

Bank of Alexandria
“Egyptian Joint Stock Company”

**Interim Financial Statements
for 30 September 2022
Limited Review Report**

Bank of Alexandria
“Egyptian Joint Stock Company”

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mazars

MOSTAFA SHAWKI
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*Translation of Auditor's Report
Originally issued in Arabic.*

Review Report of Interim Financial Statements

To: The Board of directors of Bank of Alexandria "S.A.E."

Introduction

We have performed a review for the accompanying interim financial statements of Bank of Alexandria (S.A.E) as of September 30, 2022, which comprise the statement of financial position as of 30 September 2022, and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the rules of preparation and presentation of the banks' financial statements and basis of recognition and measurement issued by the Central bank of Egypt on December 16, 2008 as amended by the regulations issued on February 26, 2019 and with the related requirements of the applicable Egyptian laws and regulations to prepare these interim financial statements, our responsibility is to express a conclusion on these interim financial statements based on our review.

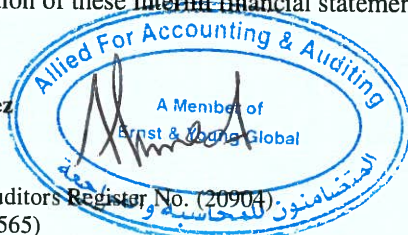
Scope of review

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

Conclusion

Based on our review, nothing has come to our attention which causes us to believe that the accompanying interim financial statements does not present fairly, in all material respects, the financial position of Bank of Alexandria (S.A.E) as of September 30, 2022, and its financial performance, and cash flows for the nine months then ended in accordance with the rules of preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by the Central bank of Egypt on December 16, 2008 as amended by the regulations issued on February 26, 2019 and in the light of the prevailing Egyptian laws and regulations related to the preparation of these interim financial statements.

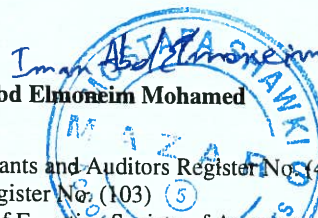
Ahmed Amin Hafez



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Auditors

Iman Abd Elmonem Mohamed



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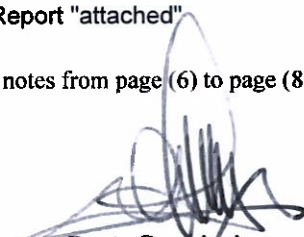
Cairo: 9 November 2022

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of financial position
For the period ended 30 September 2022

	Note	30 September 2022 EGP 000	31 December 2021 EGP 000
<u>Assets</u>			
Cash and balances at Central Bank of Egypt	(16)	6 190 083	6 190 794
Due from banks	(17)	29 586 014	22 030 286
Loans and advances to customers	(18)	54 147 067	51 413 444
Financial assets classified at fair value through profit and loss	(19)	6 341	2 363
<u>Financial investments</u>			
- At fair value through other comprehensive income	(20)	29 470 273	32 256 580
- At fair value through profit and loss	(20)	12 870	60 590
- At amortized cost	(20)	2 520 189	-
Investments in associates	(21)	55 529	62 238
Intangible assets	(22)	239 234	168 871
Deferred tax assets	(30)	321 940	265 429
Other assets	(23)	2 524 104	1 766 575
Fixed assets	(24)	671 384	682 345
Total assets		125 745 028	114 899 515
<u>Liabilities and shareholders' equity</u>			
<u>Liabilities</u>			
Due to banks	(25)	693 643	467 647
Customers' deposits	(26)	103 574 202	95 720 040
Other loans	(27)	455 941	570 617
Other liabilities	(28)	4 065 334	1 992 848
Other provisions	(29)	426 153	420 479
Current income tax liabilities		827 113	682 716
Retirement benefits obligations	(31)	1 455 992	1 323 482
Total Liabilities		111 498 378	101 177 829
<u>Shareholders' equity</u>			
Share capital	(32)	5 000 000	800 000
Amounts under capital increase		-	4 200 000
Reserves	(33)	2 642 588	1 876 644
Retained earnings	(33)	6 604 062	6 845 042
Total Shareholders' equity		14 246 650	13 721 686
Total liabilities and Shareholders' equity		125 745 028	114 899 515

Limited Review, Report "attached"

The accompanying notes from page (6) to page (83) are an integral part of these interim financial statements and are to be read therewith.


Dante Campioni
 CEO and Managing Director


Michele Formenti
 Chief Financial Officer

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of income
For the period ended 30 September 2022

	Note	For the period from 1 July 2022 to 30 September 2022 EGP 000	For the period from 1 January 2022 to 30 September 2022 EGP 000	For the period from 1 July 2021 to 30 September 2021 EGP 000	For the period from 1 January 2021 to 30 September 2021 EGP 000
Interest and similar income	(6)	3 492 591	9 545 268	2 754 731	8 001 473
Interest and similar expense	(6)	(1 597 506)	(4 447 050)	(1 193 446)	(3 363 429)
Net interest income		1 895 085	5 098 218	1 561 285	4 638 044
Fee and commission income	(7)	357 553	993 520	324 370	897 239
Fee and commission expense	(7)	(133 706)	(430 747)	(155 171)	(320 810)
Net fee and commission income		223 847	562 773	169 199	576 429
Net income		2 118 932	5 660 991	1 730 484	5 214 473
Dividends' income	(8)	(26)	11 622	5 843	9 591
Net income from financial instruments classified at fair value through profit and loss	(9)	(1 027)	(1 158)	139	1 391
Change in financial assets classified at fair value through profit and loss		588	252	1 357	11 509
Net trading income	(10)	10 418	59 939	29 459	83 454
(Losses) / Gains from financial investments	(20)	(5 148)	(1 611)	1 489	6 114
Bank's share in undistributed (Losses) profit of associated companies		(1 286)	791	(2 712)	(4 322)
Impairment Recovery / (Charge) for credit losses	(13)	(137 995)	(401 479)	(63 918)	(312 453)
Administrative expenses	(11)	(799 873)	(2 299 662)	(681 661)	(2 030 594)
Other operating revenues / (expenses)	(12)	(15 155)	25 099	(20 074)	(19 665)
Net profit before income tax		1 169 428	3 054 784	1 000 406	2 959 498
Income tax expense	(14)	(334 921)	(986 205)	(309 014)	(910 155)
Net profit for the period		834 507	2 068 579	691 392	2 049 343
Earnings per share (EGP/share) - Basic	(15)	0.30	1.01	1.54	4.56

The accompanying notes from page (6) to page (83) are an integral part of these interim financial statements and are to be read therewith.



Dante Campioni
CEO and Managing Director




Michele Formenti
Chief Financial Officer

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of other comprehensive income
For the period ended 30 September 2022

	For the period from 1 July 2022 to 30 September 2022 EGP 000	For the period from 1 January 2022 to 30 September 2022 EGP 000	For the period from 1 July 2021 to 30 September 2021 EGP 000	For the period from 1 January 2021 to 30 September 2021 EGP 000
Net profit for the period	834 507	2 068 579	691 392	2 049 343
Other Comprehensive Income that will not be reclassified to the income statement				
Net change in fair value in financial instruments (shareholders' equity) by fair value through other comprehensive income	69	435 098	(10)	1
Net gains from disposal of Investments Fair Value Reserve classified at Fair value Through OCI	-	(603 531)	-	-
	69	(168 433)	(10)	1
Other Comprehensive Income that may be reclassified to the income statement				
Net change in fair value - Debt instruments	(66 766)	(288 258)	(54 214)	(101 772)
Expected credit loss of debt instrument measured at fair value through other comprehensive income	147	753	(6)	(6)
	(66 619)	(287 505)	(54 220)	(101 778)
Comprehensive income for the period after tax	(66 550)	(455 938)	(54 230)	(101 777)
Total comprehensive income attributable to shareholders' for the period	767 957	1 612 641	637 162	1 947 566

The accompanying notes from page (6) to page (83) are an integral part of these interim financial statements and are to be read therewith.


Dante Campioni
CEO and Managing Director


Michele Formenti
Chief Financial Officer

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of cash flow
For the period ended 30 September 2022

	Note	For the period ended 30 September 2022 EGP 000	For the period ended 30 September 2021 EGP 000
Cash flows from operating activities			
Net profit before tax		3 054 784	2 959 498
Adjustments to reconcile net profit to cash flows from operating activities			
Depreciation and amortization	(22,24)	169 610	169 815
Impairment charge on credit losses (loans and advances to customers)	(13)	401 048	312 950
Other provisions charge / (recovered)	(29)	(48 662)	56 887
Impairment charge / (recovery) on credit losses (Due to banks)		431	(497)
Net income from financial assets classified at fair value through profit and loss		1 158	(1 391)
Other provisions utilization (other than loans provision)	(29)	(6 023)	(12 850)
Foreign currencies revaluation differences of other provisions	(29)	(6 563)	1 045
Foreign currencies revaluation differences of other loans		65 682	(710)
Change in financial assets by fair value through profit and loss		252	11 509
Foreign currencies revaluation differences of financial investments		246 224	215
Foreign currencies revaluation differences of fair value reserves	(33, C)	753	50
Gain from treasury bonds and bills		(133)	-
(Gains) / Losses from selling fixed assets	(12)	(3 394)	(1)
Dividend income	(8)	(11 622)	(9 591)
Impairment of investments in associates		7 500	-
Gains from selling financial investments		(5 889)	(6 114)
Gains of financial investments transferred from reserve of fair value		603 531	(6 979)
Amortization of discount for bonds		892 701	(206)
Change in fair value of treasury bills through FVOCI		217 309	-
Bank's share in undistributed profit of associates		(791)	4 122
Operating profits before changes in assets and liabilities provided from operating activities		5 577 906	3 477 952
Net decrease/(increase) in assets and (decrease)/increase in liabilities			
Balances with CBE within the mandatory reserve requirements		189 146	(264 050)
Due from banks		(786 650)	-
Treasury bills and other governmental notes		2 267 375	2 525 930
Loans and advances to customers		(3 134 672)	(1 120 529)
Financial assets by fair value through profit and loss (since inception)		(5 136)	3 427
Financial assets classified at fair value through profit and loss		(47 720)	2 747
Other assets		(825 760)	128 778
Due to banks		225 996	184 463
Customers' deposits		7 854 162	5 860 306
Other liabilities		1 043 469	199 526
Retirement benefits obligations		132 510	128 280
Taxes Paid		(854 777)	(972 632)
Net cash flows provided operating activities		11 635 849	10 154 198
Cash flows from investing activities			
Payments of purchase of fixed assets and branches constructions		(86 210)	(125 606)
Proceeds from selling fixed assets		3 492	16
Proceeds from selling financial investments		3 020 568	2 018 566
Payments to purchase of financial investments		(5 514 332)	(4 000 883)
Payments to purchase of intangible assets		(20 926)	(27 771)
Dividends Received		11 622	9 591
Net cash flows (used in) investing activities		(2 585 786)	(2 126 087)
Cash flows from financing activities			
Proceeds from other loans		1 860	2 000
Payments of other loans		(182 218)	(228 784)
Dividends paid		(662 192)	(273 359)
Net cash flows (used in) financing activities		(842 550)	(500 143)
Net change in cash and cash equivalents during the period		8 207 513	7 527 968
Cash and cash equivalents at the beginning of the period		22 826 381	15 266 912
Cash and cash equivalents at the end of the period		31 033 894	22 794 880

Cash and cash equivalents are represented in the following (note no. 35):

Cash and balances with Central Bank of Egypt	6 190 083	5 036 493
Due from banks	29 586 014	20 840 321
Treasury bills and other governmental notes	22 382 142	23 137 676
Balances with CBE within the mandatory reserve percentage	(3 955 553)	(3 081 934)
Deposits with banks with maturity more than three months *	(786 650)	-
Treasury bills and other governmental notes (with maturity more than 3 months)*	(22 382 142)	(23 137 676)
Cash and cash equivalents	31 033 894	22 794 880

Non-Cash transactions

For the purpose of preparing the statement of cash flows the following non - cash transactions were eliminated:

EGP 121 974	From both payments for acquiring intangible assets (amounts transferred from assets under construction) and the change in the other debit balances.
EGP 1 029 017	From both the retained earnings and the change in credit balances - dividend payables, the value of the 2021 dividend.
EGP 455 937	From both changes in fair value reserve and financial investments (investments valuation differences).

* From the date of acquisition.

The accompanying notes from page (6) to page (83) are an integral part of these interim financial statements and are to be read therewith.

Dante Campioni
CEO and Managing Director

Michele Formenti
Chief Financial Officer

Bank of Alexandria
(Egyptian Joint Stock Company)
Statement of changes in shareholders' equity
For the period ended 30 September 2022

	Share capital	Capital increase	Legal reserve	General reserve	Special reserve	Other reserves	Fair value reserve for investments through OCI	General Banking Risk Reserve - Credit	Specific reserve General Risk Reserve	Retained earnings	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance as at 1 January 2021	800 000	-	400 000	29 312	418 123	289 188	638 789	-	35 135	8 935 821	11 536 268
Net impairment change in treasury bonds	-	-	-	-	-	-	(6)	-	-	(273 359)	(273 359)
Dividends paid for the year 2020	-	-	-	-	-	-	-	-	-	-	-
Transferred to Legal reserve from general reserve	-	-	-	-	-	-	-	-	-	-	-
Net change in other comprehensive income	-	-	-	-	-	-	(101 771)	-	-	-	(101 771)
Net profit for the period ended 30 September 2021	-	-	-	-	-	-	-	-	-	2 049 343	2 049 343
Transferred to Special capital reserve	-	-	-	-	35	-	-	-	-	(35)	-
Transferred from Banking Risk Reserve to Retained earnings	-	-	-	-	-	-	-	218 984	-	(218 984)	-
Balance as at 30 September 2021	800 000	-	400 000	29 312	418 158	289 188	537 012	218 984	35 135	10 492 786	13 210 575
Balance as at 1 January 2022	800 000	4 200 000	400 000	29 312	418 158	289 188	336 807	368 044	35 135	6 845 042	13 721 686
Dividends paid for the year 2021	-	-	-	-	-	-	-	-	-	(1 691 209)	(1 691 209)
Transferred from Amounts under capital increase	4 200 000	(4 200 000)	-	-	-	-	-	-	-	-	-
Net change in other comprehensive income	-	-	-	-	-	-	147 594	-	-	-	147 594
Transferred to Legal reserve from general reserve	-	-	29 312	(29 312)	-	-	-	-	-	-	-
Transferred to Legal reserve from other reserve	-	-	289 188	-	-	(289 188)	-	-	-	-	-
Transferred to Legal reserve from Special reserve	-	-	418 123	-	(418 123)	-	-	-	-	-	-
Transferred to Legal reserve from Retained earnings	-	-	1 363 377	-	-	-	-	-	-	(1 363 377)	-
Transferred to Special reserve	-	-	-	-	1	-	-	-	-	(1)	-
Net gains from disposal of Investments Fair Value Reserve classified at Fair value Through OCI	-	-	-	-	-	-	(603 531)	-	-	603 531	-
Net profit for the period ended 30 September 2022	-	-	-	-	-	-	-	-	-	2 068 579	2 068 579
Transferred from Banking Risk Reserve to Retained earnings	-	-	-	-	-	-	-	(141 497)	-	141 497	-
Balance as at 30 September 2022	5 000 000	-	2 500 000	-	36	-	(119 130)	226 647	35 135	6 804 062	14 246 450

The accompanying notes from page (6) to page (83) are an integral part of these interim financial statements and are to be read therewith.

Daute Campioni
CEO and Managing Director

Michèle Formeoni
Chief Financial Officer

1. General information

Bank of Alexandria provides retail, corporate and investment banking services in Arab Republic of Egypt through its Head Office in Cairo (49, Kasr El Nil street) and through 179 branches and banking units and employs 4 321 staff members as of 30th of September 2022.

Bank of Alexandria (S.A.E) was established on 17 April 1957, as a State wholly owned commercial bank until 31 October 2006, SanPaolo I.M.I (Italian Bank) acquired 80% of its issued capital. On 1 January 2007, a merger was announced between SanPaolo I.M.I and Banca Intesa S.P.A., and the name of shareholder SanPaolo I.M.I has been amended to be Intesa SanPaolo S.P.A.

Bank of Alexandria currently performs its activities under the provisions of the Central Bank of Egypt, Banking Sector, and Monetary Law No. 88/2003 and on 15 September 2020, Law No. 194/2020 has been issued under the provision of the Central Bank of Egypt and Banking sector.

On September the 14th 2020, International Finance Corporation (IFC) sold its participation of 9.75% (with exception of one share) in Bank of Alexandria to Intesa Sanpaolo S.P.A. The share of Intesa Sanpaolo S.P.A became 80% (approximately). IFC in year 2021 sold the remaining one share to Mr. Ahmed Saeed Al-Falal representing 0.00000025%.

The Bank's Board of Directors' have approved the financial statements hereunder for issuance on 3rd of November 2022.

2. Summary of accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all periods presented unless otherwise stated.

2.A. Basis of preparation of financial statements

The financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) issued in 2006 and their amendments and in accordance with the instructions of the Central Bank of Egypt (CBE), approved by its Board of Directors on 16 December 2008, and starting from January 2019 IFRS 9 "Classification of Financial Instruments" has been applied in accordance with the instructions of the Central Bank of Egypt (CBE) dated February, 26 2019, that are in compliant with the standards referred to. The financial statements were prepared under the historical cost convention, as modified by revaluation of financial assets, liabilities held for trading, financial assets and liabilities classified at inception at fair value through profit and loss, financial investments at fair value through Other Comprehensive Income (FVOCI) and all financial derivatives contracts. The financial statements of the Bank have been prepared in accordance with the provisions of the relevant local laws.

2.B. Associates companies

Associates companies are entities over which the bank exercises a direct or indirect significant influence without reaching the extent of control. Normally the bank holds ownership equities ranging between 20% and 50% of the voting rights.

Purchase method of accounting has been applied for the bank's acquisition of companies. The acquisition cost is measured by fair value or the equivalent value offered by the bank for acquired assets and/or issued shareholders' equity's instruments and/or obligations the bank incurred and/or obligations the bank accepted on behalf of the acquired company, to complete the acquisition process at the date of the exchange process, plus any costs that can be directly attributed to the acquisition process. Net assets including acquired defined potential obligations are measured at fair value at the acquisition date regardless of the minority's rights existence. The excess of the acquisition cost over the fair value of the bank's share in the net assets is considered goodwill. Moreover, if there is a decrease in the acquisition cost below the net fair value referred to, the difference shall be recorded directly in the income statement under account of "Other operating income (expenses)".

The associate's companies in the bank's financial statements are accounted by the equity method. In addition, dividend payouts are deducted in the carrying value of the investment when approved

2.C. Segment reporting

A business segment is a group of assets and operations related to providing products or services subject to risk and returns, different from those that are related to other business segments. A geographical segment is related to providing products and services within the same economic environment subject to risk and returns different from those that are related to other geographical segments that operate in a different economic environment.

2.D. Foreign currencies translation

2.D.1. Functional and presentation currency:

The bank's financial statements presented to the nearest thousand Egyptian pounds, which represents the bank's functional and presentation currency.

2.D.2. Transactions and balances in foreign currencies

The bank holds its accounting records in the Egyptian pound. Transactions in foreign currencies during the fiscal period are recorded using the prevailing exchange rates at the date of the transaction. Monetary assets and liabilities in foreign currency are re-evaluated at the end of the reporting period using the prevailing exchange rates at that date. The gains and losses resulting from settlement of such transactions, as well as the differences resulting from the re-evaluation, are recognized in the income statement among the following items:

- Net trading income or net income on the financial instruments classified at inception in fair value through the profit and loss of assets / liabilities held for trading or those classified at inception in fair value through profit and loss according to their type.
 - Shareholders' equity for financial derivatives that are eligible for qualified hedge for cash flows or eligible for qualified hedge for net investment.
 - Other operating income (expenses) for the remaining items.
 - Changes in the fair value of the financial instruments with monetary nature in foreign currencies and classified as investments at fair value through Other Comprehensive Income FVOCI (debt instruments), are analyzed into evaluation differences resulting from changes in the amortized cost of the instruments, differences resulting from changes in the prevailing exchange rates or differences resulting from the changes in the instrument's fair value. The evaluation differences resulting from the changes in the amortized cost are recognized in the income statement within "Interest and similar income". The differences relating to exchange rates changes are recognized in "Other operating income (expenses)", whereas the change in the fair value (fair value reserve/financial investments at fair value through Other Comprehensive Income FVOCI) are recognized within shareholders' equity.
- The revaluation differences resulting from items other than those with monetary nature include the gains and losses resulting from the change of the fair value such as the equity instruments held in fair value through profit and loss. The revaluation differences resulting from equity instruments classified as financial investments at fair value through Other Comprehensive Income (FVOCI) are recognized within the fair value reserve in the shareholders' equity.

