	193,296	108,101
Capital operational risk requirements	3,978,014	3,530,128
Total weighted risk of contingent assets and liabilities	66,624,024	50,313,147
Capital Adequacy Ratio	16.24%	18.21%

AHLI UNITED BANK EGYPT S.A.E**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

3 Financial risks management (continued)**F. Leverage financial ratio**

Item	31 December 2022	31 December 2021
Tier 1 of the capital base	10,032,155	9,021,097
Total exposures in & off Balance Sheet	93,088,785	69,659,832
Total exposures within B/S and operations of financial derivatives and securities	86,433,194	64,559,090
Exposures items within the balance sheet after deducting Disposals tier 1		
Cash and balances with the Central Bank	7,248,414	5,500,878
Due to banks	9,882,372	5,120,428
Current accounts and deposits	9,882,372	4,769,468
Loans and credit facilities for Banks	-	350,960
Treasury bills and other government securities	3,405,991	1,966,954
Financial investments Fair value through profit or loss	61,094	45,737
Financial investments Fair value through other comprehensive income	11,621,519	10,507,500
Amortized cost	1,906,221	2,504,245
Loans and advances to customers	49,328,714	36,461,715
Gross Loans and credit facilities	53,279,684	38,765,567
Provision for impairment losses	(3,950,970)	(2,303,852)
Fixed assets (net of impairment loss and accumulated depreciation)	948,907	825,755
Other assets	2,029,962	1,625,878
Off balance sheet Exposures	Conversion factor %	
Total contingent liabilities :		
Letter of credits - import	20%	65,440 75,703
Letters of guarantee	50%	4,878,617 3,256,048
Letters of guarantee at the request of foreign banks	50%	97,286 81,865
Bills accepted	100%	43,013 387,516
Contingent liabilities for general guarantees of credit facilities and similar guarantees	100%	59,616 813,786
Total capital commitments	100%	122,293 119,152
Non-cancellable commitments for credit facilities	50%	54,149 72,500
Cancellable commitments for credit facilities	10%	1,335,177 294,172
Leverage ratio%		10.78% 12.95%

4 Significant accounting estimates and assumptions

The Bank considers the financial asset to be impaired and therefore to be included in stage 3 (classified as impaired) for the purpose of calculating expected credit losses in the event of a default in repayment of the principal amount or profit of the facility for more than 90 days or in the case of known cash flow difficulties, Counterparty business, credit rating decline, breach of the original terms of the contract or its ability to improve performance when the financial difficulty arises or the value of the security is reduced, etc. In such cases, the Group records an allowance for estimated credit losses over the life of the instrument.

Any facility with low credit or irregular value that has been restructured is also considered to be stalled. The Group is also based on external credit ratings of risk related to debt as a default if it is classified as "D" by Standard & Poor's and Fitch Ratings and "C" by rating agency Moody's.

The Bank takes into account a variety of indicators that may indicate a potential default as part of a qualitative assessment of client default. These include Breach of agreements the borrower has outstanding obligations with creditors or public servants that the borrower dies

The marked increase in credit risk

The Bank continuously monitors all assets exposed to expected credit losses. In order to determine whether a tool or a portfolio of instruments is exposed to 12-month expected credit losses or expected credit losses over the life of the instrument, the Group assesses the extent of a significant increase in credit risk since initial recognition. The Group applies consistent quantitative criteria for the portfolio that is subject to internal and external credit ratings for the purpose of assessing the significant increase in credit risk

Internal rating and evaluation process of potential stumbling blocks

The Bank's internal evaluation system is based on several qualitative evaluations. The Bank also complies with the relevant regulatory directives as follows:

- Credit facilities are classified as Tier 2 if there is a default in repayment of principal or profit for more than 60 days - or at management's discretion.
- Credit facilities are classified as Tier 2 if there is a credit rating downgrade of more than one degree above the midpoint of the rating between the previous rating and the last rating granted for regular creditworthiness credit rating.

The standard requires the use of a separate risk factor for default over a period of twelve months and over the lifetime of the instrument, depending on the assigned duration of the obligor. The potential for default under IFRS 9 should reflect the Bank's estimate of the quality of its assets in the future. The group uses a point-in-time scale (PIT PD) to calculate expected credit losses. The expected credit loss is the probability of a credit loss and is measured at present value for all cash losses discounted at the effective interest rate of the financial instrument. The cash deficit represents the difference between cash flows due to the Group in accordance with the contract and the cash flows expected to be received by the Bank. Key elements of measuring expected credit losses include default, loss from default and risk in case of default. The Bank evaluates these factors using appropriate credit risk models, taking into account internal and external credit ratings of assets and future macroeconomic scenarios.