2.E. Financial assets

The bank classifies financial assets among the following categories:

- Financial assets classified at fair value through profit and loss (FVTPL).
- Financial Assets at amortized cost (Loans and receivables).
- Financial Assets at fair value through Other Comprehensive Income (FVOCI).

The management determines the classification of its investments at initial recognition.

2.E.1. Financial assets classified at fair value through profit and loss:

This category includes:

- Financial assets held for trading.
- Assets classified at inception at fair value through profit and loss.

A financial instrument is classified as an instrument held for trading if it is primarily acquired for the purpose of the sale in the short term or if it represents a part of a portfolio of specific financial instruments that are managed together

and there is evidence of recent actual transactions that resulted in short-term profit taking. Further, derivatives are classified as held for trading (Unless hedge accounting is applied).

Financial assets are classified at inception at the fair value through profit and loss in the following cases:

- When such classification reduces the measurement inconsistency that could arise from handling the related derivative as held for trading at the time of the valuation of the financial instrument in the place of the derivative at amortized cost for loans and facilities to banks and customers and issued debt instruments.
- When managing some investments, such as investments in equity instruments are managed, and valued at fair value according to the investment strategy or risk management and reports are prepared for the top management on this basis, accordingly these investments are classified as at fair value through profit or loss.
- The financial instruments such as held debt instruments, which contain one or more embedded derivatives that strongly affect cash flows are classified through fair value through profit and loss.
- Profits and losses resulting from changes in the fair value of the financial derivatives that managed in conjunction with the assets and liabilities classified at inception at fair value through profit and loss are recorded in the income statement under "Net income from financial instruments classified at inception at fair value through profit and loss".
- No reclassification for any financial derivative from the financial instruments group valued at fair value through profit and loss is made during the period in which it is held or its validity period. In addition, any financial instrument from the group of the financial instruments valued at fair value through profit and loss, is not reclassified if it has been classified by the bank at its initial recognition as an instrument valued at fair value through profit and loss.

2.E.2 Loans and receivables

Loans and receivables represent non-derivative financial assets with fixed or determinable payment that are not quoted in an active market, with the exception of:

- Assets which the bank intends to sell immediately or in the short term. In which case, they are classified as assets held for trading or assets classified at inception at fair value through profit and loss.
- Assets classified by the bank at fair value through Other Comprehensive Income (FVOCI) at initial recognition.
- Assets for which the bank will not be able to substantially recover the value of its initial investment for reasons other than creditworthiness deterioration.

2.E.3 Assets at fair value through Other Comprehensive Income (FVOCI)

Investments classified at fair value through Other Comprehensive Income (FVOCI) are non-derivative financial assets held within the bank model whose objective is to hold cash flows, including principle and interest or may be sold in response to needs for liquidity or to decrease in instrument credit-worthiness or to changes in interest rates, exchange rates, or equity prices (Liquidity Management portfolio).

The following is applied to financial assets:

- Purchase and sale transactions of the financial assets classified at fair value through profit and loss (FVTPL), and financial investments classified at fair value through Other Comprehensive Income (FVOCI) shall be recognized in the ordinary way on the trade date on which the bank is committed to purchase or sell the asset.
- The financial assets which are not classified at inception at fair value through profit and loss, shall be recognized at fair value plus the transaction costs, whereas financial assets classified at inception at fair value through profit and loss are recognized only at fair value with the transaction' costs associated to those assets being reported in the income statement under "Net Trading Income" item.
- Financial assets shall be derecognized when the contractual right validity to receive cash flows from the financial asset expires or when the bank transfers most of risk and returns associated with the ownership to a third party. Financial liabilities are derecognized when they expire by either discharging, cancellation, or the expiration of the contractual period.
- Financial assets at fair value through Other Comprehensive Income (FVOCI) and financial assets classified at fair value through profit and loss (FVTPL) shall be subsequently measured at fair value. Loans and receivables are subsequently measured at amortized cost.
- Gains and losses resulting from changes in the fair value of assets classified at fair value through profit and loss shall be recognized in the income statement in the period in which they are made, while the gains and losses arising from changes in the fair value of the investments at fair value through Other Comprehensive Income (FVOCI) shall be directly recognized in shareholders' equity statement, until the asset is derecognized or impaired. In which case, the cumulative profit and losses previously recognized in shareholders' equity statement shall be recognized in the income statement.
- Income calculated at the amortized cost method and gains and losses on foreign currencies related to the assets with monetary nature classified at fair value through Other Comprehensive Income assets shall be recognized in the income statement. Dividends resulting from equity instruments classified at fair value through Other Comprehensive Income shall be recognized in the income statement when the right of the bank to receive payment is established.

- Fair value of -the investments quoted in active markets shall be defined pursuant to the current Bid Prices. In case there is no active market for the financial assets, or the current Bid Prices are unavailable, the bank shall define the fair value by using one of the valuation methods. This includes either using arm's length transactions, discounted cash flow analysis, options pricing models or other valuation methods commonly used by market traders. In case the bank is unable to estimate the fair value of equity instruments classified at fair value through Other Comprehensive Income, their value shall be measured by cost after deducting any impairment in value.
- If the bank adjusts its estimates of payments or receivables, the book value of the financial asset (or the group of financial assets) shall be settled in a way that reflects the actual cash flows and the adjusted estimates, provided that the book value is recalculated by calculating the present value of estimated future cash flows by the actual return rate of the financial instrument. The result of the settlement shall be recognized as revenue or expenses in the profit and loss.
- In all cases it shall not be permissible to reclassify the financial (Debt Instruments) assets between different classifications (classified at amortized cost, classified at fair value through Other Comprehensive Income, and classified at fair value through profit and loss) except if the bank changes the business model(s), which procedures takes place infrequently and rarely, other than the first classification change when implementing the impact of IFRS 9 first time adoption for financial instruments.

2.F. Accounting Standards applied starting from January 01,2019:

The financial statements at December 31, 2018 have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors, except the effect of the instructions of the Central Bank of Egypt dated February 26, 2019 to prepare financial statements according to IFRS 9 "Financial Instruments": classification and measurements.

The bank reviews all its financial assets except for financial assets that are measured at fair value through profit or loss to assess the extent of impairment as described below:

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

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

- 2.F.1. Definition of default:** The bank applies a single definition of default for classifying assets and determining the probability of default of its obligors for risk modeling purpose.

The definition of default is based on quantitative and qualitative criteria. A counterparty is classified as default at the latest when material payments of interest, principal or fees are overdue for more than 90 days.

- 2.F.2. Significant increase in credit risk:**

IFRS 9 does not provide a specific definition for significant increase in credit risk. The bank's assessment of the credit risk is based on forward looking analysis based on management assessment, quantitative analysis (predictive model) and qualitative information. An estimate of whether there is a significant increase in credit risk includes comparing the current default risk at financial reporting date, with the initial default risk at inception lending date, during that the bank took into account all quantitative and qualitative information including historical data and prospective outlook, which are available without effort and cost is not required, which depends on the ability of the bank to provide data objectively.

The Bank considers different economic scenarios in estimating the probability of default at the initial lending date and successively in each financial reporting date, each scenario outcome has different results, and the Bank adjust weighted factor for each of the different scenarios.

The Bank calculates the expected credit loss for the entire life of the instrument when there is a significant decrease in the creditworthiness that reflects the cash flow deficit resulting from all the events and factors affecting the creditworthiness weighted by the risk of default.

The bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant decrease in credit risk and to measure the loss allowance based on lifetime rather than 12-months ECL.

- 2.F.3. Write-Off:**

Debt is written off when all or part of the debt is uncollectible or agreed to be exempt from it. Loans, credit facilities and debt instruments are considered to be impaired when the Bank has no reasonable expectation of collection of these financial assets (in whole or in part), this scenario occurs when the Bank determines that the borrower has no other assets or resources from the cash flows to repay the loan. The Bank may continue to take legal actions to collect all or part of the debt after the debt is executed, which may lead to the collection of certain amounts granted to the borrower.

Written-off loans reduce the principle amount granted, and when collection of debts has been written off, these amounts are recognized on collection.

2.F.4. Market Risk:

Market risk represents the expected loss resulting from the negative effects of market variables. Market variables represent several factors such as interest rate, currency risk, exchange rate, equity prices, credit risk margin and commodity prices. These variables may be not reliably measurable such as volatility and bonding factors with each other.

Market risk includes risks related to the source of the financial instrument and investment risk.

- **Financial instrument risk:** The possibility of loss arising from changes in fair value due to events related to the credit loss affecting the issuer and which the Bank is exposed to through investments and derivatives derived from the source of the financial instrument.

- **Investment risk:** Risks related to the volume of held financial investments.

Market Risk Management: The Bank's objective of managing market risk is to control and manage exposure to market variables in order to maximize returns while ensuring adequate solvency.

With regard to liquidity risk, the task of the concerned committees is to ensure effective market risk management across the Bank's various sectors. The main activities for managing these risks are as follows:

- Identification of the main types of risks and their causes.
- Neutral independent measurement and evaluation of these risks and their effects.
- Use evaluation results as a basis for managing return / risk ratios.
- Risk control and reporting

2.F.5. Changes in accounting policies and significant professional estimates and assumptions:

Main Changes in Bank Accounting policies upon adopting IFRS 9

The following is a summary of the major changes in the Bank's accounting policies resulting from the adoption of IFRS 9.

Classification of financial assets and financial liabilities

IFRS 9 includes three major asset classes:

- At amortized cost
- And at fair value through comprehensive income
- And at fair value through profit and loss.

The classification of financial assets in accordance with IFRS 9 is generally based on the business model in which the financial assets and contractual cash flow

characteristics are managed. The Standard eliminates current classes in accordance with IAS 39, held to maturity and loans and receivables and available for sale investments.

Impairment of financial assets

IFRS 9 replaces the "recognized losses" model in IAS 39 with the "expected credit loss" future model. The new impairment model also applies to certain loan commitments and financial guarantees contracts but does not apply to equity investments. In accordance with IFRS 9, credit losses are recognized earlier in relation to IAS 39.

Classification of financial assets and liabilities (SPPI test)

The SPPI test evaluate the contractual terms for the financial assets (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

Impairment of financial instruments

Assess whether credit risk on financial assets has increased significantly since initial recognition and inclusion of future information in measuring expected credit losses.

2.G. Offsetting of financial instruments

Financial assets and liabilities are offset in case the bank has a legal right in force to undertake the offsetting of the recognized amounts and it intends to settle the amounts on a net basis or to receive the asset and settle the liability simultaneously.

The items of the agreements for purchasing treasury bills with commitment to resell and the agreements for selling treasury bills with commitment to repurchase shall be presented based on the net basis in the financial position within the item of treasury bills and other governmental notes.

2.H. Financial Derivatives

Derivatives shall be recognized at fair value at the date of the entering into its contract and subsequently be re-measured at fair value. The fair value is defined either from the quoted market prices in the active markets, recent market transactions, or valuation techniques such as discounted cash flow models and options pricing models, as appropriate. All derivatives shall be recognized within the assets if their fair value is positive or within the liabilities if their fair value is negative.

2.I. Interest income and expense

Interest income and expense of all interest-bearing financial instruments, except those classified as held-for-trading or which been classified at inception at fair value through profit and loss shall be recognized in the income statement under "Interest income on loans and similar income" item or "Interest expenses on deposits and similar charges" by using the effective interest rate method.

The effective interest rate is the method to calculate the amortized cost of a financial asset or liability and to distribute the interest income or expenses over the related instruments' lifetime. The actual rate of return is the rate used to discount the estimated future cash flows of expected payments or receivables during the expected lifetime of the financial instrument or shorter period of time when appropriate in order to reach accurately the book value of a financial asset or liability. When the effective rate of return is calculated, the bank estimates cash flows by considering all the contractual terms and conditions of the financial instrument's contract (for example accelerated repayment options) and not to consider the future credit losses. The method of calculation includes all fees paid or received by and between the contract's parties, which are considered part of the effective interest rate. The cost of transaction includes any premiums or discounts.

When loans or receivables are classified as non-performing or impaired ones as the case may be, the related interest income shall not be recognized nor recorded as off-balance sheet items out of financial statements. However, such interest income shall be recognized under the revenue item pursuant to the cash basis according to the following:

- 2.I.1.** As for consumer loans, mortgage loans for personal housing and small loans for economic activities, when the interest income is collected and after arrears are fully recovered.
- 2.I.2.** As for corporate loans, interest income is recognized as revenue, only after the payment of 25% of the amount rescheduled and with a minimum of one year of regular payments. In case of the customer keep repaying regularly, then the calculated interest will be capitalized to the loan balance and to be recorded as revenues (return on the rescheduled loan balance), without considering the marginal interest before reschedule, which will not be recorded in the revenues until the full payment of loan balance before scheduling as recorded in the financial position.

2.J. Fee and commission income

Due fees from servicing the loan or facility shall be recognized in the income when performing the service, while the fee and commission income related to non-performing or impaired loans or receivables shall not be recognized, as it shall be on off-balance sheet of the financial statements. Then it shall be recognized within the income pursuant to the cash basis when the interest income is recognized according to item (2.I.2). As for fees, which represent an integral part of the actual return of the financial assets in general, they shall be treated as an amendment to the effective rate of return.

Commitment fees on loans shall be postponed, if there is a probability that these loans will be withdrawn, taking into account that these fees that the bank receives

are a compensation for the constant intervention to acquire the financial instrument. Then they shall be recognized by amending the effective rate of return on the loan. When the period of commitment expires without the loan being issued by the bank, these fees shall be recognized within the income at the expiry of the commitment's validity.

Fees on debt instruments measured at fair value shall be recognized within revenue at the initial recognition. Fees on the promotion of the syndicated loans shall be recognized within revenue when the promotion process is completed, and the bank does not retain any portion of the loan or if the bank retains a portion for itself earning of the actual rate return which is available to other participants as well.

Fees and commission resulting from negotiations or the participation in negotiations on a transaction in favor of a third party shall be recognized within the income statement- such as the arrangement of the acquisition of shares or other financial instruments, or the acquisition or selling of premises- when the specific transaction is completed. The administrative consultations fees and other services are normally recognized based on the distribution over time relative to the service performance period. However, the financial planning management fees and conservation services fees, which are provided for long periods of time, are recognized over the period during which the service is performed.

2.K. Dividend income

Dividend income shall be recognized when the right to receive such income is established.

2.L. Purchase and resale agreements and sale and repurchase agreements

Financial instruments sold under repurchase agreements "REPO's" are presented within the assets added to the balances of treasury bills and other government notes in the financial position, while the liability (purchase and resale agreements) is deducted from the treasury bills and other governmental notes in the financial position. The difference between the selling price and repurchase price is recognized as a return over the period of the agreement by applying the effective interest rate method.

2.M. Impairment of financial assets

2.M.1. Financial assets recorded at amortized cost

At reporting dates, the bank assesses whether there is objective evidence on the impairment of a financial asset or a group of financial assets. The financial asset or the group of financial assets shall be considered impaired and impairment losses shall be recognized when there is objective evidence on the impairment as a consequence of an event or more events that occurred after the initial recognition of the asset and such (Loss Event) affects the reliability of the

estimated future cash flow of the financial asset or the group of financial assets which can be reliably estimated.

The indicators that the bank considers to determine the existence of objective evidence on impairment losses include the following:

- Significant financial difficulties that face the borrower / debtor;
- Breach of the terms of the loan facility, such as the stopping of repayments;
- Expectation of the declaration of the borrower's bankruptcy, the entering into the liquidation lawsuit or the restructuring of the granted finance;
- Deterioration of the competitive position of the borrower.
- Granting privileges or concessions by the bank to the borrower for legal or economic reasons related to the latter's financial difficulties, which the bank may not accept granting the same in ordinary circumstances.
- The impairment of the collateral's value.
- The deterioration of the credit situation and positions.

Objective evidence of the impairment losses of a group of financial assets includes the existence of observable data indicating a decrease in the measurement in the future cash flows of the group since the initial recognition though it is not possible to determine the decline of each individual asset, such as the increase of default cases in regards with a bank product.

The bank estimates the period between the loss event and its identification for each specific portfolio. This period normally ranges between three and twelve months.

Further, the bank first assesses whether there is objective evidence of impairment exists for each individual financial asset if it represents significance. The assessment is made individually or collectively for the financial assets that are not significant on an individual basis. In this regard, the following shall be taken into account:

- If the bank identifies there is no objective evidence on the impairment of a financial asset assessed separately whether it has a significance of its own or not, then this asset shall be added to the group of financial assets with similar credit risk features for assessment together to estimate impairment pursuant to historic default ratios.
- If the bank identifies the existence of objective evidence of impairment of a financial asset assessed separately, then this asset shall not be included in the group of assets for which impairment losses are assessed on a collective basis.
- If the aforementioned assessment resulted in the non-existence of impairment losses, then the asset is included in the group.

The amount of impairment loss provision shall be measured by the difference between the asset's book value and the present value of expected future cash flows discounted by applying the original effective interest rate of the asset; future credit losses not incurred should not be included in the above. The book value of the asset shall be reduced by using the impairment losses provision's account and the impairment charge on credit losses, shall be recognized in the income statement .

If the loan or investment held to maturity date bears a variable interest rate, then the discount rate applied to measure any impairment losses, shall be the effective interest rate pursuant to the contract on determining the existence of objective evidence of the impairment of the asset. For practical purposes, the bank may measure the impairment loss value based on the instrument's fair value by applying the quoted market rates. As for collateralized financial assets, the present value of the future cash flows expected from the financial asset shall be credited. Besides, these flows that result from the implementation and selling of the collateral after deducting the expenses related thereto shall be credited.

For the purposes of the estimation of impairment on group basis, the financial assets are pooled in groups of similar characteristics in terms of credit risk, based on classification process conducted by the bank, taking into consideration the type of asset, the industry, the geographical location, the collateral type, the position of arrears, and the other related factors. These characteristics are related to the assessment of future cash flows of the groups of these assets, as they are deemed an indicator of the debtors' ability to repay the amounts due pursuant to the contractual conditions of the assets under consideration.

Upon estimating the impairment of a group of the financial assets based on historical default ratios, the future cash flows of the group shall be estimated based on the contractual cash flows of the banks' assets and the amount of historical losses of these assets with similar credit risk characteristics of these assets held by the bank. The amount of historical losses shall be adjusted based on the current disclosed data in a way that reflects the impact of the current conditions that did not occur in the period over which the amount of historical losses has been identified. Besides, this will cause that the effects of the conditions that existed in the historical periods but no longer exists are cancelled.

The bank seeks that the forecasts of changes in cash flows of a group of assets are reflected in line with these changes in relevant reliable data which occur from time to time; for example, changes in Macro-Economic factors like changes in unemployment rates, and changes in Micro-Economic factors like real estate prices, the position of repayments and any other factors indicating changes in the likelihood of loss in the group and its amount. The bank conducts a periodic review of the method and assumptions used to estimate future cash flows.

2.M.2. Financial investments at fair value through Other Comprehensive Income

On each reporting date, the bank estimates whether there is objective evidence on the impairment of a financial asset, or a group of financial assets classified within financial investments at fair value through Other Comprehensive Income.

In the case of the existence of investments in equity instruments classified as investments at fair value through Other Comprehensive Income, the significant or prolonged decline in the fair value of the instrument below its book value shall be taken into account upon the estimation of whether there is impairment in the asset or not.

2.N. Investments Property

Investments property represents lands and buildings the bank owns in order to obtain rental revenues or capital appreciation. Consequently, these investments do not include the real estate assets where the bank practices its business and activities or the assets reverted to the bank in settlement of debts. The same accounting method applied for fixed assets, shall be applied for investments property.

2.O. Intangible assets

2.O.1. Computer software

Expenditure on the development or maintenance of the computer software shall be recognized when being incurred in the income statement. Expenditures associated directly with specific software under the bank's control that are expected to generate economic benefits exceeding their cost for more than a year shall be recognized as intangible asset. The direct expenses include the cost of the staff involved in the software development, in addition to an adequate share of related overheads.

Expenditure that leads to the increase or expansion in the performance of computer software beyond their original specifications shall be recognized as a development cost and shall be added to the cost of original software.

The cost of the computer software shall be amortized over their expected useful life with a maximum of three years starting from the year 2010.

2.O.2. Other intangible assets

Other intangible assets represent intangible assets other than goodwill and computer software (for example but not limited to trademark, licenses, and benefits of rental contracts).

The recognition of other intangible assets, at their acquisition cost, shall be recognized and amortized on the straight-line method or based on the economic benefits expected from these assets over their estimated useful life. Concerning the assets which do not have a finite useful life, they shall not be subject to amortization; however, they shall be annually assessed for impairment and the value of impairment, (if any), shall be charged to the income statement.

2.P. Fixed assets

Lands and buildings are mainly represented in head office premises, branches, and offices. All fixed assets shall be disclosed at historical cost minus accumulated depreciation and impairment losses. The historical cost includes expenses directly attributable to the acquisition of the fixed assets' items.

Subsequent expenditures shall be recognized within the book value of the outstanding asset or as an independent asset, as appropriate, when the generation of future economic benefits to the bank from the concerned asset and the reliable determination of its cost become possible. Any maintenance and fixing expenses, during the period in which they are incurred, shall be carried to other operating expenses.

Land shall not be subject to depreciation, while depreciation of other fixed assets shall be calculated using the straight-line method to allocate the cost over the useful life of the asset in a way that the remaining carrying value would equal to its residual value as follows:

Buildings and constructions	20 years
Elevators	10 years
Leased real estate improvements	4 years or leasing period, whichever is less
Office furniture	10 years
Machinery	10 years
Means of transport	5 years
Computers and core systems	5 years
Fittings and fixtures	10 years

The residual value and useful life of the fixed assets shall be reviewed on each reporting date and shall be adjusted whenever required. Depreciated assets shall be reviewed for purposes of determining the extent of impairment when an event or a change in conditions suggesting that the book value may not be redeemable occurs. Consequently, the book value of the asset shall be reduced immediately to the asset's net realizable value in case of the increase of the book value over the net realizable value.

The net realizable value represents the net selling value of the asset or its utilization value whichever is greater. Gains and losses from the disposal of fixed assets shall be determined by comparing the net proceeds at book value. Gains (losses) shall be included within other operating income (expenses) in the income statement.

2.Q. Impairment of non-financial assets

Assets other than goodwill, which do not have a finite useful life, shall not be subject to amortization and shall be reviewed annually to determine whether there is any indication of impairment. Impairment of depreciable assets shall be assessed, whenever there are events or changes in conditions suggesting that the book value may not be redeemable.

The impairment loss shall be recognized, and the asset's value shall be reduced by the increase in the asset's book value over its net realizable value. The net realizable value represents the net selling value of the asset or its utilization value whichever is greater. For purposes of the estimation of impairment, the asset shall be linked to the smallest available cash-generating unit. On the date of the preparing the financial statements, the non-financial assets that have been impaired shall be reviewed to assess a reversal of the impairment to the income statement.

2.R. Finance Lease

The finance lease is accounted in accordance with the instructions of the Central Bank (pursuant to law no. 95 for the year 1995). An agreement is recognized as financial lease when the following conditions are fulfilled: (1) the contract gives the right to the lessee to purchase the asset on a specified date; (2) the contract specifies the agreed value for re-purchase; (3) the contract period represents at least 75% of the expected useful life of the asset, or the present value of the total payments represents at least 90% of the asset's value.

Other leasing contracts shall be considered as operating leasing.

2.R.1. Lease

With regard to financial leasing contracts, the lease cost including the maintenance cost of leased assets shall be recognized within the expenses in the income statement for the period in which it has been incurred. If the bank decides to exercise the right of the purchase of leased assets, then the cost of the purchasing right shall be capitalized as fixed assets and amortized over the expected remaining useful life of the asset in the same way applied to similar assets.

Payments under the operational leasing minus any discounts granted by the lessor shall be recognized within expenses in the income statement by applying the straight-line method over the period of contract.

2.S. Cash and cash equivalents

For the purpose of presentation of the statement of cash flows, cash and cash equivalents shall include the balances with maturity not exceeding three months from the date of the acquisition, and cash and balances at the Central Bank of Egypt, other than those that are deemed within the mandatory reserve, due from banks, treasury bills and other governmental notes.

2.T. Other provisions

The restructuring costs and legal claims' provision shall be recognized when there is a legal or a present indicative obligation due to previous events, and it is also likely that the situation shall require the utilization of the bank's resources to settle the mentioned obligations with the provision of a reliable estimation of the obligation's value being possible.

When there are similar obligations, the cash outflow that can be used in settlement shall be identified, taking into consideration this set of liabilities. The related provision shall be recognized even if there is a little possibility that an outflow with respect to any one item is included in the same class of obligations.

When a provision is wholly or partially no longer required, it shall be reversed through profit or loss under other operating income (expenses) line item.

2.U. Employees' benefits

2.U.1. Retirement benefits obligations

The bank manages a variety of retirement benefit plans that are often funded through payments that are defined based on periodical actuarial calculations and are made to insurance companies and other specialized funds. The bank has defined benefits and defined contribution plans.

Defined benefit plans: these are retirement rules, which specify the amount of the retirement benefits that the employee will be granted by the end of the period of service. This benefit normally depends on one factor or more such as age, years of services and income.

The recognized liability in the financial position with regards to defined benefit plans is represented in the present value of the defined benefit liabilities at the reporting date, after deducting the fair value of the retirement plans' assets and debiting (crediting) unrealized actuarial reconciliations of profits (losses), as well as the cost of additional benefits related to prior service terms.

An independent actuary who applies the Projected Unit Credit Method calculates the liability of the defined benefit plans (future cash flows expected to be paid) annually. The present value of the identified plans liability is determined through deducting these expected future cash flows to be paid by using the rate of return of high quality corporate bonds or the rate of return of the government bonds in the same currency to be used in payment of the benefits and which have almost the same maturity period of the related obligations of the retirement benefits.

Gains (losses) resulting from changes and adjustments in actuarial estimates and assumptions shall be calculated, and such gains shall be deducted from (the losses shall be added to) the income statement, if they do not exceed 10% of the plan assets' value or 10% of the defined benefits' liability whichever is higher. In case gains (losses) rise above the mentioned percentage, then the increase shall be deducted (added) in the income statements over the average of the remaining years of service.

Past service costs shall be immediately recognized in the income statement within administrative expenses, unless the introduced changes on the retirements' plans are conditional on that employees must be in service for a

specified period of time (vesting period). In which case, the past service costs shall be amortized by the straight-line method over the vesting period.

Defined contribution plans: These are pension schemes pursuant to which the bank pays fixed contributions to an independent entity while there is no legal or constrictive commitment on the bank to pay further contributions, if the entity has not established sufficient assets to pay all the employees' benefits related to their service whether in current or previous periods.

Regarding the defined contribution plans, the bank pays contributions according to the retirement's insurance regulations in the public and private sectors on either mandatory or voluntary contractual basis and the bank has no further obligations following the payment of contributions. These contributions shall be recognized within the employees' benefit expenses when maturing (vesting). Paid contributions paid in advance shall be recognized within assets to the extent where the advance payment reduces future payments or cash refund.

2.U.2. Liabilities of other post-service's benefits

The bank provides health care benefits to retirees, after the end of service term. Usually, such benefits are given provided that the employee remains in the employ of the bank's service until the retirement age and completes a minimum period of service. The expected costs of these benefits are accrued (vested) over the period of employment by adopting an accounting method similar to the method adopted in the defined benefit plans previously explained in the note 2. T.1

2.V. Income tax

The income tax on the year's profits or losses include the tax of the current year and the deferred tax and shall be recognized in the income statement, with the exception of the income tax on the items of shareholder's equity, which is directly recognized within shareholders' equity.

The income tax shall be recognized based on the net profit subject to tax through the application of the applicable tax rates at the date of preparing the financial position, in addition to the tax adjustments related to previous years.

Deferred tax arising from temporary timing differences between the book value of assets and liabilities calculated according to the accounting principles, as well as its values shall be recognized according to the tax principles. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates enacted or substantively enacted by the end of the reporting year.

The deferred tax assets shall be recognized when profits to be subject to tax in the future are likely to be generated, through which this asset can be utilized. The

deferred tax shall be decreased with the portion from which the expected taxable benefit will not be achieved over the coming years. In case of the increase of the expected taxable benefits, the deferred tax assets shall be increased within the limit of previous reduction in the value of deferred tax assets.

2.W. Borrowing

Loans obtained by the bank shall be recognized at inception at fair value minus the cost of the loan obtaining. Subsequently, the loans shall be measured by amortized cost. The difference between net proceeds and the amount to be paid over the borrowing period using the effective interest rate shall be recognized to the income statement.

The fair value of the portion that represents a liability regarding bonds convertible into shares shall be defined by applying the market equivalent rate of return of non-convertible bonds. This liability shall be recognized by the amortized cost method until conversion or maturity of bonds. The remaining proceeds shall be charged to the conversion option included within shareholders' equity in net value after deduction of the income tax effect.

The preferred shares that either carry mandatory coupons or are redeemed at a defined date or according to the shareholders' option, shall be included within the financial liabilities and be presented in the item of "Other loans". The dividends of these preferred shares shall be recognized in the income statement under "Interest expense on deposits and similar charges" item based on the amortized cost method and by using the effective rate of return.

2.X. Share capital

2.X.1. Cost of capital

The issuance expenses, directly attributable to the issuance of new shares or shares against the acquisition of an entity, or the issuance of options shall be presented as a deduction from the shareholders' equity in net proceeds after taxes.

2.X.2. Dividends

Dividends shall be recognized through deducting from shareholders' equity in the period where the General Assembly meeting of shareholder approves these dividends. These include the employees' share in profits and the remuneration of the board of directors prescribed by the article of association of the bank and the law.

2.Y. Custody activities

The bank practices custody services, which leads to owning or managing private assets of individuals, trust funds, or post service benefits funds. These resulting assets and profits shall be excluded from the financial statements, as they not considered among the bank's assets.

2.Z. Comparative figures

Comparative figures shall be reclassified whenever it is necessary to conform to the changes in the adopted presentation of the current year.

3. Financial risk management

The bank is exposed to a variety of financial risks, while it practices its business and activities, and the acceptance of risk is considered the basis of financial business. Some risk aspects or a combination of risk are analyzed, assessed, and managed. The bank targets to achieve adequate balance between the risk and return, and to minimize likely adverse impacts on its financial performance. The most important types of risk are credit risk, market risk, liquidity risk and other operating risks. Market risk includes the risk of foreign exchange rates, interest rates and the other pricing risks.

The bank has developed risk management policies to define, analyze and control risk, and set, control and comply with its limits through a variety of reliable methods and up to date information systems. The bank conducts regular reviews and amendments of the risk management policies in order to reflect changes in the markets, products, and services, as well as the best up to date applications.

Risk Management Division carries out risk management in the light of the policies approved by the Board of Directors. Risk division identifies, assesses, and hedges against the financial risk in close collaboration with the different operating units of the bank. The board of directors provides written principles for risk management as a whole, in addition to written policies, which cover defined risk areas such as credit risk, foreign exchange risk, interest- rate risk, and the use of derivatives and non-derivatives financial instruments. In addition, Risk division is responsible for the periodic review of risk management and control environment independently.

3.A. Credit risk

The bank is exposed to credit risk, which is the risk of default of one party on its obligations. Credit risk is considered as the most important risk the bank faces. Thus, the top management carefully manages risk exposure. Credit risk is mainly represented in lending business from which activities of loans and facilities arise, and in investment activities which cause that the bank's assets include debt instruments. Credit risk is also found in the financial instruments off- balance sheet, such as loan commitments. The credit risk management team in the division, which reports to the board of directors, top management as well as heads of business units, conducts mainly all operations related to the management and control of the credit risk.

3.A.1. Measurement of credit risk

- Loans and facilities to banks and customers

To measure credit risk related to loans and facilities extended to banks and customers, the bank examines the following three components:

- Probability of default of the customer or a third party on their contractual obligations.
- The current position and the likely expected future development from which the bank can conclude the balance exposed to default (Exposure at default).
- Loss given default.
- The daily activities of the bank's business involve the measurement of credit risk which reflects the expected loss (The Expected Loss Model) required by the Basel Committee on Banking Supervision. The operating measures may contradict with the impairment charge according to IFRS 9, which depends on losses realized at the reporting date (realized losses model) and not on expected losses (Note A/3).
- The bank estimates the probability of default at the level of every customer by applying internal rating methods to rate the creditworthiness of the different categories of customers in details. These methods have been developed for internal rating and the statistical analyses are taken into account together with the personal reasoning of credit officials to reach the adequate rating. The bank's customers have been divided into Three categories of creditworthiness rating. The structure of creditworthiness adopted by the bank as illustrated in the following table reflects how probable default of each category is, which mainly means that credit positions move among mentioned categories pursuant to the change in the assessment of the extent of default probability. The assessment methods are reviewed and developed whenever required. Further, the bank periodically assesses the performance of the creditworthiness rating methods and how they are able to predict default cases.

Classification	The classification's Indication
1	Stage 1 (Performing loans)
2	Stage 2 (Watch list)
3	Stage 3 (Non-performing loans)

The position exposed to default depends on the amounts the bank expects to be outstanding amounts when the default takes place; for example, as for a loan, the position is the nominal value while for commitments, the bank enlists all already withdrawn amounts in addition to these amounts expected to be withdrawn until the date of default, if it happens.

Loss given default or loss severity each represents the bank's expectations of the loss to the extent when claiming repayment of debt if the default occurs. Expressed by the percentage of loss to the debt; this certainly differs in accordance with category of the debtor, the claim's seniority and availability guarantees or other credit mitigation.

- **Debt instruments, treasury bills and other bills**

Concerning debt instruments and bills, the bank uses the external foreign rating such as the rating of “Standard and Poors” or of similar agencies to manage credit risk. If such ratings are not available, then the bank applies similar methods to those applied to credit customers. Investment in securities, financial papers, and bonds shall be considered as a way to gain a better credit quality and maintain a readily available source to meet funding requirements at the same time.

3.A.2. Risk Mitigation Policies

The bank manages, mitigates, and controls credit risk concentration at the level of debtor, groups, industries, and countries.

The bank structures the levels of credit risk tolerance by placing limits for the risk tolerance in relation to each borrower or a class of borrowers, and at the level of economic activities and geographical sectors. Such risk shall be constantly monitored and controlled and shall be subject to reviews on an annual basis or more frequently if necessary. Limits of credit risk at the level of borrower/ the group / producer, the sector and the country shall be quarterly approved by the board of directors.

Lines of credit for any borrower including banks shall be divided into sub-lines which include in- and off- the balance sheet amounts and daily risk limit related to trading items such as forward foreign exchange contracts. Actual amounts shall be compared daily with the mentioned limits. Credit risk exposure is also managed by the regular analysis of the present and the potential borrowers’ ability to fulfill their obligations and by amendment of the lending lines when appropriate.

Following are some methods to mitigate risk:

- **Collaterals**

The Bank designs several policies and controls for credit risk mitigation such as collaterals for funds provided. The Bank lays down guidelines for specific categories of the accepted collaterals.

The main types of collaterals for Loans and credit facilities to customers are:

- Cash or equivalent;
- Mortgage;
- Pledge on business assets like machinery and merchandise;
- Pledge in financial instruments like debt instruments and equity.

Longer term finance and lending to corporate are often secured, while for credit facilities granted to retail customers, the main collateral is cash or equivalent (i.e. Term and Certificate of deposit). The Bank attempts to mitigate the credit risk through additional collaterals from the concerned parties immediately on arising of impairment indicators for any of the loans or facilities.

Collateral held as a security against assets other than loans and facilities; determined by the nature of the instrument, and debt instruments and treasury bills are normally unsecured with the exception of asset-backed securities and the similar instruments backed by a securities portfolio.

- Derivatives

The bank maintains control procedures over the net open positions for derivatives i.e. the difference between purchase and sale contracts at the level of value and period. The amount exposed to credit risk is at any time defined at the fair value of the instrument that achieves benefit to the bank i.e. an asset that has a positive fair value and represents a small portion of the contractual (nominal) value adopted to express for the volume of outstanding instruments. This credit risk is managed as a part of the aggregate lending line granted to the customer together with the expected risk due to market changes.

Collateral or other security is not usually obtained against credit risk exposures in these instruments, except where the bank requires that collateral be taken as margin deposits from the counterparties.

Settlement risk arises in any situation where a payment is made through cash, securities or equities, or in return for the expectation of a corresponding receipt in cash, securities, or equities. Daily settlement limits are defined for each counterparty to cover the aggregate settlement risk arising from the Bank market transactions on any single day.

- Master Netting Arrangements

The bank mitigates the credit risk by entering into Master Netting Arrangements with counterparties that represent a significant volume of transaction. In general, these arrangements do not result in conducting offset between balance sheet assets and liabilities at financial position because these settlements are always conducted on a gross basis. However, the credit risk associated to the contracts that serve the bank's interest is reduced through master netting arrangements, as in case of default, all amounts with the counterparty are settled by clearance.

The bank's overall exposure to credit risk resulting derivative instruments subject to master netting arrangements can be substantially changed within a short period, as it is affected by each transaction subject to these arrangements.

- Credit related commitments

The primary purpose of credit related commitments is to ensure the availability of funds to the customer at demand. Guarantees and standby letters of credit also carry the same credit risk related to loans. Documentary and commercial letters of credit which are issued by the bank on behalf of its customer to grant a third party the right of withdrawal from the bank within the limit of certain amounts and under predefined conditions – are collateralized by the underlying

shipments of goods and consequently carry a lesser degree of risk, compared to direct loans.

The commitments for granting credit represent the unutilized part of the authorized limit to grant loans, guarantees, or documentary letters of credit. The bank is exposed to a potential loss that represents the amount equal to the total of unutilized commitments as concerning credit risk arising from credit granting commitments. Nevertheless, the amount of loss that is likely to occur is below the unutilized commitments, as most credit granting commitments represents potential liabilities of customers who have defined credit specifications. The bank monitors the duration until maturity date of credit commitments, as long-term commitments have a high degree of credit risk, compared to short-term commitments.

3.A.3. Impairment policies and provisions

The internal systems of aforementioned assessments (note no. 3.A.1) focus to a great extent on the planning of the credit quality, from the starting point of the recognition of lending and investment activities. However, the impairment losses incurred at the reporting date are only recognized for purpose of the preparation of financial statements based on objective evidence, which refers to impairment pursuant to the disclosure below in light of the implementation of different methods.

The impairment loss provision included in the financial position at the end of the fiscal year is derived from the Three internal ratings; however, the majority of the provision results from the last two ratings. The following table shows the percentage for the items within the financial position relate to loans and facilities and the relevant impairment for each of the bank's internal ratings:

Bank's Assessment	Sept. 30, 2022		Dec. 31, 2021	
	Loans and advances %	Impairment loss provision %	Loans and advances %	Impairment loss provision %
1- Stage 1 (Performing loans)	80.12	35.78	85.28	43.62
2- Stage 2 (Watch list)	13.91	11.50	10.21	12.31
3- Stage 3 (Non-performing loans)	5.97	52.72	4.51	44.07
	100	100	100	100

The bank's policies require review of all financial assets, which exceed defined relative importance at least annually or more if necessary. The impairment charge is to be defined to accounts that have been assessed on an individual basis by assessing the realized loss at the reporting date on each individual case and is to be applied individually to all accounts that have relative importance. The assessment usually includes the outstanding collateral with a

reconfirmation of the possibility to realize the collateral as well as the expected collections from these identified accounts being made.