4 Significant accounting estimates and assumptions (continued)**Impairment of investments in equity instruments**

The Bank determines that investments in equity instruments at fair value through other comprehensive income are impaired when there is a significant or prolonged decline in its fair value below its cost and specifically requires whether the impairment is significant or extended to a judgment. In addition, there may be impairment when there is evidence of deterioration in the financial condition of the investee, its operating and financing cash flows, industry or sector performance, or changes in technology.

Classification of financial investments in debt instruments**Financial assets at amortized cost**

The objective of the business model is to maintain the financial assets to collect the contractual cash flows of the principal amount of investment and returns.

A sale is an exceptional event for the purpose of this model and under the terms of IFRS 9.

Financial assets at fair value through other comprehensive income

The objective of the business model is to maintain financial assets for the collection of contractual cash flows and sales.

A sale is a non-incidental or exceptional event for the purpose of this model and under the terms of IFRS 9.

Financial assets at fair value through profit or loss

The objective of the business model is not to hold financial assets to collect contractual cash flows but to manage assets on a fair value basis through profit or loss.

Income tax

The Bank is subject to income taxes in (relation to the operation of its branches abroad). This requires the use of significant estimations in order to determine the total provision for income tax. There are several operations and accounts for which the final tax cannot be determined with certainty. The Bank created provisions for the expected results in relation to the tax inspection that is being conducted and to account for probable additional tax. When there is a difference between the final tax results and the pre-recorded amounts, these differences will be adjusted against the income tax and the deferred income tax provision.

5 Segment analysis**5.1 Activity segment analysis**

The segment activity includes operational processes & assets that are used in providing banking services, manage their risk & linking return to this activity which may differ from those of other activities.

According to banking processes the segment analysis includes the following:

Large, medium & small institutions

It includes activities of current accounts, deposits, debit current accounts, loans, advances & financial derivatives.

Investments:

It includes activities of corporate merge, investment purchase, financing corporate restructuring & financial instruments.

Individuals:

It includes activities of current accounts, saving, deposits, credit cards, personal loans & real-estate loans.

Other activities:

It includes other banking activities such as fund management. Transactions are applied within segment activities according to the Bank's activity cycle which include assets and liabilities; operational assets and liabilities that are presented in the Bank's balance sheet.

AHLI UNITED BANK EGYPT S.A.E
NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

5 Segment analysis (continued)
5.1 Activity segment analysis (continued)

31 December 2022	Large Institutions	Small & Medium Institutions	Investments	Retail	Other Activities	Total
Revenues & expenses according to activity segment						
Segment activity revenues	3,992,373	68,247	1,247,880	2,574,632	2,048,038	9,931,170
Segment activity expenses	(3,136,955)	(92,648)	(696,637)	(2,109,372)	(1,437,909)	(7,473,521)
Net profit (losses) before income tax	855,418	(24,401)	551,243	465,260	610,129	2,457,649
Income tax expenses	(193,914)	2,912	(261,727)	(107,806)	110,202	(450,333)
Net profit (losses) for the year after tax	661,504	(21,489)	289,516	357,454	720,331	2,007,316
Assets & liabilities according to activity segment						
Segment activity assets	49,306,068	1,662,376	31,285,962	2,973,143	264,899	85,492,448
Total assets	49,306,068	1,662,376	31,285,962	2,973,143	264,899	85,492,448
Segment activity liabilities	36,633,646	500,432	3,179,083	32,490,167	2,166,286	74,969,614
Total liabilities	36,633,646	500,432	3,179,083	32,490,167	2,166,286	74,969,614
Other items for activity segment						
Depreciation and amortization	(15,602)	(1,991)	(10,240)	(54,731)	(20,525)	(103,089)
Provision for credit losses	(1,624,500)	(63,103)	(2,126)	(24,787)	6,848	(1,707,668)