The impairment loss provision shall be made on the basis of a group of homogeneous assets by using the available historical experience, personal judgment, and statistical methods.

The following table shows the financial assets quality based on the credit-worthiness stages during the period / year:

(a) Due from Banks:				EGP
30 Sept. 2022	Stage 1	Stage 2	Stage 3	Total
1-Performing loans	-	-	-	-
2-Regular watching	26 709 558	2 898 308	-	29 607 866
3-Non-performing loans	-	-	-	-
	26 709 558	2 898 308	-	29 607 866
Allowances for impairment losses	(579)	(21 273)	-	(21 852)
Carrying amount	26 708 979	2 877 035	-	29 586 014
31 December 2021	Stage 1	Stage 2	Stage 3	Total
1-Performing loans	-	-	-	-
2-Regular watching	21 085 146	962 239	-	22 047 385
3-Non-performing loans	-	-	-	-
	21 085 146	962 239	-	22 047 385
Allowances for impairment losses	(71)	(17 028)	-	(17 099)
Carrying amount	21 085 075	945 211	-	22 030 286

(b) Debt Instruments at fair value through Other comprehensive income – Treasury bills:
EGP

30 Sept. 2022	Stage 1	Stage 2	Stage 3	Total
1-Performing loans	-	-	-	-
2-Regular watching	22 382 142	-	-	22 382 142
3-Non-performing loans	-	-	-	-
	22 382 142	-	-	22 382 142
Allowances for impairment losses	(3 737)	-	-	(3 737)
Carrying amount	22 378 405	-	-	22 378 405

31 December 2021	Stage 1	Stage 2	Stage 3	Total
1-Performing loans	-	-	-	-
2-Regular watching	24 649 518	-	-	24 649 518
3-Non-performing loans	-	-	-	-
	24 649 518	-	-	24 649 518
Allowances for impairment losses	(3 004)	-	-	(3 004)
Carrying amount	24 646 514	-	-	24 646 514

(c) Debt Instruments at fair value through Other comprehensive income – Treasury Bonds:

30 Sept. 2022	Stage 1	Stage 2	Stage 3	Total
1-Performing loans	-	-	-	-
2-Regular watching	6 999 684	-	-	6 999 684
3-Non-performing loans	-	-	-	-
	6 999 684	-	-	6 999 684
Allowances for impairment losses	(104)	-	-	(104)
Carrying amount	6 999 580	-	-	6 999 580

31 December 2021	Stage 1	Stage 2	Stage 3	Total
1-Performing loans	-	-	-	-
2-Regular watching	7 607 062	-	-	7 607 062
3-Non-performing loans	-	-	-	-
	7 607 062	-	-	7 607 062
Allowances for impairment losses	(83)	-	-	(83)
Carrying amount	7 606 979	-	-	7 606 979

(d) Debt Instruments at Amortized cost - Treasury Bills				EGP
30 June 2022	Stage 1	Stage 2	Stage 3	Total
1-Performing loans	-	-	-	-
2-Regular watching	2 520 189	-	-	2 520 189
3-Non-performing loans	-	-	-	-
	2 520 189	-	-	2 520 189
Allowances for impairment losses	-	-	-	-
Carrying amount	2 520 189	-	-	2 520 189

(e) Loans and Advances to customers':				EGP
30 Sept. 2022	Stage 1	Stage 2	Stage 3	Total
1- Corporate Loans	14 307 785	3 936 344	1 323 022	19 567 151
2- Medium Enterprise	2 309 783	353 886	727 766	3 391 435
3- Small & Micro Enterprise	4 863 282	1 159 665	693 461	6 716 408
4- Retail Loans	24 588 843	2 545 271	686 427	27 820 541
Total Loans and advances to customers	46 069 693	7 995 166	3 430 676	57 495 535
Impairment loss provision	(521 526)	(710 973)	(1 861 742)	(3 094 241)
Unearned discount	(20 186)	-	-	(20 186)
Interest under settlement from customer loans	-	(739)	(230 983)	(231 722)
Suspended interest	-	-	(2 319)	(2 319)
Net balance as Sept. 30, 2022	45 527 981	7 283 455	1 335 631	54 147 067

31 December 2021	Stage 1	Stage 2	Stage 3	Total
1- Corporate Loans	15 489 224	1 835 553	1 023 899	18 348 676
2- Medium Enterprise	2 673 094	820 363	301 343	3 794 800
3- Small & Micro Enterprise	4 778 132	956 194	381 682	6 116 008
4- Retail Loans	23 281 691	1 924 010	735 063	25 940 764
Total Loans and advances to customers	46 222 141	5 536 120	2 441 987	54 200 248

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Impairment loss provision	(580 474)	(755 361)	(1 235 556)	(2 571 391)
Unearned discount	(9 662)	-	-	(9 662)
Interest under settlement from customer loans	-	(31 677)	(171 666)	(203 343)
Suspended interest	-	-	(2 408)	(2 408)
Net balance as Dec. 31, 2021	45 632 005	4 749 082	1 032 357	51 413 444

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

<u>Corporate Loans</u>	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses at 31-12-2021 (Opening balance)	486 042	631 727	987 394	2 105 163
New financial assets purchased or issued	20 829	4 230	182	25 241
Financial assets have been matured or derecognized	(16 220)	(4 768)	(1 605)	(22 593)
Transfer to stage 1	70 776	(66 406)	(4 370)	-
Transfer to stage 2	(32 442)	239 424	(206 982)	-
Transfer to stage 3	(10)	-	10	-
Of failure and balance exposed to failure	(94 987)	(307 327)	676 924	274 610
Loans written-off during current period	-	-	(16 229)	(16 229)
collections of loans previously written-off	-	-	20 051	20 051
Foreign exchange translation differences	7 306	53 837	63 056	124 199
Balances as at end of 30-09-2022	441 294	550 717	1 518 431	2 510 442

	Stage 1	Stage 2	Stage 3	Total
<u>Retail Loans</u>				
Allowance for impairment losses at 31-12-2021 (Opening balance)	94 431	123 635	248 162	466 228
New financial assets purchased or issued	44 435	14 192	2 282	60 909
Financial assets have been matured or derecognized	(18 159)	(22 900)	(51 447)	(92 506)
Transfer to stage 1	15 020	(11 802)	(3 218)	-
Transfer to stage 2	(48 144)	104 763	(56 619)	-
Transfer to stage 3	(19 350)	(10 208)	29 558	-
Of failure and balance exposed to failure	11 997	(37 425)	180 816	155 388
Loans written-off during current period	-	-	(23 464)	(23 464)
collections of loans previously written-off	-	-	17 233	17 233
Foreign exchange translation differences	2	1	8	11
Balances as at end of 30-09-2022	80 232	160 256	343 311	583 799
Total Loans and advances				
	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses at 31-12-2021 (Opening balance)	580 473	755 362	1 235 556	2 571 391
New financial assets purchased or issued	65 264	18 422	2 464	86 150
Financial assets have been matured or derecognized	(34 379)	(27 668)	(53 052)	(115 099)
Transfer to stage 1	85 796	(78 208)	(7 588)	-
Transfer to stage 2	(80 586)	344 187	(263 601)	-
Transfer to stage 3	(19 360)	(10 208)	29 568	-
Of failure and balance exposed to failure	(82 990)	(344 752)	857 740	429 998
Loans written-off during current period	-	-	(39 693)	(39 693)
collections of loans previously written-off	-	-	37 284	37 284
Foreign exchange translation differences	7 308	53 838	63 064	124 210
Balances as at end of 30-09-2022	521 526	710 973	1 861 742	3 094 241

Treasury Bills	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses at 31-12-2021 (Opening balance)	3 004	-	-	3 004
New financial assets purchased or issued	-	-	-	-
Financial assets have been matured or derecognized	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Of failure and balance exposed to failure	-	-	-	-
Loans written-off during current period	-	-	-	-
collections of loans previously written-off	-	-	-	-
Foreign exchange translation differences	733	-	-	733
Balances as at end of 30-09-2022	3 737	-	-	3 737
Treasury Bonds	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses at 31-12-2021 (Opening balance)	84	-	-	84
New financial assets purchased or issued	-	-	-	-
Financial assets have been matured or derecognized	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Of failure and balance exposed to failure	-	-	-	-
Loans written-off during current period	-	-	-	-
collections of loans previously written-off	-	-	-	-
Foreign exchange translation differences	20	-	-	20
Balances as at end of 30-09-2022	104	-	-	104

Due from Banks				
	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses at 31-12-2021 (Opening balance)	71	17 028	-	17 099
New financial assets purchased or issued	417	85	-	502
Financial assets have been matured or derecognized	(71)	-	-	(71)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Of failure and balance exposed to failure	-	-	-	-
Loans written-off during current period	-	-	-	-
collections of loans previously written-off	-	-	-	-
Foreign exchange translation differences	162	4 160	-	4 322
Balances as at end of 30-09-2022	579	21 273	-	21 852

3.A.4. The General Model for Measurement of Banking Risk

In addition to the three-creditworthiness ratings shown in note no. 3.A.1, the management also prepares ratings in the form of more detailed subgroups, which are in line with the requirements of the Central Bank of Egypt (CBE). Assets exposed to credit risk shall be rated in these subgroups pursuant to detailed rules and terms, which depend largely on customer related information, business and activities, financial position and regularity of payments thereof.

The bank calculates the provision required for the impairment of these assets exposed to credit risk, including credit related commitments based on defined rates set by the Central Bank of Egypt. In case the impairment loss provision required according to Central Bank of Egypt's rules exceeds the provisions as required for the purposes of the preparation of the financial statements in accordance with the instructions of the Central Bank of Egypt (CBE) dated 26 February 2019, that excess shall be debited to retained earnings and carried to the general reserve for banking risk in the shareholders' equity section. Such reserves shall be regularly adjusted, by any increase or decrease so that the reserve shall always be equal to the amount of increase between the two provisions. Such provision shall not be subject to distribution.

Following is an indication of corporate credit worthiness categories according to internal rating principles, compared to the rating principles of the Central Bank of Egypt, and of the required provision percentages for the impairment of assets exposed to credit risk.

Central Bank	Rating's meaning	Provision's	Internal	Meaning of Internal
1	Low risk	Zero	1	Stage 1
2	Average risk	1%	1	Stage 1
3	Satisfactory risk	1%	1	Stage 1
4	Reasonable risk	2%	1	Stage 1
5	Acceptable risk	2%	1	Stage 1
6	Marginally acceptable risk	3%	2	Stage 2
7	Watch List	5%	2	Stage 2
8	Substandard	20%	3	Stage 3
9	Doubtful	50%	3	Stage 3
10	Bad debt	100%	3	Stage 3

3.A.5. The Maximum Limit for Credit Risk before Collateral

Credit Risk exposures in the statement of financial position:

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Treasury bills and other governmental notes	22 382 142	24 649 518
Loans and advances to customers		
Loans to individuals (Retail):		
Overdraft accounts	493 849	213 126
Credit cards	405 117	343 690
Personal loans	26 917 686	25 375 025
Mortgage	3 889	8 923
Corporate loans:		
Overdraft accounts	10 061 422	8 705 116
Direct loans	18 157 130	17 819 440
Syndicated loans	1 456 442	1 730 676
Other loans	-	4 252
Unearned Discount	(20 186)	(9 662)
Interest under settlement from customer loan	(231 722)	(203 343)
Suspended interest	(2 319)	(2 408)
Financial investments:		
Debt instruments	9 532 743	7 306 247
Other assets	1 419 630	801 071
Total	90 575 823	86 741 671

Off balance sheet items exposed to credit risk:

Financial guarantees	3 244 485	3 127 677
Non-revocable credit-related commitments for loans and other liabilities	9 919 571	9 768 325
Letters of credit	3 718 182	2 802 577
Letters of guarantee (incentive)	7 928 357	7 712 140
Total	24 810 595	23 410 719

- The previous table represents the maximum limit of exposure as at 30 September 2022 and as at 31 December 2021, without taking into consideration any financial guarantees. As for the financial position items, the enlisted amounts depend on the net book value presented in the statement in financial position.

As illustrated in the previous table 63.2 % of the maximum limit exposed to credit risk at 30 September 2022 arises from loans and advances to banks and customers versus 62.4 % as at 31 December 2021 whereas investments in the debt instruments represent 10.5 % at 30 September 2022 versus 8.4 % as at 31 December 2021.

The management has confidence in its abilities to continue of controlling and maintaining the minimum limit of credit risk resulted from loans, facilities, and debt instruments portfolios based on the following:

- 0.02% of the loans and advances' portfolio is classified in the two higher categories of the internal assessment (low/average risks) as at 30 September 2022, versus 0.03% at 31 December 2021.
- 79.1% of the loans and advances' portfolio is free from any delays or impairment indicators at 30 September 2022 versus 82.7 % as at 31 December 2021.
- The mortgages covered by collaterals, represent an important group in the portfolio.
- Loans and facilities that have been assessed on an individual basis reach EGP 3 430 676 thousand as at 30 September 2022 versus EGP 2 441 988 thousand as at 31 December 2021. Formed from it an 54.3 % as a provision at 30 September 2022 versus 50.6 % as at 31 December 2021.
- More than 99.8 % as at 30 September 2022 and as at 31 December 2021, of the investments in debt instruments and treasury bills represents debt instruments on the Egyptian government.

3.A.6. Loans and advances

The following is the position of loans and advances' balances as regarding creditworthiness:

	Sept. 30, 2022 EGP 000 Loans and advances to customers	Dec. 31, 2021 EGP 000 Loans and advances to customers
With no past dues or impairment	45 461 840	44 837 137
With past dues but not subject to impairment	8 603 019	6 921 124
Subject to impairment	3 430 676	2 441 987
Total	57 495 535	54 200 248
Less:		
Impairment loss provision	(3 094 241)	(2 571 391)
Unearned discount	(20 186)	(9 662)
Interest under settlement from customer loans	(231 722)	(203 343)
Suspended interest	(2 319)	(2 408)
Net	54 147 067	51 413 444

The total impairment charges on loans and advances facilities reached EGP 3 094 241 thousand as of 30 September 2022, versus EGP 2 571 391 thousand as of 31 December 2021, including EGP 1 861 742 thousand as of 30 September 2022, versus EGP 1 235 556 thousand as of 31 December 2021, of which represents the impairment of individual loans and the remaining amounting to EGP 1 232 499 thousand versus EGP 1 335 835 thousand representing the impairment charges on a group basis of the credit portfolio (Note no. 18) include further information on the impairment losses provision of loans and facilities to banks and customers.

Loans and facilities with no past dues or impairment:

The creditworthiness of the loans and facilities portfolio with no past dues or impairment is assessed with reference to the internal assessment adopted by the bank.

Sept. 30, 2022		EGP 000							
Assessment	Retail				Corporate			Net loans and facilities to customers	
	Debit Current accounts	Credit Cards	Personal Loans	Mortgage	Debit Current accounts	Direct Loans	Syndicate d Loans	Other Loans	
1- Performing	-	-	-	-	4 270 036	10 410 868	624 994	-	15 305 898
2- Regular Watching	140 176	351 611	20 460 369	781	2 460 484	5 466 914	515 977	-	29 396 312
3- Watch List	-	-	-	-	1 026	10 175	-	-	11 201
Total	140 176	351 611	20 460 369	781	6 731 546	15 887 957	1 140 971	-	44 713 411

- The guaranteed loans were subjected to impairment as for the non-performing loans category after taking into consideration the collectability of these guarantees.

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	Retail				Corporate				Net loans and facilities to customers
	Debit Current accounts	Credit Cards	Personal Loans	Mortgage	Debit Current accounts	Direct Loans	Syndicated Loans	Other Loans	
1- Performing	-	-	-	-	4 515 983	8 663 944	651 718	67	13 831 712
2- Regular Watching	123 856	254 288	20 258 235	1 440	2 273 195	6 905 234	453 657	3 664	30 273 569
3- Watch List	-	-	-	-	-	9 680	-	42	9 722
Total	123 856	254 288	20 258 235	1 440	6 789 178	15 578 858	1 105 375	3 773	44 115 003

Loans and facilities with past dues but are not subject to impairment

These are loans and facilities with delays up to 90 days but are not subject to impairment unless there is other information to the contrary, a loan and facilities to customers with past dues but not subject to impairment and the fair value of their collaterals are represented in the following:

EGP 000

Sept. 30, 2022

	Retail				Corporate				Net loans and facilities to customers
	Debit Current accounts	Credit Cards	Personal Loans	Mortgage	Debit Current accounts	Direct Loans	Syndicated Loans	Other Loans	
Past dues up to 30 days	4 993	-	4 670 782	197	632 301	765 176	71 308	-	6 144 757
Past dues more than 30 days to 60 days	584	23 892	944 913	191	60 848	175 342	-	-	1 205 770
Past dues more than 60 days to 90 days	799	12 213	282 124	-	95 224	369 594	8 463	-	768 417
Total	6 376	36 105	5 897 819	388	788 373	1 310 112	79 771	-	8 118 944
The fair value of Collaterals	5 684	-	3 758 442	-	37 882	3 946	-	-	3 805 954

EGP 000

December 31, 2021

	Retail				Corporate				Net loans and facilities to customers
	Debit Current accounts	Credit Cards	Personal Loans	Mortgage	Debit Current accounts	Direct Loans	Syndicated Loans	Other Loans	
Past dues up to 30 days	9 359	47 323	3 498 436	438	66 182	729 719	248 144	-	4 599 601
Past dues more than 30 days to 60 days	2 109	16 286	606 858	637	28 853	354 146	-	-	1 008 889
Past dues more than 60 days to 90 days	50	6 313	162 008	-	37 235	333 187	160 142	-	698 935
Total	11 518	69 922	4 267 302	1 075	132 270	1 417 052	408 286	-	6 307 425
The fair value of collaterals	11 422	-	2 749 233	-	5 546	2 738	-	-	2 768 939

At the initial recognition of loans and facilities, the fair value of collaterals is evaluated based on the same financial assets' evaluation methods used, and in subsequent periods, the fair value is updated by the market prices or the similar assets' prices.

Loans and facilities subject to impairment on an individual basis

The balance of loans and facilities which are subject to impairment on an individual basis, before taking into account the cash flow from collaterals, amounted to EGP 3 430 676 thousand as at 30 September 2022 versus EGP 2 441 988 thousand as at 31 December 2021.

Herein below, is the analysis of the net value of loans and facilities subject to impairment on individual basis including the fair value of collaterals the bank has obtained against these loans:

EGP 000

Sept. 30, 2022

	Retail				Corporate				Total loans and facilities to customers
	Debit Current accounts	Credit Cards	Personal Loans	Mortgage	Debit Current accounts	Direct Loans	Syndicated Loans	Other Loans	
Balance	344 904	15 361	323 551	2 613	2 344 718	399 529	-	-	3 430 676
Provision	(283 277)	(10 451)	(48 537)	(1 045)	(1 350 610)	(167 822)	-	-	(1 861 742)
Net	61 627	4 910	275 014	1 568	994 108	231 707	-	-	1 568 934
The fair value of collaterals	10 049	-	224 742	-	563 956	65	-	-	798 812

EGP 000

December 31, 2021

	Retail				Corporate				Total loans and facilities to customers
	Debit Current accounts	Credit Cards	Personal Loans	Mortgage	Debit Current accounts	Direct Loans	Syndicated Loans	Other Loans	
Balance	75 749	14 767	638 374	6 173	1 578 747	127 865	-	312	2 441 987
Provision	(44 912)	(6 613)	(191 152)	(5 485)	(894 181)	(92 959)	-	(254)	(1 235 556)
Net	30 837	8 154	447 222	688	684 566	34 906	-	58	1 206 431
The fair value of collaterals	11 979	-	345 238	-	490 741	18	-	-	847 976

Restructured Loans and Facilities:

The restructuring activities include extending of repayment's arrangements, implementation of obligatory management programs, amending and postponing repayment. The policies of restructuring application depend on indicators or standards that refer to the high prospects of continuance repayment based on the management's personal judgment. These policies are reviewed on regular basis. Restructuring is usually applied on long-term loans, especially customers financing loans. Loans which have been subject to renegotiations have reached EGP 517 425 thousand as at 30 September 2022 versus EGP 426 203 thousand as at 31 December 2021.