AHLI UNITED BANK EGYPT S.A.E

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

5 Segment analysis (continued)

5.1 Activity segment analysis (continued)

31 December 2021	Large Institutions	Small & Medium Institutions	Investments	Retail	Other Activities	Total
<i>Revenues & expenses according to activity segment</i>						
Segment activity revenues	1,397,138	34,589	638,531	3,322,271	310,083	5,702,612
Segment activity expenses	(1,205,110)	(21,860)	(196,273)	(2,967,098)	(13,971)	(4,404,312)
Net profit (losses) before income tax	192,028	12,729	442,258	355,173	296,112	1,298,300
Income tax expenses	(49,728)	(2,864)	(210,393)	(81,141)	198,878	(145,248)
Net profit (losses) for the year after tax	142,300	9,865	231,865	274,032	494,990	1,153,052
<i>Assets & liabilities according to segment activities</i>						
Segment activity assets	37,438,034	806,971	22,765,943	1,899,743	1,350,174	64,260,865
Total assets	37,438,034	806,971	22,765,943	1,899,743	1,350,174	64,260,865
Segment activity liabilities	10,389,022	261,803	336,468	42,830,897	1,370,107	55,188,297
Total liabilities	10,389,022	261,803	336,468	42,830,897	1,370,107	55,188,297
<i>Other items for activity segment</i>						
Depreciation and amortization	(26,964)	(1,577)	(11,608)	(37,302)	(4,586)	(82,037)
Provision for credit losses	(465,973)	-	2,600	11,425	-	(451,948)

AHLI UNITED BANK EGYPT S.A.E

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

5 Segment analysis (continued)

5.2 Geographical segments analysis

	Arab Republic of Egypt			
	Greater Cairo	Giza	Alexandria Delta, Sinai &	Upper Egypt
31 December 2022				Total
Revenues & expenses according to geographical segments				
Segment revenues	6,962,053	964,622	1,923,348	81,147
Segment expenses	(4,660,026)	(628,879)	(2,104,517)	(80,099)
Profit before tax	2,302,027	335,743	(181,169)	1,048
Tax	(398,269)	(78,234)	26,448	(278)
Profit for the year	1,903,758	257,509	(154,721)	770
Assets & liabilities according to geographical segments				
Geographical segment assets	68,233,703	7,808,744	8,488,915	961,086
Total assets	68,233,703	7,808,744	8,488,915	961,086
Geographical segment liabilities	34,232,290	16,556,169	23,101,780	1,079,375
Total liabilities	34,232,290	16,556,169	23,101,780	1,079,375
Other items for segment activity				
Depreciation and amortization	(84,784)	(9,454)	(6,716)	(2,135)
Provision for credit losses	(1,328,799)	(59,817)	(318,118)	(934)
				(103,089)
				(1,707,668)

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31 December 2022

5 Segment analysis (continued)

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AHLI UNITED BANK EGYPT S.A.E**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

6 Net interest income

	<i>31 December 2022</i>	<i>31 December 2021</i>
Interest and similar revenues from:		
Loans and advances to customers	5,160,940	3,045,117
Treasury bills and bonds	2,288,405	1,979,332
Deposits and current accounts	170,360	128,672
Total	7,619,705	5,153,121
Cost of deposits and similar expenses on:		
Deposits and current accounts:		
Banks	(552,498)	(62,371)
Customers	(4,021,163)	(3,027,152)
	(4,573,661)	(3,089,523)
Other loans	(14,750)	-
Total	(4,588,411)	(3,089,523)
Net interest income	3,031,294	2,063,598

7 Net fees and commission income

	<i>31 December 2022</i>	<i>31 December 2021</i>
Fees and commission income:		
Credit Fees and commissions	442,085	289,686
Custody fees	27,371	26,437
Other fees	71,719	33,484
Total	541,175	349,607
Fees and commissions expenses:		
Other fees expenses	(45,588)	(30,070)
Total	(45,588)	(30,070)
Net income from fees and commissions	495,587	319,537

8 Dividend income

	<i>31 December 2022</i>	<i>31 December 2021</i>
Financial investments at fair value through other comprehensive income	8,267	8,464
Total	8,267	8,464

9 Net trading income

	<i>31 December 2022</i>	<i>31 December 2021</i>
Foreign exchange trading gains	81,785	83,828
Change in fair value of investments at FVTPL	3,972	2,647
Total	85,757	86,475

AHLI UNITED BANK EGYPT S.A.E**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

10 Provision of credit losses

	31 December 2022	31 December 2021
Loans and advances to customers & banks	(1,705,543)	(454,547)
Due from banks	(1,860)	(22)
Debt instruments at FVTOCI	(522)	2,623
Treasury bills	257	(2)
Total	<u>(1,707,668)</u>	<u>(451,948)</u>

11 Administrative expense

	31 December 2022	31 December 2021
Staff cost:		
Salaries and wages	(353,449)	(287,381)
Social insurance	(23,750)	(18,925)
	<u>(377,199)</u>	<u>(306,306)</u>
Depreciation and amortization	(103,089)	(82,037)
Other administrative expenses	(565,142)	(444,428)
Total	<u>(1,045,430)</u>	<u>(832,771)</u>