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Loans and facilities to customers		
Corporate		
- Debit current accounts	-	-
- Direct loans	517 425	426 203
Total Corporate Loans	517 425	426 203

3.A.7. Debt instruments, treasury bills and other governmental notes:

The following table represents an analysis of debt instruments, treasury bills and other governmental notes at the end of the fiscal period based on the assessment of Standard & Poor's rating or its equivalent:

		EGP 000	
	Treasury bills and other governmental notes	Investments in Securities	Total
AAA	-	-	-
Less than -A	22 382 142	9 519 873	31 902 015
Unclassified	-	12 870	12 870
Total	22 382 142	9 532 743	31 914 885

3.A.8. Acquisition of collaterals

During the present financial year, the bank hasn't obtained assets by acquiring some collaterals.

3.A.9. The concentration of financial assets' risks exposed to credit risk

- Geographical segments

The following table represents an analysis of the bank's most important boundaries of credit risk at book value, distributed in accordance with the geographical segment as at 30 September 2022.

Sept. 30, 2022			EGP 000	
	Cairo	Alex, Delta and Sinai	Upper Egypt	Total
Treasury bills and other governmental notes	22 382 142	-	-	22 382 142
Loans and facilities to customers:				
- Loans to individuals (Retail):				
Debit current accounts	193 024	194 115	106 710	493 849
Credit cards	405 117	-	-	405 117
Personal loans	8 286 065	12 085 043	6 546 578	26 917 686
Mortgage	3 570	167	152	3 889
- Loans to corporate				
Debit current accounts	7 174 647	2 252 015	634 760	10 061 422
Direct loans	11 539 014	4 804 752	1 813 364	18 157 130
Syndicated loans	1 456 442	-	-	1 456 442
Other loans	-	-	-	-
Unearned discount	(20 186)	-	-	(20 186)
Interest under settlement from customer	(198 773)	(32 557)	(392)	(231 722)
Suspended interest	(2 319)	-	-	(2 319)
Financial Investments				
Debt instruments	9 532 743	-	-	9 532 743
Other assets	1 225 335	131 085	63 210	1 419 630
Total as at 30 Sept. 2022	61 976 821	19 434 620	9 164 382	90 575 823
Total as at 31 Dec. 2021	59 595 662	18 493 889	8 652 120	86 741 671

- **Business Segment**

The following represents an analysis of the most important boundaries of credit risk at book value, distributed according to the customers' business and activities.

Sept. 30, 2022	Financial Institutions	Industrial Institutions	Real estate Activity	Wholesale and retail trade	Governmental sector	Other activities	EGP 000 Individuals	Total
Treasury bills and other governmental notes	-	-	-	-	22 382 142	-	-	22 382 142
Loans & facilities to customers:	-	-	-	-	-	-	-	-
Loans to individuals (Retail)	-	-	-	-	-	-	-	-
Debit current account	-	-	-	-	-	-	493 849	493 849
Credit cards	-	-	-	-	-	-	405 117	405 117
Personal loans	-	-	-	-	-	-	26 917 686	26 917 686
Mortgage	-	-	-	-	-	-	3 889	3 889
Loans to Corporate								
Debit current account	-	1 158 199	2 248 942	1 362 940	2 501 786	2 789 555	-	10 061 422
Direct loans	-	5 082 565	519 663	1 141 047	6 847 712	4 566 143	-	18 157 130
Syndicated loans	-	362 307	73 150	-	-	1 020 985	-	1 456 442
Other loans	-	-	-	-	-	-	-	-
Unearned discount	-	(20 186)	-	-	-	-	-	(20 186)
Interest under settlement from customer loans	-	(13 944)	(169 823)	(9 075)	(35 173)	(3 707)	-	(231 722)
Suspended interest	-	(2 319)	-	-	-	-	-	(2 319)
Financial Investments								
Debt instruments	12 870	-	-	-	9 519 873	-	-	9 532 743
Other assets	26 323	-	-	-	517 487	654 839	220 981	1 419 630
Total as at 30 June 2022	39 193	6 566 622	2 671 932	2 494 912	41 733 827	9 027 815	28 041 522	90 575 823
Total as at 31 Dec. 2021	68 572	6 549 175	2 401 944	3 370 998	40 345 280	7 930 478	26 075 224	86 741 671

3.B. Market Risk

3.B.1. Methods of Measuring Market Risk

As part of the market risk management the bank enters into interest rate swaps in order to balance the risk associated with the debt instruments and long-term loans with fixed interest rate in case the fair value option is applied. The following are the most important measurement methods applied to control the market risk.

- **Value at Risk**

The bank applies "value at risk" method for trading and non-trading portfolios in order to estimate the market risk of outstanding positions and the maximum limit of expected loss based on a number of assumptions for the various changes of market conditions. The board of directors sets limits for "value at risk" which the bank can accept for trading and non-trading separately and monitored daily by the Market Risk department in the bank.

Value at risk is a statistical estimate of the potential movements of the present portfolio due to market's adverse moves. It is an expression of the maximum value the bank can lose using a defined confidence factor (99%) consequently there is a statistical probability of (1%) that the actual loss may be greater than the expected value at risk. The value at risk model assumes a defined retention period (ten days) before closing of the open positions. It also assumes that the market movement during the retention period will follow the same pattern of movement that occurred during the previous ten days. The bank should assess these historical changes in rates, prices, and indicators directly on current positions, a method known as historical simulation. Actual outputs should be monitored and controlled on a regular basis to measure the integrity of the assumptions and factors applied to calculate value at risk.

The use of this method does not prevent the losses over these limits and within the limits of large movements in the market. Since the value at risk is an essential part of the banks' system in control of the market risk. The Board of Directors set the value at risk limits annually for each of the trading and non-trading and split on units of activity. The actual values at risk are compared with limits set by the Bank and reviewed daily by the bank's risk management. The average daily value at risk during the financial period ended 30 September 2022 amounted to EGP 64 760 thousand, versus EGP 40 449 thousand during the comparative period.

The quality of value at risk model is continuously monitored by reinforcing testing to reinforce the results of value at risk of the trading portfolio and the results of such tests are usually reported to senior management and board of directors.

- Stress Testing

Stress testing gives an indicator of the potential size of losses, which may arise from extremely adverse conditions. Stress testing is designed in a way that suites business and activity by applying typical analysis of defined scenarios. The market risk department undertakes Stress testing to include the stress testing of risk factors where a set of extreme movements is applied on each risk category. There is also stress testing applied on emerging markets, which are subject to extreme movements, and special stress testing that includes potential events, which may affect certain centers or regions such as what can happen in a region currency peg break. The senior management and board of director's monitor and review the results of stress testing.

3.B.2. Summary of value at risk

- Total value at risk according to the risk type

	Sept. 30, 2022			Sept. 30, 2021			EGP 000
	Medium	Higher	Lower	Medium	Higher	Lower	
exchange rate risk	431	2 770	30	-	-	-	
Interest rate risk	64 329	75 432	44 638	40 449	42 598	38 027	
Total value at risk	64 760	78 202	44 668	40 449	42 598	38 027	

The bank did not estimate equity instruments risk as the data is not available.

- Value at risk of the trading portfolio according to the risk type.

	Sept. 30, 2022			Sept. 30, 2021			EGP 000
	Medium	Higher	Lower	Medium	Higher	Lower	
Interest rate risk	-	-	-	-	-	-	-
Total value at risk	-	-	-	-	-	-	-

- Value at risk of the non-trading portfolio according to the type of risk.

	Sept. 30, 2022			Sept. 30, 2021			EGP 000
	Medium	Higher	Lower	Medium	Higher	Lower	
exchange rate risk	431	2 770	30	-	-	-	-
Interest rate risk	64 329	75 431	44 638	40 449	42 598	38 027	
Total value at risk	64 760	78 202	44 668	40 449	42 598	38 027	

The bank did not estimate equity instruments risk as the data is not available.

The increase in the value at risk, especially interest rate risk, related to the increase in the sensitivity of interest rates in international financial markets.

The previous three results of value at risk calculated separately and independently from the concerned positions and historical movements of markets. Total values at risk for trading and non-trading do not form the bank's value at risk given the correlation between the types of risks and types of portfolios and the subsequent diverse impacts.

3.B.3. The risk of fluctuations in foreign exchange rates

The bank is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows and the board of directors have set limits of foreign currencies in total value for each position at the end of the day and during the day, which are monitored on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in foreign exchange rates risk at 30 September 2022. The following table includes the book value of financial instruments distributed into its component currencies:

The concentration of currency risk of financial instruments

	EGP	USD	Euro	GBP	Equivalent in EGP 000 Other Currencies	Total
As at Sept. 30, 2022						
Financial assets:						
Cash and balances with Central Bank of Egypt	5 907 447	236 595	26 176	3 414	16 451	6 190 083
Due from banks	23 153 711	5 178 317	1 082 193	119 676	52 117	29 586 014
Treasury bills and other governmental notes	22 172 704	209 438	-	-	-	22 382 142
Loans and facilities to customers	47 732 109	6 068 375	346 580	3	-	54 147 067
Financial assets classified at fair value through profit and loss	-	-	6 341	-	-	6 341

	EGP	USD	Euro	GBP	Other Currencies	Total
Financial Investments:						
- Financial Inv. classified at FVOCI	7 081 632	5 810	689	-	-	7 088 131
- Financial Inv. at Amortized cost	2 520 189	-	-	-	-	2 520 189
- Financial Inv. classified at Fair Value through profit and loss	12 870	-	-	-	-	12 870
Total financial assets	108 580 662	11 698 535	1 461 979	123 093	68 568	121 932 837
Financial liabilities:						
Due to banks	54 388	628 855	9 911	224	265	693 643
Customers' deposits	91 693 472	10 436 032	1 259 115	122 378	63 205	103 574 202
Other loans	121 115	334 826	-	-	-	455 941
Total financial liabilities	91 868 975	11 399 713	1 269 026	122 602	63 470	104 723 786
Net of financial position	16 711 687	298 822	192 953	491	5 098	17 209 051
Credit related commitments	6 256 700	4 332 887	3 904 641	155 343	241 453	14 891 024
As at 31 December 2021						
Total financial assets	101 542 773	8 953 889	1 213 425	135 342	108 628	111 954 057
Total financial liabilities	86 485 278	8 904 555	1 157 811	132 764	77 896	96 758 304
Net of financial position	15 057 495	49 334	55 614	2 578	30 732	15 195 753
Credit related commitments	6 139 756	3 790 548	3 407 560	268 768	35 762	13 642 394

3.B.4. Interest rate risk

The bank is exposed to the impact of the fluctuations in the levels of interest rates prevailing in the market, include the cash flow risk of interest rate represented in the volatility of future cash flow of a financial instrument due to changes in the interest rate of the mentioned instrument. Whereas the interest rates fair value risk is the risk of fluctuations in the value of the financial instrument due to changes in interest rates in the market. The interest margin may rise due to these changes but still the profits may decrease if unexpected movements occur. The board of directors of the bank set limits for the level of difference in the re-pricing of interest rate that the bank can maintain and treasury department in the bank daily monitors this.

The following table summarizes the extent of the bank's exposure to the risk of fluctuations in interest rates that includes the book value of financial instruments distributed based on the price of re-pricing dates or maturity dates whichever is sooner.

Bank of Alexandria (Egyptian joint stock company)
Notes to the financial statements
For the period ended 30 September 2022

As at Sept. 30, 2022	Up to 1 month	1 -3 months	More than 3 months – 1 year	1- 5 years	More than 5 years	Interest free	Total
Financial assets:							
Cash and balance with Central Bank of Egypt	-	-	-	-	-	6 190 083	6 190 083
Due from banks	27 991 545	1 173 138	395 604	-	-	25 727	29 586 014
Treasury bills and other governmental notes	5 526 795	12 486 137	4 369 210	-	-	-	22 382 142
Loans and facilities to customers	31 275 629	2 628 579	4 703 333	11 255 078	4 252 774	31 674	54 147 067
Financial assets classified at fair value through profit and loss	6 341	-	-	-	-	-	6 341
Financial Investments:							
- Financial Inv. classified at Fair Value through Other Comprehensive Income	-	-	905 499	6 146 435	36 197	-	7 088 131
- Financial Inv. classified at Fair Value through profit and loss	-	-	-	12 870	-	-	12 870
- Financial Inv. at Amortized cost	-	-	-	2 520 189	-	-	2 520 189
Other financial Inv.	-	-	-	-	-	1 494 883	1 494 883
Total financial assets	64 800 310	16 287 854	10 373 646	19 934 572	4 288 971	7 742 367	123 427 720
Financial liabilities							
Due to banks	416 247	-	-	-	-	277 396	693 643
Customers' deposits	36 605 606	9 598 433	5 089 869	36 947 532	4 088	15 328 674	103 574 202
Other loans	556	14 651	194 219	246 515	-	-	455 941
Other financial liabilities	-	-	-	-	-	397 118	397 118
Total financial liabilities	37 022 409	9 613 084	5 284 088	37 194 047	4 088	16 003 188	105 120 904
The interest gap re-pricing	27 777 901	6 674 770	5 089 558	(17 259 475)	4 284 883	(8 260 821)	18 306 816
As at 31 December 2021	49 484 503	18 702 250	16 893 955	17 123 998	3 431 819	7 274 607	112 911 132
Total financial assets	49 484 503	18 702 250	16 893 955	17 123 998	3 431 819	7 274 607	112 911 132
Total financial liabilities	33 267 520	13 141 834	3 271 697	33 399 382	9 893	13 991 248	97 081 574
Interest gap re-pricing	16 216 983	5 560 416	13 622 258	(16 275 384)	3 421 926	(6 716 641)	15 829 558

3.C. Liquidity risk

The liquidity risk is the risk that the bank is unable to meet its commitments associated with its financial obligations at maturity date and replacing the funds that withdrawn; and that may result of failure in meeting obligations related to repayment of the depositor's funds or meeting the borrowing commitments.

- Liquidity risk management

The processes of liquidity risk control carried by Assets and Liabilities management department in the bank include the following:

- The daily funding is managed by monitoring and controlling the future cash flows to ensure the ability to fulfill all obligations and requirements. This includes replenishment of funds as they mature or is borrowed by customers. The bank

maintains an active presence in the global money markets to ensure achievement of this target.

- Maintaining a portfolio of highly marketable assets, which can easily be liquidated to meet any unexpected interruption in cash flows.
- Monitoring liquidity ratios compared to the internal requirements of the bank and the Central Bank of Egypt's requirements.
- Management of concentration and list of the debt maturities.

For the purpose of monitoring and reporting take the form of cash flow measurement and projections for the next day, week, and month respectively, which is main period for managing liquidity. The starting point for these projections represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.

Assets and Liabilities management department controls the unmatched medium-term assets, the level and type of the unutilized portion of loans' commitments, the extent of utilizing overdraft accounts advances and the impact of contingent liabilities such as letters of guarantees and letters of credit.

- **Financing approach**

Liquidity resources, reviewed by a separate team in the Assets and Liabilities management department of the bank to provide a wide variety of currencies, geographical regions, resources, products, and maturities.

- **Non-derivative cash flows**

The following table represents the cash flows payable by the method of non-derivative financial liabilities distributed based on remaining period from the contractual maturities on the financial position date. The amounts presented in the table represent the undiscounted contractual cash flows while the bank manages the liquidity risk based on "expected" instead of contractual undiscounted cash flows.

EGP 000

Sept. 30, 2022	Up to 1 month	1-3 months	More than 3 months -1 year	1-5 years	More than 5 years	Total
Financial liabilities (According to original amount + Interest)						
Due to banks	705 021	-	-	-	-	705 021
Customers' deposits	50 442 665	2 999 039	8 289 824	52 118 366	5 620	113 855 514
Other loans	-	121 125	174 437	197 463	-	493 025
Other financial liabilities	397 118	-	-	-	-	397 118
Total financial liabilities according to contractual maturity date	51 544 804	3 120 164	8 464 261	52 315 829	5 620	115 450 678
Total financial assets according to contractual maturity date	52 671 347	20 614 962	21 423 676	35 961 171	10 142 488	140 813 644

Bank of Alexandria (Egyptian joint stock company)
Notes to the financial statements
For the period ended 30 September 2022

	EGP 000					
	Up to 1 month	1-3 months	More than 3 months -1 year	1-5 years	More than 5 years	Total
Dec. 31, 2021						
Financial liabilities (According to original amount + Interest)						
Due to banks	468 992	-	-	-	-	468 992
Customers' deposits	45 615 798	3 327 938	7 697 101	49 658 958	13 168	106 312 963
Other loans	219 050	27 433	67 570	287 474	-	601 527
Other financial liabilities	323 270	-	-	-	-	323 270
Total financial liabilities according to contractual maturity date	46 627 110	3 355 371	7 764 671	49 946 432	13 168	107 706 752
Total financial assets according to contractual maturity date	35 651 513	22 984 927	26 792 940	32 597 235	9 655 159	127 681 774

The assets available to meet all liabilities and to hedge commitments related to loans include cash and balances with Central Bank, due from banks, treasury bills and other governmental bills and loans and facilities to banks and customers. In the normal course of business, a proportion of customer loans contractually repayable within one year extended through normal business of bank. The bank has the ability to meet unexpected net cash flows through selling financial securities as well as raising other funding resources.

- Off-balance sheet items

The following is according to Note no. (36.C.)

	EGP 000		
Sept. 30, 2022	Less than 1 year	1-5 years	Total
Commitments of loans and facilities for customers	9 919 571	-	9 919 571
Financial guarantees, accepted bills and other financial facilities	14 891 024	-	14 891 024
Commitments on operational leasing contracts	6 596	12 295	18 891
Capital commitments due to fixed assets' acquisition	133 337	-	133 337
Total	24 950 528	12 295	24 962 823
	EGP 000		
Dec. 31, 2021	Less than 1 year	1-5 years	Total
Commitments of loans and facilities for customers	9 768 325	-	9 768 325
Financial guarantees, accepted bills and other financial facilities	13 642 394	-	13 642 394
Commitments on operational leasing contracts	6 596	17 242	23 838
Capital commitments due to fixed assets' acquisition	129 582	-	129 582
Total	23 546 897	17 242	23 564 139

3.D. The fair value of financial assets and liabilities

3.D.1. Financial instruments measured at fair value by applying valuation methods

The change in estimated fair value by applying valuation methods has reached EGP 240.9 million in the fiscal end of 31 December 2021.

Financial instruments not measured at fair value

The following table summarizes the present value and the fair value of financial assets and liabilities, not presented in the bank's statement of financial position at fair value:

	Sept. 30, 2022		Dec. 31, 2021	
	Book value	Fair value	Book value	Fair value
Financial Assets:				
Due from banks	29 586 014	29 586 014	22 030 286	22 030 286
Loans and facilities to customers:				
Current balances	28 630 800	28 630 800	28 716 728	28 716 728
Financial liabilities:				
Due to banks	693 643	693 643	467 647	467 647
Customers' deposits:				
Current balances	22 585 729	22 585 729	21 838 743	21 838 743
Other loans	455 941	455 941	570 617	570 617

- Due from banks

The fair value of the Due from banks is the book value where all Due from banks mature within a year.

- Loans and facilities to banks

Loans and facilities to banks represented in loans other than deposits with banks. The expected fair value for loans and facilities represents the discounted value of future cash flows expected for collection. Cash flows discounted by adopting the current market rate to determine the fair value.

- Loans and facilities to customers

Loans and facilities presented in net after discounting the impairment loss provision. Loans and facilities to customers; are divided to current and non-current balances and the book value of current balances is equal to the fair value but it is difficult to obtain the fair value of non-current balances.

- Due to banks

The fair value of the due to banks is the book value where all due to banks mature within a year.

- Customers' deposits

Customers' deposits are divided to current and non-current balances and the book value of current balances is equal to the fair value while could not obtain the present value of non-current balances.