12 Other operating income

	31 December 2022	31 December 2021
FX revaluation gains (losses) from monetary assets and liabilities other than carried at fair value through profit or loss	1,652,027	(3,259)
Gain on disposals of property, plant and equipment	791	1,001
Legal provision realized	612	36
Claims provision (charged) / realized	(19,817)	29,171
Contingent provision charged	(86,733)	(25,938)
Other income	16,597	47,442
Total	<u>1,563,477</u>	<u>48,453</u>

AHLI UNITED BANK EGYPT S.A.E**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

13 Income tax expense

	31 December 2022	31 December 2021
Current Tax	461,038	410,900
Deferred Tax	(10,705)	(265,652)
Total	450,333	145,248
Net profit before tax	2,457,649	1,298,300
Income tax (22.5%)	552,971	292,118
Tax effect on:		
Income not subject to tax	(19,023)	(11,820)
Provision	132,888	18,764
Depreciation differences	(10,809)	(5,623)
Others	(194,989)	117,461
Income tax expense	461,038	410,900
Effective income tax rate	18%	31%

14 Earnings per share

	31 December 2022	31 December 2021
Net profit for the year available for distribution	2,007,316	1,153,052
Less:		
Employees' profit share proposed / Actual	(220,805)	(116,000)
Directors' remuneration proposed / Actual	(7,400)	(5,922)
Transferred to banking Sector support fund	(20,166)	(11,517)
Net profit for the year available for distribution	1,758,945	1,019,613
Weighted average number of shares	500,000	500,000
Earnings per share (EGP/Share)	3.52	2.04

15 Cash and balances with Central Bank of Egypt

	31 December 2022	31 December 2021
Cash	466,639	467,760
Balances with CBE (mandatory reserve)	6,781,775	5,033,118
Total	7,248,414	5,500,878
Interest free balances	7,248,414	5,500,878

AHLI UNITED BANK EGYPT S.A.E**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

16 Due from Banks

	31 December 2022	31 December 2021
Current accounts	760,363	414,502
Deposits	9,126,860	4,356,363
	9,887,223	4,770,865
Less: ECL Allowance	(5,074)	(2,093)
Total	9,882,149	4,768,772
Balances at CBE other than those under the mandatory reserve	1,740,378	2,067,666
Local banks	145,340	56,351
Foreign Banks	8,001,505	2,646,848
	9,887,223	4,770,865
Less: ECL Allowance	(5,074)	(2,093)
Total	9,882,149	4,768,772
Non-interest-bearing balances	760,363	414,502
Fixed interest-bearing balances	9,126,860	4,356,363
	9,887,223	4,770,865
Less: ECL Allowance	(5,074)	(2,093)
Total	9,882,149	4,768,772

17 Treasury bills sold under repurchase agreements

	31 December 2022	31 December 2021
17.1 Treasury bills		
Treasury Bills at Amortized Cost		
365 Days maturity	274,651	174,455
Treasury Bills at Fair value through OCI		
182 Days maturity	247,434	-
273 Days maturity	-	705,021
365 Days maturity	3,057,967	1,152,909
	3,580,052	2,032,385
Less: Unearned interest	(173,608)	(64,979)
Less: ECL Allowance	(453)	(452)
Total	3,405,991	1,966,954
17.2 Treasury bills sold under repurchase agreements		
Treasury bills sold under repurchase agreements	2,030	10,152
Total	2,030	10,152

AHLI UNITED BANK EGYPT S.A.E**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

18 Loans and advances to customers & banks

	31 December 2022	31 December 2021
Individuals		
Overdrafts	446,193	470,953
Credit cards	41,992	33,072
Personal loans	2,073,026	1,126,015
Other Loans	543,738	887,243
Total (1)	3,104,949	2,517,283
Corporate:		
Overdrafts	4,542,024	3,496,208
Direct loans	39,276,967	27,630,512
Syndication loans	6,571,455	5,104,265
Total (2)	50,390,446	36,230,985
Banks		
Loans	444	354,347
Total (3)	444	354,347
Total loans and advances to customers & banks (1+2+3)	53,495,839	39,102,615
Less :ECL Allowance	(4,661,784)	(2,387,863)
Less: Interest in suspense	(129,968)	(120,673)
Less :Unearned discount	(335,612)	(113,032)
Net loans and advances to customers & banks	48,368,475	36,481,047

Analysis of expected credit losses of loans and advances to customers and banks:

	31 December 2022	31 December 2021
Balance at the beginning of the year	2,387,863	1,992,877
ECL Allowance charge during the year (note 10)	1,705,543	454,547
Write-off during the year	(128,090)	(62,867)
Recoveries from written-off debts	2,682	6,272
Foreign currency translation	693,786	(2,966)
Balance at the end of the year	4,661,784	2,387,863

Analysis of expected credit losses of loans and advances to customers and banks by type:

	31 December 2022	31 December 2021
Retail		
Balance at the beginning of the year	16,295	27,721
ECL Allowance for the year	24,788	(11,426)
Balance at the end of the year (1)	41,083	16,295
Corporate and Banks		
Balance at the beginning of the year	2,371,568	1,965,156
ECL Allowance for the year	1,680,755	465,973
Write-off during the year	(128,090)	(62,867)
Recoveries from written-off debts	2,682	6,272
Foreign currency translation	693,786	(2,966)
Balance at the end of the year (2)	4,620,701	2,371,568
Total (1) + (2)	4,661,784	2,387,863

AHLI UNITED BANK EGYPT S.A.E**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

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19 Derivative financial instruments

The Bank has applied hedge accounting and the change in the fair value of the derivative is recognized in other comprehensive income.

31 December 2022

	<i>Contractual value</i>	<i>Assets</i>	<i>Liabilities</i>
Cash flow hedge			
Interest rate swap	503,018	16,391	-
Total	503,018	16,391	-

31 December 2021

	<i>Contractual value</i>	<i>Assets</i>	<i>Liabilities</i>
Cash flow hedge			
Interest rate swap	306,874	-	6,674
Total	306,874	-	6,674

20 Financial Investments**31 December 2022** **31 December 2021****Financial investments at fair value through Other Comprehensive Income:****A) Debt instruments**

Treasury Bonds (Listed)	8,549,300	7,957,732
Non-government Bonds (Unlisted)	2,044,304	1,756,090
Sukuk (Unlisted)	871,000	700,000

B) Equity instruments

Listed	3,818	4,050
Unlisted	117,112	59,565

C) Money Market Funds

AUBE Mutual Fund THARWA	15,796	14,335
AUBE Mutual Fund ALPHA	14,051	11,002

Total financial investments at FVTOCI (1)	11,615,381	10,502,774
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Financial investments at Amortized Cost:**A) Debt instruments**

Government Bonds	1,906,221	2,504,245
Total financial investments at Amortized Cost (2)	1,906,221	2,504,245

Financial investments at fair value through profit or loss:**A) Equity instruments**

Listed	2,017	1,298
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B) Money Market Funds

AUBE Mutual Fund THARWA	36,330	32,971
Total financial investments at FVTPL (3)	38,347	34,269

Total financial investments (1+2+3)	13,559,949	13,041,288
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Current Balances	122,947	93,834
Non- current Balances	13,437,002	12,947,454

Total financial investments	13,559,949	13,041,288
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Equity Instruments	122,947	64,913
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Debt Instruments	13,370,825	12,918,067
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Mutual Funds	66,177	58,308
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Total financial investments	13,559,949	13,041,288
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AHLI UNITED BANK EGYPT S.A.E**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

For the year ended 31 December 2022

(All Figures are in EGP Thousands)

20. Financial investments (continued)

31 December 2022	Financial assets at Fair Value through OCI	Financial assets at Amortized Cost	Financial assets Fair Value through P&L	Total
Balance at the beginning of the year	10,502,774	2,504,245	34,260	13,041,279
Additions	2,832,973	165,383	106	2,998,462
Disposals / Maturities	(1,452,702)	(766,947)	-	(2,219,649)
Amortization of premium	(72,811)	3,540	-	(69,271)
Change in fair value of investment	(446,358)	-	3,972	(442,386)
Foreign currency revaluation	251,505	-	9	251,514
Balance at the end of the year	11,615,381	1,906,221	38,347	13,559,949

31 December 2021	Financial assets at Fair Value through OCI	Financial assets at Amortized Cost	Financial assets Fair Value through P&L	Total
Balance at the beginning of the year	6,735,487	2,667,414	31,621	9,434,522
Additions	5,147,608	445,000	-	5,592,608
Disposals / Maturities	(1,284,295)	(610,385)	-	(1,894,680)
Amortization of (premium)/discount	(27,863)	2,216	-	(25,647)
Change in fair value of investment	(62,538)	-	2,639	(59,899)
Foreign currency revaluation	(5,625)	-	-	(5,625)
Balance at the end of the year	10,502,774	2,504,245	34,260	13,041,279

Gain on Financial Investments

	31 December 2022	31 December 2021
Gain on sale of treasury bills	16,558	26,813
Gain on sale of financial investment – FVTOCI	9,807	29,679
Total	26,365	56,492