3.E. Capital Management

For capital management purposes, the bank's capital includes total equity as reported in the financial position in addition to other elements that are managed as capital. The bank manages its capital to ensure the following objectives are achieved:

- Comply with the legal capital requirements in Arab Republic of Egypt and in countries where the bank's branches operate.
- Protect the bank's ability to continue as going concern and enabling it to continue in generating return to shareholders and other parties dealing with the bank.
- Maintain a strong capital base that supports the growth of business.
- Capital adequacy and capital utilizations according to the regulator requirements (the Central Bank of Egypt in Arab Republic of Egypt) are reviewed and monitored by the bank's management through models, which depend on the guidelines developed by the Basel Committee as implemented by the Banking Supervision. Required information is submitted to the Central Bank of Egypt on a quarterly basis.

Central Bank of Egypt requires each bank to do the following:

- Maintaining an amount of EGP 5 billion as a minimum requirement for the issued and paid-up-capital.
- Maintaining a minimum level of capital adequacy ratio of 10%, calculated as the ratio between total value of the capital elements, and the risk-weighted assets and contingent liabilities of the Bank, an additional 2.5% are added to the minimum level of the ratio as prudential pillar.

The overseas bank's branches outside Arab Republic of Egypt are subject to the supervision rules regulating banking business in the countries where they operate.

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

Tier One:

A. Ongoing capital:

Consists of issued and paid-up share capital, legal, statutory and capital reserve and retained earnings (retained losses) and approved interim earnings excluding the following: -

- Treasury Shares
- Good Will
- Bank investments in financial companies (Banks and Companies) and insurance companies [more than 10% or more of the company's issued capital].
- Increase in all bank investments where each investment individually is less than 10% of the company's issued capital for the value of 10% of ongoing capital after regulatory amendments (capital base before excluding investments in financial companies and insurance companies).

The following elements are not considered: -

- Fair value reserve of financial investments through other comprehensive income (If negative).
- Foreign currency translation differences reserve (If negative).
- Where the above items are deducted from Basic capital if the balance is negative while it's not considered if it is positive.

B. Additional ongoing capital:

It consists of permanent non-cumulative preferred shares, interim quarterly profit (loss), minority rights and the difference between the nominal value and the current value of supplementary loans (deposits).

Interim profits are recognized only after approval of the auditor and the General Assembly approval of the distributions and the approval of CBE, banks are permitted to include the periodical net profits to the capital base after a limited review performed by the external auditors for the financial statements of the bank, interim losses are deducted without conditions.

Tier Two:

Consists of the following: -

- 45% of the increase in fair value above the book value of financial investments (FVOCI fair value reserve if positive, and investments in associates and subsidiaries).
- 45% of the special reserve.
- 45% of positive foreign currency translation differences reserve.
- Hybrid financial instruments.
- Supplementary loans (deposits).
- Impairment loss provision of loans and contingent liabilities (must not exceed 1.25% of the total credit risk of performing assets and contingent liabilities weighted by risk weights, thus, the impairment loss provision should be sufficient to meet the obligations for which the provision is allocated).

Exclusions of 50% of Tier I and 50% Tier II:

- Investments in non-financial companies (each individual) 15% or more of Basic ongoing capital of the bank before the regulatory amendments.
- Total value of bank investments in non-financial companies (each individual) less than 15% of base ongoing capital before regulatory amendments, these investments must exceed (collectively) 60% of ongoing base capital of the bank before the regulatory amendments.
- Securitization portfolio.
- The share (in general banking risks reserve) of assets reverted to the Bank in settlement of debts.

When calculating the total numerator of capital adequacy, it should be noted that supplementary loans (deposits) must not exceed 50% of Tier I after exclusions.

Assets and contingent liabilities are likely weighted by credit risk weights, market risk and operating risks.

The bank has committed all of the domestic capital requirements over the past two years, the following table summarizes the components of basic and additional

capital ratios and capital adequacy according to Basel II requirements at the end of
30 September 2022, 31 December 2021:

	Sept. 30, 2022 EGP 000	Dec.31, 2021 EGP 000
Capital		
Tier one (Ongoing basic capital)		
Share capital	5 000 000	800 000
Amounts under capital increase	-	4 200 000
General reserve	-	29 312
Legal reserve	2 500 000	400 000
Other reserves	36	707 346
General Risks' Reserve	35 135	35 135
Retained earnings	3 935 475	3 977 217
Total Accumulated Other Comprehensive income	(119 130)	333 719
Profit for the period / year	82 743	690 777
Total ongoing basic capital	11 434 259	11 173 506
	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Tier two (Supplementary basic capital)		
Equivalent to general risks provisions	571 548	589 679
Total supplementary basic capital	571 548	589 679
Total capital	12 005 807	11 763 185
Risk weighted assets and contingent liabilities:		
Credit Risk	50 266 458	47 174 344
Market Risk	20 640	66 825
Operation Risk	6 023 549	10 488 685
Total risk weighted assets and contingent liabilities	56 310 647	57 729 854
Capital adequacy ratio (%)	21.32 %	20.38%

3.E.1. Financial leverage ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on July 7, 2015 special supervisory instructions related to leverage ratio of maintaining a minimum level of leverage ratio of 3% to be reported on a quarterly basis as follows:

- As a guidance ratio starting from end of September 2015 till December 2017.
- As an obligatory ratio starting from the year 2018.

This ratio will be included in Basel requirement tier1 (minimum limit of capital adequacy ratio) in order to maintain the effectiveness of the Egyptian Banking system, as well as keep up with the best international regulatory practices.

Financial leverage ratio reflects the relationship between tier I for capital that are used in capital adequacy ratio (after Exclusions) and the bank's assets (on and off-balance sheet items) that are not risk weighted assets.

Ratio Components

The numerator components

The numerator consists of tier I for capital that are used in capital adequacy ratio (after Exclusions) in accordance with the requirements of the Central Bank of Egypt (CBE)

The denominator components

The denominator consists of all bank's assets (on and off-balance sheet items) according to the financial statements, called "Bank exposures" including the following totals:

- 1- On balance sheet exposure items after deducting Tier I Exclusions for capital base.
- 2- Derivatives contracts exposure.
- 3- Financing Financial securities operations exposures.
- 4- off-balance sheet exposures "weighted exchange transactions".

The Financial leverage ratio as of 30 September 2022 and 31 December 2021 is summarized in the following table:

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
First: Tier I capital after exclusions	11 434 259	11 173 506
Total on-balance sheet exposures items (1)	125 701 464	115 033 175
Total contingent liabilities	7 819 388	7 044 170
Total commitments	2 440 548	2 352 444
Total exposures off-balance sheet (2)	10 259 936	9 396 614
Total exposures on and off-balance sheet (1+2)	135 961 400	124 429 789
Financial leverage ratio	8.41%	8.98%

4. The significant accounting estimates and assumptions

The bank applies estimates and assumptions, which affect the amounts of assets and liabilities disclosed in the next fiscal year. The estimates and assumptions are continuously assessed based on historical experience and other factors as well, including expectations of future events, which are considered reasonable in light of the available information and surrounding circumstances.

4.A. Impairment loss on loans and facilities (Expected Credit Losses)

The bank reviews the portfolio of loans and facilities to assess the impairment on a quarterly basis at least. The bank determines at its own discretion whether the impairment charges should be recorded in the income statement, in order to know if there is any reliable data referring to the existence of a measurable decline in the expected future cash flows of the loan portfolio, before identifying the decline of the level of each loan in the portfolio. Such evidence may include observable data referring to a negative change in the ability of a borrower's portfolio to repay the bank, or to local or economic circumstances related to default in the bank's assets.

Upon scheduling the future cash flows, the management use estimates based on prior loss experience for assets with same credit risk characteristics, in the presence of objective evidence, which refers to impairment similar to those included in the portfolio. The method and assumptions used in estimating both the amount and timing of future cash flows are reviewed on a regular basis to minimize any differences between estimated and actual losses based on experience. If the net present value of estimated cash flows differs by +/-5%, then the estimated impairment loss provision will increase or decrease by EGP 75 922 thousand of the formed provisions.

4.B. Fair value of derivatives

Fair values of derivative financial instruments not quoted in active markets are determined by using valuation methods. When these methods are used to determine the fair value, they are tested and reviewed periodically by qualified personnel who are independent of the body that prepared them. All such models have been approved before being used and after being tested to ensure that their results reflect actual data and prices that can be compared with the market to the extent that is deemed practical. Reliable data is only used in these models; however, areas such as credit risk related to the bank and counterparties, volatility or correlations require the management to use estimates. Changes in assumptions surrounding these factors may affect the fair value of the disclosed financial instruments.

4.C. Income tax

The bank records the liabilities of the expected results of tax examination according to the estimates of the probability of the emergence of additional tax. When there is a discrepancy between the final result of the Tax Authority and the amounts previously recorded, then these discrepancies will affect the income tax and deferred tax provision for the year, in which the discrepancy has been identified.

5. Segment analysis

5.A. Business segment analysis

Business segment includes operational processes, as well as assets used in providing banking services and management of related risk and return that are different from those of other segments. It includes related to segment analysis of these operations in accordance with type of banking business as mentioned in the following:

Large, medium and small enterprises (SMEs)

They include the activities of current accounts, deposits, overdraft accounts, loans, credit facilities and financial derivatives.

Investments

It includes the activities of companies' mergers, the purchase of investments; the financing of company restructuring and financial instruments.

Retail

They include the activities of current and savings accounts, deposits, credit cards, personal loans, and mortgage loans.

Other activities

They include other types of banking business activities such as treasury management. Transactions between the segmental activities are made in accordance with the bank's ordinary course of business and include operational assets and liabilities as presented in the bank's statement of financial position.

Bank of Alexandria (Egyptian joint stock company)
Notes to the financial statements
For the period ended 30 September 2022

Sept. 30, 2022	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Income and expenses according to segmental business activity						
Business activity income	2 137 932	1 426 753	11 756	8 392 612	(1 273 708)	10 695 345
Business activity expenses	(1 578 939)	(830 278)	(21 064)	(7 442 149)	3 348 800	(6 523 630)
Results of activity business	558 993	596 475	(9 308)	950 463	2 075 092	4 171 715
Unclassified expenses	-	-	-	-	(1 116 930)	(1 116 930)
Profit before income tax of the period	558 993	596 475	(9 308)	950 463	958 162	3 054 785
Income tax	(180 465)	(192 566)	3 005	(306 848)	(309 332)	(986 206)
Profit for the period	378 528	403 909	(6 303)	643 615	648 830	2 068 579
Assets and liabilities according to segmental business activity as at Sept. 30, 2022						
Business activity Assets	19 232 457	8 207 248	162 499	26 707 361	71 435 463	125 745 028
Business activity liabilities	12 413 770	8 860 991	-	81 377 679	23 092 588	125 745 028
Results of activity business						
Depreciations	-	-	-	-	(169 610)	(169 610)
Impairment for other provisions on income statement	-	-	-	-	(352 817)	(352 817)
Sept. 30, 2021	Corporate	Medium and small enterprises	Investment	Retail	Other activities	Total
Income and expenses according to segmental business activity						
Business activity income	1 415 899	1 145 944	29 671	6 978 172	(438 306)	9 131 380
Business activity expenses	(916 142)	(748 892)	(45 947)	(5 781 998)	2 317 698	(5 175 281)
Results of activity business	499 757	397 052	(16 276)	1 196 174	1 879 392	3 956 099
Unclassified expenses	-	-	-	-	(996 601)	(996 601)
Profit before income tax of the period	499 757	397 052	(16 276)	1 196 174	882 791	2 959 498
Income tax	(153 694)	(122 108)	5 006	(367 868)	(271 491)	(910 155)
Profit for the period	346 063	274 944	(11 270)	828 306	611 300	2 049 343
Assets and liabilities according to segment business activity as at Dec. 31, 2021						
Business activity Assets	17 816 774	8 509 874	485 956	25 086 796	63 000 115	114 899 515
Business activity liabilities	8 516 669	7 592 102	-	79 157 268	19 633 476	114 899 515
Other items of business segment						
Depreciations	-	-	-	-	(169 815)	(169 815)
Impairment for other provisions on income statement	-	-	-	-	(369 340)	(369 340)

5.B. Geographical Segment Analysis

EGP 000

Sept. 30, 2022	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Income and expenses according to geographical segment analysis				
Geographical segment Income	7 707 791	1 971 530	1 016 026	10 695 347
Geographical segment expense	(4 280 420)	(2 210 255)	(1 144 887)	(7 640 562)
Profit before income tax of the period	3 427 371	(243 725)	(128 861)	3 054 785
Income tax	(1 106 491)	78 684	41 601	(986 206)
Profit for the period	2 320 880	(165 041)	(87 260)	2 068 579

Assets and liabilities according to geographical segment as at Sept. 30, 2022

Geographical segment assets	97 788 506	19 012 270	7 944 252	125 745 028
Geographical segment liabilities	61 666 076	42 435 724	21 643 228	125 745 028
Other items of geographical segment items				
Depreciations	(169 610)	-	-	(169 610)
Impairment and other provisions on income statement	(352 817)	-	-	(352 817)

Sept. 30, 2021	Cairo	Alex., Delta and Sinai	Upper Egypt	Total
Income and expenses according to geographical segment analysis				
Geographical segment Income	6 520 900	1 714 458	896 022	9 131 380
Geographical segment expense	(3 478 295)	(1 777 222)	(916 365)	(6 171 882)
Profit before income tax of the period	3 042 605	(62 764)	(20 343)	2 959 498
Income tax	(935 713)	19 302	6 256	(910 155)
Profit for the year	2 106 892	(43 462)	(14 087)	2 049 343

Assets and liabilities according to geographical segment as at Dec. 31, 2021

Geographical segment assets	88 251 758	18 144 449	8 503 308	114 899 515
Geographical segment liabilities	53 431 366	39 927 630	21 540 519	114 899 515
Other items of geographical segment				
Depreciations	(169 815)	-	-	(169 815)
Impairment and other provisions on income statement	(369 340)	-	-	(369 340)

6. Net interest income

	For the period from 1/7/2022 to 30/9/2022 EGP 000	For the period from 1/1/2022 to 30/9/2022 EGP 000	For the period from 1/7/2021 to 30/9/2021 EGP 000	For the period from 1/1/2021 to 30/9/2021 EGP 000
Interest income on loans and similar income:				
Loans and advances to:	1 744 127	4 783 891	1 312 929	3 806 451
- Customers	1 744 127	4 783 891	1 312 929	3 806 451
- Treasury bills and bonds	1 177 876	3 211 897	1 069 045	3 210 712
- Current accounts and Term deposits	570 588	1 549 480	372 757	984 310
	3 492 591	9 545 268	2 754 731	8 001 473
Interest expense on deposits and similar expenses:				
Current accounts and deposits to:				
- Banks	(121)	(2 524)	(5 546)	(10 034)
- Customers	(1 591 431)	(4 428 892)	(1 182 660)	(3 335 878)
	(1 591 552)	(4 431 416)	(1 188 206)	(3 345 912)
Other loans	(5 954)	(15 634)	(5 240)	(17 517)
	(1 597 506)	(4 447 050)	(1 193 446)	(3 363 429)
Net	1 895 085	5 098 218	1 561 285	4 638 044

7. Net fee and commission income

	For the period from 1/7/2022 to 30/9/2022 EGP 000	For the period from 1/1/2022 to 30/9/2022 EGP 000	For the period from 1/7/2021 to 30/9/2021 EGP 000	For the period from 1/1/2021 to 30/9/2021 EGP 000
Fee and commission income:				
- Fee and commissions related to credit	145 771	390 662	128 777	402 927
- Financing services fee (corporate)	-	-	-	2
- Trust and Custody fee	595	3 056	470	2 876
- Other fees	211 187	599 802	185 551	491 434
	357 553	993 520	314 798	897 239
Fee and commission expense				
- Other paid fees	(133 706)	(430 747)	(132 416)	(320 810)
	(133 706)	(430 747)	(132 416)	(320 810)
Net	223 847	562 773	182 382	576 429

8. Dividend's income

	For the period from 1/7/2022 to 30/9/2022	For the period from 1/1/2022 to 30/9/2022	For the period from 1/4/2021 to 30/9/2021	For the period from 1/1/2021 to 30/9/2021
	EGP 000	EGP 000	EGP 000	EGP 000
Dividends' income from:				
- Investments at fair value through other comprehensive income	-	11 622	5 843	9 581
- Investments at fair value through profit and loss	(26)	-	-	10
Total	(26)	11 622	5 843	9 591

9. Net income from Financial assets classified at Fair Value through profit and loss since inception

	For the period from 1/7/2022 to 30/9/2022	For the period from 1/1/2022 to 30/9/2022	For the period from 1/7/2021 to 30/9/2021	For the period from 1/1/2021 to 30/9/2021
	EGP 000	EGP 000	EGP 000	EGP 000
Net income (losses) from:				
- Equity instruments	(1 027)	(1 158)	139	1 391
Total	(1 027)	(1 158)	139	1 391

10. Net trading income

	For the period from 1/7/2022 to 30/9/2022	For the period from 1/1/2022 to 30/9/2022	For the period from 1/7/2021 to 30/9/2021	For the period from 1/1/2021 to 30/9/2021
	EGP 000	EGP 000	EGP 000	EGP 000
-Foreign currency transactions:				
- Profit from Foreign exchange trading	10 426	60 264	29 867	85 296
- (Loss) from currency forward deals revaluation	(8)	(325)	(408)	(1 842)
Total	10 418	59 939	29 459	83 454

11. Administrative expenses

	For the period from 1/7/2022 to 30/9/2022	For the period from 1/1/2022 to 30/9/2022	For the period from 1/7/2021 to 30/9/2021	For the period from 1/1/2021 to 30/9/2021
	EGP 000	EGP 000	EGP 000	EGP 000
Employees cost:				
- Salaries and Wages	(332 899)	(892 150)	(282 392)	(803 998)
- Social Insurance	(21 988)	(66 155)	(17 682)	(52 872)
Pension cost:				
- Defined-benefit plans (Note no.31)	(75 631)	(224 426)	(68 321)	(202 736)
	(430 518)	(1 182 731)	(368 395)	(1 059 606)
Other administrative expenses	(369 355)	(1 116 931)	(313 266)	(970 988)
Total	(799 873)	(2 299 662)	(681 661)	(2 030 594)

12. Other operating revenues / (expenses)

	For the period from 1/7/2022 to 30/9/2022 EGP 000	For the period from 1/1/2022 to 30/9/2022 EGP 000	For the period from 1/7/2021 to 30/9/2021 EGP 000	For the period from 1/1/2021 to 30/9/2021 EGP 000
- Revaluation gain of assets and liabilities balances in foreign currencies with monetary nature other than held for trading or classified at inception at fair value through profit and loss	25 596	77 577	26 471	77 617
- Gains from the disposal of the assets reverted to the Bank	-	-	-	9 445
- Gains from sale of fixed assets	3 392	3 394	-	1
- Rents	(34 352)	(99 390)	(30 435)	(86 535)
- Operating and finance lease	(5 694)	(10 832)	(1 166)	(1 166)
- Recovery / (Charges) of Impairment on other provisions (Note 29)	(6 031)	48 661	(22 869)	(56 887)
- Others	1 934	5 689	7 925	37 860
Total	(15 155)	25 099	(20 074)	(19 665)

13. Impairment (Charge) / Recovery for Credit losses

	For the period from 1/7/2022 to 30/9/2022 EGP 000	For the period from 1/1/2022 to 30/9/2022 EGP 000	For the period from 1/7/2021 to 30/9/2021 EGP 000	For the period from 1/1/2021 to 30/9/2021 EGP 000
- Loans and advances to customers (Note no. 18)	(139 719)	(401 048)	(63 259)	(312 950)
- Recovery / (Charges) of Impairment of due from banks balances	1 724	(431)	(659)	497
Total	(137 995)	(401 479)	(63 918)	(312 453)

14. Income tax expenses

	For the period from 1/7/2022 to 30/9/2022 EGP 000	For the period from 1/1/2022 to 30/9/2022 EGP 000	For the period from 1/7/2021 to 30/9/2021 EGP 000	For the period from 1/1/2021 to 30/9/2021 EGP 000
- Current taxes	(324 025)	(993 816)	(320 420)	(945 430)
- Deferred income taxes (Note no. 30)	(10 896)	7 611	11 406	35 275
Total	(334 921)	(986 205)	(309 014)	(910 155)

Tax Position

Bank Tax Policy

The Bank calculates and pay tax due in accordance with the applicable laws, rules and executive regulations issued from Egyptian Tax Authority, and create/release provisions for all tax liabilities after conducting the required study considering the actual and forecast tax claims.