21. Investment in subsidiaries

	31 December 2022	31 December 2021
Ahli United Finance Company (Unlisted) - Owned 99.99%	54,468	54,468

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(All Figures are in EGP Thousands)

22. Investment properties

	31 December 2022	31 December 2021
<u>Cost:</u>		
Cost at the beginning of the year	42,080	41,646
Additions during the year	-	434
Transferred to property, plant and equipment	(17,424)	-
Cost at the ending of the year	24,656	42,080
<u>Accumulated depreciation</u>		
Accumulated depreciation at the beginning of the year	(7,421)	(6,588)
Depreciation charged during the year	(541)	(833)
Accumulated depreciation balances transferred to property, plant and equipment	3,185	-
Accumulated depreciation at the ending of the year	(4,777)	(7,421)
Net book value at the ending of the year	19,879	34,659

23. Other assets

	31 December 2022	31 December 2021
Interest Receivable from Customers and banks	1,312,527	894,527
Prepaid expenses	32,686	27,824
Advances for purchase of property, plant and equipment	191,427	92,191
Assets acquired as settlement of debts (net of impairment)	309,985	294,080
Deposits held with other custody	9,857	7,219
Other assets	132,485	272,340
Total	1,988,967	1,588,181

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For the year ended 31 December 2022

(All Figures are in EGP Thousands)

24. Property, plant and equipment (net)

	<i>Lands and Buildings</i>	<i>Leased assets improvements</i>	<i>Equipment and Machinery</i>	<i>Others</i>	<i>Total</i>
Net book value as of 1 January 2022	454,359	118,905	74,210	177,144	824,618
Additions	-	57,002	41,906	114,110	213,018
Disposals	-	(2,156)	(22,082)	(105,674)	(129,912)
Transfer	14,238	-	3,009	(3,009)	14,238
Depreciation charge	(12,045)	(23,274)	(11,673)	(55,556)	(102,548)
Accumulated depreciation related to disposals	641	866	21,853	104,991	128,351
Net book value as of 31 December 2022	457,193	151,343	107,223	232,006	947,765
Balance at the end of current year represents in:					
Cost	544,528	309,384	155,988	449,543	1,459,443
Accumulated depreciation	(87,335)	(158,041)	(48,765)	(217,537)	(511,678)
Net book value as of 31 December 2022	457,193	151,343	107,223	232,006	947,765

	<i>Lands and Buildings</i>	<i>Leased assets improvements</i>	<i>Equipment and Machinery</i>	<i>Others</i>	<i>Total</i>
Net book value as of 1 January 2021	319,793	86,276	67,116	156,834	630,019
Additions	143,670	52,122	16,578	63,519	275,889
Disposals	-	-	-	(847)	(847)
Depreciation charge	(9,104)	(19,493)	(9,484)	(43,209)	(81,290)
Accumulated Depreciation related to disposals	-	-	-	847	847
Net book value 31 December 2021	454,359	118,905	74,210	177,144	824,618
Balance at the end of current year represents in:					
Cost	527,105	254,539	128,637	449,089	1,359,370
Accumulated depreciation	(72,746)	(135,634)	(54,427)	(271,945)	(534,752)
Net book value 31 December 2021	454,359	118,905	74,210	177,144	824,618

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(All Figures are in EGP Thousands)

25. Due to banks

	31 December 2022	31 December 2021
Current accounts	32,950	55,444
Deposits from Banks	2,500,000	270,000
Total	2,532,950	325,444
Local banks	2,500,000	270,000
Foreign banks	32,950	55,444
Total	2,532,950	325,444

26. Customers' deposits

	31 December 2022	31 December 2021
Demand deposits	25,017,100	17,585,651
Time deposits	34,272,492	25,374,327
Certificates of deposit	5,611,578	5,834,945
Savings deposits	4,101,700	4,008,050
Other deposits	795,681	734,142
Total	69,798,551	53,537,115
Corporate deposits	55,767,075	40,466,388
Individual deposits	14,031,476	13,070,727
	69,798,551	53,537,115
Non-interest-bearing balances	6,946,892	4,340,517
Floating-interest bearing balances	22,967,589	17,987,326
Fixed interest-bearing balances	39,884,070	31,209,272
	69,798,551	53,537,115
Current balances	29,914,481	22,327,843
Non-current balances	39,884,070	31,209,272
	69,798,551	53,537,115

27. Other Loans

	Rates	31 December 2022	31 December 2021
European Bank for Reconstruction and Development (EBRD)	Variable	494,868	-
		494,868	-

The Bank signed five years facility agreement with the European Bank for Reconstruction and Development (EBRD) to support SMEs and green financing.

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28. Other liabilities

	<i>31 December 2022</i>	<i>31 December 2021</i>
Interest Payable	345,478	268,718
Clearing operations – CBE	102,301	112,592
Margin deposits	717,250	262,116
Accrued Taxes	318,454	324,963
Unearned revenue	28,422	21,809
Accrued expenses	140,754	82,511
Deferred tax liability	-	7,863
Dividends Payable	23,372	11,855
Other credit balances	199,926	60,029
Total	1,875,957	1,152,456

29. Other provisions

<i>31 December 2022</i>	<i>Provision for legal claims</i>	<i>Claims provision</i>	<i>Contingent liabilities</i>	<i>Total</i>
Beginning balance	29,559	69,155	57,742	156,456
Foreign currency revaluation	903	(32)	2,257	3,128
Charged during the year	1,963	19,817	86,733	108,513
Utilized during the year	(264)	-	-	(264)
No longer required	(2,575)	-	-	(2,575)
Ending balance	29,586	88,940	146,732	265,258

<i>31 December 2021</i>	<i>Provision for legal claims</i>	<i>Claims provision</i>	<i>Contingent liabilities</i>	<i>Total</i>
Beginning balance	31,730	98,327	31,880	161,937
Foreign currency revaluation	(2)	(1)	(76)	(79)
(charged) released during the year	(36)	(29,171)	25,938	(3,269)
Utilized during the year	(2,133)	-	-	(2,133)
Ending balance	29,559	69,155	57,742	156,456

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(All Figures are in EGP Thousands)

30. Capital**30.1 Authorized Capital**

Authorized capital amounts to EGP 10 Billion (31 December 2021: EGP 4 Billion).

30.2 Issued and paid up Capital

Issued and paid in capital amounts to EGP 5 Billion at 31 December 2022 (31 December 2021: EGP 3 Billion) represented by 500 Million Share (31 December 2021: 300 Million Share) with par value 10 EGP for each.

On March 24, 2022 the ordinary general assembly approved to increase the bank issued and paid up capital by EGP 2 billion to reach EGP 7 billion, by issuing of 200 million bonus shares out of retained earnings. Commercial register update is in progress.

31. Cash and cash equivalents

For the purpose of statement of cash-flow presentation; cash and cash equivalents include the following balances that have original maturities dates not exceeding three months from their acquisition date.

	31 December 2022	31 December 2021
Cash	466,639	467,760
Due from banks with original maturities less than 3 months	2,421,313	4,768,772
Total	2,887,952	5,236,532

32. Contingent liabilities and commitments**A - Legal claims**

There is a number of existing cases filed against the bank on 31 December 2022 without provision as the bank does not expect to incur losses from it.

B - Capital commitments**B.1 Fixed Assets and Branches Construction**

The capital commitments as of 31 December 2022 amounted to EGP 36,223 thousand (31 December 2021: EGP 62,955 thousand), which represents purchasing of fixed assets. Management has full confidence towards the availability of funds to cover such commitments.

B.2 Commitments under operating lease contracts

Total minimum rental payments for the irrevocable operating lease contracts are as follows:

	31 December 2022	31 December 2021
Not more than one year	24,061	13,076
More than one year and less than 5 years	31,676	13,999
More than 5 years	30,333	29,121
Total	86,070	56,196

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(All Figures are in EGP Thousands)

33. Contingent liabilities and commitments (continued)**B - Capital commitments (continued)****B.3 Liabilities against letters of credit, documentary credits and other commitments****Gross Balances**

	31 December 2022	31 December 2021
Acceptances	82,943	814,372
Letters of guarantee	10,843,073	7,517,165
Letters of credit	624,556	473,735
Forward exchange contracts	43,013	387,516
Interest rate swaps	503,018	306,874
Non-cancellable commitments for credit facilities	108,298	145,000
Total	12,204,901	9,644,662

Net of Collateral

	31 December 2022	31 December 2021
Acceptances	59,616	777,732
Letters of guarantee	9,982,320	6,695,080
Letters of credit	327,198	378,409
Forward exchange contracts	43,013	387,516
Interest rate swaps	503,018	306,874
Non-cancellable commitments for credit facilities	108,298	145,000
Total	11,023,463	8,690,611

34. Related party transactions

The Bank is a subsidiary of Ahli United Bank - Bahrain B.S.C (The Parent) which owns 95.68 % of the ordinary shares and the remaining stake of 4.32 % owned by other shareholders. In addition, Bank owns 100% of the subsidiary company, AUFC. Following are related party transactions:

	31 December 2022	31 December 2021
Due from banks	2,688,810	793,331
Loans and advances to customers	718,266	466,883
Due to banks	20,821	42,510
Customer deposits	22,707	25,201
Interest and similar revenues	69,767	27,232
Interest on deposits and similar costs	1,125	908
Fees and commission revenue	176	803

The average monthly salaries inclusive of all other allowances, incentive or Profit Share for top 20 staff as at 31 December 2022 is EGP 3,343 thousand.