Bank's tax position are as follows:

A. Corporate Income Tax:

- Financial years until Y2016: Inspections had been finished and the bank received Form (9) without any tax liability.
- Financial year 2017: Inspection had been finished and received Form (19) and bank is following up with Large Tax Payers center to receive Form (9).
- Financial year 2018 and Y2019: Inspection requirements has been delivered to Large Tax Payers center, currently following up the inspection process.
- Financial years 2020 and 2021: Tax declaration presented to tax authority after tax due got paid in due dates.
- The bank also pays medical health contribution on the due dates in accordance with the requirements of Law no.2 for year 2018 regarding the comprehensive social health insurance system, starting from the date of application of the law July 12, 2018.

B. WHT "With-holding tax"

- In light of tax authority instructions, withholding tax are submitted digitally starting from third quarter 2019 for all taxes starting from 1st of October 2019 with no use of any printed forms.

C. Offshore tax on Non-Resident

- The bank committed to apply and deduct taxes at rate of 20% to Tax Authority on rendered services to non-resident and issuing certificate from International Tax Treaties to each supplier to use in applying double tax convention agreement on the tax of residency.

D. Stamp Tax Duty

First: The status of Stamp Tax Duty before the period from the application of Law No. 143 of 2006.

In light of Tax law, No.79 for year 2016 regarding ending of tax controversies, Alexbank's Legal department provided requests for ending disputes in legal dates regarding the outstanding disputes in the competent courts. The law has been renewed by law No.14 for FY 2018 which is effective from the date of Feb 28, 2018, noting that the bank has not signed the protocol between Ministry of Finance and Federation of Egyptian banks.

Second: The status of Stamp Duty Tax after the period from the application of Law No. 143 of 2006.

As per the signed protocol between the Federation of the Egyptian Banks and the Tax Authority, executive instructions No.61 for the year 2015 were issued on 16 December 2015 regarding Stamp duty for banks as follows:

- 1- Calculate stamp duty for non-Performing clients on Bank portion only not on client's portion, in case the bank made a settlement with their non-performing clients at any later stage; the bank commits to pay tax due on the reimbursement from these debtors from the first quarter the debt arose or since the application of law no. 143 of 2006 abreast of each repayment according to settlement.
- 2- Calculate stamp duty for bank portion only on highest debit balance during quarter for clients' loans and facilities which subjects to article 10 and 41 of Egyptian investment law no.72 Y2017, as the client's portion has been exempted by the mentioned law.

Therefore, the stamp duty tax position is as follows: -

- Since inception until FY 2019: Tax inspection has been finished and tax due has been settled.
- FY 2020 and FY 2021: stamp duty tax due has been paid to Egyptian tax authority in due dates.
- period from 1/1/2022 till 30/9/2022: Stamp duty tax due has been paid to Egyptian tax authority in due dates

Third: Fiscal stamp

Alexbank applied fiscal stamp and development fees automatically on clients' accounts opening forms and the tax due is paid to tax authority in due dates.

E. Real estate tax

Regarding to the Real estate tax law no. 196 of 2008 that was amended by law no. 117 of 2014

- Alexbank paid real estate tax claims in due dates on owned premises and rented premises on which real estate tax is borne by Alexbank as per rental agreements.
- In respect of the rented premises, in which the rent agreement provides for the bank the burden of the real-estate tax, all the claims in relation to these buildings have been paid.
- The Bank submitted real estate tax return for all owned premises to real estate tax authority.

F. Value Added Tax

- In accordance with Law No. 67 of 2016 and agreed between the Federation of Egyptian bank and The Central Bank of Egypt, the banks are not subject to Value Added Tax as The Central Bank has the right to determine the taxable activities. However, Alexbank according to article 17 and 32 of VAT Law is subject to reverse charges on exported services and VAT reverse charges tax due is paid on due dates.
- Alexbank provided Large taxpayers center with detailed analysis for VAT reverse charges and its relevant supporting documents from Dec 2016 to Dec 2019, as per their request, in order to inspect VAT payments. So far no comments has been received from Tax authority.

G. Payroll Tax

- Financial years till 2019: Tax inspection has been finished and received final inspection forms and currently we are waiting final form (9)

15. Basic earnings per share

	For the period from 1/7/2022 to 30/9/2022 EGP 000	For the period from 1/1/2022 to 30/9/2022 EGP 000	For the period from 1/7/2021 to 30/9/2021 EGP 000	For the period from 1/1/2021 to 30/9/2021 EGP 000
Net profit for the period	834 507	2 068 579	691 392	2 049 343
Banking System Support and Development Fund share	(8 345)	(20 686)	(6 914)	(20 493)
Staff profit share (from the period net profit)	(83 451)	(206 858)	(69 139)	(204 934)
Shareholders' share in the period net profit (1)	742 711	1 841 035	615 339	1 823 916
The weighted average of the ordinary issued shares (2) "shares in thousands"	2 500 000	1 815 385	400 000	400 000
Basic earnings per share (in EGP) (1:2)	0.30	1.01	1.54	4.56

16. Cash and balances with Central Bank of Egypt

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Cash	2 234 530	2 046 095
Balances at Central bank within the mandatory reserve ratio*	3 955 553	4 144 699
	6 190 083	6 190 794
Non-interest-bearing balances	6 190 083	6 190 794

* Represented in the amounts deposited with the Central Bank of Egypt in the context of the rules of the calculation of 14% as a mandatory reserve, which is non - interest bearing.

17. Due from Banks

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Current accounts	148 750	354 303
Deposits	29 459 116	21 693 082
Less: Allowance for impairment loss provision	(21 852)	(17 099)
Total	29 586 014	22 030 286
Central banks other than the obligatory reserve ratio *	23 209 590	18 213 901
Local banks	1 559 310	1 031 117
Foreign banks	4 838 966	2 802 367
Less: Allowance for impairment loss provision	(21 852)	(17 099)
Total	29 586 014	22 030 286

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Balances without interest	25 728	69 518
Balances with fixed return	7 555 286	4 710 768
Balances with variable return	22 005 000	17 250 000
Total	29 586 014	22 030 286
Current balances	28 383 880	21 068 047
Non-current balances	1 202 134	962 239
Total	29 586 014	22 030 286

* Including the amount of EGP 1 202 134 thousand, as the Bank shall maintain, as per the instructions of the Central Bank of Egypt, 10% of the customers' deposits in foreign currencies as a return-generating reserve with the CBE.

Analysis for impairment provision of due from banks balances:

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Beginning Balance for the period / year	17 099	18 611
Recovery of impairment of provision during the period / year (Note no. 13)	431	(1 494)
Foreign currencies revaluation differences	4 322	(18)
Closing Balance	21 852	17 099

18. Loans and advances to customers

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Retail		
- Debit current accounts	493 849	213 126
- Credit cards	405 117	343 690
- Personal loans	26 917 686	25 375 025
- Mortgage loans	3 889	8 923
Total (1)	27 820 541	25 940 764
Corporate including small loans for economic activities		
- Debit current accounts	10 061 422	8 705 116
- Direct loans	18 157 130	17 819 440
- Syndicated loans	1 456 442	1 730 676
- Other loans	-	4 252
Total (2)	29 674 994	28 259 484
Total loans and facilities to customers (1+2)	57 495 535	54 200 248
Less:		
Impairment loss provision	(3 094 241)	(2 571 391)
Unearned discount	(20 186)	(9 662)
Interest under settlement from customer loans	(231 722)	(203 343)
Suspended interest	(2 319)	(2 408)
Net	54 147 067	51 413 444

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Distributed to:		
- Current balances	28 630 800	28 716 728
- Non-current balances	25 516 267	22 696 716
	54 147 067	51 413 444

Impairment loss provision

An analysis of the movement in the impairment loss provision for loans and advances to customers according to types:

Sept. 30, 2022	Overdraft accounts EGP 000	Credit Cards EGP 000	Retail Personal Loans EGP 000	Mortgage loans EGP 000	Total EGP 000
Balance at the beginning of the period	46 916	11 327	402 265	5 720	466 228
Impairment (Recovery)/charge during the period	252 250	5 843	(129 734)	(4 568)	123 791
Amounts written-off during the period	(13 508)	(9 836)	(120)	-	(23 464)
Amounts recovered during the period *	-	5 157	12 076	-	17 233
Differences in revaluation of foreign currencies	11	-	-	-	11
Balance at the period end	285 669	12 491	284 487	1 152	583 799

	Overdraft accounts EGP 000	Direct Loans EGP 000	Corporate Syndicated Loans EGP 000	Other Loans EGP 000	Total EGP 000
Balance at the beginning of the period	1 099 103	788 624	217 014	422	2 105 163
Impairment charge during the period	380 362	(75 508)	(27 171)	(425)	277 258
Amounts written-off during period	(16 229)	-	-	-	(16 229)
Amounts recovered during period *	20 051	-	-	-	20 051
Differences in revaluation of foreign currencies	64 107	14 235	45 854	3	124 199
Balance at the period end	1 547 394	727 351	235 697	-	2 510 442
Total provision					3 094 241

Dec. 31, 2021	Overdraft accounts EGP 000	Credit Cards EGP 000	Retail Personal Loans EGP 000	Mortgage loans EGP 000	Total EGP 000
Balance at the beginning of the year	75 504	12 971	285 089	2 400	375 964
Impairment charge during the year	81 864	9 443	105 585	3 320	200 212
Amounts written-off during the year	(110 452)	(13 549)	(699)	-	(124 700)
Amounts recovered during the year *	-	2 462	12 290	-	14 752
Differences in revaluation of foreign currencies	-	-	-	-	-
Balance at the year end	46 916	11 327	402 265	5 720	466 228

	Overdraft accounts EGP 000	Direct Loans EGP 000	Corporate Syndicated Loans EGP 000	Other Loans EGP 000	Total EGP 000
Balance at the beginning of the year	1 023 596	739 583	282 698	719	2 046 596
Impairment charge / (recovery) during the year	160 315	50 055	(65 183)	(296)	144 891
Amounts written-off during year	(145 868)	-	-	-	(145 868)
Amounts recovered during the year *	61 585	-	-	-	61 585
Differences in revaluation of foreign currencies	(525)	(1 014)	(501)	(1)	(2 041)
Balance at the year end	1 099 103	788 624	217 014	422	2 105 163
Total provision					2 571 391

* From amounts that have been previously written off.

19. Financial assets classified at fair value through profit and loss

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Equity instruments at fair value:		
- Listed in the market	6 341	2 363
Total Equity instrument at fair value	6 341	2 363
Total Financial assets classified at fair value through profit and loss	6 341	2 363

The value represents 201 826 shares of ISP equity shares owned by the bank with the dividends to be credited to the bank account. The amount due to Italian employee's beneficiary of these shares under the Parent Company's Remuneration System for Top Management is recorded under credit balance.

20. Financial investments

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Financial assets classified at Fair Value through Other Comprehensive Income		
a) Debt instruments:		
Listed in the market (governmental debt instruments)	6 999 684	7 245 657
Unlisted in the market (treasury bills and other governmental notes)	22 382 142	24 649 518
b) Equity instruments:		
Unlisted in the market	88 447	361 405
Total financial assets classified at Fair Value through Other Comprehensive Income (1)	29 470 273	32 256 580
Financial assets classified at Fair Value through profit and loss		
a) Debt instruments:		
Unlisted in the market	12 870	60 590
Financial assets classified at Fair Value through profit and loss (2)	12 870	60 590

Financial assets classified at Amortized cost:

a) Debt instruments:

Listed in the market (Treasury Bonds)	2 520 189	-
Unlisted in the market (Treasury bills)	-	-

Financial assets classified at Amortized cost (3)

Total of Financial investments (1+2+3)

Current balances	29 381 826	31 895 175
Non-current balances	2 621 506	421 995
	32 003 332	32 317 170
Debt instruments with fixed interest	31 902 015	31 895 175
Debt instruments with variable interest	12 870	60 590
	31 914 885	31 955 765

Treasury bills and other governmental notes at FVOCI

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Treasury bills due 273 days	2 254 900	12 597 850
Treasury bills due 364 days	20 705 215	12 943 191
Unearned interest	(532 161)	(891 523)
Fair value Revaluation impact	(45 812)	-
Total	22 382 142	24 649 518

	Financial Assets at FVOCI EGP 000	Financial Assets at FVTPL EGP 000	Financial Assets at amortized cost EGP 000	Total EGP 000
Balance as at January 1, 2022	32 256 580	60 590	-	32 317 170
Additions	37 416 900	-	4 469 881	41 886 781
Share premium / Issuance Discount	(532 234)	-	(9 690)	(541 924)
Disposals (sale/redemption)	(40 310 674)	(47 972)	(1 940 002)	(42 298 648)
Translation differences resulting from monetary foreign currencies Assets	41 523	-	-	41 523
(Losses) from changes in fair value reserve (Note no.34.c)	(287 999)	-	-	(287 999)
Fair Value Through profit and Loss	-	252	-	252
Amortized cost	(6 524)	-	-	(6 524)
Amortization of Premium	892 701	-	-	892 701
Balance as at Sept. 30, 2022	29 470 273	12 870	2 520 189	32 003 332

	Financial Assets at FVOCI	Financial Assets at FVTPL	Financial Assets at amortized cost	Total
Balance as at Dec. 1, 2020	33 097 877	55 949	-	33 153 826
Additions	64 661 047	-	-	64 661 047
Disposals (sale/redemption)	(65 178 792)	(908)	-	(65 179 700)
Differences of valuation of assets of monetary nature in foreign currencies	(166)	-	-	(166)
(Losses) from changes in fair value	(336 941)	-	-	(336 941)
Fair Value Through profit and Loss – Our bank Mutual funds	-	5 549	-	5 549
Amortized cost	14 532	-	-	14 532
Selling Equity instruments	(810)	-	-	(810)
Amortization of issuance discount	(169)	-	-	(169)
Differences of valuation of provisions in foreign currencies	2	-	-	2
Balance as at Dec. 31, 2021	32 256 580	60 590	-	32 317 170

20.A. Gains / (Losses) from financial investments

	For the period from 1/7/2022 to 30/9/2022 EGP 000	For the period from 1/1/2022 to 30/9/2022 EGP 000	For the period from 1/7/2021 to 30/9/2021 EGP 000	For the period from 1/1/2021 to 30/9/2021 EGP 000
Gains from financial investments				
Gain (Losses) on sale financial investments	-	-	-	-
Impairment Charge Equity Instruments	(7 500)	(7 500)	-	-
Gain (Losses) on sale of Financial assets classified at Fair Value through Profit and loss Income	-	30	1 489	129
Gain (Losses) on sale of Financial assets – Governmental Bills	2 352	5 859	-	5 985
Total	(5 148)	(1 611)	1 489	6 114

21. Investments in associates

The Bank contributions in associates are as follows:

Sept. 30, 2022	Total shareholders' equity EGP 000	Bank's share percentage	Bank's share in shareholders' equity EGP 000
Misr International Towers Co.	199 342	27.86%	55 529
Misr Alexandria Mutual Fund Company for Financial Investments	-	25.00%	-
	199 342		55 529

Dec. 31, 2021	Total shareholders' equity EGP 000	Bank's Share Percentage	Bank's share in shareholders' equity EGP 000
Misr International Towers Co.	190 904	27.86%	53 179
Misr Alexandria Mutual Fund Company for Financial Investments	36 239	25.00%	9 059
	227 143		62 238

(*) The Extraordinary General Assembly for Misr Alexandria Mutual Fund for Financial Investment Company agreed on December 14, 2020 to take the decision to liquidate the company on December 31, 2020, and to indicate that the company is under liquidation in the commercial registry and to appoint a legal liquidator, provided that the term of liquidation shall be a maximum of one year. Authorizing the Board of Directors to take the necessary procedures to finalize the liquidation process with the Financial Regulatory Authority and other entities, The General Assembly also agreed in 26 June 2022 to extend the liquidation to 30 June 2023 until the liquidation procedures are completed. We conducted an impairment of the bank's share in the company, as there was objective evidence of impairment losses in the value of the investment, and the situation will be followed up on the position of Our share with date of extending the liquidation.

The financial data of associates are as follows:

Sept. 30, 2022	Country of the Company's Head Office	Balance Sheet date	Company's Assets EGP 000	**Company's Liabilities (without shareholders' equity) EGP 000	Company's Revenues EGP 000	Profits of the company EGP 000	Share Percentage %
Misr International Towers Co.	Egypt	30/06/2022	404 861	205 519	20 633	6 263	27.86%
Misr Alex Fund Co. For Fin. Inv.	Egypt	31/12/2021	47 040	9 345	2 429	1 457	25.00%
			451 901	214 864	23 062	7 720	

Dec. 31, 2021	Country of the Company's Head Office	Balance Sheet date	Company's Assets EGP 000	**Company's Liabilities (without shareholders' equity) EGP 000	Company's Revenues EGP 000	Profits (losses) of the company EGP 000	Share Percentage %
Misr International Towers Co.	Egypt	30/09/2021	372 084	181 180	8 157	(8 844)	27.86%
Misr Alex Fund Co. For Fin. Inv.	Egypt	31/12/2020	45 107	8 868	6 211	(10 639)	25.00%
			417 191	190 048	14 368	(19 483)	

** It includes the effect of decision of dividend payout (The Board members' and the employees' share).

22. Intangible assets

Sept. 30, 2022	Computer software programs EGP 000	Benefits of rental contracts EGP 000	Total EGP 000
Cost at the beginning of the period	770 402	-	770 402
Additions	142 900	-	142 900
Total cost	913 302	-	913 302
Amortization at the beginning of the period	(601 531)	-	(601 531)
Amortization for the period	(72 537)	-	(72 537)
Accumulated amortization	(674 068)	-	(674 068)
Net book value at the end of the period	239 234	-	239 234

December 31, 2021	Computer Software Programs EGP 000	Benefits of rental contracts EGP 000	Total EGP 000
Cost at the beginning of the year	646 105	655	646 760
Additions	124 297	-	124 297
Disposals	-	(655)	(655)
Total cost	770 402	655	770 402
Amortization at the beginning of the year	(498 542)	(642)	(499 184)
Amortization for the year	(102 989)	(13)	(103 002)
Disposals' accumulated amortization	-	655	655
Accumulated amortization	(601 531)	-	(601 531)
Net book value at the year end	168 871	-	168 871

23. Other assets

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Accrued revenues	1 092 270	846 300
Prepaid expenses	157 093	167 082
Payments under purchase of fixed assets	206 656	187 946
Assets reverted to the Bank in settlement of debts (after deducting impairment)	31 299	31 340
Insurance and custodies	7 849	7 548
Others	1 096 524	647 689
Total	2 591 691	1 887 905
Less: Provisions for doubtful debts	(67 587)	(121 330)
Closing balance	2 524 104	1 766 575

24. Fixed assets

	Land and Buildings	Improvements on leased assets	Machinery and Equipment	Others	Total
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
Balance as at 1/1/2021					
Cost	431 457	97 534	314 519	677 945	1 521 455
Accumulated depreciation	(179 448)	(71 335)	(134 549)	(482 313)	(867 645)
Net book value at 1/1/2021	252 009	26 199	179 970	195 632	653 810
Additions	26 186	20 988	55 222	50 879	153 275
Disposals	(137)	(1 854)	-	(18)	(2 009)
Depreciation for the year	(18 389)	(12 529)	(29 733)	(64 071)	(124 722)
Disposals' accumulated depreciation	129	1 854	-	8	1 991
Net Book value as at 31/12/2021	259 798	34 658	205 459	182 430	682 345
Balance as at 1/1/2022					
Cost	457 506	116 668	369 741	728 806	1 672 721
Accumulated depreciation	(197 708)	(82 010)	(164 282)	(546 376)	(990 376)
Net book value at 1/1/2022	259 798	34 658	205 459	182 430	682 345
Additions	8 189	4 260	15 442	58 319	86 210
Disposals	-	-	(9 601)	(15 698)	(25 299)
Depreciation for the period	(14 060)	(11 166)	(23 808)	(48 039)	(97 073)
Disposals' accumulated depreciation	-	-	9 512	15 689	25 201
Net Book value as at 30/09/2022	253 927	27 752	197 004	192 701	671 384
Balance as at 30/09/2022					
Cost	465 695	120 928	375 582	771 427	1 733 632
Accumulated depreciation	(211 768)	(93 176)	(178 578)	(578 726)	(1 062 248)
Net book value	253 927	27 752	197 004	192 701	671 384

25. Due to banks

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Current accounts	283 044	467 647
Deposits	410 599	-
Total	693 643	467 647
Local banks	16 076	11 009
Foreign banks	677 567	456 638
Total	693 643	467 647
Balances without interest	277 396	442 194
Balances with fixed interest	416 247	25 453
Total	693 643	467 647
Closing balance	693 643	467 647

26. Customers' deposits

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Demand deposits	31 505 967	25 402 054
Term and notice deposits	5 303 745	5 340 789
Certificates of deposits and savings	50 147 241	47 486 362
Savings deposits	15 810 539	16 970 689
Other deposits	806 710	520 146
	103 574 202	95 720 040
Corporate deposits	21 849 735	16 238 876
Retail deposits	81 724 467	79 481 164
	103 574 202	95 720 040
Balances without interest	15 328 674	13 225 784
Balances with variable interest	70 634 305	67 925 324
Balances with fixed interest	17 611 223	14 568 932
	103 574 202	95 720 040
Current balances	22 585 729	21 838 743
Non-current balances	80 988 473	73 881 297
	103 574 202	95 720 040

Customers' accounts include deposits amounted to EGP 1 559 766 thousand as at 30 September 2022 versus EGP 1 026 924 thousand as at 31 December 2021 which represent collateral of customer loans, letters of credit, and letters of guarantee. Deposits' fair value approximately equals the present value of such deposits.