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For the year ended 31 December 2022

35. Mutual Funds

35.1 Ahli United Bank- Egypt (S.A.E) First Mutual Fund with daily accumulated interest and prizes (THARWA)

The fund is one of the licensed activities for the Bank under the law no: 95 /1992 and it's implementing regulations; the fund is managed by Hermes Fund Management Company.

THARWA has total number of 1,567,984 certificates with redemption value of EGP 316 per unit (total EGP 477,128 thousand) and AUB acquired 50,000 certificates and classified as Financial investments -Fair value through Other Comprehensive Income with total face value of EGP 5 million (Note 20)

In addition, the Bank invested another 115,000 certificates with redemption value of EGP 316 per certificate (total EGP 35,325 thousand) financial investments -Fair value through profit or loss in line with related regulation. (Note 20)

According to the Fund management agreement and the prospectus, the Bank receives fees and commission towards supervision of the Fund and related administrative services. The Bank received total commissions of EGP 2,593 thousand for the year ended 31 December 2022 and is included in the income statement under fees and commissions.

35.2 Ahli United Bank- Egypt (S.A.E) Second Mutual Fund with daily accumulated interest and prizes (ALPHA)

The fund is one of the licensed activities for the Bank under the law no: 95 /1992 and it's implementing regulations; and is managed by Hermes Fund Management Company.

ALPHA has total number of 508,766 certificates with redemption value of EGP 28 per unit (total EGP 14,668 thousand). AUB acquired 500,000 certificates and classified as Financial investments -Fair value through Other Comprehensive Income with total face unit of EGP 5 million (Note 20).

According to the Fund management agreement and the prospectus, the Bank receives fees and commission towards the supervision of the Fund and related administrative services. The Bank received total commissions of EGP 64 thousand for the year ended 31 December 2022 and is included in the income statement under fees and commissions.

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NOTES TO THE STANDALONE FINANCIAL STATEMENTS

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35. Tax position

Income Tax

- The Bank calculates and pays the income tax liability in due date based on the bank's tax declaration report.
- Income Tax prior till 2016 has been assessed and settled with the tax authority.
- The tax examination for the years 2017 to 2019 is going on.
- The bank taken into consideration the status of the above assessment while estimating the tax provision.

Stamp Duty Tax

- All of the bank branches were inspected from operating date till 31 July 2006.
- From 1st August 2006, up to 31st December 2020 settled with the tax authority –inspection completed.

Salary Tax

- The bank calculates, deducts and pays the monthly salary tax on a regular basis
- From the bank inception date till 2002 was assessed and the tax due was paid. Some periods are pending in the courts.
- From 2003 till 2004 was inspected /settled and the bank dispute was transferred to the Interior Committee.
- The period from 2005 till 2019 settled with tax authority- inspection completed.
- The Bank has taken into consideration the status of the above assessments while estimating the tax provision.

Real Estate Tax

- All real estate tax claims are paid; overstated claims were objected.

36. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation of financial statements for the year.

37. Important Events

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

Impact on expected credit losses

In the determination of the impact over expected credit losses, Ahli United Bank has considered the potential impact of Local economic conditions in addition, the global impacts, including the Russian-Ukrainian war. The bank has reviewed the potential impact of Local and global economic conditions on the inputs and assumptions for ECL measurement. In addition, the bank analyzed the risk of the credit portfolio by focusing on analyzing the economic sectors overall, and as a result of the above, The Bank has reassessed its ECL models, underlying assumptions including relevant available macroeconomic data, and the credit risk related to particular industries, The ECL amounts recognized in the bank's financial statements for the year ending December 31, 2022, were mainly increased as a result of management's assessment.

The impact of the current uncertain economic environment is judgmental, and management will keep assessing the current position and its related impact. It should also considered that the assumptions used about economic forecasts are subject to a high degree of inherent uncertainty and therefore the actual outcome may significantly different from the forecasted information. The Bank has considered the potential impacts of the current economic volatility in determination of the reported amounts offered for the Bank's financial and non-financial assets, and these considered to represent the management's best assessment based on the observable information. However, markets remain volatile, and the recorded amounts remain sensitive to market fluctuations.