27. Other loans

	Interest Rate %	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Loan within the framework of The Agricultural Sector Development Program	3.5: 5.0	6 346	10 477
Long-term loans from CBE	3%	114 769	156 098
Sanad Loan Fund for MSME	Libor 6 month+2.85%	71 105	85 732
Loan Green for Growth Fund Tranche one amounted to USD 15 million	Libor 6 month+2.95 %	138 027	138 683
Loan Green for Growth Fund Tranche two amounted to USD 5 million	Libor 6 month+2.95%	-	11 234
European Bank Loan For reconstruction and development Tranche amounted USD 15 million	Libor 6 month+3.25%	125 694	168 393
Total long-term loans		455 941	570 617
Current balances		209 426	196 218
Non-current balances		246 515	374 399
		455 941	570 617

- The bank has fulfilled all of its loan obligations in terms of the principal, interest or any other terms and conditions during the current period and the comparative year.

28. Other liabilities

	Sept. 30, 2022	Dec. 31, 2021
	EGP 000	EGP 000
Accrued interest	397 118	323 270
Prepaid revenues (*)	399 882	333 312
Accrued expenses	549 016	528 591
Creditors	448 116	184 042
Profit share payable	1 029 017	-
Remittances of Egyptian workers in Iraq – due to customers	57 997	58 021
Other credit balances	1 184 188	565 612
	4 065 334	1 992 848

(*) Including an amount of EGP 895 in September 2022, representing the value of governmental grants related to the Central Bank of Egypt's initiative for electronic payment (points of sale).

29. Other provisions

	Sept. 30, 2022	Dec. 31, 2021
	EGP 000	EGP 000
Balance at the beginning of the period / year	420 479	401 980
Differences in valuation of foreign currencies	6 563	(1 360)
(Recovery) / Charge to income statement - (Note 12)	(48 662)	27 839
Used amounts during the period/year	(5 969)	(13 274)
Recovery /Transfers to doubtful amounts provisions (other assets)	53 742	5 294
Balance at the end of the period / year	426 153	420 479

Other provisions include of an amount of EGP 129 193 thousand at 30 September 2022 to meet contingent liabilities and contractual commitments that amount to EGP 14 891 025 thousand, versus to EGP 140 996 thousand as at 31 December 2021 to meet contingent liabilities and contractual commitments that amount to EGP 13 642 393 thousand.

30. Deferred tax

- The deferred income tax has been calculated in full on the deferred tax differences according to the liabilities method by applying the actual tax rate of 22.5% for the current financial year.

Following are the balances and the movement in deferred tax assets and liabilities:

30.A. Recognized deferred tax

	Deferred tax assets		Deferred tax liabilities	
	Sept. 30, 2022	Dec. 31, 2021	Sept. 30, 2022	Dec. 31, 2021
	EGP 000	EGP 000	EGP 000	EGP 000
Fixed assets (depreciation)	-	-	(64 690)	(55 944)
Fair value differences	-	-	(16 190)	(65 090)
Other provisions	74 277	87 904	-	-
Medical plan and pilgrimage	328 543	298 559	-	-
Total deferred tax assets (liabilities)	402 820	386 463	(80 880)	(121 034)
Net balance of DTA	321 940	265 429		

30.B. Movement of deferred tax

	Deferred tax assets		Deferred tax liabilities	
	Sept. 30, 2022	Dec. 31, 2021	Sept. 30, 2022	Dec. 31, 2021
	EGP 000	EGP 000	EGP 000	EGP 000
Balance at the Beg. of the period / year	386 463	370 932	(121 034)	(173 239)
Additions through profit and loss	29 984	28 700	-	-
Additions through equity	-	-	48 900	53 413
Excluded through profit and loss	(13 627)	(13 169)	(8 746)	(1 208)
Excluded through equity	-	-	-	-
Total deferred tax assets (liabilities)	402 820	386 463	(80 880)	(121 034)
Net balance of DTA	321 940	265 429		

31. Retirement benefits obligations

	Sept. 30, 2022	Dec. 31, 2021
	EGP 000	EGP 000
Liabilities included in the financial position statement for:		
Post-retirement medical benefits	1 455 992	1 323 482
Total	1 455 992	1 323 482

	For the period from 1/7/2022 to 30/9/2022	For the period from 1/1/2022 to 30/9/2022	For the period from 1/7/2021 to 30/9/2021	For the period from 1/1/2021 to 30/9/2021
	EGP 000	EGP 000	EGP 000	EGP 000
Amounts recognized in the income statement:				
Post-retirement medical benefits (Note no. 11)	75 631	224 426	68 321	202 736
Closing Balance	75 631	224 426	68 321	202 736

The balances in the financial position statement are presented as follows:

	Sept. 30, 2022	Dec. 31, 2021
	EGP 000	EGP 000
The present value of funded obligations	1 879 123	1 773 441
Unrealized actuarial (losses) *	(423 131)	(449 959)
The liabilities in the financial position statement	1 455 992	1 323 482

The movement in liabilities during the period / year is represented in the following:

	Sept. 30, 2022	Dec. 31, 2021
	EGP 000	EGP 000
The balance at the beginning of the period / year	1 323 482	1 195 772
Current service cost	5 466	10 551
Interest cost	192 131	236 432
Actuarial losses	26 829	24 075
Paid benefits	(91 916)	(143 348)
Balance at the end of the period / year	1 455 992	1 323 482

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

	For the period from 1/7/2022 to 30/9/2022 EGP 000	For the period from 1/1/2022 to 30/9/2022 EGP 000	For the period from 1/7/2021 to 30/9/2021 EGP 000	For the period from 1/1/2021 to 30/9/2021 EGP 000
Current service cost	1 842	5 466	2 659	7 891
Interest cost	64 748	192 131	59 594	176 838
Actuarial losses	9 041	26 829	6 068	18 007
Balance at the end of the period	75 631	224 426	68 321	202 736

The principal actuarial assumptions used are presented as follows:

	Sept. 30, 2022	Dec. 31, 2021
Discount rate	13.8%	13.8%
Previous service cost inflation rate	10%	10%
Future service assumption cost inflation rate	11%	11%
Mortality assumption	92 mortality cases every year	92 mortality cases every year
Employee turnover	15% pa at age 20 decreasing to 0.1% after age 50.0% after age 54	15% pa at age 20 decreasing to 0.1% after age 50.0% after age 54

* Whereas actuarial losses are higher than 10% of the defined benefits liability, then the amortized amount has been recognized in the income statement.

32. Share capital

	No. of Shares (In millions)	Ordinary Shares EGP 000	Total EGP 000
Balance at the beginning of the period	400	800 000	800 000
Capital Increase	2 100	4 200 000	4 200 000
Balance at the end of the period	2 500	5 000 000	5 000 000

- The bank's authorized capital amounts to EGP 5 000 million.
- The issued and subscribed capital amounts to EGP 5 000 million, divided into 2 500 million shares with a par value of EGP 2 each and it has been fully subscribed and paid.
- On February 23rd, 2007, the Ministry of Investment (State owned assets management program) invited investment banks to submit their proposals for the public offering of 15% of the issued share capital and the remaining 5% to Alex Bank's employees and the subscription program is not implemented yet.
- On September the 14th 2020, International Finance Corporation (IFC) sold its participation of 9.75% (with exception of one share) in Bank of Alexandria to Intesa Sanpaolo S.P.A. The share of Intesa Sanpaolo S.P.A became 80% (approximately). IFC in year 2021 sold the remaining one share to Mr. Ahmed Saeed Al-Falal representing 0.00000025%.
- As per the Banking Law No. 194 issued in September 2020, and with reference to Article 64, the minimum paid-up capital for banks became five billion Egyptian pounds. Approval was obtained from the Central Bank for the convening of an extraordinary general assembly on September 28, 2021. The ratification of the decisions of the minutes of the extraordinary general assembly meeting was approved, and the commercial register and the Article of Association were amended accordingly. The capital increase of EGP 4,200,000 thousand was funded from the retained earnings maintaining the same percentage of ownership and not changing the share price. As a result, the new capital structure is as follows:

Name	Shareholding %	No. of Shares (000)	Nominal value Shares EGP 000
Intesa Sanpaolo S.P. A	79.99999975 %	1 999 999 993	3 999 999
Ministry of finance (Share of State)	20.00 %	500 000 000	1 000 000
Ahmed Saeed Al-Falal	0.00000025%	7	1
	100%	2500 000 000	5 000 000

33. Reserves and retained earnings

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Legal reserve	2 500 000	400 000
General reserve	-	29 312
Special capital reserve	36	418 158
Other reserves	-	289 188
General Banking Risks Reserve – Credit	226 547	368 044
General Risk Reserve *	35 135	35 135
Fair value reserve for investments through OCI	(119 130)	336 807
Total reserves	2 642 588	1 876 644

* No amounts shall be distributed from the balance of general Risk Reserve except after obtaining the approval of the Central Bank of Egypt (CBE).

The movement in reserves is as follows:

33.A. Legal reserve

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Balance at the beginning of the period / year	400 000	400 000
Transferred from reserve	736 623	-
Transferred from retained earnings	1 363 377	-
Balance at the end of the period / year	2 500 000	400 000

- According to the provisions of Bank's Articles of Association, 5% of net profit of the year shall be transferred to a non-distributable statutory reserve until it reaches 50% of the bank's capital.
- In the Ordinary General Assembly on March 31, 2022 it was decided, after obtaining the CBE approval, to reach 50% of the issued and paid-up capital of EGP 2 500 000 thousand through the transfer of an amount of 736 623 thousand Egyptian pounds from other reserves and an amount of 1 363 377 thousand Egyptian pounds from retained earnings.

33.B. Special capital reserve

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Balance at the beginning of the period / year	418 158	418 123
Transferred to Legal reserve	(418 123)	-
Formed from the financial year 's profits 2021, 2020	1	35
Balance at the end of the period / year	36	418 158

33.C. Fair value reserve/ financial investments

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Balance at the beginning of the period / year	336 807	631 880
Differences of valuation of treasury bonds and bills ECL provisions in foreign currency	-	(3)
Net Gains / (Losses) from change in fair value	(288 148)	(334 969)
Net (Gains) transferred to Retained earnings due to disposals	(603 531)	(629)
Fair value reserve	386 222	-
ECL FX revaluation differences	753	-
Net change of fair value due to maturity	(133)	(12 886)
Deferred tax liability (Note no.30)	48 900	53 414
Balance at the end of the period / year	(119 130)	336 807

33.D. Retained earnings

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Balance at the beginning of the period / year	6 845 042	8 935 821
Amounts under capital increase	-	(4 200 000)
Net profits of the current period / year	2 068 579	2 750 030
Transferred to general banking risk reserve – Credit	141 497	(368 044)
Employees' share in financial year 2021/2020 profit	(238 198)	(248 508)
Banking development system fund	(23 820)	(24 851)
Transferred to Legal reserve	(1 363 377)	-
Transferred to Special capital reserve	(1)	(35)
Net (Gains) of financial instruments measured at FVOCI - disposals	603 531	629
Shareholders' dividends in financial year 2021/2020	(1 429 191)	-
Balance at the end of the period / year	6 604 062	6 845 042

34. Dividends

Dividend is not recorded until it is approved by the General Assembly of Shareholders. Dividends to shareholders, as well as the employees' share of the year profit, will be recognized as a distribution of retained earnings in the financial year ending on December 31, 2022.

35. Cash and cash equivalents

For the presentation of the cash flows statement, cash and cash equivalents include the following balances with maturities of no later than three months from the acquisition date.

	Sept. 30, 2022 EGP 000	June 30, 2021 EGP 000
Cash and balances at Central Bank of Egypt (Note no.16)	2 234 530	1 954 559
Due from banks (Note no. 17)	28 799 364	20 840 321
	31 033 894	22 794 880

36. Contingent liabilities and commitments:

36.A. Legal Claims

There are a number of cases filed against the bank on 30 September 2022, and the balance of the claims' provision amounted to EGP 44 570 thousand.

36.B. Capital commitments

Fixed assets and fittings and fixtures of branches

The value of the commitments related to the purchase contracts of fixed assets and the fittings and fixtures of the branches that has not yet been made till the reporting date amounted to EGP 133 337 thousand on 30 September 2022, versus EGP 129 582 thousand on 31 December 2021. The Top Management has sufficient confidence in generating revenues and providing the finance required to cover these commitments.

36.C. Commitments related to loans, guarantees, and facilities

The bank's commitments related to loans, guarantees and facilities are represented in the following:

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Loan commitments	9 919 571	9 768 325
Accepted documentation	1 903 626	1 387 237
Letters of guarantee	11 172 843	10 839 817
Letters of credit "import"	1 784 449	1 199 401
Letters of credit "export"	30 106	215 939
Total	24 810 595	23 410 719

36.D. Commitments on operational leasing contracts

The total of minimum lease payments on irrevocable operational leasing contracts is as follows:

	Sept. 31, 2022 EGP 000	Dec. 31, 2021 EGP 000
Not more than one year	6 596	6 596
more than one year	12 295	17 242
Total	18 891	23 838

37. Transactions with related parties

- Intesa Sanpaolo SpA own roughly 80% of the ordinary shares, whereas the remaining percentage 20% is owned by Ministry of finance (Share of Republic of Egypt) and another shareholder.
- The bank has entered into many transactions with the related parties within the context of its normal business. These transactions include loans, deposits, as well as foreign currency swaps.
- The transactions and the balances of the related parties at the end of the financial period are as follow:

37.A. Transactions with related Parties (Associate companies)

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Statement of financial position		
Loans and Advances	160 872	145 608
Customers' Deposits	6 517	5 293
	For the period ended 30/09/2022 EGP 000	For the period ended 30/09/2021 EGP 000
Income statements		
Interest Expenses	544	49
Interest Revenues	13 800	8 590

37.B. Transactions with the Parent Bank (Intesa Sanpaolo Bank)

	Sept. 30, 2022 EGP 000	Dec. 31, 2021 EGP 000
Statement of financial position		
Due from banks	16 710	8 041
Debit balances and other assets	14 700	12 088
Due to banks	3 566	678
Credit balances and other liabilities	1 088 070	41 468
	For the period ended 30/09/2022 EGP 000	For the period ended 30/09/2021 EGP 000
Income statements		
Revenues	1 964	1 977
Expenses	77 434	53 216

38. Mutual funds

It is an activity authorized for the Bank by virtue of Capital Market Law No. 95/1992 and its Executive Regulations.

These funds, which are managed by EFG- Hermes Fund Management Company, are as follows:

38.A. Bank of Alexandria Mutual Fund (with periodical return and capital growth)

The certificates of the fund reached 3 million with an amount of EGP 300 million (after increasing the capital of the mutual fund on March 26th, 2006 with an amount of EGP 100 million). The bank in line to the articles of association of the fund allocated 2% of the fund's size to provide its services, with a maximum of 5 million Egyptian pounds.

The Bank investment in the fund amounted to 13.3 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 2.429 million as at 30 September 2022.

The redeemable value of the certificate as at 30 September 2022 amounted to EGP 311.16 and the outstanding certificates at that date reached 65.3 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions in return for its supervision of the fund and other administrative services rendered thereby. Total commissions amounted to EGP 213 thousand as at 30 September 2022, which were presented under the item of "Fee and commission income" in the income statement.

38.B. Bank of Alexandria's Monetary Mutual Fund (with daily-accumulated return in Egyptian Pound)

The certificates of the fund reached 20 million certificates with an amount of EGP 200 million. As the fund is an open fund, the Bank adjusts its allocated percentage on a daily basis. The bank in line to the articles of association of the fund allocated 2% of the fund's size to provide its services, with a maximum of 5 million Egyptian pounds.

The Bank investments in the fund amounted to a number of 106 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 4.284 million as at 30 September 2022.

The redeemable value of the certificate amounted to EGP 49.5661 as at 30 September 2022, and the outstanding certificates at that date reached 41 250 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby. Total commissions amounted to EGP 6 051 thousand as at 30 September 2022, which were presented under the item of "Fee and commission income" in the income statement.

38.C. Bank of Alexandria Fixed Income Fund (with quarterly return)

The certificates of the fund reached 10 million certificates with an amount of EGP 100 million. It is worth mentioning that the fund is an open fund with a quarterly return. The bank in line to the article of association of the fund allocated 2% of the fund's size to provide its services, with a maximum of 5 million Egyptian pounds. The Bank investment in the fund amounted to 146 thousand certificates (including certificates of activity undertaking), and their redeemable value amounted to EGP 5.157 million as at 30 September 2022.

The redeemable value of the certificate amounted to EGP 35.32345 as at 30 September 2022 and the outstanding certificates at that date reached 3 174.9 thousand certificates.

According to the fund's management contract and its prospectus, the Bank shall be paid fees and commissions for its supervision on the fund and other administrative services rendered thereby.

Total commissions amounted to EGP 393.7 thousand as at 30 September 2022 which were presented under the item of "Fee and commission income" in the income statement.

39. Significant Events

Alex Bank is following the developments of the crisis between Russia and Ukraine and its impact on the Egyptian economy and the reflection of that crisis on the bank's clients in the different economic and sectors of activities. Accordingly, the bank is continuing to implement the internal protection measures by monitoring and reviewing the level of provisions as well as the portfolio coverage ratio to mitigate the impact on the loan's portfolio.

It is worth to highlight that despite the decline of the Corona Virus ("COVID-19") pandemic worldwide due to the success in vaccinating citizens in many countries, including Egypt, the Bank is closely monitoring the situation through the business continuity plan and the other risk management practices.

The Central Bank of Egypt, in its meeting held on September 22, 2022, decided to increase the required mandatory reserve ratio for local currency to 18% from 14%. This decree will be applied starting from October 4, 2022.

The Central Bank of Egypt, in its meeting held on October 27, 2022, decided to raise the overnight deposit and lending rates by 200 basis points to reach 13.25% and 14.25%, respectively. Along with the interest rate raising, the central bank of Egypt, also decided to float the exchange rate for foreign currencies in order to give the banks operating in Egypt the flexibility to determine the sale and purchase price for foreign currencies within legal channels.

40. Comparative figures

The comparative figures have been reclassified to conform to the changes in the approved presentation for the current period.



Dante Campioni
CEO and Managing Director



Michele Formenti
Chief Financial Officer